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Money, Gold And Exchange

By RENE LEON

Asserting money cannot measure value, because it has no fixed and unvariable unit, Mr. Leon denounces efforts to fix rates of exchange. Advocates free market but foresees disaster to economic structure in immediate gold convertibility of dollar.

The passion for fixed rates of exchange is based on the myth that money is a measure of value.

Money cannot measure value, it can only express it. For a measure is something definite, exact, invariable. Regardless of its composition a yardstick measures three feet, never more, never less. A meter, whether made of wood or of solid gold, measures 100 centimeters, never more, never less. Thus a yard can be translated into metric terms, a meter in term of feet and inches, and the figures will be exact, always. Such is not the case with the unit of currency—

Rene Leon

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See pages 21-24 for PICTURES taken at recent annual outings of the Security Traders Association of Los Angeles and the Securities Traders Association of Detroit and Michigan.

Role of Free Enterprise In American Progress

By BENJAMIN F. FAIRLESS*

President, United States Steel Corporation

Prominent industrialist recounts significant role of business in American progress which has created in less than two centuries the world's greatest and most efficient industrial structure. Says profit motive is essential as logical accompaniment of ambition and spur to attainment. Sees a force of destruction in gross enlargement of powers of Federal Government, and calls Socialism and Communism, "foreign yeasts working in our society."

Business has played an extremely important role in our national economy for many decades. It is an outstanding index of our material well-being. Within its ranks, year by year as population has increased and the needs of the people multiplied, industries have developed in countless fields of activity, and by dint of hard work have become proficient and strong. Great inventions have been embodied in machines, facilities, and consumers' goods, all of which have lightened human burdens and progressively raised the standard of living in America. Disclosures of science, along with the teachings of engineering and the fine arts, have been adopted in factory, mill, and field, to the great benefit not only of industry itself, but of those who use its products. So today one finds within our borders a profusion of the necessities, conveniences, and luxuries of life more widely available than in any

Benjamin F. Fairless

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*An address by Mr. Fairless at the Commencement Exercises of Bryant College, Providence, R. I., Aug. 5, 1949.

The Phony Depression

By MELCHIOR PALYI

Dr. Palyi, asserting this depression is a "phony" if there ever was one, sees an orderly retreat from inflationary top. Notes present business slump is not characterized by financial distress, bank failures and the like, and nothing of this sort is in offing. Holds nothing has occurred but a lull in an inflationary boom and there has been no orthodox collapse of consumer demand, which has characterized previous depressions. Sees backlog of demand supported by liquid holdings as great as ever, and urges accumulation of substantial corporate reserves "while the going is good." Scores President's economic predictions, pointing out their fallacies.

I

It has been said that if this is a depression, or recession, it is the most prosperous one the country has ever seen. Indeed, the pattern of this nine months old down-turn is totally different from anything that has been known before under a similar name.

This time, the boom "broke" or reversed itself, without any appreciable tightening of the interest rates to precede it. This is certainly contrary to the text-books and to all cyclical experience. The transition from top prosperity to something else, whatever it is, took place virtually at a record low level of government bond yields and money market rates.

Dr. Melchior Palyi

In previous depressions, within the first nine months, if not before, a financial crisis had occurred: bank failures, business bankruptcies, stock market crash,

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EDITORIAL

As We See It

Lessons From the White Paper

One need not be a partisan opponent of Roosevelt, Truman or of any one else, or yet a supporter of Dewey or any of the Republican "opposition" to find depressing reading in the extended White Paper now made public giving a detailed picture of our Chinese policy in recent years. It is a sad, sad story of misconception, misadventure, bungling and disaster.

There are some lessons, some important lessons, to be learned from this document. If they are not wholly new to the matriculate, they probably could well be taken to heart by many who still have not come to a realistic understanding of much of what is going on in the world today. First of all, it is evident—whether warranted or not is not here in question—that President Roosevelt, amid all the glowing phrases of idealism, did not hesitate when the occasion arose to "play world politics" in precisely the way that the larger European powers had been doing for centuries. It is now obvious enough that no small part of the present situation in China, if it did not have its origin at Teheran and Yalta,

(Continued on page 28)

Fund Managers Show Increased Confidence

By HENRY ANSBACHER LONG

While maintaining relatively conservative positions in equity section of their portfolios, majority of both open and closed-end funds expand common stock purchases in June quarter. Utilities, oils, natural gas and building industries favored; steels and industrial equipment issues are sold.

Increasing confidence was displayed by investment companies in the second quarter of the year as a majority of both open and closed-end funds stepped up their purchases of common stocks. Only nine out of the sixty trusts covered in this survey sold equities on balance, although a third of this total, mostly open-enders, managed to increase their liquid reserves by sales of their own stock to the public. Utilities continued as outstanding favorites because both of their merits as defensive securities against a protracted extension of the recession and also because of their profit possibilities from exchanges in liquidation proceedings. Buyers edged ahead of the bears once more in the petroleum issues, and the booming natural gas industry attracted many managements with its long-term growth potentialities. Building stocks were shown a marked preference, particularly those connected with the cement industry. Also well-liked were those merchandising issues representative of the variety chains, and the tobacco stocks. In the latter group, Liggett and Myers was shown outstanding attention following the announcement of the issuance of rights. As in the previous quarter, steels continued their unpopularity and were joined by manufacturers of heavy industrial equipment. Very little concentrated selling was indicated in any other groups.

Henry A. Long

Non-Ferrous Metal Revival

Firming of prices in non-ferrous metals found some reflection in a reviving interest in such companies as Kennecott and International Nickel. Comment was made in our survey of the March quarter concerning the decreased popularity among these issues. Purchases continued widely scattered among the stocks of commercial banking institutions and insurance companies, as occurred in the previous three-months' period. On the other hand, buying of aviation supply manufacturers was concentrated in a few issues like Bendix, Sperry and United Aircraft.

Activity Only Moderate

In spite of the increased optimism of the managements, few funds went overboard in their buying activities. Purchases did exceed sales by 85% as contrasted with a 35% margin for buying transactions in the March quarter. But over-all activity was just about equal to that in the previous three months, the additional buying of equities being made possible through a 14% decrease in liquidation of portfolio securities.

The fact that managements have not yet discarded a certain measure of caution, despite the increase in their purchases, is indicated by the still substantial cash reserves and relatively conservative positions in the equity sections of their portfolios. An excellent picture of the continuing defensive positions, despite the quarter's purchases, is indicated by a comparison of the average percentage of total net assets in the equity section for the month-ends of March and June:

	March	June
Open-end Balanced Funds	66.9%	65.8%
Open-end Stock Funds	83.6%	86.5%
Closed-end Companies	80.9%	79.7%

There are two factors that should be mentioned in interpreting the figures for the closed-end companies. These also explain the wide fluctuations in the corresponding cash reserves appearing in the accompanying table. Lehman Corporation's equity section rose and its cash position was severely depleted because its annual fiscal period ended in June, at which time a substantial capital gains distribution was made to stockholders. In contrast, cash of U. S. and International Securities was more than doubled and the percentage of its portfolio represented by equities was correspondingly decreased because of transactions connected with the establishment of a special reserve to eliminate problems connected with its former tax status. The decrease in the cash of its affiliate, U. S. and Foreign Securities, also resulted from an inter-company transaction as part of the same program.

With reference to general portfolio operations a few individual transactions are interesting to note. A seldom heard-of security recently added to the portfolio of Wisconsin Investment Co. is Getchell Mine, Inc. This a gold mining company, a group which represented in June 10½% of the Wisconsin Company's portfolio. An addition to the approved list of the New England Fund is Howard Stores. While Bond Stores, one of its chief competitors, has received a good amount of attention from investment company managers, to date there has not been too much interest in Howard.

General Public Service, in building up its holdings of utilities and natural gas stocks to comprise two-thirds of portfolio investments, has completely eliminated its interest in oils. In the last-quarter it sold 1,500 shares of Continental, 2,000 Gulf and 1,000 Phillips. Some of the other managements have also been selling utilities since the end of the quarter feeling that a saturation point is being reached in the demand for this group. Delaware Fund recently eliminated its holdings of Commonwealth and Southern.

Illustrating the general management policy indicated above of making selected purchases while still maintaining a relatively conservative balance between cash and equity sections of portfolios, is the statement accompanying the June 30th report of the trustees of the New England Fund: ". . . your Trustees could not hope to forecast with any accuracy the extent of this recession. However, during this period, we are following our usual policy of adding sound stocks to our holdings at what we believe will prove to be bargain prices. Because of the difficulty in timing such a program we are now, as in the past, spreading our purchases over a period of many months. Only a small part of the reserves set aside for this purpose have been used to date, leaving over one-fifth of your total fund available for additional purchases under this plan."

As noted in the March survey the guaging of the extent of the decline worried managements, but a mitigating factor was what Moreau Barringer of the Delaware Fund termed the concept of the *'revolving'* recession. Acknowledgement has been quite generally accorded to this analysis and it is expanded upon by Carl Berg in his June quarterly report to stockholders:

"Thus far, the staggering of downward adjustments in various industries has modified the severity of the overall decline. If declines which are still likely to develop in such still active fields as building, steel and automobiles are postponed for a while longer, corrections in other important industries may have been substantially completed, thus allowing for a continuation of the *rolling* character of the readjustment, and preventing a severely spiralling decline in the economy as a whole."

One of the chief imponderables, of course, is the British picture and in particular the future of the pound. Effect of devaluation of the foreign monetary unit on our economy is of course difficult to forecast for conservative managements. The trustees of the George Putnam Fund make a good common sense summation of the problem in their letter to beneficiaries accompanying the June report:

". . . It seems to us that sterling should be allowed to seek its own level in a free and open market. When this is done it will be upsetting to our British friends, and undoubtedly there will be repercussions in this country. However, is it not inevitable; and if it is inevitable, why not do it soon and get it over with. It seems to us that some change in the value of the pound will have to be made. Doubts as to what it will be and when is disturbing, and is contributing to the general feeling of uncertainty."

Utility Purchases Continued

Excluding additions from dissolution programs and stock dividends, purchases of utility issues paralleled those of the preceding quarter and represented about 19% of total portfolio commitments. One-third of the investment companies included in this survey received stock of Middle South Utilities and United Gas in exchange for holdings of Electric Power and Light $6 and $7 preferred issues under the dissolution plan of the latter company. A dozen or more funds also received common stock of Cincinnati Gas and Electric, Public Service Electric and Gas and Columbia Gas System—grouped with the oil and gas stocks—in exchange for United Corporation $3 preferred. Several of these trusts purchased additional shares of the new securities. Madison Gas and Electric was received as a partial liquidating dividend from United Light and Railways by seven more trusts. Sixteen funds purchased 96,664 shares of American Natural Gas (formerly known as American Light and

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New Steel Wage Demands—Fantasies vs. Facts

By ELISHA M. FRIEDMAN

Consulting Economist

Chairman, Econometric Institute, Inc.

Mr. Friedman contends Murray-Nathan conclusions regarding corporate profits are based on statistical errors. Says record of U. S. Steel Corporation for over 40 years shows that workers' hours were halved, earnings increased eightfold and dividends rose little. Points out since 1937 wages rose much more than profits. Holds current profits are moderate and have been declining for decades in relation to sales and to wages. Notes liquidation of steel shares by professional investors, and warns steel wage increase would set pattern for all industry and would harm country. Advocates union withdraw demand if industry cuts prices.

CIO Demands Are Based on Errors and Distortions

The conclusions of Messrs. Murray and Nathan are based on unsound assumptions and faulty methods. Facts are presented which demolish their conclusions.

Mr. Murray charges, "These exorbitant profits" constitute "exploitation" through too-high prices and too-low wages. Similarly, Mr. Nathan demands that "business should share the benefits of mechanization with workers in higher wages and with consumers in lower prices." Notice that neither said anything about the stockholders who furnished the machinery for the workers.

Elisha M. Friedman

What does the record show? The United States Steel Corporation furnishes in its 1948 annual report a statistical record beginning with 1902. The figures on this 24-column record for 47 years show ever-shortening hours, higher wages, lower profits and hardly any increase of dividends.

Since 1902, hourly earnings have risen 8.40 times. Working hours per week have dropped to 0.56. Weekly earnings have risen 4.65 times. Number of employees rose 1.76 times. Total production has risen 2.68 times. But prices, despite two wartime inflations, have risen only 1.84 times. The combined preferred and common dividend has risen 1.38 times. The common dividend alone has risen 2.6 times. If the two inflationary war periods are eliminated, the record is even more striking.

Does this performance constitute "exploitation of the American worker and the American consumer?" **Is it not rather a testimony to great industrial statesmanship,** even at the expense of the stockholders' dividends? Labor leaders ought to stand in respect, even humility, rather than in arrogance and vituperation before such public-spirited, constructive and creative management.

Messrs. Murray and Nathan demand that negotiations be based on facts. "The union is not afraid to have its side of the dispute examined in the public interest. We welcome this opportunity to present our case." But the statements of Messrs. Murray and Nathan constitute wishful thinking, propaganda, statistical metaphysics and numbers magic. It is true that "figures don't lie" but can be selected to support a false conclusion.

The whole case for the steel union is built on statistical quicksand with imposing and elaborate tables and charts. **The assumptions can be proven grossly incorrect so that the conclusions topple like a house of cards.** Such exposure requires no professional analysts. Any layman with pencil and paper looking at the 1948 annual report of the U. S. Steel Corporation can do the job. Here are 24 columns of statistics for the years 1902 to 1948, covering physical output, sales, wages, hourly and weekly and annually, selling prices, raw materials, taxes, income, dividends and reinvestment. The only reason that the U. S. Steel Corporation data are used is because it is the only company that publishes them. The facts and conclusions would be similar for other companies. This company's report is purely factual, has been furnished for many years and was not prepared for the purpose of these hearings. It is Exhibit A to Z in this case. It is available to anyone sending a postcard to the company at 71 Broadway.

In analyzing the fallacies and the facts in the Murray-Nathan charges and refuting them, this memorandum will follow the sequence shown in any income account, namely, selling prices, production, wages, raw material, profits, dividends and reinvested balances.

Steel Prices—Are They Too High?

Mr. Nathan charges they are. So does Mr. Murray. Therefore, Mr. Nathan forecasts that high prices and high profits will bring on a recession. However, **steel prices have lagged in their rise behind other metals,** like copper, lead and zinc, and behind the index of wholesale raw material prices. Mr. Nathan stated that the industry showed a lack of self-restraint; but the black market and the gray market disprove this charge. The industry did not charge all the traffic would bear as union labor is now trying to do.

Mr. Nathan talks about prices

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The Possibilities of Improved Equity Markets

By THOMAS B. McCABE*
Chairman, Board of Governors of the Federal Reserve System

Central Bank head, citing decline in flow of risk capital and deleterious effects on entire economy, advocates Congressional study into tax structure from viewpoint of availability of equity capital. Proposes revision of statutes to treat present double taxation of corporate income, taxation of capital gains, depreciation of capital assets, and tax-exemption of state and municipal securities. Suggests relaxation of regulations on institutional and other fiduciary investors.

Until recently there has never been a general unwillingness on the part of investors in this country to take reasonable risks with their savings. At times we have experienced an actual shortage of savings, but rarely a significant lack of interest in risking those that were available if there was a prospect of sizable return. Such risk-taking had long been an American tradition. It resulted in the rapid development of our resources, expanding production, and a steadily rising standard of living.


Thomas B. McCabe

At times the desire for speculative gains became so great that serious social problems arose, as, for instance, in the case of the common stock boom of the twenties, and it was necessary to adopt measures to protect the economy from such over-exuberance.

During the last two years we have been faced with the opposite situation. In spite of a large flow of savings, the market for common stocks has been sluggish in its response to what historically were stimulating circumstances of inflation and high earnings. Stock prices have continued low in terms of dividends as well as in terms of earnings. As the accompanying table shows, common share values, measured in relation either to cash dividends or to earnings, have undergone a radical change since prewar.

When the apathy to risk-taking reflected in these figures first became apparent it was ascribed to a natural "burnt fingers" reaction to the 1929-32 stock market collapse. Later a plausible reason seemed to be investors' fears of a serious postwar depression. However, by now it appears that this apathy may go much deeper. Clearly its persistence is to be viewed with concern.

As everyone recognizes, the supply of equity or ownership capital is of vital importance to a dynamic, expanding economy. By equity capital I mean those funds supplied to a business which do not involve any fixed lien or debt obligation and on which no fixed return is guaranteed. Equity capital is essential to a business because it permits growth and risk-taking without fear that a temporary period of poor earnings will mean hardship. The use of equity rather than borrowed capital by industry renders the economy less vulnerable to debt liquidation. Moreover, enterprises which maintain high equity ratios are better able to get credit if it is needed under any economic conditions. Thus the sources, availability, and flow of equity capital are of primary importance as they relate to the national objective of economic stability at high levels of production and employment.

Stock financing by business corporations has been particularly low since the fall of 1946. New common stock issues have averaged only about 10% of total new corporate security issues. In earlier periods of expanding economic activity the ratio averaged approximately 15%. Since the fall of 1946 businesses have obtained funds for capital outlays primarily from bank and insurance company loans, and new bond issues and retained earnings, rather than from sales of stock on the market. In the interests of economic stability it is always better if both large and small business enterprises finance more of their investment expenditures with equity and less with borrowed capital.

I should like to discuss three major aspects of the equity capital situation as follows:

(1) Why are individuals not buying more shares in business enterprises?

(2) Why are business enterprises not obtaining more funds through stock sales?

(3) What, in my judgment, can be done about the situation.

Desire for Security—There is no single reason why investors do not buy equity shares in business. We know that the volume of individual savings today is tremendous, and it is not therefore a shortage of available funds that prevents people from buying stock. I am firmly convinced that an important reason for people not buying common stocks is the increased emphasis which they place upon security and safety of their savings rather than upon prospects of gain. Security rather than opportunity has recently become more and more a part of our national philosophy. The disappearance of the frontier and the end of geographic expansion, the unsettled state of international affairs since the turn of the century, and the dark memories of financial collapse and depression in the early thirties have caused people to seek security in investment as well as in government intervention to mitigate economic and social disparities and instability.

The desire of individuals for safety in investments has been revealed in the Surveys of Consumer Finances conducted in postwar years for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan. These surveys suggest that an overwhelming majority of the population as a whole save primarily for security reasons, such as for a rainy day, old age, and emergencies. In the survey conducted early in 1948, covering all groups in the community, 62% of those interviewed were opposed to holding common stock in business enterprises. Twenty-six per cent felt that such securities were not safe, while 30% were not familiar with stock as an investment opportunity. In interpreting these results it should be remembered, of course, that ownership of common stock has never permeated all groups in the community.

The emphasis on safety is reflected in the large volume of individual savings currently being held in the form of government bonds; of deposits, shares, and reserves in such non-commercial bank and financial institutions as life insurance companies, savings and loan associations, and savings banks; as well as of reserves in private and government pension and trust funds. A large proportion of individual savings is channeled into these types of investment. In 1948, for example, the flow of individual savings into life insurance companies, savings and loan associations, and mutual savings banks alone, totaled almost $6 billion. The flow of funds over the past 15 years into these channels exceeded $48 billion. For the most part, investment in common stock by these institutions is prohibited or closely restricted by state or Federal statute. For example, the State of New York, home of many large life insurance companies, while premitting life insurance companies to purchase preferred and guaranteed stocks that meet certain tests, prohibits them from purchasing common stocks. The fact that the dollar volume of funds flowing through recognized savings institutions is now greater than ever before has been a major influence in the recent large supply of debt relative to stock money available to business enterprise.

Increased Taxes—The increased rates of taxation imposed to finance the government's heavy ex-

(Continued on page 30)

*A personal statement by Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, prepared at the request of a Subcommittee of the Committee on Banking and Currency of the United States Senate.—Aug. 5, 1949.

Stock Market Will Continue To Rise Through 1949

By RALPH A. ROTNEM
Harris, Upham & Co.

Market analyst predicts both external and internal market factors will support rise to at least 185-193 level. Expects major test will occur in December because of temptation for profit-taking offered to June buyers by tax law provisions. Asserts in any event 1949 lows will not be reached again in foreseeable future.


Ralph A. Rotnem

For the fifth time since the war ended in 1945, the market has met support in the 160-165 area for the industrial average. After each test a substantial rally has developed and each of the four previous rallies has lasted longer and been larger than the one we have had during the past seven weeks (Table I).

Sentiment has been improved by the growing belief that business activity may begin to show at least temporary improvement in coming weeks, by the action of the Federal Reserve Board in easing credit, by the abandonment by President Truman of his requests for tax increases, by the postponement of the sterling crisis in England, and by the fact that the steel strike did not take place. Also favoring the markets was the large short position and a strong technical position.

TABLE I

	Market Declined to	Market Advanced to	Month's Rally	% Gain
1945	160.91	212.50 (1946)	10	32%
1946	163.12	184.49 (1947)	4	14
1947	163.21	186.85	2	15
1948	165.39	193.16	4	17
1949	161.60	177.00 (to date)	1¾	9½

While business activity, earnings and commodity prices have declined, the stock market has been well prepared for such news by its retreat since 1946. Higher grade stocks had little to correct but the declines in the more speculative issues have been substantial. What we have seen for three years is a healthy qualitative adjustment within the market which has corrected wartime excesses (Table II).

TABLE II

Groups—	1946 Highs	Low Since 1946	Months of Decline	Percentage Decline
High grade stocks	135.5	104.0	5	23%
Low priced stocks	315.7	102.4	40	67½
416 stocks (S. & P.)	158.6	110.7	37	30
Rails	168.8	87.0	41	48
Utilities	132.8	92.1	21	30
365 industrials	163.0	115.6	37	29

So far the recovery has been persistent and orderly. There has been little public participation and the short interest has actually increased on the advance. This suggests that the buyers were investors who were attracted by the values that were available around the June lows. Generally such purchasers are interested in six-months' long-term gains. Evidently they feel that the market will be at higher level next December than it was in June. While the advance has been substantial in the last seven weeks, and it is normal for the market to pause or react after such gains, it must be remembered that the recoveries in the last few years have been pretty much one-way streets.

The shorts often turn out to be their worst enemies since they have sold something that they do not own and eventually must buy stocks to cover their short positions. It is of interest that as of the 15th of July the short interest was the largest since January of 1933, while the ratio of the short position to the average daily trading during the preceding month was the largest since May of 1938.

Irregularity

The market as a whole has not quite regained its losses since January. But it must be realized that some groups have moved to new highs for the year. These sections of the market include the instalment finance, investment trusts, liquor, office equipment, brewers, containers, foods, air transports, drugs, dry goods chains, grocery chains, soap, vegetable oils, cotton goods and utility holding companies. These groups, it seems to me, are under present conditions in our economy, being justifiably favored for purchase by both investors and traders.

We must also note that the overall political climate is measurably improved since last November. This has been highlighted this week by the philosophy and recommendations offered by Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, to the Congress. Evidently there is at least some pro-business sentiment in Washington as an offset to the ascendant political-socialistic corrosion.

In view of all the ascertainable factors—technical, business, and economic—I believe the trend of the market is still upward, and that at least the 185-193 level will be reached. I further believe that a major test will be faced in December or January, when because of the six-month dividing line in capital gains tax treatment, some buyers at the June low levels will be tempted to accept profits. But under no conditions will the lows of 1949 be again reached.

Evans to Manage New Otis' Dallas Branch

DALLAS, TEX. — Otis & Co. has opened a branch office in the Kirby Building, Dallas, Texas with Roger Evans as Resident Manager.

Mr. Evans has devoted his business career to the investment

Roger Evans

field starting in the Municipal Bond business in Dallas in 1922, operating under the name of Roger Evans Company. During the war period he was with Rauscher, Pierce & Co. In 1945 he reopened Roger Evans Company, specializing in the origination of municipal and corporate issues.

Otis & Co., established in 1899, has its headquarters in Cleveland and also maintains offices in other principal cities. It does a general investment banking business and is a leading underwriter and distributor of state, municipal and corporate securities.

Mrs. Reade Wed to A. Wilfred May

GREAT BARRINGTON, MASS. —Mrs. Vivian S. Reade and A. Wilfred May, both of New York City, were married Aug. 7 at the Blue Hill Road estate of Mr. and Mrs. Martin L. Straus II, Anrheart Farms, Great Barrington. The Rev. Cornelius Bakker performed the ceremony before the immediate family and a limited number of intimate friends. Richard H. Wels of New York City gave the bride in marriage.

Mrs. May received her Master of Arts degree from Columbia University in 1940 and is now Homemaking editor of Fawcett Publications. Mr. May, who also received a Master of Arts degree from Columbia, was a research fellow of the London School of Economics. During the war he served abroad as a special correspondent for American journals. Formerly an official of the Securities and Exchange Commission and the United States Treasury Department, he is now executive editor of the "Commercial and Financial Chronicle" and a member of the faculty of the New School for Social Research. He is a member of the Economists' National Committee on Monetary Policy and the American Statistical Association, and a trustee of the Overseas Press Club. After a trip to Europe, Mr. and Mrs. May will reside in New York.

Elected Amerex Directors

Brownlee O. Currey, President of Equitable Securities Corporation of Nashville, Tenn., and Joseph H. King, President of Union Securities Corporation, New York, were elected members of the Board of Directors of Amerex Holding Corporation Aug. 9. Equitable Securities Corporation, together with Union Securities Corporation of New York, recently purchased the principal stock holdings of Albert H. Wiggin in Amerex Holding Corporation, which owns over 99% of the shares of American Express Co.

The State of Trade and Industry

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

For the nation as a whole, total industrial production the past week reflected a slight increase but continued to hold moderately under the level of the corresponding period of 1948.

Insofar as the number of people presently employed is concerned in the overall economic picture, a recent report states that total employment for the country is at the highest level of 1949. According to Federal and State agencies, the layoff rate of factory workers has diminished and the jobless problem has eased during July.

In the field of wholesale trade the heightened interest of many retailers in Fall and Winter apparel was reflected in the step-up in the number of orders for the coming season. The volume of orders for Fall goods showed a noticeable increase and immediate delivery was sought by numerous merchants as they planned early promotions of women's coats. Buyers of men's wear, however, continued to exercise great caution.

* * *

Taking steps to make available to both government and business easier credit conditions, the Federal Reserve Board on Friday of last week announced cuts to go into effect over the next few weeks in reserve requirements of country, reserve city and central reserve city member banks. By this action, it is reported, it will increase by about $1,800,000,000 the amount of bank funds that will be available for investment in government securities or loans to business. As a result of this action stock prices on the New York Stock Exchange on Friday, last, moved sharply higher as did government security values.

This action represents the fifth anti-deflationary step taken by Federal monetary authorities to assist the nation's economy in recent months. Reserve requirements on demand deposits will be lowered two points for all classes of banks. On time deposits, reserves will be cut one point.

* * *

Anent the controversy over a pension plan for steelworkers, "Steel" magazine, in its current issue of Aug. 8, states editorially:

"For many years numerous companies have been accumulating experience with pension plans for employees. Almost invariably this experience has proved that it is far easier to underestimate the cost of a pension plan than to overestimate it. In numerous instances, too ambitious plans have had to be modified or abandoned because the actual cost far exceeded estimates.

Cost of the miners' welfare fund was underestimated by a wide margin. The original levy of 10 cents a ton proved inadequate and now the current royalty of 20 cents is running short of actual requirements. Competent actuaries say the 11¼ cents per hour figured by the United Steelworkers is insufficient for the size of pensions demanded. Pensions are desirable, but unless they are established on a sound basis, they will backfire. Less haste and more study would be beneficial in the present issue of pensions for steelworkers."

STEEL OUTPUT SHOWS BRIGHTER PROSPECTS—SCHEDULED INGOT RATE 1.2% HIGHER FOR CURRENT WEEK

If a very real threat of labor trouble weren't ahead, steel people would be more optimistic about the future this week than they have been for months. From the standpoint of money in the bank, business on the books and more buying by some of their customers, the industry's executives have reason to be cheerful, "The Iron Age," national metalworking weekly, states in its current summary of the steel trade.

However, this week the steel companies open their case before the Presidential Fact Finding Board in an atmosphere completely lacking the goodwill that used to exist between them and their union, this trade authority asserts. The threat of an automotive strike, the costly 3-day week in the coal mines and the continued sluggishness in some consumer lines cloud the horizon.

Violence in an organizing drive at Chicago and two wildcat strikes there last week show the temper of the Steelworkers' Union. Union officials came up with some heavy artillery in presenting their side of the wage-pension-insurance dispute before the Fact Finding Board in New York. They coined phrases that made headlines and put steel companies in a position where they must inject red color into their presentations.

The firmness that appeared last week in steelmaking scrap was further extended to more markets and more grades of scrap this week. "The Iron Age" scrap composite advanced just 8 cents per gross ton this week to $20.00 based on firmness at Pittsburgh. Steel scrap prices have long been regarded as a business barometer, and, adds this trade paper, it will take a while to see if the current change is an uptrend or just a shakeout of prices that fell too low.

In a smaller measure, observes "The Iron Age," the steel order pattern during the past few weeks was a repetition of last year. Many plants had then shut down, cut inventories and extended vacations. A lot of sales managers thought business was in for a slump. When they got back to their desks they found orders piled high, inventories depleted and customers yelling for delivery.

This year looks like a miniature of last. Only this time there is no steel shortage, inventories are under strict control and steel prices are lower than they were in the days of the premium price, the gray market and the conversion deal. Just how long the brighter steel picture will last cannot be told now, but it may stick through October and into November if there are no big strikes.

It is true that steel-strike fears have tightened up steel supply but it may be that the strike threat opened steel users' eyes to something they had not seen before—that steel was not due for a repetition of the debacles of 1921 and 1937-38. In the latter period steel consumers' inventories were far higher than they are now and total steel buying was not on the present broad plane.

Incoming steel order volume has slackened a bit following a flurry of new business during the past few weeks, the magazine

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Observations . . . .

By A. WILFRED MAY

Chairman McCabe Needs More B-y-r-d-s

The detailed statement on the equity capital situation submitted to the Congress this week by Chairman Thomas B. McCabe of the Board of Governors of the Federal Reserve System is extremely important for a number of reasons. Coming at this time, when the country is being inundated with politically-generated onslaughts on the free enterprise system, it establishes the fact that there exists in Washington at least some traces of sound and realistic thinking about our economic machinery.

A. Wilfred May

Moreover, the McCabe statement, which is published in full in this issue of the "Chronicle" (page 4), very ably, succinctly and without the customary special pleading, discusses the pressing tax elements as they affect the security markets and the investor.

And finally, and in this writer's opinion of even greater importance, is the conclusion not stated but really implicit in Mr. McCabe's exposition, establishing the overriding influence of our government's socialist philosophy and consequent fiscal policies on every sector of the nation's activity.

The Double Taxation of Corporate Income

Our present system of levying taxes on corporate earnings is, of course, both inequitable and injurious to the fluidity of our markets. The government first takes 38% of the stockholders' profits at the source (through the corporate income tax). Then the rest is partly distributed to the stockholders, large and small, as dividends, and partly held in the business. The part distributed (presumably the entire amount eventually) is then taxed a second time as each stockholding recipient has to include the sum received in his individual income tax. Thus the earnings from his invested dollars are levied on twice, once before he gets them and again when he receives what is left.

This is "double taxation"!

Double taxing of dividends began in 1913 when the Federal Income Tax began. In the original laws both corporations and individuals, which would mean any stockholder, were taxed 1% under that arrangement. Since the Federal Tax was collected from the corporation on its earnings the dividends were free of the *normal income tax*. By 1932 the tax on corporations had climbed to 13¾%, while that on individuals had climbed to 8%. In 1934, the new experts got to manipulating the statute and while the normal tax rate was reduced to 4%, the tax rate which applied to dividend income was sharply increased.

In 1936, with the New Deal in full cry and hunting for more money to support its spawning aphabetical bureaus, the *normal individual tax* was extended to dividends. Corporate earnings, therefore, became subject to double taxation. The rates, however, were relatively low and the results of taxing the same earnings twice, while inequitable, were not really serious in terms of money divested.

During the war the corporations paid as high as 70% in taxes on their earnings and individuals paid as high as 90% on the same earnings. The present corporate rate is 38%, and the individual rate, in some cases, is larger than 80%. So it is apparent that the government takes an unbearable portion of corporate earnings.

The evil and inequity of double taxation are unfair to all classes of taxpayers. The combination of the corporate tax and the individual tax forces the small shareholder of modest means to pay a much higher tax than he is required to pay on any other type of income. An elderly couple living on dividend income is required to pay a tax rate that otherwise applies only to persons with several times their income.

The Theoretical Remedy—British Style

If it were desired to correct this situation, it could be done simply by collecting the corporate tax on all earnings, but giving the shareholder credit for the tax paid by the corporation. This is the British System. In Britain, for instance, if a stockholder receives a £10 dividend, he gets with it a form of withholding slip showing on what portion thereof the company has already paid the tax. The stockholder pays his tax on the difference and includes the withholding slip with his tax return. That, incidentally, is single taxation.

The Practical Unlikelihood of Reform

Now Chairman McCabe, along with self-interested voices like the Investors League, reveals himself as fully appreciating these evils. Not only does he point out that double taxation of corporate profits, but that other phases of our tax structure as well, are extinguishing the health of our financial markets. **But the bitter practical truth must be realized that the government's huge-scale spending commitments and purposes stand firmly against sacrificing any revenue derivable from any existing tax irrespective of how harmful it may admittedly be.** With the lawmakers already facing a budgetary deficit, the temptation to continue the iniquitous double-taxation, though opposed by Mr. McCabe or anyone else (excepting possibly the CIO), is insuperable. It is too easy to dismiss such proposals for reform as "technical," "esoteric," or "a trick of the greedy." In the coming legislative experience, for the same practical reasons the need for a general lowering of the tax rates—which progressive income taxation as Mr. McCabe points out is so vitally hindering the incentive to invest in risk assets yielding high returns—will not elicit favorable action by the Congress.

Existing High Imposts Block Other Reforms

The concurrent tax rates, as necessitated by the government's profligacy, will likewise in practice block the reform of our tax on capital gains. This is so not only because of revenue-intake requirements, but because of elements of iniquity. That is, relaxing the lien on capital gains below the 25% level which now obtains on over six-months holdings, would seem to be impracticable if not

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A Defense of Production Payments On Nonstorable Farm Products

By HON. CHARLES F. BRANNAN*
Secretary of Agriculture

Sec. Brannan outlines and defends his proposal to substitute production payments for parity guarantees in nation's agricultural support program. Criticizes Congressional delay on agricultural legislation and denies his own plan will lead to farm regimentation.

It is good to have this opportunity to talk with you about the future of dairyland agriculture. This is not just a matter of income to you dairy farmers. It is not, as cynics would put it, a question merely of "who gets what" in the rough-and-tumble of business. The future of dairyland agriculture is the future of many thousands of families; it is the future of millions of human beings each endowed by their Creator with inalienable rights and with potentialities for enhancing the fundamental values of human life. The future of dairyland agriculture is in no small way related to the health and welfare of the millions near and far who are dependent for life sustenance upon the land and the people of dairyland — upon you, your ability, your determination, your opportunity, and your particular portion of the good earth.

Charles F. Brannan

You, in your mind, and I in mine know the ideals and real values we seek. Even though we may not succeed in stating them to our own satisfaction, they are a part of us—a driving force prodding us forward in our effort to find the ways and means of achieving our basic purposes.

The ways and means are never easy to find. They are a constant challenge to our ingenuity. Proposed ways and means are constantly subject to sharp examination and controversy, as they should be. But the strength of our purpose is the guarantee that we shall find the ways and means through which to unite our effort and make progress in the common cause.

Fortunately, many people are agreed upon certain foundation principles upon which we can build.

As a starting point for our discussion of ways and means, I want to state two related beliefs which I hold very strongly and which I believe provide a basis for common understanding.

The first is this: I believe in the farmer cooperative.

I believe in the principle of self-help, which the cooperative embodies.

I believe the organized cooperation of farmers is essential to the maintenance of business competition, for the farmer meets concentrated economic power coming and going — when he buys and when he sells.

To be even more specific, I believe in the dairy co-op, and to the full extent of my power I shall work to keep the rules fair and the opportunities open for dairy cooperatives.

The related belief is this: I believe that dairy farmers should have price support which is just as positive and just as high in relation to any given standard as that enjoyed by any other farmers in the country. I believe this is necessary not only in the interests of the dairy farmer and his family but also in the interest of all our people.

Here is Wisconsin, the milk, cream and other dairy products sold by farmers account for more than half of all the farm income. And in the Nation as a whole, the farm dairy enterprise last year brought in 14½% of all farm income. Farm dairy production is consistently at or near the very top of the list of commodities on which American farmers depend for cash income. Thus, it is as plain as anything can be that we will not have an adequate price support system until milk is given the status of a basic agricultural commodity in the price support system. We have temporized and dilly-dallied long enough, giving lip service to the need for action but not meeting the issues involved.

The difficulty is in getting agreement on the methods for doing the job—the methods of treating milk as a basic farm commodity.

I personally believe that a combination of methods is required. The method I have recommended which has received most attention is the production payment. Because there is so much controversy about this, I am glad to have this opportunity to set the record straight.

I ask you to make a mental note of the points I am about to make because I want to refer to them again in a particular way. I am going to try a little experiment on you.

Point number one is a bit of background about nonstorable commodities.

"The nonstorables — products which are either highly perishable or which can be stored only at heavy expense—include fruits, vegetables, meat animals, milk, butterfat, poultry and eggs. Production of these commodities is geared largely to domestic demand, and this demand fluctuates with employment, wages and other factors which change mass purchasing power. We can hope to increase per capita consumption of all or most of these products in a healthy economic climate.

"When it is necessary to apply supports to any of these nonstorable commodities, I recommend that we rely **mainly** upon production payments.

"The term 'production payment' means exactly what it says — a payment to the farmer to go on **producing** to meet genuine consumer need, rather than **restricting** output short of that need.

"Under this system the farmer would be paid in cash the difference between the support standard for commodities which he produced and the average selling price for those commodities in the market place. Because the payment would go directly to the farmer, it would be an efficient support operation.

"Another big advantage is that the system would induce efficient production and marketing, because any farmer who could exceed the **average** market price by quality of product or good bargaining would benefit to the extent that his selling price exceeded the average market price." (Remember that the production payment would **not** cover the difference between the support and each **individual's** selling price but rather the difference between the support and the **average** selling price. Nobody would have to check the individual's selling price.)

"A third advantage of this system is that it would allow farm income to remain at a high enough level to sustain abundant production while retail prices sought their supply and demand level in the market place. This level is bound to be reasonable for consumers because of the larger supplies brought out."

So much for that background. Now Point 2.

"It is obvious, of course, that the use of production payments must be qualified in such a manner as to avoid extremely depressed prices in the market place or a wasteful use of soil resources." (In other words there is no intention of pushing prices below the supply and demand level.)

Point 3.

"Under the proposed program with regard to milk and its products, we would continue full use of present marketing agreements and orders, extend those programs as and when producers and handlers desire," and

Point 4—"continue to use purchases of dairy products as a price support method wherever this method would be most economical and otherwise consistent with the public interest. We would not, however, make purchases for which we could not find acceptable outlets. We would use the purchase method mainly to relieve spot surpluses and seasonal problems which could be met most efficiently in this way. Whenever any large-scale operation becomes necessary, we should use the production payment method. As a rule, this could cost the government about the same amount as would purchases and would make more milk and milk products available to consumers at lower prices than would otherwise be the case. It would also call for a greater consumption of our grain and forage production."

Point 5—". . . the payment method could be used, if Congress so decided, not merely to support prices but directly to encourage greater production and consumption of milk.

"Let me also point out that this is a price support recommendation—not a consumer subsidy proposal. I have merely recommended those methods of supporting farm prices which do most to lick the surplus problem by encouraging consumption. There is a considerable difference between (a) subsidizing consumption with the hope that the benefit will trickle down to the farmer and (b) supporting farm prices in ways which will give consumers the most for their money. I am, of course, recommending the latter. The payment method for use on perishable commodities will enable us to go on producing and consuming somewhere past the level where straight dollar demand would temporarily stop us. That enables genuine demand and our real productive power to exert greater influence in our economy."

Point 6—"I state categorically . . . that the legislation I have recommended is less restrictive than any so far enacted by virtue of the fact that it offers more encouragement to the abundant

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*An address by Sec. Brannan at Juneau, Wis., July 31, 1949.

Dangers of Spendthrift Government

By HERBERT HOOVER*

Only living ex-President, on 75th birthday, warns of growth of government spending accompanied by paternalistic government. Says average citizen must give 61 work days a year to pay cost of government, and that increasing taxes and expansion of government activities is leading us to collectivism. Denounces pressure groups.

My first duty is to acknowledge your generous reception and these most generous gifts to the Library.

It is now 34 years since this Library on War, Revolution and Peace was founded. Over these years friends of the Library have contributed over $3,450,000 toward its support. And of priceless value have been the millions of documents and materials furnished freely by hundreds of individuals and threescore governments.

Herbert Hoover

This institution is not a dead storage. It is a living thing which over the years will correct a vast amount of error in the history of these troubled times. It will also teach the stern lessons of how nations may avoid war and revolution.

Not being a government institution, it has never received a dime from government sources, and its scholars therefore can be as free as the Sierra winds in its use and in the expression of objective truth.

The Need for Some National Thinking

In the somber situation of the world I would be derelict if today I discussed the lighter side of life instead of the serious issues which weigh on my heart.

Some of you will know that during the past two years I have added somewhat to my previous knowledge of the currents of government in this Republic. Beyond the immediate problems of efficient organization of the Federal Departments, there arise from these investigations some grave questions as to our whole future as a nation.

Now, as never before, we need thinking on some of these questions. If America is to be run by the people, it is the people who must think. And we do not need to put on sackcloth and ashes to think. Nor should our minds work like a sundial which records only sunshine. Our thinking must square against some lessons of history, some principles of government and morals, if we would preserve the rights and dignity of men to which this nation is dedicated.

The real test of our thinking is not so much the next election as it is the next generation.

I am not going to offer you solutions to our national ills. But I shall list some items for thought. Perhaps in Japanese-English a subhead would be "Bring feet from clouds into swamp where we now are."

The Growth of Spending

We must wish to maintain a dynamic progressive people. No nation can remain static and survive. But dynamic progress is not made with dynamite. And that dynamite today is the geometrical increase of spending by our governments — Federal, state and local.

Perhaps I can visualize what this growth has been. Twenty years ago, all varieties of government, omitting Federal debt service, cost the average family less than $200 annually. Today, also omitting debt service, it costs an average family about $1,300 annually.

That is bad enough. But beyond this is the alarming fact that at this moment executives and legislatures are seriously proposing projects which if enacted would add one-third more annually to our spending. Add to these the debt service and the average family may be paying $2,900 yearly taxes. They may get a little back if they live to over 65 years of age.

The Growth of Bureaucracy

No doubt life was simpler about 147 years ago, when our government got well under way. At that time there was less than one government employee, Federal, state and local including the paid military, to each 120 of the population. Twenty years ago, there was one government employee to about 40 of the population. Today, there is one government employee to about every 22 of the population. Worse than this, there is today one government employee to about 8 of the working population.

The Growth of Dependency

Twenty years ago, persons directly or indirectly receiving regular monies from the government—that is, officials, soldiers, sailors, pensioners, subsidized persons and employees of contractors working exclusively for the government — represented about one person in every 40 of the population.

Today about one person out of every 7 in the population is a regular recipient of government monies. If those of age are all married, they comprise about one-half the voters of the last Presidential election.

Think it over.

Working for the Government

In the long run it is the Average Working Citizen who pays by hidden and other taxes. I have made up a little table showing the number of days which this kind of citizen must work on average to pay the taxes.

	Days' work
Obligations from former wars	11
Defense and Cold War	24
Other Federal expenditures	12
State and local expenditures	14
Total thus far	61

But beyond this the seriously proposed further spending now in process will take another 20 days work from Mr. and Mrs. Average W. Citizen.

Taking out holidays, Sundays, and average vacations, there are about 235 working days in the year. Therefore this total of 81 days work a year for taxes is about one week out of every month.

You might want to work for your family instead of paying for a gigantic bureaucracy.

Think it over.

Confiscation of Savings

To examine what we are doing, we must get away from such sunshine figures as the gross na-

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*An address by Ex-President Hoover at Stanford University on the occasion of his 75th birthday at Palo Alto, Cal., Aug. 10, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

A couple of weeks ago a gubernatorial primary was held in Virginia. The result was equivalent to election.

From the outset, the newspapers dealing with the campaign described it as one against Senator Harry F. Byrd, long one of the leading Senate conservatives and an outstanding advocate of economy in the Federal Government. To cripple the influence of the Senator was unquestionably the reason the CIO and AFL political action committees got into the campaign. Although the Senator was running for nothing, the issue was so clearly drawn that he got into the campaign to the extent of making a speech for the candidate who was looked upon as his man.

Carlisle Bargeron

Undoubtedly had "his man" been defeated, the Senator's influence in National affairs would have been impaired, which means his advocacy of economy in the Federal Government.

Well, his man won handsomely, I thought. But the very interesting thing is that the very newspapers you would have thought would be rejoicing in his victory—the issue having been made what it was—have, instead, been trying to get comfort out of the strength which the opposition showed. Others have gone to considerable pains to point out that as compared with the total voting population of the State, "Byrd's man" won by a very small plurality. Some of them have contended that Virginia's poll tax was unquestionably responsible for this, was unquestionably responsible for Byrd's victory. Nowhere have I seen a headline in a conservative paper saying "Economy in Government wins." There seems no getting away from the fact that the conservative papers are annoyed. Of course, the Leftist papers are.

The New York "Herald-Tribune," long looked upon as a Republican organ but which would undoubtedly resent that appelation now, though it is still considered to be conservative, head-lined their story: "Byrd Machine Wins."

"Machine," of course, is a propaganda word. If you were friendly to Byrd, wished him well, you would say, "Byrd Wins," or at the worst, "Byrd Organization Wins." Organization sounds better than machine, and as one well known politician has so aptly said, it's an organization if it's your crowd, a machine if it's the opposition's.

But let's say these fearless conservative papers were simply attempting to report the facts when they called it a machine. Maybe it is that they are conservative, but newspapers wedded to the facts regardless of where they strike. Quite commendable, indeed.

I wish one of them however, would tell me how a Senator can control the State machine or organization. I may be mistaken but the State machine or organization is usually built around the Governor. He has the patronage, the wherewithal, to build an organization or a machine. He may go in as somebody's man, but when he gets in, the set-up is his. A Senator has no way of building up an organization that can compete with the Governor's. His patronage is confined to the relatively few Federal jobs.

And as to the invulnerability of the "Byrd Machine" about which I have read a lot, the facts are that Virginia has had two Governors in recent years who were New Dealers and for whom the Senator had nothing but contempt.

The same sort of propaganda that was levelled at Byrd in this campaign and which very conservative newspapers echoed, has recently been turned on Senator Styles Bridges. Along about April a year ago, he accepted the trusteeship of the United Mine Workers' fund. In accepting this trusteeship he made the welfare fund operative which it had not been for several months because the coal operators would not agree to a third trustee, they having been more or less pressured into the welfare fund and sought to hold up its application through chicanery.

Bridges was, from the outset, of course entitled to his compensation as a trustee. All trustees are compensated, even those of a widow's estate. The amount was $35,000 a year for a trustee in this instance, had been fixed by the government when it made the deal with John L. Lewis creating the fund. But Bridges went along for nine months without accepting his fee. About the first of this year, he decided to take it. He, along with his co-trustees, is responsible for the administration of some $100,000,000. I am advised by competent lawyers that his compensation for his responsibility is quite reasonable. It is silly to say he doesn't have to do any work. Responsibility for the administration of this amount is plenty of work.

There has never been any secrecy about his receiving this money. But the Leftists have seized upon a recent statement that he was receiving it as a tremendous disclosure.

In one widely syndicated article I read that "this man who has been advocating economy in government and who has been a critic of ECA turns up to be making this money." This shows the writer's real complaint. If Senator Bridges were a New Dealer, I am quite sure it would be quite proper for him to receive this money. But as an advocate of economy in government and as a critic of ECA, it is an outrage. In fact, he should be starving to death. Such is our current propaganda!

Impact of ECA on American Oil Industry

By WALTER J. LEVY*
Chief, Petroleum Branch
Economic Cooperation Administration

ECA official points out, U. S. oil exports without European Recovery Program, would have been greatly reduced, but defends aid given European nations to develop own oil resources. Says possibility of increased foreign competition to American oil industry is not deplorable, provided it is fair and open. Stresses oil industry depends on prosperous and not bankrupt world.

A lot of questions are being raised, as well as many eyebrows, concerning the effect of the European Recovery Program and especially of ECA operations on the American oil industry, domestic and foreign. Great fears are expressed in industry circles that as a result of ECA's activities, the United States may be flooded with foreign oil; the domestic producer and refiner may lose his shirt; and the foreign activities of the American oil industry may come to a standstill.

Walter James Levy

I need not tell you that we in ECA are aware of the close relationship between what ECA is doing in oil and the activities of some major branches of the American oil industry. Oil is a world-wide industry and we know that, if substantial developments take place anywhere in international oil, they will sooner or later be felt everywhere.

I think, however, in view of the fears that have been expressed and in order to assess the impact of the European Recovery Program on the United States oil industry in true perspective, that it is useful to go back to the fundamentals of the problem with which we are concerned. We must try to see clearly and impartially the factors that affect the present and future status of the international oil industry and also to establish objectively the role that ECA plays in this connection. At the same time, we must attempt to stay within the realities of the situation, take a balanced approach and consider not only the interest of the United States in European recovery, but also any over-riding strategic and policy interests of the United States and the legitimate commercial interests of the American oil industry.

The Effect of Europe's Dollar Shortage on the International Oil Trade

Perhaps I may start out by stating that we in ECA who are responsible for petroleum operations face a dilemma. Our assignment from Congress and from the American people is to help re-establish, if it can be done at all, the economic independence of the participating countries of Europe during the three remaining years of the Marshall Plan. To that extent ECA is not, as is often wrongly stated, a relief operation, but an endeavor to re-establish the solvency of the participating countries. This concept as laid down by Congress is fundamental to a proper understanding of ECA's functions.

As I stated to the Council some months ago, Europe is confronted with a serious lack of balance in its trade resulting in a current annual dollar deficit of more than four billion dollars. To put it differently, Europe is presently receiving annually from the dollar area goods and services valued at about four billion dollars more than the goods and services Europe supplies to that area. Omitting all other factors essential to European recovery, it is obvious that Europe cannot be self-sustaining without closing the dollar gap, one way or the other. I have talked to you about this problem before.

Today I should like to make some specific observations on how the European dollar problem has affected and is likely to continue to affect the United States oil industry. I may perhaps describe these effects as follows:

(a) Without ECA aid Europe would not have been able to afford during the last year, and could not afford during the next three years, to import large quantities of American oil—from either domestic or foreign sources controlled by American companies. Because of ECA aid, Europe was in fact able during the past year to import very large quantities of American oil. Up to the present, ECA operations have not destroyed but, rather, have maintained exports of American oil to Europe.

(b) As far as the future is concerned, Europe, in order to close the dollar gap in its balance of payment accounts during the next three years, must either iincrease its exports to dollar areas or reduce its imports from dollar areas or it must do both. Europe must therefore develop its national resources and production facilities and increase exports to the utmost extent possible. If, after these efforts, Europe is still unable to earn enough to pay for dollar imports at current levels, then its dollar imports must be reduced.

(c) Applied to oil, we face a situation where Europe owns very large oil reserves in the Middle East and in the Western Hemisphere, which, if developed, could increase the amount of oil available to Europe and available for export to non-European countries very considerably. At the same time, Europe is, and has traditionally been, an importer of American oil on a large scale from the United States as well as from American controlled offshore sources. It is therefore from Europe's point of view not completely illogical or unreasonable to try at this moment to develop its own oil resources in order to cover an increasing part of domestic needs and also to expand export markets. This in turn may hit American oil in two ways. It might mean fewer sales by the American oil industry to Europe and might increase competition outside Europe between American and European oil. It might also result in increased imports of oil into the United States.

We are therefore facing a situation in which all the realities of international trade seem to work against or create difficulties for American oil in the world markets. The American industry has developed large oil reserves on a world-wide basis and has established a very strong and sound industry. However, in order to remain sound, this industry needs markets not only in the United States but also in Europe and other foreign countries which are faced with a serious shortage of dollars. Europe, with the help of gifts from the United States, is bridging its current dollar shortage and, with the assistance and encouragement of the United States, is expected to progress economically in such a manner that by 1953 it will no longer be dependent on any gifts from the United States. Obviously, in such circumstances, European oil companies, controlling tremendous but not fully developed oil resources which could with a relatively small amount of investment yield a greatly increased output, will be called upon to assist Europe

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*An address by Mr. Levy before the National Petroleum Council, Washington, D. C., July 29, 1949.

Important Aspects of Gas Industry

By JOHN W. WEST, JR.*

Assistant Managing Director, American Gas Association

Mr. West reviews increasing importance of gas industry in recent years. Cites growth in reserves of natural gas and enlargement of pipeline distribution, and bases confidence in growth and importance of industry on: (1) need of gas in home, business and industry; (2) its power of adaptability to changing markets; (3) advanced technology, and (4) growth of natural gas production. Describes work of American Gas Association.

The industry of which I speak is an old industry, whose manufactured gas operations seemed foredoomed to extinction when the Ed.son electric bulb began to take the gas lighting load in the '80's—an industry whose natural gas branch showed an early flareup of potential prosperity until the shallow natural gas fields in the East began to play out—an industry which has been subject to a variety of predictions foreboding demise, from Moody's prognosis of 1925 that the manufactured gas business would be bankrupt, to Mayor La Guardia's 1935 statement that, "the next generation will have to go to a museum to see a gas range."

Today the gas utility industry serves 22½ million customers, one-third of whom have been taken on the lines since Mayor La Guardia made his statement. It has invested in its facilities more than $6 billion which, at the present rate of growth, will be more than doubled in the next decade. 158,000 people earn their living in this industry and practically every person in the United States is dependent to a greater or lesser degree upon the services it renders in their homes and commercial establishments and in the fabrication of the products of industry which they use.

The industry falls generally into four main divisions—natural gas, manufactured gas, mixed gas and liquefied petroleum gas, better known as "L.P.G." The latter division encompasses one of the fastest growing industries in the United States—the so-called "bottled" gas industry—but my discussion here will refer only to piped gas services and company operations.

Most is heard today about the natural gas industry because it is touched with a glamour by reason of the dramatic way it has of pushing its huge steel pipes through the ground, poking into the far corners of the country, to bring nature's energy reserves in a highly ref ned state to distant markets and thus transform the economics of distributing and selling this quality fuel in localities far removed from its source. Long recognized as providing a premium quality fuel, the natural gas industry has been a rapidly expanding one in recent years and will continue to be such in the foreseeable future. The distribution of natural gas for public use started in a limited fashion as far back as 1824 in Fredonia, N. Y., and a few other localities where shallow gas reserves were found sufficiently close to nearby markets to permit the transmission of gas through the primeval piping facilities then available.

However, it was not until the late 1920s that technical advances in the production and fabrication of steel opened up the possibility of piping gas over vast distances from its source to markets that were in position to use it in large volume. At that time, stronger steel pipe became available commercially and soon afterwards improved methods of welding joints did away with the necessity for the old couplings.

New Gas Reserves

Simultaneously with these advances in construction and laying of pipe, similar advances were made in the sciences of geology and geophysics, which are the bases for the discovery of oil and gas structures. The result was that geologists have been able to point out more and more successfully where the oil and gas traps may be far below the earth, even though they cannot yet tell in advance whether a given trap will contain oil and gas, or gas alone, or neither. For example, in 1919, the United States Geological Survey, through its geologist, Mr. E. W. Shaw, estimated that the total supply of natural gas in commercial pools in the United States—both recovered and unrecoverable, discovered and undiscovered, including gas mingled with oil, fell between five and 15 trillion cubic feet at the end of the year of 1918, after 11 trillion feet had been marketed and another 30 trillion feet had been wasted during the previous year.

At the end of 1948 the Reserves Committee of the American Gas Association reported that the proved natural gas reserves in the United States were 173.6 trillion feet—an increase of seven trillion over the previous year in spite of withdrawals of six trillion cubic feet. Thus, as of today, known reserves are at least 11 times those of which we were aware in 1919 despite the fact that so much natural gas has been withdrawn in the intervening years that I have not taken the time to add up the total amount.

The Reserves Committees of the American Gas Association and the American Petroleum Institute have taken great pains to point out that it would be inaccurate to take the total known reserves of oil or gas in any one year and divide it by the amount withdrawn during that year and conclude that the result would be the number of years of supply on hand in terms of present consumption. However, it is satisfactory to use this method to make some general comparisons as to the relative availability of various sources of energy and minerals. For instance, such a method gives an indicated reserve of 30 years' supply of natural gas, 12 years of oil and, in round figures, 1,000 years of coal. Corresponding calculations by the Bureau of Mines for some of the principal minerals give 20 years for zinc, 19 years for copper and 10 for lead. These comparisons of the availability of important minerals and sources of energy should be sufficient to remove serious apprehension in the mind of anyone about the availability of natural gas in the foreseeable future.

Perhaps the best philosophy to be considered by those analyzing and administering an industry dependent upon gas reserve can be illustrated by a personal story. For a number of years I worked for one of the subsidiary companies of the Tidewater organization in Tulsa, Oklahoma. After coming to New York later, I used to visit with the then President of the Tidewater organization, Mr. R. D. Benson. One of these visits was at the time when the reserve statistics of Mr. Pogue and others indicated a nine or 10-year supply of oil, and I asked Mr. Benson what his attitude, as President of the Tidewater Company, was toward this apparent prospect of oil running out of oil. He said, "Mr. West, as you know, my father was a Methodist minister, and he always told me that he did not believe that God Almighty would ever let us run out of anything as useful as oil if we did our part to find it, and I have always followed that philosophy in planning the activities and operations of the Tidewater organization." So far as I know, the Tidewater people have never had any reason to regret this company policy, and perhaps it is a good one for those interested in the natural gas business to keep in mind in arriving at their decisions.

Judging Outlook of Individual Companies

Your analytical procedures call for a careful survey of the past history, present operations and future outlook of individual companies, particularly from the investor's viewpoint. I realize in some detail what this means from having been at one time Chief Engineer of one of our State Public Service Commissions. Every rate case involved a similar survey and procedure from the viewpoint of the consumer as well as the stockholder, and to some extent, labor and management.

As a national trade association, we too devote our statistical efforts toward the industry as a whole rather than to the individual companies which make up the industry, and my comments will be upon an industry-wide basis. Nevertheless, many of these basic characteristics of the industry are important factors in judging the outlook for individual companies. My comments will be limited to those which I believe are worthy of your consideration.

First, the gas utility industry serves a basic human need—the need for heat to be used for manifold purposes in the home, business and industry. The old Greek mythology indicates that this need for heat is as basic as civilization itself. You will recall that Prometheus, when he became grieved at the neglect which the Olympians had shown mankind, proceeded to steal fire from the heavens and bestow it upon man, together with all the arts which the control of fire makes possible. The gas utility industry has undergone many vicissitudes during its unusually long existence of 130-odd years. Part of its success has unquestionably arisen from the fact that it renders a service which has long been essential to the comfort and general advancement of the public it serves.

This thought should not be overlooked at times when the economic prophets and economic journalists, with the best of intentions, predict the decline or demise of the gas industry when some competitor apparently offers serious threats toward the continued use of gas for some particular purpose.

A second important characteristic of the industry is that it has shown great powers of adapt-

(Continued on page 35)

*An address by Mr. West at a luncheon meeting of the New York Society of Security Analysts, New York, N. Y., Aug. 3, 1949.

Dealer-Broker Investment Recommendations and Literature

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

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

Catholic Institutional Bonds—Summary of their investment merits—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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

Common Stock Program for Investors—Revisions in list—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Making Your Money Work Profitably—Brochure on "Mutual Investment Funds—A Safer Way to Invest"—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Monthly Stock Digest — New compendium of information on listed and unlisted issues with a two-page spread of quotations on over-the-counter stocks — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

New Jersey Municipal Bonds—16th edition of statistical handbook containing analysis of revised debt statements of approximately 300 New Jersey municipalities with population figures, tax rates, tax collections 1945 through 1948, and the amount of foreclosed property held by the individual municipalities as of Dec. 31, 1948—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available are comments on the **Railroad Outlook, United Corp.,** and **Steel Company** earnings.

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.

* * *

Caterpillar Tractor Co.—Circular—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available is a circular on **Philip Morris & Co., Ltd.**

Central of Georgia Railway—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Central Illinois Light Company—Descriptive letter—Service Company, The Commonwealth & Southern Corporation, 20 Pine Street, New York 5, N. Y. (Address request attention of Mr. W. G. Bourne, Jr.)

Also available are descriptive letters on **Consumers Power Company, Ohio Edison Company** and **Southern Company.**

Florida East Coast Railway—Circular—Ernst & Co., 120 Broadway, New York City.

Also available is a circular on **New York Central Railroad System.**

Founders Fire & Marine Insurance Company—Detailed analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

New Orleans Public Service Co.—analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

North American Company—Memorandum—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Northern Engineering Works—Circular—First Guardian Securities Corp., 20 Pine Street, New York 5, N. Y.

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

Paramount Pictures—Circular—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Permanente Metals Corp.—Circular—Rotan, Mosle & Moreland, 806 Rusk Avenue, Houston 2, Texas.

Southern Company—Memorandum—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Sterchi Bros. Stores, Inc.—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Trane Company — circular — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

United Corporation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a leaflet of market comment.

United Merchants & Manufacturers, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Yuba Consolidated Gold Fields—Analysis—Stone & Youngberg, Russ Building, San Francisco 4, Calif.

COMING EVENTS

In Investment Field

Aug. 26, 1949 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group IBA summer frolic and golf tournament, Park Hill Country Club.

Sept. 9, 1949 (New York, N. Y.)
Security Traders Association of New York annual summer outing and dinner at New York Athletic Club, Travers Island.

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

Sept. 16, 1949 (Cleveland, Ohio)
Bond Club of Cleveland fall party at Sleepy Hollow Country Club.

Sept. 23, 1949 (Chicago, Ill.)
Municipal Bond Club of Chicago Annual Field Day at Knollwood Country Club, Lake Forest, Ill.

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.

Oct. 11-13, 1949 (Atlantic City, N. J.)
Fall meeting of the Board of Governors of the Association of Stock Exchange Firms at Haddon Hall.

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.

Outlook for Business And Investments

By DONALD B. SMITH*
Partner, Scudder, Stevens & Clark
Investment Counsellors

Regarding short-term outlook, Mr. Smith sees strong underlying supports for business in backlog of need for capital goods and current well distributed purchasing power. Regards long-term outlook as unpredictable, but expresses belief common stocks are reasonably priced as compared with other forms of investment.

Short-Term View (1949-1950)

Recent economic corrections have been substantial in raw material prices and in volume for specific industries. Because declines for individual prices and industries have been scattered over a two-year period and because consumers have continued to absorb goods at record levels, the effect on over-all measures of business has been slight. In historical perspective the overall correction to date can hardly be dignified with even as strong a term as recession. This satisfactory general situation has been maintained in spite of almost frantic attempts by many businessmen to reduce inventories and in spite of continuance of a punitive attitude toward business on the part of government.

This condition suggests strong underlying supports which may be catalogued as follows:

(1) A substantial backlog of needs for capital goods, such as buildings, automobiles and roads.

(2) A well distributed purchasing power, both in the form of liquid assets and unused credit, and the absence of strains due to unwise and excessive extension of credit.

(3) Government fiscal policy. This takes two forms. Through the cash budget, the government is moving over an $8 billion annual rate of surplus a year ago to a probable $4-$5 billion annual rate of deficit a year hence. Government payments in the form of subsidies to agriculture and social security benefits have bolstered the income and courage to spend of a substantial number of persons.

(4) Widespread awareness of possible economic dangers and concerns about them is not the "stuff" that serious maladjustments are made of. If speculative enthusiasm was widespread, one would have to assume that it was creating serious strains.

Because of these underlying supports, it seems reasonable to presume that business is in the process of shaking down from an overstrained, inefficient condition to a hardhitting, competitive basis; that it is not necessary to go through a severe liquidation to accomplish this desirable end; and that more good years are ahead. 1948 was probably the high of the economy as a whole for many years to come. 1949 will undoubtedly be lower than 1948, and 1950 probably lower than 1949 but these years, by any standards except 1948, should be generally satisfactory.

There is real danger that the time and attention being given both by businessmen and government to short-term economic forecasts is way out of proportion to the reliability either of the basic data or the judgments of those interpreting them. The margin of error is likely to be too great to warrant more than the crudest type of estimates. Certainly they do not provide adequate basis for drastic changes of business or government policy. It does not take elaborate statistical or economic reasoning to tell a businessman that, under conditions such as 1947 or 1948, he should not over-extend his balance sheet or carry more inventory than is necessary to serve his trade. By the same token, he should not allow any short-term economic forecast to cause him to defer capital expenditures which are necessary to keep him in a strong competitive position on costs and quality or cause him to lower his inventory to a point where he is not serving the trade. The great companies of this country were not built on guessing short-term economic swings but by everlastingly emphasizing the fundamental proposition of supplying the best goods at the lowest price consistent with financial strength.

Longer-Term View

The foregoing relatively hopeful picture of the near-term future does not indicate a belief that we can avoid serious depressions in the future. Business fluctuations are part and parcel of the capitalistic system and cannot be avoided without giving up benefits which accompany capitalism. Our government has neither the power nor the wisdom to prevent a severe depression when conditions become ripe for it. No government can prevent depression without a degree of power which would substantially reduce personal freedom.

A desirable objective for government would be to stop trying to manage the details of business and to set its own house in order. By doing an efficient, low-cost job of performing limited services, and by employing devices such as social security and progressive taxation which are essentially automatic in their operation, it may be able to soften and keep orderly corrections when they come. Fixed pegs, whether of prices, interest rates, or employment, should be avoided in favor of easing natural adjustments.

Common stocks as a class of investments appear reasonably priced, both absolutely and relative to other forms of investment. They are not on the bargain counter. Long-term bonds are unattractive and, for a bond investor who does not require a maximum immediate income, short-term holdings for the time being should be worth the lower yield by affording an ultimate opportunity to buy corporate and municipal long-term bonds on a more attractive basis.

*Summary of a talk by Mr. Smith at the Stanford University Business Conference, Palo Alto, Cal., July 26, 1949.

Douglas Poston, Others Join Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Douglas R. Poston, E. R. Hanna, L. J. Oligher and C. Raymond Sherwood have become associated with Irving Lundborg & Co., 486 California Street, members of the New York and San Francisco Stock Exchanges. Mr. Poston was formerly a partner in Needham & Co., of Palo Alto, with which Messrs. Hanna, Oligher and Sherwood were also associated.

Eugene Ballard Dies

Eugene S. Ballard, partner in Conning and Company and Ballard of Hartford, died at the Hartford Hospital at the age of 72.

Expanding World Markets for American Cotton

By E. D. WHITE*
Assistant Secretary of Agriculture
Chief, Cotton and Wool Fibres Branch
Economic Cooperation Administration

Agricultural Department specialist predicts, despite substantial set-backs in two large markets, U. S. cotton exports will continue to increase. Admits since war cotton exports have been largely financed by Federal Government, and recommends exchange of foreign goods and strategic materials for raw cotton with dollar-short countries. Foresees no excessive carry-over of cotton crop and no unusual pressure of synthetic fibres in competition with cotton.

Since the end of the war the export market for American cotton has been increasingly expanded as a result of aggressive forward-looking programs adopted by our government. Cotton exports have increased from less than 2 million bales at the war's end, to nearly 5 million bales this year. Recently there has been a substantial cutback in two large markets for American cotton, but prospects still are that more cotton will be exported in the season just ahead than was exported in the season now closing. The European mill demand for American cotton continues to rise.

E. D. White

Extent of World Market

How large is the world market for American cotton? Who are our competitors and what are they doing? How can we obtain and hold our share of these markets? These questions strike to the heart of our ability to export cotton.

The export demand for American cotton arises almost solely from the demand of the textile mills situated in foreign countries. There are other demand for cotton—such as for home spinning, quilting, manufacture of padded clothing and the like, and in the aggregate these demands are substantial. But the cotton used for these purposes is generally grown within the country. So our market is, for all practical purposes, limited to foreign consuming mills.

Outside of the United States, Mexico and Brazil—all cotton producing and exporting countries—nearly all the cotton spindles in the world are in Europe, China, India, Japan and, to a smaller extent, Canada. Many countries with few, if any, spindles have large populations to clothe. We cannot reach the people in these markets with our raw cotton. It must go through the textile mills situated in other foreign countries.

Foreign Mill Requirements

First, I want to differentiate between the cotton mills located in foreign countries producing sizable quantities of cotton for export from the mills situated in foreign countries that have to import all or nearly all of the cotton they consume.

The mills of interest to us are those situated in countries that have to import all or nearly all of the cotton they consume. This again narrows our market outlets. As we examine the world market, we find that our natural outlets are restricted, first, to countries with textile mills; second, to countries which import cotton for their own textile mills; and, third, to those countries which need and are able to pay for American cotton. These progressive restrictions present certain barriers to our fulfilling the real need for cotton by millions of people living in various parts of the world, generally in the underdeveloped sections of the world. This problem should be kept continuously before us, until there is a better solution for it than at present. Better ways must be developed for moving a valuable raw material like cotton to the various ultimate consumer markets.

It is now estimated that during the past year the world consumed 27.7 million bales of cotton. Less than 12 million of these bales was consumed by foreign mills that import cotton. So the maximum extent of the world market for cotton for all cotton exporting nations of the world this season was less than 12 million bales. Actually, not quite that much cotton has been imported. Some mills have been required to reduce their working stocks so the total amount of cotton imported into all consuming countries may be only about 10.6 million bales this year. In other words, the mills have been compelled to use their reserve stocks so that they must now buy as much cotton as they consume.

Currency Problems

Of necessity, textile mill operators must import the kind of cotton their mills are adapted to use and from exporting countries to which they can make payments. Many mills do not have U. S. dollars and cannot get them. Consequently, they have no means with which to pay for our cotton. They generally have plenty of their own kind of money, such as

(Continued on page 33)

*An address by Mr. White before the 10th Annual Meeting of the Cotton Congress, Dallas, Texas, July 28, 1949.

Illinois Brevities

An issue of $15,000,000 Illinois Power Co. first mortgage bonds, 2⅞% series due July 1, 1979, was publicly offered on July 28 at 100.50% and accrued interest by a group of underwriters headed by White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane of New York, the net proceeds to be used for the payment of $8 million of short-term bank loans made for financing construction expenditures and the balance for new construction.

The estimated cost of the utility firm's revised construction program for the years 1949 to 1953, inclusive, is approximately $95 million which, together with the payment of $5 million of bank loans outstanding at Dec. 31, 1948, will require gross expenditures by the company during such five years of approximately $100 million. Cash resources from operations should, under present trend of business, provide about $30 million to meet such expenditures, it was stated. The balance of $70 million, however, must be derived from new financing. The sale of the above-mentioned bonds and the sale in April, 1949, of $10 million of 4.70% cumulative preferred stock will reduce this remaining required balance to approximately $45 million. If operation of the proposed new Northern Division generating station can be deferred until the end of 1954, about $5 million of such balance would be deferred until that year.

As of the opening of business July 8 the offering price for 242,785 shares of Illinois Power Co. common stock (no par value) was reduced to $28.50 per share, net, from $28.9938 per share. Straus & Blosser is participating in this offering which was made publicly on June 21 for the account of North American Co. and North American Light and Power Co. The reduction in the price reflects the fact that the common stock is selling ex-the dividend of 50 cents per share which was paid on Aug. 1.

* * *

Sealed bids will be received until 11 a.m. (CST) on Aug. 18 by Bryan Hartnett, District Clerk, for the purchase of $8,300,000 Chicago Sanitary District construction, series 14, construction bonds to be dated Sept. 1, 1949. At least three banking groups are reported to be entering the competition for this issue. These include one led by Halsey, Stuart & Co. Inc., one by the Continental Illinois National Bank & Trust Co. and one by the Chase National Bank of the City of New York. On March 24, last, the District sold $15,000,000 bonds to a group headed by Halsey, Stuart & Co. Inc.

* * *

Halsey, Stuart & Co. Inc. on July 27 headed an underwriting syndicate which publicly offered an issue of $13,000,000 3% debentures due Aug. 1, 1974 of the Columbia Gas System, Inc. at 101¼% and accrued interest. Other Chicago bankers participating in this offering were: A. G. Becker & Co. Inc., Mullaney, Wells & Co., Detmer & Co., Ketcham & Nongard, and Sills, Fairman & Harris, Inc. The net proceeds will be used to pay for new construction.

Halsey, Stuart & Co. Inc. together with R. W. Pressprich & Co. of New York City, on Aug. 3 publicly offered $6,870,000 general and refunding mortgage 2¾% bonds, series B, due Aug. 15, 1974, of the Wheeling and Lake Erie Ry. Co. at 98⅞% and accrued interest.

* * *

Halsey, Stuart & Co. Inc. (as sole underwriter) during the past months also publicly offered the following securities: On July 13, $2,000,000 first mortgage 4½% bonds, series A, due July 1, 1974, of the Akron Union Passenger Depot Co. at 100% and accrued interest (which issue was oversubscribed); on July 21, $4,750,000 St. Joseph Light & Power Co. first mortgage bonds, 3% series due July 1, 1979, at 102.25% and accrued interest on July 22, $5,000,000 New England Power Co. first mortgage bonds, series C, 2¾%, due July 1, 1979, at 100½% and accrued interest, and on July 29, $5,500,000 Worcester County Electric Co. first mortgage bonds, series A, 2¾%, due July 1, 1979, at 100.75% and accrued interest.

* * *

In addition, three other groups of underwriters, also headed by Halsey, Stuart & Co. Inc., publicly offered the following equipment trust issues: On July 13, $3,990,000 Chesapeake & Ohio Ry. 2⅛% equipment trust certificates, third equipment trust of 1949, at prices to yield 1.10% to 2.55%, according to maturity; on July 21, $3,990,000 Kansas City Southern Ry. 2½% equipment trust certificates, series I, at prices to yield 1.10% to 2.675%, according to maturity; and on July 28, $5,640,000 Louisiana & Arkansas Ry. 2¼% equipment trust certificates, series D, at prices to yield 1.10% to 2.50%, according to maturity.

* * *

Julien Collins & Co., Detmer & Co. and Kebbon, McCormick & Co. participated on July 14 in the initial public offering of 440,000 shares of Gas Industries Fund Inc. common stock (par $1) at the following prices: $16.25 per share on each unit sale under $50,000; $15.99 per share on each unit sale of $50,000 or more but less than $100,000; and $15.82 per share on each unit sale of $100,000 or more. Gas Industries—an open-end investment firm—will operate as a so-called "specialty fund," concentrating its investments in securities of companies identified with the gas industry. The completion of the sale of 400,000 shares was announced on Aug. 5, with proceeds to the Fund amounting to $6,012,000.

* * *

The Oliver Corp. Chicago, has sold privately to an insurance firm a $15,000,000 3½% promissory note due July 1, 1969, through Blyth & Co., Inc. The net proceeds will be used to pay $7,500,000 in bank loans, and the remainder added to working capital which will then amount to $44,600,000.

* * *

Booth Fisheries Corp., Chicago, for the fiscal year ended April 30, 1949 reported sales and revenues of $27,072,151, as against $26,228,538, for the preceding year. Net income after taxes was $589,012, compared with $607,280 last year. After preferred dividends of $55,547, earnings per common share were $2.57 compared with $2.65 for the year ended April 30, 1948. Working capital increased from $3,682,000 on May 1, 1948 to $3,873,000 on April 30, 1949.

The net sales of Borg-Warner Corp. and its subsidiaries for the first six months of this year totaled $146,028,940, compared with $161,877,865 during the first half of 1948. Net profits, after taxes, totaled $10,889,052, equal to $4.52 per share on the common stock after preferred dividend requirements, and compares with $14,587,832, or $6.09 per common share, for the six months ended June 30, 1948. The corporation's financial condition continues strong. C. S. Davis, President, also announced that "sales forecasts for the third-quarter indicate the continuance of good volume, that of the automotive industry approaching record figures." Construction of a modern manufacturing plant and research laboratory for Borg-Warner's aviation parts division, near Cleveland, Ohio, is now completed, and transfer of operations to the new site will be completed by the end of September, he added.

* * *

A nationwide group of investment houses, headed by Morgan, Stanley & Co., New York, N. Y., on July 13 publicly offered and sold $150,000,000 Standard Oil Co. (New Jersey) 25-year 2¾% debentures due July 15, 1974, at 100½% and accrued interest. The Chicago bankers participating were: A. C. Allyn & Co., Inc.; Bacon, Whipple & Co.; A. G. Becker & Co. Inc.; William Blair & Co.; Blunt, Ellis & Simmons; Central Republic Co. (Inc.); Julien Collins & Co.; Paul H. Davis & Co.; Farwell, Chapman & Co.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); The Illinois Co.; Kebbon McCormick & Co.; and Mullaney, Wells & Co.

* * *

Acme Steel Co., Chicago, reports a net income, after Federal taxes, of $1,111,680, or 55 cents per share, for the quarter ended June 30, 1949, which compares with $1,286,848, or 65 cents per share for the corresponding period of last year. Net sales during the 1949 period were $14,078,176, against $14,572,476 for the three months ended June 30, 1948. For the first half of the current year, net sales totaled $28,650,652 and net after taxes were $2,398,528, or $1.20 per share, compared with sales of $29,613,548 and net profits of $3,442,000, or $1.73 per share, for the first half of 1948.

* * *

Included in the group of 102 investment bankers who underwrote the offering of 972,624 shares of Philadelphia Electric Co. common stock (no par value) at $20 per share to the latter firm's common stockholders were the following Chicago underwriters: A. C. Allyn & Co., Inc., Bacon, Whipple & Co., William Blair & Co., Blunt Ellis & Simmons, Julien Collins & Co., Harris, Hall & Co. (Inc.) and The Illinois Co. An aggregate of 902,874 shares were subscribed for by the stockholders, the 69,750 remaining shares being subscribed for by employees.

* * *

Caterpillar Tractor Co. for the month of June, 1949, reported sales of $20,989,242 and profit after charges and Federal taxes of $1,274,003, compared with sales of $19,864,636 and profit of $834,137 for the corresponding month last year. For the half-year ended June 30, 1949, sales totaled $128,004,717 and profit $8,639,852, against $90,149,091 and $1,841,071, respectively, for the first six months of 1948. Operations for the 1948 half-year reflect the effect of a strike which started April 8, 1948 and ended May 12, 1948.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The fundamental factors affecting the fire and casualty insurance industry continue to be favorable from the standpoint of underwriting profits and investment earnings.

From the reports issued so far covering the first six months of operations of the current year, results have been about in line or slightly better than had been expected. Two weeks ago the Continental Ins. Co. and the Fidelity-Phenix Fire Ins. Co. issued their semi-annual statements showing a substantial underwriting profit for the six months period compared to a loss in the year previous. Investment income continued to increase and was higher by 10% to 12%.

This week another of the leading companies in the industry, Aetna Insurance Co., issued a report covering the first half of the year with highly satisfactory results.

On a consolidated basis covering the Aetna Insurance Group an underwriting profit of $2,035,171 was reported for the first six months compared with an underwriting loss of $1,659,877 for the same period of the year earlier. On the same basis investment income amounted to $1,786,922 compared with $1,695,099 for the year before or a gain of about 5%.

Premium volume showed a gain of $2,382,735, totaling $52,365,843 as against $49,983,108 in 1948. Premiums earned showed a similar trend rising from $45,468,839 to $47,553,842 for a gain of $2,085,003 or 4.6%.

As losses were down from $24,579,336 a year ago to $21,017,669 for the current period, the ratio of losses to both premiums written and earned improved materially.

The same general factors which have contributed to these favorable results are still present and should result in an excellent second half and a record year for insurance industry earnings.

The trend of fire losses has been moving downward since the first of the year. For the first seven months the total is estimated to be about 10% below a year ago. Part of the reason for this lies in the decrease in the prices of practically all goods and property from the high levels of 1947-1948.

The adjustments of rates on automobile coverages has also helped the companies to have a better experience on these lines. Here, also, lower costs for repairs have been a consideration. Fuller covrage of risks has been another factor which has and will continue to affect operating results.

When prices were rising, property was not generally covered for the full value and it took several years for the under-insured risks to take greater coverage. This lag resulted in a rise in the loss ratio. Now with property values leveling off or declining a reversal of the previous trend is indicated.

These improvements in underwriting experience and the continued gains in investment earnings have found reflection in the dividend policies of some companies. At the end of last year a number of concerns increased payments by small amounts or made year-end or extra distributions. During the past few weeks, however, there have been several other leading units announcing changes in their payments.

Possibly the most noteworthy change of policy was that of the Hartford Fire Insurance. This Company had continued a most conservative policy for a number of years and some change had been expected for quite some time.

On July 12, 1949 Hartford Fire announced that subject to the approval of the stockholders, the capital of the Company would be increased from $12 million to $16 million by issuing 400,000 additional shares at par value to existing stockholders in the ratio of one additional share for each three shares held. In other words a stock dividend of 33⅓% would be paid to existing shareholders.

The President of the Company also announced that if the additional shares are approved and issued, it was the intention of the Directors to continue paying the present dividend of $2.50 on the increased number of shares.

The Home Insurance is another of the companies to increase their stockholders' payments. Last June the semi-annual rate was raised from 65 cents to 70 cents. A similar increase was made at the same time a year ago. The annual rate is now $1.40.

Aetna Insurance recently declared a 20 cents extra payment for its shareholders. This will increase the total payment indicated for the year to $2.00 as compared with $1.80 last year.

American Insurance has also stepped up its distribution. The Company had been paying semi-annual dividends of 25 cents with extras of 10 cents for a total payment of 70 cents. In July the payment was increased to 45 cents or at the annual rate of 90 cents a share.

These dividend changes are believed to be some of the first in a rather general upward adjustment of payments. Numerous others should follow throughout the remaining months of the year.

With Walston, Hoffman Firm

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Arnold P. Staunton has become associated with Walston, Hoffman & Goodwin, 550 South Spring Street, members of the New York Stock Exchange and other exchanges. Mr. Staunton was formerly with G. Brashears & Co.

With Dempsey-Tegeler

LOS ANGELES, CALIF.—George K. Johnson has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was previously with C. E. Abbett & Co. and Slayton & Co., Inc.

Chairman of the Board

ROCHESTER, N. Y.—Walter H. Baumer, partner in Erickson Perkins & Co., and a member of the New York Stock Exchange, has been elected Chairman of the Board of Directors of the Rochester Transit Corporation to succeed the late Gilbert Mosher.

Mueller With Charles Brew

(Special to The Financial Chronicle)

WAUSAU, WIS.—Arthur E. A. Mueller has become associated with Charles W. Brew & Co., 735 North Water Street, Milwaukee. Mr. Mueller was formerly with A. C. Allyn & Co.

Will U.S. Private Capital Flow to Britain?

By PAUL EINZIG

Dr. Einzig forecasting little additional U. S. financial assistance to Britain in approaching conference with U. S. Treasury officials in Washington, notes that public attitude toward private U. S. capital investment in Britain has become more friendly, but expresses doubt it will permanently solve dollar-gap problem.

LONDON, ENG.—The end-of-July slump in government loans gives some indication of the degree of anxiety that prevails in Britain about the outlook. It only indicates, however, the sentiments of a small fraction of the community. The large majority of the British public is not concerned with the quotation of Old Consols or War Loan, any more than it is concerned with the quarterly figures of gold losses. A fall in Stock Exchange prices does not shake up the millions of industrial workmen from their complacency. It is only the financially-minded businessman and the more intelligent section of the community in general that regards the price of government loans as one of the few remaining economic barometers capable of indicating an approaching storm.

Dr. Paul Einzig

This section of the public views the outlook with growing pessimism. Although hopes of a satisfactory outcome of the coming Washington talks have not been abandoned, few people really expect a solution to emerge from that meeting. The number of those who can form an opinion as to the nature of the solution they expect is even smaller.

It is now almost generally realized that the chances of additional financial assistance by the United States Government are none too bright. Judging by the attitude of Congress towards the second annual instalment of Marshall Plan aid, none but a few incorrigible optimists expect that American financial assistance in the form of grants or government loans would be increased in order to fill Britain's widening dollar gap. Until a few weeks ago hopes were built mainly on American stockpiling purchases. In the meantime, the United States Government has in fact resumed these operations, out of the appropriations for 1949-50. But the purchases for Sterling Area raw materials are financed out of the sterling account set aside under the Marshall Plan for that purpose. This means that Britain does not receive any dollars for these exports. The only indirect advantage she stands to gain is that the American purchases have resulted in steadier raw material prices.

The latest forecast is that American assistance would assume mainly the form of private American investment in Britain and in the Sterling Area. The two governments would confine themselves to doing their best to encourage such investment. It is expected in London that the Treasury's experts will submit to the Washington meeting in September a series of practical proposals to that effect. There is indeed a perceptible change noticeable in the government's attitude towards American investment. Until comparatively recently the Treasury's policy was to refuse permission for American firms to establish works in Britain unless (1) the new industrial undertaking is expected to earn dollars or save dollars; and (2) the same industries could not be established by British capital. This attitude was due to the desire to avoid borrowing dollars in the form of costly private investment. For dividends on such investments would be several times higher than what is paid on loans granted by the United States Government. Unless the American investment earns or saves dollars that could not be earned or saved by British capital, the result would be merely a temporary relief of the dollar position through the transfer of the American capital, at the expense of a deterioration of the chronic dollar shortage through the increase of the burden of annual dividends payable to the United States.

The British attitude was modified as a result of the Marshall Aid Pact, under which Britain gave an undertaking not to discriminate against American enterprise as far as industries producing stockpiling materials are concerned. Moreover, the United States Government has set aside a special fund for the purpose of granting transfer guarantees to American investors. In practice, the extent to which these new facilities have been used has thus far been negligible. The main reason is probably that the trend is at present against an expansion of commitments, whether at home or abroad, for fear of losses through a trade recession. But, in any case, this view is held out that Europe is not considered to be a satisfactory field for American investment, owing to political uncertainty. Unless means are devised by which to guarantee the political risk in addition to the transfer risk, there is no likelihood of any large-scale American investment in Europe. Prospects are considered to be somewhat brighter for American investment in the Sterling Area countries. But it is bound to take time, and it would be idle to expect the flow of American private capital—if there should be any—bring relief to the dollar position in a matter of months.

Curiously enough, the Conservative quarters which were opposed to the American loan of 1946 and to Marshall Plan aid do not seem to object to the encouragement of American investment in Britain and in the British Empire, even though such investment is bound to be more costly than official assistance was, and its effect is bound to be detrimental to British trade within the Sterling Area. Possibly the explanation is that Conservatives hope that, for the sake of encouraging the inflow of American capital, the Socialist Government would call a halt to anti-capitalist legislation. It does not seem to occur to them that the admission of American investment, following on the liquidation of easily marketable British overseas investments, constitutes yet another stage in the liquidation of Britain's national assets for the sake of bringing temporary relief. Very few people realize that this policy merely postpones the day when the need for handling the dollar gap with firm hands has to be faced.

No Need to Expand RFC Powers

By EARL R. MUIR*

President, Louisville Trust Company

Member, Small Business Credit Commission, ABA

Spokesman for American Bankers Association tells Senate Committee ample credit facilities by commercial banks are now available to business, and, in view of declining volume of commercial loans, there is no purpose in expanding powers and functions of Reconstruction Finance Corporation. Attacks proposal to waive time limit on RFC loans and to increase its over-all lending and investing authority to $5 billion. Says downward trend in business is not sufficient to warrant changes in banking policy.

The powers and functions of the Reconstruction Finance Corporation have been expanded and modified from time to time. After the end of the war, it was obvious that a review of the Corporation's powers was needed. Only two years ago the Senate Banking and Currency Committee made a thorough study of the corporation and its activities, with a view to determining whether it should be continued or discontinued and if continued, with what powers and for what purposes. The Committee made its report on Feb. 2, 1948, and the amendments to the RFC Act resulting from the report were enacted on May 25, 1948.

Earl R. Muir

In testifying on S. 2344 we wish to express our views on two phases of the Bill, the first in Section 1 which would waive the time limit on loans, and the other in Section 2 which would increase the corporation's over-all lending and investing authority to $5 billion. It was the conclusion of the Senate Banking and Currency Committee in its report of Feb. 2, 1948, that the maturity of RFC loans be limited to 10 years because the Committee believed that this would allow the RFC to engage in longer-term financing without supplying capital funds, which is the function of private investors.

The Committee also recommended that the total amount of investments, loans, purchases and commitments made subsequent to June 30, 1947, pursuant to Section 4, should not exceed $1 billion outstanding at any one time. There were certain minor exceptions to this and one major exception is that outstanding loans which were made prior to June 30, 1947, were not to be included. Subsequent amendments to the law have increased the corporation's lending and investment capacity to $2½ billion. It does not appear that there have been changes in the economy since that are sufficient to warrant further amendment of the Act at this time.

Why Maturity Limit Should Not Be Extended

In advancing reasons why the maturity limit should be extended beyond 10 years on loans made by the corporation, witnesses stated that the average maturity of present RFC loans is 5 to 6 years and that a 10-year maturity is adequate for loans to most business enterprises. We believe that 10 years are more than ample time for the liquidation of any business loan that the RFC is authorized to make.

In its report accompanying the RFC legislation of 1948, in which the 10-year limitation on RFC loans was originally imposed, the Senate Committee stated: "The Committee recommends a limitation of 10 years because it believes that that will allow RFC to engage in longer-term financing where a need for such aid exists, and yet will tend to prevent the supplying of capital funds which is really the task of private investors. This limitation does not apply to securities or obligations received in bankruptcy, reorganization or receivership. Financial assistance in aid of public projects may carry a maturity up to 40 years."

There has, of course, been a downward turn in business since the first of the year. Such an adjustment had to take place because the economy could not continue indefinitely on the inflationary spiral. Nevertheless, there have been no sufficiently severe changes in the over-all condition of business to warrant an abandonment of these principles which the Committee laid down last year, nor have witnesses for the corporation advanced sufficient reason for doing so.

If all limitation on maturities of RFC loans is removed and maturities are left to the discretion of the corporation, it is conceivable that some loans could be made, renewed and extended indefinitely. There are three reasons why this is inadvisable. First, such a loan tends to become permanent equity investment by the government in private enterprise; second, it tends to keep the marginal or weak producer in business in competition with the strong and established self-reliant producer; and third, it might be possible for the owners to divert from the business their own capital investment, leaving the government funds as the sole capital.

In other words, the removal of this limitation on loan maturities could lead the government even more deeply into the channels of private business and industrial production. It is the experience of the banking business that borrowers rarely require business loans, as distinct from equity capital, for periods as long as 10 years. It seems to us that any loan with a repayment schedule

(Continued on page 38)

*A statement by Mr. Muir before the Senate Committee on Banking and Currency with reference to Bill to amend Reconstruction Finance Corporation Act, Washington, D. C., Aug. 3, 1949.

Mutual Funds

By HENRY HUNT

First Mutual Fund Conference

The first annual Mutual Fund Conference, sponsored by the Investment Dealers Digest, will be held in New York City from Aug. 15-18 at the Statler Hotel. It is designed primarily to give dealers and salesmen a better understanding of the business. Speakers include:

James W. Bridges—Keystone Custodian Funds.
Herbert R. Anderson—Distributors Group, Inc.
Albert R. Hughes—Lord, Abbett & Co.
Douglas H. Laird—National Securities & Research Corp.
A. J. Wilkins—Wellington Fund, Inc.
Eugene J. Habas—Hugh W. Long & Co., Inc.
Charles F. Eaton Jr.—Eaton & Howard, Inc.
Robert E. Clark—Calvin Bullock.
Alfred J. Stalker—Shields & Co.
Louis H. Whitehead—Louis H. Whitehead Co.
Russell E. White, C. L. U.—Equitable Life Assurance Society.
Woodford Matlock—Broad Street Sales Corp.
Grady Clark—Investors Diversified Services.
William T. Cobb—Distributors Group, Inc.
Raymond Trigger—Investment Dealers Digest.
Harry A. McDonald—Securities Exchange Commission.

On Wednesday p.m., Aug. 17, a humorous skit written by John A. Straley will feature Douglas K. Porteous, Norman Stabler and Lucile Tomlinson.

On Thursday afternoon a meeting open to the public will be held and answers to questions from the floor will be supplied by the following panel:

Louis H. Whitehead, Chairman; Mrs. R. H. Axe, Vice-President Axe-Houghton Fund; Edward C. Johnson, 2nd, President, Fidelity Fund; Paul A. Just, Sales Director, Television Fund; G. L. Ludcke, President, Putnam Fund Distributors, Inc.; William A. Parker, President, The Parker Corporation; Karl D. Pettit, President, The Knickerbocker Fund; Miller H. Pontius, Vice-President, Chemical Fund; Douglas K. Porteous, Sales Manager, Cohu & Co.; Edward P. Rubin President, Selected American Shares; Joseph E. Welch, Executive Vice-President, Wellington Fund, Inc.

We want to congratulate the "Investment Dealers Digest" on their untiring efforts to make this forum a success.

Women Live Longer

Women live longer than men in this country according to life insurance statistics. As most married women are younger than their husbands, they usually outlive their husbands. If you are a typical American husband, the chances are your wife will outlive you by 10 years or more.

Some years ago a large life insurance company made a study of the disposition of the insurance money left outright to widows. The company found that on the average, this money was large dissipated within seven years usually through unwise investments. This happened because very few women are interested in or know much about investments.

Take your wife for example. If you were to die suddenly, would she be capable of properly supervising the securities you might own? If any of the bonds and preferreds were called, would she reinvest the money properly? Unless she is experienced in investing, probably not.

No healthy man expects to die soon. Still, it is wise to plan for the future, so that if the unexpected happens, your wife and children will be sure of having competent supervision of your estate; the kind of supervision that a large trust company or leading investment counsel firm provides.

You may think your estate is not big enough to justify the cost of such professional management. Many large investment counsel firms and trust companies charge a minimum fee of $500 or more. But you can get this service at a reasonable cost, even if you have only a few hundred dollars to invest, through Balanced Mutual Funds.—From a Wellington bulletin.

"Once A Year I Die . . ."

A business acquaintance whose judgment and knowledge we hold in high regard recently told us about a formula he uses to make sure his affairs are in the best possible condition. This man is not only a successful business man; he is also an astute investor. Consequently, his estate is considerable—and so are his problems. For anonymity's sake, we'll call him "Mr. Smith."

"I 'die' at least once a year," says Mr. Smith, "and put myself in the shoes of Mr. Brown who is the executor of my estate. I drop Smith's burdensome problems and assume Brown's problems in so far as they are concerned with Smith's estate. I take all the documents and papers that bear on Smith's financial situation—his last will and testament, his insurance, his business interests, his real estate holdings, and his other sizable investments. Mr. Brown's executor's eye, I go over them very carefully. My purpose is to uncover any items and situations that might make Brown wish he could bring Smith back to life for a conference that would result in more intelligent planning. Once that has been done, I bring Smith back to life and see to it that the necessary changes are made that will simplify Brown's problems as my executor. A year later, I repeat the process. Almost invariably I find that Smith again has made foolish mistakes. Again I make changes, until I'm sure that Smith's estate is straightened out for at least the next 12 months.

"So once a year I die—and I am firmly convinced that these 'deaths' will make it possible for my executor to probate my will and settle my estate easily, so that my family will be well provided for thereafter."

There is no doubt that Mr. Smith has devised an ingenious method of forcing himself to take an outsider's look at his affairs. Whether you have doubts about your own estate, or whether you are certain that it is well arranged and protected, it might be well for you to try Smith's system. Become your own executor once, and we think you will find its well worth repeating year by year.—From The Keystone "Investor."

Isn't 100 Years Long Enough to Prove a Point?

Excerpts from a Standard Steel Springs ad: "Back in 1847, a German gent named Karl Marx . . . wrote a book he called 'the Communist Manifesto.' It was during the era the history books call the 'Industrial Revolution'—when machines were beginning to take the strain & sweat off men's backs. Marx . . . predicted that capitalism, under the machine age, would gobble up all the wealth, and leave the working man in a state of pitiful destitution unless all peoples of the world could be organized on a uniform socialistic basis . . .

"Now, let's have a look at how far we have come—and why—from the day of Karl Marx. In 1850—animals and men did 70% of this nation's work. Machines—only 30%. Crude implements were the rule. Backs bent under the strain. The work week was 70 hours and the average worker's output per hour bought 27c worth of goods and services, measured in present day buying power. Today—a century later, animals and men do 6% of this nation's work. Machines—94%! The work week is 40 hours, and the average worker's output per hour buys $1.40 worth of goods and services, measured in today's buying power. And here's the payoff—the answer to Karl Marx and all the little Marxes. In 1850, with a population of 23,191,876 the number of gainfully employed was 7,700,000 including farmers, or 33.2% of the people. In October, 1948, the labor force was 60,134,000 not including farmers, in a population of 147,-280,000, or 40.8%.

"So it turns out that the machines men feared have been responsible for the biggest labor force, working the shortest hours, at the highest wages in world history. And the ultimate answer to our great productive capacity and wage earning ability is that every American worker is backed by a capital investment twice to 10 times that of the worker in other countries." From "These Things Seemed Important," issued by Selected Investments Co. of Chicago.

R. A. Rowan & Co.

LOS ANGELES, CALIF.—R. A. Rowan & Co. has been formed with offices at 458 South Spring Street, to engage in the securities business. Officers are R. A. Rowan, President; Eugene Battles, Vice-President; C. A. Sain, Vice-President and Secretary; and Stanley H. Woolery, Assistant Secretary and Assistant Treasurer.

Robert Gibson Opens

MILLBRAE, CALIF.—Robert Gibson is conducting a securities business from offices at 612 Cypress Avenue. Mr. Gibson was formerly with Wm. R. Staats Co. and Merrill Lynch, Pierce, Fenner & Beane.

Ruml Favors Repeal of Wartime Excise Taxes

Former Chairman of New York Federal Reserve Bank, and R. H. Macy & Co. executive, says present rates are creating a depression in some industries, and no longer serve purpose for which they were intended.

Beardsley Ruml, former Chairman of the Federal Reserve Bank of New York (who is visiting Murray Bay, Quebec, with Frank B. Common, K.C., of Montreal), stated on Aug. 4 that the wartime excise tax rates in the United States should and can be repealed by the 15th of August, this month, this year.

Beardsley Ruml

"The wartime excise rates," Mr. Ruml said, "are producing an ever widening black depression in affected industries. If all business were equally depressed we would have between 10 million and 12 million unemployed at the present time. Excises applied on the cost of doing business, such as transportation and communication, are pyramided and raise costs and prices to the consumer of every article of commerce.

"The wartime excise tax rates were intended to reduce civilian demand selectively in time of war, and properly so. These wartime rates succeeded in reducing demands then, and they are reducing demand and employment selectively now. All wartime excise tax rates, except those on gasoline tobacco and alcohol, should be repealed at once.

"As far as the government financial requirements are concerned, the wartime excise tax rates are both unnecessary and inappropriate.

"They are unnecessary because the repeal of the wartime excise tax rates would result in no substantial net loss of revenue. The net loss could hardly be greater than $600,000,000 and it might be as little as $200,000,000, or even less.

"This estimate is arrived at in the following way. The gross receipts from wartime excise rates in 1948 was $1,800,000,000. With sharply lower business, gross income from these tax rates in 1949 can be estimated at $1,400 000,000 or less. Offsetting this figure are losses from four important sources—losses in corporation income taxes at the manufacturing level, losses of tax receipts at the wholesale and retail level, losses from lower withholding tax receipts, and increased out-payment for unemployment benefits. Estimating these offsets at from $800,000,000 to $1,200,000,000 for the four sources combined, leaves a net loss as stated above from $600,000,000 to $200 000,000.

"The possible net loss from the repeal of wartime excises is not an important amount in a budget of over $40,000,000,000 in view of the issues involved and the selective unemployment produced.

"The wartime excise rates are not only unnecessary, they are also inappropriate. Not only are they selective and discriminatory, but they are being used to meet non-recurring capital items in the budget which have nothing to do with ordinary recurring Federal expenditure. The most conspicuous item of this kind is over $2,000,000,000 to provide for refunds to veterans for excess premiums paid during four years of war for war life insurance. This is not an expense of operation of Fiscal 1950. A reserve to care of these excess collections should have seen set up at the time the collections were made, that is prior to 1946. In 1946 we paid off some $26,000,000,000 of public debt. If we had set aside $2,000 000,000 as a reserve against these premiums, we still could have paid off $24,000,000,000. It is clear that as of today, the refund of these excess collections should be handled by debt management and not by current taxation producing unemployment.

"Last year's Federal budget on a cash consolidated basis did not show a deficit as is generally believed. On the contrary, there was a surplus larger than the estimated net loss from wartime excise tax repeal in Fiscal 1950.

"No matter how you look at it, the wartime excise tax rates from a financial point of view are both unnecessary and inappropriate and should be repealed forthwith.

"Improvised public works spending on roads, school buildings, housing or the like cannot give employment to the fur industry, the leather industry, the jewelry industry, the appliance industry or other industries depressed by wartime excises. On the contrary such spending will aggravate demand at the most active business spot. This is not a time for excess spending, but rather for tax reduction from wartime discriminatory rates.

"The time for a reduction of consumers taxes has always been recognized to be the summertime. That is when business is lightest and postponement of purchases waiting for tax reduction will do business the least harm. Delay to January, 1950 for excise tax reduction would be disastrous to many important industries during the vital autumn and Christmas buying seasons of 1949. The Governors of Connecticut, Massachusetts and Rhode Island have already asked for excise tax relief now. They will doubtless be joined by the Governors of other affected States.

"No half-way measures should be undertaken in repealing the wartime excise tax rates. Half measures will only encourage delay in buying on the part of merchants and their customers.

"There is still plenty of time to get the wartime excise tax rates off by Aug. 15. Senator George, Senator Lucas and other legislative leaders have said that only a signal from the White House is required. It has even happened in the past that tax legislation affecting the public interest has been passed over the President's veto.

"After all, Congress was able to declare war on Japan in 24 hours. It need not take more than a week for Congress to declare war on unemployment."

Reynolds & Co. Have Exhibit at Fair

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, are taking a new step in carrying the story of investment to the general public by setting up an exhibit at a forthcoming fair, it was revealed. The exhibit, featuring the 196 common stocks listed on the New York Stock Exchange will be on display at the Morris County Fair, Morristown, N. J., Aug. 23 through 27.

Included in the exhibit will be sample stock certificates and a display of the products of many of the companies listed. Reynolds officials will be on hand to explain the workings of the securities market and answer questions.

The New Look of the Constitution

By DONALD R. RICHBERG*

Former Administrator, National Industrial Recovery Administration

Asserting the Constitution is taking on a "new look" of the spirit of National Socialism, former Roosevelt New Dealer and ex-head of NRA, sees individual liberty imperiled by aim for economic security as well as growth of centralized government. Sees safeguards against tyrannical authority being steadily destroyed by all powerful commissions. Calls for revival of States Rights doctrine as curb on centralized power, and attacks current fair employment practice legislation. Condemns government by pressure groups and political traders.

Long, long ago, when the sages of today were sweet 16, there was a Constitution of the United States which looked like the spirit of 1776. Today that Constitution has a new look. In fact, to many it has the look of the beckoning spirit of National Socialism. What has happened to the dear, old Constitution? Have the gland treatments, the face lifting and face saving of big and little politicians actually endowed it with new vigor, or have they merely sapped its nature vitality in trying to make it over in the image of headstrong youth?

Donald R. Richberg

For the moment it appears that even Communists are impressed by this appearance of rejuvenation. They may be half-sincere in asserting that it is no longer necessary to overthrow our government in order to establish their slave Utopia. All they need to do, apparently, is to take over the government, whose stumbling advances into socialism, are, step by step, being sanctified by Congress and Courts as within the constitutional objectives of the national government.

The impediments to tyrannical authority, created by a division of powers between the executive, legislative and judicial branches, have been gradually destroyed by creating commissions in which laws are made, interpreted and executed by one body of men. It will soon be only a short step to the designation of the President as Lord High Commissioner of the General Welfare, invested with authority to regulate the business, the agriculture and the labor of the nation, and to establish economic security—and slavery—from the cradle to the grave.

We made a tentative step in this direction in the late, never-to-be-forgotten NRA with which I had some experience. But neither the Congress nor the Supreme Court had been sufficiently "liberalized" in 1935 to approve this noble experiment. The Congress knocked it down; and the Supreme Court sat upon it so heavily that it suddenly expired. Nevertheless the subsequent validation of the Agricultural Acts, the Wagner Act, the Wage-Hour Act, the Price Control Acts, the Social Security Acts and other socializing laws, indicates that the destruction of the NRA was only a stumble in the onward march of paternalism.

The Danger of National Commissions

With constitutional barriers laid low, we may now go forward to establish enough national commissions to regulate all our economic and social activities. Eventually, with farmers, business men and workers, and their political leaders, all completely dependent upon the Federal Government for a livelihood, the President and his cabinet, as a Politburo, should be able to lay down "the party line" and have it followed by all who prefer economic security to liberty—which is currently assumed to be a vast majority of the people.

But, what of the guarantees of individual liberty which are written in the national constitution? Will they not stop the march of regimentation and prevent the enforcement of laws that compel individuals to live and work under the direction of an all powerful national government? Many years ago the Supreme Court laid down the law in this clear language:

"The liberty mentioned in that Amendment (the Fourteenth) means not only the right of the citizens to be free from the mere physical restraint of his person, as by incarceration, but the term is deemed to embrace the right of the citizen to be free in the enjoyment of all his faculties; to be free to use them in all lawful ways; to live and work where he will; to earn his livelihood by any lawful calling; to pursue any livelihood or avocation, and for that purpose to enter into all contracts which may be proper, necessary and essential to his carrying out to a successful conclusion the purposes above mentioned." (Allgeyer v. Louisiana, 165 U. S. 578.)

Is that the law today? Ask the farmers, the business men, the workers, unionized or independent. Do they enjoy such liberty, or are they working under a multitude of restrictions enforced directly or indirectly by the national government? Ask them what percentage of their earnings are taken by the national government, and spent for them as a father might take and spend the earnings of his immature children.

It is true that the Supreme Court has recently reasserted in strong language the rights of free speech, freedom of the press, freedom of assembly, freedom from police oppression and unfair trials for crime. The constitutional liberties of the actual, or probable, or prospective enemies of society, criminals, revolutionaries and fanatics, are still jealously, even tenderly, protected. No one but a communist (with his tongue in his cheek) could deny that our constitution still provides a stout shield for every wrongdoer.

Every criminal can have his day in court; and if he engages in

(Continued on page 34)

*An address by Mr. Richberg before the Annual Meeting of the Virginia State Bar Association, White Sulphur Springs, W. Va., July 29, 1949. Mr. Richberg is now a member of the law firm of Davies, Richberg, Beebe, Busick & Richardson, Washington, D. C.

Public Utility Securities

By OWEN ELY

Long Island Lighting

Under Long Island Lighting's latest merger-recap plan approved by the New York Public Service Commission in June 1948, and later submitted to the SEC, Queens Borough Gas & Electric and Nassau & Suffolk Lighting will be merged with the parent company. The new company will issue 2,417,377 shares of new common stock with a stated value of $10. Holders of preferred stocks (with arrears) of the three companies will receive new common stock as indicated in the table below.

In its plan the company proposed a payment of 35c per share in cash ($1,050,000) to the common stockholders and cancellation of the stock. This particular provision was opposed by Chairman Maltbie of the PSC (since resigned) but the provision remained in the plan as submitted to the SEC. As stated in Moody's Manual, "this was in the form of a compromise between the previous decision of the New York Commission that the common stock had no value, and the concepts of the SEC in all cases that equity shareholders are entitled to some participation in the new enterprise." A committee representing the common stockholders has opposed the cash payment and sought an allocation of new stock. Hearings before the SEC were concluded Jan. 12 this year, but no decision has yet been announced; it seems probable that the plan is now in the opinion-writing division.

C. G. Blakeslee, General Counsel for the company, in May announced a slight modification of the plan. Originally, in a move probably necessary to gain approval of the New York State Commission, it was proposed to increase the depreciation reserve by $10,300,000, in order to place it on a retroactive straight line basis, in accord with the well-known theory of Chairman Maltbie. Mr. Blakeslee now proposed instead that the amount be placed in a special surplus account, as has been done by Niagara Hudson and Consolidated Edison. (Niagara Hudson has agreed to actually transfer the account to depreciation reserve when the merger is effective, but Consolidated Edison has not yet agreed to do this.)

In seeking to impose this depreciation theory on other New York utilities, the commission some time ago denied approval of necessary financing by Rochester Gas & Electric. This was taken to the courts and the Commission lost. This decision apparently strengthened the hope of Long Island Lighting common stockholders that the $10,300,000 would remain in regular surplus account, thus bolstering their equity position in the new company. The pro forma balance sheet as of Dec. 31, 1948 showed depreciation reserve of $38,863,000 which amounted to 28% of plant account and presumably includes the $10,300,000 referred to above. If this amount were transferred back to surplus, the pro forma capital structure would be approximately as follows (including $10.8 million of the $16 million debenture 3¾s recently issued):

	Millions	Percentage
Debt	$66.5	64
Common Stock	37.7	36
Total	$104.2	100

If the $10,500,000 were not reinstated as surplus, however, the debt ratio would be 70% and the stock ratio 30%. The two book value figures for common stock would be respectively $15.60 and $11.40 as of Dec. 31, 1948.

Consolidated Edison on Sept. 21, 1948 filed a proposal with the N. Y. Public Service Commission to acquire control of the Long Island Lighting after consummation of the merger-recap plan, and on Dec. 8 made a more definite proposal, to offer $11.58 par value of convertible debentures (similar to the present outstanding issue) for each share of common stock of the new company, on a voluntary exchange basis subject to certain restrictions. Assuming a value of 108½ for these bonds (the present price for Edison convertibles), the exchange value of the new common stock would approximate 12½.

Long Island Lighting recently issued a very favorable statement for the 12 months ended June 30, showing net income of $3,456,000, equivalent to pro forma share earnings of about $1.43 on the new common stock. Since earnings may not have reached a maximum level, considering the phenomenal growth of home construction in certain areas of Long Island, a liberal multiplier approaching 10 can probably be applied to these earnings, resulting in a share value around 14. Applying the two values we have the following results:

	Approx. Recent Price	No. Shs. New Stock Under Plan	Value at 12½	Value at 14
Long Island Lighting 7% pfd.	89	8.7	108	121
Long Island Lighting 6% pfd.	80	7.7	96	108
Queens 6% preferred	42	4.3	54	60
Nassau 7% preferred	51	3.7	46	52

But the above figures assume that the plan will not be changed with respect to the common stock, which is now cut off with the $1,050,000 cash payment. If the SEC should decide to reallocate some part of the assets to the common how would this affect the results? Space prevents discussing the problem in detail, but assuming that a 95-5 or a 90-10 allocation might be setup, this would of course mean that the values in the above table would be correspondingly reduced by 5% or 10%.

What would happen to the claim of the common stock? Under a 90-10 formula it would be entitled to one-tenth of net income, and assuming this amount was capitalized marketwise at 10 times, one calculation would cancel out the other. In other words, on the basis of current net of $3,456,000, each of the 3,000,000 present shares might be worth a hypothetical $1.15. But if the allocation were 95-5, this value would be halved; and if the plan remains unchanged, the common gets only 35c. Hence the common stock seems to have largely discounted future possibilities by advancing to the recent quotation of 1.

Snyder Favors Guarantee of Foreign Investments

Treasury Secretary appears before Senate Banking and Currency Committee in support of bill vesting in Export-Import Bank power to guarantee U. S. investments abroad under Point IV program. Says objectives of proposed legislation is of highest importance.

Secretary of the Treasury John W. Snyder appeared before the Senate Banking and Currency Committee in Washington on Aug. 9 and submitted a statement in support of Senate Bill 2197, which would amend the Export-Import Bank Act so as to permit this institution to guarantee United States investments abroad as an implementation of President Truman's "Point IV" program. The Secretary declared that "in my opinion, the objectives of the proposed legislation are of the highest importance."

John W. Snyder

Continuing his statement, the Treasury Secretary said:

As you know this legislative proposal is designed to implement in part the Point IV program the President proposed in his inaugural address. This program is intended to aid the efforts of underdeveloped areas of the world to increase their productivity and living standards.

The economic development is closely tied to the process of capital investment for it is essential that the means of production be available before a country's standard of living can be improved. In the past few years investment has been proceeding at a very slow rate in many foreign countries because of numerous obstacles. Some of these obstacles can be removed only through action of the particular country concerned. Others, however, can be abrogated by action of the United States. This legislation is designed to carry out this action by the United States and I would like, therefore, to address myself to the particular financial considerations that make this legislation necessary.

Financial Aspects

The development of underdeveloped areas can be sound and lasting only if these areas use their own resources to the fullest advantage. On the financial side outside capital can help to speed the process, but it cannot assume the major role in financing the program. Most of the capital for development must be provided from local sources by the foreign countries themselves. This is true even in underdeveloped countries not only because the larger part of the cost of any development program is for the purchase of local materials and the wages of labor, but also because capital obtained by borrowing abroad may result in unduly heavy demands on the foreign exchange resources of the debtor countries.

It is the policy of this Government that foreign investment for desirable purposes should be undertaken through private channels insofar as possible. This policy has particular merit in connection with economic development because investment by private enterprise carries some of its own technical assistance in the form of industrial know-how. This is notably true in the manufacturing, and in the extractive and service fields of endeavor with private enterprise also having an important place in many public utility developments. Other fields, such as highway construction, irrigation and conservation projects, on the other hand, are predominantly public rather than private. In some instances public investments in these fields are desirable to facilitate private investments in the other fields. These facilitating investments in the public sphere are of the type normally expected to be financed through the public sale of local government obligations or through such institutions as the International Bank for Reconstruction and Development and the Export-Import Bank.

Foreign Investment Not New

Investing abroad is not a new activity for investors in this country. It attained some prominence as early as 1900, especially in mining enterprises in Latin America and Canada, but also in manufacturing plants in Canada and Europe. During and after World War I, American investments abroad assumed large proportions, particularly in the form of the public flotation of foreign bonds in this country. Throughout this period direct investments—that is, investments which involve a measure of control of enterprises abroad—were also made in substantial volume. The depression of the early '30's and the defaults on foreign bonds which occurred at that time put a sudden stop to foreign lending through public flotations. These defaults, some of which have still not been cleared led to a widespread distrust of the credit worthiness of foreign countries even of those whose record of payment continued good. For this and other reasons, there have been since 1930 only a few offerings of foreign securities in the United States. The foreign lending that has taken place has been principally intergovernmental.

Direct investments continued to be made although the net outflow of United States capital for that purpose was also greatly reduced during the '30's. During World War II, withdrawals of capital from such investments abroad exceeded new capital put in. In 1945, however, new direct investments again became important, amounting to $100 million. Since that time these investments have increased rapidly, reaching $660 million in 1947 and $800 million in 1948. These latter totals exceeded the highest figures reached in the previous high years of the late 1920's, but the investments were concentrated geographically in Venezuela, the Near East, and Canada and, to a significant extent, in only one industry—petroleum. Although substantial in amount, these new investments do not therefore lead to well-rounded development. There is need for investments in other countries and in other industries.

The United States and the foreign countries seeking economic development are thus concerned with two related questions:

Why were not these investments greater in volume and better distributed geographically? and

What can be done to increase the volume of investments and broaden their distribution?

The answer to the first question relates to our own as well as to foreign conditions. An important point is the rather small difference between domestic and foreign yields on equity investments. Hence, there is little incentive to invest abroad particularly so long as formidable obstacles to foreign investments continue to exist. Investments that have been made in recent years were made largely in countries and in industries relatively free of such obstacles.

Obstacles to Private Investment Abroad

Obstacles to the investment of private capital abroad are most common in underdeveloped countries and spring from four chief causes which influence the action of foreign governments. These are:

(1) The anti-foreign sentiment generated by the regrettable experience of some foreign countries with investments from abroad;

(2) The growth of ideologies favoring state ownership and control of industry;

(3) The existence of political instability and extreme nationalism; and

(4) The prevalence of exchange controls stemming from economic difficulties.

An additional deterrent to the investment of private capital abroad is the fear or threat of war.

As to the question of what can be done to increase the volume of investments and to distribute them more broadly, we must address ourselves primarily to the problems of eliminating the obstacles which stand in the way of the investment of American capital abroad. It is essential that the task of removing such obstacles should be attacked both by foreign countries and by the United States. Foreign countries must, however, accept the major responsibility for clearing the existing obstruction to a broad and beneficial flow of private capital.

It is a commonplace that American private capital will flow abroad more freely and produce better results if it is encouraged than it will if it is coerced. Accordingly, although we recognize the right of any country to institute necessary security measures, foreign governments must recognize that the right to do business in their countries on reasonable terms, including the right to control and manage one's investment, is very important to our potential investors. Legislation in foreign countries requiring that local citizens shall hold a majority of the common stock will, in general, be a significant deterrent to prospective investors. At the same time it is recognized that our investors must afford reasonable opportunities for foreigners to participate in the management and control of their enterprises abroad.

Another very important consideration to persons making foreign investments is the right to convert the income from their investments into dollars and to transfer an appropriate share of the dollar proceeds to their own country. This problem arises from the existence of exchange stringencies and exchange controls under conditions which make it difficult for countries to obtain all of the dollar exchange required for their needs. But, while recognizing the seriousness of this problem in many countries, private investors need the assurance that only the essential needs of a country will receive higher priority than the remittance of the income from their investments.

The Question of Industry Nationalization

Still another deterrent to the flow of American capital abroad is the tendency of some countries to nationalize some of their industries, including those belonging to foreign investors. The United States Government considers that the right to nationalize property within any country's borders is inherent in sovereignty but that the country resorting to the exercise of that right becomes subject to an equally strong obligation to make satisfactory compensation. Foreign capital is not going to be invested freely and productively in countries where it will be in jeopardy. Accordingly, some acceptable means of compensating those whose property is expropriated must be provided if the underdeveloped countries are to obtain the capital which is required for their development.

The United States Government can contribute to the removal of these obstacles by making a special effort to negotiate treaties designed to provide the assurances necessary to induce our investors to send their capital abroad. The negotiation of such treaties is of very great importance to the stimulation of the flow of private capital.

This government can also help by supplementing these assurances to investors through the issuance of guaranties with respect to private United States investments abroad. This is the particular point to which S. 2197 is addressed. This proposed legislation would authorize the Export-Import Bank to guaranty United States private capital invested abroad against the risks peculiar to foreign investment. These risks might include (1) the inability to convert earnings in foreign currencies, or other amounts received in connection with the foreign investment, into United States dollars, (2) the expropriation of the investors' property by a foreign government without prompt and adequate compensation and (3) physical destruction of property incident to international war. Guaranties may perhaps be issued against the nonconvertibility of local currencies to begin with and later be extended to cover other risks if the situation seems to warrant it.

Before concluding I should like to emphasize the experimental nature of this guaranty program. Since there has been almost no experience with programs of this kind, it is impossible to anticipate at this time the type of risks which should be covered, the effectiveness of guaranties in stimulating investments, or the possibility of loss to the United States under the program. It is, therefore, essential that the authority of the Export-Import Bank be flexible and broad for only through careful study and experience can the full potentialities of guaranties be realized. Questions arising out of the actual administration of the program will have to be worked out gradually by the Export-Import Bank in consultation with the National Advisory Council.

Aldrich Doubls Effectiveness of Foreign Guarantees

Chase Bank Chairman tells Senate Banking Committee present is not "favorable climate for putting funds abroad."

Although appearing before the Senate Banking and Currency Committee on Aug. 9 in favor of the Administration's bill to expand the powers of the Export-Import Bank, by providing guarantees to certain private investments abroad, Winthrop W. Aldrich, head of the Chase National Bank of New York and Chairman of the President's Advisory Committee on Foreign Financial Problems, expressed the opinion that, generally speaking, present world conditions, even with the proposed guarantees, do not offer a favorable climate for private investment abroad. He added, however, that the proposed bill "will materially assist in the creation of an atmosphere in which private foreign investment will be made."

W. W. Aldrich

Mr. Aldrich was of the opinion that after all guarantees were made available, the American investor would still compare the risks and yields of possible foreign investments with opportunities for investment in this country, adding that "yields on domestic equities have been very high here."

The New York banker stated that, in his view, it was impossible to encourage American private investment abroad "through a global treaty," such as the ITO, since too many countries make exceptions in such broad charters. Bilateral treaties between this country and countries seeking dollar investment would be needed, he added.

Commenting on the world dollar scarcity, Mr. Aldrich said that after the termination of the European Recovery Program the problem will have to be met by greater U. S. imports of foreign goods, by American tourist travel, and by private investment in foreign lands. The last will be "one of the most important ways in which the dollar gap may be bridged."

With R. H. Johnson & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John C. Wholley has joined the staff of R. H. Johnson & Co., 30 State Street.

With J. A. Hogle & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — James W. McKenna has become affiliated with J. A. Hogle & Co., Equitable Building.

I'm on the Trail!

I'm heading for the NSTA Convention at the Broadmoor Hotel, Colorado Springs, Colo., Oct. 5-Oct. 9. Make your reservation now to meet me there. For reservations and additional information communicate with Larry A. Higgins, Hulberd, Warren & Chandler, Chicago; Harold B. Smith, Pershing & Co., New York; Herbert H. Blizzard, Herbert H. Blizzard & Co., Philadelphia; John E. Sullivan, Jr., F. L. Putnam & Co., Inc., Boston.

C. B. Whitcomb Heads Macklin Operated

CLEVELAND, OHIO—Cecil B. Whitcomb has been elected President and Secretary of Macklin Operated, Inc., to fill the post left vacant by the death of Gordon S. Macklin on July 14. The new President entered the investment business after the first World War. Later he became Secretary and General Manager of the Cleveland Stock Exchange. Late in 1945, after serving over five years in the second World War and becoming a Brigadier General, he joined forces with Gordon S. Macklin and became Secretary-Treasurer of the newly-formed Macklin Operated, Inc., which at this date manages over 16 properties, among which are Moreland Courts Apartments and the business properties facing on Shaker Square which Macklin and his associates purchased for over $6,000,000 shortly before his death. They also manage Wade Park Manor, the Auditorium and Sovereign Hotels, The Flamingo Hotel in Miami Beach, Florida, the Le Veque-Lincoln Tower building in Columbus, the Bulkley Building and many other business properties in Cleveland.

Other newly-elected officers of Macklin Operated, Inc., are C. D. Kyle, First Vice-President, and Harry L. Rockwood, Jr., Assistant Secretary and Treasurer. Those remaining as before are John C. Lincoln, Chairman of the board, and William T. Skelley, Vice-President.

Purcell Branch in Albany

ALBANY, N. Y.—Edward A. Purcell & Co., Inc., members of the New York Stock Exchange, have opened a branch office at 50 State Street, under the management of Miss Etta M. Werking.

Canadian Securities

By WILLIAM J. McKAY

"The prospect of reducing U. S. dollar expenditures substantially makes Alberta oil one of the most important and encouraging recent developments in Canada's economic life," says the current "Monthly Review" of the Bank of Nova Scotia. "Last year oil imports cost $300 million, which had to be disbursed almost entirely in U. S. dollars since the United States and Venezuela supplied the major part. Developments in Alberta now hold out the hope that Canada may in the reasonably near future be, on balance, self-sufficient in oil. Even present production is considered sufficient to justify the projected 20-inch pipeline to Regina and serious consideration of an extension to the head of the Lakes."

The Review briefly describes the recent oil finds in Alberta and some of their effects. "The mushrooming of oil activity in the Province since the Leduc discovery well blew in early in 1947," it says, "can be indicated by a few striking figures. When Leduc was discovered, some 8 million acres of Crown oil rights in Alberta were under permit or lease; this figure has now much more than trebled and extensive tracts in Saskatchewan and Manitoba have also been taken under reservation. The number of geophysical crews at work has increased from 15 to 70, the number of drilling rigs operating from 20 to 90. The oil industry considers footage drilled the best index of activity. The 1946 figure of roughly 400,000 was more than doubled in 1947 to 880,000 this practically doubled again in 1948 to 1,660,000; and the rate is still climbing, the figure for the first five months of this year approaching 1,200,000."

In the fall of 1948, a second major field, Redwater, was discovered and is being rapidly developed, and promising finds, the potentialities of which are not yet fully known, have been made at Barrhead, Bon Accord, Golden Spike, Joseph Lake, Whitemud and Stettler—all in the central part of the province.

To assure a sustained rate of production large enough to take care of present Canadian requirements, which are roughly 300,000 barrels daily, proved reserves of at least two and a half to three billion barrels would be necessary, states the "Review." "Proved reserves in Alberta are now estimated at something less than a billion barrels. How much oil will eventually be found is, of course, merely a guess. But geologists talk of Alberta as possibly one of the world's major oil fields and competent opinion considers it a not unreasonable guess that at least 5 billion barrels of oil may be found in Alberta in the near future."

Output from the new wells, the "Review" points out, is sharply restricted because it has outstripped available markets. By March of this year Alberta and Saskatchewan refineries, with a total rated capacity of around 60,000 barrels daily, were running almost entirely on Alberta crude and, with storage tanks rapidly filling up and new wells constantly coming in, production from individual wells in the new fields had to be cut repeatedly. "Until long-distance pipelines are constructed to carry Alberta oil beyond the Prairies, the oil industry in Alberta must pass through a painful period when production will have to be strictly regulated and when the inability to reap returns on the big investment involved in the wells may cause difficulties for many companies."

The "Review" draws attention to some of the stimulating effects of the new oil developments. At May 1, Alberta among the provinces and Edmonton among the cities of Canada showed much the largest increases in employment over a year ago. Government revenues have been swelled by payments for oil and gas rights, which amounted to something like $12½ million in the fiscal year ended March 31, 1949. Refinery capacity in Alberta more than doubled during the years 1947 and 1948 and further increases are planned which would raise Alberta refining capacity to around 50,000 barrels daily.

The "Review" also has something to say about the longer-range effects which large-scale oil development is likely to have on the economy of the Province. "If discoveries continue to be made and production continues to increase at the rate now indicated, it is possible that the oil industry may grow to rival agriculture in importance in the economy of the Province, as it has in the great oil state of Texas. Producers' gross revenue from oil even in 1948 was equal to 8% of gross farm income of roughly $450 millions. "The growth of supply industries to serve and support the oil producing and refining industries can be predicted with confidence and some chemical development is likely. Whether a more extensive industrialization will follow based on petroleum and natural gas as fuels or raw materials is less certain. Cheap fuel in the form of coal has existed in Alberta for years without serving as the basis for any considerable industrial development."

Harold Helme Forms Sole Proprietorship

(Special to THE FIANCIAL CHRONICLE)

OMAHA, NEB. — Harold H. Helme is engaging in the investment business from offices in the First National Bank Building under his own name. Mr. Helme was formerly President and Treasurer of the Central Securities Co., Incorporated. Associated with him will be Harold Hultman also formerly with Central Securities Co.

NSTA Notes

The NSTA Convent'on October 4, 5, 6, in Colorful Colorado Where the West Begins

By EARL M. SCANLAN
Earl M. Scanlan & Co., Denver

Come to Colorful, Cool Colorado,
On that summer vacation you plan;
People come for a day, then decide that they'll stay,
We have plenty of room, if you can.

There are mirrored lakes fringed with huge pine trees,
And the rivers just glimmer and teem—
With those big mountain trout, for a fly they'll pop out;
It is truly a vacation dream.

And the Broadmoor—A veritable palace,
With its pleasant surroundings and charms,
Is just waiting the day—to encourage your stay—
With out-stretched and welcoming arms.

There'll be golf on its world famous golf course,
You can dine, you can wine, you can dance;
Take a dip in the pool, all glassed-in where it's cool,
You will live in a sort of a trance.

You can drive to the summit of Pikes Peak,
Or bask in the warmth of the sun;
You can ice skate or walk, or play bridge, or just talk,
In fact, there's no end to your fun.

See the famed Cheyenne Zoo in the mountains,
See Will Rogers Memorial Shrine,
Climb the stairways and gaze at the mountains blue haze,
Hear the echoing Carillon chime.

And don't forget about Denver,
Where the frolic will start in to jell,
There'll be Cowboys for sure and Indians galore,
To escort you up to your hotel.

Bring the dear wife and all of the kiddies,
But for males without sweethearts or wives,
There'll be Squaws on the loose, without their Papoose,
Just to show you the time of your lives.

You'll forget about fourths, eighths and half points,
And the dividends all will be good;
You'll cash in at par—come out winner by far,
On the Bonds that bind true brotherhood.

So come with your chaps and your spurs on,
And your six gallon hat and your gun;
We will show you the best is right here in the West—
Thirty hours of hilarious fun!

ALABAMA SECURITY DEALERS ASSOCIATION

Alonzo H. Lee

Officers of the Alabama Security Dealers Association, which was recently admitted to the National Security Traders Association as the 29th affiliate are:

President—Alonzo H. Lee, Sterne, Agee & Leach, Birmingham, Ala.

First Vice-President—J. Mills Thornton, Jr., Thornton, Mohr & Co., Montgomery, Ala.

Second Vice-President—James S. Crow, Jr., First National Bank of Mobile, Mobile, Ala.

Secretary—George H. Stubbs, Jr., Stubbs, Smith & Lombardo, Birmingham, Ala.

Treasurer—Drayton Nabers, First National Bank, Birmingham, Ala.

NATIONAL SECURITY TRADERS ASSOCIATION

The registrations received to date for the annual convention of the National Association of Security Dealers, to be held Oct. 5-9 at the Broadmoor, Colorado Springs, would indicate that it will be one of the largest, as well as one of the best conventions in the history of the NSTA. In order that all may be assured of accommodations at the Broadmoor, it is **imperative** that registration forms together with registration fee be sent to Morton A. Cayne, Cayne & Co., Cleveland, Secretary, **before Sept. 1.**

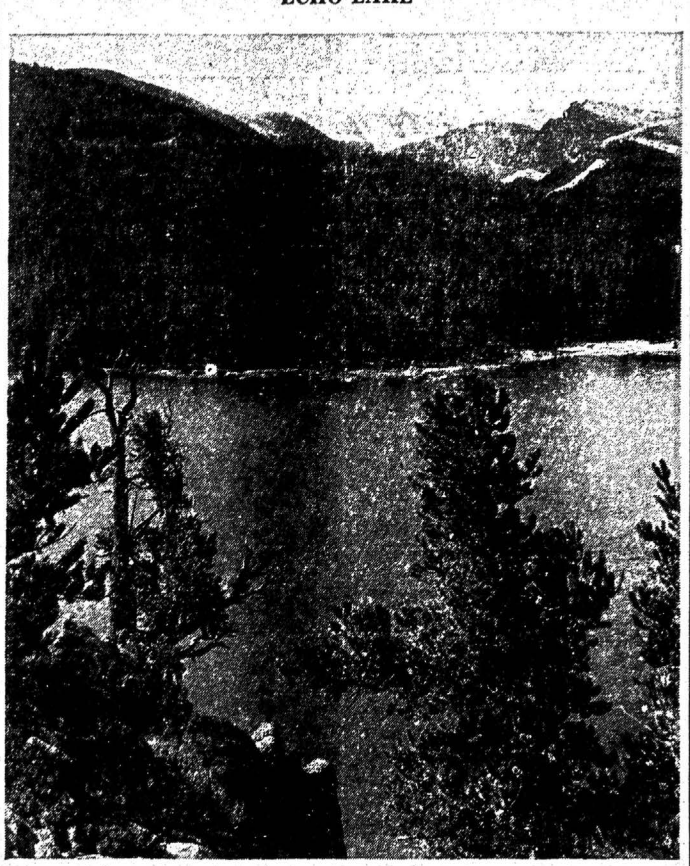
There have been a number of inquiries as the type of clothing that should be worn in Colorado Springs. The days can be expected to be mild and sunny, and the nights cool, which would make a light topcoat advisable, and sport clothes and medium weight clothes suitable for day wear. The outdoor pool is heated and one should bring a bathing suit, as there is also an indoor pool and a dip will be possible regardless of the weather.

The nominating committee solicits suggestions and recommendations for candidates for officers of the NSTA for 1950. Please send suggestions as soon as possible to any one of the following members of the committee:

R. Victor Moseley, Chairman, Stroud & Co., Inc., Philadelphia.
John F. Egan, First California Co., San Francisco.
J. L. Quigley, Quigley & Co., Inc., Cleveland.
Ora M. Ferguson, Merrill Lynch, Pierce, Fenner & Beane, Louisville.
Stanley Roggenburg, Roggenburg & Co., New York.
James J. Jacques, First Southwest Co., Dallas.
Robert Strauss, Robert Strauss & Co., Chicago.

The Bond Club of Denver has made elaborate plans for the entertainment on Tuesday, Oct. 4, for all who are enroute to Colorado Springs. Those who arrive from the West and South who wish to travel on the special train from Denver to Colorado Springs must have their tickets routed between Denver and Colorado Springs via the Denver, Rio Grande and Western R. R.

ECHO LAKE



At the foot of Mount Evans towering 14,260 feet above sea level.

The complete convention program will be published during the latter part of August.

The Alabama Security Dealers Association has been recently admitted as the 29th Affiliate of the NSTA and a 30th Affiliate may be announced at the Convention.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles held its annual three-day outing at the beautiful Arrowhead Springs Hotel located in the San Bernardino Mountains during June 24, 25 and 26. Fifty-two members of the trading fraternity from Los Angeles, four guests from San Francisco and representatives from the press participated in a round of activities including swimming, golf, tennis, riding, shuffleboard and general inside relaxation.

Arrangements were in the capable hands of Dick O'Neil of Edgerton Wyckoff & Co. ably assisted by Roy Warnes of Hill Richards & Co. The photographs were taken by C. Lueker of Hill Richards & Co., and Jack Weller of Wagenseller & Durst.

This outstanding annual meeting of the Southern California Traders and guests once again was acknowledged as an event not to be missed.

Pictures taken at the outing appear elsewhere in today's paper.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Manufacturers Trust Company of New York reports that on Aug. 1 it placed its Discretionary Common Trust Fund "A" in operation. This Fund says the company is designed primarily to benefit persons of moderate means who wish to create trusts; but those possessing larger property who may wish small trusts established for various purposes will also, it is stated, find it useful. It is added that "the special advantage of this Common Trust Fund is to be found in its investment in a widely diversified list of securities producing, thereby, more satisfactory returns to each participating trust." Establishment of the Fund was authorized by the directors of the Trust Company in a Plan of Operation approved by the New York State Banking Board in December of 1948. The Fund has been invested in a broad list of bonds and stocks.

* * *

In accordance with a recently enacted law permitting **banks in Illinois** to operate on a five-day week, 33 banks in the **Chicago** area began the observance of the **5-day week** on August 6, according to the Chicago "Journal of Commerce" of that date. It was added that 10 additional institutions will eliminate Saturday hours within the next six weeks, making a total of 43 out of 84 Chicago area banks that have decided on Saturday closing. In addition, says the "Journal of Commerce" six more Chicago banks will inaugurate a 5-day week by eliminating Wednesday hours. From the same paper we quote:

"All of the 12 banks in the Loop area, including the **Federal Reserve Bank**, are closing on Saturdays. All but the **Michigan Avenue National** start closing today. The Michigan Avenue bank will inaugurate Saturday closing next week.

"Widespread inauguration of a 5-day week is bringing other changes in banking hours. Many banks going to a 5-day week are adding hours on other days, mostly in the evening, to meet the convenience of their customers."

The Chicago "Daily Tribune" of Aug. 6 reported that the split in the observance of the day for closing, made more confusing by widely varying extensions of week-day hours by many banks to compensate customers for a lost banking day, is a reflection of the controversy that preceded the law. Says the "Daily Tribune"

"The conflict in turn arose from varying business conditions, especially the large Saturday trade of outlying banks and the big institutions' difficulty in hiring suitable employees for a 6-day week."

An item, bearing on the bill giving Illinois banks the right to operate on a five-day week, was signed by Gov. Stevenson on June 9, and was referred to in these columns June 23, page 2727.

* * *

The Philippine National Bank has announced that Roman G. Azanza has been placed in charge of the Bank's **New York Agency** at 25 Broadway. Mr. Azanza succeeds Joseph H. Foley, who retired on July 31 after 32 years' association with the agency, of which he was appointed head in 1925. Mr. Azanza, prior to joining the New York agency staff two years ago, was for several years an officer in the foreign department of the Philippine National Bank at the head office in Manila.

* * *

Milton W. Harrison a member of the Executive Committee of the **Bowery Savings Bank of New York** of which he had been a trustee for 27 years died of a heart attack at the Lawrence Hospital in Bronxville, N. Y. on Aug. 8. He was 60 years old. Mr. Harrison was also Chairman of the Board of the Midland Continental Railroad and President of a newly organized corporation, COST, Inc. He had brought this organization into being for the purpose of educating the public to a better understanding of government spending and taxation policies. Mr. Harrison had served as economic consultant and in important executive capacities for many business corporations and associations. He was for 11 years President of the Security Owners Association, Inc. and for four years a member of its Governing Board. In this capacity he rendered an important service as conciliator between railway management and labor, and was highly regarded by both groups.

Mr. Harrison brought about the organization of the New York State, National and International Savings Bank Associations—served for a number of years as Executive Manager of the New York State and National Savings Bank Associations.

He had been a Director of the **Coal and Iron National Bank of New York** and of the Seiberling Rubber Co.; President of the Natamsa Publishing Co.; President of the National Railway Service Corp.; publisher and editor of the **Savings Bank Journal**; Chairman of the Housing Authority, City of Yonkers, N. Y.; member of the Board of Trustees and Assistant Treasurer of the Institute of the City of New York; director of the Citizens National Committee. He also took a leading part in the work of many other business organizations.

A brother, Lawrence S. Harrison, is Business Manager of the Metropolitan Museum of Art.

* * *

The **Franklin Square National Bank of Franklin Square, N. Y.,** has increased its capital from \$800,000 to \$830,000 by a stock dividend of \$30,000. The new capital became effective Aug. 1.

* * *

Chauncey W. Cook, President of the **Manufacturers National Bank of Troy, N. Y.,** died on Aug. 4. He was 62 years of age. Troy advices to the New York "Times" Bank, the Marine Midland Group,

(Continued on page 38)

Discloses Scheme to Aid Small Telephone Companies in New York State

Spencer B. Eddy, Deputy Chairman of N. Y. Public Service Commission, says cooperation of local banks has been obtained to advance funds for needed construction.

Spencer B. Eddy, Deputy Chairman of the New York State Public Service Commission, disclosed in an address before the convention of the National Association of Railroad and Utilities Commissioners, at Cleveland, Ohio, on Aug. 9 that the New York Commission has worked out a financing credit plan which, it is hoped, will save the smaller telephone companies in New York State from threatened extinction and improve their service.

Spencer B. Eddy

Commissioner Eddy made known that the New York Commission, with the aid of Gov. Thomas E. Dewey, has enlisted the aid of a group of local banks which will undertake to advance funds to provide for needed construction in cases where the loans are justified, and are approved by the Public Service Commission. In cases where the resources of the local bank are not sufficient to service the loan, other local banks in the area will be brought in to participate in the financing.

In New York State there are 154 telephone companies subject to regulation. Of these, 18 have revenues ranging from $100,000 per annum to hundreds of millions of dollars, as in the case of the New York Telephone Co. At the other extreme are a group of about 90 telephone companies with small revenues, their plants badly worn out and needing immediate rehabilitation. These companies, however, have virtually no credit resources, and in instances where some of them could obtain loans, the cost of the financing makes such funding prohibitive.

Commissioner Eddy warned that the situation confronting the smaller telephone companies is not peculiar to New York State, and if something is not done to help these local utilities provide this vital service, they will either go under, leaving the franchised areas without service, or the Federal Government will enter the field with some plan similar to that of the Rural Electrification Administration in the formation of cooperatives for the extension of lines in rural territory. This, according to Commissioner Eddy, would mean a further encroachment of Federal authority in the field of purely local regulation, and he said: "We fear the Greeks even when they bear gifts."

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The second alternative is to continue help in the form of gifts *ad infinitum*; the rich nations supporting permanently the poor nations. Since both alternatives are unacceptable to the American philosophy there is, actually, no alternative to our accepting an import surplus, say the authors.

Private Financing Instead of Government Gifts

"If private capital is expected to move again freely between countries," the report points out, "we must discontinue foreign aid in forms of gifts as soon as feasible. Another decade of grants in aid of the order of magnitude of many billion dollars would probably do more harm than good. Instead of rebuilding the international capital market it would make the deficit countries so used to gifts that they would not want to borrow any more.

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"The gap which will still persist in 1952 should be closed by the flow of private capital rather than by gifts. In general government guarantees to private investors should as far as possible be avoided; but if by that date private capital can, in special cases, not venture abroad unaided, it should be encouraged by the International Bank for Reconstruction and Development, and other international agencies and the governments concerned. Eventually capital must be distributed through private channels on a competitive business basis.

"Our problem, however, does not end here. The replacement by private financing of gifts and government loans is a step in the right direction, a sign that we approach more normal conditions. But the gap will still exist. As a matter of fact, as long as capital is used to fill the gap we create an additional problem for the future, because the borrower will have to pay interest and amortization charges. The time must come when we shall receive more dollars from old investments than we make available in form of new loans. From then on we shall not only have to accept imports equal to our exports; we shall, in addition, have to develop an import surplus."

"The necessity of developing an import surplus is inherent in our position as a creditor nation," the report points out. "Whenever loans or grants extended to other countries cease to flow both debtor and creditor economies must adjust themselves to the changed situations. Loans and grants materialize in an export surplus for the creditor country; they enable the deficit countries to buy more foreign products than they could have bought with the receipts from their exports. Obviously, as we decrease and finally discontinue foreign aid, our export surplus will shrink. In the meantime, the deficit countries will have accumulated a debt burden. At some point of time these interest and amortization payments will outweigh the flow of new loans. From then on the deficit countries will have to develop an export surplus while the economy of the creditor country will have to prove its ability to import more commodities and services than its exports. Only by importing goods and services can the creditor expect to receive repayment, for in the long run any capital transferred from nation to nation must be in the form of goods and services."

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Charles F. Hemenway, The Illinois Company, Club President, announced in a letter to the members that the General Program Chairman of the Club, Edwin A. Stephenson, Chase National Bank, has appointed Milton S. Emrich, Julien H. Collins & Co., as special Chairman for this party.

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The Gold Standard Will Return!

By PHILIP M. McKENNA*

National Chairman, Gold Standard League
President, Kennametal, Inc., Latrobe, Pa.

Mr. McKenna, asserting United States has adequate gold reserve, is certain nation will return to a gold standard for use by its citizens. Denies trend toward Socialism indicates a permanent move away from gold as currency medium.

"No government has ever succeeded in forcing upon its people the use of an irredeemable currency for more than a generation, for when the underlying human need for a standard of value is flaunted by any government for a longer period one of two things invariably occurs: (1) The power of that government is, after a period of awakening, restrained by the people and that nation returns to a thorough-going gold standard with all currency redeemable in gold; or

Philip M. McKenna

(2) The unrestrained power of that government encourages it to resort to the printing press as a means of raising more and more money to meet "emergencies" and this in turn gives rise to repudiation, which is almost always followed by political revolution and liquidation of certain classes of society, such as occurred in France in the late 18th Century and in Russia in 1917—the French and Bolshevik Revolutions.

Happily, the United States has an adequate gold reserve. Therefore, after the awakening, the writer is certain it will return to a gold standard for use by its own citizens. But should we falter and fail to return to such a gold standard before further deterioration of our money occurs, as was the case in France in the 1920's and 1930's, we may awaken one day to find that our dollar, in terms of gold, has, as was the case with the French franc, lost 99% of its value.

At a recent discussion among businessmen the arguments of the writer for a return to an honest standard of monetary value were countered by arguments, in which the majority present concurred, that "the times are against it," due to the "trend" toward socialism. Believe it or not, this writer was encouraged by this response for he well knows that when the average businessman finally embraces an idea and accepts a "trend" as inevitable (as was the case in 1928 when large groups of businessmen believed that "common stocks were excellent long-term investments" and that they would continue to rise), that is the very time the "trend" is about to be reversed.

It is true many businessmen are hypnotized by the outworn creeds and propaganda of the Fabian Society and other proponents of socialism who have been thriving since 1920. That this spell has not been broken—despite the lowering standards of life and loss of liberty in Great Britain under a Labor-Socialist government, to say nothing of the conditions in Communist-dominated countries—eloquently testifies to the power of propaganda.

But as sure as **The Sun Will Rise,** a new trend will begin. New trends always begin with the thinking few; not with the masses of average people. Already in England Professor Hayek's **"The Road to Serfdom,"** and Professor Jewkes' **"Ordeal by Planning,"** as well as George Orwell's **"Animal Farm"** and his latest, **Nineteen Eighty-Four,"** are first sparks evidencing the beginning of a new trend.

*Extracted from the "Washington Bulletin" of the Gold Standard League, July 30, 1949.

Reports Slowing Up of Collections

Credit Research Foundation says average percentage of past due accounts has risen to 7½% compared with 5½% a year ago.

There has been a definite slowing up of collections in the manufacturing and wholesale fields during the last six months and the general trend seems to be advancing according to a study recently announced by the Credit Research Foundation which is affiliated with the National Association of Credit Men. This study which is reported from replies sent in by members of the Credit Research Foundation deals with the important points affecting present day business activity on the financial side.

The average percentage of past due accounts as reported in the study was 7.5% while for a year ago the average was 5.5%.

A tendency also is shown to turn accounts over for collection at an earlier date than was true 3 months to a year ago as was shown by the answers to this question: On turning over an account for collection, is the average age more or less than it was:

	More	Less	No Change
3 months ago	17%	32%	51%
6 months ago	17%	29%	54%
1 year ago	20%	30%	50%

Credit executives are now alert to the indications that new accounts appear on the past-due side of their ledger records. This is shown in the replies to the question: What percentage of your current delinquent accounts are new accounts and is this more or less than it was?

	More	Less	No Change
3 months ago	52.5%	15%	32.5%
6 months ago	55.3%	18.4%	26.3%
1 year ago	56.5%	17.1%	26.4%

The study shows that credit executives consider the change from a sellers' to a buyers' market, the pinch of competition, management inexperience in dealing with postwar finances and the increased cost of conducting a business as primary factors in this delinquent new account situation.

From a credit executive's standpoint, one of the important trends shown in this Credit Research Foundation study is a decrease in the percentage of cash discount payments. As compared with a year ago there is an average decrease of 10% in the number of accounts on a cash discount basis. This decrease seems to be on an upward trend as the percentage decrease was given as 6% six (6) months ago and 7% three (3) months ago.

The Credit Research Foundation study further shows that in the period covering 1946-1948 there has been steady decline in establishment of new businesses. At the same time there has been a steady increase in the number of discontinued businesses. In 1946 there were close to 400,000 new businesses established. In 1947 this total had dropped to 300 000 and in 1948 to approximately 100,000. Discontinued businesses in 1946 amount to a little more than 200,000, in 1947 the number was down to 300,000 and in 1948 about 400,000. These same trends are continuing during 1949, the study indicates.

NSTA Notes

The NSTA Convent'on October 4, 5, 6, in Colorful Colorado Where the West Begins

By EARL M. SCANLAN

Earl M. Scanlan & Co., Denver

Come to Colorful, Cool Colorado,
On that summer vacation you plan;
People come for a day, then decide that they'll stay,
We have plenty of room, if you can.

There are mirrored lakes fringed with huge pine trees,
And the rivers just glimmer and teem—
With those big mountain trout, for a fly they'll pop out;
It is truly a vacation dream.

And the Broadmoor—A veritable palace,
With its pleasant surroundings and charms,
Is just waiting the day—to encourage your stay—
With out-stretched and welcoming arms.

There'll be golf on its world famous golf course,
You can dine, you can wine, you can dance;
Take a dip in the pool, all glassed-in where it's cool,
You will live in a sort of a trance.

You can drive to the summit of Pikes Peak,
Or bask in the warmth of the sun;
You can ice skate or walk, or play bridge, or just talk,
In fact, there's no end to your fun.

See the famed Cheyenne Zoo in the mountains,
See Will Rogers Memorial Shrine,
Climb the stairways and gaze at the mountains blue haze,
Hear the echoing Carillon chime.

And don't forget about Denver,
Where the frolic will start in to jell,
There'll be Cowboys for sure and Indians galore,
To escort you up to your hotel.

Bring the dear wife and all of the kiddies,
But for males without sweethearts or wives,
There'll be Squaws on the loose, without their Papoose,
Just to show you the time of your lives.

You'll forget about fourths, eighths and half points,
And the dividends all will be good;
You'll cash in at par—come out winner by far,
On the Bonds that bind true brotherhood.

So come with your chaps and your spurs on,
And your six gallon hat and your gun;
We will show you the best is right here in the West—
Thirty hours of hilarious fun!

ALABAMA SECURITY DEALERS ASSOCIATION

Alonzo H. Lee

Officers of the Alabama Security Dealers Association, which was recently admitted to the National Security Traders Association as the 29th affiliate are:

President—Alonzo H. Lee, Sterne, Agee & Leach, Birmingham, Ala.

First Vice-President—J. Mills Thornton, Jr., Thornton, Mohr & Co., Montgomery, Ala.

Second Vice-President—James S. Crow, Jr., First National Bank of Mobile, Mobile, Ala.

Secretary—George H. Stubbs, Jr., Stubbs, Smith & Lombardo, Birmingham, Ala.

Treasurer—Drayton Nabers, First National Bank, Birmingham, Ala.

NATIONAL SECURITY TRADERS ASSOCIATION

The registrations received to date for the annual convention of the National Association of Security Dealers, to be held Oct. 5-9 at the Broadmoor, Colorado Springs, would indicate that it will be one of the largest, as well as one of the best conventions in the history of the NSTA. In order that all may be assured of accommodations at the Broadmoor, it is **imperative** that registration forms together with registration fee be sent to Morton A. Cayne, Cayne & Co., Cleveland, Secretary, **before Sept. 1.**

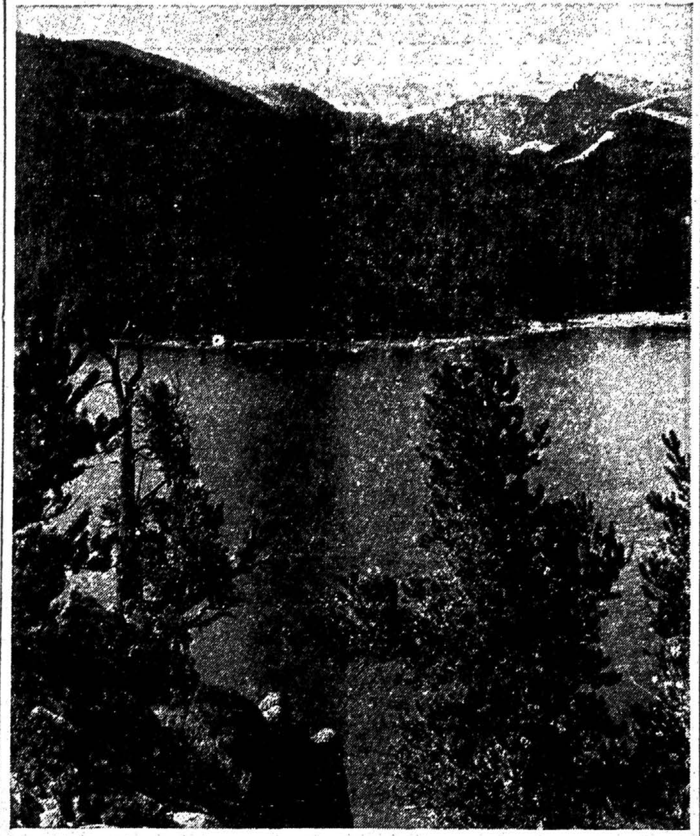
There have been a number of inquiries as the type of clothing that should be worn in Colorado Springs. The days can be expected to be mild and sunny, and the nights cool, which would make a light topcoat advisable, and sport clothes and medium weight clothes suitable for day wear. The outdoor pool is heated and one should bring a bathing suit, as there is also an indoor pool and a dip will be possible regardless of the weather.

The nominating committee solicits suggestions and recommendations for candidates for officers of the NSTA for 1950. Please send suggestions as soon as possible to any one of the following members of the committee:

R. Victor Moseley, Chairman, Stroud & Co., Inc., Philadelphia.
John F. Egan, First California Co., San Francisco.
J. L. Quigley, Quigley & Co., Inc., Cleveland.
Ora M. Ferguson, Merrill Lynch, Pierce, Fenner & Beane, Louisville.
Stanley Roggenburg, Roggenburg & Co., New York.
James J. Jacques, First Southwest Co., Dallas.
Robert Strauss, Robert Strauss & Co., Chicago.

The Bond Club of Denver has made elaborate plans for the entertainment on Tuesday, Oct. 4, for all who are enroute to Colorado Springs. Those who arrive from the West and South who wish to travel on the special train from Denver to Colorado Springs must have their tickets routed between Denver and Colorado Springs via the Denver, Rio Grande and Western R. R.

ECHO LAKE



At the foot of Mount Evans towering 14,260 feet above sea level.

The complete convention program will be published during the latter part of August.

The Alabama Security Dealers Association has been recently admitted as the 29th Affiliate of the NSTA and a 30th Affiliate may be announced at the Convention.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles held its annual three-day outing at the beautiful Arrowhead Springs Hotel located in the San Bernardino Mountains during June 24, 25 and 26. Fifty-two members of the trading fraternity from Los Angeles, four guests from San Francisco and representatives from the press participated in a round of activities including swimming, golf, tennis, riding, shuffleboard and general inside relaxation.

Arrangements were in the capable hands of Dick O'Neil of Edgerton Wyckoff & Co. ably assisted by Roy Warnes of Hill Richards & Co. The photographs were taken by C. Lueker of Hill Richards & Co., and Jack Weller of Wagenseller & Durst.

This outstanding annual meeting of the Southern California Traders and guests once again was acknowledged as an event not to be missed.

Pictures taken at the outing appear elsewhere in today's paper.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Manufacturers Trust Company of New York reports that on Aug. 1 it placed its Discretionary Common Trust Fund "A" in operation. This Fund says the company is designed primarily to benefit persons of moderate means who wish to create trusts; but those possessing larger property who may wish small trusts established for various purposes will also, it is stated, find it useful. It is added that "the special advantage of this Common Trust Fund is to be found in its investment in a widely diversified list of securities producing, thereby, more satisfactory returns to each participating trust." Establishment of the Fund was authorized by the directors of the Trust Company in a Plan of Operation approved by the New York State Banking Board in December of 1948. The Fund has been invested in a broad list of bonds and stocks.

* * *

In accordance with a recently enacted law permitting **banks in Illinois** to operate on a five-day week, 33 banks in the **Chicago** area began the observance of the **5-day week** on August 6, according to the Chicago "Journal of Commerce" of that date. It was added that 10 additional institutions will eliminate Saturday hours within the next six weeks, making a total of 43 out of 84 Chicago area banks that have decided on Saturday closing. In addition, says the "Journal of Commerce" six more Chicago banks will inaugurate a 5-day week by eliminating Wednesday hours. From the same paper we quote:

"All of the 12 banks in the Loop area, including the **Federal Reserve Bank**, are closing on Saturdays. All but the **Michigan Avenue National** start closing today. The Michigan Avenue bank will inaugurate Saturday closing next week.

"Widespread inauguration of a 5-day week is bringing other changes in banking hours. Many banks going to a 5-day week are adding hours on other days, mostly in the evening, to meet the convenience of their customers."

The Chicago "Daily Tribune" of Aug. 6 reported that the split in the observance of the day for closing, made more confusing by widely varying extensions of week-day hours by many banks to compensate customers for a lost banking day, is a reflection of the controversy that preceded the law. Says the "Daily Tribune"

"The conflict in turn arose from varying business conditions, especially the large Saturday trade of outlying banks and the big institutions' difficulty in hiring suitable employees for a 6-day week."

An item, bearing on the bill giving Illinois banks the right to operate on a five-day week, was signed by Gov. Stevenson on June 9, and was referred to in these columns June 23, page 2727.

* * *

The Philippine National Bank has announced that Roman G. Azanza has been placed in charge of the Bank's **New York Agency** at 25 Broadway. Mr. Azanza succeeds Joseph H. Foley, who retired on July 31 after 32 years' association with the agency, of which he was appointed head in 1925. Mr. Azanza, prior to joining the New York agency staff two years ago, was for several years an officer in the foreign department of the Philippine National Bank at the head office in Manila.

* * *

Milton W. Harrison a member of the Executive Committee of the **Bowery Savings Bank of New York** of which he had been a trustee for 27 years died of a heart attack at the Lawrence Hospital in Bronxville, N. Y. on Aug. 8. He was 60 years old. Mr. Harrison was also Chairman of the Board of the Midland Continental Railroad and President of a newly organized corporation, COST, Inc. He had brought this organization into being for the purpose of educating the public to a better understanding of government spending and taxation policies. Mr. Harrison had served as economic consultant and in important executive capacities for many business corporations and associations. He was for 11 years President of the Security Owners Association, Inc. and for four years a member of its Governing Board. In this capacity he rendered an important service as conciliator between railway management and labor, and was highly regarded by both groups.

Mr. Harrison brought about the organization of the New York State, National and International Savings Bank Associations—served for a number of years as Executive Manager of the New York State and National Savings Bank Associations.

He had been a Director of the **Coal and Iron National Bank of New York** and of the Seiberling Rubber Co.; President of the Natamsa Publishing Co.; President of the National Railway Service Corp.; publisher and editor of the **Savings Bank Journal**; Chairman of the Housing Authority, City of Yonkers, N. Y.; member of the Board of Trustees and Assistant Treasurer of the Institute of the City of New York; director of the Citizens National Committee. He also took a leading part in the work of many other business organizations.

A brother, Lawrence S. Harrison, is Business Manager of the Metropolitan Museum of Art.

* * *

The Franklin Square National Bank of Franklin Square, N. Y., has increased its capital from $800,000 to $830,000 by a stock dividend of $30,000. The new capital became effective Aug. 1.

* * *

Chauncey W. Cook, President of the **Manufacturers National Bank of Troy, N. Y.,** died on Aug. 4. He was 62 years of age. Troy advices to the New York "Times" Bank, the Marine Midland Group,

(Continued on page 38)

Discloses Scheme to Aid Small Telephone Companies in New York State

Spencer B. Eddy, Deputy Chairman of N. Y. Public Service Commission, says cooperation of local banks has been obtained to advance funds for needed construction.

Spencer B. Eddy, Deputy Chairman of the New York State Public Service Commission, disclosed in an address before the convention of the National Association of Railroad and Utilities Commissioners, at Cleveland, Ohio, on Aug. 9 that the New York Commission has worked out a financing credit plan which, it is hoped, will save the smaller telephone companies in New York State from threatened extinction and improve their service.

Spencer B. Eddy

Commissioner Eddy made known that the New York Commission, with the aid of Gov. Thomas E. Dewey, has enlisted the aid of a group of local banks which will undertake to advance funds to provide for needed construction in cases where the loans are justified, and are approved by the Public Service Commission. In cases where the resources of the local bank are not sufficient to service the loan, other local banks in the area will be brought in to participate in the financing.

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Philip M. McKenna

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At a recent discussion among businessmen, the arguments of the writer for a return to an honest standard of monetary value were countered by arguments, in which the majority present concurred, that "the times are against it," due to the "trend" toward socialism. Believe it or not, this writer was encouraged by this response for he well knows that when the average businessman finally embraces an idea and accepts a "trend" as inevitable (as was the case in 1928 when large groups of businessmen believed that "common stocks were excellent long-term investments" and that they would continue to rise), that is the very time the "trend" is about to be reversed.

It is true many businessmen are hypnotized by the outworn creeds and propaganda of the Fabian Society and other proponents of socialism who have been thriving since 1920. That this spell has not been broken—despite the lowering standards of life and loss of liberty in Great Britain under a Labor-Socialist government, to say nothing of the conditions in Communist-dominated countries—eloquently testifies to the power of propaganda.

But as sure as **The Sun Will Rise**, a new trend will begin. New trends always begin with the thinking few; not with the masses of average people. Already in England Professer Hayek's **"The Road to Serfdom,"** and Professor Jewkes' **"Ordeal by Planning,"** as well as George Orwell's **"Animal Farm"** and his latest, **Nineteen Eighty-Four,"** are first sparks evidencing the beginning of a new trend.

*Extracted from the "Washington Bulletin" of the Gold Standard League, July 30, 1949.

Reports Slowing Up of Collections

Credit Research Foundation says average percentage of past due accounts has risen to 7½% compared with 5½% a year ago.

There has been a definite slowing up of collections in the manufacturing and wholesale fields during the last six months and the general trend seems to be advancing according to a study recently announced by the Credit Research Foundation which is affiliated with the National Association of Credit Men. This study which is reported from replies sent in by members of the Credit Research Foundation deals with the important points affecting present day business activity on the financial side.

The average percentage of past due accounts as reported in the study was 7.5% while for a year ago the average was 5.5%.

A tendency also is shown to turn accounts over for collection at an earlier date than was true 3 months to a year ago as was shown by the answers to this question: On turning over an account for collection, is the average age more or less than it was:

	More	Less	No Change
3 months ago	17%	32%	51%
6 months ago	17%	29%	54%
1 year ago---	20%	30%	50%

Credit executives are now alert to the indications that new accounts appear on the past-due side of their ledger records. This is shown in the replies to the question: What percentage of your current delinquent accounts are new accounts and is this more or less than it was?

	More	Less	No Change
3 months ago	52.5%	15%	32.5%
6 months ago	55.3%	18.4%	26.3%
1 year ago--	56.5%	17.1%	26.4%

The study shows that credit executives consider the change from a sellers' to a buyers' market, the pinch of competition, management inexperience in dealing with postwar finances and the increased cost of conducting a business as primary factors in this delinquent new account situation.

From a credit executive's standpoint, one of the important trends shown in this Credit Research Foundation study is a decrease in the percentage of cash discount payments. As compared with a year ago there is an average decrease of 10% in the number of accounts on a cash discount basis. This decrease seems to be on an upward trend as the percentage decrease was given as 6% six (6) months ago and 7% three (3) months ago.

The Credit Research Foundation study further shows that in the period covering 1946-1948 there has been steady decline in establishment of new businesses. At the same time there has been a steady increase in the number of discontinued businesses. In 1946 there were close to 400,000 new businesses established. In 1947 this total had dropped to 300 000 and in 1948 to approximately 100,000. Discontinued businesses in 1946 amount to a little more than 200,000, in 1947 the number was down to 300,000 and in 1948 about 400,000. These same trends are continuing during 1949, the study indicates.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market reacted to the lower reserve requirements in the expected manner by pushing through to new highs for the year, especially in the longer end of the list. . . . Demand for all Treasury obligations was widespread, with Federal supplying the market with short-term obligations. . . . Dealers, traders and investors were in the ma ket for the higher income obligations, with the professionals evidently getting the better of the early dealings. . . . Scattered sellers appeared here and there in the longest eligibles but these securities were promptly taken, as were minor liquidations in the restricted issues. . . . After some backing and filling and wide quoting, the market settled and then went ahead with out-of-town banks among the important purchasers of the eligibles from 1952/54 on. . . . Savings banks bought the restricted issues. . . . Plenty of swops were made from eligibles into the restricted bonds. . . .

Changes in required reserves were not entirely unexpected, since it had been rumored for several days that credit would be made easier. . . . The stagger system of lowering reserves will tend to spread out the demand for Treasuries and will no doubt enable the authorities to maintain a more orderly market. . . .

IMPACT ON GOVERNMENT MARKET

The second reduction in reserve requirements in less than two months brings them to the lowest level in eight years. . . . Ample credit becomes more plentiful and the monetary authorities are taking the necessary steps in an attempt to reverse the economic trend. . . . To be sure, loans will not be made if there is no demand for them, but sooner or later a large and growing supply of credit will leave an influence upon the business situation. . . . Somewhere along the line as conditions change, advantages will be taken of the plentifulness of credit to create loans, that will affect the economic picture. . . . To modify the business trend is the primary purpose of the powers that be, in making decreases in reserves of member banks. . . . In the interim and until loans assume greater importance, the government securities market will be showing the effect of less restrictive credit policies. . . .

The country banks, which are already owners of excess reserves, are the first to benefit from the latest decrease in required reserves. . . . Part of the released reserves will be used for loans since it is indicated some of these institutions are having a seasonal uptrend in borrowings. . . . So far, however, this volume of loans has not been too sizable and it is still too early to know whether the increase is other than the usual development at this time of the year. . . . On the other hand, a sizable amount of the old and newly available reserves will find an outlet in the government market. . . . These banks, as a whole, have never been interested in the short-term low income issues and there is no reason to believe they have recently experiencd a change of policy. . . . Accordingly, the longer-term higher income eligibles should get the benefit of purchases by these banks. . . .

PUTTING INCREASED FUNDS TO WORK

The reserve city institutions are also showing an increase in borrowings. . . . While the volume thus far is not too impressive, it nonetheless is enough to warrant attention. . . . Certain of these districts have reported larger loans for three weeks in a row. . . . Herein again, a little more time is needed to see whether a real change in trend is in the making. . . .

As reserves are released on successive Thursdays, this month and on Sept. 1, it is expected a sizable amount of them will be invested in short-term Treasuries. Nonetheless, a not too unimportant part of the newly freed funds will probably be put to work in the longer end of the eligible list. . . . The reserve city banks in the past have been significant buyers of the higher income issues. . . . They will most likely continue to make similar commitments in order to maintain earnings. . . .

ORDERLY MARKET CAN BE MAINTAINED

The lower reserve requirements for banks in New York City and Chicago (central reserve cities) which takes place over a four-week period ending Sept. 1, will tend to ease the tight money market condition in these two areas. . . . The short-term market in these centers was "fouled up" by the joint action of the banks and the monetary authorities. . . . The deposit institutions pushed rates down so fast a disorderly near-term market resulted and when the authorities came in and sold bills and certificates to stabilize things, rates went up just as sharply as they went down. . . . The banks had losses on most of their short-term commitments and refused to sell them to Federal at a loss, when the latter tried to buy them to ease the market. . . .

Whether there will be a repetition of what happened in the near-term market a short time ago will depend upon the banks and Federal. . . . The authorities have the securities to keep the market orderly if they want to sell them. . . . They also know the bulk of the banks in New York City and Chicago will go short, as they have in the past. . . .

TREASURY FINANCING SIMPLIFIED

The easier credit conditions will be a great help to the Treasury in its deficit financing and refunding operations, and as usual they can and will set rates at whatever level they choose. . . . There seems to be one thing the Treasury likes and that is lower interest costs for marketable obligations. . . . Treasury bills and Series D Tax Notes (1.40%) are taking care of a substantial amount of the deficit financing. . . . The next refunding is Sept. 15, and the financial community is not looking for anything out of the ordinary to happen at that time. . . . The going market rate for short-term obligations is looked for in the early fall operation. . . . The Oct. 1 certificates will no doubt be handled the same way.

Down With This Class Approach!

"Our job is to see to it that we reelect our friends. If we don't we are going to have a Republican Congress. We must keep our people awake.

"Our objectives are not limited to the Taft-Hartley Law, but we have a great interest also in the social security program, the minimum wage, housing and health insurance.

Joseph D. Keenan

"We want 75 cents an hour set as the national minimum wage.

"We are also interested in the farm program. We favor support of prices for farm products, regarding these as the farmer's minimum wage. We think that the plan of Secretary Brannan for farm subsidies should be given some consideration."

—Joseph D. Keenan (AFL).

Well, at least the gentleman does not hesitate to call a spade a spade!

But some day we shall be obliged to have done with this class approach to public questions—or take some unpleasant consequences.

Foresees Substantial Business Revival

V. Lewis Bassie, Director of University of Illinois Bureau of Economic and Business Research, says inventory liquidation has reached peak, and a high of $265 billion in gross national product is likely to be reached again by middle of 1950.

Writing in the August issue of "Illinois Business Review," a monthly publication of the Bureau of Economic and Business Research, College of Commerce, University of Illinois, V. Lewis Bassie, its director, says present business recession is an "inventory recession," and there are already signs that inventory liquidation has reached its peak, so that a business revival equal to level of previous highest, may be expected by the middle of 1950.

"The drive to liquidate took hold first among the retailers," Mr. Bassie points out. "Orders were cut quickly, but it took several months to stop accumulating. In that period, there tended to be a shifting of inventories from distributors to manufacturers and from later to earlier stages of manufacturing, a shift well illustrated by developments in rayon. By the second-quarter, however, production had been cut back to a point well under consumption; so inventories began to move out rapidly."

Continuing the business commentator stated:

"For the second-quarter as a whole, book values may be down about $2.5 billion on a seasonally adjusted basis — an annual rate of about $10 billion. Since prices have declined only gradually, most of this—perhaps $6 billion—represents real liquidation. Hence, from the fourth-quarter of 1948, in which accumulation was at the rate of $4 billion, to the second-quarter of 1949, there was a swing of $10 billion on account of business inventories. This amounted to two-thirds of the total decline in the gross national product, which fell from $265 billion to about $250 billion. Since a $10 billion swing in inventory investment would normally produce a larger decline in the total, the sustaining influence of other factors is reflected in these changes.

Approaching the Turn

"Today there are signs that the rate of liquidation has reached its peak. Efforts to liquidate are continuing, of course, and seem likely to continue for several months at least; but, in some lines, there has already been a reduction of pressure. In lead and copper, for example, fabricators have had to come back into the market to replenish working stocks. Segments of the textile industry also indicate the beginnings of a reversal. Revival in lines that have already passed the peak of liquidation will offset further declines in others where liquidation is still increasing.

"Activity responds quickly to changes in inventory policy; but when the rate of change is stable, it quickly ceases to affect production. Specifically, when inventory liquidation is no longer increasing, this factor is no longer forcing production down, even though inventories are still being liquidated rapidly. Thus, if recent easing of pressure is taken at face value, it would appear that the recession is already about ended.

"We may bump along near the lows for a while, but there is nothing in the picture to drive activity much lower. Residential construction has made a strong recovery, with new housing starts in June back at the record high. The decline in new plant and equipment expenditures has been more moderate than expected; and, as the special article in this issue indicates, the forecast does not suggest any abrupt acceleration.

"Again, when the peak of liquidation is reached, inventory changes become a potentially favorable force. The factors that usually force the dumping of inventories are sharply falling prices and shaky credit. Neither of these is important in the current situation. Considering, in addition, that inventories were relatively low at the outset and that the rate of liquidation has been unusually rapid, it seems probable that normal buying will be resumed within several months at the most.

Recovery Prospects

"Since there is no other factor likely to produce an offsetting decline of comparable magnitude, at least some measure of recovery will occur when inventory liquidation ceases; for the cessation of inventory liquidation is not merely an easing of deflationary pressure, it is a positive force on the upside. Liquidation can come to an end only as production is brought up into line with consumption. For this to happen, no one has to expect recovery; business merely has to decide that inventories are low enough. When it happens, recovery will be under way.

"The question then becomes: How far will the recovery go? As production is stepped up to prevent further reduction of inventories, other factors will not stand still. Consumers' income will increase and their expenditures will move up to a correlative degree. The extraordinary first-quarter decline in consumer expenditures stands as a kind of aberration, or unique event, like the exceptionally high rate of spending in the second-quarter of 1947. Today consumer expenditures are again near normal in relation to income; and they may now be expected to move in line with income, as they typically have in years past.

"The steady upward trend in government expenditures will also be felt, and its effects will be more apparent when it is no longer overshadowed by large inventory liquidation. Business expenditures for new plant and equipment will also respond to the the new upsurge in activity. Projects that have been postponed will be reinstated, checking tendencies toward further decline.

"The quickening of income flows and sales will in turn emphasize deficiencies in inventories; and, in all probability, business policy will be directed not merely toward preventing further declines but toward renewed accumulation. Such accumulation need not again go as high as in earlier postwar periods to make a definite contribution to the recovery.

"All this suggests that the recovery will be substantial, and not merely a minor interruption of a downward trend. With government expenditures up more than enough to offset declines in private investment, with construction continuing at boom rates, and with consumers spending a normal proportion of their income, the high of $265 in gross national product is likely to be reached again before the middle of 1950."

Calif. Oregon Power Common on Market

An investment banking group headed jointly by Blyth & Co., Inc. and The First Boston Corp. offered publicly Aug. 10 250,000 shares of common stock of the California Oregon Power Co. at $23.25 per share.

Proceeds from the sale of this stock, together with the proceeds from the sale of $7,000,000 of first mortgage bonds which the company proposes to offer later this month, will be used chiefly to refund $9 000,000 of promissory notes which the company issued to finance its current construction program.

Due to an unprecedented increase in the business activities and population in the areas served by the company, there has been an increase in the sales to residential, commercial and industrial customers and a reduction in sales of electric energy at wholesale. This necessitated a large construction program which includes new generating facilities at Toketee Falls, Oregon, and the expansion of the company's transmission and distribution systems.

The company believes that funds available from the sale of this issue of common stock and the bonds to be sold later this month, together with amounts available from internal sources, will provide it with ample construction funds until approximately Jan. 1, 1950.

Giving effect to the issuance of these common shares, the proposed $7,000,000 of first mortgage bonds, and the prepayment of $9,000,000 of promissory notes, the company's long-term debt and capital stock will be as follows: $25,000,000 principal amount of first mortgage bonds; $7,416,600 par value of preferred stocks; and 800,000 shares of $20 par value common stock. Dividends are currently being paid on the common stock at the rate of 40 cents per share per quarter, the latest of which was paid in July.

United Nations Sees U.S. Occupying Key Position in World Economy

In report on world economic situation for 1948, its Department of Economic Affairs says numerous countries are now dependent upon this nation as source of commodities and financial aid, as well as for markets for their products.

In its elaborate "World Economic Report" for 1948, just published, the Department of Economic Affairs of the United Nations stresses the key position which the United States now occupies in the international economy. According to the report:

"The United States has come to occupy a key position in the international economy as a result of the increased dependence after the war of numerous countries upon the American market as a source of supply of commodities and of financial aid, as well as an export market. The quantum of United States exports in 1948 was almost twice that in 1937, as well as in 1933; on the other hand, its quantum of imports was only 8% above the level of 1937 — though 50% above that of 1938 when there was a heavy contraction in the American demand. Exports tended to decline in value from May, 1947 to November, 1948; since imports increased during the same period, the export surplus declined rapidly. It should be observed, however, that the maritime strike on the east coast hampered exports in November, 1948 and that the export balance increased in the following few months.

"Since the beginning of the century, the United States has usually had an import balance with the tropical belt but a persistent export balance with most countries in the temperate belt and particularly with western Europe. Since the war, there has been a net export in almost all directions, financed largely by American grants, loans and investments, and by the withdrawal of foreign liquid assets. Triangular trade not involving the efflux of funds from the United States has been largely confined, it appears, to the transfer through the United States of the yield of European investments in certain tropical territories. In particular, certain British oversea territories have been "dollar earners" for the sterling area's dollar pool. The United States import balance from British Malaya, due largely to purchases of rubber and tin, amounted to $285 million in 1947 and $270 million in 1948, as against $234 million in 1937. The corresponding import balances from British West Africa, resulting in large measure from cacao imports, were $48, $90 and $26 million, respectively. On the other hand, the prewar import balances from India, Indonesia, the Philippines and many other tropical countries have been replaced by heavy export surpluses. But the export balances with the majority of countries, both in the tropical and temperate belts, fell considerably from 1947 to 1948—an adjustment resulting from financing difficulties on the part of the United States trading partners after the critical international payments situation that developed in the second half of 1947. These changes in trade balances and the gradual increase in United States aid rendered it possible for other countries, during the last half of 1948, to reestablish part of the capital reserves in the United States which they had been forced to draw upon during the previous two and a half years.

MERCHANDISE TRADE BALANCE OF THE UNITED STATES
1937, 1938, 1947 and 1948

(Recorded balances of general trade in millions of dollars)*

Country or area—	1937	1938	1947	1948
World	265	1,134	9,607	5,544
Balance with United Kingdom	334	403	898	361
Rest of Europe (including USSR)	182	356	3,971	2,825
Argentina, Australia, Canada, New Zealand and the Union of South Africa	172	385	1,994	935
All other countries	—423	—10	2,744	1,423

Source: Official statistics.

*Import balances indicated by minus signs.

"It is of interest to compare the recent movement of prices (or "unit values") of United States exports with those of the remainder of the world, converted to dollars at current exchange rates. The indices of such prices in the table below, computed on a 1937 base, show that the export prices of the United States in 1946 and 1947 were lower than average export prices in terms of dollars elsewhere.[1] The convertibility crisis in the last half of 1947, followed by the depreciation of the French franc in January, 1948 and the prospect of larger agricultural crops, occasioned some decline in average export prices outside the United States, so that the price discrepancy was greatly reduced in the early part of 1948. From the first to the fourth quarter of 1948 United States export prices fell by 3%. The decline was due largely to lower prices of foodstuffs but the prices of goods other than foodstuffs also fell—on the average by over 1. On the other hand, the export prices of the remainder of the world, as a whole, increased during the same period by 8%. These different price movements doubled the price discrepancy in the course of 1948.

Average Export Prices: Indices of Unit Values in United States and Rest of World
1937, 1946, 1947 and 1948

Period	Index of average export prices (unit values)* United States	Index of average export prices (unit values)* Rest of world	Ratio of index for rest of world to United States
1937	100	100	100
1946			
1st half	145	163	114
2nd half	158	191	121
1947			
1st half	177	207	117
2nd half	188	222	117
1948			
1st quar.	195	220	113
2nd quar.	194	227	117
3rd quar.	193	233	121
4th quar.	189	238	126

Source: Based on data supplied by the Statistical Office of the United Nations.

*In terms of dollars.

"Naturally, any computation of this kind is subject to qualifications of various kinds, and no close comparability should be assumed to exist between export price indices calculated by different methods in different countries in which the commodity composition of exports is very unequal. Nevertheless, the discrepancy in both level and tendency of the two indices quoted is large enough to be significant.

"The share of the United States in world exports fell from 26% in the first quarter of 1948 to 21% in the last quarter of that year. This decline coincided with a relative cheapening of United States export prices. Probably, therefore, this redistribution of trade from the United States to soft-currency countries as sources of supply reflects in large part the trade controls employed by certain such countries in order to reduce their dollar expenditure. This does not mean that, if these controls had not been used, the redistribution of trade would not have taken place. The indications are that such a redistribution was a necessary consequence of the limits put on imports from the United States by the shortage of dollar funds and the absence of multilateral trade on a large scale. But if the trade controls had not been used it seems likely that either exchange rates or prices in the various currencies would have had to be adjusted so as to reverse the diverging movement of export prices referred to above. Under prevailing conditions, such adjustments would, in some countries, undoubtedly have been accompanied by unemployment and other economic disturbances.

"One of the most spectacular facts—of particular importance to Europe — is the failure of the quantum of United States imports of finished manufactures to reach the 1937 level, in spite of an increase of over 60% in disposable personal incomes in the United States computed at stable prices and recent reductions in import tariffs. While the lag in imports cannot be fully explained here, there is reason to draw attention to the price disequilibrium as one of its major causes. While the unit value index for finished manufactures exported from the United States had risen only 87% from 1937 till the last quarter of 1948, that for imported manufactures had risen 171%, or nearly twice as much. Part of this disparity is likely to be due to the divergence in the price movements of imported and exported manufactures, which differ in nature; but to some extent the disparity is likely to represent differences in the movement since 1937 of prices in the United States and soft-currency countries.

"Though the United States program is stockpiling certain raw materials has undoubtedly tended to raise its import of primary products, this import was in 1948 less than a fifth above its level in 1937. This increase lags very considerably behind the increase of about three-fourths in the manufacturing production, into which the imported primary products are largely absorbed. There has been a very considerable increase in the import of certain products, however, which may forebode lasting changes in the pattern of international trade. Thus the import of crude petroleum, gas oil and fuel oil has risen from an annual average of 57 million barrels, from 1936 to 1938, to 188 million in 1948, and the United States is rapidly approaching a situation in which it will have an import balance of petroleum and petroleum products. The United States has become a large net importer of copper and certain other non-ferrous metals. The import of raw wool has more than trebled—from 104,000 metric tons annually in 1936-38 to 345,000 in 1948, owing to the coincidence of a decline in domestic production and a rise in domestic demand. Imports of coffee have increased in quantity by half, and a similar increase is recorded for crude rubber[2], in spite of the heavy expansion since the 1930's of the domestic production of synthetic rubber. On the other hand, imports of raw silk have declined in quantity by nine-tenths, and imports of vegetable oils and fats, by 72%.

"United States trade in foodstuffs has undergone a spectacular change since the 1930's. In 1937 there was a net import of foodstuffs of $571 million, but in 1948 a net export of $579 million. While the quantum of imports in 1948 remained smaller than in 1937, that of exports was over four times the 1937 level. From having been a minor exporter of wheat in the late 1930's, the United States has become, since the war, the principal supplier to the world market, exporting 13.5 million metric tons in 1948, or more than Canada, Australia and Argentina together. Exports of other cereals and rice have also increased since the 1930's, and the prewar net imports of eggs and dairy produce has been replaced by an export surplus. The increased export of foodstuffs has been rendered possible by the expansion of production, due to a series of good crops and the rationalization of agriculture facilitated by the relatively high prices of foodstuffs."

1 To some extent the price discrepancy may have been due to the fact that finished manufactures, which had risen somewhat less in price since the base year than other goods, represented a larger proportion in the United States exports than in those of the remainder of the world.

2 The increase over 1937, however, when rubber imports were comparatively high, was only 23%.

Wants Point IV Program Applied to Danubian Nations

Stefan Osusky, expatriated Czechoslovak Ambassador to France, says it would be a peaceful weapon which could lick Soviet Russia.

Speaking at the First Annual Conference on American Foreign Policy at Colgate University in Hamilton, N. Y., on July 26, Stefan Osusky, Czechoslovak Ambassador to France, now a professor of philosophy at Colgate University, strongly urged that the Danubian countries, now under Russian domination, be made participants in President Truman's Point IV program of extending material and technical aid to undeveloped regions.

Stefan Osusky

"The Danubian Basin is both an area whose natural resources are undeveloped and whose population is backward," Mr. Osusky stated 'How come?' The Danubian Basin is a cemetery of dead empires: Samarian, Hun of Attila, Avar, Khazak, Holy Roman Empire, Ottoman Empire and the Austro-Hungarian Empire. The present Danubian countries represent the failures, the bankruptcies of successive imperial systems. The ruling nations of those empires, afraid that the peoples of the Danubian Basin would not remain within their empires, if they had the means to be free, have done their best to keep these peoples just at the level of bare existence and in as great an ignorance as possible.

"The river Danube is the greatest river of the European continent west of Russia. It is 1,800 miles long, connecting the great industrial and populous regions of Germany, France, Belgium and Luxemburg with the grain, meat, fat and timber growing regions of central and southeastern Europe. The Danube watershed covers an area of about 315,000 square miles, comprising southwestern Germany, Austria, Czechoslovakia, Hungary, Yugoslavia, Bulgaria and Rumania. They have navigation, flood and water traffic problems, neither of which is capable of resolving them alone. And above all, in a region short of coal supply, the powerful flow of the Danube is allowed to cross the European continent without generating hydroelectric power which would powerfully contribute materially to the advancement of agriculture and industry and make the Danubian countries prosperous. It would create a new market for manufactured products and special agricultural products of over 100,000,000 people."

"Can you imagine," the Czech statesman continued, "the propaganda value of Point IV if the United States Government publicly announced that it applied to the Danubian countries under Soviet domination? Under present conditions, it would be the best weapon to fight the Soviets and their agents, the Communist parties in the satelite countries. It would give the Danubian countries, in their abject misery, a hope, something worthwhile to fight and suffer for. An idea launched at a proper moment is more powerful than armies. Remember that!

"Beside the particular Danubian interest, there is a vital general European economic interest involved in Point IV. Europe grew in numbers and wealth because she could get her food and raw materials and minerals from new countries. The leaders of Europe should have foreseen that, in the course of time, the Americas will produce themselves most of the manufactured articles and will no longer need the services and capital with which Europe paid for her food, raw materials and minerals. But European leaders went asleep and were awakened from their slumber only when their countries' economic structure was collapsing. Their only salvation today is to collaborate gratefully, devotedly and enthusiastically with the United States in the implementation of Point IV, in the Danubian Basin, in Africa and Asia. Thus, in collaborating with the United States in the improvement of the economic and social conditions of backward regions in Europe, Asia and Africa, Europe will not only save herself from destruction, but, moreover, will contribute her share to the organization of a world order which will be the concrete and practical manifestation of the unity of mankind.

"The Western World has powerful peaceful weapons with which it can lick Soviet Russia. This is one of them. All that is necessary is clearly to define them, organize them and bring them to the knowledge of peoples today without hope. This is a crusade worthy of the Western civilization and which will make America what she is to be in the history of mankind."

L. F. Flammenghi Opens Office in New York

L. F. Flammenghi has opened offices at 30 Greenwich Avenue, New York City, to engage in the securities business. Mr. Flammenghi was formerly with Banco di Napoli Trust Co. of New York; was with the New York State Banking Department, and was an officer of the Pan American Trust Co. and the Sterling National Bank & Trust Co.

Charles W. Price to Open Own Office

Charles W. Price will open offices at 19 Rector Street, New York City, to engage in the securities business. In the past Mr. Price was a partner in Syle & Co.

Money, Gold and Exchange

(Continued from first page)

either of itself or in its relation to other units — because *money expresses values by its volume*, not by its unit, and that volume is never static. For instance: Were the volume of money doubled overnight how would the unit express the prices of today in contrast with those of yesterday? On the other hand, no matter how few or how many yardsticks are in use, each one always measures exactly three feet.

As to the unit of currency in its relation to other units: For illustration, take the dollar and the pound sterling at a ratio of $4=1£. Accepting the obvious fact that monetary management everywhere is suited to the national need, suppose that for reasons deemed good and sufficient the Federal Reserve authorities reduce circulation by $1 billion, while the British Treasury increases circulation in England by £500,000,000, what then is the new relationship of dollars to pounds? Hence this pertinent reasoning: What business have we to tie the dollar to other units of currency if we do not control the volume of these other units? What is there so sacrosanct about a rate of exchange that it should be rigidly maintained despite all economic disparities, of which the volume of money is but one?

The demand for fixed rates of exchange is invariably accompanied by promises of "stability" and granted on that basis. But these promises are valueless because monetary soundness and exchange stability are products of healthy fiscal management and of the balancing of international accounts. They cannot be had by fiat, by pacts or by agreement, as evidenced by the failure of the International Monetary Fund which was conceived in the name of "stability," pressured into being by log-rolling propaganda, and accepted by those who think only in slogans.

An exchange rate is a price with all the corrective potentials that any free market price possesses. If free it corrects unbalance, if fixed it cumulates and compounds disequilibrium as all price-fixing does. Unbalance may temporarily be masked by the use of loans to offset the growing debts resulting therefrom, but this treatment of symptoms cannot long endure because, with time, the position worsens; loans turn to gifts, to "grants-in-aid" or, better said, to "money-down-the-drain."

Exchanges should be freed before conditions go from bad to worse or circumstances force our hand. Be it remembered that no nation can hope to compete with America in the markets for manufactured goods because none possesses the basis for low costs which America enjoys despite her much higher wage scale. In its own vast internal market American "know-how" has an outlet unique on earth which makes possible mass production at low cost. China, India, Russia, all have larger populations, but their masses neither produce nor consume as we do. The British Commonwealth, whose total population is also great, has no such integrated market as we possess. Yet all these nations must live. They can only do so on the basis of balanced trade which they must and will achieve either by the natural means which free exchanges afford or by reducing to a minimum trade relations with America.

Exchange rates should be freed despite the discomforts attending readjustments from artificiality to realism; for those will be the discomforts of convalescence on the road to economic well-being. Free exchanges will bring about the abolition of the system of quotas and controls indispensable to the maintenance of fixed rates. Business will soon thrive, employment will increase, international trade will proceed and remain on a balanced basis because free exchanges will extend the price system to the international field. Producers and consumers alone will then determine prices everywhere, while currencies will always sell in terms of each other for exactly what they are worth. That is multilateralism for which there is no substitute.

The freeing of the exchanges requires no international agreement nor consultation of any kind. It can be accomplished by a simple act of Congress: Today most fixed currencies are tied to the dollar directly or through gold at $35 an ounce. If we sever the link between gold and the dollar, *if we make the dollar irredeemable to aliens as it is to American citizens, all exchanges will be free.* Thereafter any linking of a currency to the dollar would entail the risk of exchange, one which no central banker in his right senses would for a moment entertain. Instead of wasting time devising new methods of control, new restrictions, new regulations, by way of regimenting trade to the needs of money management, Treasury authorities and central bankers could thereafter devote their undivided attention to fiscal and internal affairs. This will be a welcome, if novel, departure in modern finance. All of which will involve the dissolution of many Government bureaus and the dispersal into private life of their numerous personnel. However sad their fate few will crowd the mourners, ample comfort being found in the easing of the tax burden as the upkeep of these parasitic agencies is removed from the budget.

At this juncture a natural query would be: What becomes of gold under free exchange? Ageless is man's attachment to things beautiful and rare, gold among them; and if to these qualities usefulness is added, they can render service to mankind. But any commodity which is hoarded by Governments, whose movements are hedged in by controls of every kind, needs must in time lose what utility it once possessed. That is why *we should have a free market for gold* so that supply and demand, unfettered, may set a true price on the yellow metal; not one based on scarcity or in reflection of chaotic economic or political conditions. Because it can enjoy a market everywhere gold, as a concentrated instrument of exchange, can once more become useful. Whether it ever again will be minted into coin is debatable; suffice to say that the free redeemability of the dollar in gold could not be entertained in the near future without exposing our economic structure to certain disaster.

Those who clamor for immediate redeemability, and who contend that when gold is made freely available no one will want it, are thinking in terms of the 1870's, not in the realities of today. At the present time the ratio of our gold stocks to dollars and their equivalents is very low indeed. By equivalents are meant bank deposits, Federal obligations which are but dollars with coupons attached, not to speak of State and municipal bonds. If, for any reason, there should develop an unusual demand for gold when it is made freely available, Government might not be able to stem the tide that would set in until irreparable damage had been inflicted on the nation. For if our financial structure were to resist a gold rush Government would be obliged to resort to forced loans or to the printing press to support the market for Federal obligations which constitute so large a proportion of the assets of our banks. The impact on our markets, commodity and security alike, would shake the country to its foundations.

Redeemability *per se* does not bring confidence in a currency. Confidence is born of political quietude, sound fiscal management, economic well-being. To believe otherwise is to confess adoration for the Golden Calf by lending magic to dead metal. We live in an era of drastic readjustment, social, political, economic. As the trustees of Republican institutions we Americans must pay more than lip service to free enterprise by eschewing price-fixing in any form and recognizing that a free functioning price system is the very essence and symbol of freedom.

First Boston-Drexel Group Offers Penn. Power & Light Pfd.

An underwriting group headed by The First Boston Corp. and Drexel & Co. offered to the public Aug. 10, 75,000 shares of 4½% preferred stock and 12,000 shares of 4½% series preferred stock, both $100 par, cumulative, of the Pennsylvania Power & Light Co. at an offering price of $103.75 per share for each issue, plus accrued dividends from July 1, 1949. The terms of the two issues are identical in respect to par value, dividends, redemption price and liquidation price. This offering will complete the marketing of all of the company's presently authorized preferred stock.

Proceeds plus general funds of the company will be used to finance contemplated construction expenditures to the middle of 1950. The company estimates on the basis of present conditions that construction expenditures for the 3½ years ending with 1952 will be in the neighborhood of $75,000,000. The company further estimates that to complete this construction program it will have to raise $17,500,000 more from the issuance and sale of securities in addition to the proceeds from the recent offering of 415,983 shares of common stock and from today's offering of preferred.

Balance of the funds for the construction work, it is stated, will be obtained from treasury funds, reserves, retained earnings and other internal sources. The company stated it was not able to say when the additional financing would be undertaken.

The construction program, according to present estimates, calls for the expenditure of $11,600,000 during the balance of this year; $25,800,000 in 1950; $21,800,000 in 1951; and $12,800,000 in 1952. Of the total, it is estimated that $26,600,000 will be expended in completing the three generating units totaling 250,000 kw. at the Sunbury Steam Electric Generating Station on the west bank of the Susquehanna River about two miles south of Sunbury. The initial installation of 150,000 kilowatts at the Sunbury Station, according to the company, is expected to be in full commercial service before the end of 1949. The balance of $48,400,000, it was stated, will be expended in constructing additions to and replacements of electric, gas and steam-heating facilities.

At the conclusion of this offering and recent financing, capitalization will consist of $165,644,000 in long-term debt; 515,000 shares of 4½% preferred stock, $100 par, cumulative; 63,000 shares of 4.60% series preferred stock, $100 par, cumulative; 12,000 shares of 4½% series preferred stock, $100 par, cumulative; and 3,327,868 shares of common stock without nominal or par value.

Sees Pace of Business Decline Slackening

Purchasing Agents' Business Survey Committee, headed by Robert C. Swanton, says there are several trend indicators pointing to approaching bottom of business recession.

According to a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, headed by Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, New Haven, Conn., "July business is recording a further decline, but at a slower pace than in May and June. There are several trend indicators, which may be confirmed in August, showing that the declining cycle is approaching bottom. Production, under the handicap of vacations, makes a good showing in our reports with 21% on the upgrade, and 49% holding to previously reduced schedules. Order booking reveals the greatest strength since the start of the decline, with 30% reporting increases as compared to 28% on the down side. The downward price trend is reported showing a tendency to slow up and level off, though Purchasing Agents feel there are many adjustments still to be made. Purchased inventories continue to shrink at the same sharply declining rate reported for the three previous months. Our reports on employment point to a slight reversal of the past six-month trend, 45% maintaining the June pay roll average, 14% increasing. The predominant buying policy continues to be very short-range. A note of confidence, lacking in recent months, is evident in many reports for the July survey. It is pretty well offset, however by the caution generated by pending wage negotiations in several important industries.

Robert C. Swanton

"**Commodity Prices**—The general trend is to reduce prices though important basic commodities—copper, lead and zinc—have shown marked strength during July. Competition is becoming more active and more general. Salesmen better equipped to negotiate are calling. Opinion is repeatedly expressed that many prices must still be adjusted to the lower cost trends. Many prices that have been reduced have further to go before price stabilization is reached.

"**Inventories**—Industrial stocks continue to be reduced at the sharp pace set four months ago. There is more indication this month that some inventories have reached the lowest workable minimum. This is evidenced by increases in new orders, most of which are for limited quantities and near-term delivery. Over-all purchased inventories are believed to be in a healthy condition and in balance with current requirements.

"**Buying Policy**—Hand-to-mouth to 30 days' buying range is the policy of 70% of the Purchasing Agents reporting. Though there is increased buying, the trend is to order frequently in small amounts, even at the loss of quantity discounts. Weighing the advantage of quantity discounts against possible price reductions and the short-term production plans being generally followed, finds Purchasing Agents being extremely conservative.

"**Employment**—41%, the lowest percentage of reports since December, show further employment declines. 14%, which is the highest since November, report additions to pay rolls. Several industries which were cut below 40 hours a week have increased the running time. Productivity is improving, with the better operators being retained or called back. White-collar workers are readily available in several areas.

"**Specific Commodity Prices**—Following extensive price declines, copper, lead, zinc and their products headed a short list of commodities on the up side in July. With substantial reduction of production and increased demand, these materials are reflecting a change in the supply-demand picture.

"Others **up** were: alcohol, new burlap, ceramics, corn, limerock, cottonseed oil, tung oil, rosin, starch.

"Reported **down**: ammonia, asphalts, trucks, butanol, carbons, castings, except nonferrous, chemicals, chipboard, coal tar, cotton linters, dyes, electrical equipment, feldspar, ferrosilicon, fiber, foods, coal, coke, fuel oil, gelatin, leather, lumber, methanol, mercury, plastic powders, lubricating, linseed, soybean oils. Pipe and fittings, platinum, paper and pulp, paraffin wax, rubber, shellac, steel scrap cotton and rayon textiles, tires, turpentine.

"**Canada** — Canadian general business continues to slide off. Where they have been on a higher level than the United States for several months, July reverses the position. Commodity prices are holding better; inventories are not being reduced as rapidly as in the United States. Employment is increasing, mostly seasonal. Buying policy about the same as the United States."

Schwartz to Manage Bache Office in Florida

MIAMI BEACH, FLA. — Bache & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, announce the appointment of Arthur Jerome Schwartz as Manager of the firm's Miami Beach office at 235 Lincoln Road, Miami Beach, Florida. Mr. Schwartz, a former partner of La Grange & Co., has a lifetime of service in the financial community. In addition to his wealth of experience in the securities field, he also is an expert on commodities.

Arthur J. Schwartz

During World War II, Mr. Schwartz entered the Army as a private and rose through the ranks until he became an officer. He is a veteran of the European theater.

Myron S. Zeientz continues as Manager of Bache's Miami office at 96 N. E. 2nd Avenue, Miami.

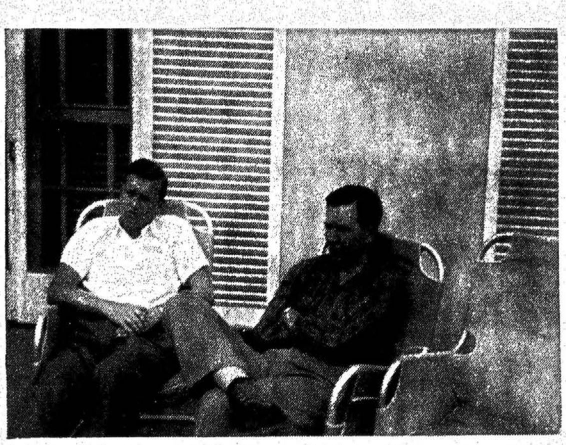
Oswald Clemens, Jr., With Paine, Webber

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Oswald Clemens, Jr., has joined the institutional department of the New York office of the firm. Mr. Clemens has previously been associated with Alex. Brown & Sons and Lazard Freres & Co.

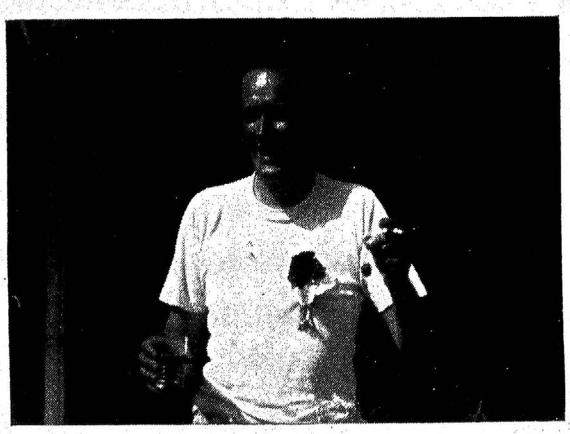
Security Traders Association of Los Angeles

Jim Cockburn, *Crowell, Weedon & Co.*; Nick Kirwan, *Dean Witter & Co.*; Jim Reeves, *Akin-Lambert Co.*; Jack Quinn, *Stone & Youngberg*, San Francisco; Bill Zimmerman, *Bingham, Walter & Hurry*

Jack Egan, *First California Co.*, San Francisco; Jack Quinn, *Stone & Youngberg*, San Francisco; Bill Zimmerman, *Bingham, Walter & Hurry*



Jerry Burrill, *Blyth & Co., Inc.*; C. Lueker, *Hill Richards & Co.*



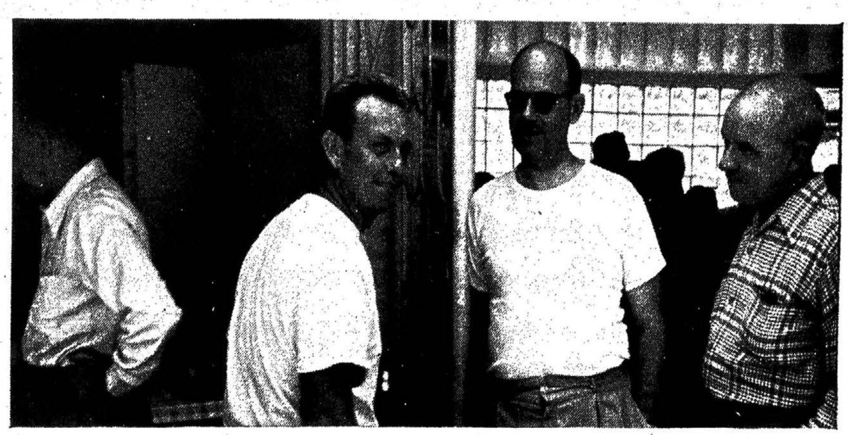
Jack Alexander, *Walston, Hoffman & Goodwin*

R. R. O'Neil, *Edgerton, Wykoff & Co.*; Bill Miller, *Fairman & Co.*, President of the Security Traders Association of Los Angeles

Bob Diehl, *Paine, Webber, Jackson & Curtis*; Jerry Burrill, *Blyth & Co., Inc.*; Roy Warnes, *Hill Richards & Co.*; Bill Johnson, *Sutro & Co.*

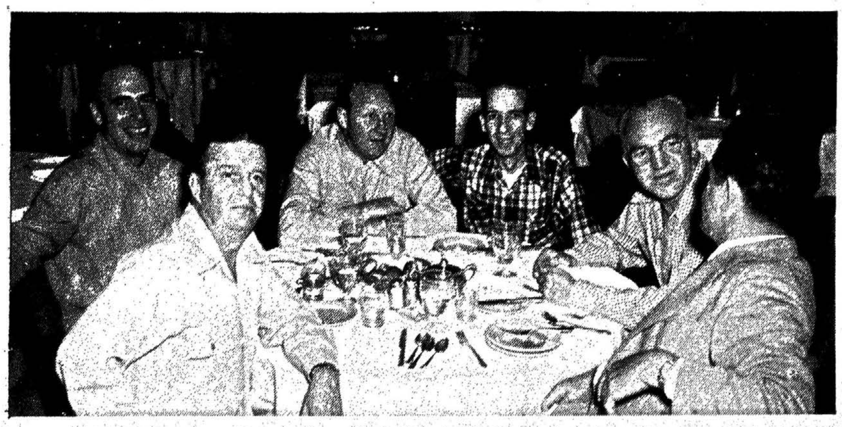
Jack Hecht, *Dempsey-Tegeler & Co.*; Max Hall, *Dean Witter & Co.*; Dick O'Neil, *Edgerton-Wykoff & Co.*; Chet Glass, *William R. Staats Co.*

Bill McCready, *Geyer & Co.*; Roy Warnes, *Hill Richards & Co.*; Jerry Burrill, *Blyth & Co., Inc.*; Nick Kirwan, *Dean Witter & Co.*



Frank Ward, *Merrill Lynch, Pierce, Fenner & Beane*; Bill Walker, *Conrad, Bruce & Co.*; Larry Pulliam, *Weeden & Co.*; Bill Wright, *Lester & Co.*

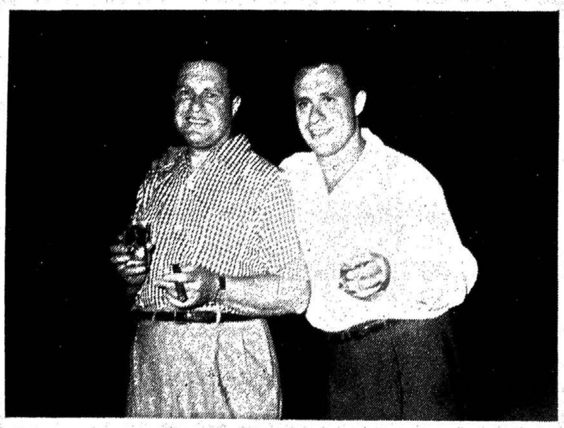
Annual Outing at Arrowhead Springs



Forrest Shipley, *Quincy Cass Associates;* Jim Fraser, *Stern, Frank & Meyer;* Jack Egan, *First California Co.,* San Francisco; Scotty Stout, *Blair & Co., Inc.;* Max Brown, *Shearson, Hammill & Co.;* Nick Kirwan, *Dean Witter & Co.*

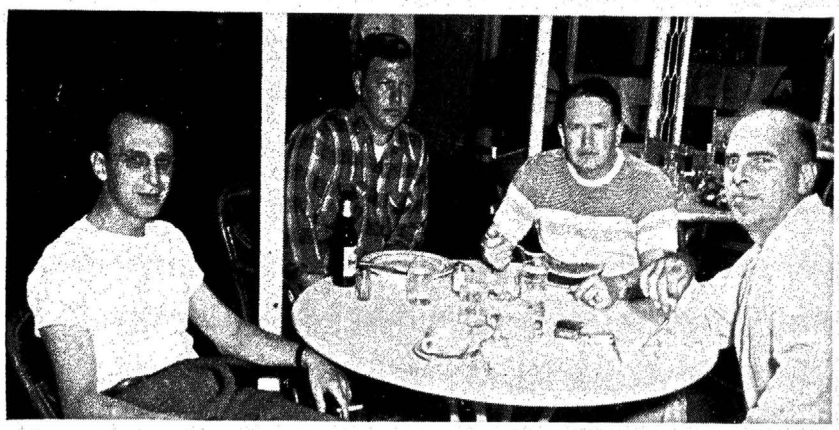
Front row: Parky Hardcastle, *Dean Witter & Co.;* Bill Walker, *Conrad, Bruce & Co.;* Sam Green, *Pledger & Co.;* Frank White, *National Quotation Bureau;* Second row: Bill McCready, *Geyer & Co.;* Max Hall, *Dean Witter & Co.;* Nick Kirwan, *Dean Witter & Co.;* Rear: Roy Warnes, *Hill Richards & Co.*

A. S. McOmber, *Revel Miller & Co.;* Pierce Garrett, *Dempsey-Tegeler & Co.*



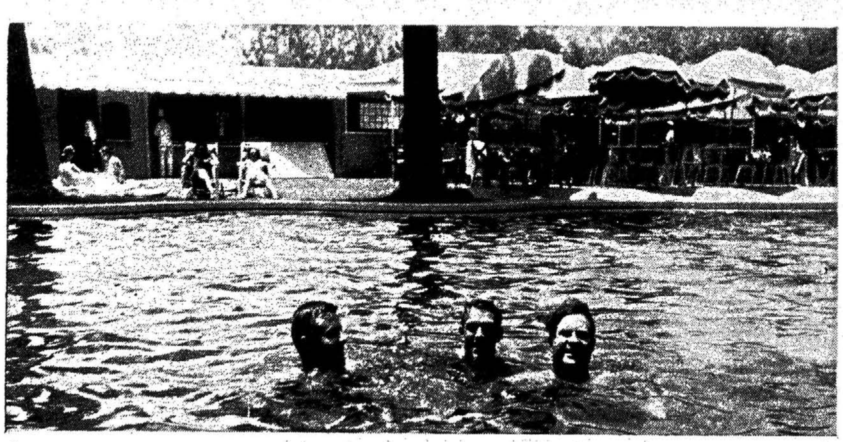
Sam Green, *Pledger & Co.;* Bob Green, *Pledger & Co.*

Scotty Stout, *Blair & Co., Inc.;* Jim Reeves, *Akin-Lambert Co., Inc.*



Bud Dorroh, *William R. Staats Co.;* Bud Tuttle *George Earnest, Fewel & Co.;* Jim Fraser, *Stern, Frank & Meyer*

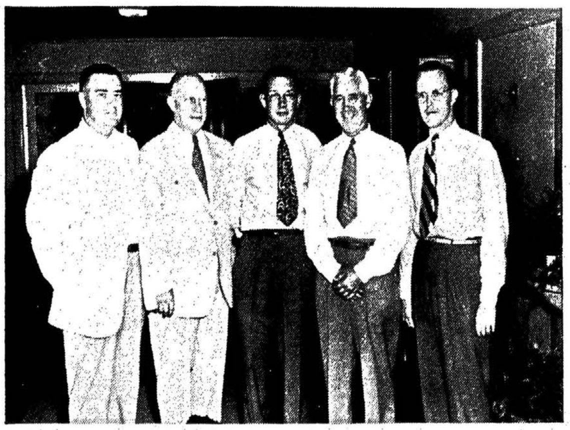
Group at the Party



Parky Hardcastle, *Dean Witter & Co.;* Jack Weller, *Wagenseller & Durst;* Sam Green, *Pledger & Co.*

Bob Diehl, *Paine, Webber, Jackson & Curtis;* Bud Dorroh, *William R. Staats Co.;* Bill Johnson, *Sutro & Co.;* Bill Pike, *Buckley Brothers;* George Earnest, *Fewel & Co.;* Jerry Burrill, *Blyth & Co., Inc.;* C. Lueker, *Hill Richards & Co.* Bud Tuttle

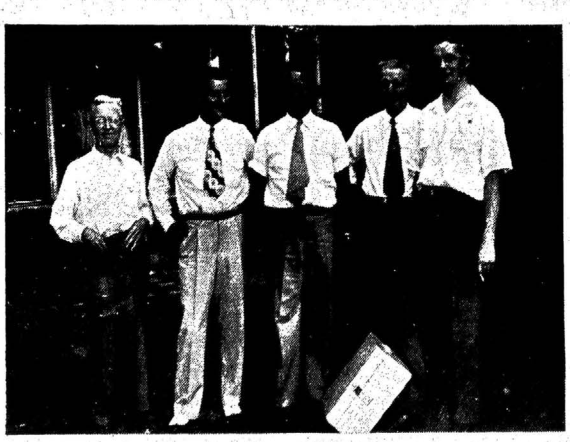
Securities Traders Association of Detroit and Michigan



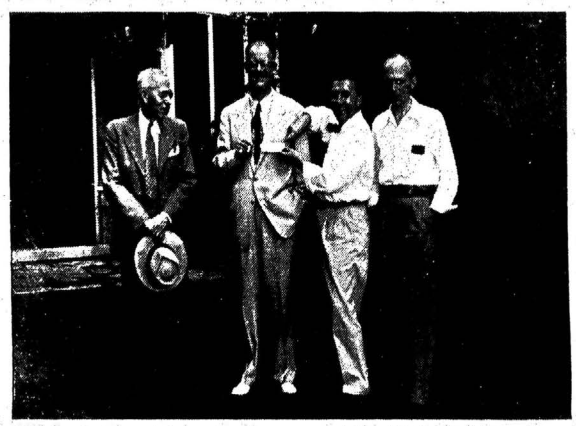
Paul Yarrow, *E. F. Hutton & Co.*, Chicago, Executive Council, National Security Traders Association; H. Terry Snowday, *E. H. Rollins & Sons*, President of Securities Traders Association of Detroit & Michigan; C. J. Odenweller, Jr., Regional Administrator, *Securities & Exchange Commission*, Cleveland; A. N. "Bo" McMillin, Manager, *Detroit Lions Football Club;* Philip A. Hart, *Michigan Corporation and Securities Commissioner*

Ed. Miller, *Andrew C. Reid & Co.*, Treasurer of the Securities Traders Association of Detroit and Michigan; Paul Yarrow, *E. F. Hutton & Co.*, Chicago, Executive Council National Security Traders Association; Les Muschette, *First of Michigan Corp.;* John Murphy, *Paine, Webber, Jackson & Curtis*

(Front row) Reginald MacArthur, *Miller, Kenower & Co.;* H. Russell Hastings, *Crouse & Co.;* Frank Meyer, *First of Michigan Corp.;* Raymond W. Miottel, *Paine, Webber, Jackson & Curtis;* (back row) Victor Williams, *Paine, Webber, Jackson & Curtis;* Ray P. Bernardi, *Cray, McFawn & Co.;* LeRoy O. Jarvis, *Paine, Webber, Jackson & Curtis;* John E. Murphy, *Paine, Webber, Jackson & Curtis;* Al Voss. *Wabeek Bank*



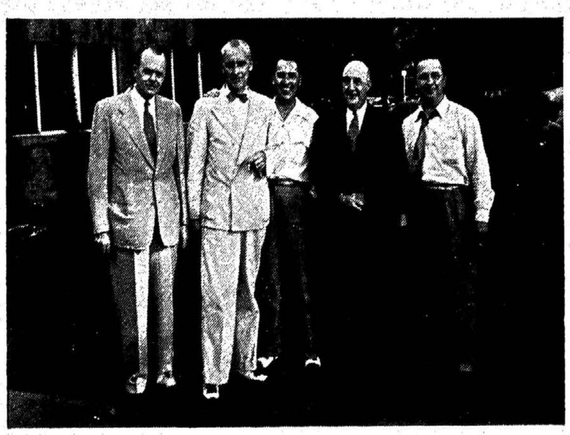
Albert V. Warwick, *A. M. Kidder & Co.;* Chas. Bechtel, *Watling, Lerchen & Co.*, Vice-President of Securities Traders Association of Detroit & Michigan; Chas. Floyd, *William C. Roney & Co.;* B. L. Powell, *A. M. Kidder & Co.;* Gregory Bader, Jr., *Charles A. Parcells & Co.*



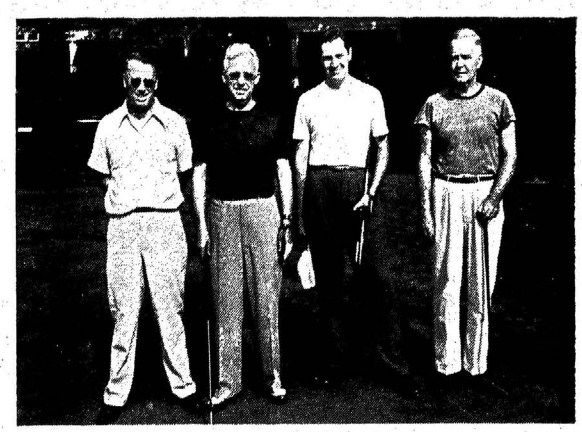
John Daniels, *Chas. A. Parcells & Co.;* Wm. Shoemaker, *Bradley Higbie & Co.;* Ray P. Bernardi, *Cray, McFawn & Co.;* George J. Elder, *Geo. A. McDowell & Co.*, Secretary of Securities Traders Association of Detroit & Michigan

George A. McDowell, *George A. McDowell & Co.;* C. J. Odenweller, Jr., Regional Administrator, *Securities & Exchange Commission*, Cleveland; H. Russell Hastings, *Crouse & Co.*

Al Creighton, *Collin, Norton & Co.;* Toledo; E. J. Pierson, *Moreland & Co.;* F. M. Crandall, *State Savings Bank*, Ann Arbor, Mich.; Frank Cavan, *Titus, Miller & Co.;* Dean W. Titus, *Titus, Miller & Co.*, Ann Arbor, Mich.

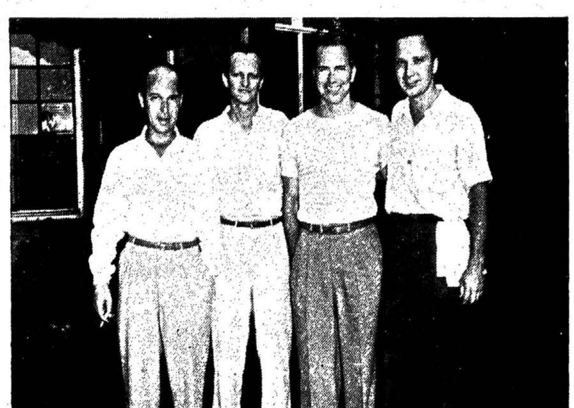


Paul Hurr, *National Bank of Detroit;* Frank Meyer, *First of Michigan Corp.;* George R. Hollister, *White, Noble & Co.*, Grand Rapids; Lester Zubrigg, *National Bank of Detroit;* Roy Delaney, *Smith, Hague & Co.*

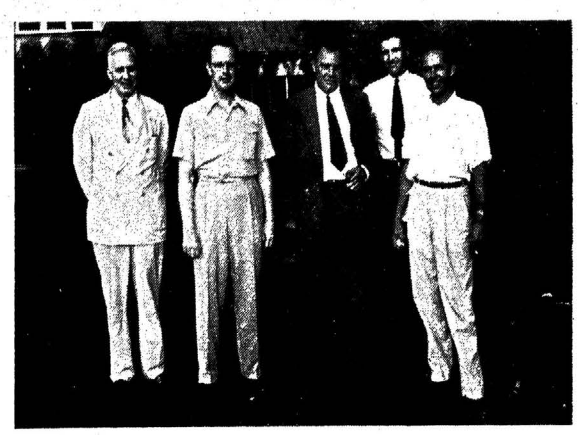


Reginald MacArthur, *Miller, Kenower & Co.;* John L. Kenower, *Miller, Kenower & Co.;* John K. Roney, *Wm. C. Roney & Co.;* Gilbert S. Currie, *Crouse & Co.*

Robert R. Stoetzer, *Stoetzer, Faulkner & Co.;* Howard F. Carr, *Carr & Co.;* Charles Exley, *Chas. A. Parcells & Co.;* Roy Chapin, *Carr & Co.;* C. Lee Jones, *Baker, Simonds & Co.*



Les Muschette, *First of Michigan Corp.;* Clarence A. Horn, *First of Michigan Corp.;* Paul I. Moreland, *Moreland & Co.;* Alex. McDonald, *McDonald, Moore & Co.*



Paul Baldwin, *Michigan Corporation and Securities Commission;* Philip A. Hart, *Michigan Corporation and Securities Commissioner;* Davis Kales, *Wood, Gundy & Co.*, New York City; T. K. McNair, *Wood, Gundy & Co.*, Toronto; Palmer Watling, *Watling, Lerchen & Co.*

Summer Outing at Lochmoor Club

Wm. E. Shoemaker, *Bradley Higbie & Co.;* R. E. Cecil, Chas. E. Bailey and Russell Thompson, all of *Charles E. Bailey & Co.*

J. William Siler, *Siler & Co.;* Ralf A. Crookston, *Hornblower & Weeks;* Burley Laurimore, *Michigan Investor;* H. Russell Hastings, *Crouse & Co.*

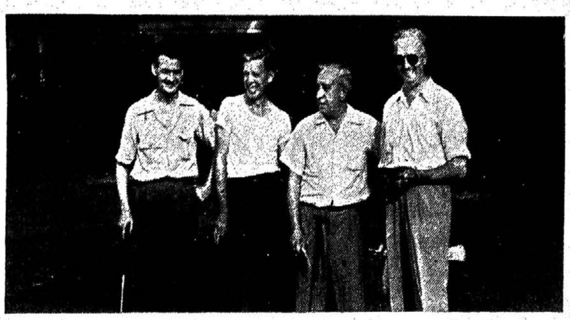
Herbert J. Schollenberger, Jr., *Campbell, McCarty & Co.;* Claude G. McDonald; Robert Wallace, *William C. Roney & Co.;* Dr. J. Locke, guest

(Front row) Douglas H. Campbell, *First of Michigan Corp;* Claude G. McDonald; Leo Killewald, guest; Henry Earle, *First of Michigan Corp.;* (background) Robert Shell, *Moreland & Co.*

Minton M. Clute, *Strauss & Blosser;* Brackett Gardner, *A. H. Vogel & Co.;* Robert H. Stoetzer, *Stoetzer, Faulkner & Co.;* Ira J. Ducey, *A. H. Vogel & Co.;* Myron D. Stein, *A. M. Kidder & Co.*

Harold Hyde, *Smith, Hague & Co.;* John E. Doherty, Jr., *Smith, Hague & Co.;* William E. E. Clark, *Geo. A. McDowell & Co.;* Frank J. Garceau, *William C. Roney & Co.;* Nick J. Allman, *Geo. A. McDowell & Co.*

John Daniels, *Chas. A. Parcells & Co.;* Ray P. Bernardi, *Cray, McFawn & Co.;* Bertrand Leppel, *Charles A. Parcells & Co.*



George S. Allardyce, *H. Hentz & Co.;* V. R. Eis, *Moreland & Co.;* J. V. Worboys, *McDonald, Moore & Co.;* C. Lee Jones, *Baker, Simonds & Co.*

William J. Axtell, *White, Noble & Co.;* Don W. Miller, *Titus, Miller & Co.;* Donald B. Fisher; Claude G. Porter, *Baker, Simonds & Co.*

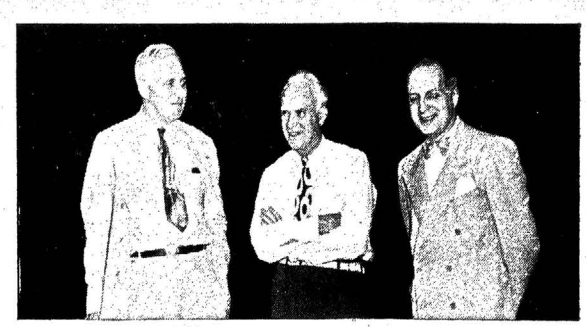
Ralf A. Crookston, *Hornblower & Weeks;* Clifford E. Verral, *Nordman & Verral, Inc.;* Fred A. Bargmann, *Braun, Bosworth & Co., Inc.;* Hale V. Sattley, *H. V. Sattley & Co.*

Herman Anderson, *National Bank of Detroit;* Roy Neil, *Andrew C. Reid & Co.;* Fred Huber, *Andrew C. Reid & Co.;* Walter Risdon, guest; Ross Sutherland, *Cray, McFawn & Co.;* Oscar Miesch, guest

William C. Roney, *Wm. C. Roney & Co.;* Howard L. Parker, *M. A. Manley & Co.;* A. H. "Bo" McMillin, Manager, *Detroit Lions Football Club;* George Dillman, *Harriman Ripley & Co.*

Alex. McDonald, *McDonald, Moore & Co.;* William H. Adams, *Braun, Bosworth & Co.;* Fred Jones, *National Bank of Detroit;* Fred Alliston, *William C. Roney & Co.*

Louis Olson, *Smith, Hague & Co.;* Harold Hyde, *Smith, Hague & Co.*



Paul Baldwin, *Michigan Corporation and Securities Commission;* Stanley Wilkinson, *S. H. Wilkinson & Co.;* William Fleischman, *A. H. Vogel & Co.*

To Determine Mid-West Exchange Merger Date

Representatives of five securities exchanges in Mid-Western area to meet in Chicago on Aug. 15-16 to draft a constitution and make arrangements for transfers of memberships from local to merged institution.

It was announced on Aug. 5 by James E. Day, President of the Chicago Stock Exchange, that the Mid-Western exchanges scheduled to participate in the proposed merger with the Chicago Exchange will meet in Chicago Aug. 15 to 16, to set a date for the merger to go into effect. Representatives from the St. Louis, Cleveland, Chicago, Cincinnati, and Minneapolis exchanges will convene for this purpose. The first three exchanges already have agreed to merge but Cincinnati and Minneapolis exchanges have not yet voted on the proposal.

James E. Day

It is expected also that the representatives of the local exchanges will draft a form of constitution for the merged institution.

According to Mr. Day, at the meeting also a period will be set for acceptance of listings on the new exchange from corporations whose shares now are listed on the participating exchanges. The period will encompass 60 days, during which the corporations may transfer their listings to the new exchange without charge, merely by signing an application. All the proceedings normally surrounding a new listing will thus be avoided.

It will also be provided that within 60 days members of the participating exchanges can purchase memberships in the new exchange for $2,500. After the period ends, memberships may be obtained only on the open market.

Chicago will be the headquarters of the merged exchange because of its central geographical location and large trading floor. Branch offices will be maintained in the cities where the participating exchanges currently are operating. All offices will be connected with the main trading floor in a two way teletype network to handle buy and sell orders.

James E. Day, who has fostered the idea of a mid-west exchange consolidation, stated that "We do not expect the new exchange to create any miracles with a huge increase in volume or perfect markets for all stocks. We do believe that we have a vehicle which, over a period of time, can be built into a healthy, growing financial market that will provide more liquidity for investors, better markets for corporate securities and substantially more income for the majority of members in all our cities."

Reports June Electrical Output at Peak

Federal Power Commission estimates a 4% increase over same month last year and 1.2% increase over previous month.

Production of electric energy by electric utilities in the United States totaled 23,617,424,000 kilowatt-hours in June, 1949, according to a release of the Federal Power Commission. This is the highest June production total of record and an increase of 4.0% over June of last year. The June electric utility production total was 1.2% above the 23,348,224,000 kilowatt-hours produced during the preceding month.

Water power plants of electric utilities produced 7,224,306,000 kilowatt-hours in June. This was 4.2% above the 6,936,115,000 kilowatt-hours from this source during June 1948. As a proportion of the June total, water power output increased slightly from 30.5% last year to 30.6% this year.

Electric utility production for the first six months of 1949 totaled 143,467,865,000 kilowatt-hours. This was an increase of 4.5% over the like period of 1948. For the year ending June 30, 1949 production reached 288,899,564,000 kilowatt-hours, greated by 7.4% than in the comparable period ending a year earlier. Production for the year ending June 30, 1949 is the highest total attained during any 12 months period to date, exceeding by 0.3% the previous maximum set during the period ending a month earlier.

Reports received during July 19494 indicate that the installed capacity of generating plants in utility service totaled 58,681,937 kilowatts as of June 30, 1949. This is a net increase of 480,054 kilowatts during the month. Occasionally capacity changes are not reported promptly so that the figure for any one month may reflect additions or retirements for prior periods. The June capacity compares with 53,962,522 kilowatts reported in service on June 30 a year earlier. The net increase in installed capacity during the first half of 1949 was 2,122,099 kilowatts.

Total Electric Utility and Industrial Production

Electric power plants of industrial concerns, including for purposes of this report the stationary plants of electric railroads and railways, produced* 4,407,090,000 kilowatt-hours in June. This is a decrease of 1.5% from June 1948 and the first monthly decrease on a year to year comparison since July 1946. The total industrial generating capacity including the railroad and railway plants was 13,242,279 kilowatts on June 30, 1949. This compares with 12,969,-211 kilowatts on the corresponding date a year before.

The combined utility and industrial production of electric energy was 28,024,514,000 kilowatt-hours in June 1949, an increase of 3.1% as compared with June 1948. Production for the year ending June 30, 1949 was 343,824,592,000 kilowatt-hours or 6.9% above the year ending June 30, 1948. Utility and industrial generating capacity totaled 71,924,216 kilowatts on June 30, 1949.

*Bsaed on reports from about 800 generating plants, which account for some 85% of the total industrial production of electric energy in the United States, extended to represent 100% generation coverage.

Cutter & Plummer Is Formed in New York

George H. Cutter, Jr. and James A. Plummer have formed Cutter & Plummer with offices at 30 Broad Street, New York City, to conduct a general investment business. Mr. Cutter was formerly proprietor of G. H. Cutter Co. and Mr. Plummer was formerly with F. J. Young & Co, Inc.

Now Arthurs, Lestrange

PITTSBURGH, PA.—Arthurs, Lestrange & Klima, Union Trust Building, announce the change of their firm name to Arthurs, Lestrange & Co.

India Applies for Loan From World Bank

Government of India asks advances for railroad rehabilitation and development projects.

The International Bank for Reconstruction and Development announced on Aug. 5 that the Bank has received a formal application from the Government of India for assistance from the Bank in financing the foreign exchange costs of a program of economic development of India, including the rehabilitation of the Indian railways, the reclamation and irrigation of agricultural land, and the development of electric power.

The Bank has already completed its investigation of the railway project involving the financing of the purchase of locomotives, spare parts, and tank cars for the Indian railway system which is in urgent need of this equipment to facilitate the distribution of goods within the country and the movement of export products.

The Bank is also engaged in the investigation of an electric power project which involves the construction of a 150,000 kilowatt thermal plant at Bokaro, in the province of Bihar. A. D. Spottswood, of the engineering staff of the Bank, arrived in India on July 29 to complete the Bank's engineering study of this project. The Bank is also investigating an agricultural project for the reclamation of weed infested land, and D. R. Sethi, Special Agriculture Commissioner for the Indian Government, arrived in Washington on July 29 to discuss this project with the Bank. Other projects in the Indian development program are also under examination.

Mr. Keith Roy, Deputy Secretary of the Indian Ministry of Finance, who has been designated to negotiate on behalf of the Government of India, returned to Washington on Aug. 3. It is expected that final details of the first loan agreement will be completed in the near future.

Introduces Bill to Widen SEC Powers

Sen. J. Allen Frear, Jr.'s measure would make Securities and Exchange Act of 1934 applicable to unregistered corporations having assets above $3 million and with more than 300 stockholders.

Sen. J. Allen Frear, Jr. (Dem.-Del.) has prepared a bill to extend the provisions of the Securities and Exchange Act of 1934, which relate to corporations registered on security exchanges, to unregistered corporations having assets above $3 million and having 300 or more stockholders. This measure is in line with the recommendations of the Securities and Exchange Commission, which since 1946 has sought to extend its regulatory and supervisory powers over all large business corporations.

Senator Frear, who is a member of the Senate Banking and Currency Committee and Chairman of its subcommittee on the SEC, said his bill should have bi-partisan support as "the welfare of investors transcends party lines." It is not expected that hearings on the bill will be held this year, but Sen. Frear expressed the hope that full hearings may be had early next year. "We are anxious to hear from all those who have any interest in this measure, and to have the benefit of constructive criticism," the Senator announced.

Murray R. Spies Opens

GARDEN CITY, N. Y.—Murray R. Spies will shortly engage in the investment business from offices at 239 Steward Avenue.

Railroad Securities

Increased Optimism Toward Rail Securities

Late last week, and carrying through to the opening session of the current week, the railroad equity market developed a considerably better tone. Volume increased and prices all along the line pushed forward. Apparently the immediate cause for the initial bulge was the rumors going around that the Interstate Commerce Commission had reached a decision in the pending rate case and that a permanent increase in freight rates would be announced shortly. Certainly sufficient time has elapsed since the hearings ended to justify the expectation that a decision should be coming along soon. Also, it is generally considered likely that the Commission will grant at least a further modest rise in rates.

Aside from the rate question, there are other factors working toward the building up of greater optimism toward railroad shares. There are signs now that the decline in traffic may not be so great, nor so prolonged, as had been feared a month or so ago. Some lines of business have already begun to stabilize and even show some recovery in isolated instances. The inventory situation has strengthened considerably. Crop prospects are good. Finally, there has been recognition by the government of the recession, with the accompanying implication that steps will be taken to soften its impact.

Internally the railroad picture itself has not deteriorated to the extent that had been talked of in so many quarters. It is true that for most roads net earnings have fallen off sharply from the levels of a year ago. Nevertheless, and despite the decline in traffic, a large proportion of the Class I carriers has met with surprising success in getting control over transportation costs. To a considerable degree the earnings declines have reflected the failure to cut maintenance costs. It is now generally accepted that this is due largely to the determination of the railroads to get as much work as possible out of the way before the 40-hour week for non-operating employees is instituted on Sept. 1. To the extent that this is so, it appears that earnings reports for the last four months of the year will be surprisingly good.

For a long time now railroad stocks have been selling ridiculously low in relation to earnings and in relation to dividends. The stocks of many thoroughly sound railroad properties have been selling to afford an income return of 10%, or better. This reflected uncertainty as to how far the recession might go and how seriously earnings might be affected, and fears that some important dividend cuts, or even omissions, might be in the offing.

So far the dividend record has been good and the feeling among railroad analysts is that the balance of the current year at least will witness no important change in this respect. This coupled with a clarifying general business picture could well result in a cumulative betterment in speculative and investment sentiment toward railroad securities. Therefore, it appears not unreasonable to expect that the recent wave of buying may continue and that the rise in prices may follow through quite dramatically and over a fairly extended period. As a matter of fact, there are many analysts and technical students who are of the opinion that railroad stocks might well outperform the rest of the market over the intermediate term, just as their performance for some time past has been considerably poorer than the rest of the market.

There has been little in the way of important news affecting individual railroad securities in the recent past. There was one important development, however. That was approval of the Nickel Plate-Wheeling & Lake Erie lease by the Interstate Commerce Commission. Barring an appeal to the full Commission it now appears likely that this lease will be consummated by Oct. 1, 1949. The lease will materially improve the earnings status of the Nickel Plate stocks which, incidentally, have been among the best acting rail equities over the past month or so. Further strength should follow actual consummation of the lease.

New Commodity Dep't For Merrill Lynch

A specialized commodity department has been organized in the 70 Pine Street, New York City, office of Merrill Lynch, Pierce, Fenner & Beane, it was announced by William V. Walsh, manager of the office. The new commodity department will be under the direction of Alex B. Tatistcheff, formerly chief statistician for the Commodity Exchange, Inc., and later principal economist with the Combined Raw Materials Board.

Mr. Tatistcheff, together with five commodity specialists, has been transferred from the National Commodity Division of Merrill Lynch to staff the commodity department in the downtown sales office. Mr. Walsh explained that the organization of the commodity department in his office is part of a program launched by Merrill Lynch about a year and a half ago to establish specialized commodity departments in all of the offices throughout the Merrill Lynch system.

"Our commodity specialists will be available to work with members of the trade in the development of hedging programs, as well as consulting with account executives and customers on speculative commodity problems," Mr. Walsh said. "Specialists in cash commodities will also further develop our growing business in this field."

In addition to Mr. Tatistcheff, who headed Merrill Lynch's national hide and rubber department, the members of the new 70 Pine Street commodity department are: Thomas J. Cassady, specialist in grains, cash commodities and foreign business; Rae Allison, specialist in cotton, sugar, and cocoa; William V. McLoughlin, meat and cash commodities specialist; Gray Truitt, butter, eggs, potatoes and onions; and Walter M. Jensen, fats, lard and cash commodities.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the membership of the late Dudley M. Cooper to Harry M. Jacobson will be considered by the Exchange on Aug. 18.

Transfer of the Exchange membership of the late Frederick S. Whitlock to Harry J. Breen will be considered by the Exchange on Aug. 18.

Interest of the late Neville R. Hasluck in Farr & Co. ceased Aug. 5.

A Defense of Production Payments On Nonstorable Farm Products

(Continued from page 6)

consumption and production of farm products and, thereby, offers more protection against surpluses. This program would increase inducements for desirable adjustments without ordering them.

"Holding over farmers' heads the threat of a price cut is the worst kind of regimentation. And it offers them nothing in return for being starved into submission."

Point 7—"Why it is . . . that we are divided over an operating method . . . ? I think it is mainly because many people have not yet realized there is a practical alternative calling for much less real interference with farmers' operations and which will permit all of our people to share in this conutry's great productive capacity.

". . . there is an obvious advantage in this for the consuming public and for handlers, dealers and others whose business depends largely on the volume of farm production and marketing."

Point 8—"This legislation is based on the belief that farm returns have already declined about as far, in relation to industrial and labor returns, as can be permitted without serious consequences for farmers and for the general public." (Note that I said "in relation to industrial and labor returns." If industrial prices and labor rates decline, the farm price support would also decline.)

Now let me pause and remind you of something. When I started listing these points, I told you I was trying an experiment. What I have just done was to read excerpts from the testimony I have given before the Congressional Committees on Agriculture since April 7. I hope it sounded familiar to at least some of you. I am sure it did not sound like what some people have been telling you I said.

Some people have been extremely busy "interpreting" what I said in their own way, but they haven't suggested that you study my recommendations for yourself. They much prefer that you let them do your thinking for you.

So far as I know they have been conveniently silent on a statement that come from the Agricultural Committee of the Hoover Commission — the Commission on Reorganization of the Executive Branch of the Government. Here is what that group said:

"Free market for perishables. —The methods for supporting the price of perishable commodities, such as potatoes, put a double burden on the consumers. He is not only required to pay a high price for the product which he consumes, but he also pays, through taxes, the cost of carrying on the price support program. Under a plan which would permit a free market, greater quantities would be consumed as food, during periods of high production, thus reducing the quantities to be destroyed or diverted to other uses. While the cost of price support might be greater under this plan, the net cost to the national economy would be less. The committee, therefore, recommends that consideration be given to a plan which would permit a free market, for perishable products, with the difference in price made up to the producer in a supplemental payment."

That ends the quotation from the Agricultural Committee serving the Hoover Commission.

Fortunately, this committee has escaped the criticism which has been leveled at my recommendation—charges of working toward regimentation of farmers, destruction of dairy cooperatives, destruction of milk marketing agreements and orders, fooling the taxpayer, promoting inefficiency and high cost, engaging in partisan political activity, and so on.

I do not mention the recommendation of that committee in an effort to back up my own views but merely to remind you that in the heat of controversy there is danger of overlooking facts an inconvenient opinions.

The reason I am talking to you about this whole matter is that I hope you will think your way through the controversy and do what you believe to be necessary for the future of dairyland agriculture and of the public.

What is the right thing to do? What is right from the standpoint of your customers and fellow citizens—the people who need in its various forms the milk you produce? What is right from the standpoint of your own future?

Criticizes Congressional Delay

The House of Representatives has passed a bill which would postpone settlement of current issues by continuing the present price support program.

Let's take a look at what this means.

First, it means continuing the present parity formula, which is far out of date and under which the purity prices of milk and milk products are so unrealistic that they have little meaning. According to this formula, milk at wholesale is still above parity, and butterfat is almost at parity.

Milk and milk product prices have come down sharply during the last year, while prices of things you have to buy have stayed high or even gone up. For example, the House Committee on Agriculture recently pointed out that between March of 1948 and March of 1949, milk cans went up in price by 9%, gasoline went up 2%, and tractors went up 17%.

United States farmers are getting about one-fourth less for their milk at wholesale than they were a year ago, and butterfat is down 28% on the average. Here in Wisconsin, milk is averaging about a third lower and butterfat a fourth lower than a year ago.

The purchasing power of farm dairy products at present prices is already quite a bit below the average of the last 10 years, which included years of low prices and controlled prices as well as a short period of high prices. Yet, the parity formula would indicate, as some big business interests say, that you are getting more than you are entitled to.

There's something wrong with this picture, and one thing that's wrong is the parity formula.

Under the present formula, 90% of parity is $3.53 per hundredweight. Under the revised formula in the Agricultural Act of 1948, 90% would be $3.68, and there is no guarantee that support would be that high—that's the top limit.

But to keep the buying power of milk from going below the average of the last 10 years, the national average support price would have to be $4.22. I maintain that the public interest requires us to keep the purchasing power of the dairy farmer's milk from going below that average. From the farmer's standpoint, such a level for milk is necessary to achieve and maintain balance with grain prices.

Perhaps I am wrong about it. But I am still waiting to hear a logical argument on the other side. At any rate, the parity revisions recommended this Spring by Wisconsin's Charley Holman, of the National Cooperative Milk Producers Federation, indicate that the support level I recommended is no more than fair from your standpoint. However, the old formula is still in effect, and that's only one problem.

If there is anything that we in agriculture should have learned from the recent war, it was the fact that the American people have a tremendous capacity for milk and dairy products.

And if there is anything we should have learned from our prewar experience, it is the fact that we need a means of getting more dairy products to the consumer. We never did have a surplus in relation to people's genuine demand. We had a surplus because people had to deny themselves food needed for health.

We will not serve the needs of either the consumer or the dairy farmer by taking great quantities of dairy products off the market, keeping them away from consumers. As I said before, I would retain the purchase and storage method as one price support mechanism. There are times and places for its use. We can even put first reliance on it. But we must not put our **main** reliance upon it.

It seems very strange to me that those who want to keep the government out of business insist in the same breath that the government must be the biggest of all middlemen in the dairy product business. One witness before a Congressional Committee recently said, in this connection, "I think I understand what these people are talking about. They want a **market** support price because in that process everybody along the line gets a slice of the government's check." He was talking in favor of delivering the price support directly to the farmer, as we would do if we had production payments.

Under the payment method, the farmer is sure of getting the benefit of price support that the law intends for him to have. There is no question as to whether a market price will be reflected back to the farmer.

Denies Regimentation

It also seems strange to me when I hear that we must use the government purchase method in order to prevent production control and (that old overworked epithet) "regimentation." To my simple way of thinking, the best assurance against the need for production control is greater consumption. How does the government purchase method increase consumption? Are we supposed to throw away what the government buys so that there will be room to store more of what we produce? Are we supposed to give it away? If so, where is the food stamp plan to make it possible? Nobody seems to be pushing very hard for that. I can tell you one thing. If we are to support perishables, including your milk, and do it effectively, we must have either a food stamp plan or a production payment program. I consider the payment method to be more efficient, more economical, and more useful to our economy. The same amount of money required for food stamps, if used for production payments, would go farther toward increasing consumption and maintaining farm income.

It is claimed that purchase and storage programs don't cost much money. But I can assure you that if this has been true in point it was due to two reasons: First, they didn't provide much price support, and second, there have been government agencies in the business of giving away farm surpluses. For example, the Federal Surplus Commodities Corporation bought nearly all of the butter sold by the Dairy Products Marketing Association, the DPMA. The fact that this Federal Corporation paid $33½ million for the butter was a rather incidental fact brought about by administrative determination. It came out of the taxpayer's pocket, and as far as the taxpayer is concerned it isn't particularly important whether the cost was charged to price support or relief.

Another strange claim for the government purchase method is that it helps dairy co-ops in their effort to bargain for good prices and markets. How does it increase the bargaining and other competition for the government to set a price at the top of the market. The government purchase price is the market price. There's nowhere else to go.

Where is the incentive for efficiency and better bargaining that is claimed for the purchase method over the payment method?

This year the Department of Agriculture announced that, instead of buying butter and dried milk only at major centers, it would buy on an f.o.b. shipping point basis. One reason for this decision was to enable local coops and other small businesses to assemble carload lots and sell direct to the government. Relatively few have done so. The co-op in its function as handler needs a large volume of business in regular commercial channels. It needs to keep its trucks busy carrying full loads to keep down costs per unit. Too often, when a purchase program is in effect, sales to the government substitute for the co-op's regular commercial business. This is not an adequate substitute.

There is danger that over-use of the purchase method could lead to **less** competition, **less** opportunity or incentive for the small co-op and other small business, **more** government in the dairy business, and a bigger share of less business in the hands of big business.

With a production payment for farmers to go along with the purchase method and the marketing agreements and orders, we can stir up a very satisfying interest in competition and your products will warm the hearts of your customers instead of the floors of the cold storage warehouses.

Your co-ops will be able to do the job you want them to do instead of becoming a way-station between you and the government buyer.

As I said before, I think the cooperative is an important institution. Other people must think so too. Otherwise, they wouldn't go to the trouble of circulating such vicious propaganda, including these phony bucks which illegally buck the co-op.

It costs a lot of money to print phony money. Somebody thought it was worth the money to them. It was not spent for the amusement of the public. It was spent to convince the public that cooperatives are against the public interest and to throw fear or discouragement into present and prospective co-op members.

I am sure they have little hope of success here in Wisconsin. This picnic is a demonstration of your strength and enthusiasm without even being intended that way. You have shown in many ways that you value your cooperatives and intend to keep them. But I hope you will not take them for granted or become complacent about them.

For the most part, I assume, you consider them a part of your everyday lives, a business tool, and do not necessarily think very often of their broader significance. However, I hope you will not forget that many other farm people who need the help of the cooperative way have not yet developed cooperation to the extent that you have. Your example and your continued success are important to many farm people who are unknown to you and who may live far away.

Your co-ops are important also to the general public because they involve the marketing of dairy products. In spite of the development of dairy cooperatives the dairy industry is one of the most highly concentrated and tightly held of all industries. Before the war the three largest firms in this field controlled a fifth of all the butter business; the three largest firms dealing in condensed and evaporated milk had two-fifths of the business; the three largest firms in the cheese business controlled more than three-fifths of the business—in fact one firm had a third of the cheese business. We do not have recent figures, but we have no reason to believe that economic control has become any less concentrated in recent years.

The farmer and the consumer both need the competitive force that can be supplied by alert and vigorous cooperatives — competitive force that helps to set fair standards of price and quality— competitive force that leads to economic progress and better standards of living.

As we look to the future of dairyland agriculture, let us continue to inprove our cooperatives and make them serve our needs. They need the active interest of each member—interest based on the farmer's determination to improve the marketing of his own product. Let us also continue to fight for a price support system which recognizes the dairy farmer's product as a basic agricultural commodity.

These efforts in themselves will not automatically bring better roads, hospitals, telephone and electric services; nor will they substitute for scientific research and its practical application, solve the problems of soil conservation, or guarantee adequate farm credit. These efforts will not in themselves assure opportunity for our young people. All this we understand. But this, too, we know: More of these other problems can be separated from the income problem. A fair and stable farm income is a basic need, the firm foundation we must have for continued progress in our way of life.

To build that firm foundation, we need the reinforcement of strong and vigorous cooperatives and a fair price support system.

With them, we can build toward a prosperous dairyland and all that that means toward a strong and prosperous America.

N. Y. Saving & Loan League Reports Savings Drop

Zebulon Woodard, its Executive Vice-President, also reports decline in mortgage loans from $133 million to $114 million compared with year ago.

Zebulon Woodard, Executive Vice-President of the New York State Savings and Loan League, reported on Aug. 8 that savings and loan associations in New York State increased savings during the first half of 1949 by almost $75 million to a total of $1,076 million, compared with a gain of more than $78 million in the corresponding period of 1948.

During first half of 1949 the savings and loan associations made 20,760 mortgage loans aggregating $114 million, compared with 23,177 loans totaling $133 million in the first half of 1948.

A reversal of the recent downward trend in liquidity ratio of savings and loan associations was announced in Mr. Woodard's report. After declining from a peak of 36.8% in January, 1946, to 17.4% in May, 1949, the ratio increased at the end of June to 20.0% of total resources.

The Phony Depression

(Continued from first page)

collapse of real estate values, panics, etc. Nothing comparable has happened so far in the current "slump," and there is no evidence of any such overhanging threat.

Bankruptcies have more than doubled in number against the same period of last year—from an all-time low, near-zero level. Bank failures are conspicuous by their absence, and no one expects a run on them. Real estate values have declined by about 10-15%, nothing to speak about by historical depression standards. And the stock market? It was in the "dog-house" for 2½ years while the world's greatest peacetime boom was evolving. Presently, it has not fallen appreciably below the boom-time low, and already has recovered somewhat from that level.

The contraction of commercial and industrial bank loans has been almost as rapid at it ever happens. But the total of bank deposits has been scarcely affected.

The banks lend less to business, but buy more bonds. And — a unique feature for a "depression" —their security loans are now some 60% above where they stood a year ago!

Cash in circulation is declining, while it used to expand typically in the early stages of a depression.

"This extraordinary financial behavior is almost matched by the "irregular" movement of commodity prices. Wholesale prices have receded some 8%, retail prices even much less, which is a small fraction only of what they used to do on such occasions and within that many months. Accordingly, the liquidation of inventory values (by about 12%) is lagging percentage-wise well behind the traditional depression pattern. The decent of prices and the shrinkage of inventories mean even less than what the percentage figures indicate, coming as they do, in both instances, from all-time highs.

But—and this is most "unorthodox" — paid-out personal income in the first five months of this year has climbed to an all-time record annual rate of $213 billion, $6.5 billion above the rate during the same period of last year.

Department store sales present another spectacular feature of this situation. They have come down about half as much as prices did. In other words, contrary to comparable past performance, the physical volume of consumer spending tends to rise, and does so from the highest rate ever attained.

The index of industrial production has turned down sharply, by some 12%, which is measurably within the limits characteristic of early depression periods. But the remarkable thing is, contrary to the books, that the great decline is in the output of consumers' goods. Expenditures on new plant and equipment are barely affected at all. They are estimated to fall in the July-September quarter by an insignificant $200 million below the volume of the same quarter of last year.

Total construction in the first half of 1949 is ahead of the same period of 1948: the first quarter's excess more than compensates for the second quarter's deficit. The decline in private home construction is being offset by the rising tide in new Federal and municipal works—which have scarcely gotten under way as yet, to say nothing of the large-scale Federal housing program that has just been enacted.

That wages would behave in a "sticky" fashion was to be expected. That has happened before, but never before did they rise during a depression or recession year. This is exactly what they do presently, if only in a much more restrained fashion than during the boom itself. Nor has the ability of labor to use the strike weapon suffered a great deal. The fourth round may not equal any of the previous three, but there will be a fourth round or rather, there is one under way.

Unemployment has doubled, but what does that mean? For one thing, employment is rising, too; and total unemployment has not reached more than about 7% of the employable population—a percentage which was considered even by the Beveridge report on Full Employment as normal.

In other words, after nine months of reversed cycle, unemployment amounts to about what it used to be in the past on the top of the cycle. Nor has the shortening of working hours reached anything approximating depression-like proportions. And much of the shortening, such as the reduction of the miners' work week to three days under orders of John L. Lewis, has been brought about by trade union strategy rather than by entrepreneurial considerations.

The combination of sticky wages with even moderately falling prices and with sharply cut production, brings net corporate profits (after taxes) down to or near the break-even point. Profits have declined very substantially, but by no means sensationally, this after an average 27% or so rise in 1948 from a "pretty good" level in 1947. But it would have been sensational in any previous situation of this kind if dividends had been maintained anywhere like they are now.

What happens, of course, is that dividends are paid partly out of accumulated earnings of the boom period. Which goes to show, incidentally, that there is more than one good reason for accumulating substantial corporate reserves while the going is good.

II

This recession is a "phony," if there ever was one. By all standards of experience and theory, either the nature of the beast called Business Cycle has changed completely, or else we have no recession.

Indeed, what we have is a retreat from an inflationary top, and a very orderly one at that. So far, at any rate, nothing more occurred than a lull in an inflationary boom, comparable if at all, to 1926 rather than to 1929. A Welfare Economy, under paternalistic rules like ours, and with the vast resources of this nation at the rulers' disposal, is not permitted to produce an honest-to-goodness recession.

What happened should be evident by this time.

Take the fiscal and monetary controls of the three preceding years, perhaps most significant among them was the over-balancing of the budget. Deflation to the tune of less than $8 billion—3% or so of the total, actual and potential, monetary volume — need not have *per se* an appreciable effect. But the implications were serious. Until only a few weeks ago, it seemed obvious that Uncle Sam was to keep his house in order; that he even could, and most likely will, squeeze a recurrent surplus out of the taxpayer's pocket. Deflation is a depressant, even in small doses, if it is expected to continue.

Actually, the fact of budget balancing alone—the knowledge that no more fresh money would be printed—may stop and reverse an inflationary course of foreign exchange - price - and - inventory speculation. That is what happened lately in France. As a matter of fact, similar effect has been produced in Italy by the mere expectation that the budget will be straightened out.

III

The end of inflation had its natural effect on credit policies. In addition, banking authorities put on the "screws": raised bank reserve requirements, tightened the rules for security and consumer loans, put pressure on the banks to keep their commercial portfolios "moving," etc. Especially the last one among these methods of banking control, and the most subtle one, could not fail to have deflationary effects.

A few months of down-turn sufficed to reverse the "disinflationary" trend—as it was to be expected. Presently, we have a deficit again, and at the rate Congress is moving in subservience to the Administration's spending policies, it will reach at least $2 or $3 billion before the end of the fiscal year 1949-50. Credit policies have been sharply reversed, too; bank reserve requirements have been lowered, lately, security and consumer loan controls loosened. Consumer credits are by this time virtually free of any inhibiting regulations.

What of the much-advertised filling of the pipelines, consumer resistance, etc.? Nothing of the orthodox type of demand-collapse has occurred. But the fear of shortages vanished, and with it the consumer anxiety that breeds fantastic prices. The most urgent needs for durable and semi- durable goods having been satisfied, the buying public could catch its breath, so to speak, and forgetting its "scarcity complex", return to its normal, bargaining attitude—largely at the expense of intermediary profits and of "grey market" overvaluations.

The backlog of demand is as great as ever, and an effective demand at that, backed by liquid holdings of an unprecedented volume and by an unprecedented level of consumer income. Both have risen during the recent "recession," foreshadowing the probability of an early outburst of consumer spending on an enhanced scale. While farm prices are supported effectively, and will be supported further, the correction of industrial prices thanks to enhanced labor productivity and improved methods of business economy—both a favorable result of the "recession"—is likely to stimulate sales, too.

Already, significant raw material prices have turned upward again: copper, lead, zinc, soya beans, coffee, hides, rye and oats, rubber, even wheat, (thanks to the expansion of storage facilities). The forecasts of the prognosticating fraternity—whatever they are worth—are virtually unanimous in predicting that an upturn is in the offing.

IV

For three years, the President has warned the nation against the danger of a depression. Those were three years of the biggest boom ever experienced. By the turn of this year, he has discovered that an inflation was on, just about when the inflationary process stopped or reversed itself. By early July, he is back again proposing to combat the depression.

All signs seem to indicate that he is wrong again. If so, a new and simple technique of forecasting with business cycle has been discovered. All one has to do is to watch Mr. Truman's prediction, and to bet the opposite way.

John C. Watson Dead

John C. Watson died at Metis Beach, Que., Canada, after a brief illness. He was 74 years of age. Before his retirement Mr. Watson had been associated with Chas. Head & Co. of Boston and later was Montreal manager for Post & Flagg.

U. S. Chamber Opposes Housing Amendments

Francis G. Addison, Jr., appears before Senate Banking and Currency Committee to object to further extension of Federal Government into home financing field.

Appearing before the House Banking Currency Committee, on behalf of the Chamber of Commerce of the United States, on Aug. 4, Francis G. Addison, Jr., President of the Security Savings and Commercial Bank, Washington, D. C., expressed strong opposition to extending certain sections of the National Housing Act, which are due to expire shortly, on the ground that such extension would not only continue but would increase the influence of the Federal Government in the home financing field.

F. G. Addison, Jr.

"Since the enactment of the original National Housing Act," Mr. Addison stated, "wages and prices have moved to a new and substantially higher level in terms of dollars. This fact, coupled with the favorable experience record, indicates that some additional readjustment in the requirements for FHA mortgage insurance is in order. The difficult question to be decided by this Committee is how far such liberalization can be carried without crossing the intangible borderline that divides a legitimate mutual insurance operation from a concealed subsidy. This task is made even more complex by the fact that there are now 47 distinct types of FHA-insured loans eligible under Titles I, II, and VI of the National Housing Act, a number which would be increased to 60 by the passage of H. R. 5631 in its present form.

"We know this Committee will agree that any so-called insurance operation in which the assumed risks outweigh the premium income must necessarily be subsidized if it is to survive. This principle applies to home mortgage insurance just as it does to any other type of insurance. If, in revising FHA terms, an error should be made on the side of over-liberalization, sooner or later a resulting deficit must be made up. Since the Federal Government is the ultimate underwriter of FHA, this means a Federal subsidy. And this subsidy could be of major proportions."

"The National Chamber is definitely opposed to any operation which involves the lending of Federal funds for private home construction," Mr. Addison continued. The report of the Hoover Commissioin dealing with Federal business enterprises has this to say about direct lending by the Federal Government to its citizens:

"Direct lending by the Government to persons or enterprises opens up dangerous possibilities of waste and favoritism to individuals or enterprises. It invites political and private pressure, or even corruption. Emergencies may arise in depression, war, national defense, or disaster which must be met in this way. But direct lending should be absolutely avoided except for emergencies."

The National Chamber fully subscribes to this statement. For the information of the Committee, the Hoover Commission found that 30 Government agencies are lending, guaranteeing, or insuring loans of various kinds, including home loans but not including those which would be provided by H. R. 5631. The 30 agencies have investments totaling $12,500,000,000 and further commitments from the Government of $9,000,000,000. Loans on deposits guaranteed by these agencies amount to $85,000,000,000, and outstanding insurance for veterans and others amounts to $40,000,000,000."

Member Bank Reserves Again Reduced

Federal Reserve Board announces further graduated lowering by 2% of reserves required on demand deposits and 1% on time deposits. Releases $1.8 billion on bank cash.

The Board of Governors of the Federal Reserve System announced on Aug. 5, it has reduced by 2% of net demand deposits and 1% of time deposits the amount of reserves required to be maintained by member banks of the Federal Reserve System. The reduction, which will amount to approximately $1.8 billion, will become effective as follows:

On net demand deposits		
Central res. city banks	*Reserve city banks*	*Effective*
From 24 to 23½%	From 20 to 19½%	August 11, 1949
From 23½ to 23%	From 19½ to 19%	August 18, 1949
From 23 to 22½%	From 19 to 18½%	August 25, 1949
From 22½ to 22%	From 18½ to 18%	Sept. 1, 1949
	Non-res. city banks	
	From 14 to 13%	August 1, 1949
	From 13 to 12%	August 16, 1949
On time deposits		
Central reserve and reserve city banks	From 6 to 5%	August 11, 1949
Non-res. city banks	From 6 to 5%	August 16, 1949

The effect of these decreases the Board estimates will be to lower the reserve requirements of banks in central reserve cities by approximately $500 million, of banks in reserve cities by approximately $675 million, and of banks in non-reserve cities by approximately $625 million.

In announcing the action of the Board Mr. McCabe, Chairman of the Board of Governors of the Federal Reserve System, stated that it was taken after full discussion by the Board and the Federal Open Market Committee of the coordination of policies with respect to reserve requirements, open market operations, and other system credit instruments, with primary regard to the general credit and business situation and the maintenance of orderly conditions in the Government security market.

As We See It

(Continued from first page)

certainly owes a good deal of its growth and vigor to the agreements reached in these conferences—agreements wholly at the discretion of the President of the United States.

Typical 19th Century Tactics

These understandings, moreover, were not only typical of 19th century imperialism, but were entered either in total disregard of the ultimate consequences or else under the spell of a strange brand of naivete and self-deception. Judgment upon the acts of President Roosevelt upon these occasions must, of course, be made with full understanding and realization of the world situation as it then existed, and with a consciousness that without doubt the prospect of heavy loss of American life in the conquest of Japan was one of the major considerations in the mind of the Chief Executive upon that occasion. If in the event, it proved that Russia's entry into the war with Japan was of relatively minor importance, that fact could not be confidently foreseen at the time of Teheran and Yalta—not nearly so clearly as the fact (which should have been understood) that Russia had very vital interests in the Far East and was not very likely to overlook the fact.

But the point here is not whether or not, all things considered, some such arrangements with Russia were or were not justified at that time. It is rather that the fact that certain of the inevitable consequences of entering into such agreements were not foreseen, or else were blithely ignored, that is most remarkable. Historically Russia has long been one of China's despoilers. If not much of this had been in evidence in quite recent years, it was obviously a result of the existence and aggressiveness of Japan as a first-rate power. Any notion that Russia would pass by an opportunity to regain what Japan had in earlier years wrested from her in the Far East, and to add to her acquisitions and power in that quarter of the globe, was naive indeed. It should, of course, have been clear that our policy as laid down in Teheran and Yalta would end merely in a change in the alien power which was exploiting China—i.e. Japan for Russia. This in essence is what has happened.

Will It Succeed?

Whether as viewed by Western eyes the Soviets prove to be more effective conquerors and more dangerous masters of the Chinese people than did the Japanese remains to be seen. Territorially, they are certainly making more headway. Whether the vast masses of the Chinese, living in almost incredible primitiveness, will in any large degree and within a reasonably near future come under direct control of the aliens who now are technically in power remains to be seen, as does the further question as to the degree in which their life is altered for the better or for the worse. It would certainly be remarkable if the Kremlin was able to organize the Chinese into any formidable world power proportionate to their numbers, or vitalize their economic life in such a way that they became large factors in the affairs of the world. In the past they have merely been exploited largely by aliens who, individually, often grew rich, but left the state of things in China fundamentally unaltered for centuries at the time.

Of course, for the purpose of "collectivizing" Chinese agriculture on the Russian model—assuming it feasible on technical grounds—would certainly require a revolutionary change in the habits of the average Chinese. It would depend upon the aptitudes of millions of the inhabitants of that dark land, aptitudes now wholly a matter of guess work. It would, moreover, require vast amounts of capital which the Chinese could not themselves provide, which the Russians are in no position to supply, and which no Western businessman is likely to provide except against cash on the barrel head—which obviously could not be forthcoming. The precise ultimate meaning of the developments in China is, accordingly, not easy to determine at this moment.

A Russian Advance

But be that as it may, there can be no gainsaying the fact that in China as such, the United States has been badly bested by the Kremlin, not only bested, but made to look like an amateur in the game of world politics—which, of course, we really are. It is common, of course, to refer to these developments as the conquest of China by the "Communists." Whether the Chinese people prefer this or that form of government or this or that form of economic organization and operation seems to us to be their own affair. In any event, we confess to a good deal of doubt about the strength of the political belief of the great rank and file of the people of China—and, if we must be perfectly frank about it, the communistic evangelism of the movement in that country does not appear at this distance to be a particularly important element in the current situation. In any event, we are certain that it would be desirable in the interest of realism and of an adequate understanding of the situation, were we to regard this whole affair as essentially a Russian advance into the territory and the affairs of China.

We have here, of course, another and striking example of the readiness and the persistence of the Kremlin in making use of discontent and hardship to penetrate foreign land under the banner of a political dogma which presumes to offer relief. But it is really a rather dangerous form of the same old imperialism—and it is to be hoped that all of us will presently come to a full realization of the fact.

The results in China, or at all events our failure in China, are part and parcel of a world situation and of the naivete of our approach to that situation.

Dangers of Spendthrift Government

(Continued from page 6)

tional income. We must reduce our problem to the possible savings of the people after a desirable standard of living. If we adopt the Federal Government's estimate of such a desirable standard, then the actual, and the seriously proposed, national and local governmental spending will absorb between 75% to 85% of all the savings of the people. In practice it does not work evenly. The few will have some savings, but the many must reduce their standard of living to pay the tax collector.

And it is out of savings that the people must provide their individual and family security. From savings they must buy their homes, their farms and their insurance. It is from their savings finding their way into investment that we sustain and stimulate progress in our productive system.

One end result of the actual and proposed spendings and taxes to meet them is that the government becomes the major source of credit and capital to the economic system. At best the small businessman is starved in the capital he can find. Venture capital to develop new ideas tends to become confined to the large corporations and they grow bigger. Governments do not develop gadgets of improved living.

Another end result is to expose all our independent colleges and other privately supported institutions to the risk of becoming dependent upon the state. Then through politics we will undermine their independence which gives stimulus to government supported institutions.

No nation grows stronger by subtraction.

Think it over.

Government Borrowing

It is proposed that we can avoid these disasters by more government borrowing. That is a device to load our extravagance and waste on to the next generation. But increasing government debts can carry immediate punishment for that is the road to inflation. There is far more courage in reducing our debts than in increasing them. And that is a duty to our children.

Increasing Taxes

And there is no room for this spending and taxes except to cut the standard of living of most of our people. It is easy to say increase corporation taxes. That is an illusion. The bulk of corporation taxes is passed on to the consumer—that is to every family. It is easy to say increase taxes on the higher personal income brackets. But if all incomes over $5,000 a year were confiscated, it would cover less than 10% of these actual and proposed spendings.

The main road is to reduce spending and waste and defer some desirable things for a while.

We Cannot Have Everything At Once

There are many absolute necessities and there are many less urgent meritorious and desirable things that every individual family in the nation would like to have but cannot afford. To spend for them or borrow money for them would endanger the family home and the family life. So it is with the national family.

So long as we must support the necessary national defense and cold war at a cost of 24 days work per year to Mr. Average W. Citizen there are many comforting things that should be deferred if we do not wish to go down this road to ruin of our national family life.

Think it over.

The Back Road to Collectivism

Along this road of spending, the government either takes over, which is socialism, or dictates institutional and economic life which is fascism.

The American mind is troubled by the growth of collectivism throughout the world.

We have a few hundred thousand Communists and their fellow travelers in this country. They cannot destroy the Republic. They are a nuisance and require attention. We also have the doctrinaire socialists who peacefully dream of their utopia.

But there is a considerable group of fuzzy-minded people who are engineering a compromise with all these European infections. They fail to realize that our American System has grown away from the systems of Europe for 250 years. They have the foolish notion that a collectivist economy can at the same time preserve personal liberty and constitutional government.

The steady lowering of the standard of living by this compromised collectivist system under the title "austerity" in England should be a sufficient spectacle. It aims at a fuller life but it ends in a ration.

Most Americans do not believe in these compromises with collectivism. But they do not realize that through governmental spending and taxes, our nation is blissfully driving down the back road to it at top speed.

In the end these solutions of national problems by spending are always the same — power, more power, more centralization in the hands of the state.

We have not had a great socialization of property, but we are on the last mile to collectivsm through governmental collection and spending of the savings of the people.

Think it over.

Fooling the People's Thinking

A device of these advocates of gigantic spending is the manipulation of words, phrases and slogans to convey new meanings different from those we have long understood. These malign distortions drug thinking. They drown it in emotion. We see government borrowing and spending transferred into the soft phrase "deficit spending." The slogan of a "welfare state" has emerged as a disguise for the totalitarian state by the route of spending. Thomas Jefferson would not recognize this distortion of his simple word "welfare" in the Constitution. Jefferson's idea of the meaning of welfare lies in his statement, "To preserve our independence . . . we must make a choice between economy and liberty or profusion and servitude. . . . If we can prevent government from wresting the labors of the people under the pretense of caring for them we shall be happy."

Another of these distortions is by those who support such a state and call themselves "liberals." John Morley would not recognize them.

Out of these slogans and phrases and new meanings of words come vague promises and misty mirages, such as "security from the cradle to the grave," which frustrate those basic human impulses to production which make a dynamic nation.

Think it over.

Where Blame Must Be Placed

It is customary to blame the Administrations or the legislatures for this gigantic increase in spending, these levies on the nation's work-days, and this ride to a dead-end of our unique and successful American system. A large cause of this growing confiscation of the work of the people by our various governments is the multitude of great pressure groups among our citizens. Also the state and municipal governments pressurize the Federal Government. And within the Federal Government are pressure groups building their own empires.

Aggression of groups and agencies against the people as a whole is not a process of free men. Special privilege either to business or groups is not liberty.

Many of these groups maintain paid lobbies in Washington or in the State Capitols to press their claims upon the Administrations or the legislatures.

Our representatives must run for election. They can be defeated by these pressure groups. Our officials are forced to think in terms of pressure groups, not in terms of need of the whole people.

Perhaps some of my listeners object to somebody else's pressure group. Perhaps you support one of your own. Perhaps some of you do not protest that your leaders are not acting with your authority.

Think it over.

In Conclusion

And finally, may I say that thinking and debate on these questions must not be limited to legislative halls. We should debate them in every school. We should resort to the old cracker barrel debate in every corner grocery. These phrases and slogans can be dissolved in common sense and integrity.

A splendid storehouse of integrity and freedom has been bequeathed to us by our forefathers. In this day of confusion, of peril to liberty, our high duty is to see that this storehouse is not robbed of its contents.

We dare not see the birthright of posterity to individual independence, initiative and freedom of choice battered for a mess of a collectivist system.

My word to you, my fellow-citizens, on this seventy-fifth birthday is this: The Founding Fathers dedicated the structure of our government "to secure the blessings of liberty to ourselves and our posterity." We of this generation inherited this precious blessing. Yet as spendthrifts we are on our way to rob posterity of its inheritance.

The American people have solved many great crises in national life. The qualities of self-restraint, of integrity, of conscience and courage still live in our people. It is not too late to summon these qualities.

Emdon Fritz Mgr. Of Blair Branch

LOS ANGELES, CALIF.—Blair & Co., Inc. announces the removal of its Los Angeles office to 634 South Spring Street. The firm also announces the appointment of Emdon Fritz as office manager.

Mr. Fritz has been Vice-President of American Securities Corp., New York, since formation of the firm in 1946. Prior to that he was Assistant Vice-President of Schoellkopf, Hutton & Pomeroy, Inc. in their New York office for many years.

Mr. Fritz' association with the firm's Los Angeles office was previously reported in the Chronicle of Aug. 4.

Panama Bonds Drawn for Redemption

The National City Bank of New York, as Fiscal Agent, is notifying holders of Republic of Panama 26-Year 3½% External Secured Refunding Bonds, series B, due March 15, 1967, that $127,000 aggregate principal amount of these bonds have been selected by lot, through operation of the Sinking Fund, for redemption on Sept. 15, 1949 at 102½%. Payment of the drawn bonds will be made at the Head Office of the Fiscal Agent, 55 Wall Street, New York City.

Romey and Dion Join Gross, Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John E. Dion and Louis H. Romey have become associated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Dion was previously with Turner-Poindexter & Co. and Nelson Douglass & Co. Mr. Romey was with C. E. Abbett & Company and William Walters Securities Co.

Nearing With Brainard, Judd

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Harold T. Nearing has become associated with Brainard, Judd & Co., 75 Pearl Street. Mr. Nearing was previously with Henry C. Robinson & Co., Inc. In the past Mr. Nearing conducted his own investment business in Hartford.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Edward L. Adams has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Security Associates Add

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, FLA.—Robert L. Rhodes has been added to the staff of Security Associates, 108 North Park Avenue.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—Carl H. Hobe is with Waddell & Reed, Inc. of Kansas City.

The State of Trade and Industry

(Continued from page 5)

concludes, but backlogs have been pushed well above what they were at the beginning of July.

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 82.3% of capacity for the week beginning Aug. 8, 1949, as against 81.3% in the preceding week, or an increase of 1.2%.

This week's operating rate is equivalent to 1,517,200 tons of steel ingots and castings for the entire industry, compared to 1,498,800 tons a week ago, 1,434,300 tons, or 77.8% a month ago, and 1,710,500 tons, or 94.9% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS SHOW SLIGHTLY HIGHER TREND FOR WEEK ENDED JULY 30

Loadings of revenue freight for the week ended July 30, 1949 totaled 723,810 cars, according to the Association of American Railroads. This was an increase of 5,294 cars, or 0.7% above the preceding week. It represents a decrease of 170,565 cars, or 19.1% below the corresponding week in 1948, and a decrease of 197,781 cars, or 21.5% under the similar period in 1947.

ELECTRIC OUTPUT MODERATELY LOWER IN PAST WEEK BUT EXCEEDS LIKE PERIOD IN 1948

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 6, was estimated at 5,466,004,000 kwh. according to the Edison Electric Institute. This represented a decrease of 52,481,000 kwh. under the preceding week 146,595,000 kwh. or 2.8% higher than the figure reported for the week ended Aug. 7, 1948, and 591,832,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE PRODUCTION ADVANCE IN PAST WEEK SHADED BY HEAT WALKOUTS, VACATIONS AND MODEL CHANGEOVER

According to "Ward's Automotive Reports" for the past week, motor vehicle production for the United States and Canada advanced to 144,707 units from 138,727 units (revised) in the previous period

Loss of production during the week came from the reduced output at Studebaker, where a model changeover is taking place, "Ward's" stated. Heat walkouts Monday and Tuesday of the past week held down the production at some other plants, it added. Some overtime work continued during the week at plants of General Motors, Ford and Chrysler, "Ward's" said.

The total output for the current week was made up of 121,927 cars and 22,446 trucks built in the U. S. and 88 cars and 246 trucks in Canada. The low figures for Canada were due to vacation closings of the plants of the three big producers.

Output a year ago was 108,864 units and, in the like week of 1941, it was held down to 41,795 because of model changeovers.

BUSINESS FAILURES RISE SLIGHTLY

Commercial and industrial failures rose to 171 in the week ended Aug. 4 from 168 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties exceeded the 116 which occurred in the comparable week of 1948 and were almost two and one-half times as numerous as in 1947 when 69 occurred. Failures were noticeably below the 277 reported in the same week of prewar 1939.

Casualties involving liabilities of $5,000 or more declined to 123 from 137 in the previous week, but remained above the 97 occurring a year ago. Small failures, those with liabilities under $5,000, increased to 48 from 31 and were more than twice the number of the similar 1948 week.

Wholesaling and commercial service failures rose the past week with all of the week's increase concentrated in these two lines.

The Middle Atlantic and the East North Central States reported an increase in failures; declines were registered in the West North Central and South Atlantic regions. In the Pacific States failures remained at 25, slightly below last year's level.

JUNE NEW BUSINESS INCORPORATIONS DROP SLIGHTLY BELOW MAY LEVEL

Stock company formations during the month of June reached a total of 7,260, according to the latest compilation by Dun & Bradstreet, Inc., a drop of 2.5% from the 7,445 recorded during May and a decline of 15% below June a year ago with 8,550 new company organizations. Of the 48 states reporting, 19 recorded a larger number of incorporations in June than in May, while only nine states reported increases as compared with June last year.

During the first half of this year, new business incorporations in the 48 states numbered 43,883, the smallest six months' aggregate in the postwar period. This represented a decrease of 19.1%, compared with 54,238 for the similar period of last year and a decline of 38.8% from the record number of 71,700 new charterings that took place in the first six months of 1946.

FACTORY WAGES IN UNITED STATES FOR JUNE ABOVE PREVIOUS MONTH

The Washington Labor Department's Bureau of Labor Statistics reported recently that factory workers' average weekly earnings have risen from $52.86 in May to $53.68 in June.

Three things were responsible for this rise: (1) increased production activity in auto plants and in a number of nondurable goods industries; (2) end of the Ford Motor Co. strike, and (3) lengthening of the average factory worker's work week from 38.5 to 38.9 hours, an hour below that of a year ago.

FOOD PRICE INDEX SOARS TO HIGHEST LEVEL IN SIX MONTHS

Following three mild advances, the wholesale food price index, compiled by Dun & Bradstreet, Inc., registered its sharpest rise in over a year last week. The Aug. 2 index went to $5.84, the highest it has been since Feb. 1, 1949, when it stood at $5.88. It represented an increase of 11 cents, or 1.9% over the $5.73 of a week ago, but it was still 18.7% below the comparative 1948 level of $7.18.

The index represents the sum total of the price per pound of 31 foods in general use.

WHOLESALE COMMODITY PRICE INDEX LAST WEEK CLOSED AT HIGHEST LEVEL IN OVER A MONTH

Reflecting a firmer trend in many basic commodities, the daily wholesale commodity price index of Dun & Bradstreet, Inc., moved slightly upward the past week to reach the highest level in over a month. The index closed at 239.87 on Aug. 2, compared with 238.16 a week ago, and with 280.84 at this time a year ago.

Grain futures on the Chicago Board of Trade last week were somewhat unsettled with price trends irregular and volume of trading below that of a week ago.

Cash wheat prices fluctuated unevenly as increased offerings met with lessened demand.

Cash corn was more active with prices continuing to hold in a narrow range. At times, however, there was some liquidation in corn futures, induced by continued favorable weather in the main producing areas and publication of the Department of Agriculture report showing stocks of corn remaining on farms as of July 1 at a record high total of 1,277,000,000 bushels. Domestic demand for hard wheat bakery flours and new crop Spring wheat flours fell off sharply in the latter part of the week following the heavy bookings recorded in the previous week.

There was considerable activity in the cottonseed oil market last week and prices advanced sharply aided by the announcement that the Department of Agriculture would support the 1949 cottonseed crop at 90% of parity.

Coffee continued its upward climb with current prices at the highest ever recorded. Lard rose sharply in sympathy with the strength in cottonseed oil and other vegetable oils. Heavy sales of lard to the Army were noted during the week. Hog values advanced under smaller receipts and cattle and lambs also sold at higher levels.

After touching the lowest levels of the year early in the week spot cotton prices turned upward and finished with a slight net gain over a week ago. Trading was cautious and buyers generally held to the sidelines awaiting developments from Washington.

Reported sales in the ten spot market amounted to 64,300 bales in the latest week, against 56,900 the previous week and 59,100 in the same week a year ago.

Inquiries for new crop cotton increased in some parts of the belt but mill demand continued limited and mostly for nearby needs.

The market was buoyed to some extent by the announcement of ECA allotments for the purchase of cotton for European countries, the bulk of which is scheduled for shipment early next year. Buying for export remained in small volume. The mid-July parity price for cotton showed a slight decline to 30.26 cents a pound, from 30.38 a month ago.

Activity in cotton gray goods was well maintained last week with prices strong and tending higher. Volume of trading was the best of the year. There was good demand for print cloths which made up the bulk of transactions. There was also a lively interest shown in other gray goods, particularly drills, twills and bag sheetings. Finished goods were more active as buyers displayed more interest in making forward commitments.

RETAIL AND WHOLESALE TRADE ADVERSELY AFFECTED IN LATEST WEEK BY VERY WARM WEATHER

As very warm weather prevailed in many parts of the nation the past week, consumer buying dipped fractionally. The dollar volume of retail trade declined slightly in the period ended on Wednesday of last week and remained moderately below the high level of the comparable week in 1948, Dun & Bradstreet, Inc., reports in its current summary of retail trade.

Many shoppers continued to spurn high-priced merchandise. Housewives decreased their purchases of food last week. Aggregate unit volume was approximately equal to that of a year ago. The demand for meat dipped slightly, but ham and cold cuts remained popular. Daily foods and bottled beverages were in large demand. Purchases of coffee and tea slightly exceeded last year's levels. There was a moderate dip in the interest in bakery products.

With the advent of August furniture promotions, the retail volume of household goods was sustained the past week but it continued to be moderately below that of the similar week in 1948.

There was a slight rise in the demand for refrigerators and some electrical appliances. Luggage offered at noticeable reductions evoked a moderate response.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 4 to 8% below a year ago.

Regional estimates varied from the levels of a year ago by the following percentages: New England, South and Northwest —4 to —8; East —1 to —5; Midwest —8 to —12; Southwest and Pacific Coast —3 to —7.

In preparation for the Fall selling season many merchants placed an increased volume of orders last week. The dollar volume of wholesale orders continued to be moderately less than that of a year ago. There was practically no change in the number of buyers attending many wholesale markets the past week, but it continued to exceed moderately that of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 30, 1949, decreased by 11% from the like period of last year and compared with a decrease of 10% (corrected) in the preceding week. For the four weeks ended July 30, 1949, sales registered a decrease of 10% from the corresponding period a year ago and for the year to date a decline of 5%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 30, 1949, declined by 14% from the same period last year. In the preceding week a decrease of 10% (revised) was registered below the similar week of 1948. For the four weeks ended July 30, 1949, a decrease of 11% was reported under that of last year. For the year to date volume decreased by 7%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions by referring to "Indications of Current Activity," a regular feature in every Thursday's issue of the "Chronicle."

The Possibilities of Improved Equity Markets

(Continued from page 4)

penditures of recent years is another factor that has affected the flow of individual savings into business equities. High taxation at prevailing levels of national income, however, seems to be affecting the incentives to invest much more than the availability of funds. The dollar volume of individual savings and the volume of such saving in the hands of individuals with relatively large incomes are now much greater than they have ever been. In addition, the proportion of incomes that people save has been considerably greater since the end of the war than it was in prior prosperous years. In 1947, the 10% of individuals with highest income (roughly $6,000 upward) were still responsible for somewhat over half of the total volume of saving and the dollar volume of saving by these individuals was far above that of earlier prosperous years. However, since the highest rates of the progressive income tax apply to this group, their incentive to invest in risk assets that may yield high returns is outweighed by the advantage of tax-exempt investments.

Tax-Exempt Investments — The investment of upper income savings in State and local government securities and insurance policies has been accelerated by the tax-free status of such securities and, for practical purposes, of all life insurance company investment income. The technical problems involved in applying individual income taxes to State and local securitiy holdings and life insurance investment income are numerous and difficult of solution. There is no question, however, that the current tax-free status of these forms of income has drawn funds of many wealthy individuals away from investments in the common stock of business enterprises.

Small Cash Dividends Relative to Earnings—Some investors are not buying more stock because they observe that many companies are retaining a large proportion of their earnings rather than paying dividends. The new stock money that businesses might obtain if they paid out higher dividends would have to be balanced, of course, against the smaller volume of retained earnings directly available for investment expenditures. More thought and study might very well be given to the relative advantages to the nation of the **form** that equity financing takes, that is, equity financing through the use of retained earnings as compared with proceeds from stock sales. One aspect of the problem is the extent to which the former method substitutes decisions of a board for those of the free market in allocating capital among industries and firms.

Lack of Knowledge — Despite the general trend to safety and security there are many who are willing to take the risks and invest their funds in expectation of gain. Among these are a new group of people with savings, including farmers, skilled laborers, proprietors of small businesses and professional men. Many of these potential investors, however, lack knowledge about stock investment.

Why Are Business Enterprises Not Obtaining More Funds Through Stock Sales?

There have been powerful inducements for business enterprises to finance their recent expenditures in ways other than through stock sales.

High Cost of Equity Capital!—Perhaps the most important of such inducements has been the low cost of debt money both absolutely and relative to the dividend disbursements prevailing on common stocks. Interest rates on bank loans and long-term bond money, as is indicated in the above table, are currently much below those of previous years while yields on common stocks are exceptionally high. This reflects in part the unwillingness of the public to buy stocks, as previously mentioned.

Availability of Retained Earnings — An especially attractive source of equity funds has been undistributed profits. This form of equity capital has been a very important source of business funds since the end of the war. Undistributed profits can in a sense be considered free of carrying charge, for their volume is determined by management decisions concerning dividend disbursements. In 1948, a year of abnormally high profits in relation to capital investment, business corporations as a group retained over half of their profits after income taxes as compared with less than a quarter in 1929. Inventory profits, however, represented a much larger proportion of earnings in 1948 than in 1929. Inasmuch as these inventory profits were the result of price increases and might be offset in whole or in part by subsequent inventory losses resulting from price declines, they were considered in many cases to be unavailable for distribution as cash dividends. In addition, depreciation charges based on original cost are, because of postwar price increases, insufficient to provide for replacement of fixed plant and equipment at current prices.

As was mentioned earlier, these decisions of corporate managements to retain a larger proportion of earnings have probably had some effect on the failure of stock prices to rise. Had dividend disbursements been larger, undoubtedly stock prices would have been more attractive and more new stock issues would have been sold.

Study of stock market behavior over the period 1895-1946 indicates the prices of stocks have fluctuated more closely in relation to dividends than to earnings. This suggests that investors attach more significance to dividends derived from stock ownership than to reported earnings. In the recent inflationary period investors have been especially uncertain as to whether undistributed earnings would eventually result in higher dividends and capital gain.

Tax Advantage of Debt Financing—The tax structure has also affected the businessman's choice as between debt and equity financing. In the case of corporate enterprise, interest on debt is a business expense and therefore a deduction in determining earnings subject to taxes. After these earnings have been reduced by the full amount of the component income tax, any dividends paid from the remainder to individuals are included in their taxable income. These aspects of the tax structure provide a strong inducement for corporations to finance their expenditures with debt rather than equity capital. The fact that interest payments are, and dividend payments are not, deductible from corporate income in computing taxes means that the spread between the cost of stock and bond financing **after** allowing for the tax advantages of bond financing is appreciably greater, as illustrated in Table 2.

TABLE 1

Interest Rates, and Bond and Common Stock Yields

	*1949	1948	1939	1929
Rates on commercial loans of banks	2.7%	2.6%	2.8%	5.8%
Bond yields (Aaa)	2.7	2.8	3.0	4.7
Industrial common stocks: [1]				
Yield	7.1	5.9	3.9	3.3
Price/earnings ratio	†7.0	6.8	15.7	16.4

[1] From "Moody's Investors Service" and based on 125 stocks.
*First half. †First quarter.

TABLE 2

Cost of $5,000,000 of New Equity vs. Debt Capital

Capital Structure (after flotation):	Company A	Company B
*Bonds—3% coupon		$5,000,000
Common stock	$9,500,000	4,500,000
Surplus	500,000	500,000
Total capital	$10,000,000	$10,000,000
Earnings for Current Year:		
Before taxes and fixed charges	$1,000,000	$1,000,000
Less: bond interest		150,000
Before Federal income taxes	$1,000,000	$850,000
Less income taxes (38%)	380,000	323,000
After Federal income taxes	$620,000	$527,000
*Less dividends on common stock at 7%	665,000	315,000
Balance transferred to surplus	—$45,000	$212,000
Charges Applicable to New Capital:		
Interest on bonds		$150,000
Additional income tax	$57,000	------
Dividends on additional stock	350,000	------
	$407,000	$150,000
As a per cent of new capital raised	8.14%	3.00%

*Current yield, as per Table I.

My Suggestions as to What Can Be Done About the Situation

I should like to make certain suggestions which I think will help solve this problem of the impediments to businesses which might wish to sell, and the reluctance of investors who might be induced to buy common stock. As such, these suggestions do not necessarily represent the views of the Board of Governors.

Taxation—My first suggestion is that Congress initiate a thorough review of the tax situation from the point of view of its effect, frequently inadvertent, upon the availability of equity capital. Unfortunately there never seems to be a convenient time for such a basic review of the tax structure. Last year, when we had a substantial surplus, we elected to reduce taxes without revamping the tax structure. Now with deficit financing facing us, we naturally do not want to do anything that will cause even a temporary loss of revenue. Therefore, a fundamental study that would lead to reform of the tax system tends to be neglected and postponed in times of receding business as well as in times of prosperity. We should, however, realize that basic inequities may exist, and decide upon a long-term corrective program. The indicated changes can be made as the opportunity occurs. Among the many suggestions that have been made, the ones discussed below seem to be the most important.

There is no doubt that some additional investments in corporate equities would result from a reduction of income tax rates, particularly those applicable to the higher brackets. It is difficult to tell how much additional investment would be induced by a given lowering of tax rates. Since the aggregate amount of income in the high tax brackets is relatively not large, only a small volume of funds out of current income would be directly made available for new investment by a reduction in the personal income tax rate in those brackets. However, the indirect effects in attracting previously accumulated wealth that is now held in forms other than equity investment, might be significant.

Some attention should also be given to the problem of tax exemption of individual income derived from State and local government securities and the tax status of life insurance company investment. Revision of this type of exemption might divert some individual savings from such securities, annuities, and insurance to listed stocks or small business enterprises.

There is another type of adjustment of the personal income tax structure that should be considered in connection with the equity capital situation, that is, more liberal provisions for carrying forward and backward losses growing out of business operations Such a change in the tax structure would encourage direct investment by owners of small unincorporated enterprises and partnerships.

Another feature of our income tax structure to consider is the double taxation of corporate dividends. There is little reason on equity grounds to tax both the corporation and the individual investor on the same income. However, there is the practical problem of levying a tax on that part of corporate income not paid out in dividends and therefore not received and taxed as personal income. One solution to this problem that has been proposed is to continue a moderate corporate income tax and permit corporations to deduct from their taxable income the dividends they pay to stockholders. An alternative solution, one which was previously advanced by the Magill Committee, is that of allowing individual taxpayers credit for taxes paid by the corporation in computing their tax liability.

If the basis of corporate income taxes were to be changed in the manner suggested government revenues from this source would undoubtedly decline somewhat, though not by an equivalent amount. The Congress would, of course, have to devise alternative taxes to offset their decline in revenue, but the potentialities for stimulating productive investment of equity capital are sufficiently promising to warrant such action.

Attention might also be directed toward a revision of the tax laws which would permit more rapid depreciation of plant and equipment. Allowing business concerns to amortize the cost of additions and betterments over a relatively short period of time, and to deduct these depreciation charges in computing their taxable net income, would provide a stimulus to business investment at this time. Moreover, by permitting larger tax-free recovery, through increased depreciation charges, of funds invested in plant and equipment, the short-run contraction of internal sources of funds that characterize a downward drift in business activity would be lessened.

A final feature of the income tax problem is the treatment of capital gains and losses. The volatility of capital gains over a period of time deserves more consideration than it has received. From an investment point of view some of the objections to the capital gains tax might be met if a method were devised enabling individuals to average their capital gains and losses over a number of years in order to determine their taxable income. However, I mention this only in passing, as it is a complicated question and one which would require careful study.

Life Insurance and Fiduciary Investments

My second major suggestion for alleviating the equity capital problem would be that consideration be given to a liberalization of the investment opportunities open to fiduciary institutions, particularly the life insurance companies. In view of the large volume of individual savings flowing into private pension and insurance reserves, the legal restrictions on insurance companies and other fiduciaries which prohibit them from investing in corporate stocks should be reviewed. These restrictions, rightly established many years ago as safeguards needed at that time, may, in the light of changed savings and investment patterns, now be out of date. I recommend that the life insurance companies, in cooperation with the proper state authorities, explore fully the opportunities for investing in common stocks with the aim of modifying these restrictions.

Two of the most common arguments against relaxing the legal restrictions on the investment opportunities of life insurance companies and fiduciaries are:

(1) The risks of equity investments.

(2) Possibility of a concentration of industrial control in large life insurance companies.

I agree that there is a certain element of risk involved in the ownership of equity shares. Yet there is little ground in past experience to support the broad premise that many permitted bond investments involve less risk than carefully selected common stock. In general I feel that informed and flexible investment policy together with sound judgment are much to be preferred to rigid legal restrictions. The experience of endowment funds of educational institutions, as well as of the fire insurance industry, which operate under more liberal investment regulations, has demonstrated that diversified investment in common stocks along with other types of securities can produce better than average return.

In order to prevent domination by the life insurance companies of individual companies or industries, or unwarranted risks of investment loss through common stock ownership, such investment should be carefully prescribed by appropriate legislation. Some such formula as the following might be employed during the initial period, e.g., investment of any one life insurance company in the common stock of a business enterprise might be limited to 1% of the outstanding voting shares or $1 million whichever is larger.

Education and Merchandising

I would like to urge those engaged in marketing securities to give extraordinary consideration to ways and means of informing the public more fully about the investment opportunities in stock ownership. It should be recalled that 30% of the individuals interviewed in the 1948 Consumer Finances Survey conducted for the Board of Governors of the Federal Reserve System said they were against holding common stocks because they were not familiar with them. Moreover, some of the largest gains in income since the prewar period have been among groups like farmers, skilled laborers, proprietors of small businesses and some professional people whose knowledge of common stocks is very limited. These facts pose an educational and merchandising challenge to those engaged in marketing securities.

There are, of course, many problems involved in the merchandising of risk investments to the general public. We do not want the overselling of stocks to receivers of small incomes that characterized the years of the late twenties. There are many small income recipients who should not assume the risks of business ownership. But it seems clear that certain merchandising adjustments can and should be made. There should be an adjustment to a changing market and more adequate attention given to the majority of upper-middle-income savers who invest, rather than focus on the minority who trade in equity securities.

I doubt if the great majority of small investors are familiar with investment trust shares. Investment trust have diversified holdings of preferred and common stocks and other securities, and thus can offer the small saver diversification of risk together with the higher income to be derived from equity shares. There has been a great increase in the amount of new money placed in investment companies since the passage of the Investment Company Act of 1940. During the four years 1945-48 sales of new open-end investment company shares totaled almost $700 million. Although investment company funds are rarely used to buy new issues of securities, purchase of existing issues supplies sellers with funds for the purchase of new issues and by helping to maintain a strong market may encourage the sale of new stock issues.

Considerably more attention could be given by corporations themselves to cultivation of the market for future equity financing. Certain ones have gone to great lengths to prepare their future market by giving the general public, particularly their stockholders, more information about their operations, their financial position and their earnings. Some companies have also cultivated equity ownership by their employees. Such ownership can improve working relationships and enhance community good will toward the company as well. This and other measures of developing good public relations in the areas in which the company's plants are located often results in a high percentage of stock ownership in those areas.

New Financing Agencies

There might still remain a long-run equity capital problem for business even if legislative changes in regard to taxation and investment outlets for fiduciary institutions were feasible and if distributors of common stock and businesses themselves did a more aggressive job of informing the public about the advantages of stock ownership. Many individual concerns, particularly small ones, do not at present have convenient access to the savings potentially available for investment in equities and others have no access to such funds at all. In the long-run, there may be a need in this country for new types of financing agencies to meet this problem, particularly for the channelling of equity capital to small and medium-sized enterprises. At least three types of financing agencies have been suggested and deserve further consideration:

(1) Private financing companies;

(2) Special community funds and development corporations, and

(3) Capital banks.

Examples of the first two types of financing agencies are already functioning. An illustration of the type of private financing company I have in mind, which I shall not mention by name, is a corporation which obtains money from insurance companies, trust funds, research and educational foundations, established investment companies, and individuals, and invests such funds in equities of new and established business concerns that have some product or process to be developed that is of scientific importance. Thus, the corporation provides a channel whereby equity risks can be pooled and financed, in part at least, by previously unavailable funds of fiduciary institutions.

Community development corporations are usually privately sponsored and obtain their funds from leading citizens and established business enterprises in the community. Their primary purpose is to bring enterprises that need capital into contact with a pool of funds composed of small amounts of money that might separately not be available for investment. These plans have the advantage of diversifying risks and yet at the same time leaving the financing decisions with local individuals who are familiar with the capabilities of the businessmen in their communities. Among the communities with prewar plans that are still operating are Baltimore, Maryland; Louisville, Kentucky; and Easton Pennsylvania. More recent plans aimed at aiding the reconversion or relocation of business concerns after the war have been developed at Albert Lea, Minnesota and Ashtabula, Ohio.

The capital bank proposal has been advanced by many individuals and organizations in the past and most recently by the Committee for Economic Development. The general purpose of the proposal is to add to our present banking structure a set of new banks to provide long-term loan and equity capital to business, particularly to small enterprises.

Concluding Remarks

Thus far I have treated debt and equity financing largely as alternative means of raising capital for a business enterprise. This emphasis may create a somewhat distorted impression of the part which each plays. Debt and equity are actually complementary ways of financing business though they must be properly balanced in order to achieve a sound financial structure.

There is another aspect of the relationship to which attention should be directed. We generally assume that debt expansion increases the financial resources of a business, and that debt repayment reduces those resources. This is a correct view in the short-run, but over the longer-run, debt financing may be a means of building up equity. I have reference to debt incurred on a basis that calls for its gradual repayment out of the retained earnings of enterprise. Thereby, resources originally acquired with borrowed capital are gradually refinanced out of equity capital. Over the past two decades, there have been important technical developments along these lines in the credit field. The five to 15-year term loan extended by many larger banks and most insurance companies, with repayments budgeted in accordance with expected earnings, is an illustration of this type of credit. Another example is market borrowing through the convertible debenture. This type of obligation offers important incentives to management to retain earnings in order to expand operations and build up profits so that holders will be induced to convert their bonds into the company's common stock.

As you will gather, I am a confirmed optimist regarding the future of America. I firmly believe that the basic characteristics of our economy are expansion and growth. Economic expansion today presents a strikingly different challenge from that of a hundred years ago. Then, the frontier of development was the opening up of our great Western resources. The geographic frontier is gone, but we still have a frontier of development. That frontier is technology — the technology of producing more and better goods with the resources we know are available and the technology of distributing those goods on a mass basis for the constant improvement of the standard of living of all. To realize our potential sustained expansion, we need to be concerned with assuring a steady and adequate flow of savings into equity ownership. I sincerely believe that if we are in earnest, ways and means can be found for accomplishing this purpose that are fair and equitable to everyone concerned.

Impact of ECA on U. S. Oil Industry

(Continued from page 7)

in reducing dollar oil imports and increasing its own oil exports.

I have talked at length about this problem to indicate the dilemma we face. It was dramatically illustrated during hearings before the Senate Appropriations Committee when one of our Senators, who is very much concerned about any European threat to American oil, asked me if we could not save more of the United States taxpayers' dollars by forcing the British to ship more and more oil into Europe. The answer to that is simple, because if we followed the logic of his suggestion to its ultimate conclusion, there would be no place for American oil but the United States and the few remaining countries that can offord to spend their own dollars reasonably liberally.

ECA's Policy on the European Oil Expansion Program

However, as your Chairman in a recent address stated so clearly, we must be realistic about our grants to European nations and we must evaluate the results by their actual and potential effects upon our own economy. Under the ECA enabling Law, we must not by our assistance seriously impair the economic stability of the United States. This concept is basic to our operations.

We in ECA, as I have stated to you before, feel therefore that a mere dollar-saving approach to the oil problem is not good enough. There are important commercial, foreign policy, and strategic considerations that must be weighed. On the other hand, recovery in Europe might well lead to increased competition between American and European goods, but this by itself is certainly not deplorable. It must, however, be fair and open competition.

We have, accordingly, taken the position in ECA that an expansion of European oil facilities is justified only to the extent that the output from such facilities can be sold without the use of discriminatory trade or currency practices and without the utilization of other restrictive trade devices. We believe that the effort of ECA to establish recovery in Europe should not and must not result in the establishment of 16 small European self-sufficient nations or of nations which intend to trade with one another and the rest of the world mainly on the basis of exclusive, discriminatory bilateral arrangements a la Schacht. On the contrary, if that were the result of ECA's endeavors, recovery would be further away than ever.

ECA's policy aims and intentions are thus based on achieving a growing multi-lateralization of trade, an increasing relaxation of restrictions and an expanding convertibility of currencies. On the basis of such a concept as applied to oil, ECA does not believe that Europe should save dollars or earn foreign exchange by driving American oil from the European market or from other foreign markets by exclusive bilateral barter arrangements or similar devices; nor does ECA believe that the largest overall dollar savings or foreign exchange earnings could in fact be achieved in this manner. The only European expansion that can justifiably be accepted by the United States Government as part of the recovery program is an expansion in line with truly competitive outlets in the market places of the world.

This policy, I believe, establishes a worthwhile long-term goal, and also provides a workable yardstick for the evaluation of the European petroleum program. But in the immediate future it is not, I am afraid, too effective a means for maintaining legitimate commercial operations of the American oil industry during the period of dollar crisis in the United Kingdom and elsewhere. In order to cope with the immediate dollar problem, arrangements have for instance been made by the United Kingdom with Argentina which may in fact close the Argentine market to American oil during the next five years. And, as you know, large United States investments are at stake there and a market once lost may well be hard to regain. I need not tell you that we are perturbed about this situation.

The long-term policy goal as stated here must, therefore, be fortified and protected by immediate, practical and effective arrangements to achieve the protection of legitimate American oil operations against discriminatory arrangements. In such a situation, reasonableness and a balanced approach on all sides are necessary because under certain conditions it may be nearly impossible for a dollar-bankrupt country to survive except by what may well be called discriminatory trade practices.

How American Oil Companies May Adjust Their Operations to Europe's Dollar Shortage

In this connection the attitude and policy of the American oil companies and of the governments concerned are of great importance. For instance, in any concrete situation where American oil is at the moment in danger of losing markets to British oil because British oil is being sold for sterling—even though its production requires the British Treasury to furnish a considerable amount of dollar exchange—arrangements can, I believe, be made to protect American outlets without retarding European recovery. Such arrangements among others might consist in making it possible for American oil companies to sell their oil to non-sterling areas for sterling, limiting at the same time the convertibility of their sterling income into dollars to an agreed percentage and otherwise establishing the responsibility of the American oil companies to spend the rest of their sterling income in the sterling or non-dollar currency areas.

In this same connection, the American oil industry, in order to protect its outlets and at the same time minimize the dollar costs for its oil exports to Europe, is constructing refineries in the European consuming areas. In addition, it might also decide to increase procurement in the importing countries of its equipment needs, of tankers, services, etc. This would give the importing countries a new source for a sizable dollar income that could be used by the countries to pay for imports of American oil. Such arrangements would, of course, require complex negotiations between the governments and the companies affected, but, I am sure, where there is a will, there will be a way.

I would, however, not be surprised if in the process of working out this problem, costly readjustments may have to be made by the American oil industry. The problem is not an easy one which can be described in simple and elementary terms. It is a problem where many interests must be considered and where it is necessary to act with moderation and foresight. One must, in particular, be aware of the fact that the American oil industry, insofar as it is dependent on foreign markets, cannot by mere force of argumentation or by complaints of discrimination succeed in selling oil to markets that cannot afford to pay for it. One cannot get water from stone or dollars from non-existing dollar accounts, but given time, one can, I believe, work out ways and means to minimize the dollar costs of American oil.

Conclusions

The international oil industry is and will remain dependent upon a prosperous and not a bankrupt world. As far as ECA is concerned, it must at least be admitted that it has postponed and, we believe, avoided a complete economic and political collapse in Europe. ECA has maintained outlets for American oil in Europe during the last year which otherwise would have been lost. ECA has also tried to establish within the framework of the European Recovery Program both a short-term and a long-term policy on European petroleum development projects that are designed to maintain for American oil a fair and equitable competitive position in the world's markets.

Above all, the American oil exporter is, I am sure, aware that ECA assistance to Europe is giving him the time required and a chance really to evaluate the world-wide dollar problem which threatens his very existence and to plan and undertake the necessary adjustments in his future operations. If on April 3, 1948, the American people had not established the Economic Cooperation Administration, the then-impending dollar bankruptcy of Europe would have caught the American exporter to Europe unprepared and the ensuing economic collapse of Western Europe might have destroyed his business. Thanks to ECA, this has not happened and the American people, with their dollar assistance, have saved Europe by financing necessary American exports to Europe. In all fairness, this should be stated plainly.

If Europe achieves recovery with ECA assistance and if the United States oil industry adjusts itself to the realties of the situation, I believe the lot of American oil in world markets, while most difficult, will not be disastrous as is sometimes feared.

Clark, Dodge & Co. Admit

Walter G. Dyer will become a limited partner in Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange on Sept. 1.

Role of Free Enterprise in American Progress

(Continued from first page)

equivalent or similar area on the earth.

The industrial structure which has been reared in the United States in less than two centuries is the greatest the world has ever known. Proof of its strength and effectiveness is vivid in the minds of all of us. One element of proof was furnished in striking manner during the decade just now drawing to a close. It stands out in bold relief as an example of what our industry can and must do. When political freedom throughout the world was threatened with extinction, a few years ago, by the armed might of irresponsible despotism, American industry, responding to the call to action, poured such a weight of armament into the desperate struggle that our allied forces were enabled to come through the ordeal victorious. That was a formidable task. The enemy had been amassing materials and constructing implements of mechanized warfare for years in advance of open conflict, confident that no nation or group of nations could match or overcome, by any means, the mass of powerful equipment already prepared for world conquest and dictatorship. The meeting of that challenge and the successful issue which followed are an earnest of what a free people, inspired by a just cause, and skilled in the ways of large-scale production, can accomplish.

Business Must Be Up and Doing

Industry, of course, has no vacation from its various responsibilities. It must be up and doing. Whether functioning as an indispensable national asset in times of armed conflict, or as the peacetime servant of the people, catering to their daily civilian requirements, it must be kept ready and strong, capable and progressive, adaptable and solvent. Any other course would mean retrogression. Any retrogression, in turn, under present world conditions, might well mean disaster.

The elements of that demonstrated strength of industry, to which all of us are witnesses, were fostered by the system under which the American people have lived and shaped their institutions during the relatively short period of our national existence. From the very beginning, the framework of our government was fashioned to magnify the rights of the citizen and to encourage individual initiative, not as a concession but as a natural belonging. Restriction, regulation, and repression were held at a minimum. Throughout all political history, only a small proportion of the peoples of the earth have enjoyed the personal liberty and freedom of action which our forefathers knew in America, and which we, as citizens of a powerful representative republic, have the right to inherit. Again, throughout all history, only a small proportion of the peoples of the earth have progressed so rapidly or so far along the avenues of substantial accomplishment. Few indeed have built such structures, provided such facilities, or organized such tools of production as are to be found within the borders of our country. One may look the wide world over, nation by nation, all the time assessing debits and credits, and not find a national unit which has in its favor a balance of the good things of life comparable to the abundance of blessings to be had here. Such is the established record of competitive private enterprise operating in this land of opportunity.

It is not surprising that the atmosphere of liberty and justice provided by our form of government, as originally conceived, should have encouraged the citizens of America to exert their best efforts. The lifting power of fair play and widespread opportunity inevitably raises the human spirit to levels of higher and higher accomplishment. In the sphere of business it inspires men and women to embark upon worthy enterprises, to venture capital, to work late into the night, and to build for the future.

The Profit Motive Essential

Under such auspices, rewards in proportion to honest effort are the normal expectation; the profit motive is considered a logical accompaniment of ambition and a spur to attainment. Profits are made, and are regarded as necessary and honorable, because without them any business would perish. The shop-keeper, the proprietor of the service station, and the truck gardener know that simple principle of economics, as well as does the executive of the large corporation or the graduate of the business college. Only in restricted circles thus far, but much too widely at that, do we hear the fantastic doctrine that production should be conducted for "abundance" rather than for "profit."

The organization and operation of any material business enterprise, whether it be large or small, requires the investment of capital. Without capital there could be no business structure. Facilities such as buildings, equipment, raw materials and supplies must be provided in order that goods may be produced for the purchasing public. Private business normally employs funds derived basically from the savings of individuals, augmented from time to time by part of its own earnings, and thus furnishes a means by which money may be put to work and likewise afford gainful livelihood to millions of employees.

Some, but by no means all, units of business are incorporated. Corporations have stockholders, that is, stockholding owners of which there are approximately 18 million at the present time. Among the stockholding owners of American Corporations there are listed numerous organizations and companies which manage funds and provide insurance for additional millions of people, many times the number of direct stockholders. Thus the stakes in private competitive enterprise are held by an astonishingly large segment of our population, and every man and woman so included is a capitalist.

Misrepresentation of Capitalism

The system by which capitalists pool their interests in constructive undertakings is referred to as capitalism, a term which is sometimes misrepresented as meaning an evil element in the social order. Certain advocates of different political and economic philosophies would have the public believe this. They would also like to cultivate the erroneous idea that capitalists are a small group of persons seeking special privileges for their own exclusive benefit. Happily the record, which all may readily understand, bears testimony to the hollowness and falsity of their allegations, with abundant evidence that capitalism as it has functioned in our economy has been a creative force, contributing decisively to our present high position.

Quite intentionally the characteristic freedom of our American ways and the amazing development of our nation have been mentioned, side by side, for your repeated consideration. I reiterate that the two are inseparable. They bear to each other the relationship of cause and effect. With freedom and the consequent national development prompted by it, we have come rapidly and far along the pathways of progress. The journey has been strenuous but heartening. The compensations have been abundant and widely distributed. Why then, in view of what the evidence teaches us, should we pause to speak of darkness, or of any occasion for the lighting of candles?

There are good reasons why we should take stock of our situation at frequent intervals. This priceless freedom which has meant so much to us has a way of slipping beyond our grasp unless we guard and cultivate it diligently. That very thing has happened elsewhere in the past. From long centuries of history we learn that, time and again, such liberties as have been won by the people have been curtailed or lost by encroachments from within or from without. Ancient Athens and Rome, as well as modern Germany, tell a significant story, and they do not stand alone as examples. Attempts to establish fully regulated economies during bygone eras have taken their places, one by one, in the hall of failures, alongside all presumptive attempts at world domination.

Must Be Alert Against Forces of Destruction

With such great values as we have at stake in America, we must be equally alert against the easily discernible forces of destruction which come from the outside, and the more subtle, dangerous fermentation which works within our body politic.

One grave sign of the activity of such fermentation is the movement favoring a gross enlargement of the powers and functions of the Federal Government. A fully regulated economy is the goal of those who profess belief in the inflation of centralized authority, with consequent belittling of the rights of the individual and of local political subdivisions, such as the States. Controlled production, controlled prices, specified wages, regulated distribution, and regulated profits, if any, are features of the proposed system. Socialized this and socialized that, including such matters as medical care, housing, financial security, and the higher education are advocated as responsibilities of governmental commissions or bureaus rather than of the citizens, acting alone or in groups. Business, as well as many other activities of life, would thus have its course prescribed by a few men, appointed and clothed with federal authority, while private competitive enterprise as such would disappear. Personal initiative, creative ambition, and the urge to rise above the average by virtue of genuine proficiency could hardly exist under such a regime.

A special word should be inserted here for the young men and women who period of adult thinking began approximately with the outbreak of the recent World War, or shortly thereafter. They came into maturity at a time when normal peacetime pursuits and methods were giving way temporarily to measures dictated by military necessity. It is essential in times of war to focus all effort toward victory, to submerge customary economic considerations, and to devote all resources to the cause of national security. Wars are managed and waged by governments, not by private concerns or individuals. In such periods of crisis, personal rights and preferences must yield to the rigid controls of national planning. Abnormal restraints are to be expected, for the interim. Governmental dictation and regulation have their day in the sun while the armed forces of the enemy are on the march. You have had experience with that very situation. So it may be that many of you who became familiar, first and foremost, with procedures adopted for the management of a wartime economy are not immediately shocked and amazed that measures of the same color should be advocated for imposition upon our peacetime activities. There is the added danger that without further analysis you may condone or passively accept them, simply on the basis of your familiarity with them under very different circumstances. They are decidedly not derivatives of the liberty and freedom which have served our country so well, but are distilled variously from dictatorship, bureaucracy, and socialism.

We find it difficult to believe that the spirit of self reliance has sunk so low in America that a free and independent people would willingly assign to the bureaus of a centralized government the management of practically all of its concerns. What gain is to be realized in trading personal liberty and the opportunity of engaging in stimulating enterprise which builds character, if the transaction brings, in return, regimentation and soft promises of security? Do we now look with envious eyes at a dictated and managed economy operating in Eastern Europe? Are the rewards for excellence more attractive there than here? Is the individual Soviet citizen enjoying freedom of choice in any of the important aspects of life? I think not. Yet there are ever present for our consideration measures which, if adopted, would take us along the road to a similar situation, and they might win by default. Wherefore the necessity of being continually on guard, with the firm conviction that freedom must be defended, if it is to be preserved.

Weakness of Paternalistic Measures

Recourse to paternalistic measures or state socialism offers no assurance that the judgment of an appointed officialdom would excel that of private agencies in prescribing for manifold human needs, or in the administration of business. One may reasonably question the possibility that any government can or could equip itself so thoroughly with supermen that their wisdom and performance would match the integrated abilities of the large numbers of trained citizens whose careers are devoted to useful enterprises. A look at the difficulties being experienced persistently by the world's most recent addict to socialistic measures does not whet our appetite for the institution of a similar program in the United States. And we may well make note of the fact that the strength of our particular kind of so-called "capitalistic economy," developed in an atmosphere of personal liberty, is being called upon to support the functioning of political units in many parts of the world today. Such strength is not flowing in the opposite direction.

A further negation of individual freedom, the thing called communism, is one of the most presumptuous foreign yeasts working in our society. It presents itself for appraisal and acceptance without having established any record of beneficial accomplishment, widespread use, reliability, or constructive effort. Yet in various forms it has reached into many circles within our midst, including even the pulpit and the campus. In the latter you may recognize it, thinly clad, improperly wearing the disguise of the respectable privilege known as "academic freedom." With nothing of value to offer the American citizen, we sometimes wonder why the apostles of communism find room for the preaching of their gospel here. Yet one must remember that there was a discordant note even in the Garden of Eden, and that the outcome of the movement was not to the disadvantage of the tempter. We are quite definitely informed, however, that it was of no profit to Adam and Eve.

The forces which would infringe our liberties are not irresistible. Our country can be substantially what its citizens determine it should be. But in the matter of determining what it should be, there are some conditions to be met. Our political procedures, by their very nature, project the advisability of an enlightened electorate. Individuals must think, decide, raise their voices, and exercise their franchise. They must know the extent of their rights and should require an accounting on the performance of the public servants elected to work for the national welfare. Ignorance and indifference play into the hands of the discontents who would spread the ferments we have mentioned. Alertness and determined action can foil them. To the most recent group of young candidates now seeking to launch successful careers in business and in the life of our nation, I say, light your candles in the new surroundings. Keep them burning that you may distinguish between the true and the false. With constantly increasing faith you will develop the courage to step further into the darkness, and find, to your amazement and satisfaction, that the light still follows.

George Southworth Is With Income Funds

NEW HAVEN, CONN.—George B. Southworth has become associated with Income Funds, 152 Temple Street. Mr. Southworth was formerly Vice-President of George C. Lane & Co., Inc.

Robert Tutwiler With Barclay Investment Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Robert E. Tutwiler has become associated with the Barclay Investment Company, 39 South La Salle Street. Mr. Tutwiler was previously with Adams & Co.

Watling, Lerchen Add Two

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH — Thomas B. Anderson, Jr. and Hugh A. McPherson II are now with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

With John J. O'Brien & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Russell M. Chandler has become affiliated with John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.— Earl V. Olson is now associated with Waddell & Reed, Inc., 8943 Wilshire Boulevard. Mr. Olson was previously with C. E. Abbett & Co. and Slayton & Co., Inc.

Joins Akin Lambert Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.— Bryan B. Odom has become associated with Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

G. Brashears & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harlan C. Cottrell has been added to the staff of G. Brashears & Company, 510 South Spring Street, members of the Los Angeles Stock Exchange.

Two With John G. Sessler

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John J. Coveney and Louis P. Schultz have become connected with John G. Sessler & Co., 10 Post Office Square.

Colonial Associates, Inc.

BOSTON, MASS.—Colonial Associates Inc. has been formed with offices at 49 Federal Street. The firm will act as distributors of Gas Industries Fund.

Expanding World Markets for American Cotton

(Continued from page 9)

yen, marks, francs, guilders, crowns, zlotys and lira, but to buy our cotton they must have United States dollars—money that can be spent in this country. Therein lies the difficulty—theirs as well as ours. It was the main problem that we faced in the years before the war and it remains our greatest problem since the War's close. How to get dollars to pay for American cotton? That is what mills everywhere abroad are saying. They add, "I have money—our kind of money—but I cannot exchange it for dollars—American dollars. What can I do?"

This is what textile mill owners in France, Italy, Spain, Czechoslovakia, Poland, Germany and elsewhere in Europe told me only a few weeks ago. The same situation is true with respect to China and Japan. So, it is not simply a question of finding a market for cotton. We must think in terms of how to reach the markets that exist.

What Has Been Done

Since the end of the war in 1945 American cotton exports have largely been financed by the Federal Government and through programs carried on by the Federal Government. First, there was the Lend-Lease Program. It was followed by the $100,000,000 special cotton loan program announced by the Export-Import Bank and the German and Japanese cotton-for-textiles program which accounted for around $215,000,000 worth of cotton, through the $60,000,000 Japanese loan and the $150,000,000 Federal revolving fund. Now we have the ECA program. During the first year, 1948-49, around $400,000,000 was advanced for the purchase of cotton. Prospects for increased business under this program during the coming season now appear good. So, all in all, financing cotton for export has been and still is in the hands of the United States Government.

What is going to be the final answer? When will we again be able to sell cotton in volume to customers who pay with their earned dollars? I am sure I don't know. I am afraid it will not be soon. Is there anything we can do in the meantime more than what we are now doing? I think we should look carefully to see. The situation we face demands that that we be resourceful, energetic and courageous.

Exchange of Goods

Would it not be a good idea to exchange goods of which we have too much for goods which we need but do not possess? You may say we have been trying to do that all along. We have, it is true. But the results are less than desired largely because of the world currency situation of which I have just spoken. If we have more cotton than we need, the surplus is of no particular benefit to us. Why not then exchange this surplus with some foreign country that is unable to buy cotton from us? Take something they have that we need. Would it not be better to have our funds invested in something that we want and need either now or in the future, than to have our money tied up in surplus cotton—a commodity that we can always produce in plenty?

I would like you to recall the authority given the Department of Agriculture by the Congress in 1939. We were authorized to exchange surplus cotton for rubber with the British Government. Some doubted the advisability of that program at that time. I know, for I was then in Commodity Credit Corporation and was helping handle it. Some held visions of failure and regret. It was hard to see the opportunities and benefits. I remember how views changed after Pearl Harbor. At that time, we had just completed the transfer of about 600,000 bales of surplus cotton for nearly 90,000 tons of pure white crude rubber in slab form shipped from the Malay States. This stock of raw rubber constituted a big part of our national supply when the war broke out and was transferred from the Commodity Credit Corporation to the control of the military establishments for safekeeping and essential use.

The benefits secured from that exchange program have never been in doubt—from the very outset of the War. It was all to the good. It was splendid to have had such a good foresight. But what happened to a proposal that was made when the War ended to exchange some of our surplus cotton for something more beneficial? This time it was not for rubber, but for cotton textiles. The ravages of war had left the world outside of this hemisphere poorly clothed and ill-fed. Many countries had acquired U. S. dollars during the war by shipping us their goods or by providing facilities for our military forces. They had the money to pay for cotton textiles, but the War had brought cotton manufacturing virtually to a standstill in Europe and nearly so in Japan. The war-torn countries had the machines men and the know-how, but they had neither raw cotton nor the funds with which to purchase it. So it was only natural to suggest that we ship the remainder of our surplus cotton—much of it dregs from previous years' accumulation—to the occupied areas and take payment in textiles; then, in turn, we would sell those textiles to the countries in vital need and with the money to pay.

Perhaps you remember the criticism that was leveled against that proposed deal. Some took the view that shipping cotton to newly occupied enemy territory was a great risk too hazardous to be undertaken. Others foresaw the Department of Agriculture getting into the textile business and that was all wrong. Others were sure if we undertook the business we would see the time that we would regret having done so. But fortunately courage and optimism prevailed. The arrangement was undertaken and was successfully carried to completion. It was a very profitable operation to all parties concerned.

There are no critics of that program today. Like the cotton-for-rubber exchange on the eve of Pearl Harbor, it stands fully approved. Regaining the German and Japanese markets for American cotton over synthetic fibers and foreign grown cotton is regarded as an accomplishment worthwhile.

Now what about the future? That is what I am leading up to. That is my main point. What are going to be our views and attitudes about it? For our whole welfare is bound up in the future.

Cotton for Strategic Materials

The recent amendment to the Commodity Credit Corporation's charter has given the corporation authority to undertake programs of exchanging surplus farm products for strategic and critical materials. There are more than 50 kinds of such materials listed on the active procurement list of the military munitions board. This new authority opens up a new field of activity for operation. Its future depends upon our clear vision of possibilities and the energy with which it is pursued. I say "we" because it is a challenge to everyone in the cotton business.

We should look for and should receive much help from those engaged in merchandising and shipping cotton. Their business is to negotiate trades. They are the salesmen on overseas business. This is a challenge to their resourcefulness and to their ingenuity. It is a type of operation adaptable to private trade. We would welcome suggestions on how best to develop this new business and we will entertain sympathetically sound proposals for specific business transactions.

The danger I see lies in becoming complacent. We must concern ourselves more about the accumulation of surplus stocks. More about ways and means of converting our valuable surplus resources into something useful and beneficial to the American economy. To sit back, wait and do nothing is a down-hill road to disaster.

Cotton Situation

Any discussion of world markets for cotton requires some analysis of the world cotton situation. By way of review I should like to recall the trend of events. You will remember during the period of the 1930s that more cotton was produced in the world than was consumed. That this resulted in an accumulation of carryover stocks that exceeded on a world basis 23 million bales by the time the recent European war began. You may also remember that during the war cotton production dropped abruptly and that cotton consumption did also. The result was that when the war ended the world carryover of cotton exceeded 28 million bales, the largest on record and far more than enough to supply the whole world for an entire year. Eleven million of those bales were in the United States.

During the first year after the war, the 1945-46 season, the world consumed 4 million more bales of cotton than was produced in the world. This reduced the carryover by a like amount. In the second year, the 1946-47 season, the world again consumed more cotton than was produced, this time by nearly 7 million bales. In the following season, 1947-48, world consumption again exceeded production and by nearly 4 million bales. By this time the record world carryover of cotton of 28 million bales of three years earlier had been cut in half. It was down to 14 million bales. Meanwhile, world consumption of cotton had increased about 20% and the 14 million bale carryover was only enough cotton to last the consuming mills of the world six months. The carryover in the United States had been reduced by much more than half from over 11 million bales to about 3 million bales—an unusually low figure.

Our experience in supplying the German and Japanese cotton textile mills since the war clearly shows the desirability of maintaining cotton stocks in amounts equal to about four months' mill consumption. This amount of cotton is necessary in order to sustain mill operations at any given level of production. This past year's experience under the ECA program has also shown the same thing. It therefore seems clear that a desirable working stock of cotton is equal to about four months' mill consumption. Any smaller supply definitely tends to restrict mill operations. Restrictions of this sort, a shortage in the supply of raw material quickly stimulated the production of synthetic fibers—the alternative raw material—the substitute for raw cotton.

At this time last year world stocks of cotton were down to only six months' mill requirements. Some of this was extra long staple Egyptian cotton clearly in excess of world needs as was also some of the very low grade short Asiatic type cotton in India and Pakistan. It was evident therefore that the mills of the world could no longer consume substantially more cotton than the world produced. If mill consumption were to increase further, world production of cotton had to increase. Fortunately, I believe, we had at that time an unusually good crop of cotton in the United States. It came just at a time when consuming mills around the world wanted reassurance of a continuing supply of raw cotton adequate to meet their needs. Our large crop may have been looked upon by some as a near calamity. In retrospect, I believe the excellent yield of last year will be regarded as a good thing. What was not needed was the increase in planted cotton acreage in the United States this year. An acreage about like that of last year with normal yields would have been about right.

The larger crop just referred to in the United States together with the reduction in cotton consumption of more than a million during the season now ending has reversed the world trend regarding reduced carryover stocks. The world carryover at the beginning of the new season, next Monday, is expected to be about 15.1 million bales of cotton—up about a million bales from a year ago. This is not an excessive world carryover. But it should not be increased. With world food demand now being better met than it was a few years ago, some of the acreage previously devoted to food in some countries is again being planted to cotton. This is adding to the rising trend in world cotton production and, without an equal rise in the world consumption of cotton, the world carryover could again become excessive. There are a number of indications that now point in that direction.

Synthetic Fibers

As is generally known, the use of rayon throughout the world has been on an upward trend since the end of the war. World production of rayon in 1948 exceeded the production in the last prewar year by 10%. The present capacity to manufacture rayon is about 50% larger than the amount of rayon produced last year. In Europe and Japan, manufacturing capacity for rayon staple fibre is twice as large as the quantity of rayon produced in 1948 and this capacity for continuous filament yarn is about 40% larger than the quantity manufactured last year. Most of the excess capacity in Europe is outside France and Great Britain. In France and in Great Britain manufacturing plants are being run to near capacity. A large increase in Great Britain's manufacturing capacity is now reported taking place.

The imperative need for all foreign countries to conserve their scarce foreign exchange, such as U. S. dollars, tends to increase the pressure to raise the output of rayon. Most countries either possess most of the raw materials required to make rayon, such as wood pulp, coal, and sulphuric acid, or can buy these materials with the soft currency they have. It is therefore much easier from a financial point of view to finance the manufacturing of rayon than it is to finance the importation of raw cotton, especially American cotton that must be paid for with U. S. dollars.

On the other hand, however, the lower level of cotton prices during the past season has made cotton more competitive with rayon pricewise. Still, rayon has been cheaper than cotton in such important consuming countries as the United States, France and Great Britain. Any further lowering of world cotton prices during the coming season would make cotton more competitive with rayon. The decline in the demand for textile in the United States this season has lessened the opportunity of European countries to manufacture rayon goods for export to this market.

Furthermore, this decline in demand for rayon is likely to be extended to other consuming countries. These factors will act as deterrents to further increases in the manufacture of rayon for export, but will have but little effect on manufacturing programs for meeting the fiber requirements within the country. This latter outlet for rayon goods will be by far the largest and most important.

In this discussion of world markets for American cotton, I tried to point out some of the things we should continue to watch in the future, with a view to focusing attention on the main problems than confront us. Let us take courage in the future, be more optimistic about what it holds, and make full use of every opportunity. The situation requires that kind of attitude. It is the basis from which much good work can begin. We have already accepted the challenge and the goal is not beyond the realm of realization for an active resourceful people resolved to see the job well done.

Security Investment Course at Hunter

An adult education course in security investment will be offered this fall for both men and women by the Evening and Extension Division of Hunter College, it was announced by Professor Broderick Cohen, Director. The course will be taught by Leonard Fischer of Merrill Lynch, Pierce, Fenner & Beane, who was formerly assistant to the manager of their Securities Research Division.

"The course, which will cover stock market trading, investment planning, types of securities and sources of financial information, is being added to the Hunter College evening curriculum in recognition of the growing public interest in investment problems," Professor Cohen said.

Mr. Fischer explained that in addition to the lectures which he will give, arrangements have been made for outstanding specialists in the field to be guest speakers. Instead of using academic text books, those attending the course will be provided with investment material actually being used week-by-week in the financial industry.

In addition to his practical experience, Mr. Fischer taught Economics at City College before the war. He holds a Master's Degree from Columbia and lectures on investments at the School of Commerce of City College.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Clarence H. Staples is now associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Philip B. Taylor has become connected with King Merritt & Co., Inc., 220 Montgomery Street. He was formerly with Hannaford & Talbot.

Investment Service Corp. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Paul J. Lundberg and Howard D. Warren are with Investment Service Corporation, Security Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Top signals becoming greater as market upsurge draws in new buyers.

The action of the ticker tape in the past few days—particularly last Saturday and Monday—must have been quite gratifying to onlookers. Stocks went up with a verve and an assurance that hasn't been seen in many a long month. There was news favoring further advance. In fact the sky was apparently swept clean of all clouds. The road ahead was clear. The overwhelming sentiment was get aboard before it was too late.

* * *

I realize the mixed metaphors are confusing. I put them in because it is an accurate reflection of board room thinking, a condition which is frequently a source of considerable amazement.

* * *

First of all let's take the news. During the past week it developed that the old business of pump priming, so much decried in the years of the Roosevelt New Deal, are back again. This time it isn't gigantic WPA projects. It is something else. But whatever the objective there is little doubt but that American industry will benefit.

* * *

The market, however, has anticipated this latest development by its creeping advance of the past few weeks. The current upsurge is the froth caused by public participation, a reflection of a kind of a bidding that spells danger to me.

* * *

The high for the move was made when the Dow Industrials crossed 181,—which brought out still new buying. Yet, if a close study be made of individual rather than average market action, it will be discovered that out of say 10 stocks, seven make daily lower prices. The three that don't are in the averages.

* * *

There's a great deal of talk about the auto stocks and how good they are. Actually the heaviest participation is in stocks which haven't done very much in the past few weeks. This kind of action has always spelled danger. It is the sort of action which brings to mind that old market cliche, "stocks are issued to be sold."

* * *

"When everybody is bullish it is time to take stock." That's a sentence that isn't original with me. I've read it somewhere before. I know, however, that in few places do lone wolf tactics pay off. It's easy to be bullish when everybody around you agrees. It's hard to shy away from the crowd. It is just at such a time, that stocks should be sold.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

The New Look of the Constitution

(Continued from page 13)

profitable crime it is a long, long day. Gangsters may slay and torture; but even the most notorious must be handled with kid gloves by a policeman. Thieves and spies and crooked gamblers may misuse the telephone; but policemen may not intrude on the privacy of their conversations. Communists may picket courts and seek to intimidate juries; but policemen must not interfere with their free speech. Massed armies of pickets may terrorize workers, destroy business and beat up men who want to work; but the national government must not interfere, unless citizens outraged by lawlessness take the law into their own hands. Then there is a great clamor for the national government to move in to make sure that the constitutional rights of the original law-breakers are protected.

Constitutional Inconsistencies

Please do not misunderstand me. I believe that the constitutional rights of every man accused of crime should be protected. I believe that officers of the law first of all should be compelled to obey the law. But, I do detest the political hypocrisy that proclaims that murders and organized crime by gangsters and labor gorillas in Northern cities must be dealt with by the local police, because a Federal law would be unconstitutional; and in the next breath demands the passage of a Federal law to curb the comparatively rare outbreaks of lawlessness in the South.

There is another new look of the Constitution affecting civil liberties which I deplore; and that is the tendency to subordinate the civil liberties of a majority of the people to special privileges which are granted to a politically strong minority. Every lawyer knows that the Constitution does not grant a single right to any minority of persons. It only grants rights to to individuals; and every liberty guaranteed is the liberty of an individual. And so it follows that your right and mine must be exactly the same. Yet, we hear solemnly proposed, and endorsed by political party platforms, a Federal law to compel business men to employ workers whom they do not want to employ and to compel workers to work with men with whom they do not want to work. This is called in unconscious irony a "Fair Employment Practice Act."

The announced purpose of such a law is to protect the alleged civil right of persons to employment which might be denied to them because of race, color or religion. There is not one word in the Constitution establishing any such right. And so the drafters of the Federal bill thoughtfully wrote in a provision by which Congress would undertake to establish this non-discrimination in private employment as a civil right. However, there is not one word in the Constitution giving the Congress power to create such a new civil right. On the contrary the 10th Amendment provides that:

"The powers not delegated to the United States by the Constitution are reserved to the States respectively, or to the people."

And, most decisively, the 9th Amendment provides that:

"The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people."

There is no more elementary right of any free people than "freedom of association." There is a fragment of this right specifically preserved in "the right of the people peaceably to assemble," which is protected by the First Amendment. But, the overall freedom of association in work or play is clearly a right retained by the people of the United States. This is an individual right which not only protects voluntary association but also must forbid any compulsion to associate. Otherwise it would be meaningless. If I could force my companionship on you, then I could destroy your freedom. You and I must have equal rights to accept or to refuse association with each other.

Fair Employment Practice Legislation

FEPC legislation, which would compel one man to employ another whom he does not wish to employ, also violates the constitutional liberty of contract to a degree never before attempted. Laws have been enacted making certain contracts illegal, or controlling the form or substance of contracts. But, so far as I am aware, this is the first instance of an attempt to compel a man by law to make a contract with a person with whom he does not wish to make a contract.

Indeed, a contract under which an employer would be forced to serve an unwanted employee so closely resembles a contract under which an employee would be forced to serve an unwanted employer, that involuntary servitude appears to be the result in both cases. Even labor laws, which require bargaining and affect the scope of contracts, do not compel a man to make a contract. But FEPC laws, making it an offense to refuse to hire an applicant because you don't like him, would cut the heart out of liberty of contract. If such a law be held constitutional then where is the constitutional barrier to complete political control of labor?

Organized labor may in time learn this lesson, as it learns so many lessons — too late. Labor fought successfully for years to stop discrimination by employers against union members. But, when recently laws were passed to forbid a closed shop discrimination in favor of union members, the unions appealed in vain to the Supreme Court to declare such laws unconstitutional. So, if tomorrow it should be held that an employer has no right to exercise his free will in selecting his employes, then day after tomorrow it may be held that the employee has no free will to select his employer. Would this be involuntary servitude? Apparently not, if the Supreme Court should approve the present arguments of the FEPC advocates, because in a law forbidding discrimination against an employer the employee would have the same right that an employer now has under FEPC. He would not be "actually compelled" to make a contract of employment, because he would be free to stop earning a livelihood!

Perhaps I have said too much about FEPC, but since this horrible prospect is riding high on the tidal "wave of the future," it seems well to point out how rapidly our ancient landmarks will be washed away whenever this wave breaks over the few constitutional barriers that still remain between us and the deluge.

"The Anachronism of States Rights"

The greatest constitutional barrier against the tyranny of national socialism has been so battered by storms of reform in the last 50 years that when its broken reef occasionally appears even scholarly critics refer to it as "the anachronism of States' Rights." The new look of the Constitution has been fashioned in the image of headstrong youth. The young-man-in-a-hurry commonly assumes that the 14th Amendment, plus the national money power granted in the Sixteenth Amendment, plus the judicial enlargement of the national commerce power, have made the States hopelessly subordinate to, and dependent upon, national law-making. In youthful ears any assertion of States' Rights sounds like a voice from the tomb wherein John C. Calhoun, Henry Clay, Jefferson Davis, and all their ideas of state sovereignty are supposed to be forever and completely buried.

Strange to say the political principles of Thomas Jefferson are still regarded as so vital and enduring that political partisans of every stripe from conservative to radical acclaim his wisdom. Yet no man exceeded Jefferson in hatred and fear of the inevitable tyranny of centralized government. It was Jefferson who wrote that—"A single consolidated government would become the most corrupt government on earth," and who prophesied that the road to destruction of the United States would be "by a consolidation first, and then corruption as its necessary consequence."

Also he wrote: "It is not by the consolidation or concentration of powers, but by their distribution that good government is effected. Were not this country already divided into states, that division must be made that each might do for itself what concerns itself directly, and what it can so much better do than a distinct authority." (Writings of Thomas Jefferson; H. A. Washington ed. VI-543; VII-216, 223.)

In his First Inaugural Jefferson called for "the support of the State governments in all their rights, as the most competent administrations for our domestic concerns and the surest bulwarks against anti-Republican tendencies."

The principle of local self-government was written into the Constitution, not merely to induce the separate colonies to agree to the creation of a Federal union, but primarily to maintain the democratic responsibility of a government which resides close to the people who are governed and which is immediately subject to their scrutiny and their control. Let me quote the penetrating wisdom of Charles Warren, a profound student of our Constitution:

"The framers knew from experience, and they intended to preserve the principle, that a local government is a responsibile government—a government which can never long be conducted in defiance of the opinions, the desires, or the prejudices of the governed; they knew that a distant and centralized government had been and could be conducted otherwise; and they were not inclined to authorize such a central government to interfere with or administer their local affairs, unless absolutely necessary for the safety, welfare and permanence of the Nation as a Nation."

How has it come about that today this profound principle is ignored and we have national laws regulating such matters of intimate and local concern as labor relations, wages and hours of work, agriculture, the growing and marketing of crops, manufacturing, merchandising, mining, and housing, with national tentacles stretching out to control education, the practice of medicine and the unknown, glimmering, beckoning objectives of social and economic security?

No one can doubt that such an extensive field of operations for the national government was never contemplated by the authors of the Constitution. No one can doubt that they deliberately denied any general police power to the national government which might authorize the extension of its authority into such realms. It was James Madison who wrote in "The Federalist" (Jan. 29, 1788): "The powers reserved to the States will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties and properties of the people and the internal order, improvement and prosperity of the State."

Should Have More and Better Local Laws

But, we are told that the social and economic conditions of 1787 have disappeared. We live in an industrialized civilization, with the lives and industries of 150 million people woven into one national enterprise by transportation and communication facilities unknown to our forefathers. We have become so interdependent upon one another that, it is argued, only national laws can insure that cooperation and harmony which are essential to our safety, health and welfare. In a word, we are told that the national government must exercise a police power superior to the police power of the states; and by legalistic magic such a power is being transmuted out of the national power to regulate commerce among the several states, or out of the national power of taxation, or—with the ghost of Madison violently protesting—out of the "general welfare" clause.

If, however, we should "recur to fundamental principles," we would see that, while these social and economic changes may seem to call for more national law-making in order that the American people may be efficiently governed, they more insistently demand more local law-making if the American people are to continue to govern themselves.

A Government of Pressure Groups and Political Traders

A central government of 150 million people has already become, and will remain, a government of pressure groups and political traders. A central government, gathering and spending billions of dollars for national defense has a clear objective and unquestioned responsibility. But, a central government, gathering and spending billions of dollars to advance the general welfare, has the dubious objective and the questionable responsibility of taking from one man to give to another, of robbing Peter to pay Paul, of satisfying those pressure groups that may deliver more votes than the pressure groups unsatisfied, of feeding citizens who are vocal and organized at the expense of citizens who are dumb and unorganized, of paying for the votes of classes and communities that will support the party in power, out of the pockets of the opposition. This is, bluntly, that present corruption of government which Jefferson warned was inevitable after centralization.

Isn't this also a defect of all local governments? Certainly it is a defect of all popular governments. But there are many redeeming virtues in misgovernment by cities, or counties or states. First, they provide the kind of misgovernment which the people who are governed want, or deserve. Second, they are so close to the people that their misdeeds are easily seen and exposed. Third, the responsibility of their public officials is direct and obvious. Fourth, a bad local government can be changed as soon as a majority of the people are informed and anxious to have a change.

On the other hand national misgovernment, entrenched in one part of the country, spreads its evil authority over another part where the people neither want nor deserve such government. For a pertinent example, Virginia is a state whose citizens as a whole believe in economical government. But, its Senators and Representatives in Congress are powerless to save citizens of Virginia from the taking and spending of their incomes by the National Government in a spendthrift paternalism that would not be tolerated within their own state.

Consider for a moment the regulation of labor relations by the Federal Government. The pressures of organized labor come from the industrial centers of the nation, and largely from a few great industrialized states. The people who inhabit the vastly larger area of the United States are economically and socially antagonistic to the monopolistic demands and oppressive practices of labor unions. As free men they should be permitted to live and work free from the remote controls of remote labor organizations which are endowed with special privileges and protected in evil practices by special immunities granted by a remote national government.

Anti-Closed Shop Laws

It is a bitter complaint of organized labor that 16 states have made the closed shop unlawful. It was argued to the Supreme Court that these were states where organized labor was not strong enough to defeat such laws; so the Supreme Court was asked to hold them unconstitutional! The Supreme Court happily declined, being fortified by the provision of the Taft-Hartley Act which graciously permitted the States to enact such laws. Now in the battle against the Taft-Hartley Act we have seen the full power of the President and a national party machine exerted to impose upon the states a renewed tyranny of national labor law enacted to advance the special interests of organizations of a minority of the people, living and working in a small fraction of the total area of the United States.

This discussion could go on indefinitely. Let me terminate it abruptly with a few general observations. As an active practitioner, and a prospective teacher, of constitutional law I must make a clear distinction between what the law is and what the law ought to be. The Supreme Court is the the final arbiter of what the law is. But the people are the final arbiter of what the law ought to be and eventually shall be. If they believe that the national government should have and exercise greater powers to promote the general welfare they will find the way to enlarge its authority. If they believe that more local self-government is essential to their liberties and their pursuit of happiness, they will find the way to enlarge the authority of the states, and the municipalities.

It was Herbert Spencer who said that—"No philosopher's stone of a constitution can produce golden conduct out of leaden instincts." If the leaden instinct for economic security so dominates the common thought that men and women are willing to accept the paternalism of a national welfare state, then the golden dream of individual liberty and genuine self-government will fade out of the Constitution and out of the lives of the American people. But, if that golden dream, which inspired the writing of the Constitution, and inspired the American people to lead the advance of civilization for more than 150 years—if that dream still inspires them, they will reestablish home rule as the only trustworthy guardian of their liberties; and they will never cease to fight against that centralization of power which, as Jefferson said, "has destroyed the liberty of man in every government which has ever existed under the sun."

Important Aspects of Gas Industry

(Continued from page 8)

ability—adaptability to changing markets—to changing supplies of raw materials, and to changes in methods for producing, transmitting and distributing its product. The manufactured gas industry lost its basic lighting load between 1888 and 1910, but gained other markets at such a pace that there were only two years during this period when the sale of manufactured gas fell below the volume marketed during the previous year.

The manufactured branch of the industry has long followed the policy of utilizing the type of raw materials and the production processes which result in the lowest cost for the manufacture and distribution of a refined form of heat energy in a given community. Beginning with the production of gas from coal, the industry has greatly increased its repertoire of production processes to encompass the cracking of oil to produce blue gas, producer gas, oil gas and carbureted water gas. Catalytic and thermal reforming have been added to this list in recent years and within the past year the Hall regenerative process for producing 1,000 B.t.u. gas from 13% carbon oil has been developed and perfected.

An Old Industry

Third, the industry is an old industry. Started in the United States in 1816, so far as manufactured gas is concerned, by the time early natural gas operations assumed potential importance in a few localities, there were already 297 manufactured gas companies in the United States serving 5,000,000 Americans.

Fourth, the natural gas branch of the industry, which is the largest division today, has all the attributes of a new industry, and the spread of natural gas is bestowing these characteristics upon more and more of the manufactured gas companies which have such a long historical background.

The growth of natural gas came along more slowly and did not reach a state of importance in some regions until the first two decades of this century. By 1925 the manufactured gas industry was serving nearly 11,000,000 customers and the natural gas industry was serving 3,500,000 people, the bulk of whom were located in 12 states. Vast new sources of natural gas were discovered and during 1928-29 large cities in Louisiana and California started the parade of changing over to natural gas. Some pipelines then snaked out as far as 300 miles. This is today about the top limit for the transmission of energy in the form of electricity.

Straight natural gas is now served to 11,000,000 customers and is now available in the pure or mixed form in 36 states. It is certain that it will be available in New England within two years. This widespread transmission of natural gas to the great majority of states has all taken place in the last 20 years. The natural gas branch itself thus constitutes a young and growing industry and its integration into the operations of a majority of manufactured gas companies may be expected to inject an important leavening effect upon their economic possibilities and to exert a spirit of newness upon these companies and the services they render.

The Outlook for the Industry

The gas industry, in cooperation with its ally, the oil industry, continues to build up proved natural gas reserves by finding more than enough new gas each year to replace what the country uses. As I have indicated, this procedure may be expected to continue for the foreseeable future. However, it is unlikely that the tremendous price advantage that natural gas has enjoyed over coal and oil can continue indefinitely at present levels. The price of gas at the well has been low, selling at around five cents per thousand feet until recently when price increases began to develop. Transportation and distribution of gas is also expensive, so that builders of pipe lines must watch and carefully evaluate their markets before stretching their investments in transmission systems beyond an economic point.

The gas industry is not simply sitting back and depending wholly upon the prospect that there will be a never-increasing supply of natural gas. It is carrying on simultaneously a substantial research program to develop and continue to improve old and new processes for the manufacture of gas from any available fuels for peakload shaving of natural gas operations and for those few companies that will remain wholly in the manufactured gas business. Marked progress has been made in the development of processes which approach the economics of natural gas for these purposes, although man cannot expect to equal or excel nature in the synthetic production of natural products. Even though the supply of natural gas should become limited or exhausted, the gas utility business as constituted at that time would not be faced with any revolution. It is a changing industry, capable of adapting itself to new conditions. Current research has made it possible for more and more natural and manufactured gases to be blended. Everything that is being done in the field of research tends to prove that gas is and will continue to be the most economic method of utilizing and distributing energy in the form of refined heat.

The American Gas Association

The American Gas Association now serves some 440 gas company members who in turn serve nine out of 10 of the nation's gas utility customers. In addition, we serve more than 500 manufacturer company members and also operate in the role of a professional gas men's society, with some 5,000 individual members.

Our annual budget runs approximately $3,000,000. This makes the Association about the size of its average gas company member. The Association now ranks among the 10 largest in the United States. This seems appropriate because the gas utility industry ranks sixth in point of invested capital.

In 1944 the Association set up a new program for enlarged promotional, advertising and research activities. The objective was to raise an additional million and one-half dollars a year from gas utility companies to enlarge the industry's research, promotional and advertising activities in order to advance the growth of the industry. The plan was to double the Association's national advertising, to quadruple its promotional activities and to increase its research work to an even greater extent. This Plan is now in its fifth year and the Committee in charge has raised approximately seven and one-half million dollars for these purposes. This is in addition to the $600,000 spent annually for customary trade association activities. The volume of these special and additional cooperative efforts has placed the American Gas Association at the head of 64 national trade associations in the matter of cooperative programs.

The activities of the Association as a whole are so numerous and multifarious that it would be an imposition upon your time and attention to give you even a brief listing of each of them. Instead I will place you for the moment in the position you would be as one of our member companies and give you a quick picture of what we do with the membership and subscription payments that you would forward us.

Much has been accomplished in the fields of production, distribution, advertising and promotion during recent years by these efforts of the industry on the national level. But if I were asked to point out the most important signals of industry progress in the future, I would not cite the accomplishments that have come from these expenditures during the past, but would point to the important steps which have been taken to bring about even greater results in the future.

I would point out that one committee of the Association now has the final responsibility for the planning of all of the Association's research work, now running at the rate of approximately $800,000 a year. I would state that another committee has the final responsibility for the planning and conduct of all of the Association advertising and sales promotional activities, now running at the rate of $1,200,000 a year. And I would emphasize particularly the fact that this latter committee also has the obligation of coordinating and integrating all these promotional activities of the Association not only with each other, but with similar activities of the gas appliance manufacturers and the gas companies.

In the light of all that I have said, we at Association headquarters feel that the gas utility industry has only begun to recognize and capitalize upon its full potentialities. With the continued support of all elements, we believe that the outlook for this 133-year-old industry was never so bright as it is today.

The Association publishes an Annual Report which summarizes the year's progress in all the fields which I have mentioned. I have a few copies of the 1948 report with me and I will be glad to distribute them to any who are interested.

Sees Government Hiking Minimum Wages Through Administrative Subterfuge

Publication of Chamber of Commerce of United States calls attention to action of Secretary of Labor under Walsh-Healey Public Contracts Act.

The weekly publication of the Chamber of Commerce of the United States, called "Business Action," on July 29 called attention to hikes in minimum wages that are being made by the government, outside of the present Fair Labor Standards Act. "All this is coming about through a federal law to which employers pay little attention until they find themselves confronted with it the publication states.

"Those employers who have faced the requirements of the Walsh-Healey Public Contracts Act are aware of what it has been doing to industry, but unfortunately most employers learn little or nothing about it until it strikes them.

"The law, passed in 1936, gives the Secretary of Labor power to fix minimum wages in industries where employers contract with the government to furnish supplies and materials, the contract value of which exceeds $10,000.

"Scores of orders have been issued during the life of this law, fixing minimum wage standards under such contracts.

"Under the language of the law, the minimum wage so fixed is supposed to approximate the prevailing minimum in the industry.

"The tendency, however, is to use these orders to up the minimum above that fixed by the Fair Labor Standards Act. Once the minimum is thus raised for certain employers in an industry obviously the minimum wage for all employers in the industry tends to be affected.

"Indeed, some students of the subject urge that an effect on wage differentials throughout all industry is inevitable when such an increase takes place."

"The point is" continues the article, "that the will of Congress under the Fair Labor Standards Act is being ignored and the minimum wage is being pushed up bit by bit through use of the administrative order device.

"The most recent danger is in the aircraft manufacturing industry where a hearing has just been held, and it has been proposed not only to increase the minimum substantially, but to broaden the definitions of the aircraft manufacturing industry.

"Employers are thus finding themselves confronted with two minimum wage laws—the Fair Labor Standards Act and the Walsh-Healey Public Contracts Act."

"There is no excuse for having these two laws producing inconsistent results," it is stated. "All minimum wage standards should be fixed by Congress.

"If we are to have both laws remain on the books, the minimum should be the same under both. Otherwise, the will of Congress is going to be defeated by bureaucratic edicts."

J. H. Goddard Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Russell L. Colley has been added to the staff of J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Fund Managers Show Increased Confidence

(Continued from page 2)

Traction). Part of these purchases were executed through rights also received as a liquidating distribution from United Light and Railways.

Commonwealth and Southern was among the issues in this group most heavily bought, also in anticipation of liquidating exchanges to be received under a dissolution program. Ten trusts purchased a total of 274,200 shares. New York State Electric and Gas, Central and Southwest Corporation and Wisconsin Electric Power were each added to eight portfolios. These companies were also all favorites in the preceding quarter. Public Service of Indiana and Southern California Edison were each acquired by six trusts which added 30,000 shares of the Indiana stock and 40,000 of the California issue. Four trusts each purchased shares of Niagara Hudson Power and North American which also are completing plans for final dissolution. Cleveland Electric Illuminating and Illinois Power were acquired by five more funds. The latter had been top favorite in the previous quarter. Its acquisition was stimulated through a special offering made by the North American Co.

Petroleum and Gas Acquisitions

Shares of petroleum and natural gas companies equalled 17% of total purchase commitments made during the quarter. A third of the additions in this group represented natural gas production and transportation companies. Purchases were triple the number of selling transactions. The latter were concentrated on no individual issues unless offset by like purchases. Phillips, Continental, Gulf and Texas were top favorites each finding their way into seven portfolios. Offsetting additions of Phillips were five sales, but selling of the other three concerns was confined to one or two trusts. Nineteen funds made additions to Standard of Jersey but much of this stock represented a 2% stock dividend. Standard of Indiana was purchased by five managements and the same number acquired Seaboard of Delaware. Cities Service was bought by six trusts, one of which made a new commitment.

Among the natural gas companies, Mississippi River Fuel and Northern Natural Gas were outstanding in popularity. Eleven managements acquired each one of these issues, purchasing 60,000 shares of the former and 27,000 shares of the latter. 20,000 shares of Republic Natural Gas were added to five portfolios. Four investment companies bought 7,100 shares of Oklahoma Natural Gas, while a like number made additions of Southern Natural. Tennessee Gas Transmission was the only transportation unit in particular favor during the period.

Building Issues

Building issues were spotlighted by a marked interest in the cement companies. Five managements purchased Lone Star and there were no offsetting sales. Neither was there any liquidation in Alpha Portland or Lehigh Portland which were each added to two portfolios. While a like number of managements bought a total of 15,600 shares of General Portland Cement, there was one small sale of 200 shares of this company. Also well liked in this general group were U. S. Gypsum, Johns-Manville and American Radiator, each being purchased by five trusts. While the largest block bought was one of 10,800 of Gypsum, two funds completely eliminated this issue from their holdings. Two managements also lightened their holdings of Manville, while three others sold the Radiator stock. U. S. Plywood was liked by three trusts, but two others decreased or eliminated the issue from their portfolios. Two companies also purchased 1,100 shares of Sherwin Williams.

Together with the last group of stocks, and the utilities, oils and natural gas companies, additions of metals and mining companies accounted for about half of the total purchases made for trust portfolios during the quarter under review. The prime favorite in this latter category was Kennecott Copper which had appeared to be losing its popularity in the previous quarter. Nine managements purchased a total of 30,700 shares. Partially offsetting sales of 9,000 shares were made by four trusts, two of which completely eliminated the issue from their holdings. Phelps Dodge did not fare as well during the period, four additions being more than matched by five decreases in portfolios. International Nickel, however, was well thought of by five managements who bought 36,400 shares. Two of these represented new commitments; there were three sales. American Metals, American Smelting, Newmont Mining, U. S. Smelting and Reynolds Metals were each acquired by a couple of managements. Two purchases of Aluminum of America were partially offset by a small sale of 200 shares.

Safeway was one of the best liked issues among the retail stocks. Purchases of 44,600 shares were represented by four new commitments and one portfolio addition. There were no sales of this company. Five trusts added to holdings of Sears Roebuck while two others lightened their portfolios. The backing which the controlling element in Montgomery Ward appeared to have secured in the management scuffle last Spring seemed to be somewhat questioned by a large number of management transactions. Although there were additions to five portfolios of 10,000 shares, six managements liquidated blocks totaling 26,500 shares. Those selling were Adams Express and American International, General American Investors, National Shares Corporation, Dividend Shares, First Mutual Trust Fund and New England Fund.

Woolworth, Grant, Newberry and Penney were each acquired by two investment companies. The greater portion of portfolio additions made by three trusts in shares of Grand Union resulted from a 5% stock dividend.

Tobaccos Liked

Tobaccos continued to be well liked as in the previous quarter. New commitments in Liggett and Myers were made by nine managements; eight others added to portfolio holdings, exercising recently distributed rights. American Tobacco was still in pronounced favor, two trusts making new commitments and three more adding to present holdings. Philip Morris was also bought.

Activity was divided in the electrical equipment issues. This was reflected by transactions in General Electric which accounted for 25% of the 40 total portfolio changes in the group. Five trusts bought 20,900 shares of this major equipment and appliance manufacturer, while six others sold a total of 18,000 shares. On the other hand, Westinghouse Electric was more popular, six managements acquiring 24,000 shares; there were only two sales. 12,400 shares of Philco were eliminated by two funds and decreased in the portfolios of three others.

Bullish on Finance Companies

Four financing concerns were favored by management. Three trusts acquired C. I. T. Financial and a like number made purchases of Commercial Credit; the latter

Balance Between Cash and Investments of 59 Investment Companies

End of Quarterly Periods March and June 1949

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent* —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	March	June	March	June	March	June	March	June
Open-End Balanced Funds:								
American Business Shares	7,580	5,176	23.3	16.6	16.9	14.5	59.8	68.9
Axe-Houghton Fund	1,103	697	13.6	9.5	2.8	7.3	83.6	83.2
Axe-Houghton "B"	396	309	17.5	13.5	12.1	16.0	70.4	70.5
Boston Fund	4,306	5,761	12.0	15.3	23.8	24.6	64.2	60.1
Commonwealth Investment	467	572	7.7	9.0	24.6	26.4	67.7	64.6
Eaton & Howard Balanced	4,211	4,240	10.6	10.4	25.9	27.6	63.5	62.0
x Fully Administered Shares	559	577	14.5	15.5	18.9	20.1	66.6	64.4
General Investors Trust	223	304	12.3	18.4	8.0	5.4	79.7	76.2
Investors Mutual	7,152	4,919	5.3	3.6	32.0	30.9	62.7	65.5
Johnston Mutual Fund	95	104	23.9	24.7	15.9	11.0	60.2	64.3
National Securities—Income	396	411	3.2	3.4	14.9	17.1	81.9	79.5
Nation-Wide Securities	734	310	6.3	2.7	26.9	29.7	66.8	67.6
Nesbett Fund	38	88	8.5	21.4	21.4	20.6	70.1	58.0
George Putnam Fund	4,332	3,432	15.3	11.9	18.5	20.2	66.2	67.9
Russell Berg Fund	300	340	22.4	25.4	23.5	29.0	54.1	45.6
Scudder Stevens & Clark	†	3,608	†	14.2	†	25.5	†	60.3
Shareholders Trust of Boston	253	572	7.5	12.3	32.9	30.2	59.6	57.5
Wellington Fund	9,629	9,581	13.5	12.6	23.9	22.6	62.6	64.5
Whitehall Fund	55	19	6.6	2.3	41.5	43.9	51.9	53.8
Wisconsin Investment Co.	232	307	13.4	18.1	6.9	7.0	79.7	74.9
Open-End Stock Funds:								
Affiliated Fund	7,099	3,600	8.7	4.1	None	None	91.3	95.9
Bowling Green Fund	103	59	18.9	11.5	None	1.9	81.1	86.6
Broad Street Investing	718	737	7.5	8.0	5.5	6.8	87.0	85.2
Bullock Fund	414	311	7.0	5.4	None	None	93.0	94.6
Delaware Fund	144	31	8.6	1.6	2.2	8.7	89.2	89.7
Dividend Shares	6,423	4,546	10.4	7.5	None	0.9	89.6	91.6
Eaton & Howard Stock	230	256	10.7	11.7	5.5	2.8	83.8	85.5
Fidelity Fund	2,991	2,414	14.5	11.3	0.3	0.5	85.2	88.2
First Mutual Trust Fund	77	128	2.5	4.3	18.5	20.9	79.0	74.8
Fundamental Investors	3,052	3,407	9.0	9.8	None	1.3	91.0	88.9
General Capital Corp.	341	459	3.8	5.6	0.3	None	95.9	94.4
Incorporated Investors	4,295	3,747	7.0	6.6	None	None	93.0	93.4
Institutional Shs.—Stk. & Bd. Gr.	193	121	9.0	6.1	None	None	91.0	93.9
Investment Co. of America	1,147	1,266	21.3	24.9	None	None	78.7	75.1
Investors Management Fund	641	685	7.2	8.2	None	1.3	92.8	90.5
Knickerbocker Fund	204	206	2.4	2.6	None	None	97.6	97.4
Mass. Investors Trust	10,142	9,495	4.7	4.4	None	None	95.3	95.6
Mass. Investors 2nd Fund	600	528	3.8	3.5	None	None	96.2	96.5
Mutual Investment Fund	51	57	8.2	9.6	17.6	18.7	74.2	71.7
National Investors	479	640	3.1	4.3	None	None	96.9	95.7
New England Fund	466	493	17.0	20.1	3.8	4.0	79.2	75.9
Republic Investors	130	100	8.9	6.8	None	5.2	91.1	88.0
Selected American Shares	2,403	2,936	16.7	21.8	1.2	1.4	82.1	76.8
§Sovereign Investors	15	22	3.8	6.1	14.2	22.9	82.0	71.0
State Street Investment Corp	13,072	13,672	20.4	22.1	None	None	79.6	77.9
Wall Street Investing Corp.	378	312	32.2	26.9	None	None	67.8	73.1
Closed-End Companies:								
Adams Express	5,923	4,518	15.6	12.8	3.0	6.2	81.4	81.0
American European Securities	1,905	1,713	22.9	21.2	7.6	16.3	69.5	62.5
American International	2,833	2,004	16.2	11.7	4.3	4.4	79.5	83.9
Blue Ridge Corp.	7,425	6,064	24.2	20.8	0.9	0.9	74.9	78.3
Capital Administration	631	648	8.9	9.4	10.4	10.7	80.7	79.9
General American Investors	7,305	6,496	20.8	19.1	0.5	3.7	78.7	77.2
General Public Service	439	406	10.3	10.0	None	None	89.7	90.0
Lehman Corporation	21,129	14,927	22.9	17.7	0.7	3.5	76.4	78.8
National Shares Corp.	1,772	2,304	19.3	25.6	6.9	5.3	73.8	69.1
Selected Industries	2,492	2,682	5.8	6.5	12.6	13.9	81.6	79.6
Tri-Continental Corp.	4,521	3,884	7.0	6.3	12.6	13.1	80.4	80.6
‡U. S. & Foreign Securities	2,103	532	6.5	1.7	None	None	93.5	98.3
U. S. & International Securities	3,314	8,044	9.1	23.0	None	None	90.9	77.0

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ‡Portfolio exclusive of securities in subsidiary or associated companies. §March quarterly figures revised. x Group securities.

SUMMARY

Change in Cash Positions of 60 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	9	7	4	20
Stock Funds	8	10	8	26
Closed-End Companies	3	9	2	14
	—	—	—	—
Totals—All Companies	20	26	14	60

concern, however, was lightened in one portfolio. Two funds also added to holdings of Associates Investment, while two others purchased Household Finance. Two investment companies made new commitments in Bank of Manhattan, the only commercial banking institution to be in any marked favor during the period, although there were scattered individual purchases of several others.

The two major can concerns received approval from several funds. Four managers purchased a total of 15,900 shares of American Can, two of these making new commitments. Additions were made to five portfolios of 10,900 shares of Continental. This was in part offset by three sales totaling 10,000 shares. There were four transactions on either side of the market in the new stock of Du Pont which had been split four ways. Other companies among the chemicals which met with more pronounced favor were National Lead, Mathieson Chemical, Kodak, Koppers Company and Pfizer.

Opinion on the air lines was fairly well divided. There were three transactions on each side of the market in Eastern, although sales of 30,600 shares offset purchases of blocks totaling only 2,500. The same type of picture was presented by single transactions on the buy and sell side in American Air Lines. There were two purchases of 13,400 shares of United and a single sale of 3,000. Increases in part manufacturers were concentrated for the most part in Bendix, Sperry and United Aircraft as mentioned previously.

Motor Industry

Purchases and sales were approximately matched among the auto and auto parts companies. Five trusts liked Chrysler, however, and only three liquidated this issue. 3,500 shares of General Motors were added to two portfolios. In contrast, the agricultural equipment makers were more favored by trust management. Seven trusts purchased a total of 16,800 shares of International Harvester while there were only two sales. Three additions to portfolios were made of Deere and both Case and the new split stock of Caterpillar Tractor were each added to two other lists. While there is no unanimity of agreement as to the proper classification today of Caterpillar, the weight of authority still favors its inclusion with the farm equipments.

Although the food stocks were not in as pronounced favor as during the March quarter, there was a limited amount of interest in certain of the leading blue chips. Four trusts purchased a total of 46,570 shares of National Biscuit; one other fund completely eliminated a block of 1,000 shares.

(Continued on page 38)

Changes in Common Stock Holdings of 44 Investment Management Groups

(March 31-June 29, 1949)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. Numerals in parentheses indicate number of managements making entirely new purchases of an issue, or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
2(1)	600	J. I. Case Co.	None	None
2(1)	5,100	Caterpillar Tractor (new stock)	None	None
3	6,400	Deere and Co.	900	1
7(3)	16,800	International Harvester	6,100	2(1)
		Auto & Auto Parts:		
5(1)	6,600	Chrysler	4,400	3
2	3,500	General Motors	None	None
2	*8,200*	*Borg Warner*	*4,000*	*4*
None	*None*	*Doehler-Jarvis Corp.*	*2,700*	*2*
None	*None*	*Nash-Kelvinator*	*2,200*	*2(1)*
		Aviation:		
5(2)	9,200	Bendix Aviation	None	None
4(2)	3,000	Sperry Corp.	700	2
5	13,400	United Aircraft	3,000	3(1)
		Beverages:		
2(1)	4,200	Distillers Corp.-Seagrams	None	None
		Building Construction & Equipment:		
2	2,200	Alpha Portland Cement	None	None
5	10,400	American Radiator	5,000	3(2)
5(2)	9,400	Johns-Manville	5,300	2
2(1)	6,300	Lehigh Portland Cement	None	None
5	3,500	Lone Star Cement	None	None
2(1)	1,100	Sherwin Williams	None	None
5	10,800	United States Gypsum	1,400	2(2)
		Chemicals:		
3	17,550	Eastman Kodak	4,000	1(1)
2	12,200	Koppers Company	None	None
3(1)	8,600	Mathieson Chemical Corp.	500	1(1)
4(1)	27,200	National Lead	None	None
2	5,300	Pfizer (Charles) Co.	None	None
		Containers & Glass:		
4(2)	15,900	American Can	200	1
2(1)	2,100	Anchor Hocking Glass	None	None
5	10,900	Continental Can	10,000	3(1)
		Drug Products:		
3(2)	3,600	American Home Products	11,900	1
5(3)	12,500	Colgate-Palmolive-Peet	500	1
3(2)	21,300	Sharp and Dohme	1,000	1
2(1)	3,000	Sterling Drug	None	None
None	*None*	*Abbott Labratories (new stock)*	*15,500*	*3*
1	*4,850*	*Merck and Co (new stock)*	*15,300*	*4(1)*
		Electrical Equipment:		
2	3,375	Sunbeam Corp.[1]	None	None
6	24,000	Westinghouse Electric	3,200	2(1)
None	*None*	*Philco Corp.*	*12,400*	*5(2)*
		Financial, Banking and Insurance:		
2	1,900	Associates Investment Co.	None	None
2(2)	1,500	Bank of Manhattan Co.	None	None
3	4,400	C. I. T. Financial	None	None
3(2)	10,500	Commercial Credit	3,300	1
2	2,100	Continental Insurance, N. Y.	None	None
2(1)	3,800	Household Finance	None	None
2	260	St. Paul Fire and Marine[2]	None	None
2(1)	13,000	Stone and Webster	None	None
None	*None*	*Boston Insurance Co.*	*1,200*	*2(1)*
		Food Products:		
2	8,700	General Foods	None	None
4(1)	46,570	National Biscuit	1,000	1(1)
3(2)	8,200	National Dairy Products	None	None
		Machinery and Industrial Equipment:		
5(1)	18,000	Allis Chalmers	900	2(1)
9	2,690	Food Mach. & Chemical[3]	3,033	2(2)
2	2,300	Ingersoll Rand	None	None
None	*None*	*American Machine & Foundry*	*16,700*	*2(1)*
None	*None*	*Babcock and Wilcox*	*2,210*	*4(2)*
1	*600*	*Combustion Engineering-Superheater*	*2,500*	*4*
1	*100*	*Dresser Industries*	*3,300*	*3*
None	*None*	*Fairbanks Morse*	*800*	*2(1)*
		Metals and Mining:		
2(1)	5,400	American Metals Co., Ltd.	None	None
2	3,050	American Smelting & Refining	None	None
5(2)	36,400	International Nickel	6,100	3(1)
9(1)	30,700	Kennecott Copper	9,000	4(2)
2	600	Newmont Mining	None	None
2(1)	600	Reynolds Metals	None	None
2	2,000	U. S. Smelting & Refining	None	None
		Office Equipment:		
3	6,890	International Business Machines	1,800	1
		Paper and Printing:		
6(1)	9,300	International Paper	4,300	2
4(1)	10,700	Rayonier, Inc.	500	1(1)
		Petroleum and Natural Gas:		
6(1)	14,000	Cities Service	700	2(1)
12(6)	111,400	Columbia Gas System[4]	200	1
7(1)	11,200	Continental Oil	4,900	2(1)
2(1)	26,500	El Paso Natural Gas	None	None
7(1)	20,750	Gulf Oil Corp.	5,750	2(1)
2	7,000	Houston Oil, v.t.c.	None	None
4(4)	13,700	Hugoton Production[2]	17,000	2(2)
11(6)	60,488	Mississippi River Fuel Corp.	None	None
11(2)	27,080	Northern Natural Gas	300	1(1)
4(1)	6,400	Ohio Oil	3,500	2(1)
4(1)	7,100	Oklahoma Natural Gas	4,400	1(1)
7(1)	18,500	Phillips Petroleum	6,300	5(2)
		Petroleum and Natural Gas—(Concluded):		
5(2)	20,800	Republic Natural Gas	4,000	1(1)
5(4)	25,800	Seaboard Oil of Delaware	None	None
3	10,700	Shell Union Oil	2,000	1(1)
2	13,000	Sinclair Oil	None	None
4(1)	2,100	Southern Natural Gas	1,400	1
5(1)	25,225	Standard Oil of Indiana	400	1
19	15,046½	Standard Oil of N. J.[5]	4,840¾	5
2	21,000	Standard Oil of Ohio	None	None
2(1)	17,500	Tennessee Gas Transmission	None	None
7(1)	10,025	Texas Company	3,400	1
20(20)	572,840	United Gas Corp.[6]	60	2
None	*None*	*Arkansas Natural Gas*	*7,000*	*2(1)*
		Public Utilities:		
4(2)	21,800	American Gas & Electric	4,700	1(1)
16(2)	96,340	American Natural Gas[7-11]	5,300	3(1)
4	15,200	Brooklyn Union Gas	None	None
3(2)	27,300	Central Illinois Public Service	7,000	1
8(3)	51,300	Central & Southwest Corp.	9,400	3(2)
13(8)	50,033	Cincinnati Gas & Elec.[4]	None	None
5	14,900	Cleveland Electric Illuminating	1,400	2
2	2,000	Columbus & So. Ohio Electric (new stock)	None	None
10(3)	274,200	Commonwealth & Southern	None	None
2(1)	11,500	Consolidated Edison, N. Y.	None	None
2(1)	5,500	Dayton Power & Light	None	None
2	21,500	Detroit Edison	None	None
3	27,000	Electric Bond & Share	None	None
3	57,000	General Public Utilities	2,000	1
5	20,000	Illinois Power	200	1(1)
2(1)	4,270	Indianapolis Power & Light	None	None
7(5)	13,145	Madison Gas & Electric[8]	2,892	4(3)
20(20)	474,230	Middle South Utilities[6]	None	None
8(1)	19,017	N. Y. State Electric & Gas	None	None
4(2)	30,900	Niagara Hudson Power	1,000	1
4(1)	27,000	North American Co.	None	None
3	11,090	Pacific Gas & Electric	None	None
3(2)	900	Peoples Gas Light & Coke	None	None
2(1)	3,200	Public Service of Colorado	None	None
13(11)	86,600	Public Service Electric & Gas[4]	None	None
6(2)	29,900	Public Service of Indiana	6,000	3(2)
2(2)	10,000	South Carolina Electric & Gas	None	None
6(4)	39,700	Southern California Edison	5,700	2
3(3)	8,000	West Penn Electric	2,000	1(1)
8(1)	16,979	Wisconsin Electric Power[11]	8,600	2(1)
		Radio and Amusement:		
5(2)	17,700	Twentieth Century-Fox Film	100	1(1)
		Railroads:		
5(1)	2,000	Atchison, Topeka & Santa Fe	700	2(2)
2(2)	85,000	Seaboard Air Line, v.t.c.	None	None
2	3,600	Union Pacific	None	None
None	*None*	*Louisville & Nashville*	*3,800*	*2(2)*
		Railroad Equipment:		
None	*None*	*Pullman*	*7,900*	*3(1)*
		Retail Trade:		
3	3,475	Grand Union[9]	None	None
2(1)	15,000	W. T. Grant	None	None
2(1)	900	J. J. Newberry	None	None
2	3,200	Penney	None	None
5(4)	44,600	Safeway Stores	None	None
5	14,800	Sears Roebuck	12,600	2
2(1)	3,700	Woolworth	None	None
		Rubber and Tires:		
4(2)	4,800	Firestone Tire & Rubber	500	1
2	1,300	General Tire & Rubber	None	None
		Steels:		
2	300	Inland Steel	None	None
5	990	Jones & Laughlin[10]	None	None
2(1)	*6,000*	*Bethlehem Steel*	*15,300*	*4*
None	*None*	*Republic Steel*	*12,664*	*4(3)*
1	*1,000*	*United States Steel (new stk.)*	*52,000*	*7(4)*
None	*None*	*Wheeling Steel*	*700*	*2*
1	*800*	*Youngstown Sheet & Tube*	*3,500*	*3(1)*
		Textiles:		
7(3)	5,100	American Viscose	7,400	5(1)
2	1,200	Colonial Mills	None	None
3	12,600	J. P. Stevens & Co.	None	None
2(1)	4,500	United Merchants & Mfrs.	None	None
		Tobaccos:		
5(2)	5,500	American Tobacco	300	1
17(9)	50,675	Liggett & Myers[11]	5,600	1
3(1)	5,900	Philip Morris & Co.	1,500	1(1)
		Miscellaneous:		
2	3,600	General Shoe Corp.	None	None
3(2)	15,200	Greyhound Corp.	None	None

—SUMMARY—

Balance Purchases and Sales Portfolio Securities
60 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	16	3	1	20
Stock Funds	14	5	7	26
Closed-End Companies	8	1	5	14
Totals—All Companies	38	9	13	60

FOOTNOTES TO ADJOINING TABLE

1 3,350 shares received as 25% stock dividend.

2 Represents in large part stock dividend from Panhandle Eastern Pipe Line.

3 767⅝ shares declared as ½% stock dividend.

4 Includes chiefly stock received with other securities in exchange for United Corp. $3.00 preferred.

5 2,480½ shares received as 2% stock dividend

6 Received with other securities in exchange for Electric Power and Light $6.00 and $7.00 preferred issues.

7 Name changed from American Light and Traction

8 4% liquidating dividend on United Light & Railways.

9 2,331¼ shares distributed as 5% stock dividend.

10 Received as 5% stock dividend.

11 Part purchased through rights.

NOTE—This survey covers 60 trusts but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by J. and W. Seligman are considered as having the weight of one manager. Overseas Securities is included in addition to the companies listed in the companion table.

Fund Managers Show Increased Confidence

(Continued from page 37)

National Dairy found three purchasers and General Foods was added to two other portfolios.

Rails

Atchison was the leading favorite among the rails, five trusts purchasing small lots which totaled 2,000 shares. Seaboard Air Line voting trust certificates and stock of Union Pacific were also each bought by two funds. Two managements eliminated Louisville and Nashville one transaction of which is of interest because it was made by two funds in the Seligman group which had held the stock for some time. A third fund in this group eliminated the same rail in the March quarter. Some significance has been attached to the sale during the period of a block of 17,200 shares of Pennsylvania by State Street Investment Corp. It is worthy to note that substantial blocks of this carrier were also purchased during last year, as was the State Street block, by Fundamental Investors and Investors Management Fund, Affiliated Fund, and Wellington Fund and, with the exception of a small lot sold by Affiliated in the last quarter of 1948, all this stock was still held in the above portfolios on June 29.

Steels Sold

Sales of the steel stocks were concentrated on United States Steel, four trusts completely eliminating this issue while three others lightened portfolio holdings; 52,000 shares were disposed of. Three managements also cleaned out their holdings of Republic while a fourth sold part of a lot. Although 15,300 shares of Bethlehem were liquidated in our portfolios, one other trust made a new commitment and a sixth increased its holdings. Other companies in which selling predominated were Youngstown Sheet and Tube and Wheeling Steel. Industrial equipment manufacturers in whose securities the investment companies concentrated their liquidation were Babcock and Wilcox and Combustion. Engineering-Superheater. Dresser Industries was sold by three and American Machine and Foundry and Fairbanks Morse were sold by two managements.

Observations

(Continued from page 5)

actually unfair at a time when ordinary income is being taxed up to 80%. The concept of a capital gain being fortuitous and not real income, as regarded by the British, has been earnestly endorsed by this writer. But to extend this concept *in practice*, particularly since the difference between capital gains and ordinary income admittedly is nebulous at some points, to so great a differential as between a 80% and a 25% tax, would seem to be too much to expect within the bounds of practical possibilities. **A prerequisite to capital gains reform is a reduction in the ordinary income rates.**

* * *

Chairman McCabe concluded his statement with the following sentences: "To realize our potential sustained expansion, we need to be concerned with assuring a steady and adequate flow of savings into equity ownership. I sincerely believe that if we are in earnest, ways and means can be found for accomplishing this purpose that are fair and equitable to everyone concerned."

A precept that surely is worthy and in every way unexceptionable—but rendered tragically futile by the cold hard cash requirements imposed by our n-th degree spending, no matter how sympathetic our Congressional fiscal leaders might be. Our equity markets need MORE Byrds in Congress!

News About Banks and Bankers

(Continued from page 16)

state that Mr. Cook was a director of the Manufacturers National Bank, the Marine Mdland Group, Inc.; the William H. Frear & Co., etc. He was a trustee and a member of the finance committee of the Russell Sage College. At the beginning of the first World War, said the advices, Mr. Cook joined the Army and was commissioned a Captain in the Corps of Engineers. He was chief of construction for all American hospitals in France. After the armistice he served as Assistant Chief-of-Staff of the Eighty-Ninth Division with the Army of Occupation. He was discharged in 1919 with the rank of Major.

* * *

The capital of the **Norway National Bank, of Norway, Maine,** was enlarged on July 28 from $50,000 to $100,000; part of the increase was brought about by a stock dividend of $25,000, while the remainder of the increase came through the issuance of new stock to the amount of $25,000, according to the weekly bulletin of the Office of the Comptroller of the Currency.

* * *

The 65th anniversary of the **Franklin Savings Institution of Newark, N. J.,** was observed on Aug. 1. It is learned from the Newark "Evening News" of that date, that the bank has launched a modernization program which will increase by almost 75% the banking floor space at 770 Broad Street. It is also stated that there have been only six Presidents in the 65 years, including Adrian Riker, father of the present President, Irving Riker. The bank's resources are now over $20,000,000, marking, it is said, a jump of $7,500,000 in the last five years. Marking the anniversary year five members of the staff serving 25 years or more were presented with gold wrist watches.

* * *

Appointment of Carl K. Dellmuth of Swarthmore, Pa., as the first full-time Secretary of the **Pennsylvania Bankers Association,** has been announced by Norman T. Hayes, President of the Association. For the past ten years, Mr. Dellmuth has been an administrative officer of Swarthmore College, and simultaneously with the PBA announcement, the College announced acceptance of Mr. Dellmuth's resignation as Alumni Secretary and Director of Athletics, so that he can devote his entire time to the bankers post. The selection of Mr. Dellmuth is in line with the Association's program as approved at its annual convention in Atlantic City in May, creating this new post and the opening of permanent headquarters in Harrisburg. Mr. Dellmuth will have his offices in the new quarters at 17 North Front Street, Harrisburg. Heretofore, Charles F. Zimmerman, President of the **First National Bank of Huntingdon, Pa.,** has acted as Secretary of the Association.

Mr. Dellmuth was graduated from Swarthmore College in 1931. After seven years in business he returned to Swarthmore as its first Alumni Secretary.

Mr. Dellmuth is 40 years of age and has recently returned from a year's tour around the world.

Our Reporter's Report

Although not providing any immediate stimulus for the new issue market, the latest credit-easing action of the Federal Reserve Board —lowering reserve requirements of member banks—could possibly provide a fillip once the summer is out of the way.

The avowed intention of the Reserve is, of course, to lend a spur to business revival. But since borrowings of industry and trade have been in a long downward trend and the volume of lendable funds has been ample for some months, it appears that the reduced reserve requirements will hardly carry any near-term weight in that direction.

However, the Federal Government is committed to a program of deficit financing which could run to five billions of dollars over the current fiscal year. A start already has been made along that line by the Treasury's recently adopted program of obtaining additional cash in the course of refinancing its maturing bills and certificates.

The government bond market has been pushing steadily forward since June when the Reserve reversed its anti-inflationary policy, and took another sharp stride ahead in the way of the current action.

Releasing additional bank reserves for investment naturally puts those institutions in better position to take up new Treasury paper as it comes on the market and, accordingly, keeps interest rates down to a minimum, likewise the cost of government borrowings.

On Dead-Center

The corporate new issue market remains virtually at full deadcenter for the moment and seems destined to stay pretty much in that position for several weeks longer.

However, an occasional small emission makes its appearance, as for example yesterday when bankers brought out a block of 4½% preferred shares of Pennsylvania Power & Light Co., priced at 102¾.

Demand was reported brisk with indications of a quick cleaning up of the deal. Incidentally, it was expected that an issue of 80,000 shares of cumulative preferred stock, $30 par, of Iowa Southern Utilities Co. of Delaware, would reach market early next week, and there was said to be good preliminary inquiry for the shares.

So it begins to appear that investors once more are disposed to look at senior equities which, only a few brief months before could not get a hearing.

Rail Equipment Issues

Chicago, Milwaukee & St. Paul & Pacific RR. is scheduled to open bids on Aug. 24, in Chicago, for an issue of $5,640,000 of equipment trust certificates, but there are indications that this type of financing is slated to slow-down in the months ahead.

Such offerings have been coming to market in sizeable amounts thus far this year and it is now calculated that of the $450,000,000 which was in sight, approximately $345,000,000 has been accounted for by way of new issues.

Although this would indicate that roughly $100,000,000 remains to be floated between now and the close of the year, it is possible that actual flotations may run short of such a total particularly in view of the cutting back of car and engine orders by the carriers.

Getting a Bit Nettled

Well, you can't blame a fellow for trying. But this business of tial issues, is beginning to get unorganizing banking syndicates to bid for "ideas," instead of potender some people's skin.

At least that is the impression one gets from talking to people in the underwriting trade. The game goes on and now one hears of groups forming to bid for a Milwaukee Gas Light Co. issue, which the company is reported to have thrown off with the statement that it has no pending plans for any financing.

Some houses, in fact most, do their checking first and then proceed to organize. But apparently a bit overzealous, a few these days are given to "jumping-the-gun" leaving certain of their constituents a bit "irked," what with the heat.

No Need to Expand RFC Powers

(Continued from page 11)

exceeding 10 years is an equity capital loan which should not be supplied by the government.

Even such loans as the RFC may advance to aid small business in getting started should not in our opinion have a maturity date in excess of 10 years. As the Banking and Currency Committee pointed out in its report in 1948, any loan with a maturity in excess of 10 years encroaches upon the field of capital financing. If the Congress believes that the government should aid small business in meeting its capital requirements, the best form of aid it can provide is tax relief which will enable small business to accumulate and attract the capital it needs as the business grows.

No Need to Increase RFC Lending Power

With respect to the provision in the Bill now under consideration which would increase the lending capacity of the corporation to $5 billion, we believe that the corporation's present lending capacity is adequate and that no increase is required. At the present time the corporation has a total lending capacity of $2½ billion, excluding the $1 billion 100 million outstanding prior to June 30 1947. Of this $2½ billion total, approximately $1 billion is presently unused. It is immediately available to the corporation to carry on its business.

In view of the existence of this large amount of available funds, we see no reason for increasing the corporation's capacity to lend at this time. If the $1 billion 100 million of loans made prior to June, 1947, which are in process of liquidation, are excluded from consideration, the present bill would double the lending capacity of the corporation. This is a drastic increase and should be carefully considered by the Congress before it is authorized. Adequate and detailed study of the proposed increase should be carried out by all interested parties, and the need for such an increase should be clearly established after full and careful consideration.

The proposed $2½ billion increase in the Corporation's capacity to lend may impose a further financial burden upon the government now, at a time when it again has had to return to deficit financing. If the corporation were to use all its requested authority to lend an additional $2½ billion, it would have to obtain money from the Treasury. Already confronted with deficit financing, the Treasury would have to obtain these funds from the open market, in addition to the other borrowed money required to meet its deficit. This further resort to the use of government credit to assist in the financing of private business is not justified by present economic conditions. Adequate working capital is presently available from the banks and other private credit sources.

Throughout the period of postwar reconversion and reconstruction, the banks increased their business and industrial loans outstanding by approximately $8,600 million. Most of this increase took place in 1946 and 1947. During 1948, when the Voluntary Credit Control Program of the American Bankers Association was under way, the net increase in bank loans was only $700 million. This program of credit control received the generous approbation of the Administration and members of Congress.

Since last December, bank loans have declined, not because of any reversal of bank lending policies, but because of lower commodity prices, restricted inventory policies on the part of business, lower industrial production and the refunding of bank loans into new issues of industrial securities under present favorable market conditions. All these factors have lessened the demand for credit and have brought about a decline in the volume of bank credit outstanding.

As of July 27, business, industrial and agricultural loans outstanding by weekly reporting member banks totaled $12,875 million, a decrease of only $1,627 million below their level a year earlier. In view of the decline in consumer demand, lower inventory policies, reduced production and the refunding of bank loans into long-term securities, this net reduction in the amount of loans outstanding is relatively small.

Flexibility of Bank Credit Policy

Banking in the present period is again demonstrating the flexibility and adaptability of its credit policies. It is sensitive to the ever-changing trends and conditions affecting the credit needs of business borrowers, as well as those of the economy as a whole. Banking has responded to the legitimate credit needs of business, notwithstanding many uncertainties regarding monetary policies, and many disturbing legislative proposals affecting bank reserves which have been submitted to the Congress in recent year.

The report of the President's Council of Economic Advisers submitted to the Congress by the President on July 11, states: "Business credit is in general available in ample amount and on favorable terms and there is no evidence of serious banking pressure on borrowers to liquidate their loans."

Certainly the business adjustment of the past several months has not developed into a period of credit stringency. The banks and other private lenders stand ready to meet every legitimate demand for business and industrial credit.

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)	Aug. 14	82.3	81.3	77.8	94.9
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 14	1,517,200	1,498,800	1,434,300	1,710,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 30	4,676,600	4,684,700	4,819,950	5,455,450
Crude runs to stills—daily average (bbls.)	July 30	¶5,187,000	5,143,000	4,279,000	5,774,000
Gasoline output (bbls.)	July 30	18,058,000	18,301,000	15,760,000	17,646,000
Kerosene output (bbls.)	July 30	1,478,000	1,491,000	1,499,000	2,213,000
Gas, oil, and distillate fuel oil output (bbls.)	July 30	6,293,000	5,807,000	4,495,000	6,785,000
Residual fuel oil output (bbls.)	July 30	7,205,000	7,489,000	5,095,000	9,311,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 30	109,964,000	110,569,000	97,551,000	99,201,000
Kerosene (bbls.) at	July 30	25,547,000	24,544,000	22,850,000	20,936,000
Gas, oil, and distillate fuel oil (bbls.) at	July 30	70,767,000	*69,365,000	54,758,000	52,429,000
Residual fuel oil (bbls.) at	July 30	67,166,000	68,517,000	30,737,000	48,618,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 30	723,810	718,516	644,182	894,375
Revenue freight received from connections (number of cars)	July 30	564,852	558,004	559,030	703,678
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 4	$239,245,000	$131,819,000	$138,526,000	$153,594,000
Private construction	Aug. 4	100,250,000	51,921,000	42,884,000	65,811,000
Public construction	Aug. 4	138,995,000	79,898,000	95,642,000	87,783,000
State and municipal	Aug. 4	111,952,000	61,870,000	64,839,000	65,684,000
Federal	Aug. 4	27,043,000	18,028,000	30,803,000	22,099,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 30	7,360,000	*6,995,000	1,310,000	12,561,000
Pennsylvania anthracite (tons)	July 30	965,000	1,059,000	63,000	1,231,000
Beehive coke (tons)	July 30	11,200	*5,900	19,400	138,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 30	208	207	238	235
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 6	5,466,004	5,518,485	4,982,173	5,319,409
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 4	171	168	153	116
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 2	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Aug. 2	$45.91	$45.91	$45.91	$43.94
Scrap steel (per gross ton)	Aug. 2	$19.92	$19.33	$19.33	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 3	17.325c	17.325c	15.700c	22.900c
Export refinery at	Aug. 3	17.550c	17.550c	15.925c	23.425c
Straits tin (New York) at	Aug. 3	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Aug. 3	14.750c	14.500c	12.000c	19.500c
Lead (St. Louis) at	Aug. 3	14.550c	14.300c	11.850c	19.300c
Zinc (East St. Louis) at	Aug. 3	10.000c	10.000c	9.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 9	103.77	103.21	103.36	100.74
Average corporate	Aug. 9	114.46	113.89	113.31	111.62
Aaa	Aug. 9	120.63	120.22	119.20	116.22
Aa	Aug. 9	118.80	118.40	117.60	114.27
A	Aug. 9	113.70	112.93	112.37	111.07
Baa	Aug. 9	105.86	105.17	104.66	105.52
Railroad Group	Aug. 9	109.24	108.34	107.62	107.62
Public Utilities Group	Aug. 9	115.82	115.43	115.04	112.00
Industrials Group	Aug. 9	119.00	118.40	117.60	115.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 9	2.23	2.27	2.26	2.45
Average corporate	Aug. 9	2.93	2.96	2.99	3.08
Aaa	Aug. 9	2.62	2.64	2.69	2.84
Aa	Aug. 9	2.71	2.73	2.77	2.94
A	Aug. 9	2.97	3.01	3.04	3.11
Baa	Aug. 9	3.40	3.44	3.47	3.42
Railroad Group	Aug. 9	3.21	3.26	3.30	3.30
Public Utilities Group	Aug. 9	2.86	2.88	2.90	3.06
Industrials Group	Aug. 9	2.70	2.73	2.77	2.88
MOODY'S COMMODITY INDEX	Aug. 9	342.2	341.8	334.9	427.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 30	161,429	152,210	161,576	176,753
Production (tons)	July 30	162,831	158,764	153,817	178,892
Percentage of activity	July 30	80	76	75	92
Unfilled orders (tons) at	July 30	268,530	274,741	243,297	358,955
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Aug. 5	128.2	128.5	127.9	144.7
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 23	16,162	16,205	14,062	28,335
Number of shares	July 23	462,012	471,820	388,337	852,218
Dollar value	July 23	$17,148,809	$17,508,389	$13,834,953	$32,226,717
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 23	15,981	15,991	13,717	26,843
Customers' short sales	July 23	188	252	141	148
Customers' other sales	July 23	15,793	15,739	13,576	26,695
Number of shares—Customers' total sales	July 23	441,561	447,882	363,141	804,551
Customers' short sales	July 23	6,604	9,645	5,577	5,427
Customers' other sales	July 23	434,957	438,237	357,564	799,124
Dollar value	July 23	$13,893,415	$14,148,078	$11,678,126	$28,578,780
Round-lot sales by dealers—					
Number of shares—Total sales	July 23	141,010	158,020	109,400	231,630
Short sales	July 23	------	------	------	------
Other sales	July 23	141,010	158,020	109,400	231,630
Round-lot purchases by dealers—					
Number of shares	July 23	185,550	178,870	160,410	263,190
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 2	152.6	152.8	152.7	169.3
Farm products	Aug. 2	164.3	164.3	165.6	193.4
Foods	Aug. 2	160.6	161.2	161.3	187.0
All commodities other than farm and foods	Aug. 2	144.9	145.1	144.5	152.9
Textile products	Aug. 2	139.5	139.1	138.3	149.1
Fuel and lighting materials	Aug. 2	130.2	130.6	130.6	136.9
Metals and metal products	Aug. 2	167.9	167.9	165.6	169.8
Building materials	Aug. 2	190.0	190.4	189.9	202.4
All other	Aug. 2	124.0	124.2	124.6	134.5
Special indexes—					
Grains	Aug. 2	152.6	152.8	153.2	178.9
Livestock	Aug. 2	210.5	207.8	206.7	274.3
Meats	Aug. 2	222.2	225.2	224.0	279.4
Hides and skins	Aug. 2	184.9	183.4	181.6	223.2

*Revised figure. ¶Includes 442,000 barrels of foreign crude runs. ‡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.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For month of June:			
Total gas (M therms)	2,315,868	2,544,850	2,245,092
Natural gas sales (M therms)	2,070,690	2,272,543	2,007,558
Manufactured gas sales (M therms)	162,594	175,731	167,263
Mixed gas sales (M therms)	82,584	96,576	70,271
AMERICAN PETROLEUM INSTITUTE—Month of May:			
Total domestic production (bbls. of 42-gallons each)	166,622,000	162,700,000	182,646,000
Domestic crude oil output (bbls.)	154,146,000	150,354,000	170,574,000
Natural gasoline output (bbls.)	12,465,000	12,335,000	12,044,000
Benzol output (bbls.)	11,000	11,000	28,000
Crude oil imports (bbls.)	12,669,000	11,952,000	10,293,000
Refined products imports (bbls.)	5,074,000	5,832,000	4,519,000
Indicated consumption—domestic and export (bbls.)	174,921,000	174,649,000	183,736,000
Increase—all stock (bbls.)	9,444,000	5,835,000	13,722,000
AMERICAN TRUCKING ASSOCIATION—Month of June:			
Number of motor carriers reporting	317	*317	317
Volume of freight transported (tons)	3,013,691	*2,826,934	2,997,286
AMERICAN ZINC INSTITUTE, INC. — Month of July:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	74,569	*73,989	69,888
Shipments (tons of 2,000 lbs.)	72,080	*66,900	67,377
Stocks at end of period (tons)	85,408	*82,919	45,671
Unfilled orders at end of period (tons)	53,423	42,705	64,922
CARBON BLACK (BUREAU OF MINES)—Month of June:			
Production (lbs.)	97,937,000	105,356,000	106,596,000
Shipments (lbs.)	90,624,000	90,430,000	102,114,000
Producers' stocks (lbs.)	178,645,000	*171,332,000	102,168,000
Exports (lbs.)	Not Avail.	19,558	28,283
COAL EXPORTS BUREAU OF MINES)—Month of June:			
U. S. exports of Pennsylvania anthracite (net tons)	609,843	616,931	611,903
To North and Central America (net tons)	291,152	358,658	450,969
To South America (net tons)	122	33	------
To Europe (net tons)	296,850	195,297	158,000
To Asia (net tons)	21,719	62,943	------
To Africa (net tons)	------	------	2,829
COAL OUTPUT (BUREAU OF MINES)—Month of July:			
Bituminous coal and lignite (net tons)	26,040,000	35,274,000	48,611,000
Pennsylvania anthracite (net tons)	3,921,000	*3,403,000	4,365,000
Beehive coke (net tons)	47,600	*266,600	453,100
COKE (BUREAU OF MINES)—Month of June:			
Production (net tons)	5,509,047	*6,325,755	6,177,800
Oven coke (net tons)	5,242,437	5,798,230	5,616,500
Beehive coke (net tons)	266,610	*527,525	561,300
Oven coke stocks at end of month (net tons)	1,705,236	1,747,677	855,635
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM)—(1935-39 Average=100) Month of July:			
Adjusted for seasonal variation	282	284	311
Without seasonal adjustment	220	267	243
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of May (000's omitted)	19,914,218	20,419,691	19,162,732
Revenue from ultimate customers—month of May	$368,577,900	$374,712,800	$341,931,600
Number of ultimate customers at May 31	41,561,493	41,355,266	39,309,819
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of June:			
Contracts closed (tonnage)—estimated	93,053	*116,975	162,367
Shipments (tonnage)—estimated	163,549	*171,101	157,109
INTERSTATE COMMERCE COMMISSION — Index of Railway Employment at middle of June (1935-39 average=100)	‡‡118.9	‡‡121.7	130.7
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	54,572	61,329	76,073
For sale (short tons)	27,643	31,728	42,333
For producers' own use (short tons)	26,929	29,601	33,740
Orders booked, less cancelaltion, for sale (short tons)	11,629	24,307	34,313
Unfilled orders, end of month, for sale (short tons)	78,944	94,958	191,553
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of July:			
Copper (per pound)—			
Electrolytic, domestic refinery	17.059c	16.342c	21.375c
Electrolytic, export refinery	17.140c	16.543c	21.668c
Lead (per pound)—			
Common, New York	13.562c	12.000c	17.808c
Common, St. Louis	13.378c	11.850c	17.608c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	71.500c	71.500c	74.625c
Silver, London (pence per ounce)	43.500d	43.500d	45.000d
Sterling Exchange (Check)	$4.02513	$4.02557	$4.02750
Zinc (per pound)—East St. Louis	9.360c	9.548c	12.462c
Tin (per pound)—			
New York Straits	103.000c	103.000c	103.000c
New York, 99% min. (§§)	102.000c	102.000c	102.400c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$78.160	$80.269	$75.423
¶Antimony (per pound), (E. & M. J.)	41.730c	41.730c	38.170c
Antimony (per pound), bulk, Laredo	38.500c	38.500c	35.000c
Antimony (per pound), in cases, Laredo	39.000c	39.000c	35.500c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$69.000	$70.154	$89.154
†Cadmium (per pound)	$2.00000	$2.00000	$1.75000
‡Cadmium (per pound)	$2.07500	$2.07500	$1.77500
§Cadmium (per pound)	$2.15000	$2.15000	$1.80000
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	16.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	*40.000c	35.913c
PORTLAND CEMENT (BUREAU OF MINES)—Month of June:			
Production (bbls.)	18,279,000	18,622,000	17,757,000
Shipments from mills (bbls.)	20,667,000	19,426,000	21,426,000
Stocks (at end of month) (bbls.)	19,782,000	*22,170,000	12,422,000
Capacity used	87%	86%	89%
RR. EARNINGS — CLASS I ROADS (ASSOC. OF AMERICAN RRS.)—Month of June:			
Total operating revenues	$735,439,107	$741,068,551	$838,105,949
Total operating expenses	588,177,393	600,852,442	626,089,812
Operating ratio—per cent	79.98	81.08	74.70
Taxes	$72,407,446	$69,181,314	$72,687,139
Net railway operating income before charges	61,263,279	57,595,281	124,972,363
Net income after charges (est.)	43,400,000	32,000,000	94,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of June:			
Production (short tons)	9,199	10,920	Not Avail.
Shipments (short tons)	12,017	10,054	Not Avail.
Stocks at end of month (short tons)	27,278	30,096	Not Avail.

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colbourne, N. S., U. S. duty included. §§Tin contained. ‡‡Preliminary figure.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Anchor Steel & Conveyor Co., Dearborn, Mich.
July 21 (letter of notification) 10,000 shares ($1 par) common stock. To be sold by Francis I. LeVeque, Dearborn. **Underwriter**—Bradley Higbie & Co., Detroit.

• Bondstock Corp., Tacoma, Wash.
Aug. 5 filed 300,000 shares ($1 par) common stock. **Underwriter**—Frank Russell & Co., Tacoma, Wash. Price will vary as market price varies. **Business**—Non-diversified closed-end management investment company.

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.

Buzzards Bay Gas Co., Hyannis, Mass.
July 26 (letter of notification) $220,000 3¾% Series A 25-year bonds, due 1971. **Underwriters**—To be offered under competitive bidding and sold for not less than par. For payment of outstanding notes.

California Oregon Power Co. (8/16)
July 26 filed $7,000,000 first mortgage bonds due 1979. **Underwriters** — Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers; Shields & Co. and E. H. Rollins & Sons (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Harriman Ripley & Co. **Proceeds**—Finance in part construction program. **Bids**—Bids for purchase of the bonds will be received at office of American Trust Co., 464 California St., San Francisco, prior to 8 a.m. (PST), Aug. 16.

• California Water Service Corp. (8/24)
Aug. 4 filed 60,000 shares series E ($25 par) cumulative convertible preferred stock. **Underwriter**—Dean Witter & Co., San Francisco. **Proceeds**—For construction.

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.

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.

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.

Diesel Power Co., Pittsburgh, Pa.
July 28 (letter of notification) 25,000 shares of common stock (par $1). Price, $50 per unit of 50 shares each. **Underwriter**—Graham & Co., Pittsburgh.

• Edgewood Junior College, Barrington, R. I.
Aug. 3 (letter of notification) $182,800 6% first mortgage serial bonds. **Underwriters**—Pilgrim Land Developers, Inc., Cranston, R. I., and A. C. Beals Co., Inc., Providence, R. I. To pay off mortgages.

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.

Food Machinery & Equipment Corp. (8/16-17)
July 26 filed $8,000,000 20-year debentures, due 1969. **Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co. **Proceeds**—General corporate purposes, including completion of facilities being constructed for manufacture of elemental phosphorus.

• Francisco Sugar Co.
Aug. 8 (letter of notification) 8,600 shares of capital stock (no par), to be sold for benefit of Czarnikow-Rionda Co. Stock will be sold on the New York Stock Exchange by A. M. Kidder & Co. and in no event will the aggregate offering price exceed $100,000.

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.

• Haimes Litho Laboratories, Inc., Wash., D. C.
Aug. 3 (letter of notification) 2,950 shares ($5 par) class A common stock; 6,950 shares ($5 par) class B non-convertible (preferred at 5% accumulative) and 1,749 shares of class A "voting stock." The latter is to be offered by Sidney S. Haimes, President and Treasurer. **Price**, all classes, $5 a share. **Underwriter**—Edward A. Jacobs, Washington, D. C. For additional equipment and 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.

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.

• Heliogen Corp., New York
Aug. 4 (letter of notification) 2,000 shares of capital stock (par $5). Price, par. Underwriting, none. Corporate purposes, including advances, maintenance of laboratory, etc. Office, 17 West 60th Street, New York.

• Household Finance Corp., Chicago, Ill.
Aug. 10 filed 60,000 shares (no par) common stock. **Price**—$23 each to employees, executives and certain other persons. No underwriter. **Proceeds** — Working capital.

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.

Iowa Southern Utilities Co. of Del. (8/17)
July 26 filed 80,000 shares of cumulative preferred stock ($30 par), convertible on or before June 1, 1959. **Underwriter**—The First Boston Corp. **Proceeds**—For construction.

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.

• Kenilind Oil & Gas Co., Inc., New York
Aug. 3 (letter of notification) 600,000 shares of common stock (par 10¢). **Price**—50¢ per share. Drill test well, etc. No underwriter at present. Names to be furnished when underwriters are engaged. Office, 400 Madison Avenue, New York.

• Louisville Gas and Electric Co.
Aug. 4 filed 250,000 shares (no par) common stock, to be sold by Standard Gas & Electric Co. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Otis & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—To be applied toward Standard's corporate indebtedness.

MacFarlane's Candies, Oakland, Calif.
July 18 (letter of notification) 9,545 shares ($1 par) common stock. **Price**—$9 per share. **Underwriter**—Stephenson, Leydecker & Co., Oakland, Calif.

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.

• Mellin's Food Co. of North America, Boston
Aug. 1 (letter of notification) 10,000 shares of 5% cumulative preferred stock ($10 par). Price, par, with a minimum purchase of five shares. For working capital. No underwriter. Office, 41 Central Wharf, Boston, Mass.

• Memorial Community Hospital, Upland, Calif.
Aug. 4 (letter of notification) $150,000 of 4% 25-year sinking fund debentures. To construct a new hospital. No underwriter.

• New England Gas & Electric Association, Cambridge, Mass.
Aug. 10 filed 124,601 common shares of beneficial interest ($8 par). **Offering**—To be offered present stockholders at rate of one new share for each 10 held. Offering price to be filed by amendment. **Underwriter**—None. **Proceeds**—To pay $1,125,000 of short-term notes and make additional common stock investments in subsidiaries.

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.

Northern Indiana Public Service Co. (8/16)
Aug. 1 filed 311,654 shares (no par) common stock. **Offering**—To be offered for subscription by stockholders of record Aug. 15 in a 1-for-7 ratio. Rights expire Aug. 29. **Underwriters**—Central Republic Co., Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction.

Northern States Power Co. (Minn.) (8/23)
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. Expected Aug. 23.

• Oklahoma Gas & Electric Co.
Aug. 4 filed 200,000 shares ($20 par) common stock, to be sold by Standard Gas & Electric Co. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp. (jointly); Lehman Brothers and Blyth & Co., Inc.; Otis & Co.; Smith, Barney & Co. **Proceeds**—To be applied toward Standard's corporate indebtedness.

Oregon-Washington Telephone Co., Hood River, Oregon
July 22 (letter of notification) 1,500 shares ($100 par) preferred stock and 5,000 shares (no par) common stock. **Price**—$98 per share for preferred and $21.50 for common. **Underwriter**—Conrad, Bruce & Co., Seattle. For extensions and betterments.

Palestine Cotton Mills, Ltd., Tel Aviv, Israel
June 29 filed 300,000 ordinary (common) shares, one (Israeli) pound par value. **Underwriter**—The First Guar-

NEW ISSUE CALENDAR

August 16, 1949

California Oregon Power Co., 8 a.m. (PST)__Bonds
Food Machinery & Equipment Corp.___Debentures
Northern Indiana Public Service Co._____Common

August 17, 1949

Iowa Southern Utilities Co.____________Preferred

August 18, 1949

Texas Gas Transmission Co.______________Common

August 23, 1949

Northern States Power Co. (Minn.)_________Bonds

August 24, 1949

California Water Service Corp.__________Preferred
Chicago Rock Island & Pacific RR., Noon (CDT)__________Equip. Trust Ctfs.

September 8, 1949

Indiana Harbor Belt RR.__________Equip. Trust Ctfs.

September 21, 1949

New York Central RR.__________Equip. Trust Ctfs.

dian Securities Corp., New York. **Price**—$5 each. **Proceeds**—To expand weaving facilities.

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**—S. 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.

Resort Airlines, Inc., Southern Pines, N. C.
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. **Underwriter**—Marx & Co., New York. **Price**—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service.

● **St. Regis Paper Co., New York**
Aug. 8 filed 860,000 shares ($5 par) common stock. **Offered**—Offered by Eastern States Corp., Baltimore, owner of 1,000,000 shares, in exchange for outstanding securities of Eastern States. For each of the 40,000 shares of Eastern States series A $7 dividend preferred stock, 9 shares of St. Regis and $4.79 is offered; for each of the 60,000 shares of Eastern States series B $6 dividend preferred, 8⅓ shares and $4.43 is offered.

● **Sierra Madre Mining Co., Spokane, Wash.**
Aug. 2 (letter of notification) 400,000 (25¢ par) non-assessable common shares. Price, par. **Underwriter**—Alvin William Mackey, Spokane. To develop and operate mining properties. Office, 711 Hutton Building, Spokane, Wash.

Silver Bell Mines Co., Denver, Colo.
July 27 (letter of notification) 20,000 shares of capital stock to be offered by Edward G. O'Brien and 20,000 by Eugene J. Nord. **Price**—$1.10 each. **Underwriter**—E. W. & R. C. Miller & Co., Philadelphia.

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.

● **Swan's Enterprises, Inc., Andrews, N. C.**
Aug. 1 (letter of notification) 100 shares of common stock and 100 shares of 6% preferred stock. For manufacture and sale of medicines and for medical research. No underwriter.

Texas Gas Transmission Co. (8/18)
July 28 filed 211,225 shares ($5 par) common stock (part of a 250,750 block bought by 14 stockholders last July at $8 a share). **Underwriter**—Dillon, Read & Co., Inc.

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.

● **2413 Farragut Avenue Building Corp., Chicago**
Aug. 5 (letter of notification) 630 shares ($5 par) common stock. **Price**—$100 each. To be sold by Sol A. Hoffman, President; David Greenberg and Samuel J. Hoffman, Vice-Presidents. **Underwriter**—Draper & Kramer, Inc., Chicago.

United Minerals Reserve Corp., Chicago
July 27 (letter of notification) 270,000 shares of common stock. **Price**—$1 each. **Underwriter**—Edward W. Ackley & Co., Boston. For development of mining properties.

Upper Peninsula Power Co.
Sept. 28 filed 154,000 shares of common stock (par $9). **Underwriters**—SEC has granted exemption from competitive bidding. An investment banking group managed by Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis, may be underwriters. **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively.

Utah Power & Light Co.
July 28 filed 148,155 shares of common stock (no par). **Offering**—To be offered for subscription by stockholders of record Sept. 13 at rate of one new for each eight shares held. Unsubscribed shares will be sold at competitive bidding. Probable bidders: Harriman, Ripley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. **Proceeds**—For construction purposes.

Utah Power & Light Co.
July 28 filed $3,000,000 first mortgage bonds, due 1979. **Underwriters**—Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. **Proceeds**—For construction purposes.

● **Victor Valley Housing Corp., Victorville, Calif.**
Aug. 1 (letter of notification) 100,000 shares ($1 par) common stock. Price, par. No underwriter. For organizational work, architects and engineers' fees on new housing project.

Western American Life Insurance Co., Reno
March 30 filed 11,975 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.

Prospective Offerings

Alabama Power Co.
July 28 reported company may sell $80,000,000 of bonds to refund its first mortgage 3½s, due 1972. Investment banking groups reported as preparing to compete for a possible new issue include: Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

American Gas & Electric Co.
July 27 reported four investment banking groups are forming syndicates to submit competitive proposals for the underwriting of company's proposed offering of 500,000 additional common shares. The groups are: Union Securities Corp.; The First Boston Corp.; Dillon, Read & Co. Inc.; Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly). The shares will first be offered, about Oct. 1, for subscription by company's stockholders, in the ratio of one new share for each nine held.

Appalachian Electric Power Co.
July 23 reported company expects to sell, probably after the turn of the year, $30,000,000 in new first mortgage bonds. Probable bidders include: Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.; Halsey Stuart & Co. Inc.

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.

● **Central Maine Power Co.**
Aug. 9 reported company expects to raise construction funds this Fall through sale of additional common stock. Expectations are that the number of shares to be involved in the offering will range between 150,000 and 300,000. Probable underwriters: The First Boston Corp.

● **Chicago Milwaukee St Paul & Pacific RR. (8/24)**
The company will receive bids at noon (CDT) on Aug. 24, in Chicago, for its proposed offering of $5,640,000 in equipment trust certificates. The certificates will be dated Sept. 1, 1949, and are to mature in 30 semi-annual instalments of $188,000 each, beginning March 1, 1950, and ending Sept. 1, 1964. Probable bidders: Halsey, Stuart & Co., Inc.; Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Cuba, Republic of**
Aug. 4 Havana official circles confirmed reports that the Cuban Government is negotiating for the sale of approximately $100,000,000 of bonds in the United States to finance a comprehensive program of public works. It was stated that $40,000,000 of the loan will be obtained this year, $30,000,000 in 1950 and $30,000,000 in 1951. Out of the first instalment of the loan, Cuba would repay $6,000,000 of the $25,000,000 loan obtained from the Export-Import Bank in 1941. The First Boston Corp. was mentioned in reports as a principal in the negotiations.

Press dispatches from Havana, Aug. 9, however, stated that Cuban banks have notified the government that they are willing to underwrite a government bond issue of $35,000,000 with option to subscribe to $32,500,000 in each of two succeeding years.

● **El Paso Natural Gas Co.**
Sept. 12 stockholders will vote on authorizing a new issue of 200,000 shares of second preferred stock (no par) issuable in series. It is understood that 65,000 shares of the stock will be issued in the first series. Of these, 50,000 will be offered to holders of $5,000,000 of the company's convertible debentures. The remaining 15,000 shares would be sold for about $100 a share. Traditional underwriters: White, Weld & Co. and Stone & Webster Securities Corp.

Gas Service Co.
July 23 reported company (subsidiary of Cities Service Co.) is preparing to file with the SEC a registration statement covering $18,000,000 25-year first mortgage bonds. It is expected that the issue will be ready for the market in September. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Harriman Ripley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly).

● **Hartford Electric Light Co.**
Aug. 31 stockholders will vote on creating an authorized issue of 300,000 preferred shares (par $50). Company proposes to register with the SEC 160,000 shares. Proceeds will be used to finance company's construction program. Probable underwriter: Putnam & Co.

Indiana Harbor Belt RR. (9/8)
July 18 reported company expects to sell September 8 $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).

● **Iowa-Illinois Gas & Electric Co.**
Aug. 8 reported company may be in market in September-October with $10,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co., Union Securities Corp.; and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.

● **Iowa Power & Light Co.**
Aug. 4 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.

● **Kansas City Power & Light Co.**
Aug. 8 reported company probably will be in market later this year or early in 1950 with $12,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers; Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly).

● **Kansas Power & Light Co.**
Aug. 8 reported company possibly will raise additional funds this Fall through sale of $5,000,000 bonds. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Union Securities Corp.; Harriman Ripley & Co.; White, Weld & Co.; Blyth & Co., Inc.

New York Central RR. (9/21)
July 30 stated that company is expected to sell at competitive bidding about Sept. 21 an issue of $9,120,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers.

● **New York Chicago & St. Louis RR.**
Aug. 10 reported company is planning the sale of $3,500,000 equipment trust certificates. It is expected that this issue will be ready for sale at competitive bidding early in October. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

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.; Blyth & Co., Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp., Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly).

● **Tennessee Gas Transmission Corp.**
July 20 the FPC in granting company authority to extend its natural gas pipeline from Eastern Kuntuck to Buffalo, N. Y., conditioned its order by requiring company to sell at competitive bidding any debt securities issued to finance the facilities. Probable bidders: Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly); Halsey, Stuart & Co. Inc.

● **Union Electric Co. of Missouri**
Aug. 8 reported company will be in market before year's end with a bond issue of $15,000,000. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co.; Blyth & Co., Inc.

● **West Penn Electric Co.**
Aug. 9 directors authorized filing with SEC a refinancing plan, which will provide for issuance of $31,000,000 sinking fund collateral trust bonds, to be sold competitively, and 856,895 additional common shares, 468,621 shares to be offered to common stockholders at rate one-for-five, the balance, 388,274 shares to be offered in exchange for preferred stocks. Unsubscribed shares will be underwritten. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers.

New Steel Wage Demands—Fantasies vs. Facts

(Continued from page 3)

as if they were in a vacuum, utterly unrelated to other factors in the economy. **Plant prices were less than jobber prices in the free market.** Prices depend upon capacity of operation. At 102%, there was a black market. At about 100% capacity, there was a gray market. At 90% of capacity, the market is normal and at 70% of capacity, prices are cut. **How could steel prices be reduced when there were rumblings of increased costs due to wage demands** and when the raw material costs were fluctuating uncertainly in an uptrend for years. In a relatively stable period like 1923 to 1928, the index of finished steel prices of the "Iron Age" declined from $53.94 to $43.30 per ton. For the period 1903 to 1912, this index fell from $37.36 to $30.54 per ton. Hindsight is more certain than foresight. Suppose Mr. Murray or Mr. Nathan were actually operating a steel plant. Would they have acted as boldly in January, 1949, when raw materials first began to fall as they now talk seven months later? Furthermore, scrap and other raw materials are now rising again. Is this the time to cut selling prices?

Mr. Nathan present fragmentary and misleading data. "In the past, the industry has preferred to cut production rather than prices." Then he presents a table immediately following entitled "Past Production and Price Trends." From 1937 to 1938, steel prices declined 2% while steel ingot production declined 44%. But Mr. Nathan omits to mention that the hourly wage rate was pushed up by the union during the 1937 boom by the same tactics that it is now using. As a result, wages rose about 5% and profits declined 108% from $94.9 million to a loss of $7.7 million. What would these deficits have been had steel prices been cut more drastically?

It is not true that, "In the past the steel industry has not cut prices." Scrap falls first and finished steel later. For example, from 1913 to 1914 heavy melting scrap, Chicago, fell from $11.21 to $9.55 and the price of finished steel from $33.22 to $28.66. In 1920, scrap dropped from $23.71 to $12.61 in 1921, while finished steel dropped from $74.74 to $42.48 in 1922. Similarly, in 1929 scrap dropped from $16.30 to $7.54 in 1932, whereas finished steel dropped from $44.18 to $37.02 in 1933. These price declines are substantial. In making policy, steel executives bear them in mind now even if Mr. Nathan finds it convenient to ignore them to suit his case.

Production and Productivity

Production fluctuates violently but the long-term growth trend is 3% per annum. Mr. Nathan states that productivity rose 50% from 1939 to 1949, first quarter. Therefore, the steel industry can afford to raise wages now.

Nathan's basic fallacy is exposed here. He compares 1939 with steel operations at 61% capacity and 1948 with 94% capacity and the first quarter 1949 with over 101% capacity. Is this fair or correct? Obviously productivity per man depends on total production.

Mr. Nathan selects his dates to produce an absurd result. However, if he had used comparable years when the industry operated at about the same percent of capacity, the increase in productivity would be consistently low, about 3% per annum. For example, for the U. S. Steel Corporation, at 90% of capacity for the years 1929 and 1948, the annual average increase of productivity is 2.1%. At 67% capacity for the years 1930 and 1936, productivity increased 2.6% per annum. At 72% capacity, for 1937 and 1946, the increase was 3.3%. At 82% capacity in the years 1940 and 1945, the increase was 3%. None of these annual averages remotely confirms Mr. Nathan's figure of 50% in a decade, or 5% per annum.

If Mr. Nathan had followed his same technique of comparing production in a poor year with that of a good year, he could have obtained even more exaggerated results. For instance, comparing 1939 at 61% of capacity with 1941 at 97% of capacity, the increase in productivity averages 10.6% per annum. Such juggled statistics underlie his conclusions to support a wage increase. **Expose the falsity of his statistical premises and his conclusions about wage increases crash to earth.**

The worker contributes little to increasing productivity. Productivity rises as output increases. Production per man is higher at full capacity than at half capacity when the work flows less smoothly. Increasing productivity is due to the investor who puts up new money, to the managers and engineers who devise better methods and the inventor who creates new machinery. These are all beyond the workers' power to affect. In fact, in some cases they have as little to do with increasing productivity as any passing observer or the "sidewalk superintendents."

Mr. Nathan's fallacy is exposed by figuring wages and profits per ton and percentage of profits to wages. Using even Mr. Nathan's two anomalous years, depressed 1939 and prosperous 1948, wages **per ton rose from $22 to $44, or 2.0 times, but profits per ton rose from $2.34 to $3.80, or 1.62 times.** Surely this is no argument for a wage increase.

The percentage of profits to wages rose in 1939 and 1948 from 10.6% to 13.3%. The wage demands of Mr. Murray constitute about a 20% increase, or more than the current percentage of profits to wages. How can any economic system work without profits? Even British nationalized industries and Soviet state trusts demand profits.

However, Mr. Nathan's grave statistical error and his resulting false conclusions and unsound recommendations stand clearly revealed by comparing similar years. More comparable years are 1923 or 1926, considered normal in U. S. Government statistics, with 1937, which like 1926 was the fifth year of peacetime business recovery from a bottom.

What do these figures show? **The wages per ton were $20.5 in 1923, $20.5 in 1926, $21.6 in 1937 and $44.0 in 1948. The profits per ton were $4.75 in 1923, $5.10 in 1926, $4.60 in 1937 and $3.80 in 1948.** Do these figures justify a wage increase? Who is exploited, the worker or the investor?

Again, the percentage of profits to wages was 23.2% in 1923, 24.8% in 1926, $20.0% in 1937 and $13.3% in 1948. These figures reveal the brittle and unsubstantial structure that Mr. Nathan has set up.

Wages—The Steel Workers' Privileged Position

"The steel workers have scarcely shared in the high prosperity of the industry," says Mr. Murray. Well, that depends on what years you select for comparison. From 1939 to 1944, U. S. Steel production rose 1.75 times, employment costs (annual wages, social insurance, etc.) rose 2.48 times and income after excess profits tax rose 1.48 times. Mr. Murray says, "The workers shared modestly." The figures indicate they shared handsomely.

Mr. Nathan supports Mr. Murray by comparing the anomalous years, 1939 and 1948. During that period U. S. Steel output rose 1.66 times, employment costs rose 2.70 times and income rose 3.14 times. Therefore, wages should be raised, says Mr. Nathan. However, if he had used the deficit year 1938 as a base, he could have presented figures showing that profits in 1948 increased even more, relative to wages and, therefore, an even greater wage increase would be justified. If 1932 had been used as a base, he would have had a fantastically distorted relation to prove that wages should increase astronomically by 1948.

However, let us try to be fair and accurate and compare 1937, the best year of the decade with operations at 72%, with 1948 at 94% capacity. The increases were 1.41 times in output, 1.97 times in weekly earnings, 2.31 times in employment costs (wages, etc.) and 1.37 times in income. A fairer comparison would be two years with steel operating at about the same capacity, **like 1937 and 1946,** when capacity was about 72%. **Output rose 1.08 times, weekly earnings rose 1.54 times, employment costs rose 2.02 times and income fell to 0.94.** Such wages do not reflect, as Mr. Murray charges, "exploitation of workers." They participated in the prosperity generously, not modestly.

Mr. Nathan's odd-looking table shows that from 1939 to 1948, average hourly earnings rose 1.87 times and profit after taxes 4.74 times. But using 1937 as a base for 1948 and the figures reported by the U. S. Steel Corp. instead of the entire industry, the increases are 1.95 times in hourly earnings and 1.31 times in profits after taxes.

The steady rise in the earnings, hourly and weekly, was accompanied also by a relative rise of wages compared to profits after taxes. The ratio of wages to profits was 256% in 1913 (at 90% of capacity), 470% in 1927 (at 80% of capacity), 470% in 1937 (72% of capacity), and 800% in 1948 (94% of capacity). Thus, **over a 40 year period, the workers' share has been steadily increasing and the stockholders' share has been steadily decreasing.**

Mr. Murray's demand of 30c per hour is equivalent to about 20% of the hourly wage and for the U. S. Steel Corp. would be equivalent to about $200 million, thus wiping out the income after taxes of $130 million. The labor spokesmen never have made clear what might be regarded as a ceiling or a limit to wage increases for organized labor which must be paid for by the white collar classes, the civil service, the farmers and the pensioners.

Declining Raw Material Prices Do Not Justify Wage Increases

Saving on raw material costs is equivalent to more than 30c per hour of wage increase, says Mr. Nathan. Messrs. Murray and Nathan maintain that the steel industry can pay increased wages if raw materials costs stay down and if finished goods prices stay up. How desirable that would be for the argument! But this combination has never yet been witnessed in history.

Raw material prices are too unstable as a measure of wage increases. Suppose steel scrap falls further. Will the CIO ask for another increase? Suppose scrap prices rise, as they do now. Will Mr. Nathan argue as eloquently for a wage cut?

Raw material prices swing violently. Wage rates hardly fluctuate. To yoke these two costs is impractical, unsound and meaningless. Raw material prices at any moment are temporary, flexible and subject to free sensitive markets. Wages are relatively permanent, rigid and monopolistic. Besides, on what grounds can the worker claim to participate in such a windfall? What has labor done to create the windfall? It is the owner who takes the risk, must bear the loss and take the profit. **Is labor willing to take a loss or cut wages if scrap prices rise?** Or does labor wish to eat its cake and also still have it?

Are Steel Profits High? The Record Says No

Mr. Nathan say steel profits have been high for a decade since 1939. However, this is an abnormal period of high operations due first to war demand and then to deferred postwar needs. In peacetime, the steel industry is either "prince or pauper." In the past 40 years, except for 1948, there was no peace period when the steel industry operated over 90% of capacity for any two consecutive years, nor in the past 50 years, except for 1906. The past abnormal decade is utterly unreliable as a basis for determining normal peacetime policy.

Mr. Nathan's past profit comparisons and future estimates are meaningless. His table, "Historical profits after taxes," makes misleading comparisons. The profits of 1939-41 were made at about 80% of capacity operations. But operations during and after the war were much higher and, obviously, profits should be higher. During the war, 1942-45, there was an excess profits tax of 80% and the corporation income tax was raised from 24% to 40%. How can these profits be compared with the three postwar years? The postwar years of 1946-48 were very active and price control and excess profits taxes were eliminated; profits should be higher than in 1942-45 or 1939-41.

Profits are not high with respect to wages. For example, the U. S. Steel Corporation shows a ratio of net income to employment costs (wages, etc.) of 13.3% for 1948, 13.4% in 1946-47, 18.5% in the prosperous years 1936-37, and 17.8% in the normal years 1921-25. For the long term, **profits are declining with respect to wages.**

Profits are not high with respect to sales. The annual report of the U. S. Steel Corp. shows the percentage of net income to sales from 1948 back to 1902. The averages show a steady decline from 16.7% in 1902-10; 13.0% in 1911-20; 10.0% in 1921-30; 5.7% in 1936-40; 5.9% in 1946-47; and 5.2% in 1948. This ratio gives a true picture because both sales and income are recorded in dollars of about the same purchasing power. These findings confirm the preceding figures which showed corresponding trends in wages per ton and profits per ton for 1948 and prewar years.

But even Mr. Nathan's own tables confirm the fact that general corporate profits are not high. Corporate profits as a percent of the national income show for 1948 a ratio very similar to that of 1941 and 1929 and only slightly higher than 1937 and 1939. Certainly these tables present no iota of justification for the great wage increase which Messrs. Murray and Nathan demand.

Dividends Are Low—The Steel Stockholder Has Been Subsidizing The Steel Worker

Dividends have risen less than wages or the cost of living. In U. S. Steel for the period 1940 to 1948, **weekly wages have risen to 194%, total employment costs** (annual wages, etc.) **rose to 223% and dividends rose to 150%.**

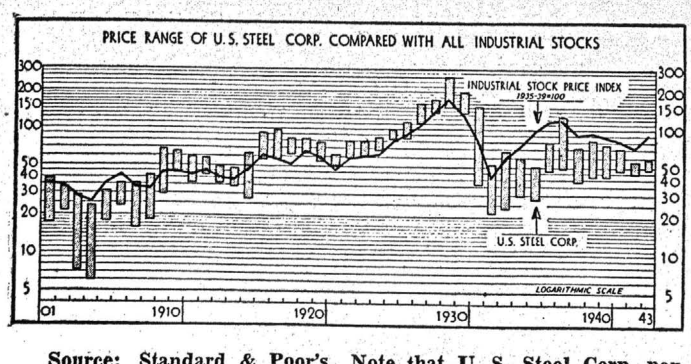
The ratio of dividends to wages is small but the amount undistributed equals the dividends paid. For the 47 years 1902 to 1948, the U. S. Steel Corp. paid in dividends only 7% of its total employment costs and the undistributed earnings amounted to 6.5% thereof. **The ratio of dividends to wages was 5.0% in 1947, 4.9% in 1946, 3.8% in 1943, zero** from 1932 to 1939 (except in 1937 —1.9%), 7.5% in 1926, 6.3% in 1923, and 12.2% in 1913. These figures of dividends to wages are realistic and significant. Both are paid in cash. Profits are not cash, but only a bookkeeping figure.

But stockholders are also people. In many companies the number of stockholders exceeds the number of employees. Some steel stock is held in pension funds and by individuals for old age reserves. These deserve as much attention as the workers' present claim for pensions. The average holding of steel stock is small, less than $2,500 at normal market values. 80% of the holders own less than this modest amount. **The cost of living has risen for stockholders also.** If the stockholders were organized on the same principle as the CIO, then the fate of these 10 to 15 million people, the backbone of American society, could be dramatically presented.

Ruthless union policy has been frightening away investors. Where will new money come from, to sustain the industry and maintain employment? Investment counsel have been eliminating steel stocks from portfolios since 1937. Professional investors do not hold steel stocks. In 1947, the National Association of Investment Companies reported that of 30 investment companies, with total assets of $1.3 billion and constituting about 75% of the total diversified investment companies, there were no steel shares included in the list of the first (largest) 50 holdings.

The process of fleeing from union threats was persistent. Lehman Corporation at the end of 1936 had $103.8 million of assets of which steel stocks were $4.9 million, or 4.7%. On June 30, 1949, **the amount of steel stocks held was zero.** Tricontinental Corporation at the end of 1936 had $64.4 million of assets of which steel stocks were $2.3 million, or 3.5%. On June 30, 1949, steel stocks were $470,000 or 0.8% of total assets of $62.6 million.

Similarly, the open-end trusts also reveal a flight from the steel industry by professional investors. The State Street Trust of Boston had in December, 1936, $50 million of assets of which steel shares were $2.6% million, or 5.2%. By June, 1949, of the $62 million of assets, **steel shares were zero.** The Massachusetts Investment Trust, the largest in the world, showed a like flight. **At** the end of 1936 of its $123 million of assets in its portfolio, steel shares totaled $5.0 million, or 3.9%. But by June, 1949, of the $213 million of assets, steel shares were $1.7 million, or 0.8%. This terrific liquidation reflects impartial and realistic appraisal of



Source: Standard & Poor's. Note that U. S. Steel Corp. performed better than all industrial stocks from 1907 until 1933 but has done decidedly worse since 1937.

what the steel labor union has done to the industry which feeds it.

As a result of such liquidation and of popular disfavor with investors, **steel shares have been lagging.** Although the Dow-Jones index of industrial stocks in 1946 exceeded its 1937 top and many other shares did substantially better, most steel stocks did not. At present even the **better large steel stocks sell at a low price-earnings ratio and at fantastic high yields,** averaging over 10% excluding stock dividends. Investors are frightened.

Instead of building new steel plants at present high costs, the government could offer to Youngstown Sheet stockholders $70 per share for their stock, or $5 above the market, could pay out the stockholders by liquidating the net current assets, now about $81, and the government would have a fine modern steel plant for nothing, plus good will and able management.

The steel stocks have been in a bear market in relation to the Dow-Jones Average. Charts show the relative price of U. S. Steel in relation to the other industrials in this group. Since 1937 the trend has been persistently down. An unreasonable labor leadership and an unreasoning economic analyst are leading the steel industry along a dangerous road, which bodes ill for the country and for steel workers as well. This is not a forecast but history. **Mr. Nathan threatens a dark future for the country if steel wages are not raised now and substantially. But the cold statistics record an ever darkening past and dismal downtrend for the industry.**

Undistributed Profits Represent Self-Denial by Stockholders

But benefits go to consumers and employees. It is not a workers' potential bonus on top of record high wages. Mr. Murray thinks that the steel companies have "access to enormous reserves," to meet the union's demand for wage increases. Similarly Mr. Nathan thinks the companies put too much into investment and too little into consumer expenditures and, therefore, wishes to increase wages and to decrease plant investment. Yet only a few months ago the CIO was rocking the country and belaboring Washington about the need for building more steel plants.

Undistributed earnings from 1941 to 1947 constituted about 54% of total earnings but from 1922 to 1929, undistributed earnings were only about 35%. This surplus of profits above dividends withheld from the stockholder and reinvested in more efficient plants, increases productivity, makes it possible to raise wage rates, shortens hours, lowers costs, creates jobs and makes for the country's progress. **Undistributed profits also enable companies to** weather depressions, to stay in business and **to continue to employ workers.** They are a trust fund for the long term and are not to be exploited in wage bargaining. They are fruits of managers' caution which labor leaders may well imitate right now.

If, as Mr. Murray says, profits are high, it is due to modern equipment, thanks to the unpaid dividends reinvested in plants. The reward should go to the self-denying stockholders and not to the workers who have consistently forced wages beyond what the traffic could bear. **With steel stocks yielding over 10%, how can new issues be sold to investors?** To yield 10%, the stock would have to earn between 15% and 20% on the market prices. But in this event, the union leaders would say that the earnings are too high and would demand another wage increase. This is a vicious cycle. It recalls the story of the defendant in court who had murdered his father and then pleaded for clemency on the grounds that he was an orphan.

Therefore, companies must finance expansion out of their undistributed earnings, and it is precisely these undistributed earnings that Mr. Murray now wishes to preempt for a wage increase. This is a chain reaction of the unreasoning and unreasonable wage policy of the unions.

Business Cycle Fallacies Are Manipulated to Support Wage Demands of Mr. Murray

Messrs. Murray and Nathan say that falling demand is due to lack of purchasing power in the hands of the workers. Therefore, they say the wages of steel workers should be raised. But these are already receiving the highest wages in history. Logically, Messrs. Murray and Nathan should now try to get more purchasing power for the workers in depressed industries, like textiles, shoes and radio. Or, if lack of purchasing power is a problem, why not raise everybody's wages and not merely the steel workers?

Insurance and pensions are matters for uniform government legislation and not for proving the relative power of union leaders. John L. Lewis cannot explain why the retired worker in the textile or shoe industry or office workers should get so much poorer treatment than Lewis' members. Unemployment insurance is uniform and a matter of State and Federal legislation. Should not old-age pensions be treated similarly honestly and fairly?

Robert Nathan Does Forecast Despite His Denials to the Contrary

He says: "Predictions are not presented." He repeatedly stated that he would avoid forecasting demand. Yet demand determines selling prices, costs and profits. His dilemma is obvious. He did not dare forecast a rise in business to justify the wage increase demanded. His scientific reputation would be at stake. He did not wish to forecast a decline as he did in 1945 and 1946 because it would weaken Mr. Murray's demands. Yet his entire calculation of profits, from which he would take increased wages, is based on forecasts. He says: "Profits under . . . *prospective* cost-price relationships are so high as to assure large profits for the steel industry after granting substantial wage increases."

He resumes his role as a prophet of gloom which resulted in the three previous wage demands. He now says that at 70% of capacity for steel, there will be much unemployment and "our system may not survive." **However, if his wage demands are granted, Mr. Nathan thinks, we shall avert that fate.**

With intelligence and reasonableness in wage negotiations, our system can survive even if steel operations decline below 70%. It has. But if union leaders are not checked, it may not survive. The important point is not the percentage of capacity operations, but the need to keep the employer out of the red as long as possible, so that he can continue to offer jobs. Raising wages at the peak of a boom will hurry him into the red early in the next recession, which is certain and inevitable though timing may be difficult.

A Wage Increase Now Will Have an Adverse Effect on the Economy

A rise in wage will be a spur to inflation. It will increase costs and retard the reduction in selling prices that occurred from 1921 onward. Stable wages and stable material costs made possible efficient production and lower selling prices during the 1920s and will do so again. **Mr. Murray should follow the example of the democratic, anti-communist labor leaders in Europe.** Since the end of the war **they have been fighting all wage increases and urging price decreases.** These labor leaders have tasted the bitter cut of inflation after the last war and want none of it now. Why does not Mr. Nathan present some of the foreign experience to Mr. Murray?

A fourth round would make consumers so jittery as to withhold buying except for most urgent necessities and thus accelerate the recession which has now already blighted 17 of the 20 industries listed in the National City Bank August compilation of profits. Stockholders will continue to be frightened by all-powerful and ruthless labor leaders and will hesitate to put forth new money to support an expanding economy.

Last but not least, the argument of Mr. Nathan, that the Treasury will pay 40% of the increase because of the corporation income tax, also means that the Treasury will be deprived of income at a time when the budget is out of balance and when the rest of the country, including lower-paid workers, will have to pay taxes to offset the corporation tax diverted to increase wages of the better-paid steel workers.

The Murray-Nathan Conclusions and the Public Reaction

Mr. Murray says that a wage increase is imperative to supply purchasing power and prevent a bust and that the steel industry can afford to raise wages and to reduce selling prices because of the high profits of the industry.

A glance at the U. S. Steel statistics since 1902 reveals how absurd this recommendation is if it had been applied at the top of every past boom. Since 1909 every year of high record production was invariably followed by a sharp decline, as for example in 1913 and 1914, 1920 and 1921, 1929 and 1932, 1937 and 1938. The cold figures cannot be argued away. **Yet Mr. Murray's argument would have required raising wages in 1913, 1920, 1929 and 1937, just before the bust began.**

Mr. Nathan would prefer a price decrease but recommends a wage increase to his clients, not a price decrease to the public and a wage increase to the few, not a price decrease to the many. **He thinks that prices cannot and will not come down and that, therefore, wages should go up.** But he conveniently overlooks how in steel scrap a black market became a gray market and then came the price collapse; how in practically all industries except steel and automobiles, scarcities have changed to surpluses and fancy prices, to basement bargain prices.

Mr. Nathan asks for a wage increase for the high-profit companies, but under nation-wide bargaining even the struggling marginal companies will be sewed up.

What is the public counter-demand? **It is to the public's best interest that steel wages should not be raised.** Such increase would set a pattern for other industries with evil consequences to the country. There is a great backlog and shortage of housing, of automobiles, and other deferred needs inherited from the war. More building at lower costs would keep the steel workers employed at current high wages. To this end the building unions should eliminate featherbedding and all the restrictions on production which put housing beyond the reach of those workers who are less well paid than the building-union members. In automobiles, the average car is 11 years old versus seven years before the war. Lower-priced steel will make possible lower-priced cars and more employment.

Once steel wages and raw materials become stabilized, competition will, as in the past, cut steel prices and stimulate general industry. Labor can make its contribution to the "national welfare" not by raising wages now but by greater efficiency, lower cost per unit, and can thus help in the historic record by management of more and cheaper goods for every body.

Is Mr. Murray willing to withdraw his wage demand if the steel industry cuts prices? Here is a test of the honesty of the Murray-Nathan alternatives of lower selling prices or higher wages and of the sincerity of Philip Murray's interest in the "national welfare." **Let him speak!**

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—He may never have intended it and he may be surprised to find it out, but Gov. Tom McCabe has put himself out in the forefront of opponents of the "Economic Expanders," by which is meant the entire left-wing of the Truman Administration, with his remarkable statement of last weekend on equity financing.

Even though the Reserve Board Chairman's statement is couched in the polite language the Board customarily uses, and even though many parts of it are far from uncritical of the private financing business, Gov. McCabe has issued the most sweeping indictment of Federal policy and the drift of Federal policy ever to come from a very high official of government within recent years.

Officially the Federal Reserve Board is an agency of Congress and to a large extent independent of politics. Officially the Board is not part of the "Truman Administration." Unofficially it has acted as though it were part of the "government team," and at least inferentially has acknowledged the role.

Only Marriner Eccles, another member of the Board, has been more forthright in criticisms of Truman Administration and Roosevelt Administration policy. Gov. Eccles, however, has been particular rather than general in his criticism. A consistent compensatory spender, he was one of the first to speak up during Roosevelt's Administration when he thought there was no further need for deficit financing. Also consistent, when he was proposing vast new reserve requirements, as an anti-inflationary device, he publicly castigated the pet scheme of the Truman Administration to make it easier to finance and build houses.

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Gov. McCabe suggested, or inferred approval of the ideas of lowered surtax rates in the upper brackets, more liberal carry forward and carry back tax provisions, elimination of "double taxation" of corporate income, more rapid depreciation allowances, some easing of the capital gains tax, permission for insurance companies to go into equity financing, and along with these, some removal of tax exemption from state and local securities. On the other side of the picture, he suggested that more liberal dividends might be helpful to stimulating interest in equity financing, and that perhaps those in the private security business should do a better job of merchandising to those he described, but did not call, the "new rich" of the farming and labor union classes. He also suggested that better devices be created to get equity financing for new and small or medium-sized business.

Where Gov. McCabe threw down the gauntlet to the Economic Expanders, however, was when he saw as the challenge, now that "the geographic frontier has gone," a new frontier.

"That frontier is technology—the technology of producing more and better goods with the resources we know are available and the technology of distributing these goods on a mass basis for the constant improvement of the standard of living of all.

"To realize our potential sustained expansion, we need to be concerned with assuring a steady and adequate flow of savings into equity ownership," Gov. McCabe said.

With the left-wing, the problem is to get more money for the government to spend and more money for the government to invest itself in business expansion, with government becoming the owner or patron and with residual management decisions.

Hence on his central as well as his particular points, Gov. McCabe has laid himself open to criticism by the "Economic Expanders." They may be expected to challenge his thesis, particularly since he is a high official. Hence Gov. McCabe may find himself the leading opponent of the Truman leftwing, or else he might back down.

* * *

This is the chief significance seen in the McCabe report on equity financing. It has little other practical significance. The occasion for the report was an apparently casual request of Chairman Maybank of the Senate Banking Committee that McCabe state what should be done to improve the status of equity financing. Maybank made this request when McCabe appeared May 11 before the committee to argue for the continuance of the supplementary reserve requirements law.

Then, too, the report represents only McCabe's "personal views." It is easy to surmise why it is personal rather than the official views of the Board. In public statements Jan. 3 and April 8 of this year, Gov. Eccles, who has a large following on the Board, derided the idea that there is a shortage of equity financing. His stated position is that if business plows back earnings, that is equity money. In Gov. Eccles' opinion, stated in his speech of April 8 before the Commonwealth club of California, the real problem is to get more purchasing power into the hands of the people.

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There has been a sharp interest in Treasury savings notes, eligible for payment of taxes, and usually sold to corporations to accumulate against their tax liabilities and to earn a little something at the same time. If held to maturity, they pay 1.40%; if held for a year, 1%, or for six months, 0.8%.

During the last few days of July and the first few days of August, sales of these savings notes aggregated $1,447 million, or $1,300 million more than in the corresponding period a year ago.

It is within the realm of possibility, it is suggested, that with sales of these notes and a more or less regular increase in the weekly Treasury bill issue, the question of how to finance a deficit variously estimated at from $3 to $5 billion for the current year, might be postponed until time for planning the December financing. Another reason which might suggest a postponement of this decision is that until Congress gets away, the size of the prospective deficit cannot be forecast within a billion or so.

However, the Treasury next week may decide whether to plan its deficit financing now and, if so, in what form of security for what terms and interest, or whether to delay the decision until fall.

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One thing which you can count upon is that until Congress disposes of the foreign arms aid bill, there will be no one in the Administration who will admit that the White House will entertain the idea that the United States should by one way or another, directly or indirectly, undertake anything which will have the effect of putting more dollars into the hands of Britain. This covers everything from the idea of another loan to England, which is most unlikely, down to the idea of some special deal to buy more from Britain or her colonies.

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Those who have followed closely the Celler hearings on the anti-trust laws come up with three broad conclusions. The hearings have adjourned until October.

For one thing, they report that the subcommittee of the Judiciary Committee, which is conducting the hearings, displays a great deal of interest in the "exemption statutes," such as Miller-Tydings, Webb-Pomerene, and Robinson-Patman. There is said to be a good prospect that the subcommittee will come up with recommendations for the repeal of some of these. Likewise, John D. Clark, a member of the President's Council of Economic Advisers, also appeared to be hostile to the "exemption statutes."

For another thing, the left-wing members of the subcommittee, including Mr. Celler, also harped constantly upon business bigness as such. It is taken for granted that so far as these members can have their say, the subcommittee next year will come up with recommendations which will hit at bigness just because it is bigness. How far the full committee will go along with approving legislation of that character is another question, for the full committee is far from being as leftish as Rep. Emmanuel Celler, the Chairman both of the full committee and the anti-trust subcommittee.

Finally, industry spokesmen were alarmed at the absence of any appreciable contingent of top business witnesses. There were a few, but only a few. These representatives feel that even though it is not a pleasant experience for businessmen to subject themselves to the kind of questioning they will get from some members of the subcommittee, industry next fall ought to appear, and in force, before the subcommittee to tell its story.

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WASHINGTON, a line at a time: The House Banking Committee means to give a hearing to Point IV's proposition that there will be guarantees of U. S. private investment abroad—if so, there will be a row because the bill merely empowers the Export - Import Bank to guarantee, without any limitations, rules or definitions. The bill to double RFC's lending power and remove maturity limits on loans was suggested by the White House, and the RFC doesn't need it, but probably resents a chance to get more discretion and money, like a child resents the offer of candy.

The Federal Reserve Board's bid to ease entrance requirements into the Reserve System will go over next year, but only for lack of time. There will be no consideration of a proposal this year, suggested by Home Loan Bank Board, to create Federal incorporation for mutual savings banks.

(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

"But who WANTS a machine to take the place of my secretary?"

Business Man's Bookshelf

Robert Johnson Talks It Over—Brochure based on talks designed to bring about mutual understanding and communication between management and employees—Johnson & Johnson, New Brunswick, N. J.—Paper.

Motor Carrier Equipment Financing—American Trucking Associations, Inc., 1424 Sixteenth Street, N. W., Washington 6, D. C.—Paper.

Operating Results of Limited Price Variety Stores in 1948 — Esther M. Love—Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass.—Paper—$2.00.

Transit Fact Book—Information on basic data and trends in the local transit industry of the United States, including final figures on operations during the calendar year of 1948—American Transit Association, 292 Madison Avenue, New York 17, N. Y.—Paper—Up to ten copies, free; over ten copies, 10c each.

World Economic Report 1948—A United Nations Publication (II C 3 1949)—Columbia University Press, Morningside Heights, N. Y.—Paper—$3.00.