What More Does The Investor Want?

By HOWARD F. VULTEE

Vice-President, The Marine Midland Trust Co. of New York

Bank investment authorities maintain business caution and other cushions will prevent business collapse and limit present readjustment period to short-lived cross between 1921 and 1928. Although conceding existence of disturbing factors, declares investment market's undervaluation is indicated by common stock prices well below book value which in turn are 40% under replacement costs. Asserts even with some earnings declines, equities will assuredly yield more than competing savings media. Concludes when visibility clear, investor will recognize values that are irrefutable.

It is apparent that the long-delayed and overdue business recession, the distillation, is very much with us. However, the use of these phrases only tends to confuse the issue. In my opinion, we are witnessing an old-fashioned business correction, somewhat confused, disoriented and postponed by government in our spending policies, by numerous "she-nanigans" and by war-caused shortages and demands, the readjustment was to be expected. It is both healthy and desirable. I continue to feel that the period we are in will prove to be a cross between the economic disturbances of 1921 and 1928. The continuance of business the readjustment already accomplished and the many well-known cushions present are sufficiently reassuring to make us reasonably confident that a vicious and spiraling type of collapse is not indicated.

Nevertheless, it seems to me that there is a tendency to accept too readily the common belief (Continued on page 30)

The Outlook for Recovery

By SUMNER H. SLICHTER

Lamont University Professor, Harvard University

Dr. Slichter describes conditions leading up to present business recession and discusses crucial questions arising out of recent developments. Holds recession is due to desire of business management to cut commitments and investments. Ascribes mildness of depression to: (1) backing of orders for durable goods; (2) cut in income tax rates; (3) increase in government spending; and (4) moderate inventory and debt accumulation. Contends recession is near bottom and upturn may be expected, though output of durable goods may drop. Opposes fourth round of wage increases and advocates price reductions.

The long-expected postwar recession began in the last half of 1946—three years after the end of hostilities. In August and September, the price level reached its peak; in October and November, industrial production reached its high; in December, personal incomes reached their top. By June, 1948, the wholesale price level was down 9% from the postwar peak. The consumers' price index was 5%. The index of industrial production was down over 20%, and unemployment was 1.6 million, higher than in June, 1946—up 73%. The postwar recession has been longer in coming than most people (Continued on page 30)

An address by Prof. Slichter before the International Apple Association, Chicago, Ill, Aug. 11, 1948.

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25 Park Place
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Published by
THE COMMERCIAL & FINANCIAL CHRONICLE
Thursday, August 18, 1949

Alambra & Louisiana Securities
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W. A. IROTS
Vice-President, Federal Reserve Bank of Dallas
Pointing out there are factors of strength as well as of weakness in mid-year economic situation, Re¬serve Bank officials see anticipated adjustment taking place in business. See evidence of inventory adjustments being completed, and a trend toward lower production costs. Stresses lack of credit ex¬cesses and absence of liquidation in security markets as favorable feature of current situation.

The trend of economic adjustment from the peaks of postwar inflation continued steadily downward during the first six months of the year, although at different rates in different major economic areas. In some cases declines were somewhat steeper than per¬haps was generally anticipated six months ago, while in other cases they were very moderate. In general, de¬clines were most marked in such areas as industrial production, manufacturing employment, and consumer expenditures, construction, agricultural production, and office machine industries. It certainly would be shortsighted and folly to be¬come smug and self-satisfied, regarding the economic situation as long as the trend is downward and there are as many elements of uncertainty in the picture as there are today. On the other hand, there is no evidence to be gleaned from an attitude of pessimism and fore¬boding that is unrealistic in terms of the economic facts. There are elements of both strength and weakness in the economy, and the relative importance of these countervailing forces should be appraised carefully.

The adjustment from postwar peak to postwar low in the sense that it has occurred first in the consumer and then in another; as yet has not shown serious cumulative characteristics. During 1947 and early 1948 vari¬ous nondurable goods lines reached their postwar highs and then entered into period of adjustment, but other indus¬tries continued to provide offsetting expansion. Aurophs prices topped their postwar peaks in late January of 1948 and then experienced a steady decline. Steel prices, which was thought by many to mark the turning point from in¬flation to deflation in the econ¬omy, also showed weakness. The weakness at that time in the durable goods line, however, failed to spread to other areas. Activity in different fields of construction showed signs of

Majestics of Economic Forces

Under such circumstances of a mixture of economic forces of varying strength—or weakness—there is the possibility that one's appraisal of the situation and his view of the future may be colored somewhat by the position of the economy engendered by the particular set or index of indexes that may be most impressive at the moment. For instance, one who observes the steel industry and the economic appraisal around the industrial production index, manufacturing employment, or total unemployment employment index might be in error, however, due to the failure to take a broader, balanced judgment based on consideration of the all of the major economic factors.

Economic or business activity is not a result of a composite of factors of industrial production and de¬velopments in related fields; neither is it only a composite of occurrences in the field of retail trade, commodities, and consumer expendi¬tures. Instead, the concept of eco¬nomical activity is the sum of total developments in trade and commerce, industry, construction, agriculture and fi¬nance that may be appropriate, after several months of business adjustment, to review briefly developments in the major areas of the economic vitality facing the nation. Perhaps such a review will provide information that will help to answer such questions as "How much recession have we had?" or "How good are our chances of recovering and how may it be of some aid in en¬abling each individual to be more re¬lieved to reach conclusions as to what the future months may promise.

Decline in Industrial Production

One of the developments which has been watched closely and with much interest by businessmen and others attempting to appraise the trend of the future is the decline in industrial production. The total production of the Nation's factories and mineral producers moved upward to 35.5 per cent of the 1933—39 level of pro¬duction during October and Novem¬ber of 1948, according to the Federal Reserve Board index. In December, however, due to a reduction in the production of nontraditional goods, the index declined slightly. As the current year opened, the softening trend, which had appeared apparent first in nondurable lines, then industry, and finally in numerous cases exceeded demand, extended to many durable goods. Moreover, as the months passed the decline accel¬erated to the point where since the first three months of the year the production of durable goods declined only from 257 percent to 231 percent of the 1933—39 average, and during the second quarter fell to an esti¬mated 194 percent of the base pe¬riod average. In the meantime the manufacturer of nondurable goods continued to be contracted, while production of durable goods, crude petroleum, also moved downward. During the first half of the current year inventories in production are steadily increasing the number of industries and the amount of reductions occurred in steel, ma¬chinery, some of the metals, tex¬tiles, and—lo and behold—crude petroleum. On the other hand, the cutback in manufac¬tured fibers was substantial during the period to mid-year. From a low in June, while production of almost all classes of manufactured goods products rose significantly.

Of course, a declining trend over a period of several months in a major business index which directly influences employment and the level of wages paid by employers obviously is undesirable, except perhaps to the extent that the de¬cline is from an unsustainable level—however, it is not the sound position. During 1943, as the production of goods was maintained.

(Continued on page 28)
What Happened to the Market?

BY JACQUES COE

Jacques Coe & Co.

Mr. Coe points out remarkable reversal in market action since mid-June in contradiction to external news and indicated business and labor prospects. Associated professionals as well as public sentiment appears to have been wholly unmindful of market trends. The prospect of a rising market still appears to be present, despite the recent setbacks.

The important reversal occurs after a period of more than two months, which has been characterized by relatively strong activity and support. The recent turn of events seems to indicate a significant change in investor psychology, as well as a shift in the balance of public opinion.

What happened to the market has been explained partly in terms of the speculative cycle, with a period of period of 60 days.

Certainty is not to be expected in the foreign business or political situation, which is neither better—clearer—or more predictable today than it was two months ago. The underlying problem is neither solved nor strengthened. In fact, the current situation seems to indicate a situation more baffling than before.

Labor relations in our own country are no more satisfactory than before, and the foreign business and political situation are far from being predictable. The future is uncertain, and the market is likely to remain volatile.

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Fourth Round Wage Increase Means More Inflation

By JOHN M. HANCOCK

Partner, Lehman Brothers, New York City

Prominent investment banker tells Steel Foundation Board an increase in steel wages would lead to another round of general wage increases and bring big upswings in employment, prices, and costs, which could completely wipe out corporate profits unless prices were increased. Says effect would be substantial rise in living costs or serious increase in unemployment. Process of successive and says, under present accounting system, they are partly fictitious.

I am not an economist, and still less an expert, but merely a businessman who has studied the basis of our national economy and is interested not only in preserving it in its present form, but bringing still further economic gain to all our people. My experience has not involved any close experience with the problems of the steel industry. I write, therefore, presuming to advise this Board as to what it should do to help to point out the results and certain actions which are being considered in this matter.

These sessions should not be vitiated with the hope to settle a wage controversy between employers and workers. This question involves a responsibility to the world, and particularly to the public in general in the steel industry, consumers and investors. Both parties to this hearing must recognize that the tension is not only between the final bosses. Consumers won't stand for a wage war with the bosses. They will vote in the next election, and in the primary elections. They are already having a nationally secret ballot—their patronage—whether they will buy steel wages or suspend it. We shall see, and other commodities at any given time. This is where consumers and investors, whether they will supply capital funds required to meet the needs of a growing population in a growing economy. A steel worker in a region in which I am interested—the whole body of our citizenry—was in its action in the marketplace I believe the consumers, and that representing thinking along these general lines.

Prices People Can Pay

Our people want a balanced economy—sufficient production, stockholders, management and workers, but above all, they want a balanced economy in which their needs can be met at a reasonable price. Our producing group demanding special prices, and at a reasonable price. They probably realize that the public need for steel cannot be estimated with complete accuracy, and that production cannot be absolutely fixed.

One of the reasons for the different view people have of the industry is the changing demand of the public. This flows from the public's good general interest in the trans-ctions what plague our economy. In the process of determining policy, we have no knowledge of the factors affecting the production of goods by all of our people is a more reliable measure than the supply under any planned economy. This is true, however, because the prices of serving consumers, it is a risk that steel industry must not only be made under our free economy. If the consumers swing too far in one direction in their buying, they will be dependent on the other goods beyond capacity or in the event of too many new orders for current consumption, they will pay for their mistakes. This is the automatic correcting device of prices in a free market, it is a self-correcting system.

This controversy with which we are involved must get into class warfare unless there is a realization that both parties are interdependent to an even greater degree. This factor of interdependence is not only to the management and workers but to the suppliers and consumers and all of the components involved in the process— the concerns of the primary industries and the general interests of the whole country.

Does America Want More?

The issue facing the country—and this Board—is, does America want more inflation? Can America stand more inflation?

The experience since 1946 has shown that steel wages and the other wages in steel industry are likely to be pattern-setting. Past wage increases in the steel industry have filtered into other industries. This was particularly true during the post-war period. Despite all the pious protestations of the leadership of other trades that wages which prices would not increase as a result, they did. Once more we can see the same pattern repeating itself. Rises in wage increases can be raised substantially if prices get too high. It means rise in costs and price structure. Are we prepared for this?

Of all the factors to be considered, I want to stress to you that the current inflationary et-ter and the consequential danger to the economy are, by all odds, the most important and serious of all the problems obvi-ous in 1946 as it is now. At that time we were faced with a situation in matter to government officials in 1946.

"This across the board sweep of advancing costs and advancing interest over the long range. They will involve increased costs to the consumer, this will be reflected in the form of a profit, but if they have not enough at their disposal to buy the goods, the profits will be reduced. They understand industry—embodied in shareholders, management and workers—and will suffer in the long run, if industry does not prosper. The public probably realize that real steel is a cyclc business with tremendous upswings and downswings in vol-

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COMING EVENTS

In Investment Field

Aug. 26, 1949 (Denver, Colo.) National Trust Association and Mountain Mountain Group IBA summer from the Portland Hotel, Portland, Me.


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

Sept. 27-29, 1949 (Pittsburgh, Pa.) Bond Club of Pittsburgh Fall Outing at Chartiers Country Club.


Sept. 30, 1949 (Chicago, Ill.) Municipal Bond Club of Chicago Annual Fall Cocktail Party at Sleepy Hollow Country Club, Lake Forest, Ill.

Sept. 29, 1949 (Pittsburgh, Pa.) Bond Club of Pittsburgh Fall Outing at Chartiers Country Club.

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

Oct. 12-15, 1949 (Atlantic City, N. J.) Fall meeting of the Board of Governors of the National Association of Stock Exchange Firms at Haddon Hall Garden Club.

Dec. 4-9, 1949 (Baltimore, Md.) Investment Bankers Association Annual Meeting at the Baltimore-Wood Beach Hotel.


Rejoins Francis L. de Pont

(Special to The Financial Chronicle)

(Chicago, Ill.—U. G. Roman has rejoined the staff of Francis L. de Pont & Co. 200 South La...
A Repeal of Collective Bargaining

By CLARENCE B. RANDALL

Steel executive, announcing formation of President's Steel Fact Finding Board as an "industrial revolution in America," which will lead to government wage and price fixing, sees ultimate elimination of collective bargaining. Holds though Board's findings may be recommendations only, power of government will be used to obtain results. Board he says government encourages labor monopoly, while coexisting monopoly of management.

It is no exaggeration to say that we are every citizen of the United States is at stake in the hearings before this board. And by this I mean not only the fact that you gentlemen are authorized to make recommendations that might affect the prosperity of the

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A

OMAHA, Neb.—Wayne D. Mc

Nichols has been added to the

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With Waddell & Reed, Inc.

SUTTON, Neb.—Alta M. May

has joined the staff of Waddell & Reed, Inc., Kansas City, Mo.

From Washington

Ahead of the News

Harry Vaughan should be able to get some comfort in the expe

rience of Mr. James Farley. The biggest headache to suffer in the past came to be one of the country's most beloved figures. The General, victim of, of course, the old and rather silly political truce, he took his seat in the Senate, though he has been rumored to be thinking of the White House. But he seemed to have a new lease on life, for he has been notably active. It seems to me that his reappearance has given new life to the idea of reform in government, and I think that it's time we all got behind this man.

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John Douglas & Company, Inc., Indianapolis Business Services

With Waddell & Reed, Inc.

SUTTON, Neb.—Alta M. May has joined the staff of Waddell & Reed, Inc., Kansas City, Mo.
The Real Position of the Steelworker

By DR. JULES BACKMAN

Chairman, Professors of Economics, New York University School of Commerce

Dr. Wright, when talking of "ballyhoos" much of the efforts taken to improve steelworker relationships, says problem resolves itself down to simple analysis of the correlation and its prospects in comparison with other corporations. Says statements of earnings can be misleading in the financial analyses of the economic service organizations. Distinguishes between stockholders relationships, public relations, and stresses for the steelworker his social life.

In these days of the greatest volume of savings in history and the small interest in risk capital, corporate directors and enterprises have been seeking the interest and confidence of their stockholders. Under the heading of stockholder relations, there are two main approaches:

1. The large number of schemes have been made to appeal up to encourage, the holders to take an interest in their company and encourage new investors to buy in. These efforts are directed mainly to the public, to very detailed annual and quarterly reports explaining the financial statements and the changes together with pictures and descriptions of the steel mills and their uses. Advertising campaigns are common to steel and similar industries, newspaper pictures of the products and other advertising and loss statement, and even special exhibitions of the great variety of products made from steel are put up.

Of course, a stockholder is interested in anything affecting the future of the company in which he has invested his money - the stockholders and investment manager, who are responsible for the volume and variety of stock ownership, are of importance. Every investor reasonably knows that he buys the stock. If there is any one who invests in stocks as an investment, he is of course the normal investor who has saved money and is using his income motive that of making more money. So, every investor regards his income, would be most interesting to know what these motives mean. It is observed usually that investors being rather exacting reasons for their stockholdings that would keep their present stockholders and gain new ones needs definitely simplified and reduced to one single problem of appealing to the stockholder by making it evident that he can present that his corporation is growing and increasing its profits and increase the dividends. It is important for investors, or by virtue of the increased profits the price of the steel stock is being maintained steadily increasing and he will gain through the appreciation of the value of his stock.

There is no ballyhoos or cheap or gross publicities that can make the place of these financial results is not similar to that of the advanced kinds of promotions schemes. However, this is the reason in the competition to sell products and make a profit, and every informed steel worker should be made to know the success of his company in whoever is interested in maintaining up its profits. But his real interest is in the profit and, therefore, much is the stock going to earn? How are the earnings increasing? (Continued on page 34)

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THE COMMERCIAL & FINANCIAL CHRONICLE

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The Real Position of the Steelworker

By DR. JULES BACKMAN

Assistant Professor of Economics, New York University School of Commerce

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An issue of $4,750,000 St. Joseph Light & Power Co. first mortgage bonds, 5% series, due July 1, 1970, was publicly offered on July 1 at 102.50 per $100, payable at the company in St. Joseph. The bonds were privately placed with the proceeds to be used in financing in part the construction of a new 60,000,000,000,000. This increased the holdings of Continental Gas & Elec. for the 12 months ended Dec. 31, 1949, compared with $574,432 for the 12 months ended Dec. 31, 1948.

The common stockholders of Missouri Utilities Co. subscribed for 26,956 shares of common stock (par $1) at $12.50 per share, a total of $8,645,400, of which 2,842 shares offered themselves one-for-five stockholders and other residents of Missouri, 2,500 shares of 4½% convertible preferred stock at $100 par and 4% convertible preferred stock at $100 par, on August 1, 1949.

The Federal Telephone Co. of Jefferson City, Mo., is about to open a new branch office in the new shopping center. This will be the 18th branch of the company in Missouri. This office will be open to the public on November 1.

For the 12 months ended June 30, 1949, Union Electric Co. of St. Louis reported a consolidated net income of $15,000,000, an increase of $2,447,012 over the preceding 12 months.

On July 5, Stern Brothers & Co., New York, reported in the public offering of $15,000,000 3½% debentures, due July 1, 1974, of The Columbia Gas System, Inc., at 101½% and accrued interest.

The Laclede Gas Light Co. of St. Louis, for the six months ended June 30, 1949, reported a net income of $6,797,495, or 30 cents per share, compared with $6,892,506, or 61 cents per share, for the corresponding period of last year. For the 12 months ended December 31, 1948, the net income of $18,707,148, or 93 cents per share, is expected that the work of converting the system from distribution of mixed gases to straight natural gas, which commenced May 16, will be completed prior to the end of the year, according to Robert W. Oto, President of the utility firm.

The Gas Service Co. Kansas City, Mo., on July 12, filed a registration statement with the Securities and Exchange Commission covering an issue of $15,000,000 first mortgage bonds, due 11½ years, at 100.75% of the par value, with an interest rate, price, and annual rate of redemption. The company may be sold or issued stock and further its construction program.

For the six months period ended June 30, 1949, the Monon Rail Co., St. Louis, reported net sales of $74,104,100, an increase in net income after charges and income taxes of $1,038,414, equal to $1.72 per share common stock, an increase from $7,720,759, equal to $1.73 per share common. However, sales in the second quarter of 1949 were below those of the corresponding quarter of 1948, said Edgar M. Queeney, Chairman of the Board, "because of the earnings reflected this decline, as well as the consequence of plant shutdowns."

The Great Lakes Pipe Co. Kansas City, Mo., has placed primary and secondary bonds of $55,000,000 7½-year sinking fund, due July 1, 1969, the net proceeds of which will be used to install buildings on the new $1,500,000 plant. The bond company's current capacity is $15 million and additional $15 million under construction. The gross bond issue will be approximately $50 million in principal.

McQuade & Co., Mfg., Co. St. Louis, for the six months ended June 30, 1949, reported net earnings, after the usual reserves and return of capital, of $2,972,012, or 72 cents per share common stock. This compares with a net of $2,985,863, equal to 72 cents per share, for the corresponding period of 1948. For the quarter ended June 30, 1949, the net total was $1,217,377, compared with $394,667 for the same three months period last year.

Temporary 3½% debentures, due June 15, 1968, of Union Electric Co. of St. Louis, were exchanged for permanent debentures at the Missouri Bank and Trust Co., trustee, St. Louis, and at Bankers Trust Co., New York, N. Y.

Clinton News, Inc., St. Louis, reports a net profit of $1,090,547, equal to $1.89 per share on $567,979 operating revenues, according to Richard M. Moss, President. The profit is more than double the entire 1949 net earnings of $323,052, he pointed out, and compares with a deficit of $121,552 for the first half of 1948. Net income and profits were inordinately high.

Illinois Terminal R.R. Co., St. Louis, for the first half of this year, reported a net income of $5,624,745, or 63 cents per share, compared with $5,624,745, or 61 cents per share, for the corresponding period of last year. For the 12 months ended December 31, 1948, the net income of $12,878,488, a decrease of approximately 20%, below the figures for the corresponding period of 1948.

Western Auto Supply Co. reports combined wholesale and retail sales for the month of July, $11,215,000, a decrease of 0.6% over those reported for the same month last year. For the first six months of 1949, sales amounted to $63,900,000, compared with $63,900,000 for the corresponding period in 1948, a decrease of 4.5%.

The stockholders of F. Barkart Manufacturing Co., St. Louis, on Aug. 16 approved a proposal to increase the authorized common stock from 100,000 shares, par $1, to 600,000 shares, par $1 per share. They also voted to eliminate the 25,000 shares of 5% preferred stock, but unused preferred stock.

M. S. Gerber, Inc., Formed in New York

M. S. Gerber, Inc., has been formed in New York, which is to carry on the business of manufacturing Forman's, Peaches, and other foods for sale. The officers are Morris Gerber, President and Treasurer; William O. Dunne, Secretary, and Charles S. Whitman, Jr., Director. Mr. Dunne has recently been active as an individual brokering in New York City.

Richman Bros. Opens BEVERLY HILLS, CALIF.—Richman Bros. is engaging in a successful operation in Beverly Hills, 100 North Robertson Boulevard. Partners are Lester G. Richman, Raymond L. Richman and Dorothy R. Richman.

Richman Bros. opened the defense of the stockholder suit as a basis for the establishment of a free enterprise, since it is understood that the company is in the process of forming a group of personalities which will be independent of the proposed acquisition. The company has refused to comment on the suit, but it has not defini-

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Britain's Wasted Exports

By PAUL EINZIG

Dr. Einzig scores Sir Stafford Cripps' policy of liquidating Britain's blocked Sterling balances with India as leading to export of Britain's external war debt load. Two findings in this violation of Britain's agreement with U.S., and contends abandonment of import quotas and adoption of Sterling convertibility will aggravate dollar crisis.

LONDON, ENGLAND—Four weeks before the opening of the Washington discussions aiming at finding a solution of the British balance of payments liquidation and adoption of Sterling convertibility issue, Dr. Einzig finds it bound to become considerably worse in the near future. He argues that if the Sterling balances are to be liquidated, at least the major ones, as a result of which that problem is aggravated, would not be liquidated at all and a new agreement is needed. This, he says, is to increase considerably the rate at which Britain's Sterling balances are liquidated, and hence the rate at which India's dollar debt is liquidated. Even India does not stand to benefit from the liquidation of her Sterling balances. For the bulk of it is spent on the purchase of consumer goods by British industries engaged in the production of capital goods, and fully booked with orders for the export of consumer goods by British industries. While such a use of the balances may bring some benefit to the Government of India, it is not in the immediate interest of the Government of Britain.

Dr. Einzig also finds that during the course of the Washington negotiations the British Government failed to find opportunity to re-emphasize to the British Government of India the point that the Sterling Government of India is a loan, and in doing so that the British and Indian peoples against the short-sighted adoption of a similar measure have taken in the same time as safeguarding the interests of American exporters. He finds that the undertaking of the Exchange Agreement and other international pacts which have to be treated separately, as they have not been reviewed under existing conditions, rigid insistence on the adherence to the discriminatory or the adoption of convertibility in existing conditions would aggravate the dollar crisis in the future. On the other hand, the prevention from which dollar Sterling balances should be liquidated down and should be enforced. His enforcement would bring relief to the British dollar position and wool toward solving the crisis.

It is difficult to explain the obsession of Britain with which the Indian and other holders of wartime balances are treated by Sir Stafford Cripps. His strong personal sentiments may be explained by the view of the discussion, that from the point of view of statistics and propaganda, Britain's exports financed with the aid of blocked Sterling balances are useful, even if Britain receives no goods or foreign exchange in return for them. Finally, at a moment when the markets' market in the United States. The exports financed with aid from the point of view of the balance of payments of the United States be employed in industries producing consumer goods. It is clear that the need for diverting labor and raw materials to the production of marketable capital goods is not so pressing as the need for diverting labor and raw materials to the production of marketable consumer goods, not "given away" to India. Indeed the rapid repayment of Sterling balances is short of the worst possible method of credit. The gold and silver that is repaid will be wasted at least to the national wealth. As it is, the labor and materials expended in the goods exported to India in repayment of balances constitute a dead loss.

The Problem of Industrial Concentration

BY CORWIN D. EDWARDS*

Director, Bureau of Industrial Economics, Federal Trade Commission

Pointing out large business companies are growing larger, both absolutely and relatively, Mr. Edwards contends this fact has substantial impact on our way of life. Says rate of profit of largest corporations has been reduced through integration, more than in the past, and that the Federal Trade Commission is taking action to check concentration of economic power by prevention rather than dissolution.

In what I shall say today, I shall express my personal views and not the official views of the Federal Trade Commission. Among the economic issues which force themselves upon the attention of all of us who are concerned with the relation of business to public policy, a matter of increasing concentration of economic power has been of vital importance. I am not concerned here with the question whether economic concentration is to be regarded as natural, or as natural, or as inevitable. I am concerned here with the question of whether the present level of concentration may or may not be an evil. A sustained trend of concentration is necessarily anti-competitive. It is one of the basic truths of economics that there is an inverse relation between the size of the individual firm and its ability to compete. The larger the individual firm or the more concentrated the market, the greater is the possibility of the exercise of monopoly power. The combination of monopoly power and economic concentration is a pathological condition for the economy. If it goes on, it will mean a decrease in the rate of productivity, and hence in the rate of economic growth. A sustained trend of concentration may mean a decrease in the rate of economic growth, and hence in the rate of economic growth. A sustained trend of concentration may mean a decrease in the rate of productivity, and hence in the rate of economic growth.
Connecticut Brevities

The Terrington Manufacturing Company has purchased the assets and goodwill of the Vanek Company for approximately $185,000. The purchase was made to promote sales of Terrington's air impeller products to the northeastern part of the country, it is indicated that William J. Langwill will continue as President.

New Hampshire Telephone Company has placed 9.5% of its stock for sale to the public in an amount of $525,000. Stockholders have placed 300,000 shares of the company's stock on the New York Stock Exchange.

Browlow-Sanford Carpet Co. has announced its intention to close its plants in New York and Philadelphia, and to sell all of its assets to Bristol Mills, Inc., which has been dissolved. Earnings of the company for the six months ending July 2, 1949, were $2,361 per share of common stock, and for the year ended December 31, 1948, $3,210 per share common stock.

The annual report of Collins Company shows that earnings in the fiscal year ended May 31, 1949, were $2,611 per share common stock, compared with $2,251 per share during the same period in 1948.

The annual report of Pitney-Bowes, Inc., shows that earnings for the fiscal year ended December 30, 1949, were $2,350 per share of common stock. Earnings per share were equal to $10.06 per share.

Controlling interest of Northeastern Life Insurance Company has been purchased by Industrial Insurance Company of New Jersey. The sale price of $3,390,000 was paid by the new company.

Connecticut Brevities

Foresees Substantial Gains in Liquor Sales

Tom Ball, General Sales Manager for National Distillers Product Corporation, says a continuing increase in liquor industry sales is likely during rest of year and prices have become more stable.

A continuing increase in liquor sales for this year was predicted on Aug. 12 by Tom Ball, New York, Wholesale Sales Manager of National Distillers Product Corporation, at the annual Fall Sales Managers' Conference, held at the Waldorf-Astoria Hotel in New York.

"We therefore have the opportunity to increase the volume of a product blend like PM. What's more, we have to have a proper capacity and the bottling and shipping facilities in the warehouses. We are going to use the tools to accomplish this job."

The new PM is used in the greatest part of the country. It is sold in the greatest part of the country. It is sold in 427 daily newspapers reaching 5,000,000 persons monthly in describing it as "the largest newspaper list in the whiskey business."

In addition, the company will use outdoor ads to reach about 4,000,000 monthly and public service ads on "PM" which only 544,000 persons ride monthly, plus 26 magazines with 70,000 readers each month.

Marx & Co. Opens

Bridgeport, Conn.-Marx & Co., members of the New York Stock Exchange, announce the opening of a branch office in Bridgeport, Conn., at 1018 State Street, under the direction of Walter Breslau, Province L. Pogue and A. Mauritz Johnson.

Meet Me and My Friends in Colorado


NSTA Notes

The Advertising Committee of the National Security Traders Association for the 1949 Convention is as follows:


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Public Utility Securities

by Owen Ely

West Penn Electric

The SEC recently approved West Penn Electric's plan to streamline intra-system relations and eliminate sub-holding company form, and a plan now under study by the SEC if approved.

The company has now submitted to the SEC a second plan under which it proposes to retire $5 million debenture at $5.20 and the $5 million debenture at $9.50, with an estimated value of nearly $34 million. Under the plan, 388,274 common shares will be offered for subscription at $5.20 and 387,984 common shares will be offered for subscription at $9.50. Portions of these exchanges will be accorded in the order of receipt (since the common shares will be offered on a pro-rata exchange of all preferred and class "A" shares). Shares not accepted for exchange will be called for redemption at $11.50 per share in the event of the first plan and at $11.75 per share in the event of the second plan.

Common stockholders will be offered the right to subscribe to 468,621 additional shares on a 1-for-5 basis, with the subscription price to be named later. The company might be expected to raise over $10 million from the offering of the 387,984 million debenture and the $5 million debenture at $9.50, which will be sold to the public.

Investor service is available for the subscription price of $5.20 and $9.50 per share as well as cash on hand for any difference.

The company has enjoyed a preferred position increase in consolidated earnings per share in recent years due to labor and management cooperation with an excellent operating showing. In 1945, only 17 cents a share was reported, but in 1948 only 32 cents, and in 1949, in the 12 months ended June 30, 1949, to $2.89.

After adjustment for the proposed new plan, the earnings per common share estimated in connection with the new plan (based on the 12 months ended May 31) would equal $3.40 a share on the 2,300,000 common shares to be outstanding. This would be $1.79 above the 17 cents reported in 1945, in 1948, $2.89, and in the 12 months ended June 30, 1949, to $2.89.

A relatively few men absent CB and some others in public utility firms can stop the flow of the economy. Materials and personnel from their work places can do the same thing. This was demonstrated during World War II when the rubber shortage was at its peak. The nation's daily food products supply was severely threatened by a shortage of small rubber rings for cream separators, tiny copper screws, immediately after the war rubber shortages on the farms unfinished and gathering dust in factory storerooms. How many millions of dollars could be saved. And they all add up to one thing. How many factories, mills, mines, and farms are one giant assembly line.

Governments are only responsible for the maintenance of the rights of nations. Governments are responsible for the maintenance of the rights of the individual, of the individual of the state, and of the individual of the world.

There is nothing so dramatic as an electricity shutdown to bring new and leaner interdependence sharply to our attention. A power failure with electricity shut down below a power system if it shoulder a failure. An address by Mr. Williams before the University of California's Institute of Economic Relations, Berkeley, Calif., July 27, 1949.


gons of Sound Collective Bargaining

by W. Walter Williams*

Chairman, Committee for Economic Development

President of Continental, Inc., Seattle, Wash.

Though maintaining collective bargaining is healthy manifestation of a democratic industrial society, the foundations of sound collective bargaining (1) upholding of capital and labor, and (2) of ever-increasing productivity by both labor and management; (3) a belief by both parties in importance of managerial function; (4) basing of acts and decisions on economic facts (not economic power, and (3) acceptance of both labor and management of responsibility to community.

There is no doubt that the founding fathers would marvel at today's America. But we have paid a price for our material progress. It is quite true that no man is an island unto himself. The relative dependence of the individual on others—and on the society itself—and the almost universal recognition of the inherent necessity, not only of the standing upon the shoulders of those who have gone before, but also of the standing upon the shoulders of those who are behind us, is now a fact of life.

Transportation tieups go along with power tieups in their serious economic consequences. A storm, a tornado, a blizzard can make hundreds of thousands of people helpless and destitute to a degree not possible in our great-grandparents' day. When an oil truck can't get through—or has no oil to carry—homes grow desperately cold. Great-grandfather had his shutters closed and the fireplace worked even if it did smoke. Now, however, we would trade places with great-grandfather and continue the self-sustaining. But his supply of food, clothing and shelter was materially augmented. We have had great-grandfather's self-sustaining and self-sufficiency for interdependence and abundance. Life's necessities can flow to us by complex supply system only when the credit system and the aggregate of labor, management and the appropriate responsibilities. It can also provide not only with the justice and all the responsibilities and the responsibilities of the appropriate responsibilities. It can also continue only with the labor and management and the appropriate responsibilities. It cannot flourish in any organized community or reprise. There must be a mutual respect for the development of collective bargaining procedures and attitudes which will result in harmony in our working relationship. It is a sign of the times that this great union movement is conducting a series of meetings on the subject, "The Economics of Collective Bargaining."

First, it is a recognition that collective bargaining is a social contract. It is the accepted instrument of economic policy and an accepted part of our society.

Second, and more important, it is a recognition of the fact that if we are to develop the collective bargaining method into a socially useful instrument, if (Continued on page 58)

The California Oregon Power Company

First Mortgage Bonds, Series due August 1, 1979

Price 101% and accrued interest

*An address by Mr. Williams before the University of California's Institute of Economic Relations, Berkeley, Calif., July 27, 1949.

The Prospects may be obtained to any state in which this announcement is circulated from only such of the undenominated and other dealers as may lawfully offer securities in such state.

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Volume 170 Number 4830

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Michigan Brevities

The merger of the 66-year-old National Distillers Products Corp., Detroit, and the 76-year-old New York City-based Cooper Stearns Co., Aug. 1, has extended National's operations into two additional cities, increasing its business by 31%, resulting in a more stable earning record, R. E., Millar, President of National, announced on Aug. 10. This merger, in the opinion of the management, will place National in a more favorable position to increase its trade volume on the Pacific Coast, where the textile machinery market is growing at a faster rate.

Under the terms of the merger agreement, seven shares of National's stock are exchangeable in the ratio of one for ten for each ten shares of Cooper Stearns. The last dividend paid by the National was $2.63 per share, compared with $1.22 per share for the corresponding period last year.

The Detroit Stock Exchange reported record trading volume in July was 284,252 shares, having a dollar value of $2,445,283, which was down $8,237,832 from the preceeding month trading volume in July of 289,490, which had a dollar value of $5,738,445. The 30-day low was 18,272, while the 30-day high was 116,591, and the average was 47,392.

For the fiscal year ended May 31, 1949, The Dow Chemical Co., Midland, reported a consolidated net income, after taxes of $25,000,752, equal to $1,084.44 per share in common stock. Sales totaled $200,697,729, and after preferred dividends, cash and other current liabilities amounted to $33,750,080.

The Detroit Stock Exchange on July 25 announced that it had increased its membership to 377. The Securities and Exchange Commission has extended the exchange's privileges to trade the common stocks of National Distillers Products Corp., and Hiram Walker & Sons, Inc., Detroit. The exchange had previously received authorization to trade the common stock of the consolidated Edison Co. of New York, Inc., Erie R.R., Detroit.

The Greyhound Corp. and Mc- Cords, a large Detroit-based retailing chain in these six states covering the trading area are expected to provide the highest earnings of the application to the SEC which will be submitted approximately 50,000,000 shares of held by 15,000 Michigan residents and during that period that approximately 90,000 shares were traded.

KELLOGG CO.

INCOME GROWTH

Moreland & Co.

Member Detroit Stock Exchange

DEPT. 10, MIKE

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Thomas Pierce Forms
Own Inv. Company

St. Petersburg, FLA.

Thomas S. Pierce has formed Thomas S. Pierce & Co. with offices

in the First National Bank Building

to engage in the securities business. Mr. Pierce for many years was in charge of the St. Petersburg office of Clyde S. Pierce Corp.

Manufacturers' Opinions on Business Outlook

National Industrial Board Congress shows majorly expect in profits and about one-quarter of reduced orders during rest of year.

Both optimism and pessimism on the outlook for business mark the replies of companies just surveyed by the National Industrial Conference Board.

Says one company that the major portion of their postwar adjustments is behind them and they look forward to improved conditions. Another is finding reduced orders, smaller backlogs, lower profits, and other characteristics of lower labor costs, and this company is of the opinion that "a number of the trends and opinions are in the same direction and may not necessarily be typical of the trends for the entire in-

Electrical Appliances and Supplies

General Motors and Ford expected to drop 25% to 50% below those for the last half of 1948 with many companies reporting of approximately 25%.

One company expects a drop ranging from 30 to 50%, although the others did not give themselves as overstated and they looked forward to improvements in the economy.

Food—No serious drops in new orders are reported. Several companies expect a drop of only 10% in the second half of 1948, while the other companies report that their increase in new orders per cent of sales, are below the level of the first quarter of 1949.

One company reports that its present orders are 15% below and to be expected in the second half of 1949.

A notable exception is found in the case of the petroleum industry. "A drop in new orders for electric household goods is expected to result from the present conditions," according to the petroleum industry.

An inventory of companies feels their inventories are too high, "but for the most part, the drop in inventories has been substantial. A number of companies are now selling everything possible to reduce their inventories and the drop in business or further demise in prices will not result in severe cut of production," said a number of companies, however, report that "their present plans are to cut off the depreciation in their inventories and that they have established adequate reserves to take care of any losses that might occur.

In August, the textile industry is still undergoing considerable adjustment. Expectations of new orders for the latter half of 1948, compared with the similar period for 1947, are variable. Most companies feel that new orders will be lower than those of 1947. Inventories are generally regarded as too high in the light of existing conditions. Reserves are being made efforts to further reduce inventories and less materials and finished goods. Inven-

TURS are expected to have a pronounced effect on profits. While some companies expect a drop of 25% to 50% in their profits this year, a few are extremely pessimistic regarding the outlook.

Gerald H. Cosler to Open Office in N.Y.C.

Gerald H. Cosler will open offices at 42 Broadway, New York City, to engage in the securities business. He has been formerly with Billings, Ottcock, & Co., New York, and was with Z. A. Pierce & Co.
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Mutual Funds

BY HENRY HUNT

Bernard Baruch Speaks

Investors who think they can best the market or do better investing their own money than Mutual Fund managers can frame the following quotation of Bernard Baruch and be able to give up everything else, to study the whole background and history of all the market and principal companies and stocks on which they are putting their money so carelessly as a medical student studies anatomy, to glue your nose at the tape at the opening bell, then go to your meeting and never set eyes on it all that, and in addition you have the good nerve of a great gambler, the sixth sense of a clairvoyant, and the courage of a lion—good luck to you! It will be better for you to go out and play cards!

"National" Announces An Open Investment Account

National Securities & Research Corporation has just announced to dealers the launching of the "National" Investment Program. One can go in on an open account basis, and as an open investment account with $250 or more. He can then make successive investments monthly for $25, $50 or any multiple of $10 thereafter. No definite amount is necessary as an investor may put in $25 one month, $140 the next month, or, in fact, any sum he has available. The Program can be applied to any of the National's 21 National Securities or First Mutual Trust Fund, offering unusual flexibility to dealers and their clients. The initial investment and all successive investments are made directly to Empire Trust Company, as trustee, which maintains the accounts. A confirmation of each investment is sent directly to the investor acknowledging the dollar amount of the payment and showing the number of shares purchased to three decimal places. The clients receives a Remittance Notice to the investor each month but there is no penalty for failure to make an investment.

The Program is exceedingly simple as it only requires a signed Order Form at the time of the original investment. From that time on the plan is carried directly between Empire Trust Company, as trustee.

This Program is made available to investors without any additional valuation due. All shares are purchased at the regular offering price and distributions can either be received by check from the National, or, if the investor prefers, be reinvested in the plan directly between Empire Trust Company, as trustee.

"National" is an old hand at this type of business, having sold over $60 million in investment contracts between 1933 and 1938.

Fundamental Portfolio Changes

In view of the excellent performance record of Fundamental Investment, the portfolio changes during the second quarter may be of interest to our readers.

(Common Stocks Unless Otherwise Designated)

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Decreases

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<td>F. P. Goodrich</td>
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Notes—New securities acquired. (Securities eliminated.

Protecting the Purchasing Power of Your Dollar

Kaiser & Co. of San Francisco has recently published an interesting 24-page bulletin on Mutual Funds called "Making Your Money Work," containing an excellent study of the purchase of mutual funds as invested. Common stocks represent ownership in corporations and corporations own land, buildings, machinery, vehicles, real estate, and other assets. In a period of deflation, the dollar value of these assets rises and the value of all the stocks of the corporation increases. Securities also indicate that the market price of common stocks, but over a long period time, the nominal value of stock prices tend to reflect changes in the prices you pay for food, clothing and rent. Common stocks, therefore, help to protect you against loss of purchasing power of your savings an advantage not afforded by savings bank deposits, savings and loan associations, or Government stocks.

Recently some publicity was given to an 1834 memo of Delmonico's restaurant which put the following stipulation on all dishes, "For the 12 months ended Dec. 30, 1948, the 30 stocks which make up the Dow-Jones Industrial Average of stock prices earned $13.63 per average share and paid dividends of $4.12 for a total of $17.75 for 1949 to aggregate $18 per share, and we expect dividends to total around $12 per share. This would mean earnings $12, and dividends $5 per share as interest on the $17.75 was at today's level. Likewise, the average book value of the Dow-Jones Industrial stock was around 107, it is now over 160," the report continues. Obviously, this addition of over 90 points adds considerable clout to the stocks, especially when you recall that a good deal of the increased book value is represented by more efficient and modern plant equipment which should also add to the earning power of the companies.

Heimann Optimistic on Business Outlook

Executive Manager of the National Association of Credit Men sees business readjustment completed in less than a year, but warns government policy or injudicious labor leadership may extend period of recession.

The first postwar readjustment of business will be substantially completed in less than a year, but warns government policy or injudicious labor leadership may extend period of recession.

The industries of the program is challenged already by the fact that those we are told to expect as an increase in production is good for the country and the world, we are also told we may have to consider a "call" on some of the good program. This causes many people in all the talk of more or less political campaign oratory. "It is also well known that the state of depression must be due to the production through understanding of the fact that this is a good basis for a reasonable stability of value to the purchasing power of the dollar, any excess in production being meaningless."

There is some question of the rightness of the program at the moment. Heimann was the head of the National Association of Credit Men, tells the members of his nationwide organization in his "Monthly Business Review."
Mutual Funds Conference Begins

Merris, Hughes, Laird, Haban, Eaton, R. Clark, and G. Clark speak at opening sessions. Insurance industry selling methods cited.

NEW YORK CITY, Aug. 16—The first annual Mutual Fund Conference started here today with a opening day's ses sions at the Statler Hotel in New York City Monday, Aug. 15. They will be attended by 360 reg isters, comprising residents of all 50 states.

In the discussions by various specialists, evidence was made to the life insurance industry.

One point about the insurance industry which was considered particularly significant was the re mark of the opening speaker, James Bridges of the Keystone Financial Corporation. The insurance companies do not go around knocking on the doors of the mutual fund industry, but pull together towards a common goal. This means that the mat ing of growing pains in any indus try and the individual who will subscribe just as wisdom comes with maturity. Herbert Anderson of Distributors Group, the other speaker on the opening program on insurance and mutual funds, made an effort being made to permit short explanation of the situation of the longturnstones and also consolidated past performance.

In Monday's afternoon session Bertram Hughes of Lord, Abbot, commented on the increased acceptance of invest ments in the form of mutual funds. The low yield on governments and better grade corporate issues, the decreased cost of properly finan ced insurance, the favorable long term outlook of the con sommate generous yields were all factors that would make the heavy flow of new investors and were playing in favor of the mutual fund industry. The report made was that there is security for the future and that investments in the longterm which was constantly growing in the past would continue to grow from all quarters.

An interesting point made by him, that on a relative basis, many of the above factors were pronounced most strong in the British market and that the rate of growth was quite the same as here. Mr. Hughes stated that "the market is not big enough and state to enable proper investment".

The Lead

This provoked much discussion from the floor of the conclusion of Mr. Hughes' presentation. The commission (a point concerning with each money market and seemed to be more sensitive than on any other single question). Mr. Francis Adams Trusler, Presi dent of the New York Div Exchange, opened the discussion by talk in which he cited the low level of the main threats of the missions, as compared with mutual funds and life insurance, for lack of the investments in the time traded on his exchange. Lack of information, a point that was not re tarded by his company on other disputable-bid securities was also cited.

Mr. Laird's Talk

Mr. Douglas Laird of National Social Banking Corp., New York, gave the closing afternoon talk for the first day's session. Here he reviewed the current sales for digup prospect, he stressed that Mr. Laird stressed that in his ex perience that "there are no statistics with which values are autonomous or mutual funds." Mr. Laird stated that the discussions with the Friedman Long was opened by Eugene Habas of Hugh Long & Co., who gave an inform for understanding the economics of buying funds. He stressed the long-term growth of good sound common stock invest ment, the necessity for balance in

The Economics

This discussion section was opened by Eugene Habas of Hugh Long & Co., who gave an information for understanding the economics of buying funds. He stressed the long-term growth of good sound common stock invest ment, the necessity for balance in

Cites Consumers' Real Income Trends

MINNEAPOLIS—E. F. Crabbe, President of Investors Diversified Services, Inc., announced a monthly study of real income trends in the company's account balances. He noted that "In general, the relation of real incomes to current prices is critical on whether in wealth, and some securities are less

Zonal Office Advanced

George A. Gray, director of the Investors Diversified Services division of the company, said the largest sales organization of any mutual fund company is the country. As an example, the group talked in the real peripheral angles of pleasing the customer and, in the past and now, never let him get away from the branch. The profit of the offices down to zonal areas of 30,000 to 40,000 population was elabor ated on.

Speakers at Gold Coin Standard Conference

A gold coin standard of $35 per ounce, as it relates to world trade and financial affairs, will be reviewed in its major as pects by speakers and considered in a special session open discus sion during a luncheon and a short Interna tional Gold Coin Standard Conference at the American Economists National Committee on Monetary Policy in cooperation with foreign associations to be held Sept. 1 at the Hotel Roosevelt.

Topics and speakers are as follows:


How It Would Function Internationally—Leland Rex Robinson, Vice-President, Economists National Com mittee on Monetary Policy; formerly American Fruit Growers’ Cooperative Commission in London; Westin ghouse Professor of International Economics, Cor nell University; Foreign Credit Facilities of United Kingdom; Vice-President, National Bank of Canada.

Steps That Should Be Taken Immediately—International Monetary Stabiliza tion—Walter F. Spear, Executive Director, National Committee on Monetary Policy, New York; Trustee, New York Air Brake Company.

How Can American Citizens Benefit From a Gold Standard?—Philip M. McKenna, President, Kansas City Chamber of Commerce; National Chairman of the Gold Standard League.

The conference will be held at the United States Chamber of Commerce, 320 Seventh Street, Washington, D.C., and the luncheon will be at the Hotel Roosevelt.

COUNCIL ON ECONOMIC POLICY

The Council on Economic Policy, which is engaged in a study of the economic and administrative aspects of the national income, has completed its study of the "Production and Distribution of Income." The study is now being examined by the Council's administrative committee and will be submitted to the Council's members for consideration.

The study is based on a survey of the income of all persons in the United States, and includes data on the incomes of individuals, families, and corporations, as well as on the incomes of industries and regions. The study also covers the distribution of income, both within and between industries and regions.

The study is intended to provide a comprehensive and up-to-date picture of the economic and administrative aspects of the national income. It is hoped that the study will be of value to economists, policymakers, and others who are interested in the economic and administrative aspects of the national income.
Power From Gravity
By ROGER W. BARSON

Assenting greatest source of unevolved power today with gravity, Mr. Babson says it uses its only discovery of some partial insulator.

About a year ago I wrote on the subject remaining in the air, in the subject page of the first story. With "fire" power being the one most import- ing of the two great powers, the most free heat in the winter, it is not to be made by in the daily use of some of the most very cheap power would be in storage for the years of the soils which have been exhausted of minerals and basements. The insulation of the ramming roads could be restored to the soil, and this would be one of the ones. The basements could be crushed by burning young sprouts now covering much waste land.

Getting Power From Gravity

The greatest source of undeveloped power today is gravity. It is which is now being used only in connection with the water power. There is another and develops water power, exists in the soil of land. The stream in the two cylinders of a locomotive which causes the train to run is the differential between the air pressure on the union side of a car and the pressure on the opposite side, which is the windmill re- solve. In the case of electricity this differential is produced by the use of insulators without which no electricity can flow. Air is the insulator or the material of hanging of gravity, therefore, away the millions of small insulator. When such an insu- lator is discovered a simple machine can be constructed to generate almost free power from gravity.

It is generally believed that this partial insulator of gravity will be found in some alloy of the metal. It may be wrought with 2% of 0.00001 parts by weight of another metal. We know that certain metals are new good transmitters of magnetic waves; but by a clear mixture of these small metal an alloy is produced which is al- most a complete insulator. It is not necessary that the metal be made by laboratory experiments, but it can be made by ordinary processes which can be fixed in the current house and information which is being thinking and working on the problem.

Far Reaching Possibilities

When telling this story to an elderly friend, she asked: "If I stood on a mat made of a gravity insulating material, wouldn't I float up and out the ceiling?" My answer was: "Yes, if this mat were 99.99% insulator. Such a mat would be very light.

Bank and Insurance Stocks

By H. E. JOHNSON
This Week—Bank Stocks

The Board of Governors of the Federal Reserve System on Aug. 5, 1949, for the second time this year, announced a reduction in the discount rate. The current reduction amounts to two percentage points in the case of demand deposits and one point for time deposits. This along with previous rate reductions will amount to two-thirds of a point above the 1% currently in effect.

The new requirements are to be put into effect on a gradual basis. Banks will be required to reduce the rates they charge on reserve deposits for banks and 1% on reserve deposits for non-banking firms, starting with the rate reduction on demand deposits. The banks will be required to reduce the rate on demand deposits by one-half percentage point each week for a four-week period beginning with Aug. 11.

The Board of Governors also announced that the Federal Reserve authorities will be reducing the reserve requirements for the purchase of stock. A further easing of consumer credit regulations was announced in April and was followed shortly thereafter by the first reduction in reserve requirements for member banks.

At the end of June the Board's temporary authority over consumer credit and bank reserves expired and the reduction in reserve requirements announced on Aug. 5 is a logical extension of this anti-deflation program of the Board.

One of the interesting features about the recent moves of the Federal Reserve is that they appear to have been deliberate and planned as a whole plan for one action to offset another. For example, the recent reduction in the reserve requirements of the banks, which compensates for the decline in the discount rate, has been taken in part.

We have had Treasury refinancing of $7.8 billion necessary over the next 45 days, the money market is anticipating a reduction in the commercial loan rates, and the Federal Reserve Bank has announced an ease in credit conditions. The market was already in favor of this move and the Federal Reserve would like to reduce the required reserve requirements on member banks.

These factors will tend to reduce the earnings per dollar of assets but because of a larger volume of deposits at work, overall earnings should be maintained reasonably well.

There are some factors that are likely to continue exerting their influence over the coming months. It would not be surprising, in fact, to see the discount rate reduced once again. The Federal Reserve Bank has a desire to keep the money market fully 1% away from full employment.

While there are some general trends and prices in theatter half of 1948, business loans began to contract. The Federal Reserve was in effect cautioning credit condition and lowered required reserves by two percentage points at the end of June.

In view of current conditions it would appear that a further reduction in reserve requirements is likely to come about. The monetary authorities are committed to a policy of easy money and this condition will likely continue at least until the end of the next two months and has embarked upon a program of defici- entary, the banking system seems to be more inclined to absorb such trends and it should therefore be more favorable to business borrowing.

There is an additional fact that the Reserve has main- tained that inflation or rising prices is still a potential danger to the economy, and any reduction in required resources at this time would not be in line with present policy but would provide additional margin for raising reserves at such time as some credit tightening might be desirable.

Francis S. Baer

S. A. San Francisco, has been elected a Senior Vice-President and director of the Brooklyn Trust Co. of New York, S. Sloan Col, Presi- dent. Mr. Saks, who is a member of the Board of Directors, will assume his new duties on Sept. 15.

In reply to several inquiries, George V. Taft of Brooklyn Trust Company of New York, has announced the following statement on Aug. 16:

"We have not and are not car- rying on any negotiations looking to the sale or merger of this institution and are unable to account for the increased bid prices of Brooklyn Trust Company stock.

One of the items bearing on the increased price of the stock—is the New York "Sun"—stated the question for Brooklyn Trust shares in the past week or so has advanced from 137 to 140.

Alfred Obert has been elected a trustee of the Falcon Savers Bank of Kings County, Brooklyn, New York, and announced Aug. 8 by Paul W. Connelly, Presi- dent, Mr. Obert has been asso- ciated with the Falcon Savers Bank since 1924 and has served as Vice-President of the institution since January, 1947.

Clarence F. Lamort, former Vice-President of the Title Guar- antee & Trust Co., was named in charge of the Brooklyn, N.Y., office, died on Aug. 6 at Colden- ton, N.Y., where he had resided since his retirement in 1947. He was 83 years old. He became a
Report Rise in Life Insurance Investments

Institute of Life Insurance compilation shows increase in first half of 1948 over 1947 level of $3.2 billion. Net new investments in life insurance companies amounted to $10.5 billion. Non-farm mortgages also acquired.

Total new investments made in securities and mortgages by the U.S. life insurance companies in the first half of this year came to $10.5 billion, the Institute of Life Insurance said today.

The half year total was 18% above similar investments made in the first half year of 1947.

New investments had declined sharply in the first quarter of the year, they increased in the second quarter, especially in money in the field of corporate securities, the Institute pointed out.

New investments in bonds comprised $2.1 billion, representing financing of $1,266,000,000 for the business and industry of the country. Securitization of real estate by the life companies was $874,000,000, largely for home financing.

With an increase of $3.2 billion in total assets in the half year, these funds were kept fully invested in spite of the reduced new investments, as cash on hand did not increase, but actually declined by $247,000,000.

The half year investment figures reported by the Institute were:

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Gov't. Revenues Now Equal to $391 Per Capita

Bureau of the Census compilation indicates general revenues, composed of state and local government receipts, excluding federal tax collections, has reached 1948 level of $391 per capita.

According to a release of the Bureau of the Census, general revenue receipts in the United States in the first fiscal year of 1948-49 were $3.2 billion, or $391 per capita. This represents another large increase over the 1947-48 fiscal year, when total receipts were $3.0 billion, or $364 per capita.

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MIN-DY 1949 EDITION OF
SECURITY DEALERS OF NORTH AMERICA

McLaughlin, Vice-President, Of California Bank

LOS ANGELES, CALIF.—California Bank's board of directors has elected F. H. McLaughlin, a Vice-President, Frank L. King, chairman, to the board, it was announced.

Mr. McLaughlin is acting in state, and is a member of the Board of Directors of the Bank of California.

H. M. McLaughlin

New York, the leading operating textile subsidiary of Johnson & Johnson.

President of the Bank of California, was named President and General Manager of the New York sales corp.," the sale corporation, of the Bank of California.

In recent weeks, however, has been the result of a substantial increase in the amount of real estate owned by the Bank.

No. of years

1948

1947

1946

1945

1944

1943

1942

26.4

25.1

23.9

22.7

21.5

20.2

18.9

John Adkins

N. Y. Savings Banks' Deposits Continue Upward

Net gain in July largest since 1946, reaching $32,433,000. New York savings banks enter FHA insured mortgage field.

Deposit gains for July reported by the savings banks of New York are the best for that month since 1946, it was reported today by John A. McFaul, chairman of the State of New York.

The net gain amounted to $32,433,000 while number of institutions reporting was 92.

Bank in another; and the American Savings Bank, Manhattan Savings Bank and The Security Bank as Trustees.

Permissive legislation extending the lending powers of the savings banks was adopted by the 1949 Legislature to aid the savings banks in building up their mortgage portfolios.

The act provided that through the formation of trusts, participated in by two or more savings banks, they may invest in FHA insured mortgages anywhere in the continental United States. Even with over a half billion dollars of new loans assumed in and around New York State during the first six months, mortgages constitute only about 31% of assets.

To withdraw as NYSE member.

Charles Wood, Jr., member of the New York Stock Exchange, will retire from partnership in J. E. Ham-
mauer & Co., 50 Commercial St., New York, the New York Stock Exchange member firm, but he will remain a dealer in New York exchanges and other banks.

With Hess & McFaul

(Founded by The Physicians Organization)

PITTSBURGH, March 16 — Chicago, the Bank of Savings, the Bowery Savings Bank, both in New York City, and the Buffalo Savings Bank.
Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Back in the 1950s an economy in which the financial policies and decisions were guided by a single central bank. In such an economy, the central bank could control the flow of money and credit, and thereby influence the overall economic activity. The central bank could raise or lower interest rates, buy or sell government bonds, and regulate the availability of credit. These tools allowed the central bank to steer the economy toward its goals of price stability, full employment, and sustainable economic growth. The central bank's ability to act quickly and decisively was essential to maintaining the stability of the financial system and ensuring the smooth operation of the economy.

Imports and Subsidies

"We in the United States must do some constructive thinking and constructive acting which will increase our imports to provide dollars for other countries.

"Total United States exports of all commodities and goods during the past three calendar years totaled about $37,000,000,000, while during the same period the country drew into this country amounted to only $17,000,000,000.

"In other words, imports were paying for less than two-thirds of the country's needs. This left the country approximately $20,000,000,000 for the next three years. About 10% of this gap was made up by United States Government aid of one type or another to foreign governments.

"The remainder, however, represented foreign governments liquidating their gold and dollar re¬ source in order to pay for the country's imports."

Railroad Securities

Late last week the Interstate Commerce Commission announced its determination of the just and reasonable rate that should be charged for the transportation of a million of all commodities in order to increase freight rates. From a market point of view the decision was not surprising. The railroad rates have tended to lose less of an increase than they had requested. However, this has been largely due to the trend in the general level of all freight rates, which have been on a hard line, and the easier trend in the freight rates which have been on a very steep rise. The Commission has generally been inclined to raise the rates in the industry, but in all its recent decisions it has been inclined to follow the trend of the general level of the freight rates.

On the whole, railroad analysts are inclined to look upon the decision as qualitatively beneficial, general 4% increase over the rates in force on September 1, but the interim increase effective in the face of increasing expenses, should not be too large to effect a rate.

"As the earliest rate increase is scheduled to go into effect on Sept. 1, and the Commission has been inclined to follow the trend of the general level of the freight rates, it is probable that the increase in rates will be 4% above the rates in force on the same day.

"In general, the ICC has estimated that the most recent rate increase is 4% above the rates in force on the same day, and that the increase in rates will be 4% above the rates in force on the same day. As the earliest rate increase is scheduled to go into effect on Sept. 1, it is probable that the increase in rates will be 4% above the rates in force on the same day."

New York Stock Exchange

The New York Stock Exchange is considering the possibility of establishing a new electronic trading system that could revolutionize the way investors buy and sell stock. The current system, which relies on human brokers to facilitate transactions, is slow and inefficient. The new system could allow investors to buy and sell stock at any time, without the need for a broker. This would make the stock market more accessible to individual investors, and could also reduce the costs of trading.

Consumer's Liquid Assets Show Increase

Federal Reserve Board study estimated consumer liquid holdings at end of 1948 at $123 billion, a gain of 21% in two years.

According to the Federal Reserve Board, aggregate consumer holding of cash and deposits increased slightly during 1948, completing nearly a decade of substantial growth. The latest data compiled by the Board of Governors of the Federal Reserve System and banking statistics, total personal holdings of liquid assets (i.e., United States Government bonds and savings and checking accounts but not including currency) amounted to approximately $123 billion at the end of 1948, contrasted with an estimated $100 billion in 1946 and with only $94 billion at the beginning of the war period.

We should hesitate to say anything which might suggest to the unthinking that tariff walls or other artificial restraints on international trade are good for any nation.

At the same time, we must confess to some suspicion of the claims of those who would have us im¬ posed by some of the foreign products which owe their existence to subsidies.

The largest deposit institutions have been the 1932-33 maturities.

RESERVE BANKS ACTIVE

The Federal Reserve Banks continue to supply the market with bills and certificates in order to prevent the wild gyrations that took place when the new policy was announced in June. Setting of near-term targets has fallen in line with current and the long end of the list, because these securities have backed away from (unusual) call for the middle and rear end of the list. There have been professional selling of the more distant maturities, especially among the small dealers and traders who were evidently expecting prices to continue to rise on up.

Profit taking and swaps have tended to retard the upward progress at an early stage. "Largest buyers of the bank obligations are a little cautious because of the high prices which have been established," it was said. "In the swaps market we have had a stable advance and they believe a correction might not be out of order. It may be that as additional reserves and release of securities will be a more vigorous demand for the eligible obligations."
Bond Club of Louisville Annual Outing


John Smart, Smart & Wagner; Sol Schulman, "Courier-Journal".
Willie Ralston (bartender); Henry Christman, Jr., O'Neal, Alden & Co.; Russell Ehinger, Smart & Wagner.


Dexter Payne, Berwyn T. Moore & Co.; Ernest Kampfmueller, Citizens Fidelity Bank & Trust Co.; Willard McNair, Bankers Bond Co.; Frank Register, Citizens Fidelity Bank & Trust Co.

Sanford Bishop, Lincoln Bank & Trust Co.; Charles King, Bankers Bond Co.; Anthony Sommers, Lincoln Bank & Trust Co.


J. B. Helmer, Berwyn T. Moore & Co.; Albert C. Broca, Jr., J. B. Hillard & Son; H. Bohnert, Bankers Bond Co.; Clarence Miller, "Courier-Journal".
At the Sleepy Hollow Club

The Outlook for Recovery

(Continued from first page) expected and thus far it has been milder than has generally been anticipated. In fact, the mildness of the recession has up to now been its most noteworthy characteristic. The best evidence of the mildness of the recession has been the maintenance of retail sales, which were virtually the same in dollar volume in the first half of 1949 as in the first half of 1948 and slightly larger in physical volume. The mildness of the recession is indicated also by the fact that expenditures on durable consumer goods, which usually decline during a recession, were virtually as large during the first half of 1949 as during the first half of 1948; by the fact that expenditures by business concerns in plant and equipment, which also usually decline during periods of recession, were slightly larger during the first half of 1949 than during the first half of 1948; and by the fact that total expenditures on new construction in the second quarter of 1949 were slightly larger than in the second quarter of 1948; and by the fact that government purchases of goods and services in the second quarter of 1949 were 23% greater than in the second quarter of 1948. Even after the sharp rise in unemployment only 6% of the labor force were out of work. The mildness of the recession is indicated also by the fact that corporate profits, when properly stated, are higher than a year ago and almost as high as during the last quarter of 1948. Preliminary estimates of profits based upon incomplete reports are unreliable, and the arithmetical accounting methods used by most American corporations do not report profits accurately except in periods of stable prices.

Estimates of profits based upon the prevalent arithmetical accounting methods show a drop of 27.5% in the seasonally adjusted annual rate of profits from the fourth quarter of last year to the second quarter of 1949 and a drop of 22% from the second quarter of 1948 to the second quarter of 1949. The prevalent accounting methods understate present profits because they count a drop in the cost of replacing inventories as a loss. When profits are correctly stated, corporate earnings in the second quarter of 1949 were 10.5% above the second quarter of 1948 and only 10.4% below the last quarter of 1948. In view of the fact that industrial production in the second quarter of 1949 was 8.7% below the second quarter of 1948, that hourly earnings in manufacturing were 4% higher, and that selling prices were lower, the success of management in keeping up profits is a remarkable achievement.

How long is the recession likely to last? How severe is it likely to be? How complete is the recovery likely to be? What should be done to check the recession and hasten recovery? These are the crucial questions raised by the recession, and the rest of my remarks will be mainly devoted to them. Before I discuss them, I wish to examine briefly the nature of the recession and to point out several of the reasons why it is so mild.

What is the nature of the recession? If retail sales are about as large as last year, if expenditures on plant and equipment are as large as last year, if expenditures on new construction are as large as last year, if the government purchases of goods and services are larger than last year, why is there any depression at all? In the face of such a well-sustained demand for goods, how can there be a drop in production and employment?

The immediate explanation of the recession has been the desire of business management to cut commitments and inventories as soon as the increase in supplies and the growing reluctance of consumers to spend caused prices to decline. The year 1948 had been a year of heavy accumulation of inventories. The physical volume of non-farm inventories increased about $9.1 billion, or about 10%. Inventories were low in relation to sales by pre-war standards but, at the first sign of weakness in prices, manufacturers became very anxious to cut in inventories. As a result, new orders for non-durable goods in March, April and May, 1949, were nearly 15% below the same months of last year and new orders for durable goods more than 24% below. With retail sales running about the same as last year, industrial production in the first quarter of 1949 was 2.4% below the first quarter of 1948 and in the second quarter was 8.7% below last year. Inventories accumulated in the first quarter, but were reduced during the second quarter. Most of the rise of 1.4 million in unemployment between June, 1948 and June, 1949 is accounted for by the drop of over a million in employment in manufacturing between those dates. In short, the recession up to now has been almost entirely the result of an attempt of business concerns to adjust their inventories to the changed outlook for prices and in terms of employment, has been confirmed almost entirely to manufacturing.

Why has the recession been so mild and so limited in scope? Perhaps the answer will turn out to be that a serious recession in business is ahead, but that it has not had time to develop. Much of the activity in the durable goods industries, for example, has been based upon orders placed a year ago or even two or three years ago. As the backlogs of orders in the durable goods industries are eliminated, the rate of production and employment will drop, unless new orders increase. It is normal for production in the durable goods industries to hold up in the early months of a recession better than output in the non-durable goods industries. Consequently, the behavior of the durable goods industries up to now has been normal and does not assure that a sharp drop in orders is not ahead. Why, however, has the recession up to now been mild? There are four principal reasons:

(1) The backlog of orders in the durable goods industries, as I have explained, has been large enough to sustain employment at a high level for some months after the decline in new orders.

(2) The cut in the personal income taxes, effective in the middle of 1948, helped increase incomes after taxes at the time when consumer buying was leveling off. This was a happy accident. At the time that the tax cut was passed, inflationary influences were dominant and the tax cut seemed likely to reinforce them. The cut, however, became effective at just the right time—shortly before prices began to decline. Cash receipts of the Federal Government decreased from an annual rate of $47.4 billion in the first half of 1948 to $41.6 billion in the first half of 1949.

(3) There was a large increase in government expenditures during the latter half of 1948 and the first half of 1949 in comparison with the previous years. Cash payments by the Federal Government increased from $33.5 billion in the twelve months ending June 30, 1948, to $40.1 billion in the year ending June 30, 1949. Expenditures by state and local government also increased.

(4) Inventories were small in relation to sales, and the short-term debts of individuals and business concerns were small in relation to their incomes. Hence there was little pressure on debtors to pay their debts and virtually no forced liquidation or distress selling. There has been, in short, a tolerable repayment of short-term debts by business concerns to the banks. This has aggravated the recession by preventing enterprises from
spending this money for goods or disbursements has been at the option of debtors, not forced by the banks.

III

How severe is the recession likely to be and how long is it likely to last? The bottom is not at horizon, and the recession will be severe on that account. The short upturn is likely to start before the end of 1949 and in any even by early April, 1950.

One important reason for believing that the bottom will be reached approximately the end of February, 1950 is that consumption has been rising for several months, and the rise in the ratio of personal incomes to disposable personal income (or, if you prefer, the drop in the rate of savings) in the second quarter of 1949 was an annual increase of $2.7 billion in the rate of savings for consumers goods. A third reason for expecting an early upturn is that the drop in the rate of outlay on consumer goods, which dropped from the last quarter of 1948 through the first quarter of 1949, has begun to rise and will undoubtedly continue to rise, and the rise in the of personal income to disposable personal income is not likely to fall. For the time being, the excess of government disbursements over receipts must be regarded as having a deflationary effect on the rate of spending and hence on the economy. As the repayment of debt taps into the process of absorbing government disbursements over receipts may be expected to mean further disbursements in the economy as a whole. It is unlikely that the drop in the rate of savings at least will not in any event be financed by the money that the commercial banks

A fourth reason for expecting an early upturn is that the industrial production has not been disbursements for the purchase of consumer goods has been substantially below present levels, The far the production of durable goods has been up fairly well, kept a high level, and in the peak which, in the case of durable goods, is the peak of a second upturn in the long business cycle.

In considerable measure, however, the trend is the output of the durable goods industry was not been by old orders placed during the six months of the year at the end.

The principal uncertainty in the short-business outlook arises from the question of what impact the outlay of durable goods will drop substantially below present levels. The far the production of durable goods has been up fairly well, kept a high level, and in the peak which, in the case of durable goods, is the peak of a second upturn in the long business cycle.

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In considerable measure, however, the trend is the output of the durable goods industry was not been by old orders placed during the six months of the year at the end.
The Outlook for Recovery

(Continued from page 21) workers, and the difference between gross investment and gross saving was valued at $955 million in 1947 and $1,298 million in 1948 when one dollar was spent on housing, private plant, and equipment. It is important to note, however, that even with the rise of gross investment to $13 billion in 1948, saving by businesses would be expected to rise by more than the $500 million that was allocated in this year. Consequently, individuals need to save less and they need to invest more in the future. Thus, the saving by individuals needs to be reduced by more than a billion dollars, which means that business and government policies need to be changed to encourage more saving by individuals.

In addition, lower tax rates are needed to encourage more saving by business and government. This would allow businesses to save more and invest more, which would lead to greater economic growth.

Business must do a good job of offering more attractive goods and services, which would increase demand and encourage more saving by individuals. This would lead to the recovery of full employment and higher rates of saving.

The recession should not be aggravated by raising the general wage level. A wage increase would lead to higher prices and reduce the real value of wages. Consequently, the government should not increase its wage levels, as this would lead to higher prices and reduced savings.

The raising of general wage levels should not be accompanied by increased saving and reduced consumption. The government and businesses need to work together to reduce the rate of saving.

In summary, the government and businesses need to work together to encourage more saving by individuals and businesses. This would lead to the recovery of full employment and higher rates of saving.
The current acute dollar shortage constitutes a threat to the trade of the sterling area and the dollar area. It would seem that the financial world is poised to overshadow the great strides that have been made in restoring and in laying the foundation for the ultimate removal of exchange restrictions and the establishment of a country of free convertibility of currencies. According to the newsletter entitled "The Outlook for Convertibility," recently issued by the American Institute for Economic Research, the United States and the western European economies are now largely free of exchange controls on capital inflows and outflows. The absence of exchange restrictions, however, has not been accompanied by a decline in the demand for dollar assets. The dollar shortage is a matter of concern to both the Federal Reserve Bank of New York and the United States Treasury Department. The Federal Reserve Bank of New York has issued several bulletins and reports on the current dollar shortage and the measures being taken to alleviate it. The Department of the Treasury has also issued reports on the subject, including a report on the "Dollar Deficit as a World Problem." The report states that the United States is accumulating a large dollar deficit, and that it is now the largest debtor nation in the world. The report also notes that the dollar deficit is not merely a European problem, but is a problem of the whole world. The report points out that the United States is the largest debtor country in the world, and that it has accumulated a large dollar deficit due to the United States Government's policies of borrowing from the United States and the United Kingdom. The report also notes that the United States is importing a large amount of goods and services, and that it is experiencing a balance of payments deficit. The report states that the United States is also experiencing a dollar shortage, and that it is now the largest debtor nation in the world.

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Fourth Round Wage Increase Means More Inflation

(Continued from page 4)

The increase in the cost of living as a result of higher wages is incurred because of the savings through better technical efficiency which is caused by the higher wages. But the increasing cost of living means only the increasing cost of buying power, not the increased wage bill itself. Thus, we have the paradox that the cost of living is rising, but wages are not.

What Standards For Wage Increases Are Set?

One of the main problems of wage increases is the question of what should be the rate of wage increase. There are several factors to be considered in setting wage standards. The rate of inflation, the rate of productivity, the rate of unemployment, and the demand for labor are some of the factors that influence wage standards.

Wage increases should be set according to the standards that are currently in place. It is important to ensure that wage increases are not too high, as this can lead to inflation, and not too low, as this can lead to decreased consumer spending and economic stagnation.

In conclusion, wage increases should be set according to the standards that are currently in place. It is important to ensure that wage increases are not too high, as this can lead to inflation, and not too low, as this can lead to decreased consumer spending and economic stagnation.
Some Steel Demands Abnormal

It is apparent that marginal steel demands on the steel industry. The prospects for foreign business are also at, best, uncertain, for the world is now recovering. Nearly all foreign countries have increased the use of dollar exchange, which, of course, reduces the demand for American products. If the American products are increased, then the still fragile demand factor. On the foreign side of the picture, there are recent reports of probable devaluations of the dollar, which will reduce foreign costs of production as to make these foreign costs competitive.

It is fair to assume that some day after a new steel president, Martin Marshall Plan aid and will likewise cut its own armament program to the minimum. When these steps will be taken. In the meantime the steel makers are stillModerate demand for steel created by the Federal Reserve Act. It is also possibly by the proposed Military Aid Program under the Atlantic Pact. The steel industry is a part of its present volume market. Steel prices have been rising. Whenever this buying ceases, steel markets will decline faster than does money.

If it be true, as I believe, that business is inherently a cyclical industry, the present time, that business expenditures are cyclical, and in the long run, the worker himself. Just where does the investor come in?

An inflation period such as the present offers a distinct advantage to the working capital of industrial corporations. Incomes require more money and, in an advancing inflation, still more. Accounts receivable tie up additional funds. When the concern has capital tied up in accounts receivable, its capital is generally held in accounts receivable. Because of its cyclical nature, the market is in a long run, the worker himself. Just where does the investor come in?

The Investor and the Growth of the Steel Industry

The subject of the future profits of the steel industry cannot very well be dropped without raising the question of the rise in wage costs, and a consequence. Steel producers can affect the investor, the technological improvement, and the public in the long-run, the workmen involved. Just where does the investor come in?

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Says Federal Reserve Can Supply Unlimited Credit

Annual Report of Governors of the Federal Reserve System, covering operations for 1948, holds problem of credit expansion as well as credit restraint centers in supply of bank reserves, over which Board has direct control. The Annual Report of the Board of Governors of the Federal Reserve System covering its operations during 1948, which was submitted to President Thomas S. Francis, Jr., has recently released, and, in addition to reviewing Federal Reserve policies and recent developments during the year, discusses the situation in light of recent reports on the return of currency from circulating balances of government securities by the Federal Reserve System, credit expansion, during a period of inflation, is to be held in check, additional reserves arising, therefore, are needed. It is possible that a liberalizing of the Federal Reserve System's policies and regulations may prevent the necessity of emergency measures with respect to the volume of bank reserves.

With Stewart, Sanlon Co.

(Special to The Commercial & Financial Chronicle)

By Thomas J. White has been connected with Stewart, Sanlon Co., consulting engineers of the San Francisco Stock Exchange, King Merrill & Co. and First California Company.

With Hannaford & Tablot

(Special to The Commercial & Financial Chronicle)

By Harold D. Domney has been added to the staff of Hannaford & Tablot, 319 California Street.

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May 15, 1950

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WASHINGTON, D.C., May 15—The Federal Reserve can supply unlimited credit if it needs it, according to comments in the Annual Report of the Board of Governors of the Federal Reserve System, covering operations for 1948. The report states that the Reserve System could supply unlimited credit if it were needed, and that the Federal Reserve could increase the money supply as much as the issuers of Federal Reserve notes desire, subject only to limitations of the public's desire to buy Federal Reserve notes. The report also states that the Federal Reserve could supply unlimited credit if it were needed, and that the Federal Reserve could increase the money supply as much as the issuers of Federal Reserve notes desire, subject only to limitations of the public's desire to buy Federal Reserve notes.
Mid-Year Review of Economic Activity

(Continued from page 2)

ed in many lines at virtual capacity levels, it was not uncommon, on the other hand, for businessmen to report that their orders were running at levels of volume not much in excess of capacity, and it was possible that during the last months some of the excess capacity had been disposed of, particularly in the automobile and electrical equipment industries. However, the situation has not been entirely stable and a number of companies have reported that they have not been able to meet the demands of their customers for a number of reasons, including the shortage of materials and the difficulty of obtaining labor.

In view of the relatively high level of capacity utilization, it is not surprising that many companies are reporting a shortage of materials, particularly in the automotive and electrical equipment industries. In addition, there is a growing demand for consumer goods, which is likely to place further strain on materials supplies. It is also important to note that the demand for consumer goods is likely to increase further as the economy continues to expand, and this could lead to further shortages of materials. However, it is also possible that some of the shortage of materials is due to the fact that companies are not able to meet the demands of their customers for a number of reasons, including the shortage of materials and the difficulty of obtaining labor.

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year ago, but this decline was offset by a large increase in con-
struction by Federal, state, and other governmental agencies. To-
to the middle of March this is estimated at approximately $1,346,-
000,000, as compared with $850,-
000,000 in June a year ago, but from this high it has fallen to $900,-
der any two comparable months rose from $400,000,000 to $700,000,-
000,000 during the first two months of the fiscal year. Total new con-
struction by all agencies, on the other hand, has averaged fractionally above the volume re-
ported for the same period last year.

A comparison of new construction by states and at the Federal level for April and May of 1929 and 1949, and the first two months of each year, shows that the total of $1,265,000,000 during the compared month in 1948.

The Frear Bill to Amend SEC Act

The "Chronicler" has acquired a copy of the Bill (S.2486) intro-
duced in the Senate by Senator Allen Frear, Jr., of Minnesota, and noted in the Senate finance committee on May 6. This would extend the power of the Federal Reserve Board and Exchange Commissions to require as to reports d a t a from concerns that sell securities
Securities Salesman's Corner

BY JOHN DUTTON

Everyone likes a bargain! But when you are selling securities you must not only be able to offer a PRICING VALUE but it is vital that you be in the position of being able to make a good bargain. By finding out what the competition is doing you can see that your bargains should be of such good quality that you do not have future complaints. Of course it is all in the way you present your bargain. There are excellent investment opportunities among the Fire and Casualty stocks; some with unbroken dividend records for a half century. Yet they can be bought today at from 65% to 75%, in some instances, below statutory liquidating value. When you can purchase $1 worth of a cross section of good securities for 60 and 70 cents on the dollar, without giving any value at all to the investor, it is very sure to be sold by you and the dividend will be gathered and sent to the company, leaving no chance for a good investment and a BARGAIN.

You know that time is money, you have no more—write a letter to a selected list of clients and prospects. The story may be an old one to you, but your clients do not know it. You can show them that your services can be relied upon. Show the long record of dividend payments, mention the liquidating values and the prospects for the future. The easy way of doing this is to have every corner, possibly every house, in your territory sold by you. You can advertise your services as you see fit, and get business. The ad need not be large, sometimes a single column two or three inch ad placed every other day for a period of several weeks, is enough. A simple letter with one or two cents copy. Something along the following lines should bring interested inquirers.

An Investment Opportunity

Dividends paid every year for the past fifty years—this stock.

Total Assets $50,000,000. No bonds or preferred stock.

Book value $40. Can be acquired at today's offer price of $25 per share.

For further details write or phone

The Fire and Casualty Stocks also lend themselves for a short talk concerning investments. The other evening I was with a group of people and they were all interested in finding some investments that would pay, first of all, the cost of living and at the same time be safe. Most of them did not want to "play the stock market," but were interested in finding some investments like A. T. & T. Why? When people who have these ideas can be shown that they can buy a diversified portfolio of the finest in-
vestment securities, under expert management and government regu-
lation, and can buy these securities at a discount of as much as 30% and 50%, they will be interested. These are really good customers and the only worthwhile type of account is such a client, as far as the retail security dealer is concerned. Once you sell your last grade, you’re selling for another account. What you are selling is steady income, most of your worries are over. The stock market can go up and it can go down, but your clients go on receiving their dividends and you don’t have to walk across the street when you go.
The Problem of Industrial Concentration

(Continued from page 9)

In the last quarter, the profit in the large enterprises increased by 12.4% over the same period a year ago, while in the small enterprises it was 3.3%. It is evident that the smaller corporations are experiencing a difficult period of transition, whereas the larger ones are enjoying a period of prosperity. This difference is due to the fact that the larger corporations have more diversified and profitable enterprises, whereas the smaller ones have to cope with a narrower range of activities.

Among the larger enterprises, there is a tendency for the number of large enterprises to increase, while the number of small enterprises is decreasing. This trend is expected to continue in the coming period.

The trend of industrial concentration is a disturbing phenomenon for the following reasons:

1. It leads to a decrease in the number of small enterprises, which are essential for the economy.
2. It reduces the competition among enterprises, leading to higher prices and lower quality.
3. It concentrates power in the hands of a few large enterprises, which may be used for anti-competitive purposes.
4. It may lead to a decrease in the number of job opportunities for workers.

In conclusion, the trend of industrial concentration is a significant problem that requires careful analysis and appropriate policy measures to address it.

Thursday, August 18, 1949

THE COMMERICAL & FINANCIAL CHRONICLE

28 (672)
The State of Trade and Industry

(Continued from page 5)

The increase in steel demands brought several notable changes in the steel business. The total dollar volume of steel sales was up $7.50 a gross ton at Pittsburgh, Detroit and Baltimore. Steel prices were 17% higher in each of the cities added. This, of course, was a factor in the overall situation.

Steelmaking scrap prices continued their advance this week and were higher than atomic price levels. The result was a decrease in steel scrap per ton of steel. An average price of $1.01 per gross ton was paid for steel scrap, with Chicago paying the highest price of $1.17 per gross ton.

The number of active furnaces was up to 60, and had increased since the beginning of the month. Steel mills had increased their capacity to a level of 92.5%, and their production was up 6% over the preceding week. This is a trend that is likely to continue as the steel industry continues to expand.

Wholesale food price index advances for fifth straight week

Rising for the fifth straight week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., stood at 85.88 on Aug. 9. This marked an increase of 4.1% above the year's low of 55.65, and the highest since the index began in 1914. The current figure represents a drop of 0.6% from the 7.18% of a year ago.

WHOLESALE COMMODITY PRICE INDEX CLOSED SLIGHTLY HIGHER.

Following a sharp rise in the early part of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., marked a slight gain as compared with 239.87 a week earlier, and with 280.22 on the corresponding date in 1948.

Grain markets on the Chicago Board of Trade continued to be comparatively steady. Price changes were generally narrow with all grain futures except wheat advancing. Cash wheat was fairly active and prices showed little net change for the week.�

Cotton, however, continued to suffer from lack of carryers and a lack of offeings for shipment from primary markets. With support derived from the recent advances, prices were moderately higher on the week closed.

Bullishness was still fairly slight for the week. Consumer demand for butter was still lagging but the market was stimulated by record purchase under the government support program. Domestic and export demand for flour was good with prices firmer. Cold storage stocks of hard and soft wheat were high and the seasonal factors were unfavorable for trade expansion. The Chicago livestock market, hogs were steadily to slightly higher. Lamb's declined $1.50 for the week, cattle prices developed a weaker trend due to increased receipts of grain-fed steers.

Cotton prices moved in a narrow range and trended mildly downward during the week. The major factor was cotton stocks.

There was a slight uptick in values in the final session following problems on the market. A crop which placed the total yield at 14,801,000 bales, or about 300,000 bales lower than was expected.

Exports have been increasing in most areas of the belt. There was some improvement in mill demand with some mills buying more on an as needed basis, but inquiries were still light and sales for export remained small in volume.

Supplies were reported getting tighter in many textile lines with buyers bringing offders for delivery below the 1948 level.

RETAIL AND WHOLESALE TRADE CONTINUES MODERATELY BELOW THE LEVEL OF THE CORRESPONDING PERIOD.

Although very warm weather in many parts of the country in the period ended on Wednesday of last week discouraged many shoppers, there was a marked increase in retail trade. This was also true of wholesale trade. Retail sales of clothing, furniture and household goods, however, remained relatively flat. The customary between-season lull in the demand for apparel continued last week. There were many reduced-price offerings of summer wear, but they attracted less attention than in previous weeks.

Among the items which continued to sell well were women's dresses, coats, and suits. There was a marked demand for household goods. The interest in Fall apparel in scattered localities, but overall demand remained moderate. Promotions of back-to-school clothing evoked moderate response.

Retail food volume did not vary appreciably from that of the preceding week with total dollar volume slightly below the comparable 1948 level.

Housewives bought less meat than in the preceding week. Among the most noticeable were offal, butter, cheese, and beverages. Interest in canned goods rose slightly.

Increased volume of home furnishings dipped slightly. It was reported that high temperatures adversely affected shopping in many sections. Refrigerators, washers and coolers were omitted from the large department store catalogues.

Total retail volume in the period ended on Wednesday of last week was 2% below the corresponding period of 1948. Regional estimates varied from the levels of a year ago by the following percentages: New England, South and Southwest -4, East -4 to 6, Midwest -4 to -10, Northwest -3 to -7 and Pacific Coast -4 to 8.

As many merchants placed orders for their Fall needs, the total dollar volume of wholesale trade increased slightly last week and remained moderate below that of a year ago. The number of buyers was larger, but the buying volume was somewhat less, but was somewhat above that of the similar week in 1948.

Despite the year-to-year improvement in the number of buyers, the sampling program of the Federal Reserve Board's index for the week ended Aug. 6, 1949, decreased by 12% from the like period of last year and compared with a decrease of 11% for the period ended Aug. 6, 1949, sales registered a decrease of 11% from the comparable period of 1948. Retail trade here in New York last week was again adversely. The new index measures the part retailed in department store sales, according to census areas, by about 15% or more below the like week of 1948.

According to the Board's index, department store sales in New York City for the weekly period to Aug. 6, 1949, decreased by 14% from the same period last year. In the preceding week sales were decreased by 12%. This year-to-year decline was less than in the year before. For the four weeks ended Aug. 6, 1949, a decrease of 12% was reported under that of last year. For the year to date volume decreased by 16%.

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 month, etc., compiled and distributed by the Federal Reserve Board. Indicia by referring to "Indications of Current Business Activity," a regular feature in every Thursday's issue of the "Chronicle."
Market obstacles so apparent that reverse market from current levels would not be surprising.

First off let me say that I still don't like this market. Maybe I feel this way because I missed it. But whatever the reason, the obstacles to further advances seem to be more prominent almost daily.

Holding on to you I feel about the market I must now say that there is almost no one who could be said to be plain old to others; maybe to hundreds or thousands. This makes it one of the best advertised resistance points in recent market history.

Experience has taught me that there is nothing more obvious to others—is perhaps an indication in itself; an indication of reverse action. In other words the patterns formed now seem so typical of a pending reaction, the chances are it will not come, or if it does, it will be so long delayed, it will look like something completely new. Something that has no relation to present and recent markets.

If that's the way I feel, you're probably asking yourself, what about buying stocks? The answer is that the stocks I like have already made sharp advances and I prefer not to buy, or advise others to buy, at prices that may later prove to be a "lock-in".

A "lock-in" is a market range where there is considerable public interest and greater than average public buying.

What More Does The Investor Want?

The investor at times is bewildered to see the seemingly irrepressible buying pressure in market price action. It seems as if the inflation is not seen as such a thing as a wholesome thing, but the private enterprise system cannot live, and when the public is forced to break into demand, democracy must inevitably pass over the precipice.

Actually there is not a healthy investor interest at this time and usually the people who have bought this tragic conglomeration of securities are so anxious that the health of the securities market is best summed up by my widely quoted phrase, "American industry will worth more dead than alive," or "industry is worth more dead than alive," and there is nothing to show by the stability of the market system, of the stability of this statement, that it is as a rule a safety, as many, values, as measured by historic standards, are present.

Industries Worth More Dead Than Alive

It has been estimated that approximately 44 percent of the books for less than 46% of its common stocks are selling considerably below book value and therefore as a fraction of their real value as measured by cost. Innumerable issues sell below the amount put out to the business in the last half dozen years, and others below net working capital. Earnings have been uniformly small, and in some cases not even considered, and still suggest a real lack of safety in the market.

A new steel capacity cost $220 to $300 a ton, steel equities sells for less than $33 to $36 a ton, and the two-thirds to three-quarters of the book being sold on an average of about $24. A number of these units from their liquidation in the last few years have not worth more than 50 cents. If it would cost them to repeat this, and then to the capital stock, the returns of leading common stocks are about 65% and represent the returns of leading common stocks in the industry. The stockholder has had better protection, and I think he has a basis for hope that the earnings of 1949 will be higher than 1948 returns. I am inclined to see values in quoted values in the earnings of the holder of cash bonds and have not reason to hope, he has been "taken."

"What More Does the Investor Want?"

In my opinion, the investors are still so far and far from being convinced, and no one has been convinced enough to believe in the biblical saying "As you sow, so shall you reap." As far as the investor is concerned, as though the country is replanning the future, as I have mentioned, the investor, in turn, is replanning investment confidence, the investor today cannot be bested, in my opinion, by the acts and policies. Confidence in industry, in industrial and financial legislation, and the leadership of the private enterprise system have not been reflected in returns, nor have the scars and the military and at low price-earnings ratios. If it is not valid to assume that the country may have more than 2 or 3% or common stocks, and that future quotations will be far from what they are now, if ever. If there is some time, it is subject to become because we have employed deliberately or because of an extended root cause, the value, size, and rate, of earnings, dividends, such as these (inflation), etc., has brought on governmental controls to stem the tide of the price. This effort to stimulate the economy.

It is difficult to visualize the ownership (or the ownership of stocks) being a less desirable holding in the long run than the ownership of the share of the owner of the notes and fixed income securities. It is also generally recognized that these rules out this reasoning and vividly shows that common stocks do not yield on a much sounder place for savings than were cash or bonds.
Summary of Productivity

There is clearly no evidence either in the past or recent trends to indicate that the steel industry will be able to increase productivity. Increases of 5% and 10% have been achieved within a steel industry that is 25% below the national average. Increases of 20% are being sought in the steel industry, but it is not expected that they will be achieved.

The question of whether or not increases in productivity can be achieved in the steel industry is a complex one. It is not simply a matter of increasing the amount of work that can be done by the same number of workers. It is also a matter of increasing the efficiency of the work that is done. This requires not only an increase in the number of workers, but also an increase in the amount of work that can be done by each worker.

Recent trends indicate that the steel industry is not likely to achieve significant increases in productivity in the near future. The industry is under pressure to reduce costs and increase profits, but these pressures are not likely to result in increased productivity. The steel industry is also subject to a variety of external factors, such as the state of the economy, that can affect productivity. Furthermore, the steel industry is a complex one, with many different processes and factors that can affect productivity. It is not likely that the steel industry will be able to achieve significant increases in productivity in the near future.
As We See It
(Continued from first page)

promise utopia—clearly an American counterpart to the attempted off-hand dismissal of Mr. Churchill by the spendthrift in the United States who are too busy to think of ways to finance their grandiose schemes as well as our own.

The fact is, however, that Mr. Hoover today reveals a far clearer understanding of the requirements of sound economic and social progress than do those who take the opposite view. He now, moreover, shows an excellent grasp of the basic causes of our present day aberrations and of the only possible remedy for a situation that is likely to continue very much longer. How distressingly true are these words:

"We have a few hundred thousand Communists and their fellow-travelers in this country. They cannot destroy our system; but they are using it as a weapon against us. We have doctrinaire Socialists who peacefully dream along about their utopia. But there is a very 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 by 250 years. They are constantly under the illusion that the economic system can at the same time preserve personal liberty and constitutional government. That cannot be done."

And his explanation of how it happens that the American people who do not, for a moment, believe in all this remain in office at all events is an eye-opener. He said, in the face of it is definitely to the point. Here it is:

"Now most Americans do not believe in these compromises with collectivism. But they do not realize that through government expenditure our nation is blissfully driving down a back road at top speed.

"In the end these solutions of national problems by spending are always the same—poorer, more power, more centralization. They are subversive of the principles in which our system is founded. Unless labor and management make decisions on the basis of economic, not political, power."

"And the time is at hand when the government’s borrowing and spending transformed into a soft phrase called ‘deficit spending.’ And the slogan of the ‘welfare state’ has taken the guise for a totalitarian state by the exact route of spending."

"And out of these slogans and phrases and new meanings of words come vague promises and misty mirages—yes, in the minds of the people."

"But let us be clear about these basic human impulses to production which alone make a dynamic nation."

Earlier in his address, Mr. Hoover had laid out in impressive fashion the degree in which government has spread its tentacles out and is now absorbing appalling portions of the efforts of the people at large. He had presented in a striking way the proportion of the people now working for government, and the days we all must work to support them and government. He is obviously well aware that not only does all this constitute a severe drain upon the productive power of the population, but that it has other direct and indirect effects which inevitably tend to shrivel up production and to channel it into lines which are of lesser usefulness.

It Would Be a Great Service
But if he succeeds in persuading the rank and file to heed this warning, and in a sense the sole responsibility for all this, and hence their duty, will have on this account served his country as few men have been privileged to do in this or any other land at any time in human history. There are others who would, with warrant or justice sit back and say the blame for such things is on elected officials or legislators. These are representatives of the people and are supposed to remain in office merely to be regularly seeking reelection. They are not aware that innumerable groups with purely selfish interests can bring to bear upon them, and this pressure is great because these groups have wide support from large segments of the voters of the country. To make a long story short, the hope of salvation lies in the people themselves and in no one else.

The question is, of course, how to arouse the rank and file to their danger. There is good reason to believe that this is why the President has stirred up the feeling of the difficulties involved and of the precise nature of at least some of the obstacles to be surmounted. The fact is that far more than many of us realize the "ad" nature of the great economic revolution, a good many untrained but highly influential figures in our own midst, has seeped deep into the thinking and the decisions of those who are in a position to have an in substantial part to thank the persuasiveness of Franklin D. Roosevelt. Vastly developed and improved transportation and communications—especially the radio—has enabled the power of movement to make huge sums from the Treasury of the United States where they would "do the most good" in accomplishing this transformation. Understandably, Mr. Hoo­ver of Guinea not only heals the hurt that honor feels, but may have a good deal to do with the mental processes of people.

Our Real Problem
Old and honored precepts founded upon centuries of experience have lost their hold on the minds of men; new untested, sometimes patently silly, notions have all too fre­quently taken them in the esteem of the rank and file. Our real problem is how to attack this situation.

What we must all hope is that it will not take decades, even years, to work that score, to teach men what has already once been taught them.

Foundations of Sound Collective Bargaining

(Continued from page 11)

must be based upon sound economic principles.

Unless labor and management accept intelligent economic principles and agree to decisions on the basis of economic, not political, power."

And finally it must be remembered that the temptation to preserve their own particular interests, the temptation to secure an increased level of wages or a greater volume of prices or employment or any other line of a specific nature, is mighty strong."

Basic Principles
In my opinion five principles form the economic foundation of constructive collective bargaining.

Let me submit them to you: number one, Labor and management must believe in the economic benefits of increased productivity, and help to make it work.

Number Two—Labor and management must believe in the economic benefits of increased productivity, and help to make it work.

Number Three—Labor and management must believe in the economic benefits of increased productivity, and help to make it work.

Number Four—Labor and management must make decisions on the basis of economic, not political, power.

And Principle Number Five—Labor and management must accept their primary responsibility to the community."

These five principles one by one. When I say that labor and management must believe in increased capitalization, I mean that they must believe sincerely and wholeheartedly in the ability of increased capitalization to increase the market economy and must devote intelligent effort to make it work.

Theoretical agreement on this basis increases the probability that the American capitalism has been and is the most productive in the world.

This enormous increase of productive efficiency has enabled labor to enjoy even higher standards of living and comparable productivity for those in the United States than any other country."

There are, in fact, since 1850 the population has increased 7 times while national income (in constant dollars) has increased more than 23 times while in come per person rose more than four-fold."

Despite the fact that the American capitalism has been as well as the most productive in the world."

The enormous increase of productive efficiency has enabled labor to enjoy even higher standards of living and comparable productivity for those in the United States than any other country."

There are, in fact, since 1850 the population has increased 7 times while national income (in constant dollars) has increased more than 23 times while in come per person rose more than four-fold."

Despite the fact that the American capitalism has been as well as the most productive in the world.
there is real danger that unions may force up wages at rates which will overburden business and necessitate increases in prices. Effective competition against such inflation can be achieved only by widespread unemployment nor during this period is any item of economic activity acceptable in amount to the recovery of our national economy. The industrialists, the merchant princes, and the financiers have become so accustomed to the present system of inflation that they cannot be induced to understand that inflation brings with it its own depression, with widespread waste and unemployment of productive facilities and depressed real incomes for all groups in the population.

I have emphasized that the Bill of Rights requires changes in management technique and pay as the first step toward greater efficiency and security and progress. I don’t think it’s possible to have safety without a productive economy, and that is why we have so much of the other stuff. It is difficult to draw the line between the two, but the difference is this: safety—never its own—only its distribution as well. More progress means more security, and for more people. But it should be possible to mitigate the personal costs of movement and rate of increase in living standards. Can a collective bargaining agreement accomplish this?

Increasing Productivity Essential

Principle Number Two—Labor and management must get together and work out an over-all plan for productivity and must work to achieve it. To me this is the key to the recovery of the modern industrial society. In my opinion, the most efficient and practical per-man-management-machine has not been developed yet, but the body. Any permanent stability in the workshop will be to have in harmony with this fundamental fact.

There are two general ways in which groups in our society may slide along the road of productivity. One method is to take away income and give it to another. This may raise its prices relative to the other prices. A union may push up the wages of employed workers more rapidly than others. Political leaders may declare a wage increase to be for the benefit of all, and thus increase the price of terms of what is available. This is one way—at the expense of the other. It is the unsound way.

The other way of improving productivity is to have the group that participate in it improve itself by producing a bigger pie. That is what I mean by believing in and implementing increased productivity. What is dynamic capitalism? It means that management and unions deal between union and management organization, must understand each other, and that the morale of the workers and, in turn, the quality and amount of the production of the enterprise, can be reflected in the interest and efficiency of the work force. Similarly, the union organization at the factory must understand and recognize that it engenders among its members a pride in their work and a real interest in production and dispersion, criticize and oppose all programs and policies which workers are likely to act accordingly. Management and unions must have the same sympathetic attitude on the part of the workers in order to maintain the performance of the rank and file.

Distribution of productivity gains, which stimulate business and thereby will increase the productivity, has kept the operating costs down as much as possible. It has served, in turn, to distribute productivity gains proportionately to the population at the expense of the labor force. This has increased the productivity, for productivity is not a constant term; it has increased somewhat more rapidly than average. The number of more jobs, more people can, relatively high, but most of the productivity gains have been reflected to the employees in the form of lower prices and improved quality of product. In industry experiencing little or no productivity, it is true that the price has increased less than average, but the poor worker will be forced to choose, by price in a low scale of living. Continued productivity will depend greatly upon labor’s attitude toward management. Management must control its costs in such a way that the power is not used and not hurt by its workers. If it is to the management’s own interest to use the power efficiently, it will then be possible to have low prices and increased productivity.

Our troubles at home are becoming more complex, more difficult to solve. But we also find that we are making for better the troubles abroad. But the difficult pursuit of mounting productivity is not new. It is nothing new to that say high production is not producible. Management, in and out, and the workers make for it. But it has not needed as much money as before. The hard work in which we are now engaged is to increase productivity by raising efficiency. It is the time to accelerate efficiency. A new skill, a new way of working, a new attitude, a new method of working. A day in 1958, the officials of a major corporation and I had a running debate that would make a hockey shell by hand!" They just want to see how long it will take to produce a quality," I said, and the hands were listening too. The one hand, which has been developed up, the hand, can be cut with a hockey shell, an automatic pressing of 2,000 of them. In material cost, plus the hand, it would cost $2.50.

The machine-made shells cost a little over 12 cents each. With Jack’s sample as a starter, the company went on to calculate that one hand would cost $17.800. Perhaps the biggest cost is the time it takes. At that it wouldn’t be an automobile industry as we know it, with 3,000,000 workers.

There wouldn’t be the same jobs in filling stations and in rubber fields. It would be the same as which those automobile-making and driving jobs.

I could have used a safer razor blade than a hockey shell, perhaps. The point of the story is the same, that a new skill is to learn to handle and can be used to great advantage. To earn more money and productivity and in the present situation.

The Managerial Function

Newmen Principle Number Three—Labor and management must believe in the importance of the managerial function.

Economic Fact vs. Economic Power

Now to Principle Number Four—Labor and management must believe in the importance of economic fact and not economic power.

Every collective bargaining session relatively is resolved itself into a question as to who has the advantage of the labor’s share of the sales dollar, and that greater share of the labor costs are vital to labor and management. To labor it is the heart of bargaining. It is the management is often the heart of collective bargaining. So

For the greater weakness in collective bargaining today was the unwillingness on the part of firms to reate to men upon economic facts which are not economically sound. Collective bargaining cannot survive that kind of practice.

Take the bargaining front. Labor and management are prone to use yardsticks which are useful to their particular ends. In periods of inflation labor will use the price of labor in which it is based. In periods of deflation labor will grab at every dollar. In periods of deflation management will use the argument of the wage cuts in the management of profits in a period of reduction. It is the claim that is facts and hold to them always relegate the business to the existence of the enterprise. Give me what I haven’t got and take me where I’m not.

What we are faced with is the need for both sides to honestly grasp the problem of the plant and the particular industrial and of the particular industry and success in the collective bargaining decisions on these facts.

We ask the question of the country as is now set, in the main, by collective bargaining. We ask it to be made imperative that economic fact guide labor and management in decision as in wages. The nation has an interest in the kind of wage structure which will reduce our isolationism and increase the influence of the community. We ask the question of the community. It is on trial. Labor and management must be in the collective bargaining decisions on trial and labor and management must be the people that they accept the responsibility to the community.

The Committee for Economic Development has repeatedly stated that it believes in free collective bargaining. But collective bargaining without relatively new technique. It is still on trial with the people. Collective bargaining on trial and labor and management must be the people that they accept the responsibility to the community.

In sum, it is an open question as to whether that foundation has five pillars:

An energetic belief in capitalisms

Constant effort to increase productivity.

Reconciliation of the importance of the managerial function.

Decisions based on economic facts.

Acceptance of responsibility to the community.

These principles, I submit, can form the basis of social economics of collective bargaining.

With Lamson Bros. & Co.


Burgess & Leath Inc.

(Special to The Commercial Chronicle)

BOSTON, Mass.—Burgess & Leath Inc. became affiliated with Burgess & Leath, 30 State St., Chicago and stock its Hutchison Stock Exchange.

tizized for FRASER
Stockholders Relationship

(Continued from page 6)

agement. An uninformed representative can do a company no good.

Management, many old, well-established companies whose men are far ahead of the market in the field for investment and growth may think that they do not have the leverage to do anything but maintain or reduce

ations. But the management of such companies has real

that stockholders are not perpet-

is this true? Stock and investment

will find it much easier if their stock is held in

have representatives.

The Stockholder and National Economic Policies

The stockholder is an essential factor in business enterprise. Without the stockholders' risk capital, many business enterprises could not exist.

The management of such companies has real

Kinds of Stimulating Investment...The Stockholder and National Economic Policies

The stockholder is an essential factor in business enterprise. Without the stockholders' risk capital, many business enterprises could not exist. Stock and investment

have representatives.

The Stockholder and National Economic Policies

The stockholder is an essential factor in business enterprise. Without the stockholders' risk capital, many business enterprises could not exist. Stock and investment

have representatives.
Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (data shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

**AMERICAN IRON AND STEEL INSTITUTE:**
- Indicated steel operations (percent of capacity)...
- Output of steel and castings (net tons)...  

**BUSINESS FOUNDERS AND BROADSTRAND:**
- Cotton...  
- Lumber...
- Tobacco...  
- Cottonseed...  
- Wheat...
- Other grains...
- Census of manufactures...
- Census of mining...
- Census of mining...

**ASSOCIATION OF AMERICAN RAILROADS:**
- Revenue from freight (cents per ton mile)...
- Revenue from passenger (cents per mile)...
- Revenue from other (cents per mile)...

**CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:**
- Total U. S. construction...
- Construction...
- Public construction...
- Total liabilities...

**EDISON METAL DEPARTMENT STORE:**
- Total output...
- Residual fuel oil...
- Steel...
- Beehive indexes...

**Foods**
- Residual...
- Stocks...
- Total U. S...
- Residual fuel oil...
- Total liabilities...

**FURNACE & DEBENTURES:**
- Stocks...
- Total...
- Residual...

**HIDES & LEATHERS:**
- Hides...
- Leather...

**INSTITUTE:**
- Public associations...
- Agricultural...
- Commercial...

**MATERIALS:**
- Shipments...
- Total...

**MONEY IN CIRCULATION—TREASURY DEPT:**
- Treasury...

**NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDDLE EAST EMBASSY ASSOCIATION:**
- Factory sales of writers...
- Factory sales of printers...

**NATIONAL PAPERBOARD ASSOCIATION:**
- Orders...
- Production (tons)...
- Production (board feet)...
- Utilized orders (tons)...

**OIL, PAPER & DRUG REPORTER PRICE INDEX — 1925-34**
- Average...

**PETROLEUM PRODUCTS:**
- All consumers...
- Total...

**PRODUCTS:**
- Retail...
- Commercial service...
- Wholesale...
- Export...
- Export...

**OIL, PAPER & DRUG REPORTER PRICE INDEX — 1925-34**
- Average...

**STOCK TRANSACTIONS FOR THE DOD-LOT ACCOUNT OF THE DOD-LOT DEALERS AND SPECIALISTS IN THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:**
- Number of orders...
- Number of orders...
- Number of orders...

**UNITED STATES DEPARTMENT OF LABOR:**
- All consumers...
- Total...
- Total...
- Total...
- Total...

**VOLUME 170 NUMBER 4630 THE COMMERCIAL & FINANCIAL CHRONICLE (675) 35**
INDICATES ADDITIONS SINCE PREVIOUS ISSUE


Bradshaw Mining Co., Tenopah, Nev. Oct. 23 (5c par) common stock. Price—$20 per share. Underwriter—Batkin & Co., New York. To repair and renovate mine and to extend and enlarge bon"n"s to purchase process mill and move and erect such mill on the company's property or any other place.


Carnegie Mines Ltd., Montreal, Canada April 5 filed 50,000 shares ($1 par) common stock. Price—$60 per share. Underwriters—Name by amendment. Proceeds—For construction.

Hawaii Elec. Co., Ltd., Honolulu July 5 filed 100,000 shares of class B cumulative ($20 par) preferred and 50,000 shares of ($20 par) common stock. Proceeds—To be offered to preferred holders at $1-par rate and common will be offered to all other persons. Underwriters—Dean and Co. 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 merchandising inventories and receivables or to replenish treasury funds. The 'balance would be used for other corporate purposes or construction.


Heligien Corp., New York Aug. 12 filed 100,000 shares of class A common stock (par $5). To be offered present stockholders only. Price, par. Underwriting, none. Corporate purposes, including advances, maintenance of laboratory, etc. Office, 17 West 60th Street, New York.


New York-Pennsylvania-Pullman & Paper Co., Pullman, Mont. Nov. 23 (by amendment) 180,000 shares ($10 par) common stock to be offered at $15 par. Register of shares to be sold in exchange for $10,750 first mortgage bonds. Underwriter—Tom T. Taylor & Co., Missoula, Mont. Proceeds—To retire preferred 6% convertible cumulative 4% debenture $120,000 and sulphate mill with a 200-ton per day capacity.

Hunton, Simmons & Harrison, Phoenix, Ariz. Aug. 12 (letter of notification) 2,500 shares of 4% preferred stock (par $50) and 25,000 shares of common stock (no par value). Price—$5.00 per share. Underwriter—none. Proceeds—Investing.


Keller Motors Corp., Huntsville, Ala. May 10 filed 5,000,000 shares (par value) common. Underwriter—Greenfield, Lax & Co., Inc., New York. Price—$1 per share. Proceeds—To expand and increase production and working capital to manufacture a low-priced, medium-sized station wagon and related parts.

Kenilworth Oil & Gas Co., Inc., Amarillo, Tex. Aug. 3 (letter of notification) 600,000 shares of common stock (par $1). Price—$.50 per share. Drill test well, etc. No underwriter at present. Name to be furnished when underwriter is engaged. Office, 400 Madison Avenue, New York.

La Jolla Racquet Club, La Jolla, Calif. July 15 (by amendment) 20,000 shares ($10 par) common stock. Price—at par ($100). Underwriter—none. Proceeds—For development of ocean-tennis facilities and other purposes.

Kinder, Peabody & Co. 1st National Bank Bldg., Denver, Colo.
NEW ISSUE CALENDAR
August 23, 1949
Northern States Power Co. (Minn.)...-$10.30 a.m. (CDT)...Bonds

August 24, 1949
California Water Service Co. (Preferred...Chicago, Milwaukee, St. Paul & Pacific RR...Bonds

September 8, 1949
Indiana Harbor Belt RR...Bonds

September 12, 1949
Louisville Gas & Electric Co. (Ky.)...Common

September 21, 1949
New York Central RR...Bonds

*value purposes.
&...in and —None.
Proceeds—To
18 E. phenson,
10...about
24. Probable
first
order should
Co.,
Oil
24. (jointly);
Y.)
Proceeds—For
Office—9 East 2nd Street, New York, N. Y.

Pikes Peak Springs, Colorado
Power Petroleum Ltd., Toronto Canada
April 28 (jointly); the
1,000,000 on behalf of company and 150,000 by New York Co., Ltd. Price—For 50 cents per share. Underwriters—S. G. Crain & Co. and

MacFarlane's Candies, Oakland, Calif.
July 18 (letter of notification) 9,545 shares (par $100) common stock. Issue—$8 per share. Underwriter—Stephenson, Leydecker & Co., Oakland, Calif.

Maxume Oil Corp., Toledo, Ohio
May 28 (letter of notification) 10,000 shares, of which only about 2,614 shares will be offered publicly at $100 per share. Proceeds—Will be used for development of the
Hal, and held during the application of the registration statement.

McBee Co., Athens, Ohio
Aug. 9 (letter of notification) 2,000 shares of $1 par series first preferred stock. Price—At (par 100) each. Underwriter—H. & Co., Athens, Proceeds—For working capital.

Mellin's Food Co. of North America, Boston
Aug. 2 (letter of notification) 1,590 shares of par value common stock. Issue—None. Price—For working capital.

Aug. 18 (letter of notification) 2,000 common shares of beneficial interest ($8 par). Offering—To be offered present stockholders at rates of one new share for each 20 held. Offering price to be fixed by amendment. Underwriter—None. Proceeds—To pay $1,125,000 of short-term notes and $1,750,000 of medium-term stock investments in subsidiaries.

Rialto Mills, Inc., Seattle, Wash.
Aug. 5 (letter of notification) 200,000 shares of common stock (one-cent par value). Underwriter—None. Price—$500 per share, par. Proceeds—For general corporate purposes.

State Regis Paper Co., New York
Aug. 8 filed 800,000 shares ($5 par) common stock. Proceeds—To go into the operations of a financing subsidiary of the

American Gas & Electric Co. .....}
Federal Reserve Bank of St. Louis

**Our Reporter's Report**

The current dearth of new corporate debt issues seemingly has cleared the field for the present to bond buyers, and quite evidently moving to take advantage of the situation, to which they have such deals on the fire.

The developments in recent weeks came to market yesterday when bond issues totaling $1,125,000,000 shares of common stock, were announced.

The form of a "secondary" offering there being no new financing for companies. accountants. the underwriters of holdings of a group of individuals who had purchased the stock a little more than a year ago.

For purposes of offering at $12 a share, less commissions to dealers, it was reported that de-

the number which assured quick placement of the shares. Meanwhile another group brought out a new issue of $5,000,000 shares of 5% convertible preferred stock, 20 par, of the Iowa Southern Utilities Co., on which the conversion feature is operative until June 1, 1969.

The issue, sale of which would provide funds for construction, bonds, and has been very well received for the construction of first mortgage bonds. It is believed that it will move quickly to investment interests of a class.

With business being kept with more or less normal season, the investment appears to be increasingly keen in the case of small issues as well as the larger ones. The California Oregon Power Co.'s offering of $50,000,000 of first mortgage bonds on Tuesday also indicates that there is no less than six separate bids from financiers for the bonds.

The high bid of 100.42 for the lower coupon, compared with a low bid of 100.22 for the same rate, while the "minimum bid" received was 101.24 for a 3% rate, on referring the bonds were priced at 101 to yield about 3.95 per cent.

Next Week Looks Better

The forthcoming week promises, thanks to the big new Canadian dollar loan, to roll up at least a $100,000,000 of bond issues. This has been the rule recently.

On Thursday bankers will bid for $12,000,000 of first mortgage bonds of the Northern Pacific Co., in a sale held in 1941, it was stated that $40,000,000 of the loan will be obtained this year from this source. Out of the first installment 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. Officers of the Export-Import Bank reported that Cuban banks have notified the government that they are unable to lend the Cuban government bond issue of $35,000,000 with option to subscribe to $32,500,000 in each of two succeeding years.

**Delaware**

Aug. 9 stockholders will vote on increasing authorized capital stock from 200,000 shares to 1,000,000 shares.

Aug. 9 stockholders authorized an increase in the capital stock from 200,000 shares to 1,000,000 shares. On June 30, 1949, there were 46,303,180 outstanding.

**Paso Natural Gas Co.**

Sept. 12 stockholders will vote on authorizing a new issue of 200,000 shares of preferred stock (no par) to be sold for $20,000,000. The certificate of incorporation and the stock will be 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 will be sold for about $100 a share.

**Electric Light Co.**

Aug. 31 stockholders will vote on creating an authorized issue of 300,000 preferred shares (par $10). Company proposes to register $10,000,000 shares of preferred stock. Proceeds will be used to finance company's construction program.

**Iowa-Illinois Gas & Electric Co.**

Aug. 8 reported company may be in market this fall for first mortgage bonds. Certain directors stated in an interview that the bonds will be a secured financing. The proceeds will be used to finance company's construction program.

**Kansas City Power & Light Co.**

Aug. 8 reported company probably will be in market later this year or early in 1951 with $12,000,000 bonds. Probable bond underwriters: Halley, Stuart & Co. Inc.; Glore, Forgan & Co.; W. C. Langley & Co. (jointly); Equitable Securities Corp.; Co., Inc.; W. C. Langley & Co.; and Union Securities Corp. (jointly); First Boston Corp.; Glore, Forgan & Co.; and Harriman Ripley & Co.

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**Kansas City Power & Light Co.**

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**Kansas City Power & Light Co.**

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**Kennebec Gas & Electric Co.**

Aug. 8 reported company will be in market at some time during the next year. Certain directors stated in an interview that the bonds will be a secured financing. The proceeds will be used to finance company's construction program.

**Merrill Lynch, Pierce, Fenner & Beane Co.**

Aug. 8 reported company will be in market at some time during the next year. Certain directors stated in an interview that the bonds will be a secured financing. The proceeds will be used to finance company's construction program.

**Westchester Light Co.**

Aug. 8 reported company may refund its $20,000,000 general mortgage 3%, due July 1, 1967. Certain directors stated in an interview that the bonds will be a secured financing. The proceeds will be used to finance company's construction program.

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**Observations**

(Continued from page 5)

holder, pay them very well for their work, and resent their tieup and virtual nonuse of the facilities of the bank. As a result, the law has permitted us to make all de luxe, at my expense.

In most cases these responses have explained to me that they are really asking only my cooperation in the execution of a dodge around the law, for nothing about themselves, really, beyond club dues in modest replacements of their Tweedy, semi-country things, their character, confidence, and public standing. None of this shows me any modest amount of in-kick money for their twilight years. I have been most uncommonly disappointed in cases of this kind. In some cases, ex-loved ones who have them under continuous obligations to me.

These are noble sentiments and I break down and splatter many tears like a dumb spangle come ashore with a stick, but still I want to know the facts.

"Will they do as much for me? Who is going to pension us? Who is going to provide us with the funds that the banks can get so much better, of free enterprise who keep renewing the venture-capital of our enterprise. Who is going to look after our widow’s funds, our assets, our drabs and drabs after taxes and contributions to our own loved ones?"

"It may surprise them to learn that we have loved ones, too, and that a head of a family making $200 or $250 a week and living along the line of the five-fifteen also pays taxes and hurts when kids of theirs when stunk even on the chairman of the board at his $100,000 or $200,000 a year, with his bonus or incentive pay."

"Yes, I do realize that a man getting $150,000 a year for his conscientious in thrift in running International Bsequel, Ltd, of which I am a founder, is going to the end of the road. I want purchase of which I had to pay a commission and a tax, probably will have more than $50,000 left when Federal and state have done picking."

"But guilt breaking my heart. Do you think the stockholder gets a penny of it?"

"And, after all, you know, on $50,000 a year a true frugal man, or a person of sense, who would know that, with the clock, could lay up a pretty fair social security of his own and keep the tax man away?"

"No wonder the steel workers and the auto workers have been getting peculiar ideas about pensions."

"I am not asking for the impossible. I am asking a basic right to a fair deed to deserve $50,000 in my scale, and I want him to smile and thank me as a generous benefactor."

"You aren't telling me anything when you explain that the income tax is at the bottom of all this."

**News About Banks and Bankers**

(Continued from page 16) and Joseph C. Wilson, President of the Western National Bank of Dallas, to the latter to the new bank. If the latter has served as chairman of the Federal Reserve Bank of New York, or from which we quote also said in part:"

"Elmer S. Carl, Vice-President and chairman of the Frankford Trust Co. of Philadelphia, has been elected to the board of directors of the bank. It is learned from the Phila-

"Thomas Scott, President of the Farmers’ National Bank of Bucks County, has died. He was born in Aug. 3, 1860, and was 80 years of age. In Aug. 3, 1877, he married Anna Speck of Pennsylvania in 1885 as an office boy, when his father, the late Charles Scott, was the ex-president of the bank. In 1893 he was elected Assistant Cashier, and in 1899, he succeeded his father as Cashier. He was also elected President when the late Mr. Scott, was elected, is active in civic affairs and also in the Pennsylvania and American Bankers Associations.

William Rea, an Assistant Trust Officer of the First National Bank of C. T., D. C., died on Aug. 7. Mr. Rea had been connected with the institution since 1918, the Washington "Post"

**Mid-West Exchange Market Effective Sept. 15**

It was announced in Chicago on Aug 15, that the effective date of the consolidation of the Mid-West stock exchanges would be Sept. 15, and actual trading would be the same day. Reorganization under a two-day notification came after a two-day meeting of the participants, exchanges, headed by its Chicago, New York, and Cincinnati Stock Exchanges, President of the Chicago Stock Exchange. The exchanges taking part in the conveyance are the Chicago Stock Exchange; the Cleveland, St. Louis, and Cincinnati Stock Exchanges; and St. Paul. The last organization has decided to join the merger only on the previous day. The Chicago exchange had announced several weeks ago that it would become a member of the joint organization. The conference was represented at the two-day meeting in Chicago, student officials of the Cleveland, St. Louis, and Cincinnati Stock Exchanges. Many cases were brought as a branch of the Cincinnati stock exchange. The New Orleans exchange has also been invited to join the merger. The organization representatives announced further that a batch form was adopted which will be sent to all members of the participating exchanges. Howard M. Rose, President, and Charles A. Allen, Vice-President of the Merger, now designated to represent the new exchange. The representatives of the participating exchanges also agreed to continue as a separation of the board of directors. These include the acceptance of corporation members.

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**DIVIDEND NOTICES**

The Board of Directors of *PITTSBURGH CONSOLIDATION UNION BANK* will, at a meeting held today, declared a quarterly dividend of 13.5% on shares of common stock of the Company, payable on September 15th, 1924, to stockholders of record at the close of business on August 26, 1924, Checks will be mailed to stockholders of record as of record date.

CHARLES E. BRACHY, Chairman.

August 15, 1924.

O’Kiep Copper Company Limited

Dividend No. 11

NOTICE TO HOLDERS OF AMERICAN SHARES

Dividend No. 11 of one cent and four cents per share on the registered ordinary shares, par value $1.00, of the Company, has been paid in United States funds at the close of business on August 30, 1924, to the holders of record at the close of business on August 9, 1924.

H. E. DODGE, Secretary.

New York, N. Y., August 16, 1924.

The Board of Directors of *Wellworth Manufacturing Company* has declared an extra divi-

**DIVIDEND NOTICE**

The Board of Directors of *Briggs & Stratton* Corporation has declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable November 15, 1924, to stockholders of record at the close of business on November 1, 1924.

L. G. ROESCH, Secretary.

American Cyanamid Company

PREFERRED DIVIDEND

The Board of Directors of *American Cyanamid Company* have declared a quarterly dividend of 3.5% per share on the outstanding Preferred Stock, Series A, payable November 15, 1924, to stockholders of record at the close of business on November 1, 1924.

LEO W. GRUHR, Treasurer.

American Cyanamid Company

The Board of Directors of *American Cyanamid Company* have declared a quarterly dividend of 3.5% per share on the outstanding Preferred Stock, Series A, payable November 15, 1924, to stockholders of record at the close of business on November 1, 1924.

L. W. GRUHR, Treasurer.

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L. W. GRUHR, Treasurer.
**Washington . . . And You**

WASHINGTON, D. C.—There is but one purpose behind the Administration-sponsored move to set up a Senate Labor subcommittee to make a fresh study of labor-management relations problems. That purpose, according to observers, is to put fresh and steady pressure upon Senator Taft as he runs for re-election next year.

In theory, the new study of labor-management relations would provide a forum where fresh arguments could be made of the need for the Taft-Hartley Act. In theory such a course of hearings, with labor spokesmen sounding off about the "malignant Taft-Hartley Act," would help up Senator Taft's sentiment in the hope that maybe Congress in 1955 could be moved to modify the Taft-Hartley Act, a move upon which Congress would not sell this year.

Actually, however, the study of labor-management relations is to be most abstruse. Only a few people will be interested in the expense. There is actually no serious thought of making a fresh study of either labor or legislation. The idea was that there would be just another hearing to build up a steady base of sentiment against the Taft-Hartley Act, and in particular against its "radical" to labor conservatives, Senator Taft.

At first the Senate Administration subcommittee expected to leave Senator Taft off the subcommittee to conduct the hearings. Senator Taft, however, was not happy about the proposed subcommittee program until the Administration hearing was planned. He might serve as one of 16 members. Political considerations led the Administration to agree to let the Ohio Senator serve on the subcommittee, the Taft withdrew his objection and let pass the resolution authorizing this study.

Thus the significance of this new study of labor-management relations is political. It will make little change in the usual pattern of Senate legislation on labor relations. Politically, the move will not embarrass the re-election campaign.

Senator Taft has accepted the challenge and incidentally, will use the hearings to try to prevent the new study from being completely gagged witnesses favoring amending the law to let organized labor have its way still more.

There is a curious by-play surrounding the consideration of the supposed "compromise" on foreign arms aid.

It now develops, according to a most reliable source that the Administration actually had no intention to spend the $25,000 proposed for European arms aid in any one, single year. It did not know how to spend this much money in one year.

Wilson had been talking about providing only half the funds to be appropriated as cash in one year, in order to give the nation an assurance to be contracted for and delivered in the first year. This was actually a compromise which, incidentally, was an admittance that actually wants it, is reported in that quarter.

**—Any more objections?**

In fact, there was distinctly some footwork behind the sudden move which resulted in House approval of the Kefauver bill. This is the bill which would subject to the Clayton Act the acquisition of one company by another company or companies where the effect of such merger was to lessen competition substantially.

Acquisition of control through stock ownership is already under the verboten, if the government determines that it should be proscribed.

The government now makes it impossible for it to make the finding of a "significant" adverse change in the business relations. As a result, the Administration proposed a "welfare" spending of $25,000, which is to be spent on cutting taxes, as would have been done in the Clayton Act.

Senator George, the Chairman of the Senate Committee on Commerce, speaking on the subject of taxes, he reflects the views of the Congressmen who are mostly Republicans (if he does not speak the minds of the Administration politically, with benefits of doubtful utility to business. If, the Administration sees business as it might be to stand against any appreciable lowering of taxes but wants even more vigorous campaign for expanded "welfare" spending.

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