ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

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Schram Submits Tax Revision Plan to Congress

President of New York Stock Exchange, in collaboration with Franklin Cole & Co., economic consultants, issues pamphlet urging elimination of double taxation of dividends and a reduction in taxes on capital gains.

Recommended changes in the Federal tax structure, with the purpose of removing obstacles to equity investment in job-creating enterprise, are contained in a new study, "Jobs and Taxes," presented to members of Congress on Aug. 16 by Emil Schram President of the New York Stock Exchange.

Emil Schram

"For some years," the study says, "we have seen the market for equity capital deteriorate under the impact of a faulty tax structure. We have endeavored, through ceaseless effort, to impress the fact upon the general public that a steady and ample flow of private capital is necessary if job oppor-

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See pages 19 and 20 for pictures taken at the Annual Outing of the Bond Club of Louisville.

What More Does The Investor Want?

By HOWARD F. VULTEE

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

Bank investment authority maintains business caution and other cushions will prevent business collapse and limit present readjustment period to short-lived cross between 1921 and 1938. 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 clears, investor will recognize values that are irresistible.

It is apparent that the long-talked of and overdue business recession, the disinflation, 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, distorted, cushioned and postponed by government spending policies, by numerous "shenanigans" and by war-caused shortages and demands. The readjustment was to be expected. It is both healthful and desirable.

Howard F. Vultee

I continue to feel that the period we are in will prove to be a cross between the economic disturbances of 1921 and 1938. The cautiousness of business the readjustment already accomplished and the many well known cushions present are sufficiently reassuring to make one reasonably confident that a vicious spiraling type of collapse is not indicated.

Nevertheless, it seems to me that there is a tendency to accept too readily the common belief

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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 managements to cut commitments and inventories. Ascribes mildness of depression to: (1) backlog 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.

I

The long-expected postwar recession began in the last half of 1948—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, 1949, the wholesale price level was down 9% from the postwar peak, the consumers' price index 3%, the index of industrial production was down over 13%, and unemployment was 1.6 million higher than in June, 1948—up 73%.

Prof. S. H. Slichter

The postwar recession has been longer in coming than most people

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*An address by Prof. Slichter before the International Apple Association, Chicago, Ill., Aug. 11, 1949.

EDITORIAL

As We See It

A Call to Self-Preservation

"And so my word to you, my fellow citizens, on this 75th birthday, is this: The founding fathers dedicated the structure of our government 'to secure the blessings of liberty for ourselves and for posterity.' We of this generation inherited this precious blessing. Yet as spendthrifts we are on our way to rob posterity of its inheritance.

"Now the American people have solved many great difficulties in its national life. The qualities of self-restraint, of integrity, of conscience and courage still live in our people.

"It is not too late to summon these qualities into action."

In these words the only living ex-President of the United States called upon the people of this country last week to rally to assure their own self-preservation. The President found Mr. Hoover's ideas rather "funny." His supporters usually say that, of course, Mr. Hoover is a great "public servant," but he is getting a "little old" and, anyway, has never understood modern discoveries in economics which

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Mid-Year Review of Economic Activity

By WATROUS H. IRONS*

Vice-President, Federal Reserve Bank of Dallas

Pointing out there are factors of strength as well as of weakness in mid-year economic situation, Reserve Bank official sees anticipated adjustment taking place in business. Sees evidence of inventory adjustments being completed, and a trend toward lower production costs. Stresses lack of credit excesses 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 of decline in different major economic areas. In some cases declines were somewhat steeper than perhaps was generally anticipated six months ago, while in other cases declines were very moderate. In general, declines were most marked in such areas as industrial production, manufacturing employment, hours worked in manufacturing, and unemployment, which increased; resistance to the trend was most apparent in retail trade and consumer expenditures, construction, agricultural production, and plant and equipment expenditures. It certainly would be shortsighted and foolhardy to become smug and self-complacent 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, nothing is to be gained from an attitude of pessimism and foreboding 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 counteracting forces should be appraised carefully.

Watrous H. Irons

The adjustment from postwar peaks has been a staggered one in the sense that it has occurred first in one industry and then in another; as yet it has not shown serious cumulative characteristics. During 1947 and early 1948 various nondurable goods lines reached their postwar highs and then entered into period of adjustment and decline, but other industries continued to provide offsetting expansion. Agricultural prices topped their postwar boom in late January of 1948 and then experienced a sharp sinking spell which was thought by many to mark the turning point from inflation to deflation in the economy as a whole. The weakness at that time in the agricultural area, however, failed to spread to other areas. Activity in different fields of construction showed signs of softening at times during the period, but in each instance new strength restored vitality to the industry. In fact, it was not until the fourth quarter of 1948 that it became evident that the weaknesses and the maladjustments in the economic system had become strong enough and numerous enough to overbalance the remaining inflationary forces and turn the general trend of economic activity downward. Even now, however, after several months of downward adjustment, the situation does not reflect a general deep-seated weakness throughout the economy; instead, as stated in the preceding paragraph, there are areas of weakness, but there are also areas of resistance or suporting strength.

A Mixture of Economic Forces

Under such circumstances of a mixture of economic forces of varying strength—or weakness—its is possible that one's appraisal of the situation and his view of the future may be colored somewhat by the pessimism or optimism engendered by the particular index or set of indexes that may be most impressive at the moment. For instance, one who tends to shape his thinking, and economic appraisal around the framework of industrial production, manufacturing employment, or total unemployment possibly will face the future more pessimistically than the person who formulates his economic ideas around the performance of indexes which reflect the volume of retail trade, consumer purchasing power, the volume of liquid savings and private indebtedness, or the level of construction activity. Perhaps either set of conclusions might be in error, however, due to failure to reach a balanced judgment based on consideration of the trends of all of the major economic factors.

Economic or business activity is not a result or a composite only of industrial production and developments in related fields; neither is it only a composite of occurrences in the field of retail trade or of consumer expenditures. Instead, the concept of economic activity—or as it is more commonly called, business activity—is the sum total of developments in trade and commerce, industry, construction, agriculture and finance. Therefore, it may be appropriate, after several months of business adjustment, to review briefly developments in the major areas of the economic system. Perhaps such a review will provide information that will help to answer such questions as "How much recession have we had?" or "How good—or bad—is business?" and it may be of some aid in enabling each of us, at least tentatively, 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 business has been the decline in industrial production. The total production of the Nation's factories and mineral producers moved upward to reach 195 percent of the 1935-39 level of production during October and November of last year, according to the Federal Reserve Board index. In December, however, due to a reduction in the production of nondurable goods and minerals, the index declined slightly. As the current year opened, the softening tendency which had become apparent first in nondurable lines, as supply caught up with and in numerous cases exceeded demand, extended to the manufacturers of durable goods. Moreover, as the months passed the decline accelerated in the durable goods area—during the first three months of the year the index of production of durable goods declined only from 227 percent to 223 percent of the 1935-39 average, but during the second quarter, fell to an estimated 194 percent of the base period average. In the meantime the manufacture of nondurable goods continued to be contracted, while production of minerals, especially petroleum, also moved downward. During the first half of the year cutbacks in production spread to a steadily increasing number of industries, but most significant reductions occurred in steel, machinery, some of the metals, textiles, and textile products, and crude petroleum. On the other hand, the production of automobiles rose substantially during the period to reach a postwar high during June, while production of almost all classes of manufactured food 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 incomes of wage earners obviously is undesirable, except perhaps to the extent that it represents an adjustment from an untenable or economically unsound position. During 1948, as the production of goods was maintain-

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*Reprinted from the "Monthly Business Review" of the Federal Reserve Bank of Dallas, Aug. 1, 1949.

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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. Asserts professionals as well as public completely misgauged market situation, whereas only a few astute speculators here and in Switzerland appreciated true significance of Administration's moves. States major reaction will not come until public is rampantly bullish, and cycle theory supports 1949 rise and 1950-51 decline.

What happened to the stock market since the middle of June—that period of gloom—pessimism and despair—when all the recognized security averages dropped into low ground—each dip picking up additional bears—and extinguishing the few remaining timid bulls? What happened to change the psychology of the speculator and investor within a brief period of 60 days?

Jacques Coe

Certainly it could not be anything in the foreign business or political picture—which is neither better—clearer—or more understandable today than it was two months ago. The sterling dilemma has been neither solved or strengthened—in fact the cross currents of recent news items indicate a situation more baffling than ever.

Labor relations in our own country are no more satisfactory than before—in fact a number of focal points of "major action" come to their boiling levels in the near future—with the important steel and motor industries in the van. Threats of a fourth round increase send shudders down the spine of the average manufacturer.

Second quarter earnings for the most part have been spotty and mixed. Where there was improvement the accompanying remarks presumed caution as to any expectation of continued increase in earnings. Where there were sharp reductions, hope was present for improvement in the third and fourth quarters.

Yet the past 60 days have witnessed one of the most remarkable stock market reversals on record and an examination of various factors entering into this turnabout bring forth some interesting psychological situations.

From all available and published figures as well as some direct examination of private sources one must conclude that so far as the general public is concerned—there has been little or no appreciation of the turning of the tide. If anything, the public has been in a disbelieving mood—largely on the selling side—glad to see "daylight" here and there—and waiting for a more propitious time to re-enter.

Professional Traders Wrong Like Public

The public curiously enough has had an unusual companion this time—the professional traders. From observation and sampling it appears to the writer that immediately after the June lows—and following one of those normal, supposedly short-lived rallies (which invariably occur from time to time during every protracted decline) the professional traders concentrated on the selling side—supremely confident that another decline of substantial proportion was imminent.

At that moment came from President Truman an announcement that his administration had abandoned its former pet project of increasing taxes by four billion dollars—and at the same time an admission that deficit financing—new pump priming and other inflationary "hypos" would be used. The President was quoted as saying that he *would not permit* the country to go into a business depression.

While the professional trader and the general public did not fully appreciate the significance of the new Administration move—the last thing expected was a buying wave which would clean up all the cheap stock—yet that is exactly what happened. In our opinion the buying came largely from places both here and Switzerland where astute minds immediately appreciated the significance of the Administrations turnabout. Most of this time the professional element kept on fighting the rise. Someone finally had sold somebody in high places the idea that the trend of the stock market influences the business world at certain times and here was a good opportunity to prove it.

Since then various government agencies—notably the Federal Reserve—have indicated by their revised rulings—that an atmosphere of friendly cooperation is here to stay for some time to come.

The Waiting Sold-Out Bulls

The sold-out bulls now wait for the "overdue" reaction and considering the fact that the averages have been up for eight successive weeks — some reaction could come but if the history of previous stock markets runs true to form—particularly so far as human behavior is concerned—the main trend of rising prices will not reach an area of culmination until public participation is rampant once again with increased turnover in transactions. Not until the rank and file see nothing ahead but sunshine and the pot of gold at the end of the

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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 Fact Finding Board an increase in steel wages would lead to another round of general wage increases and bring about renewed wave of inflation. Estimates a 30c an hour general wage rise would mean $25 billion added to production costs, and would completely wipe out corporate profits unless prices were increased. Says effect would be substantial rise in living costs or serious increase in unemployment. Denies corporate profits are excessive 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 but in aiding to bring still further economic gain to all our people. My experience has not involved any close experience with the problems of the steel industry. I would not presume to advise this Board as to what it should do, but I hope to point out the results of certain actions which have been advocated in this matter.

John M. Hancock

These sessions should not be viewed primarily as an attempt to settle a wage controversy between employers and workers. They are far more than that. They involve a responsibility to the whole national well-being, and particularly to the general public in their separate capacities as consumers and investors. Both parties to this hearing must recognize that the consumers are the final bosses. Consumers won't argue as to which party is right. They will vote in the most democratic process, through a daily secret ballot—their patronage—whether they will buy steel washing machines, shirts, dresses and other commodities at any given price, and in their capacity as investors, whether they will supply capital funds required to meet the needs of a growing population in a growing economy.

That's the group in which I am interested—the whole body of our citizens. From their action in the market place I believe the consumers' attitude represents thinking along these general lines.

Prices People Can Pay

Our people want a balanced economy fair to all in the fields of production, stockholders, management and workers, but above all fair to consumers. They want an economy in which their needs can be met at all times, with no producing group demanding special privileges as to dividends, prices or wages, such as will be regarded as out of line with other portions of the economy. Above all else they oppose prices beyond their capacity to pay, and in this field they have full power. Unlike the case of many other industries whose products can be replaced by substitutes, steel does not face this risk to a great degree, but it does face the ability of consumers to defer purchases for long periods, resulting in reduced employment, higher cost of production, and reduced profits and even losses. The industry in a free economy that forgets that the consumers are its bosses is simply stupid, and heaven forbid that we in this country should ever consider anything other than a free economy. Our people desire as full employment as is attainable in a free competitive economy, with workers paid as much as industry can reasonably afford. They want to buy at reasonable prices but they expect both management and workers to keep costs down in their own interest over the long range. They want industry to make a reasonable profit, even if they haven't thought what such a profit should be. They understand industry — embracing stockholders, management and workers—will suffer in the long-run, if industry does not prosper. The public probably realize that steel is a cyclical business with tremendous upswings and downswings in volume and profits. They probably realize that the public need for steel cannot be estimated with reasonable accuracy in advance and that production cannot be absolutely stabilized.

One of the reasons for the difficulty in estimating volume in any industry is the changing demand of the public. This flows from the freedom of the consumer to guard his own best interests and thus creates some of the distortions which plague our economy. Most of us believe that the democratic process of decision by all of our people is a more reliable decision than could be made under any planned economy. While it creates risks to businesses serving consumers, it is a risk that business must willingly take under our free economy. If the consumers swing too far in the one direction of creating a demand for goods beyond capacity or in the other direction of refusing to buy for current consumption, then they pay for their mistakes. This is the automatic correcting device of prices in a free market. It is at the root of our economic system.

This controversy with which you are dealing may readily degenerate into class warfare unless there is a realization that both parties are interdependent to a great degree. This factor of interdependence relates not only to management and workers but to those who are not specifically joined in this issue — the consumers, the stockholders and the general interests of the whole country.

Does America Want More Inflation?

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 increases in steel wages are likely to be pattern-setting. Past wage increases in the steel industry have spilled over into other industries. This was true in 1946—in 1947—in 1948. Despite all the pious protestations of the advocates of higher wages that prices would not increase as a result, *they did*. Once more we are hearing the siren song that wages can be raised substantially without a corresponding rise in our cost and price structure. Are we to learn nothing from the past?

Of all the factors to be considered by this Board, it seems to me that the certain inflationary effects of a wage increase and the consequent danger to the entire economy are, by all odds, the most important. This was just as obvious in 1946 as it is now. At that time I presented my views in this matter to government officials in these words:

"This 'across the board' sweep' of advancing costs and advancing wages would presumably keep the cost of living at the present relation to the workers' income. That is only a portion of the problem. It would decrease the buying power of all income not in the form of wages. It would proportionately reduce, the value of all savings, of all interest and dividends, of all insurance policies, annuities and pensions, and of rents. In the end, nothing good would have been gained by any one and many would have been seriously injured."

I said further that the increase in steel workers' wages and in steel prices would lead to demands by farmers for an increased price for their products. This idea found no acceptance at the time, but, strange to say. I was told within 15 days that every farm leader in America had presented the demands which I anticipated they would present.

For the good of the country, I could wish I had been entirely wrong.

Time to Stop Inflation

If this economy is going to proceed along lines which will surely cause inflation, meaning a higher price of goods, the funds provided for the future in the field of social security will be depreciated as fast in their true buying power as the process of inflation develops. We need only look at the effect of inflation upon the buying power of savings funds, debt securities, even the obligations of our own government, its bonds and social security obligations and pensions, life insurance policies, and so on—comparing the pre-war period with the present. If that process is going to continue, it means the end of our kind of economy, for it means a disguised devaluation of the currency even if it does not reach the point of creating a fear of the value of all money—the ultimate result.

It is always easy to assume that an inflation can be stopped at some point before a crisis. Now is the time to stop this one. Under present conditions it may very well become impossible to stop the merry march to destruction unless courageous action is taken to avoid a further round of wage and price increases.

Over the long period, costs of production do affect prices. Most costs of production—if one goes back to the raw material—are almost entirely labor. A further increase in wage rates will increase costs. Increased costs mean increased prices. Increased prices mean more inflation.

Standard of Living Improved Only by Production

We can get endless confusion in thinking about wages, interest, or dividends in terms of dollars, in a time when the value of money shifts. There can be no increase in a standard of living for our people except as the result of increased production. That is the hard fact of the case, and if that could be recognized by workers, as I am convinced it is by business, we would have a great deal more healthy economy.

For the good of the country and the whole economy there has to be a growth in production to meet the growing needs of a growing population. Labor has received,

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*A statement by Mr. Hancock before the Steel Fact Finding Board, New York City, Aug. 12, 1949.

The Bane of the Prospectus

By JOHN DUTTON

Writer contends SEC form of prospectus confuses rather than protects investor and hampers distribution of new securities. Says placing responsibility upon untutored investors to judge merits of a security is unsound, and this matter should repose in hand of dealers and brokers, who are experts.

Based upon practical sales experience out in the field it is becoming more apparent every day that today's prospectus has outlived its usefulness. Designed primarily to assist the investor in making a qualified study of the merits of a proposed investment it is very obvious that it never filled this requirement in the first instance. The prospectus now in use does not protect the investor—it confuses him. Due to the rules and regulations with which it must comply under the Securities Acts, today's offering prospectus is filled with too much legal hedging and complicated verbiage. In addition, it is a millstone around the security salesman's neck. For these reasons it is a serious impediment in the sale of securities. It should either be improved or disbanded altogether. In its present form it has become a source of increased revenue for lawyers and printers—both having a much better income today than the retailer of securities, who is in need of all the assistance he can obtain to make his task even a bit lighter.

When the average security buyer sees a forbidding phrase in large, bold, print right on the front of the offering prospectus it arouses fear, distrust and suspicion—such a phrase for example as this: **"These securities have not been approved or disapproved by the Securities and Exchange Commission, nor has the Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense."** Such a clause is silly. If the reader has intelligence in sufficient amount to analyze the value of a security from what is contained in the prospectus, he surely needs no such warning as this to place him on guard against misrepresentation. A simple statement to the effect that, under the securities acts, it is required to state certain facts, and that the Securities and Exchange Commission has not passed upon the accuracy of the contents of the prospectus, nor of their completeness, nor has it made any warranties concerning the securities in question, **would suffice.** Why bring in such words as criminal offense? The people in the securities business know their peril and their excessive liability in conducting their business. They know the constant feeling of fear and of oppression in which their business (almost exclusively of all others) is forced to operate in this country today. After 15 years of reading such a clause, it is about time that security dealers would understand that phase of the law without putting it on the face of every prospectus that they are forced to deliver to their customers.

The investment dealers and brokers are constantly being prodded by others that they are not good merchandisers. They are told that they don't sell enough securities to housewives, small store-keepers, laborers, farmers, etc. When such uninformed people see and read the sort of information that, under today's laws, must be contained in the offering prospectus now in use, there is only one possible reaction on their part —they must become confused. Confusion brings about distrust. The small print and the fine legal phrasing may be alright to the lawyers at the SEC—they understand it. But Joe Doakes who works in the shop, or Mary Jones who may have saved some money for her youngster's education, will just throw up their hands in despair over it.

Placing the responsibility upon the investor to become a judge of the merits, or demerits, of a security is also completely unsound. A broker, dealer, professional, or institutional investor, who is skilled and experienced in investment matters can read and understand a prospectus. They are the ones who should receive it. Dealers might also be required to submit a copy to any investor **who asks for it.** But if every security buyer is required to be an expert analyst of security values then why have Security Dealers and Brokers? Why not make experts out of everybody—Joe Doakes and Mary Jones included? If the seller, the professional Broker or Dealer, is satisfied as to the merits of an offering he should sell it. It is his job to pick values for his clients and to build up a business of satisfied customers. He is registered under state and Federal laws, he has certain obligations to perform, his business operates in a maze of laws, penalties and restrictions—**isn't this enough?**

If the Life Insurance business had to parade its gross profit on the front page of all its literature, do you think that would help the sale of Life Insurance in this country? Do you think the Life Insurance salesman who receives a large percentage of the first year's premiums, and renewals for many years thereafter, would like to start an argument about his commission every time he sells a policy? But that is what security dealers have to do when you sell a Mutual Fund or any other new issue.

What other business is stupid enough to give supine consent to the conditions which have prevailed for so long in the investment business in this country? It would be a miracle if, after all these years, that corrective action might be some day instituted by the Securities and Exchange Commission itself. There has been much talk, but that is all. The retailing of Investment Securities in this country is now confined almost exclusively to selling high grade bonds and preferred stocks to Institutional Investors and Mutual Funds. Equity capital for small business cannot be obtained. Even medium sized and fairly well established concerns cannot sell stock to the general public.

The Securities and Exchange Commission may well find that some day it has nothing more to do—it regulated so well that the patient died.

N. Y. Security Dealers Dinner Meeting

The New York Security Dealers Association will hold its quarterly business dinner meeting on Tuesday, Sept. 20, 1949, at 5 p.m. at the Downtown Athletic Club, 18 West Street, New York City.

Members of the Dinner Committee are: Oliver J. Troster, Troster, Currie & Summers, Chairman; Hanns E. Kuehner, Joyce, Kuehner & Co.; Lee D. Sherman, L. D. Sherman & Co.; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Erwin Stugard, A. C. Allyn & Co., Inc.

Now Volz, Carswell & Co.

SAN ANTONIO, TEX. — The firm name of Edward T. Volz & Co., South Texas Building, has been changed to Volz, Carswell & Co. Officers are Edward T. Volz, President, and Harley Carswell, Vice-President. There is no change in personnel of the firm.

What Happened To the Market?

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rainbow, will danger signals appear.

With some immodesty we refer to our article in the "Chronicle" of June 23 entitled "The Coming Market Upturn," not so much for the various business and technical factors which luckily behaved most satisfactorily—but particularly to re-emphasize our faith in the curious but significant cycle theory.

Those who have followed our reference to these cyclical manifestations in the past remember that 1946 was a down year—that 1949 should be an up year—and that the first six months of 1949 gave us some anxious moments. In our June article we emphasized that "if the stock market did not have a substantial advance during the last six months of 1949, it would be the first time in 50 years that the cycle had gotten out of gear."

Now that we have sufficient evidence that the cycle is still "in gear"—we must respect it all the more—and be mindful of the 1950-1951 period to come when the cycle is due to be in a declining phase.

COMING EVENTS
In Investment Field

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

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

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

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

Sept. 20, 1949 (New York, N. Y.)
New York Security Dealers Association quarterly business dinner meeting at 5 p.m. at the Downtown Athletic Club.

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

Sept. 30, 1949 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Fall Outing at Chartiers Country Club.

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

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

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

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

Rejoins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—U. G. Roman has rejoined the staff of Francis I. du Pont & Co., 200 South La Salle Street.

The State of Trade and Industry

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

The pace of industrial production for the country at large rose slightly the past week in keeping with the trend of the previous period, but remained moderately under the high level that obtained in the similar week in 1948.

The total for unemployment insurance claims declined about 2% in the week ended July 23, but it continued to be noticeably above the low point of a year ago. In the same period initial claims show a falling off of 7%.

Many buyers of apparel increased their commitments for Fall merchandise the past week. The total unit volume of Fall orders placed thus far this year was moderately below that of a year ago. There were numerous reorders for women's medium price coats and suits from localities in which early promotions were well received. There was a rise in the buyer demand for sweaters and sportswear.

Total orders for food declined slightly in the week as consumption was near a seasonal low. Most food retailers continued to be very cautious and limited their orders to immediate needs.

The brisk trading of recent weeks was maintained last week in the cotton textile markets. The interest in print cloth remained high. While there were moderate dips in the order volume for sheetings and fine combed goods, other items were in increased demand. The buyer interest in broadcloth, drills and twills, and cotton yarns increased moderately. Wide industrial fabrics were in larger demand than in recent weeks.

* * *

Latest developments in the current negotiations now under way between the United Steel Workers' CIO, and the steel companies reveal that on Monday of this week heads of four steel firms told a presidential steel fact-finding board that their organizations could not afford to grant the 30-cent an hour "package" increase being asked by the steel union. The aforementioned board was set up by President Truman in an effort to avert a steel strike. The companies further stated that if the demands were granted they would have to raise prices and their customers would not countenance the increase. Spokesmen for the industry also told the board that they did not agree with the union's statement that its demands would cost 30 cents an hour for each worker. They added, their estimates ranged from 40 cents to $1 an hour.

At the close of last week, John M. Hancock, Chairman of the American Management Association, told the fact-finding board that a steelworkers' wage boost would lead to a national pattern of pay increases. He said the CIO United Steelworkers' demand for a 30-cent an hour package increase gives the nation two "unlovely alternatives": An upward spiral in living costs or a boom in unemployment.

Dr. Jules Backman, associate professor of economics at New York University, told the board the present economic position of the steelworker doesn't justify any wage increase.

* * *

Production of steel in July fell sharply to the lowest total for any month since December, 1946, when a coal strike handicapped operations, American Iron and Steel Institute announced last Thursday.

The total output of ingots and steel for castings in July was 5,780,777 net tons, or a decline of 11% from the revised production total for June. It represented a drop of 18% from July, 1948, and a decline of 28% from the monthly average production in the first quarter of 1949.

Steelmaking furnaces were operated at an average of 70.9% of capacity in July, compared with 82.2% in June; 88.8% in July, 1948, and 101.5% in first quarter of 1949. The peak was reached in March, 1949, at 102.7% of capacity and the average for the first half of the year was 96.3%.

* * *

Lead has taken another advance in price, rising three-eighths of a cent last week to 15⅛ cents a pound, New York, according to the weekly market report of "Engineering and Mining Journal."

At the same time, the publication notes that copper and zinc were moderately active and unchanged while most of the miscellaneous metails were quiet.

The article observes that the rise in the lead price was not uniform. The leading custom smelter raised its selling basis to 15⅛ cents, New York, effective Aug. 8, while St. Joseph lead on the same day advanced its St. Louis basis one-quarter of a cent per pound, or to 14.80 cents in that territory. Lead sales in the domestic market for the week, which includes a moderate tonnage sold to the government, totaled 14,658 tons.

* * *

In a recent survey by the National Industrial Conference Board three-fourths of 185 manufacturing companies expect their 1949 profits to be less than those in 1948. They blame lower sales, lower prices, inventory losses and inability to reduce operating costs sufficiently.

A few companies expect to do as well this year as last, the Board notes, and several think their earnings will be higher.

But a substantial number, according to the survey, are "extremely pessimistic and look for declines of 25%, 50% and even net losses." One company is reported to have said that it expects a loss this year greater in amount than its profit last year.

Several companies stressed the point that they considered last year's profits above normal and indicated that therefore they do not expect to maintain such high earnings.

STEEL OUTPUT SCHEDULED AT HIGHEST RATE FOR CURRENT PERIOD SINCE WEEK OF JUNE 20, 1949

There is little chance of steel price weakness in the near future. The uncertainties of steel and coal labor and the fair volume of steel business both tend to support the current price level. By their actions steel buyers are now showing that they know this, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. A month ago they stopped screaming for lower prices, and instead have been concentrating on getting steel before Sept. 14, the day when the Truman truce in steel expires.

(Continued on page 29)

Observations . . . .

By A. WILFRED MAY

Stockholder-Needling and That Sick Equity Market

The rising flow of complaints addressed to this and other columns concerning management's abuses—real or fancied—attest to the fact that they must be considered in any pondering over the unsatisfactory condition of our equity markets. Whereas such reactions from stockholders have in the past usually consisted of isolated "squawks" or generalized "beefing" by chronic iconoclasts, now the attacks are on specific practices—sometimes even implying the accusations of venality when relating to officers' pensions and salaries.

A. Wilfred May

Well illustrating such stockholder peevishness is the following letter from a West Coast correspondent, Mr. D. C. Oldenborg. Note the complaint about building memorials to officers, which practice insofar as it exists, evidently represents merely an additional "needle" to generally disgruntled investors.

I am also reproducing excerpts from a Westbrook Pegler column which Mr. Oldenborg has forwarded, because of the unusual clarity and simplicity with which it deals with these questions. Particularly noteworthy is the disposition Mr. Pegler makes of the corporate officers' customary citation of the subtraction from their salaries taken by the income taxes which they must pay. This tax alibi has been similarly criticized by this columnist, who has maintained that the tax burden (as with all other citizens) is a matter solely between the employed officers and their government—and not a concern of the owning shareholders.

LETTER FROM MR. OLDENBORG

Dear Mr. May:

In reading speeches and articles in your publication, especially on equity financing, one cannot fail to notice **by its absence** any mention of the practice of underwriters obtaining the new unsubscribed—for stock at NET prices **lower** than the stockholders are asked to pay. Lower, that is, by the amount of the commission or fees, etc. Often these commissions are greater per share than one full year's dividends. Recently in one new issue after another the stockholders' "rights" have had practically NO VALUE. So, the stockholder's equity is constantly being diluted as he cannot always subscribe to the new shares. This practice, it seems to me, is one of the important reasons for the current disinterestedness of investors.

Other reasons are the colossal salaries paid officials plus bonuses plus retirement benefits plus insurance benefits, etc. Some companies, on top of all these, are building monuments to their officers by christening new plants with officers' names. These same officers take individual credit and glory for profitable operations in periods of general prosperity, but have no hesitancy in blaming "circumstances beyond our control" for the losses.

I have been hoping for a year or more that some of your articles would criticize these practices or abuses, that have been generally known to all. It now seems to be exploding in the Press as one of the pet subjects of Westbrook Pegler (see enclosed column). Perfect evidence that if Wall Street fails and refuses to help clear up these corporate abuses some one else will.

D. C. OLDENBORG.

1626 Camden Ave., Los Angeles, Cal.,

* * * * *

FROM MR. PEGLER

Here are the excerpted Pegler observations on these fiscal matters:

"Some of my best friends are corporation executives and to know them is to love them, but the fact remains that I, as a stock-

(Continued on page 39)

A Repeal of Collective Bargaining

By CLARENCE B. RANDALL*
President, Inland Steel Company

Steel executive, denouncing formation of President's Steel Fact Finding Board as an "industrial revolution in America," which will lead to government wage and price fixing, sees in it ultimate elimination of collective bargaining. Holds though Board's findings may be recommendations only, power of government will be brought to bear to compel both sides to accept Board's conclusions. Says government encourages labor monopoly, while condemning monopoly of management.

It is no exaggeration to say that the welfare of 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 whole nation, but the fact that you are here at all.

Clarence B. Randall

When the President announced the formation of this board he was in fact announcing an industrial revolution in America. By doing so he has declared himself as favoring a new social order, and one so different from that under which our magnificent production record has been achieved that unless the process is stopped, and stopped at once, there will be no possibility of turning back. Through this means, whether he knew it or not, he has proclaimed that wages shall be fixed by the government. This step is always the first one taken by those who set out to establish a socialist or corporative state. The fixing of profits comes next, and then when incentive is killed and production falls, the final step of nationalization follows. Europe came close to starvation because of this tragic sequence, and was saved only by the dynamic quality of a free America. Yet here is the same pattern.

Review the sequence of events. Bargaining was undertaken by this union that turned out to be bargaining in name only. Take Inland Steel Company, for example. It is now quite clear that at no time did the union actually intend to come to an agreement with us. We were but an insignificant part in the working out of the global strategy by which the establishment of this board was to be forced upon the government. The wage demand which was presented to you gentlemen was never brought to our bargaining table. We hear of it first here. It was pensions the union asked of us.

We made an offer on pensions. We were confident that our employees liked that offer, but the global strategy of the union required that it be rejected and that no single company be permitted to make an agreement. So we find ourselves pleading our cause before strangers, men of standing but men who are strangers to our company and to our employees. You have never seen our plant, and never talked with our men, and it isn't human to expect that in the few brief moments that we shall be before you you can understand our problems. Collective bargaining has been destroyed. It has been repealed by the President. And if this union strategy works this time, collective bargaining will never come back. The precedent here attempted, reflecting the similar attempt made in 1946, would commit us to boards and government wage-fixing forever.

"Recommendations" Will Be Binding

And no thoughtful person should be deceived by the naive suggestion that your findings are to be recommendations only. The moment your announcement is made every power of the government will be brought to bear to compel both sides to accept your conclusions. If management in a particular steel company feels it must take exception to your findings, an attempt will be made to forget the word "recommendations," and to whip up public opinion to force company acceptance. This I say my company will resist.

I would hold this view with the same deep conviction even if I knew that you would deny each demand of the union, as statesmanship requires you to do. No increase in cost whatever should take place at this time. To increase cost in a falling market is to invite disaster. Rising costs inevitably bring lower volume and unemployment. War pressures are ended, and we are in a rapidly changing market. The battle now is to maintain production, and industry needs lower costs, not higher.

I cannot think but that you gentlemen see this as clearly as I do. But the system that brings you here is wrong, tragically wrong in my opinion. I repeat, that this is a revolution. It is a different America if three men are permitted to substitute their judgment for that of hundreds and thousands of managers of individual businesses all over the country. President Truman recently criticized the bigness of business. But the bigness which he has here created is a bigness so incalculable that it can destroy America. It is a bigness that denies every American tradition, and that must be resisted if America is to remain free.

Labor Monopoly Receives Blessings of Government

And in my opinion it will be resisted. This is American at the crossroads, and the steel industry cannot stand idly by. This is labor monopoly given its blessing by government and by the same government that cries monopoly at management.

Mr. Murray speaks with complete authority. His is the single voice for all unions in the steel business. He holds the power to suspend steel production in every steel plant in the country, and suspend it too in plants that use the production of that industry. Through political alliance with the government he possesses the power to induce the President of the United States to take extra-legal action at his request. Sarcastically in these hearings he scoffed at the fact that the various companies involved had difficulty in acting as a unit. Does he think that we have one single man who can dictate policy to hundreds of separate companies? Has he forgotten that steel plants are privately owned, and that the individual owners are entitled to run their businesses as they think best, and not as a steel czar might dictate? Has he forgotten competition? If so, the Attorney General might well instruct him on the point. He has operated within a labor monopoly for so long that by mental habit he associates the same pattern of monopoly with other institutions. He conceives it natural for the steel industry to form an opposing monopoly as complete and as gigantic as his.

This we will not do. See where it has brought us in these present hearings. The labor monopoly took half of the time of this board. Some 63 companies are now before this board. Many of them have asked to be heard on the management side. Yet there has been allotted to them eight days—eight days to be divided between them, the same time given the labor monopoly. Many fine institutions must content themselves with a brief 15 minutes or half an hour in which to discuss a question on which the whole future of their enterprises may hinge. That is complete madness. No orderly discussion nor fair results can flow from such a process. I repeat—this is the repeal of collective bargaining—this is government wage-fixing, the inevitable consequence of labor monopoly.

In my judgment, the steel industry cannot by its present here be deemed to consent that this process go on. I must protest to you and to the President, and to the American people, that this is a distortion of our economy. And I submit to you gentlemen that it lies fully within your province to protest likewise. You will hear our doubts as to the propriety of this political proceeding, and you are not the men I think you are if you have not already yourselves entertained similar doubts.

A Bad Thing for United States

I ask you to be courageous. I ask you to be statesmen. I ask that in your recommendations you not only record our doubts, but that you express your own honest convictions to the effect that the very establishment of this steel fact-finding board is in itself a bad thing for the United States.

It is bad in principle—therefore it would be bad at any time, but today it is dangerous. Our country is now in a recession. Production is in the falling trend in industry after industry. Unemployment has reached its highest point in seven years. You cannot safely pile new uncertainties on an already uncertain situation. You cannot safely discourage investment in private enterprise, which after all, is the source of all employment, all wages, all profits, all production—the livelihood of the American people.

You will do all of these things if you permit yourselves to be made an instrument through which Mr. Murray's union can impose increased cost on American industry and the American people. This is surely the time for management, for labor, and for government to exercise genuine statesmanship for the common good. It is obviously no time, in the face of the present situation throughout the world, for any interest to pursue a course which could precipitate a grave economic crisis in the United States.

*Opening statement by Mr. Randall before the President's Steel Industry Board, New York City, Aug. 11, 1949.

John Douglas Co. Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Wayne D. McNichols has been added to the staff of John Douglas & Company, Inc., Insurance Building.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

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

From Washington Ahead of the News

By CARLISLE BARGERON

Carlisle Bargeron

Harry Vaughan should be able to get some comfort in the experience he is having from the fact that at least one who has similarly suffered in the past came to be one of the country's most beloved figures. The General is the victim, of course, of the old and rather silly political trick of shooting at the President's subordinates when you can't accomplish anything by shooting at him. I have always thought it a waste of ammunition to go after anybody but the head man in the great game of politics but it seems to be a practice as old as the hills to try to knock off the men around him.

Jim Farley used to be the goat of the early New Deal. For those who were afraid to attack Roosevelt he was the shining target. Yet he survived and it is doubtful if there has ever been a more popular public servant.

Farley and Vaughan have many similarities. They are both friendly, informal and like to meet people. Just as the statement "I know Jim Farley" means little or nothing because nearly everybody knows him, a touted friendship with Vaughan doesn't necessarily have any value. He is quite easily accessible in a homespun sort of way.

I am prompted to write about him because I despise mob violence and mob psychology. Our national weakness for yelping in unison to this or that tune is largely responsible for the condition we find ourselves in today.

There are very few people who are closely following the Senate investigation of five percenters, that is, analyzing the testimony and appraising its worth. But it is easy and smart to look at the headlines and say "the President's military aide is in a stew," and as one editor pontificated, should resign and relieve the President of embarrassment. This editor agreed the General had committed no wrong, that his acceptance of deep freezers from friends was quite in line with the presents that arrive at the White House every day in the year, that such gifts are the perquisites of men in positions of influence, in government and out. But this editor just didn't like Vaughan's meddling into affairs not his own concern. Therefore, he should quit.

I don't just know where this complaint of meddlesomeness comes from. The term "military aide" does not properly describe his duties at the White House or his relationship with President Truman. It was he who got Truman's first senatorial campaign underway by spending $150 of his own money for postal cards with which he solicited campaign funds. As the donations came in he circulated more postal cards and finally raised enough money to work on. He has been Truman's close assistant ever since. He served with him throughout the President's service in the Senate and as Vice-President.

He is still serving as the President's No. 1 buffer, so to speak. He sees the thousand and one people "who knew Harry Truman when" and want to see him now. He is sort of the President's jack of all trades man. It is significant, I think, that men such as General Eisenhower, General Marshall, General "Hap" Arnold, General Spaatz, Admirals Leahy and King who have served closely with him, hold him in high regard. It is a fact, though, that some of the fire against him is coming from the smaller brass because he is not a West Pointer. The newspapermen covering the White House and who know him intimately like him, too, and they would be the most surprised people on earth were any wrongdoing turned up against him.

His name is in the headlines now because it seems the much advertised five percenter, Col. Hunt, boasted to his clients of a friendship with the General. The Colonel, it appears, exaggerated the degree of this friendship, a very natural thing when he was trying to get business.

It also appears that the Colonel was right well thought of in official Washington. Several Senators, for example, recommended his services to small businessmen bewildered by Washington's red tape. And I have yet to see anything produced to show that the Colonel was not capable in a very legitimate business. He was in a very competitive one, too, as other five percenters and politico-lawyers have assured me feelingly.

You get a pretty good idea of the type of campaign that is being waged against Vaughan if you analyze the Tanforan, Calif., race track story. Vaughan intervened in this case to the extent of asking the Housing Expediter to look into the contention of the promoters that they were entitled to enough materials to finish their project under the "hardship" provision of the law giving preference to veterans' housing. If they didn't get the materials they would lose their whole investment.

I have been particularly interested in this story ever since it was first sprung several months ago by a columnist committed to running Vaughan out of office because there has been more bunk and demagoguery about the veterans being denied housing by "greedy interests" and "reactionary" public servants than anything I know of. It was the moving argument behind the political housing bill recently passed which will cost us plenty in the years to come.

Well, no lawyers or five percenters or "friends" prompted Vaughan to take up the Tanforan matter. The promoters whom he had never seen before came directly to him, and the fact is they were entitled to the materials.

There is one more story and I will quit. Johnny Maragon, the "ex-Kansas City Greek bootblack who rose to have a pass to the White House," as the newspapers say, has been around Washington running errands, doing favors for politicians for years. I can't imagine anyone in official life for any length of time who doesn't know him. The biggest salary he ever made that I know about was less than $3,000 a year. I hope that with his energy and willingness to serve "prominent" people, he has increased his income, though I doubt it. His "pass to the White House" was one which thousands of tradesmen, messengers, anyone having to go to the White House, has to have nowadays to get through the gates. Before the war anyone could walk right into the executive offices, just as he could a store.

Stockholder Relationship

By IVAN WRIGHT

Dr. Wright, terming as "ballyhoo" much of the efforts taken to improve stockholder relationships, says problem resolves itself down to simple analysis of the corporation and its prospects in comparison with other corporations. Says statements of earnings can be presented much better, and calls attention to financial analyses of the economic service organizations. Distinguishes between stockholder relations and public relations, and stresses stockholder interest in sound corporate management.

In these days of the greatest volume of savings in history and the small interest in risk capital, corporate directors and enterprises have been searching for ways and means to increase the interest and confidence of their stockholders. Under the heading of stockholder relations a great* variety of schemes have been hatched up to encourage stockholders to take an interest in their companies and to encourage new investors to buy stock. These efforts vary from individual letters from the presidents of the companies to very detailed and elaborate annual and quarterly reports explaining the items on the financial statements and the changes, together with pictures and descriptions of the products and their uses. Advertising campaigns are of great variety, varying from newspaper pictures of the products to analyses of the profit and loss statement, and even circus exhibitions of the great variety of uses to which the products can be put.

Dr. Ivan Wright

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 managers, who are very influential in the volume and variety of stock ownership, are cold calculating individuals and they usually keep their eye on the ball. That ball, so far as they are concerned, is capital appreciation which they call profit or dividend income, or both. Every corporate manager knows this. He knows why he buys the stock. If there is any one who invests in stock as an investor with the purposes of a normal investor who has saved money and who has any other motive than that of making more money by capital appreciation or income, it would be most interesting to know what these motives are. With these motives of investors being rather exacting, the problem of the corporation that would keep its present stockholders and gain new ones is definitely simplified and reduced to the single problem of appealing to the stock investor with the evidence that he can present that his corporation is going to increase its profits and increase the dividends it pays to the stockholders, or by virtue of the increased profits the price of the stock will be justified in advancing and he will gain through the appreciation in the value of his stock.

There is no ballyhoo or bunk or cheap publicity that can take the place of these financial results. Publicity, advertising and all kinds of promotion schemes may be necessary in the battle of competition to sell products and make a profit, and every informed stockholder will be glad to know the success of his company in winning these battles and marking up its profits. But his real interest is in the results—how much is the stock going to earn? How long are these earnings going to continue? How much can the sale of the product be increased? Will profits rise with the increased volume? Can the costs of operation and sales be reduced? How permanent is this trend of production and income? When are we going to run into the inevitable readjustment with a decline in production and sales and its accompanying decline in profits?

The Problem of Holding Stockholders and New Capital Investments

Because of the stockholder's direct and simple interest in profits and capital appreciation, the problem resolves itself down to a simple analysis of the corporation and its prospects in comparison with other corporations bidding for his capital. No other information will or should influence the stockholder in his decision. The investor in equities and the temporary in-and-out trader trying to take advantage of seasonal and cyclical fluctuations have entirely different motives. The corporation that desires to build a permanent institution wants permanent investors. The trader is useful. He analyzes the factors affecting the corporation and the economic trend and takes his chances on scalping a profit as a result of these economic influences. Sometimes he wins. Sometimes he loses. At any rate, he makes activity in the stock and calls the stock to the attention of less active investors. When the holder of a stock sees its price declining from day to day, he wants to know why. He may be disturbed by economic conditions and sell his own stock and then inquire as to what is going on. If he has full and complete information and is convinced he may take advantage of the declining prices to add to his holdings because he believes in the longer run, the company's profits will improve and the price of the stock will increase. But every corporation that wants to hold its stockholders and acquire new capital through stockholders has the problem of making a showing in the battle to make profits in competition with all other stock investments available to the investor. There is nothing mysterious about this. The simple facts of quarterly and annual earnings can be presented and for the most part they can present them much better than they have in the past. The prospects of the future must be judged primarily upon the evidence of past experience and the economic outlook which holds the same uncertainties for all corporations. A corporation that has a long history of increasing profits and rewarding the stockholder with increased dividends or capi-

(Continued on page 34)

The Real Position of the Steelworker

By DR. JULES BACKMAN*

Associates Professor of Economics, New York University School of Commerce

Expert maintains steelworkers have shared adequately in industry's productivity increase, and that wage increase now to offset cost-of-living change since last wage boost, is unwarranted. Asserts much more than all the wartime gains in productivity have been reflected in the 94% increase in hourly earnings. Scores union's ability-to-pay argument as opportunistic, creating chaotic wage structure, and cutting profits, plant and equipment demand, and jobs.

It is clear that no new wage increase is required to offset any rise in the cost of living since the last wage increase was granted. Since the war period, real hourly earnings have risen while the trends of real weekly earnings are somewhat obscured. A more significant comparison is that for the entire war and postwar period. The available data indicate that during this decade, there has been a material improvement in the real living standards of these workers as measured both in hourly and weekly earnings.

Jules Backman

Real Hourly Earnings of Steelworkers

Average hourly earnings of workers employed by blast furnaces, steel works and rolling mills rose 94% from 1939 to April, 1949, as compared with an increase of 71% for consumers' prices; real hourly earnings increased by 14%.

Since 1945, just prior to the first round of postwar increases, hourly earnings have risen 38%, consumers' prices 27% and real earnings, 8.5%. If the post-VJ Day level of hourly earnings is used as the base, then hourly earnings rose by 42% and real hourly earnings by 13%.

Since the last general wage increase was granted, gross hourly earnings have averaged about $1.65; meanwhile the consumers' price index has declined 2.4%. As a result, real hourly earnings now are moderately higher than the level prevailing immediately after the last wage increase was granted.

For the iron and steel and its products industry group, the results are similar to those for basic steel with increases in real hourly earnings of 21% since 1939, 9% since 1945, and a moderate increase since the last wage increase.

Real Weekly Earnings of Steelworkers

Real weekly earnings have advanced somewhat more than hourly earnings during the past decade. In part, this reflects the greater number of hours worked per week currently than in 1939. Since 1939, weekly earnings for blast furnaces, steel works, and rolling mills have risen from $29.98 to $64.59 (April, 1949), or 116%, as compared with a rise of 71% for consumers' prices. Real weekly earnings rose 27% during this decade. The number of hours worked per week meanwhile advanced from 35.3 in 1939 to 39.3 in April, 1949.

Since July, 1948, real weekly earnings have risen moderately as a result of the decline in consumers' prices.

The slight decline in real earnings from the wartime peak is more apparent than real. Part of the earnings during the war years were immobilized. They could not be spent at the price level prevailing at that time because of the shortage of goods, and consumer rationing, and, therefore, were saved. That part of current income which was saved during the war could not be spent after the war at the wartime price level because prices were rising. To adjust all wartime income by wartime price levels means that the part which represented deferred spending (saving) is given credit for a degree of purchasing power it has not had.

The real value of 1944 earnings will be determined by the proportion saved in that year and the price level at which these savings are spent. No matter what assumptions are made, the result must be lower real earnings during the war than indicated by use of the conventional measurements, at least for the postwar years to date.

* * *

PRODUCTIVITY

Real improvements in the standard of living of workers and other groups in the economy depend upon rises in productivity.

The term "productivity" is frequently and erroneously described as "labor" productivity—with an implication that the end result is attributable to the efforts of labor. Actually, productivity is a measure of the total physical output related to the total contribution of all of the factors of production. We may, for purposes of convenience, divide the total output by the total number of hours worked. The resultant measure is described as output per man-hour.

The primary factor responsible for the long term rise in physical output per man-hour has been greater toolpower per worker, including as toolpower not only increased horsepower per worker and more efficient tools, but also improving technical knowledge, better plant layout, more rapid technical innovations, more efficient management and greater industry "know how," and more effective use of existing industrial capacity. Short-term rises in productivity are influenced greatly by changes in volume of business.

The outstanding fact about changes in productivity is that they usually are relatively small in short periods of time, but cumulate into significant amounts over an extended period.

For our national economy, output per man-hour just about doubled from 1899 to 1939, a period of tremendous technological advance. This is equal to an annual rate of increase of about 2%. For all manufacturing, the annual long-term rate of increase has been about 3% per annum. For the steel industry, the output per man-hour for blast furnaces and steel-mill products is estimated to have doubled over the three decades ending in 1939 according to data prepared by Solomon Fabricant (Employment in Manufacturing, 1899-1939, National Bureau of Economic Research, 1942). The average annual rate of increase in productivity according to these data, was 2.62% for the 30-year period. Using other figures for the period 1914 to 1939, Dr. Fabricant estimated the annual increase to be 2.95%.

The inference to be drawn from statements by Mr. Nathan [Robert R. Nathan, the union's consulting economist] is that his alleged increase of 49.5% in productivity from 1939 to 1949 is in line with the long-term trends, an inference which is totally unwarranted. He has assumed that 3% compounded annually will result in a 50% increase in a 10-year period. Actually, 3% compounded annually would have resulted in a rise of only 34.4% from 1939 to 1949. For the period from 1939 to 1948 an increase of 3% compounded annually would have been equivalent to a 30.5% increase for the entire period. In other words, the wartime and postwar rise in pro-

(Continued on page 31)

*Extracts from statement of Dr. Backman before the Presidential Steel Board.

Missouri Brevities

An issue of $4,750,000 St. Joseph Light & Power Co. first mortgage bonds, 3% series, due July 1, 1979, was publicly offered on July 21 at 102.25% and accrued interest, the net proceeds to be used to finance in part the construction and acquisition of additional property. The company has also sold to its parent, the Continental Gas & Electric Corp. 105,213 additional shares of its common stock, without par value, for $2,000,000. This increased the holdings of Continental to 317,792 shares, the total number outstanding. Net income of the St. Joseph firm, after charges and income taxes, amounted to $776,727 for the 12 months ended April 30, 1949, compared with $574,432 for the 12 months ended Dec. 31, 1948.

* * *

The common stockholders of Missouri Utilities Co. subscribed for 32,365 shares of common stock (par $1) at $12.50 per share, out of a total of 51,184 shares offered them one-for-four basis. Rights expired on July 14. The 18,819 shares unsubscribed for were purchased by Edward D. Jones & Co. and associates and on reoffering July 19 at the same price were heavily oversubscribed.

* * *

International Shoe Co., St. Louis, reported to its 11,000 stockholders that net profit for the six months ended May 31, 1949, amounted to $4,476,525, equal to $1.31 per share, compared with $6,949,461, or $2.04 per share, for the same period last year. Sales of shoes for the first half of the current year totaled $91,818,488, a decrease of approximately 20% below the figure for six months ended May 31, 1948. Frank C. Rand, Chairman of the Board, and Byron A. Gray, President, commented: "With a few exceptions our factories are presently running on full schedules and indications are that sales in the last half of this year will not be far different from those in the same period last year."

* * *

Capital City Telephone Co. of Jefferson City is offering preferably to the present preferred stockholders and other residents of Missouri, 3,000 shares of 4½% preferred stock at par ($100 per share) the net proceeds of which are to be used to retire the $229,500 6% preferred stock and $66,300 7% preferred stock now outstanding. On May 1, 1949, $820,000 of first mortgage 3½% series A bonds, due May 1, 1969, were sold privately to the Kansas City Life Insurance Co. The funds obtained from the latter financing are to be used in the company's current expansion and betterment program by converting the plant to automatic dial system operation.

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For the 12 months ended June 30, 1949, Union Electric Co. of St. Louis reported a consolidated net income, after Federal income taxes, of $12,405,585, an increase of $2,447,012 over the preceding 12 months.

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On July 27, Stern Brothers & Co. participated in the public offering of $13,000,000 3% debentures, due Aug. 1, 1974, of The Columbia Gas System, Inc., at 101⅛% and accrued interest.

* * *

The Laclede Gas Light Co., St. Louis, for the six months ended June 30, 1949, reported a net income, after taxes, of $1,520,745, or 63 cents per share, compared with $1,482,694, or 61 cents per share, for the corresponding period of last year. For the 12 months ended June 30, 1949, net totaled $2,241,746, or 92 cents per share. It is expected that the work of converting the system from distribution of mixed gas to straight natural gas, which commenced May 16, will be completed prior to Dec. 1, said Robert W. Otto, President of the utility firm.

* * *

The Gas Service Co., Kansas City, on Aug. 12 filed a registration statement with the Securities and Exchange Commission covering an issue of $18,000,000 first mortgage bonds, due 1974. The interest rate, price, and annual rate of redemption are among the details to be settled under competitive bidding. The company will use the net proceeds to repay notes and further its construction program.

* * *

For the six months' period ended June 30, 1949, the Monsanto Chemical Co., St. Louis, reported net sales of $79,347,108 and net income after charges and income taxes of $7,989,858, equal to $1.72 per common share after provision for preference dividends. For the same period last year, sales amounted to $78,739,148 and net profits were $7,926,759, equal to $1.73 per common share. However, sales in the second quarter of 1949 were below those of the corresponding quarter of 1948, said Edgar M. Queeny, Chairman of the Board, who added that "earnings reflected this decline, as well as the consequent idle plant charges."

* * *

The Great Lakes Pipe Co., Kansas City, has placed privately through Morgan Stanley & Co. $55,000,000 20-year sinking fund 3⅛% debentures, due July 1, 1969, the net proceeds to be used to install new facilities which will approximately double the Pipe Line company's daily capacity. Eight institutional investors purchased this issue.

* * *

McQuay-Norris Mfg. Co., St. Louis, for the six months ended June 30, 1949, reported net earnings, after the usual reserves and after all tax provisions, of $193,072, equal to 44 cents per share on the 355,939 shares of common stock outstanding. This compares with a net of $593,993, equal to $1.57 per common share, for the corresponding period of 1948. For the quarter ended June 30, 1949, net totaled $121,277, compared with $304,587 for the same three months' period last year.

* * *

Temporary 3% debentures, due 1968, of Union Electric Co. of Missouri may be exchanged for permanent debentures at the Mercantile-Commerce Bank & Trust Co., trustee, St. Louis, and at Bankers Trust Co., New York, N. Y.

* * *

Clinton Industries, Inc., St. Louis, reports a net profit of $1,900,547, equal to $1.99 per share on 955,697 shares outstanding, according to Richard M. Moss, Chairman of the Board. This was more than double the entire 1948 net earnings of $853,652, he pointed out, and compares with a deficit of $121,520 for the first half of 1948 when corn prices were inordinately high.

* * *

Illinois Terminal RR. Co., St. Louis, for the first half of this year reported a net income, after fixed charges and taxes, of $328,746, as against $630,216 for the same period last year. Operating revenues declined from $6,297,845 a year ago to to $5,831,275 for the 1949 period.

* * *

Western Auto Supply Co. reports combined wholesale and retail sales for the month of July, 1949, of $11,215,000, a decrease of 9.6%, from the $12,405,000 for the same month last year. For the first seven months of 1949, sales amounted to $63,990,000, compared with $67,704,000 for the corresponding period in 1948, a decrease of 5.5%.

* * *

The stockholders of F. Burkart Manufacturing Co., St. Louis, on Aug. 16 approved a proposal to increase the authorized common stock from 300,000 shares, par $1, to 600,000 shares, par $8 per share. They also voted to eliminate the 25,800 shares of authorized but unissued preference stock.

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

M. S. Gerber, Inc., has been formed with offices at 43 Cedar Street, New York City, to engage in the securities business. Officers are Morris Gerber, President and Treasurer; William O. Duntze, Secretary, and Charles S. Whitman, Jr., Director. Mr. Duntze has recently been active as an individual broker in New York City.

Richman Bros. Opens

BEVERLY HILLS, CALIF.—Richman Bros. is engaging in a securities business from offices at 100 North Robertson Boulevard. Partners are Lester G. Richman, Raymond L. Richman and Dorothy Richman.

Dealer-Broker Investment Recommendations and Literature

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

Above Average Current Yields—Selected list of stocks, for income and speculation, with better than average yields—Goodbody & Co., 115 Broadway, New York 6, New York.

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

Chain Stores — Analysis — William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

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

Coming Bargain Counter—Latest Angas Digest, actually comprising six digests for the price of one—$2. To those entering regular subscriptions the Digests will be sent free: Digest Service, one year (regularly $25), only $15 if ordered by return mail; wire service one year (regularly $25), only $5; both services for one year (regularly $50), only $20—Dept. F 818, Major L. L. B. Angas, 570 Lexington Avenue, New York 22, N. Y.

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

* * *

American Airlines, Inc.—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a bulletin on **National Sugar Refining Company.**

Atlantic City Electric Company—Revised circular on the common stock—Newburger & Company, 1342 Walnut Street, Philadelphia 7, Pa.

Central Railroad of New Jersey—Analysis—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Central Public Utilities—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Hooker Electrochemical Company — 12 page analysis — R. W. Pressprich & Co., 68 William Street, New York 5, N. Y.

Lionel Corp.—Statistical report —Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

McIntyre Porcupine Mines Limited—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada and 80 King Street, West, Toronto, Ont., Canada.

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

Niagara Hudson Power — Special report—Merrill Lynch, Pierce, Fenner & Beane. 70 Pine Street, New York 5, N. Y.

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

Pacific Petroleums, Ltd.—Circular—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

Transcontinental Pipe Line — Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available are memoranda on **Denver & Rio Grande Western,** and **Virginian Railway.**

Investors' League Reorganization

Definitive plans for a drastic reorganization of the Investors League, leading stockholder organization, established in 1942, were detailed to a group of press representatives in New York City, Aug. 16. Presiding was Col. Allan M. Pope, former President of the First Boston Corp. and also of the Investment Bankers Association of America, who announced that he has been elected President of the League, but that he has not definitely accepted the post as yet. Col. Pope, who has been interested in the defense of the stockholder status as a help to the preservation of free enterprise, since he founded a group for that purpose with Congressman Ellsworth Buck a decade ago, envisages the possibilities of enrolling 1,000,000 members from the rank-and-file of the nation's stockholders. He stated his acceptance of the leading office in the League will be dependent on his enlistment of a constructive group of personalities to join its board of directors. Two individuals who have already signified their willingness to serve are Captain Thomas B. Doe, President of Sperry Corp., and Dr. G. Rowland Collins, Dean of the School of Business of New York University.

Allan M. Pope

The final formal reorganization step will be taken at the League's annual meeting in October, when all the contributing members will choose a new board of directors, and a new general counsel. Meanwhile the organization is being governed by an interim Board, consisting of Colonel Pope, Mr. B. C. Forbes, Mrs. M. C. Walther of Elkins Park, Pa., Mrs. Jessie Mooney, investment counsellor of New York City. Mr. J. Newcomb Blackman, industrialist and stockholders' representative, Benjamin Javits, attorney and former general counsel of the League, and Miss Gertrude Wiener of "Forbes Magazine," the League's Secretary.

Mr. B. C. Forbes, co-founder of the organization and President since its inception, will serve as Chairman of the board. The future role of Mr. Javits, the League's other co-founder and its general counsel, will be determined at the annual meeting in October.

In discussing the League's future plans, Col. Pope voiced the expectation that it would not concern itself with grievances against managements within individual companies but rather would fight for the rights of the investor group as a class against political encroachment and against competing pressure groups in the community. As in the past, remuneration from corporations will not be accepted, although their cooperation will continue to be enlisted in distributing the League's literature to their stockholders.

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 British goods without receiving hard currencies in return. Sees 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, ENG.—Four weeks before the opening of the Washington discussions aiming at finding a solution of the British balance of payments problem, the conclusion of a new agreement is announced, as a result of which that problem is bound to become considerably aggravated, under the new agreement Britain is to increase considerably the rate at which India's wartime Sterling balances are released. During the next two years India is authorized to liquidate £50 million per annum, plus a supplementary allowance which is expected to raise the total annual release of blocked Sterling to £100 million. At the present rate the entire wartime balance will be liquidated in a few years. To engage in debt repayment on such a scale when the balance of payments show a deficit is surely without precedent in financial history. It is a recklessly irresponsible policy to which Britain's difficulties are largely attributable.

Dr. Paul Einzig

From an American point of view the speedy repayment of the Sterling balances is open to grave objections. The wholesale release of blocked balance is much more detrimental to American export trade than any of the bilateral agreements concluded by Britain in recent years. For goods are purchased in Britain, in order to spend the released Sterling balances, even if prices quoted by American firms are much lower. It is true, the Government of India will be authorized to draw on the Sterling Area dollar reserve at the rate of $140 million per annum during the next two years. To that extent Indian importers will be able to place orders in the United States. But since this only accelerates the pace at which the dollar reserve is depleted, it only means that dollar imports of Britain or other Sterling Area countries have to be curtailed to make up for the generosity of the dollar allocation to India.

If Britain, instead of wasting her exports on an unnatural liquidation of her external war debt, were to concentrate on the production and export of goods for which she can be paid in goods or in hard currencies, her balance of payments position would not be in its present sorry state. Even if the greater part of such exports would not be taken by the Dollar Area, Britain's dollar position would benefit indirectly, and she would be able to maintain her dollars imports.

It is not generally realized that if the liquidation of wartime Sterling balances on the present scale is in flagrant violation of one of the provisions of the American Loan Agreement under which Britain has undertaken that the wartime balances should be scaled down, and that repayment should be spread over a long period. Sir Stafford Cripps does not appear to have the slightest intention to honor this undertaking. When pressed in the House of Commons to state his policy he continues to pay lip service to the government's intention of demanding a scaling down, but lately he has become increasingly evasive, and the terms of the recently concluded agreement with India show that his policy is to pay off the debt in a very short time. At the present rate there will soon be no debts to scale down.

Even India does not stand to benefit by this wholesale liquidation of her Sterling balances. For the bulk of it is spent on the purchase of consumers' goods. The British industries engaged in the production of capital goods are fully booked with orders for years to come. If the repayment of the Indian balances were spread over a long period, the chances are that a large proportion of it would be spent on capital goods, to the lasting benefit of the nation. As it is, this asset is wasted on the satisfaction of consumers' demand. While such a use of the balances may bring passing popularity to the present government of India, it is not in accordance with the fundamental interests of India.

It is to be hoped that during the course of the Washington negotiations the United States Government will find opportunity to remind the British Government of its obligation under the Loan Agreement. In doing so it would protect the British and Indian peoples against the short-sightedness of their own governments, at the same time as safeguarding the interests of American exporters. It is true, there are many undertakings in the Loan Agreements and other international pacts which have to be treated leniently, as they could not be enforced under existing conditions. Rigid insistence on the abandonment of quantitative discrimination or the adoption of convertibility in existing conditions would aggravate the dollar crisis and would defeat its object. On the other hand, the provision under which wartime Sterling balances should be scaled down could and should be enforced. Its enforcement would bring relief to the British dollar position and would go a long way toward solving the crisis.

It is difficult to explain the quixotic magnanimity with which Indian and other holders of wartime balances are treated by Sir Stafford Cripps. His strong pro-Indian sentiments may partly account for it. Another consideration is that, from the point of view of statistics and propaganda, 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 sellers' market in consumers' goods has given way to a buyers' market, the exports to India, which are wasted from the point of view of the balance of payments, help to maintain full employment in industries producing consumer's goods. This means, however, that the need for diverting labor and raw materials to the production of marketable capital goods is not so pressing as it would be if the consumers' goods were not "given away" to India. Indeed the rapid repayment of wartime balances is about the worst possible method of creating employment. If the same end were pursued by means of public works it would add at least to the national wealth. As it is, the labor and materials expended on 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 is increasing, while smaller corporations have borne brunt of recent changes in business conditions. Sees lessened opportunity for new enterprises and drying up of sources of capital for small companies. Hints big government, by making it difficult to keep track of laws and big labor organizations, by forcing mechanization on employers, have aided big business development. Advocates government 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 few recur again and again. One of these is the importance of the concentration of economic power. Most people agree that big business is of central importance in the modern American economy, that it creates major problems of economic policy, and that these problems have not yet been satisfactorily solved. My purpose today is to state the nature of some of the more important of these problems and to tell you what the Federal Trade Commission is doing about them.

Corwin D. Edwards

Few persons appreciate the extent to which business power has already become concentrated in the United States. It is recognized that there are great railroads and great banks, but since these have been brought under Federal regulation, the significance of large concerns in such fields of activity is discounted. It is not generally recognized that our basic manufacturing industries themselves are subject to a high and apparently to a growing degree of concentration. Yet in 1947, 113 manufacturing corporations each of which had assets of $100,000,000 or more were the owners of 43% of the assets of all manufacturing corporations and of 50% of the fixed property of all such corporations. In other words, nearly one-half of the country's incorporated manufacturing was controlled by so few enterprises that their presidents could have been assembled in one moderate-sized room.

The extent of industrial concentration differs greatly, of course, from industry to industry. In some fields, such as home building and women's garment manufacture, the small business is still typical. In others, however, the large concern dominates the scene. In 1947, the four largest companies in the linoleum industry produced 92% of all the linoleum; the four largest makers of tires and tubes produced 86% of the industry's total; the four largest producers of wool carpets and rugs produced 59% of the total supply; and the four largest petroleum companies produced 49% of all petroleum produced. Information of this kind for the postwar period is available for only a few industries and commodities. For 1937, however, the Temporary National Economic Committee obtained similar information covering 1807 products, which in the aggregate constituted more than half of the value of all manufactured products produced in that year. For nearly one-third of these products, the four leading producers supplied 85% or more of the value of the national output; for more than 46% of the products, the four leading producers supplied 75% or more of the value of the national output; and for about three-fourths of the products the four leading producers supplied 50% or more of the value of the national output.

Concentration and Competition

I am not here concerned with the question whether the present degree of concentration is or is not so great as to be inconsistent with competition. It may be argued, for example, that if each of four producers has 20% of total output the four will turn out 80% of the national supply of a commodity; that concerns of such a size may compete vigorously with one another; and that therefore a concentration of 80% in the hands of four producers need not have monopolistic significance. In many cases where there is such concentration most of the output is sold by the largest single concern, and in other such cases there may be agreement, overt or tacit, among the large concerns. But my point does not depend upon a condemnation of the present degree of concentration. When concentration is high, that part of the unification of business which may be harmless lies in the past and further unification must quickly produce a condition in which monopolistic effects are inevitable. The present level of concentration may or may not be an evil. A sustained trend of concentration is necessarily anti-competitive.

Such information as there is indicates that the large companies are growing larger both absolutely and relatively, and that the degree of concentration is therefore increasing. This information is limited in amount. It cannot be taken as conclusive, and it is insufficient to show whether or not there is the same trend in all important lines of manufacturing. Studies of 200 non-financial corporations, not limited to manufacturing, indicate that these concerns owned one-third of all corporate assets in 1909 and more

(Continued on page 28)

*An address by Dr. Edwards before the Workshop on Economic Education conducted by New York University, Aug. 10, 1949.

Connecticut Brevities

The **Torrington Manufacturing Company** has purchased the assets and business of the Burden Company of Los Angeles for approximately $185,000. The purchase was made to promote sales of Torrington's air impeller products in the southwestern part of the country. Burden will be operated as a division of the parent.

* * *

Southern New England Telephone Company's recent stock issue was highly successful. Of the rights issued, 99.3% were used to subscribe for stock at the issue price of $25 a share. The remaining 0.7% of the stock offered has been placed by the company. Since the end of 1948 the number of stockholders has increased from 12,060 to over 15,000.

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Controlling interest of **North-eastern Insurance Company** has been purchased by Industrial Insurance Company of New Jersey from William L. Less, II, Chairman of the Board, and Alexander C. Dick and their associates. Industrial Insurance is controlled by the Morris Plan Corporation of America, which in turn is controlled by Equity Corporation. Ellery C. Huntington, Jr., will become Chairman of the Board and it is indicated that William J. Langler will continue as President.

* * *

Directors of **Connecticut General Life Insurance Company** have recommended that a 100% stock dividend be paid. The present capitalization consists of 300,000 shares of $10 par stock outstanding out of 2,000,000 shares authorized. Stockholders will vote on the proposed dividend on Sept. 8 and, if approved, the new stock will be issued Oct. 3 to stockholders of record Sept. 17. The additional stock will give the company a capital more in keeping with the volume of the business done.

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A meeting of the stockholders of **The Hartford Electric Light Company** has been called for Aug. 31 to vote on authorizing $15,000,000 preferred stock, par $50. In order to finance the company's construction program for the period through 1950, approximately $8,000,000 will have to be obtained through sale of securities. It is the intention of the Board of Directors to issue 160,000 shares of the new preferred stock. The company has called at 100 and interest $105,000 of its 3¼% debentures, 1941 series, due Sept. 1, 1971.

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Hartford Gas Company has lowered its rates on manufactured gas by 5 cents per 1,000 cubic feet through a lower fuel adjustment charge. The reduction was made possible by a drop in the production costs.

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The semi-annual report of **Connecticut Investment Management Corporation** shows the net asset value to be $4.20 as of June 30, 1949. Investment income for the period was $0.17 per share. Directors have voted to cancel 34,607 shares of treasury stock including shares reacquired or formerly held for conversion of fractional shares. At the annual meeting on Sept. 15 stockholders will be asked to approve election of five additional directors, increasing the board to 16.

Bigelow-Sanford Carpet Co. announces that it has acquired the assets of Bristol Mills, Inc., which has been dissolved. Earnings of the company for the six months to July 2, 1949, were $2.01 per share compared to $3.75 for the similar period in 1948.

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The annual report of **Collins Company** shows that earnings in the fiscal year ending May 31, 1949, were $31.21 per share compared to $31.87 the previous year. Net working capital was $2,835,968, which is equal to $189.06 per share.

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Employees of **Pitney-Bowes, Inc.**, were offered 10,000 shares of common stock at $11 per share on July 14 under the terms of the employees' stock purchase plan. The offer expired Aug. 15.

Foresees Substantial Gains in Liquor Sales

Tom Balfe, 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 industry sales during the balance of this year was predicted on Aug. 12 by Tom Balfe, New York, Vice-President and General Sales Manager for National Distillers Products Corporation.

Tom Balfe

Bulk whiskey prices have firmed and together with business generally, we look for substantial sales gains during the rest of this year," Balfe told the company's managers for Eastern and Southern States at their Annual Fall Sales and Promotion Meeting at the Waldorf-Astoria Hotel in New York City.

Pointing out there is no shortage of quality whiskies although inventories still are not in balance, Balfe said the industry's total sales for the first half of this year were more than 1% above those for the same period in 1948.

He emphasized the importance of efficient selling and proper merchandising to maintain and improve this increase as did Sid Hamilton, New York, Vice-President in charge of open states for National.

Hamilton attributed to these factors the 35% increase in gin sales the first five months of this year compared to the same months last year.

"That is why we are spending money on a big, new advertising campaign that is entirely different from any that National has undertaken in the past.

"And, while it is a sure thing that straight whiskies will take a certain share of the market in all states, there always will be a large market for blends. It is my opinion that the blend most aggressively displayed on the shelves, counters, floors, windows and back-bars will be the one that has the greatest chance to pick up this group of consumers.

"We therefore have the opportunity to increase the volume of a clear, clean tasting blend like PM. What's more, we have the distillery capacity and the bottling lines. We have the barrels of whiskey in the warehouses. We have the men. We have the tools to accomplish this job."

Hamilton said one of the biggest tools they had was the new advertising and promotion campaign built around the slogan "Clear, Clean Taste."

Philip J. Kelly, Advertising Manager for National, termed this "the greatest whiskey campaign since repeal."

"The new PM clear, clean taste campaign is new, original and different," he said. "We have a campaign which has whimsy, good nature, friendly feeling, and one which is going to capture public attention and hold it.

"This campaign has continuity based on a central idea which will intrigue the curiosity of the public and make them wonder what is coming next."

Kelly said the ads would appear in 427 daily newspapers reaching more than 21,000,000 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 transportation vehicles on "which 544,000,000 persons ride monthly, plus 26 magazines with 70,000,000 readers each month.

Marx & Co. Opens In Bridgeport, Conn.

BRIDGEPORT, CONN. — Marx & Co., members of the New York Stock Exchange, announce the opening of a branch office in Bridgeport, Conn., at 118 Bank Street, under the direction of Walter Breslav. Province L. Pogue and A. Maurits Johnson will be associated with Mr. Breslav in the new office. All were formerly associated with Hincks Bros. & Co., Inc., in Bridgeport.

Harvey Fisk & Sons

Harvey Fisk & Sons, a partnership, has been formed. Offices are at 52 Wall Street, New York City. Partners are Ralph W. Proctor, Harrison M. Haverbeck, general partners, and Benjamin Alpert and Julius H. Cohn, limited partners.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

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

Harold B. Smith, Pershing & Co., New York City, Chairman; Anton E. Homsey, du Pont, Homsey & Company, Boston, Mass., and Glen A. Darfler, Kneeland & Co., Chicago, Vice-Chairmen; Lex Jolly, Johnson, Lane, Space & Co., Inc., Atlanta; E. Elwood McClure, Stein Bros. & Boyce, Baltimore; Alonzo H. Lee, Sterne, Agee & Leach, Birmingham, Ala.; I. M. Read, Frost, Read & Simons, Charleston, S. C.; Lloyd W. Shepler, Merrill Lynch, Pierce, Fenner & Beane, Cincinnati; Carl H. Doerge, Wm. J. Mericka & Co., Inc., Cleveland; John L. Canavan, Rauscher, Pierce & Co., Dallas; T. Nelson O'Rourke, T. Nelson O'Rourke, Inc., Daytona Beach, Fla.; Robt. L. Mitton, Robt. L. Mitton Investments, Denver, Colo.; Paul I. Moreland, Moreland & Co., Detroit, Mich.; Claude T. Crockett, Moroney, Beissner & Co., Houston, Texas; Hayward H. Hunter, Geo. G. Baum & Co., Kansas City, Mo.; Neiland B. Van Arsdale, Blyth & Co., Inc., Los Angeles; Henry Christman, Jr., O'Neil, Alden & Co., Louisville, Ky.; R. Fred Trexler, J. C. Bradford & Co., Memphis, Tenn.; Bernard Decheine, J. M. Dain & Co., Minneapolis, Minn.; Buford G. Wilson, Jack M. Bass & Co., Nashville, Tenn.; Jackson A. Hawley, Equitable Securities Corporation, New Orleans, La.; James F. Fitzgerald, W. L. Canady & Co., New York City; John M. Hudson, Thayer, Baker & Co., Philadelphia; William G. Simpson, H. M. Byllesby & Co., Inc., Pittsburgh, Pa.; Pierre A. Kosterman, Conrad, Bruce & Co., Portland, Ore.; J. B. McMahon, Merrill Lynch, Pierce, Fenner & Beane, San Francisco; Robert A. Nathane, Merrill Lynch, Pierce, Fenner & Beane, Seattle, Wash.; John W. Bunn, Stifel, Nicolaus & Co., Inc., St. Louis; Everett W. Snyder, E. W. Snyder & Co., Syracuse, N. Y., and Robert A. Bligh, Fahnestock & Co., Torrington, Conn.

Harold B. Smith

Anton E. Homsey

Glen A. Darfler

MEET ME AND MY FRIENDS IN COLORADO

For reservations and additional information about the National Security Traders Association Convention in Colorado Springs, Oct. 5-9, communicate with Larry A. Higgins, Hulburd, Warren & Chandler, Chicago; Harold B. Smith, Pershing & Co., New York; Herbert H. Blizzard, Herbert H. Blizzard & Co., Philadelphia; John E. Sullivan, Jr., F. L. Putnam & Co., Inc., Boston.

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 functions, and the plan now goes to a Federal Court for approval. The company has now submitted to the SEC a second plan under which it proposes to retire $5 million debenture 5s due 2030 and three issues of preferred stock with an aggregate par value of nearly $34 million. Under the plan, 388,274 common shares will be offered in exchange for the outstanding preferred stocks and exchanges will be accepted in the order of their receipt (since the number of shares to be offered will not be sufficient to affect the exchange of all preferred and class "A" shares). Shares not accepted for exchange will be called for redemption at $115 per share in the case of the 7% class "A" and 7% preferred, and at $110 for the 6% preferred.

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 this offering. It will also sell $31 million sinking fund collateral trust bonds maturing in 1974, which will be secured by pledge of the common stocks of the three principal subsidiaries, Monongahela Power, Potomac Edison and West Penn Power. Assuming that par is realized on these bonds by the company, this would bring total proceeds to around $41 million, which amount should almost suffice to retire the $5 million debentures and the $34 million preferred stocks at their redemption prices. Presumably, cash on hand will take care of any difference.

The company has enjoyed a phenomenal increase in consolidated earnings per share in recent years due to capital leverage combined with an excellent operating showing. In 1945, only 17 cents a share was reported, but in 1946 this was increased to $2.29, in 1947 to $3.07, in 1948 to $3.68 and in the 12 months ended June 30, 1949, to $3.89.

After adjustment for the proposed new financing the company estimates that pro forma earnings (based on the 12 months ended May 31) would equal $3.43 a share on the 3,200,000 common shares to be outstanding. Refunding savings will be more than offset by the dilution resulting from the increased number of common shares.

At the same time that it made public its new plan, the company raised the dividend rate from $1.50 to $1.80 (the rate has previously this year been raised from $1 to $1.50). If this new plan is approved by the SEC and consummated, would the adjusted earnings of $3.43 permit another future increase in dividend rate? This may be somewhat problematical, as cash will be required for the sinking fund on the new debentures. Details of the proposed amount of the sinking fund requirements are not yet available. Assuming that the debentures might be completely retired over a 25-year period, this would mean annual payments of around $1,240,000, equivalent to about 39 cents a share on the common stock. It is possible, of course, that the SEC might require a still heavier sinking fund; if the bonds were to be paid off in 15 years the annual payment would approximate $2 million or 63 cents a share. Such a provisions would seem unnecessarily harsh, however.

After sinking fund allowance, earnings might thus be in the neighborhood of $3. Would this warrant a future rate of $2 or more? Holding companies, for one reason or another, aren't usually as generous with dividend payments as operating companies. Following are some comparisons with other integrated holding companies:

	Recent Share Earn.	Cur. Div. Rate	% Div. Payout	Recent Yield About
Amer. Gas & Electric	$4.63	$3.00	63%	6.7%
Central & South West	1.39	0.80	58%	6.7
Middle South Util.	1.74	†1.10	63%	6.9
New England Electric	1.22	0.80	66%	8.0
New England G. & E.	1.50	1.00	67%	7.5
Southern Company	1.13	†0.75	67%	7.9
West Penn Electric	*3.43	1.80	56%	7.4

*Pro forma. †Estimated.

Based on these comparisons, a $2 rate might seem possible for West Penn Electric after its two plans are consummated, but of course much depends on SEC ideas regarding the latest plan. Should the SEC impose a heavy debenture sinking fund, or wish to reduce the size of the debenture issue and increase the amount of stock, this of course might alter the pro forma earnings sharply.

Geo. J. Klein Joins Corporate Leaders

George J. Klein has become associated with the sales division of Corporate Leaders of America, Inc., 527 Fifth Avenue, New York City. Mr. Klein formerly was an officer of Sterling National Bank & Trust Company and of Public National Bank & Trust Co., and was associated at one time with Lehman Brothers, investment bankers.

John J. Gallagher Opens

ARLINGTON, N. J. — John J. Gallagher is engaging in a securities business from offices at 42 Union Place.

Investorservice Formed

Investorservice has been formed with offices at 11 West 42nd Street, New York City.

Westendorf 50 Years With H. M. Whitney-Goadby

Augustus E. Westendorf, associated with the firm of H. M. Whitney, Goadby & Company, 49 Wall Street, New York City, members of the New York Stock Exchange, Aug. 17 celebrated the 50th anniversary of his continuous connection with his present firm and its predecessor, W. H. Goadby & Company.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

EUGENE, OREG. — William E. Duhaime has been added to the staff of Foster & Marshall, 874 Willamette Street.

Paul T. Henson, Inc.

SYRACUSE, N. Y. — Paul T. Henson, Inc., is engaging in a securities business from offices at 825 East Genesee Street.

Foundations 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, CED spokesman lays down as foundations of sound collective bargaining: (1) upholding of capitalism by both labor and management; (2) aim of ever-increasing productivity by both; (3) a belief by both parties in importance of managerial function; (4) basing of acts and decisions on economic facts not economic power, and (5) acceptance by 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 now completely true that no man is an island unto himself. The relative dependence of the individual on others—and on the society itself—to supply even his simplest necessities is now a fact of life. Our economy has given us material abundance and increased leisure, but it has taken from us, with our blessing and consent, the power to provide for ourselves. Self-sufficiency for the individual, the community, or the group in our modern society is as bygone as the traveling tinker.

W. Walter Williams

A relatively few men absent from their work places can stop the flow of our economy. Materials and parts absent from their work places can do the same. This was demonstrated during World War II when the rubber shortage was at its peak. The nation's dairy products supply was seriously threatened by a shortage of small rubber rings for cream separators. Lack of tiny copper screws, immediately after the war, kept thousands of floor lamps unfinished and gathering dust in factory storerooms. Hundreds of examples could be listed. And they all add up to one thing. America's factories, mills, mines, and farms are one giant assembly line.

There is nothing so dramatic as an electricity shutdown to bring our economic interdependence sharply to our attention. A power strike — or a breakdown in a power system if it should continue over any sustained period—can result in tremendous losses and inconveniences to people who have no connection with the shutdown.

Transportation tieups go along with power tieups in their serious economic consequences. A sleet 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 shed handy at the backdoor, and the fireplace worked even if it did smoke.

None of us, however, would trade places with great-grandfather. He was self-reliant and self-sustaining. But his supply of food, clothing and shelter was meager and insecure. We have traded great-grandfather's self-reliance and self-sustenance for interdependence and abundance. Life's necessities can flow to us in constant supply only as the complex and interwoven society we have built runs smoothly without loose monkey wrenches jamming the gears.

Along with the development of our technology have come new social institutions. The rise of the corporation was the outstanding fact of the eighties and nineties. The rise of the union was just as inevitable with association of workers following the rise of group enterprise as night follows day. The growth of the trade union from the status of an outlaw organization into a normal part of the working machinery of our society is now another fact of modern life.

Unions have grown like magic plants under the wand of a Merlin. In the last 15 years, union membership in America has increased from 3 million to 15 million and there is every evidence that this growth will continue.

Supports Collective Bargaining

The Committee for Economic Development has said repeatedly that collective bargaining is a healthy manifestation of a democratic industrial society. Under modern conditions of corporate enterprise it must be recognized that the individual is in a poor position to bargain for the best possible return for his services. Association for bargaining purposes is the inevitable development. Collective bargaining is the democratic technique through which, it is hoped, fruitful industrial relations can be realized in the mass production society. But collective bargaining, like other democratic institutions, carries responsibilities as well as privileges. As CED stated in 1947: "Collective bargaining can work only with the acceptance by management and labor of their appropriate responsibilities. It can succeed only where both labor and management want it to succeed. It can flourish only in an atmosphere free of animosity and reprisal. There must be a mutual eagerness to develop collective bargaining procedures and attitudes which will result in harmony and progress."

It is a sign of the times that this great university should be conducting a series of meetings on the subject, "The Economics of Collective Bargaining."

First, it is a recognition that collective bargaining is an 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, it

(Continued on page 32)

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

Michigan Brevities

The merger of the 66-year-old California Cotton Mills Co. with National Automotive Fibres, Inc., Detroit, which became effective Aug. 1, has extended National's operations into two additional cities, provided greater diversification of product, and should result in a more stable earning record, J. R. 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 textile operations on the Pacific Coast, when the textile machinery market justifies such expansion. Under the terms of the merger agreement, seven shares of National capital stock are issuable in exchange for each ten shares of California capital stock. For the six months ended June 30, 1949, National earned $2.31 per share, compared with $1.22 per share for the corresponding period last year.

* * *

The Detroit Stock Exchange reports that trading volume in July was 204,839 shares, having a dollar value of $2,484,225. For the preceding month trading volume was 185,905 shares and rights, having a dollar value of $2,645,203, while in May it was 186,267 shares and rights, with a dollar value of $2,758,444.

The 10 most active traders for the month of July were as follows: Commonwealth & Southern Corp., Detroit Edison Co., McClanahan Oil Co., Peninsular Metal Products Co., United Corp., General Motors Corp., Friars Ale Brewing Co., America Metal Products Co., Sheller Manufacturing Corp. and Parke, Davis & Co.

* * *

Watling, Lerchen & Co. participated in the public offering of $15 million Illinois Power Co. first mortgage bonds, 2⅞% series due July 1, 1979, at 100.50% and accrued interest.

* * *

For the fiscal year ended May 31, 1949, The Dow Chemical Co., Midland, reports a consolidated net income, after taxes, of $25,260,473, equal after preferred dividend requirements, to $4.44 per common share. Sales totaled $200,370,952. For the preceding year, sales amounted to $170,696,037 and net profits after taxes were $21,066,646, or $3.72 per common share. At May 31, 1949, current assets were $84,407,229 and current liabilities $34,770,002.

* * *

The Detroit Stock Exchange on July 25 announced that it had been granted authority by the Securities and Exchange Commission to extend unlisted trading privileges to the common stocks of National Distillers Products Corp. and Hiram Walker-Gooderham & Worts, Ltd. It had previously received authority to trade the common stocks of Cosolidated Edison Co. of New York, Inc., Erie RR. Co., The Greyhound Corp. and McCord Corp. An analysis of trading in these six stocks covering the 12 months before submission of the application to the SEC showed that approximately 650,000 shares were held by 3,500 Michigan residents and during that period in excess of 400,000 shares were traded.

Net earnings of Square D Company, Detroit, for the six months ended June 30, 1949 amounted to $1,592,629, equal to $1.16 per share on the outstanding stock, as compared to $1,726,644, or $1.25 per share for the same period in 1948. The net for the 1949 period includes dividends of $166,250 received from Square D Company Canada Ltd., a wholly-owned subsidiary, on its common stock.

* * *

The Detroit Stock Exchange recently approved the application of Soss Mfg. Co. to list its 195,000 shares of $1 par value common stock. Subject to effective registration with the SEC, trading will commence at an early date.

* * *

During the six months ended April 30, 1949, sales of Northern Engineering Works totaled approximately $1,350,000, and resulted in profits, after all charges and after provision for the estimated amount of Federal income taxes, of approximately $160,000, equal to $1.07 per share on the 149,352 shares outstanding. Earnings for the fiscal year ended Oct. 31, 1948 equalled $2.16 per share.

* * *

For the first six months of this year Michigan Bumper Corp. reported sales of $2,835,596, as compared to $2,039,533 in the same period last year, which set a new record volume for any similar period in the firm's history. Earnings were equal to $1.05 per share on the 195,000 outstanding shares of $1 par value common stock and the backlog of unfilled orders remains at approximately $2,500,000. The common stock of this company was admitted to trading on the Detroit Stock Exchange on July 29.

* * *

The Udylite Corp., Detroit, for the six months ended June 30, 1949 reported a consolidated net income of $529,264, or 71½ cents per share after Federal income taxes of $349,000. This compared with a net of $785,760, or $1.06 per share for the first half of last year, after Federal income taxes of $513,000, but before provision for contingencies of $50,000. Sales for the 1949 period amounted to $10,960,311, against $11,913,053 for the corresponding 1948 period.

* * *

Soss Manufacturing Co., Detroit, manufacturers of hinges for automobiles, furniture and general building purposes, has stepped up its production 20% through the addition of a second eight-hour shift to daily operations, Charles J. Soss, President, announced on Aug. 15. The boost in output of automobile hinges, he said, was necessary to keep pace with the increased production by some of the company's automotive customers.

Elected Directors

At a meeting of the board of directors duly held on July 28, 1949, William J. Canada and Hobart N. Hare, of Hare's, Ltd., were elected directors of Institutional Shares, Ltd., thereby increasing the board of directors to full membership of seven as authorized.

Shields & Co. Open Regional Sales Office

BUFFALO, N. Y.—Shields & Co. have opened a regional sales office under the direction of Henry H. Harper at the Rand Building.

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 C. Pierce Corp.

Thomas S. Pierce

Pacific N. W. Group of IBA Elects Martin

SPOKANE, WASH.—Announcement has been made by the Pacific Northwest Group of the Investment Bankers Association of America, of the election of Harold M. Martin, Murphy Favre, Inc., Spokane, to serve on the Board of Governors of the Association for a three year term commencing at the close of 1949 Convention. Mr. Martin is now Chairman of the Pacific Northwest Group. The Executive Committee of the Group also has announced the following appointments of Committee Chairmen for 1949-1950: Lawrence Shiels, Camp & Co., Portland Chairman of the Education Committee; Al Hughbanks, Hughbanks, Inc., Seattle, Chairman of the Legislation Committee; Robert H. Atkinson, Atkinson, Jones & Co., Portland, Chairman of the Municipal Securities Committee.

Harold M. Martin

The annual meeting of the Pacific Northwest Group will be held at the Gearhart Hotel, Gearhart, Oregon, Sept. 9, 10, 11. Election of Group officers and Executive Committee for 1949-1950 will be held at that time.

Benjamin & Lang, Inc. Formed in Chicago

CHICAGO, ILL. — Benjamin & Lang, Inc., has been formed with offices at 10 South La Salle Street, to act as dealers in municipal bonds. Officers are Edward Benjamin, President and Treasurer, and Stanley W. Lang, Vice-President and Secretary. Mr. Benjamin formerly conducted his own investment business in Chicago. Mr. Lang in the past was with Barcus, Kindred & Co.

Cohu & Co. to Admit

Charles G. Dodge will be admitted to partnership in Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Aug. 25.

Henry L. Dersch in Peoria

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

Manufacturers' Opinions on Business Outlook

National Industrial Conference Board shows majority expect decline in profits and about one-half foresee reduced orders during rest of year.

Both optimism and pessimism on the outlook for business mark the replies of the 185 manufacturing companies just surveyed by the National Industrial Conference Board.

Some industries feel that the major portion of their postwar adjustments is behind them and look forward to improved conditions. Others are now experiencing reduced orders, smaller backlogs, inventory depreciation, lower profits and other characteristics of contemporary business adjustments and are not very optimistic regarding the probable time when their operations will stabilize and begin to pick up again. Three-quarters of the companies, however, forsee a decline in profits in 1949 as compared with 1948. The principal factors contributing to lower profits, as reported by the cooperators, are lower volume of sales, inability to reduce operating costs adequately, inventory losses, and lower selling prices.

New Orders

Half of the companies expect less new orders in the second half of 1949 than in the first, and three-quarters forsee a still poorer showing compared to the last six months of 1948.

A notable exception is found in the case of the petroleum industry. "Although this industry suffered as a result of a mild winter last year, prevailing opinion of cooperating petroleum companies is that, if normal weather prevails, orders will be approximately 10% higher during the last half of this year than during the same period last year. Most food companies also report that they expect to better 1948 orders and shipments."

Among the industries that have been hit the hardest with respect to new orders are the foundries and steel companies, electrical appliances and supplies, electrical machinery, and office equipment.

Inventories

An appreciable number of companies feel their inventories are too high, "but for the most part, this is the result of the recent drop in sales." Nevertheless, a substantial number of companies state that they are still doing everything possible to reduce their inventories so that any further drop in business or further decline in prices will not result in severe inventory losses. Most companies, however, report either that they have already written off the depreciation in their inventories or that they have established adequate reserves to take care of any losses that might occur.

Profits

Three quarters of the reporting companies expect their profits for 1949 to be lower than for 1948, a few expect to do as well, and several think that their earnings this year will be even better than last. A substantial number of companies are "extremely pessimistic and look for declines of 25%, 50% and even net losses." One company stated that it expects its loss this year would be greater than its profits last year and expressed the hope that, if conditions improve, it would break even next year.

A number of companies, when reporting on their profit outlook, stressed the fact that they considered last year's profits above normal expectations and indicated that they do not seriously expect to maintain such high levels. These companies in reporting declines of 10% to 25% expressed the view that they considered the new level satisfactory.

Industry Briefs

The following are brief summaries of the business outlook for some of the industries covered by the survey. They represent a synthesis of the trends and opinions of those companies cooperating and "may not necessarily be typical of the trends for the entire industry."

Electrical Appliances and Supplies—Orders are expected to drop 20% to 50% below those for the last half of 1948 with many companies anticipating declines of approximately 20%. One company reported a serious inventory problem. Although the others did not regard themselves as overstocked, they looked forward to even lower inventories before the end of the year. Profits are expected to be off, ranging 25% to 50% lower than in 1948.

Food—No serious drops in new orders are reported. Several companies expect to do as well in 1949 as in 1948, and the most pessimistic company looked for a drop of 10% during the next six months. Most companies reported that their inventories, as a per cent of sales, are below the level of prewar years, although one company reports inventories to be up 10% and another 20% over last year. All companies reporting, except one, expected to equal or better their 1948 profits.

Hardware—A drop of 10% to 20% in new orders is reported by most of the reporting companies and all except one reports that inventories, as a per cent of sales, are identical of those of prewar years. The profit picture is bad, with the average company indicating that profits this year will be only 50% or 60% of those for last year. One company reports that its loss this year will equal last year's profits and hopes to break even next year. A notable exception is reported by one company which, as a result of new product development, expects a 60% increase in profits.

Heating and Plumbing—Declines of 15% to 30% are reported in new orders, with an average drop of approximately 20%. Although some companies have higher inventories in relation to sales than prewar, no one reported a serious inventory problem. Profits are expected to be slightly to 50% lower than in 1948, with an average decline of approximately 20% for the year.

Textiles—The textile industry is still undergoing considerable adjustment. Expectations of new orders for the latter half of 1949, compared with the similar period for 1948, vary from 50% to 105%. Most companies feel that new orders will be off about 20%. Inventories are generally regarded as too high in the light of existing conditions and reporting companies are making efforts to further reduce their stocks of raw materials and finished goods. Inventory liquidations and write-offs are expected to have a pronounced effect on profits. While some companies feel that the profit picture will not be too bad this year, a large number expect drops of 15% to 25% and a few are extremely pessimistic regarding the outlook.

Gerard H. Coster to Open Office in NYC

Gerard H. Coster will open offices at 42 Broadway, New York City, to engage in the securities business. Mr. Coster was formerly with Billings, Olcott & Co., Kobbe, Gearhart & Co. and was with E. A. Pierce & Co.

Says Ample Funds Available for Small Telephone Company Financing

Robert Mason, Chairman of IBA and Public Service Securities Committee, tells Senate Committee there is no need for government furnishing capital to independent or local telephone companies.

Appearing on Aug. 10 before the Senate Committee on Agriculture and Forestry, which has under consideration the Hill Rural Telephone Bill (S. 1254), to furnish government aid in the financing of small telephone companies, Robert Mason, Vice-President of the Central Republic Company, Chicago, and Chairman of the Public Service Securities Committee of the Investment Bankers Association, stoutly denied that investment bankers are delinquent in the financing of local and independent telephone companies and, therefore, he stated, there was no need to make Federal credit available to these concerns.

Robert Mason

"Telephone financing," said Mr. Mason, "has in the past been and still is an important part of our business.

"To illustrate its importance, I think it might be well at this point to have the record show something of the volume and nature of the financing which has been done recently by the telephone industry.

"Since Dec. 31, 1946, the American Telephone and Telegraph Company and its subsidiaries have sold to the public securities with an aggregate par value in excess of $2,400,000,000. All of this was so-called "new money" financing, with the proceeds being used for the construction requirements of the companies of the Bell System. Virtually all of this financing was in the form of long-term funded debt at interest costs ranging from approximately 2.85% to approximately 3.25%. The terms of the loans ranged up to 40 years, and for the most part were 25 years or longer. Of the approximately $2,400,000,000 of such financing by Bell System companies, approximately $1,700,000,000 was done publicly through investment bankers, the balance being offered directly to stockholders for subscription.

"Comparable figures with respect to financing by the independent telephone companies are not available. While the aggregate of such financing has undoubtely been far less than that of the Bell System companies, financing done by independents of which we have a record clearly demonstrates that sound and well-managed independent companies have been able to obtain new capital, not only through the sale of debt securities, but also through the sale of preferred and common stocks.

"Incomplete figures of debt financing by independent companies in the first six months of this year, show that debt issues have been sold at an interest cost ranging from approximately 3.10% to approximately 4% (with two minor exceptions on which the interest cost was higher), and as in the case of the Bell System companies, the money in most cases was borrowed for terms extending 25 years or more. A substantial portion of the independents' financing, and all of the financing of the largest independent, has been done either publicly or privately through investment bankers. In addition, many independent telephone companies, particularly many small ones, have financed their new money requirements through local bank borrowings, and in some cases have raised money through local public subscription.

"There are thus ample funds available for expansion of sound telephone companies and we investment bankers have not lost interest in the financing of this industry.

"The monies expended by the Bell System alone show that substantial expansion of telephone facilities runs into real money. The question of the cost of the expansion required to carry out the apparent purpose of the pending bill, i.e., to make a telephone available to every farmer who wants one, anywhere, is a matter which, so far as I have been able to ascertain, has been the subject of very little discussion either before this Committee or the House Committee. I am certainly in no position to tell this Committee precisely what the proposed rural telephone program would ultimately cost, but I feel very strongly, particularly since our Federal Government has reembarked on deficit financing, that this is an aspect of the problem which is worthy of the most serious consideration.

"To give you some idea of the likely over-all cost, I have made a few computations, based on information already placed in the record by proponents of this legislation. From the table on page 2 of House Report No. 246, I would deduce that REA estimates that there were, as of Jan. 1, 1949, approximately 3,400,000 farms in the country without telephones. I have noted also that Mr. Clyde P. Ellis, Executive Manager of NRECA, in response to a request from Congressman Andresen for information on the likely cost of this program, stated in a letter to Congressman Pogue, which appears at page 229 of the printed hearings of the Pogue Bill:

" 'It is our best estimate that on a national basis, the construction cost per telephone subscriber would average between $300 and $400, including the subscriber's proportionate cost of switchboard facilities.'

"If we take, therefore, $350 as the average construction cost per subscribed, and multiply it by the number of farms presently without telephones, as estimated by REA, the cost to do a complete job of construction would be roughly $1,200,000,000. I am not sure whether Mr. Ellis's estimate includes cost of necessary buildings, working capital requirements and the like, but of course if it does not, the $1,200,000,000 figure should be increased accordingly, and I suppose we should add to that the national and regional REA administrative costs in connection with the program.

In this same letter, Mr. Ellis goes on to say that:

" 'In areas where there would be an average of three subscribers to the mile, it is our estimate that the cost would run between $850 to $900 per mile including proportionate cost of switchboard facilities) on non-joint use lines.'

"I am no expert in this field, but I have certainly gathered from such testimony as I have heard and read that REA would be expected to conduct most of its activities in areas where there would likely be less than an average of three telephones per mile, particularly as the record shows that the majority of the farms without telephones are in the South and Southwest, where average farm area is greater than in most other sections of the country. The cost per telephone might, therefore, run substantially in excess of the $350 figure we have used above, and the total cost of the construction program could be substantially in excess of $1,200,000,000.

"In view of the likely sums of money required to carry out the proposed rural telephone program, and the fact that this would necessarily have to be added to deficit borrowing, it is our view that these considerations alone should give the Committee pause about embarking upon such a program at the present time. However, in addition to this situation, we think it clear that ample private capital is available for the expansion of sound existing private companies. The record indicates that these companies are expanding rapidly in the rural areas, perhaps as rapidly as manpower and equipment has permitted since the end of the War, and 2% money is not likely to change the manpower and equipment situation in the immediate future. On top of this there would seem to be great disagreement between the proponents and the opponents of this legislation with respect to the basic facts involved, that is to say, the number of farms, farms without telephones, farmers needing and wanting telephones, and it would seem that certain of this necessary basic information will be supplied by the 1950 census. Because of all of these circumstances, we feel very strongly and recommend that no action be taken on this measure at the current session of Congress or, indeed, until after figures are available from the 1950 census The Committee at that time will also have a better picture of what the private telephone industry can and does do in the rural field in the interim.

"If, however, the Committee concludes that the preponderance of all the testimony indicates that it should take favorable action on this bill at the current session of the Congress, we should like to recommend that the bill be amended in substance as follows:

"1. A provision should be added to the bill making it clear that no funds should be loaned by the Administrator under the bill unless a showing is made that funds are not otherwise available from private sources.

"2. There should be a clear prohibition against any loans for financing the construction of telephone facilities which would duplicate or compete with existing facilities.

"3. There should be a requirement that the Administrator be required to insert in all loan agreements a provision that rates charged must be ample to carry and amortize the loan and to provide adequate depreciation and replacement reserves.

"4. A rate of interest should be charged which is at least as high as the current over-all cost of long-term money to the government."

NYSE Wins Test Case Involving Taxability Of Gratuity Payments

According to a notice issued to members of the New York Stock Exchange by the Trustees of the Gratuity Fund a ruling issued on June 30, 1947, by Commissioner of Internal Revenue, held in effect, that under the Federal Estate Tax Law as amended in 1942, gratuities paid to the families of deceased members of the Exchange pursuant to Article XVI of the Constitution, constituted insurance and, hence, were includible in deceased members' estates for Federal Estate Tax purposes. Previous to the issuance of this ruling, decisions of the Board of Tax Appeals arising under the law as it existed prior to 1942, had held to the contrary.

In view of the importance of the effect of this ruling upon the estates of deceased members of the Exchange, the Trustees and the Exchange instituted a test case on the point in the Tax Court of the United States.

The Trustees have been advised that this suit has been successful and that on Aug. 5, 1949, the Tax Court rendered a decision holding that the gratuity payments are not insurance and hence, should not be included as such in the estate of a deceased member. (Estate of Max Strauss vs. Commissioner of Internal Revenue, 13 T.C., No. 21, Docket No. 17372.)

It is not yet known whether the Commissioner of Internal Revenue will take an appeal from this decision of the Tax Court, or, if such an appeal be not taken, whether he will indicate his acquiescence or non-acquiescence with respect to such decision.

45 Years With Bache

Noah Niedenthal, a customers' man for Bache & Co., 36 Wall St., New York City, last week observed his 45th anniversay with the stock exchange firm. He was honored on the occasion at a cocktail party given by the firm's partners and executives.

Business Man's Bookshelf

After The Whistle Blows—A practical guide for recreation leaders in industry—Jack Petrill—Industrial Recreation Bureau, 162 West 56th Street, New York 9, N. Y.—cloth—$1.00.

Balance of Payments Yearbook—International Monetary Fund, Washington 25, D. C.—$4.00.

Coming Bargain Counter—Latest Angas Digest, actually comprising six digests for the price of one—$2.00. To those entering regular subscriptions the Digests will be sent free: Digest Service, one year (regularly $25) only $15 if ordered by return mail; wire service, one year (regularly $25), only $5; both services for one year (regularly $50), only $20—Dept. F 818, Major L. L. B. Angas, 570 Lexington Avenue, New York 22, N. Y.

Gas Facts—1948 edition of statistical record of the gas utility industry—American Gas Association, 520 Lexington Avenue, New York 17, N. Y.—$1.00.

Inflation: Causes and Cures—Thomas O. Waage, Editor—H. W. Wilson Co., 950 University Avenue, New York 52, N. Y.—$1.75.

Manual of Sugar Companies 1948—26th edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—cloth.

Survey of University Business and Economic Research Projects, 1947-1948—U. S. Department of Commerce — Superintendent of Documents, Washington 25, D. C. —Paper—$1.00.

Why Industry Moves South—A Study of Factors Influencing the Recent Location of Manufacturing Plants in the South—Glenn E. McLaughlin and Stefan Robock—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—cloth—$3.00 (price previously incorrectly listed as $6.00)

Mutual Funds

By HENRY HUNT

Bernard Baruch Speaks

Investors who think they can beat the market or do better investing their own money than Mutual Fund managers can should frame the following quotation of Bernard Baruch:

"If you are ready and able to give up everything else, to study the whole history and background of the market and all the principal companies whose stocks are on the board, as carefully as a medical student studies anatomy, to glue your nose at the tape at the opening of every day of the year and never take it off till night; if you can do all that, and in addition you have the cool nerve of a great gambler, the sixth sense of a clairvoyant, and the courage of a lion—you have a Chinaman's chance."

"National" Announces An Open Investment Account

National Securities & Research Corporation has just announced to dealers the launching of the "National" Investment Program. Under this Program an investor can start, what is in effect, 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 payment 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 "National's" 21 National Securities Series or to First Mutual Trust Fund, offering unusual flexibility to dealers and their clients. The initial investment and all successive investments are made payable 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 trustee sends a Reminder 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 transactions take place directly between the investor and Empire Trust Company, as trustee.

This Program is made available to investors without any additional cost whatsoever. All shares are purchased at the regular offering price and distributions can either be received by check from the trustee or else automatically reinvested.

"National" is an old hand at this type of business, having sold over $60 million in investment contracts between 1930 and 1938.

Fundamental's Portfolio Changes

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

(Common Stocks Unless Otherwise Designated)

Increases

	Shares		Shares
*American Can	3,000	Houston Oil (V. T. C.)	1,000
American Natural Gas	1,900	Int'l Business Machines	600
Anchor Hocking Glass	2,000	International Utilities	6,000
Brooklyn Union Gas	1,100	Johns-Manville	1,500
C. I. T. Financial Corp.	300	*Liggett & Myers	5,000
*Colgate-Palmolive-Peet	5,400	Mercantile Stores	2,000
Colonial Mills, Inc.	1,000	Minnesota Mining & Mfg.	200
Columbia Gas System	5,000	National Biscuit	7,000
*Com'wealth & Southern	90,000	National Dairy Products	2,000
Congoleum-Nairn, Inc.	1,000	Niagara Hudson Power	11,800
*Dome Mines	3,000	Phillips Petroleum	1 000
Dow Chemical	1,000	*Seaboard Oil	9,000
Ferro Enamel	500	A. O. Smith	1,000
Food Mach. & Chemical	1,000	Stand. Gas & Elec. $7 pfd.	600
General Foods	6,000	Stand. Oil Co. (Indiana)	3,500
General Motors	2,000	Standard Oil Co. (N. J.)	200
*Gen. Portland Cement	11,500	Union Bag & Paper	2,000
General Shoe	2,000	United Merchants & Mfrs.	500
Grand Union	2,000	Westinghouse Electric	3,000
*W. T. Grant	11 000	Amer. Tel & Tel 3⅛ conv. deb.—1959	$400,000
Gulf Oil	1,000		

Decreases

	Shares		Shares
†Aluminium, Ltd.	3,000	†Kennecott Copper	4,000
†American Chicle	2,000	†Otis Elevator	3,500
†Baltimore & Ohio	5,500	†Phelps Dodge	2,000
Borg-Warner	1,000	St. Joseph Lead	2000
Combust. Eng.-Sup'heater	500	Shamrock Oil	1,000
Dresser Industries	2,000	†Socony-Vacuum Oil	13 000
†E. I. du Pont de Nemours	1,000	†Sylvania Elec. Products	1,000
Eagle-Picher	800	United Light & Railways	9,300
General Railway Signal	900	U. S. Pipe & Foundry	1,100
B. F. Goodrich	200	Wheeling Steel	600
Interchemical	100		

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 booklet on Mutual Funds called "Making Your Money Work Profitably." The following is an excerpt:

"Many **mutual investment funds** are almost wholly invested in common stocks; most other funds have more than half of their money so invested. Common stocks represent ownership in corporations, and corporations own land, buildings, machinery, vehicles, merchandise, and other tangible assets. In a period of rising prices, the dollar value of these assets rises and the values back of the stocks of the corporations rise correspondingly. There are also many other factors that affect the market prices of common stocks, but over a long period of time the general level of stock prices tends 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 accounts, insurance, or Government bonds.

"Recently some publicity was given to an 1834 menu of Delmonico's restaurant in New York City which priced its regular dinner at 12 cents. In terms of buying meals at Delmonico's, a dollar now has much less purchasing power than a dime did in 1834. According to figures prepared by the National Industrial Conference Board, the 1949 dollar in meeting current living costs has only as much buying power as 62 cents in 1939, 77 cents in 1926, 43 cents in 1913, 34½ cents in 1900, and 23 cents in 1850. Although the value of a large group of common stocks is not stable in terms of dollars, it may be more stable than savings deposits, Government bonds, or insurance, in terms of meeting the cost of living."

Dividends On Bargain Counter

"Earnings and dividends—notably the latter—still are on the bargain counter," according to the August Investment Report of **Group Securities, Inc.**

"For the 12 months ended Dec. 30, 1946, the 30 stocks which make up the Dow-Jones Industrial Average of stock prices earned $13.63 per average share and paid dividends of $7.50. We expect earnings for 1949 to aggregate $18 per share, and we expect dividends to hold at around $12 per share. This would mean earnings 32% higher, and dividends 60% higher, than at the 1946 year end, **when the average was at today's level.**

"Likewise, the average book value of the Dow-Jones Industrial stocks was around 107; it is now over 160," the Group report continues. "Obviously, this addition of over 50 points adds considerable intrinsic value to the stocks, especially when it is recalled that a good deal of the increased book value is represented by more efficient and modern plant and equipment which should also add to the earning power of these 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 the next six or eight months, Henry H. Heimann, Executive Manager of the National Association of Credit Men, tells the members of his nation-wide organization in his "Monthly Business Review" released on August 15. He says that in certain lines the levelling off process is now evident and that a few industries have substantially completed the first phase of the postwar readjustment. He warned, however, that this does not mean that business conditions will be revived over night, but that in those industries where the adjustment began as much as a year or two ago a change for the better is not only in sight but actual improvement is now taking place.

Henry H. Heimann

As a further reason for his optimistic view for business in the year ahead, Mr. Heimann points out that industry for several months has been producing less than the nation has been consuming and that inventories in many lines have been reduced to a more comfortable level. These corrective factors will hardly permit a serious recession, Mr. Heimann says, unless government policy or injudicious labor leadership contributes to a lengthening of the adjustment period. He warns that the real dark cloud in world affairs is the disturbing European economic situation.

"People who believe in sound fiscal policies and in any economy that rests upon a high rate of production and industry received very little encouragement from the government during the past month," Mr. Heimann said. "It was suggested that we now aim for a $300 billion economy. The suggested means of obtaining this economy are so unorthodox in peacetime and the programs suggested are so threatening it is only logical that people are much concerned. You can, of course, have a three trillion dollar economy if you measure your economy in a dollar having a purchasing power that is constantly falling. Presently the dollar has a purchasing power of slightly under 60c on a prewar basis. Will the proposed deficit financing further reduce its purchasing value? If so, (and certainly deficit financing is inflationary) what does an estimate of an economy in terms of dollars mean? Unless there is a reasonable stability of value to the purchasing power of the dollar, any expression in terms of dollars is meaningless.

"The inconsistency of the program is challenged immediately by the fact that though we are told the obvious fact that an increased production is good for the country and the world, we are also told we may have to consider a curtailed agricultural production program. This causes many people to assume all of the talk is more or less political campaign oratory.

"It is also well known that any attempt by business to curtail production through understanding or agreement is a violation of the trust laws, but some of our labor leadership seems to be able to get away with a three day a week production schedule with perfect immunity. You can imagine what would have happened to business if it had attempted to do this."

Leon Abbett Dead

Leon Abbett, partner in Lord, Abbett & Co., New York City, died at his home at the age of 56. He was one of the founders of Lord, Abbett & Co. in 1929, prior thereto having been with W. R. Grace & Co., Dillon, Read & Co., and Shields & Co. He was one of the organizers of American Business Shares and Union Trusteed Funds, Inc., being an officer of both as well as of Affiliated Fund, Inc. He was President of the American Depositor Corporation and the North American Depositor Corporation.

Walter T. Collins Dead

Walter T. Collins of Tobey & Kirk, New York City, died in Nantucket after an illness of two years. He was 71. Prior to his association with Tobey & Kirk he was with Hemphill, Noyes & Co. for many years.

Samuel W. Stern Dead

Samuel W. Stern of Bull, Holden & Co., New York City, died on Aug. 9.

Mutual Funds Conference Begins

Messrs. Hughes, Laird, Habas, 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, sponsored by the Investment Dealers' Digest, began its sessions at the Statler Hotel in New York City, Monday, Aug. 15. They will be concluded Aug. 18. The opening two days' sessions were attended by 300 registered participants, comprising residents of all parts of the country.

In the discussions by various speakers, many references were made to the life insurance industry.

One point about the insurance industry which was considered particularly timely was the remark of the opening speaker, James Bridges of the Keystone Fund, that the insurance companies do not go around knocking each other like the mutual fund industry, but pull together towards a common goal. This sniping at each other is symptomatic of growing pains in any industry, Mr. Bridges added, and will subside just as wisdom comes with maturity. Herb Anderson of Distributors Group, the other speaker on the opening program on Monday morning, spoke of the efforts being made to permit short explanatory copy in place of the tombstones and also consolidated prospectuses.

In Monday's afternoon session Bertram Hughes of Lord, Abbett, enumerated the reasons for the increased acceptance of investment companies at this time. The low yield on governments and better grade corporate issues, the decline in purchasing power of fixed income securities, the favorable buying range of equities and concomitant generous yields were all factors that would attract many former investors and were playing in favor of the mutual funds. But even more than this was the desire for security and the wide diffusion of wealth which was constantly growing in the country and acknowledged from all quarters.

An interesting point made by him was that, on a relative basis, many of the above factors were present 75 years ago in Great Britain when the Scottish and English investment companies had their inception. In the course of his talk Mr. Hughes stated that "the offering price of a fund must be enough above asset value to enable people to get service."

The Load

This provoked much discussion from the floor after the conclusion of Mr. Hughes' talk on the selling commission (a point concerning which the whole conference seemed to be more sensitive than on any other single question). Mr. Francis Adams Truslow, President of the New York Curb Exchange, was quoted in his recent talk in which he cited the low level of total over-all curb commissions, as compared with mutual funds and life insurance, for lack of interest in the securities traded on his exchange. Lack of interest in the distribution of competitively-bid securities was also cited.

Mr. Laird's Talk

Mr. Douglas Laird of National Securities and Research Corporation, gave the closing afternoon talk for the first day's session. Here were some real practical suggestions for digging up prospects and getting customers' lists. Mr. Laird stressed that in his experience "you can't sell things with statistics whether they are automobiles or mutual funds."

The Economics

This morning's session was opened by Eugene Habas of Hugh Long & Co., who gave an informative and scholarly talk on the economics of buying funds. He stressed the long-term growth of good sound common stock investment, the necessity for balance in a well-rounded program with life insurance and savings bonds and a savings bank deposit. He reverted to the "make like an insurance man" theme, and told the audience to stress to the prospect "what's in it for me." You can never go without some annual income, you can never lose your entire principal, your investment will not remain at a permanently low level after a depression, but will recover, and you will never give your testamentary trustees or executors the trouble and anxiety that a hodge podge of miscellaneous securities will give them—if you have your money in mutual funds, Mr. Habas suggested.

Mr. Charles Eaton, Jr., expressed the viewpoint of the solicitor of the larger investor and trustee account. Explaining that he was primarily a manager of funds, and a newcomer as salesman, he explained how for years the fiduciary in New England had been buying mutual funds and that recently such interest had been receiving a growing impetus. "A combination of imagination and hard work" were the priceless ingredients Mr. Eaton found necessary to sell his funds.

Mr. Clark's Suggestions

Robert Clark, of Calvin Bullock & Co., told of dollar averaging and purchasing of funds on a regular systematic program in the afternoon's session. If such a program can be made economical and at not too great an increased cost to the investor, it should prove a splendid thing. He stressed, as did earlier speakers, that this should be made part of a three-part program along with insurance and savings bond and bank deposits. Mr. Clark noted that "people of substantial earning power and generous assets are buying investment company shares at regular intervals."

Zonal Office Advocated

Grady Clark, sales manager of Investors Diversified Services, which reputedly has the largest sales organization of any mutual fund distributors in the country, gave an inspiring talk on the real personal angles of pleasing the client (and how to hold on to him and never, never let him get away from you). Organization of sales offices down to zonal areas of 30,000 to 40,000 population was elaborated upon.

Speakers at Gold Coin Standard Conference

A gold coin standard of $35 per ounce as it relates to world trade will be reviewed in its major aspects by speakers and then considered in its details in open discussion during a luncheon and afternoon session of an International Gold Coin Standard Conference, sponsored by the Economists' National Committee on Monetary Policy in cooperation with foreign trade associations, to be held Sept. 8 at the Hotel Roosevelt, New York.

Topics and speakers are as follows:

What Is the Gold Coin Standard?—William W. Cumberland. Partner, Ladenburg, Thalmann & Co., New York; formerly Foreign Trade Adviser, U. S. Department of State, Financial Adviser to Republic of Haiti and to Government of Peru.

How It Would Facilitate International Trade and Investments—Leland Rex Robinson, Vice-President, Economists' National Committee on Monetary Policy; formerly American Financial Trade Commissioner in London; Westinghouse Professor in Italy; author, "Foreign Credit Facilities of United Kingdom"; Vice-President, Iran Foundation.

Steps That Should Be Taken Immediately in Direction of International Monetary Stabilization—Walter E. Spahr. Executive Vice-President, Economists' National Committee on Monetary Policy; Professor of Economics, New York University; Trustee, Tax Foundation; Director, New York Air Brake Company.

How Can American Citizens Get the Gold Coin Standard Now?—Philip M. McKenna. President, Kennametal, Inc., Latrobe, Pa.; National Chairman of the Gold Standard League.

Chairman of the Conference will be James Washington Bell, President, Economists' National Committee on Monetary Policy; head of Department of Economics of Northwestern University.

Participating in the discussion will be other members of the Economists' National Committee on Monetary Policy and representatives of leading foreign trade associations of the United States.

Cites Consumers' Real Income Trends

MINNEAPOLIS—E. E. Crabb, President of Investors Diversified Services, points out that the latest monthly study of real income made by his company shows a better balance between prices and cash incomes, due largely to small but important reductions in living costs.

Earl E. Crabb

Real income, by the statistics maintained since 1935, is placed at 99 cents as compared with each dollar's worth of real income enjoyed by the typical consumer in the same 1948 period.

The expression of consumer well-being obtained by contrasting typical cash income with a typical family budget shows several influences that have been noted before, Mr. Crabb observes. In contrast to the drop in incomes derived from wages, salaries and farm operations, income from investments is received at the rate of $1.08 for each dollar dividends and interest contributed a year ago. Such income tends to lag behind wages and salaries when they are rising and to fall off more slowly when the trend is downward.

A somewhat similar contrast is seen in connection with prices. Food and clothing prices are being slowly deflated but rents and the costs of miscellaneous goods and services are still on the increase. "Miscellaneous" includes electricity, gas and telephone service for which many regulatory bodies are just now granting rate increases. Relaxation of rent controls has not inspired large increases generally but the trend is upward rather than down.

With Buffett & Co.

(Special to The Financial Chronicle)

LINCOLN, Neb.—John Knickrehm has become affiliated with Buffet & Company, Omaha National Bank Building, Omaha, Neb.

With Waddell & Reed

(Special to The Financial Chronicle)

LINCOLN, Neb.—Albin M. Peterson has become connected with Waddell & Reed, Inc., Kansas City, Mo.

Canadian Securities

By WILLIAM J. McKAY

Reviewing business conditions and outlook in Canada in the current year, the Canadian Bank of Commerce Index of Industrial Activity registered 158 for June (1937=100), as compared with 159 in the preceding month and 156 in June 1948. The slight downturn in June of this year, according to the bank's "Monthly Commercial Letter," was the first to be recorded since March and was partly seasonal in character, but it reflected also lessened activity in consumption goods—food and beverages, wearing apparel and miscellaneous articles, the two first-mentioned groups operating at levels not only below those of May, but of June 1948. The forest industries, mainly wood pulp, paper and lumber, were able to maintain production schedules equal to those of May and slightly above June of last year. Minerals, both non-ferrous metals and non-metallics, as well as chemicals, were also on higher production rates than in May 1949. The output of motor vehicles and iron and steel declined, and thus reversed the uptrend of several months previous, although the heavy steel trades continued to provide more of their products. All sections of these two major groups worked at a greater pace than in June 1948, with the exception of the medium steel unit. It might also be noted that the automotive and iron and steel industries have been operating at slightly over double their pre-war rates of production, the heavy steel section alone at more than two and a half times the 1937 level.

As to crop conditions, the Canadian Bank of Commerce states that based on conditions in mid-July, a good crop is expected in Manitoba, but the effects of widespread drought in Saskatchewan and Alberta are so severe that a subnormal harvest is in prospect in these Provinces. Conditions are fairly satisfactory in northern, north-central and southeastern Saskatchewan, but are deteriorating elsewhere, the most critical situation being in the southwest. In Alberta prospects are quite good in the southwestern and Peace River areas, but only poor to fair elsewhere. A serious outbreak of grain aphis occurred in southwestern Manitoba, and localized damage by grasshoppers is reported in the drier areas of Saskatchewan. Subsequent good rains in central Alberta improved the prospects for feed in that area but further general rains are urgently needed.

A long period of dry weather with extremes of temperature caused considerable damage to crop prospects in Ontario, particularly in central and southwestern counties, where the drought was the most severe on record. Hay crops and pastures were most seriously affected, and the grain crops are unlikely to be better than fair. While localized showers afforded some relief, early canning crops and fruits all suffered, the strawberry crop being only a third of last year's. Roots and other late crops are, however, responding to beneficial rains, and conditions in the eastern and northern counties are generally satisfactory. The dry weather in the western counties and rain in the eastern counties of Quebec, which obtained a month ago, continued throughout most of June with characteristic effects on crops. Recent rains considerably improved prospects in the dry sections, however, and crop conditions generally indicate average yields. Field and fruit crops are making good progress in the Maritime Provinces, but in British Columbia crops are backward as a result of a protracted period of cool weather and inadequate rainfall.

An increase is indicated for all the tree fruits and grapes this season, that for apples being estimated at 25 per cent. Vegetable crops, however, are expected to be much smaller, the acreage under contract to processors being sharply reduced for practically all classes except corn for canning.

Calif.-Oregon Power $2\frac{7}{8}\%$ Bonds Offered By Halsey, Stuart Group

Halsey, Stuart & Co. Inc. heads a group which is offering $7 million The California Oregon Power Co., first mtge. $2\frac{7}{8}\%$ bonds, series due Aug. 1, 1979, at 101% and accrued interest. The group was awarded the bonds at competitive Aug. 16 sale on its bid of 100.42%.

Proceeds from the sale of the bonds and from the sale of 250,000 shares of common stock are to be applied to the company's construction program and to the payment of indebtedness incurred for that program.

The bonds may be redeemed by the company at any time at prices ranging from 104% to 100%.

The power company is an operating public utility providing electricity and water in southern Oregon and northern California. Approximately 95% of its gross revenue is derived from the sale of electricity and 5% from the sale of water.

Associated in the offering are: Otis & Co., Incorporated; Dempsey & Company; Mullaney, Wells & Company; The Robinson-Humphrey Company; Thomas & Company; Foster & Marshall; and Peters, Writer & Christensen. Inc.

With Jackson & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph P. Keller is with Jackson & Company, Inc., 31 Milk Street.

Joins Inv. Securities Co.

(Special to The Financial Chronicle)

JACKSON, Mich.—Clarence G. Roller has joined the staff of Investment Securities Company, National Bank Building.

Power From Gravity

By ROGER W. BABSON

Asserting greatest source of undeveloped power rests with gravity, Mr. Babson says its use awaits only discovery of some partial insulator. Sees in it a factor for world peace and describes functions of Gravity Research Foundation.

About a year ago I wrote on the above subject. Since then the Gravity Research Foundation, a non-profit institution, has been established at New Boston, New Hampshire. Hence, although I realize it is all a gamble—yet the possible prizes are so great that the subject really deserves another story.

Roger W. Babson

With "free" power several very important results might be possible: (1) almost free heat in the winter, which would be made by individual gravity plants in the cellar of each home; (2) the installation of automatic pumps which would give a sufficient supply of water at all times for agricultural and livestock purposes; (3) a supply of power to small industries in every community.

Another most interesting use of such very cheap power would be in connection with the restoration of soils which have been exhausted of minerals and humus. The minerals existing in the remaining rocks could be restored to the soil by grinding; while the humus could be restored by crushing young sprout trees now covering much waste land.

Getting Power From Gravity

The greatest source of undeveloped power today rests with gravity which is now being used only in connection with the water powers. The same gravity, which developes water power, exists under every home and on every acre of land. The only need in order to harness such power is to find a **differential** for gravity other than height, because it is the **differential** in height that developes water power. It is the **differential** between the steam in the two cylinders of a locomotive which causes the piston to reciprocate. It is the **differential** between the air pressure on the windy side of a windmill, compared with the pressure on the opposite side, which makes the windmill revolve.

In the case of electricity this **differential** is secured through the use of insulators without which no electric motor would revolve. The harnessing of gravity, therefore, awaits the discovery of some partial insulator. When such an insulator 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 which there may be millions. Only about 2% of the possible alloys have yet been tested. We know that certain metals are now good transmitters of magnetic waves; but by a certain mixture of these small metals an alloy is produced which is almost a complete insulator. It is not the purpose of this foundation to make laboratory experiments, but rather to collect data on all experiments being made by others and serve as a free clearing house and information bureau to all who are 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 this gravity insulating material, wouldn't I rise and hit the ceiling with my head"? My answer was: "Yes, if this mat were a 100% insulator. Such a mat would be very dangerous to you; but it would be only like putting your hand on an electric wire carrying 100,000 volts, or into a furnace fire making steam for an engine. As a matter of practice, these mats would be so diluted as to reduce your weight only partially, not enough to cause you to rise to the ceiling. These mats could, however, be used for stair treads so that it would take no more effort for you to walk upstairs (many flights) than to walk on a level floor."

Those who are interested in World Peace believe that the discovery of such "free" power would so raise the standards of all peoples in all parts of the world (gravity exists with equal force everywhere) that there would be no more world wars. Most wars have been to seek more arable land, or more coal, oil and other sources of power. The reason for locating at New Boston, N. H., instead of at Old Boston, Mass., is for fear that there will be a World War III before this new power has been harnessed. Hence, it is desired to preserve the Foundation's records in some safe place.

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 required reserves of member banks.

The current reduction amounts to two percentage points in the case of demand deposits and one point for time deposits. This along with the decrease of last May, brings total reductions in required reserves so far this year to four percentage points for demand deposits and two and one-half points for time deposits.

The new requirements are to be put into effect on a gradual basis over a period of a month. For central reserve and reserve city banks the requirements against demand deposits are to be reduced by one-half percentage point each week for a four week period beginning with Aug. 11.

These decreases will bring present required reserves on demand deposits to 22% for central reserve city banks, 18 for reserve city banks and 12% at country banks. On time deposits the required reserves will be 5% for all member banks.

This move by the Federal Reserve authorities is the latest of several recent adjustments designed to make credit easier and encourage business.

The first relaxation of credit restrictions was in March when the liberalization of time payments on consumer goods was authorized. This was followed shortly thereafter by a reduction in margin requirements for the purchase of stocks. 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. The reduction in reserves announced on Aug. 5 is a logical extension of this anti-deflation program of the Federal Reserve.

One of the interesting features about the recent moves of the monetary authorities as they affect bank operation is the tendency for one action to offset another. For example, the recent reduction in reserve requirements will increase the earnings base of the banks. However, compensating for this is the decline in interest rates which has taken place.

With a major Treasury refinancing operation of $7.8 billion necessary over the next 45 days, the money market is anticipating a reduction in the current certificate rate from the last rate of 1¼% to 1⅛%. Also the decline in loan volume since the first of the year has put pressure on the commercial loan rates with the result that there has been some softening in this category over the past six months.

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

These same factors are likely to continue exerting their influence over the coming months. It would not be surprising, in fact in some quarters it is expected, that the Federal Reserve will again reduce required reserves, particularly at central reserve cities.

Last year when the Board was aggressively using monetary and credit controls to bring a halt to the upward spiral of prices, it raised reserve requirements at central reserve cities on three successive occasions in February, June and September by two percentage points each time. This amounted to an increase from 20% to 26%.

With a reversal of the general trend of business and prices in the latter part of 1948, business loans began to contract. The Federal Reserve then began easing credit condition and lowered required reserves by two percentage points in May and August.

In view of current conditions it would appear that a further reduction in reserves at central reserve cities could be expected. The monetary authorities are committed to a policy of easy money and in as much as the Treasury has a major financing program in the next two months and has embarked upon a program of deficit financing, the banks seem assurred of sufficient reserves to absorb such transactions in an orderly manner and at rates which will be favorable to business borrowing.

There is also the additional fact that the Reserve has maintained that inflation or rising prices is still a potential danger to the economy. A further reduction in required reserves at this time would not only be in line with present policy but would provide additional margin for raising reserves at such time as some credit tightening might be desirable.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

In accordance with the terms of the scrip certificates issued by **Manufacturers Trust Co. of New York** at the time of the payment of the stock dividend in January of this year, the company announces that it has sold the stock represented by the unsurrendered scrip certificates. The right to exchange the scrip for stock expired on Aug. 1 and holders of outstanding scrip certificates are now entitled to receive $4.62 for each eleventh, which includes the pro rata portion of the dividends paid in April and July on the shares sold.

* * *

Walter I. Conroy, Vice-President of the **Bronx County Trust Co. of New York** with main offices at 2804 Third Avenue, Bronx, announced on Aug. 11 that the bank had extended its services by placing adding machines in the lobbies of its offices. This latest innovation in Bronx banking is for the use of the bank's depositors in totaling up their deposit slips. The new service will be especially useful to the many small business firms in the area who do not have an adding machine in their own offices.

* * *

Francis S. Baer, formerly Senior Vice-Chairman of the board of the **Bank of America, N. T. & S. A., San Francisco,** has been elected a Senior Vice-President and director of **Bankers Trust Co. of New York,** S. Sloan Colt, President, announced on Aug. 10. Mr. Baer will assume his new duties on Sept. 15.

Francis S. Baer

* * *

In reply to several inquiries, George V. McLaughlin, President of **Brooklyn Trust Company of Brooklyn, N. Y.,** made the following statement on Aug. 16:

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

One of the items bearing on the increased price of the stock—that in the New York "Sun"—stated that the quotation for Brooklyn Trust shares in the past week or so has advanced from 117 to 140.

* * *

Alfred Obert has been elected a trustee of the **Fulton Savings Bank of Kings County, Brooklyn, New York,** it was announced on Aug. 8 by Paul W. Connelly, President. Mr. Obert has been associated with the Fulton Savings Bank since 1924 and has served as Executive Vice-President since January, 1947.

* * *

Clarence F. Lamont, former Vice-President of the **Title Guarantee & Trust Co. of New York** in charge of the Brooklyn, N. Y., office, died on Aug. 8 at Cobleskill, N. Y., where he had resided since his retirement in 1947. He was 68 years old. He became associated with the company at an early age, it was noted in the Brooklyn "Eagle" of Aug. 9, and was made one of its officers in 1924 and then advanced to Vice-President. He was also an officer and director of the Long Island Safe Deposit Co. and a director of the Real Estate Corp.

* * *

The name of the **Franklin Square National Bank of Franklin Square, N. Y.,** has been changed to the **Franklin National Bank of Franklin Square.** The change became effective Aug. 15. The bank recently increased its capital from $800,000 to $830,000, reference to which was made in our issue of Aug. 11, page 560.

* * *

Promotions in the staff of the **City and County Savings Bank of Albany, N. Y.,** were reported in the Aug. 9 issue of the "Times-Union" of that city. As announced by John Boyd Thacher, 2nd, Vice-President in charge of operations of the bank, the changes include the election of William G. Livingston as Vice-President and Secretary; Charles E. Fear, Jr., Treasurer; Henry W. Koerber, Jr., Assistant Treasurer, and Kyran J. Flannery, Assistant Secretary. Mr. Livingston has been with City and County 21 years, Mr. Fear 24 years, Mr. Koerber 19 years and Mr. Flannery 16 years, says the "Times-Union." Mr. Livingston, who had been Treasurer, succeeds, it is stated, to the vacancy created by the death in July of Joseph A. Ehrhardt; Mr. Fear, the new Treasurer, has been Auditor and personnel officer; Mr. Koerber becomes Assistant Treasurer after serving as teller, general bookkeeper, statistician and mortgage officer; the election of Mr. Flannery as Assistant Secretary follows advancements through mortgage teller, real estate assistant, general bookkeeper, Assistant Auditor, Manager of the mortgage department, and Mortgage Officer. Another change has been the promotion of John J. Maxstadt from Assistant Auditor to Auditor. Kenneth S. Ford and Richard E. Benjamin were raised to mortgage officers, and Frank E. Cheeseman to senior mortgage clerk. Mr. Maxstadt, the new Auditor, has been 14 years with the bank, having served in various capacities, finally most recently as Assistant Auditor.

* * *

Three new trustees, viz. Donald McMaster, Edward Harris Jr. and Thomas H. Hawks have been named trustees of the **Rochester Savings Bank, of Rochester, N. Y.** Mr. McMaster is Vice-President and Assistant General Manager of Eastman Kodak Co., it was noted in the Rochester "Times-Union" of Aug. 9, which said that he fills a vacancy left by Marion B. Folsom, Kodak Treasurer, now a director of the Federal Reserve Bank of New York. According to the same paper, Mr. Harris, attorney and member of the law firm of Harris, Beach, Keating, Wilcox & Dale, is a member of a family long associated with the bank. His great-grandfather, Everard Peck, was one of the three founders of the bank in 1831. Mr. Hawks is Treasurer and Comptroller of Wallensak Optical Co.; during the war he was associated with the Rochester Ordnance District.

* * *

The election as directors of the **Lincoln-Rochester Trust Co. of Rochester, N. Y.,** of Mercer Brugler, President of The Pfaudler Co.,

(Continued on page 39)

Report Rise in Life Insurance Investments

Institute of Life Insurance compilation shows increase in first half of 1949, due largely to rise in government and corporate bond purchases. More 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 $4,211,000,000, the Institute of Life Insurance reports.

The half year total was 18% under similar investments made in the corresponding period of last year, but 8% over those of the first six months of 1947.

Although new investments had declined sharply in the first quarter of the year, they increased in the second quarter, especially in the field of corporate securities. Second quarter purchases of corporate bonds and stocks by the life companies represented financing of $1,268,000,000 for the business and industry of the country. Second quarter mortgage financing extended by the life companies was $847,000,000, largely for home financing.

With an increase of $1,850,000,000 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 8%.

The half year investment figures reported by the Institute were:

	Acquired				Holdings	
	June 1949	June 1948	6 Mos. 1949	6 Mos. 1948	June 30 1949	June 30 1948
	(000,000 Omitted)					
U. S. Government Securities	$ 44	$ 38	$318	$936	$15,748	$18,658
Foreign Government Securities	31	6	54	18	1,427	1,315
State, County, Municipal Bonds (U. S.)	15	24	76	91	907	659
Railroad Bonds (U. S.)	22	16	65	118	2,958	2,864
Public Utility Bonds (U. S.)	294	152	751	859	9,121	7,541
Industrial & Misc. Bonds (U. S.)	197	154	1,078	1,290	7,803	5,912
Stocks (U. S.)	33	45	130	126	1,554	1,442
Foreign Corporate Securities	31	16	47	61	498	438
World Bank Bonds	---	---	10	5	58	49
Farm Mortgages: Veterans Admin.	---	---	2	7	29	27
Other	26	24	180	166	1,062	933
Non-Farm Mortgages: FHA	109	104	643	486	2,917	1,793
Veterans Administration	10	33	68	234	1,209	1,058
Other	174	135	789	738	6,630	5,890
Total Securities and Mortgages	$936	$747	$4,211	$5,135	$51,921	$48,579
Farm Real Estate	---	---	---	---	49	68
Other Real Estate	30	23	126	133	1,108	895
Policy Loans	45	24	241	200	2,141	1,982
Cash	---	---	---	---	835	852
Other Assets	---	---	---	---	1,179	1,081
Total Assets	$---	$---	$---	$---	$57,233	$53,457

Govt. Revenues Now Equal to $391 Per Capita

Bureau of the Census compilation indicates general revenues, comprising all taxes paid for general government functions, increased 10% in 1948 over previous year and was 137% higher than in 1942. Local revenues continue upward trend.

According to a release of the Bureau of the Census, general revenue of all governments in the United States in the 1948 fiscal year[1] totaled $57.3 billion, or $391 per capita. Taxes provided $54.5 billion or $372 per capita. The remaining $2.7 billion represented charges for governmental services and other nontax revenue. The Federal Government received nearly three-fourths of all taxes, $40.1 billion, as against the $14.4 billion of State and local government tax revenue.

Figures presented in this report relate to "general revenue"—i.e., revenue, including all taxes, received in the exercise of general-government functions, as distinguished from the management of enterprises and the administration of trust and sinking funds. Hence the gross receipts of water, electric, gas supply, and other government-owned enterprises are excluded, and only any net amounts provided for governmental purposes by such enterprises are included with general revenue.

To avoid multiple counting, revenue aggregates in this report which relate to more than one of the three levels of government—Federal, State, and local — are shown net of intergovernmental aid transactions among the levels of government concerned, except when otherwise stated. Thus, a net total of $17.9 billion in State-and-local general revenue in 1948 is shown, which is less than the sum of the $10.0 billion of State revenue plus the $11.1 billion of local government revenue mainly because of the $3.2 billion in aid from States which the latter amount includes. Similarly, all intergovernmental aid revenue, including that from the Federal Government, is omitted from Federal-State-local totals here reported.

Recent Revenue Trends

Total general revenue of all public units in 1948 was up $5.2 billion, or 10.0%, from the 1947 amount. Although an increase of nearly $3 billion, or 7.8%, in Federal revenue accounted for most of this rise, the revenues of state and local governments rose at a much sharper rate.

All major revenue sources contributed to the marked upswing in 1948 revenue as compared with 1947 collections. Individual income taxes were up $1.5 billion, or 8.2%, corporation income taxes increased $1.2 billion, or 13.4%, and other categories increased at rates ranging from 7.1% to 14.7%.

The 1948 revenue total was nearly $2.3 billion higher than the previous record level of 1945, when revenue of all governments in the nation amounted to $55 billion, or $394 per capita.

Governmental revenue in 1948 was 137% higher than that of 1942. This trend was, of course, accompanied by an increase in population and a sharp rise in the scale of the nation's economy in terms of such measures as total income payments and gross national product. These changes may be summarized, for convenient reference, as follows:

Item—	1948	1947	1945	1942
*Population incl. armed forces overseas	146.6	144.0	139.6	134.7
**National income	$226.2	$201.7	$182.7	$137.1
**Gross national product	262.4	235.7	215.2	161.6

*As of July 1; in millions. **Calendar year; in billions.

Total state and local revenue rose by $2.6 billion, or 17%, between 1947 and 1948. This is $0.5 billion more than the 1946-47 increase, and exceeds the rise which occurred in the entire four years ending with 1946. Although tax collections were up 15% and provided more than two-thirds of the additional amount of state and local revenue, a faster rise occurred in amounts of aid received from the Federal Government—up 28%, and in charges and miscellaneous nontax revenue — up 22% between 1947 and 1948.

Revenue of state governments exhibited a similar trend, rising by $1.5 billion or 18% from the 1947 level, somewhat more than from 1946 to 1947 and also more than in the entire previous four years. More than two-thirds of the 1947-48 change involved tax revenue, the remainder arising principally from additional aid received by the states from the Federal Government. Many states imposed new taxes or raised rates of existing taxes in their 1947 legislative sessions, and most of these changes were first reflected in fiscal 1948 revenue. The 1947-48 upswing in state tax collections mainly resulted from increased yields of sales and gross receipts taxes, reflecting higher sales volume of most taxed goods and services, higher price levels, and tax law changes.

Total revenue of local governments amounted to $11.1 billion in 1948, up 17% from 1947 or 57% from 1942. Only about half of the increase for both the 1- and the 6-year interval, was contributed by additional tax revenue. Higher rates of increase occurred for aid received from other governments —up 25% from 1947 and 82% from 1942, and for charges and other nontax revenue — up 19% from 1947 and 90% from 1942.

All major types of local governments shared in the record 1947-48 rise in general revenue. The largest increase, more than $0.6 billion, or 25%, applied to school districts. Well over half of this rise was accounted for by increased fiscal aid received from other governments, principally from the states. City revenue was up nearly $0.6 billion, or 14%, and county revenue was up about $0.4 billion, or 16%.

1 Revenue data are for fiscal years of the various governments ended within the specified calendar year, with minor exceptions. Fiscal years of the Federal Government and of most state and local governments end on June 30. Fiscal years of a few states and of numerous local governments end on other dates.

McLaughlin Vice-Pres. Of California Bank

LOS ANGELES, CALIF.—California Bank's board of directors has elected Harris M. McLaughlin a Vice-President, Frank L. King, President, announced. Mr. McLaughlin has had a wide experience in the industrial and merchandising fields. Before becoming associated with California Bank in April, 1948, he was President and General Manager of the Chicopee Sales Corp., New York, the largest operating textile subsidiary of Johnson & Johnson. Prior to that he was General Sales Manager of Butler Brothers, Chicago, for five years, and held a similar position with the Spool Cotton Co., New York, for six years.


H. M. McLaughlin

National City Bank Named Fiscal Agent for Bonds Of Akershus (Norway)

It is announced that the National City Bank of New York has been appointed successor Fiscal Agent to Brown Brothers Harriman & Co. for Department of Akershus (Norway) 4% 30-Year Sinking Fund External Loan Bonds due March 1, 1963.

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 Adikes, President of the Savings Banks Association of the State of New York. The net gain amounted to $32,433,000 while number of accounts were up 9,731. In July of last year both deposits and accounts were off for the only monthly loss in several years.


John Adikes

Starting in November, 1948, the rate of gain in deposits showed an increase over the comparative month the year before and has continued ever since with the exception of February. The total gain for the first seven months of 1949 amounts to $426,752,000, or 4.15% as compared with $297,753,000, or 3.05% in the same period of 1948.

Total deposits are now $10,752,590,000 and accounts 7,382,250.

It was also reported that the first trust agreements were executed last week, marking the entrance of the savings banks of New York State into FHA insured mortgages on a nation-wide basis.

Three separate trusts were set up covering a total of $5,541,000 Title "608" loans on properties in Maryland and Virginia. Banks participating included the Bushwick Savings Bank of Brooklyn, Community Savings Bank of Rochester and the Schenectady Savings Bank in one trust; The Bank for Savings, the Bowery Savings Bank, both in New York City, and the Buffalo Savings Bank in another; and the American Savings Bank, Manhattan Savings Bank and The Seamen's Bank for Savings, all in New York, in the third. In each case Institutional Securities Corporation, wholly owned by the savings banks serves as Trustee.

Permissive legislation expanding 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 provides 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 acquired in and around New York State during the first six months, mortgages constitute only about 31% of assets.

To Withdraw as NYSE Member

NEWARK, N. J. — Charles Wood, Jr., member of the New York Stock Exchange, will retire from partnership in J. B. Hanauer & Co., 50 Commerce Street. The firm will withdraw as a New York Exchange member firm, but will continue as dealers in New Jersey municipals.

With Hess & McFaul

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Harold I. Singer has become associated with Hess & McFaul, American Bank Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Backing and filling with a tendency to be buoyant seems to be the tone of the Government market. . . . The partially exempts appear to be having an inning, with the market pretty well cleaned up as far as the last four maturities are concerned. . . . This buying is reported to have come from the Pacific Coast. . . . Money continues a little on the tight side, with the large deposit banks again putting recently released reserves into short-term obligations. . . . Some relief was experienced with the second lowering of reserves this week. . . . No change is looked for in the rediscount rate until sometime in September. . . .

The restricted bonds and the International Banks (especially the longs) are moving out of the market under the impetus of acquisitions by savings banks. . . . The 1952 eligible taps seem to be the leaders in the non-banks group. . . . Inquiries are being made by out-of-town insurance companies, about the last two restricted issues, but it is not known yet, whether they are interested in swops or outright purchases. . . . The 2½s due 9/15/67/72 have been under moderate accumulation by smaller commercial banks as have been the 2¼s due 1956/59. . . . The larger deposit institutions have been buying the 1952/54 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. . . . Selling of near-term obligations by the Central Banks seems to have effected the longer end of the list, because these securities have backed away from recently established highs. . . . There has also been some professional selling of the more distant maturities, especially among the smaller dealers and traders who were evidently expecting prices to continue right on up. . . .

Profit taking and swops have tended to retard the upward progress of the longer bank issues. . . . Also investors in bank obligations are a little cautious because of the high prices which have to be paid for the longer eligibles. . . . Quotations have had a sizable advance and they believe a correction might not be out of order. . . . It may be that as additional reserves are released, there will be a more vigorous demand for the eligible obligations. . . .

BANKS CAUTIOUS

Quite a few of the out-of-town banks, which have been and could continue to be the largest buyers of the higher income eligibles, have not been as substantial purchasers as had been expected. . . . Loans have shown a turn for the better in some instances and while it is still early to indicate whether the trend has been reversed, it is getting greater attention from these institutions. . . . As a result, they are not in a rush to put recently released reserves into long Treasuries. . . . Another factor is the level of prices of the higher income eligibles, as well as the not too sizable supply of these securities. . . . Therefore, some of these banks are not inclined to buy too many of the longs now because quotations have gone up a little too fast for them. . . . Also when they come into the market, prices seem to go ahead noticeably because the supply appears to be rather limited. . . .

Then again, they are wondering how long the extremely easy money conditions will prevail if the business situation should be turning around, as some seem to believe is the case. . . . All of these put together have created a cautious attitude among certain of the institutions, which would ordinarily be the largest purchasers of the higher income eligibles. . . .

NON-BANK SELLING A FACTOR

Non-bank holders of the longer eligibles have also been sellers of these securities, taking advantage of the price betterment in the bank obligations to get funds that have been going mainly into the 1952 eligible top issues. . . . Some of the bank obligations which have been let out by the non-deposit institutions, have been the intermediate maturities and these proceeds have been put, in many cases, into the 2¼s due 1959/62 and the shorter International Banks. . . . The higher priced bank issues that have been liquidated, have been largely reinvested in the 2½s due 1962/67 and 1963/68 and long World Bank bonds. . . .

Switches and swops out of the bank obligations by non-bank owners is no doubt a force in keeping prices of the eligibles from running away on the upside. . . . To be sure, this cannot go on indefinitely, but there always seems to be some of the longer eligibles available for switching purposes when prices get a little too optimistic. . . .

MONEY RATES AND BUSINESS CONDITIONS

The apparently less pessimistic attitude toward the economic picture in some quarters and the recent action of the equity market has some followers of the money markets in a somewhat questionable position at the present time. . . . They are asking, what will happen to the extremely easy money conditions, when, as and if business turns around, which may not be far distant? . . . They also point to the seemingly changed attitude of certain government officials toward the business community. . . . Psychological forces are very important in the economic situation and once these elements assert themselves, they could change the whole complexion of the picture. . . . True, there will be deficit financing and that means cheap money but will it have to be as substantial as had been expected with improved business conditions? . . .

There appears to be a mild feeling of concern (over very cheap money) creeping into the money markets. . . . This may to some extent explain the action of the monetary authorities in keeping short-term rates from going down too far.

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 imports into this country amounted to only $17,000,000,000.

"In other words, imports were paying for less than half of our exports. This left a gap of approximately $20,000,000,000 for the three years. About 70% of this gap was made up by United States Government aid of one type or another to foreign countries.

"The remainder, however, represented foreign governments liquidating their gold and dollar resources to pay us for these exports."—Fred J. Rossiter, Director of the Office of Foreign Agricultural Relations (Department of Agriculture).

We should hesitate to say anything which might suggest to the unthinking that tariff walls or other artificial restrictions 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 import in order to provide a foreign market for products which owe their existence to subsidies.

Railroad Securities

Late last week the Interstate Commerce Commission announced its long awaited decision on the petition of the railroads for an increase in freight rates. From a market point of view the decision when it did come was almost completely ignored. The railroads were granted less of an increase than they had requested. However, this had long been taken for granted. The Commission has rarely, if ever, granted the full rate relief requested by the carriers. As a matter of fact, it is doubtful if the railroads would even have wanted the full increase at this time.

On the whole, railroad analysts are inclined to look upon the decision as quite constructive. A general 4% increase over the rates in force since the beginning of the year (when an emergency interim increase became effective) is allowed. There are to be certain minor exceptions and for some commodities a specific cents-per-ton rise amounting to less than 4% is provided. As a result, the overall increase is estimated at 3.7%. Added to the interim aid in effect since early this year this works out to an average rise in freight rates of 9.1% under the present proceedings. The carriers had asked for 13%.

While the most recent increase granted is general and uniform through the country, the aggregate rise for the year is not. In its earlier interim decision the Commission had allowed larger percentage increases in the east and south and on traffic moving between these territories than were granted for most of the western territory. On the average, rates in the east and south will now be some 10% above a year ago, rates in Zone 1 of western trunk-line territory (from the Mississippi River to just west of the Missouri River) will be 9% higher than a year ago, and in the rest of the western territory they will be 8% higher.

In its decision the ICC estimated that the most recent rate increase, which can be put into effect by Sept. 1, should yield an additional $293 million in revenue annually. The interim increase effective earlier in the year was estimated to yield $391 million. Total freight rate relief granted this year, therefore, should mean some $684 added to the carriers' yearly gross. In comparison, the Commission has estimated that the 40-hour week for non-operating personnel, to be instituted Sept. 1, will cost the railroads approximately $380 million per year.

Actually, it is generally considered that the cost of the 40-hour week will fall considerably below estimates made so far. Certainly, the effects of the shorter work week on this year's earnings should not be very substantial. It is indicated that virtually every railroad in the country has been speeding up maintenance work in anticipation of the Sept. 1 deadline. Presumably this work will be curtailed sharply in the last four months of the year. Of a more permanent nature, an increasing number of railroads have announced their intention of closing down stations, freight houses, etc., on Saturdays starting Sept. 1.

One important result of the final rate decision is expected to be fairly large scale readjustments of competitive rates. Highway competition for freight traffic in particular has been increasing rapidly in the past six months or so. In some instances, notably potatoes in Maine and citrus fruits from Florida, steps have already been taken to reduce rates to combat the inroads of the highway carriers. As a general policy, however, it has not been considered feasible to reduce rates on specific commodities while there was pending before the ICC a petition for a general increase embracing these same specific commodities. With the general increase out of the way, railroad managements will be more free to concentrate on steps calculated to check, and perhaps reverse, the trend of high grade traffic away from the rails. Even at reduced rates such traffic would be highly profitable to the railroads.

Consumers' Liquid Assets Show Increase

Federal Reserve Board study estimated consumer liquid holdings at end of 1948 at $132 billion, a gain of $2 billion in year.

According to the Federal Reserve Board aggregate consumer holdings of liquid assets increased slightly during 1948, completing nearly a decade of substantial growth. According to estimates compiled by the Board of Governors from over-all Treasury and banking statistics, total personal holdings of liquid assets (i.e., United States Government bonds and savings and checking accounts but excluding some $20 billion of currency) amounted to approximately $132 billion at the end of 1948, contrasted with an estimated $130 billion a year earlier and with only $45 billion at the beginning of the war period.

As in the case of previous Surveys of Consumer Finances made for the Board, the present survey covered, on a sample basis, the entire population of the United States residing in private households during the January-March interview period. The following groups were omitted: (1) members of the armed forces and civilians living at military reservations; (2) residents in hospitals and in religious, educational, and penal institutions; and (3) the floating population, that is, people living in hotels, large boarding houses, and tourist camps. The interview unit was the consumer spending unit, defined as all persons living in the same dwelling and related by blood, marriage, or adoption who pooled their incomes for their major items of expense.

Before discussing the detailed findings of the survey, it should be noted, says the Board, that the definition of "liquid assets" is an arbitrary one and comparatively narrow in scope. The fact that some spending units have been found to lack these specific types of assets cannot be taken to indicate that they are without resources of any kind. Most important is the omission of currency, for practically all spending units would have some holdings in this form. Many spending units have considerable cash values in life insurance policies which can be drawn upon. Further, the equities which many families have in their houses also provide a substantial financial reserve. Other spending units may have their funds invested in common stocks or bonds or other media which could be converted into liquid form if necessary. In summary, then, the analysis of the liquid asset position of consumer spending units should be considered in the light of other assets which the majority of these units have.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Harry Hurt to Frank Hitchcock will be considered on Aug. 25.

Robert G. Mills will retire from partnership in Dempsey-Tegeler & Co., on Aug. 31.

Harold H. Norton Dead

Harold H. Norton, partner in Collin, Norton & Co., Toledo, Ohio, died on August 3.

J. Lee Peeler Adds

(Special to THE FINANCIAL CHRONICLE)

HICKORY, N. C.—Paul W. Harrill is with J. Lee Peeler & Co., Inc., of Durham, N. C.

Bond Club of Louisville Annual Outing

James R. Burkholder III, *Russell, Long & Burkholder,* Lexington, Ky.; J. R. Burkholder, Jr., *Almsted Bros.;* Oliver Goshia, *Goshia & Co.,* Toledo, Ohio

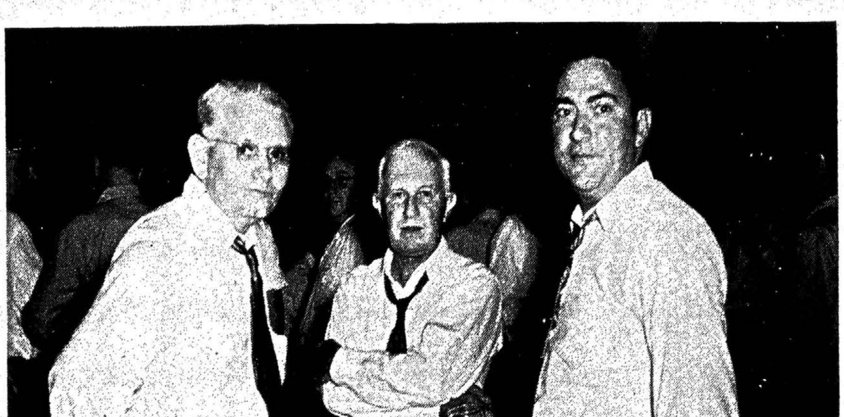
John Smart, *Smart & Wagner;* Sol Schulman, *"Courier-Journal";* Willie Ralston (bartender); Henry Christman, Jr., *O'Neal, Alden & Co.;* Russell Ebinger, *Smart & Wagner*

W. O. Alden, *O'Neal, Alden & Co.;* Roger Springate, *Security & Bond Co.,* Lexington, Ky.; Oliver Goshia, *Goshia & Co.,* Toledo, Ohio; Williard McNair, *Bankers Bond Co.*

Dexter Payne, *Berwyn T. Moore & Co.;* Ernest Kampfmueller, *Citizens Fidelity Bank & Trust Co.;* Williard 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.*

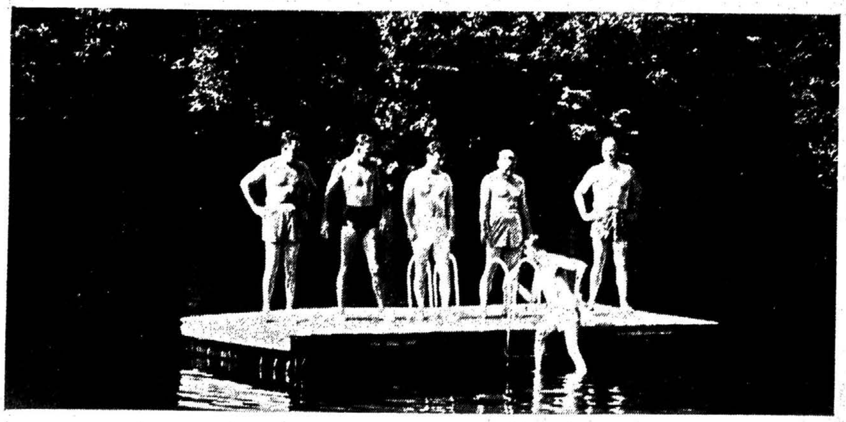
William Wagner, *Smart & Wagner;* J. R. Burkholder, *Almstedt Bros.;* W. H. Hopkins, *Reconstruction Finance Corp.*



J. R. Burkholder, *Almstedt Bros.;* Roger Springate, *Security & Bond Co.,* Lexington, Ky.; Holman Wilson, *Wilson-Trinkle & Co.;* William O. Alden, *O'Neal, Alden & Co.;* William Conliffe, *Merrill Lynch, Pierce, Fenner & Beane;* Berwyn T. Moore, *Berwyn T. Moore & Co.;* Morton Cayne, *Cayne & Co.,* Cleveland, Ohio

J. B. Reimer, *Berwyn T. Moore & Co.;* Albert C. Brocar, Jr., *J. J. B. Hilliard & Son;* Hector Bohnert, *Bankers Bond Co.;* Clarence Miller, *"Courier-Journal";* John Burge, *J. J. B. Hilliard & Son;* Anthony Sommers, *Lincoln Bank & Trust Co.;* Joseph Parks, *Berwyn T. Moore & Co.;* Urban Fehriback, *Lincoln Bank & Trust Co.;* Dayle Lynch, *Berwyn T. Moore & Co.;* Sanford Bishop, *Lincoln Bank & Trust Co.*

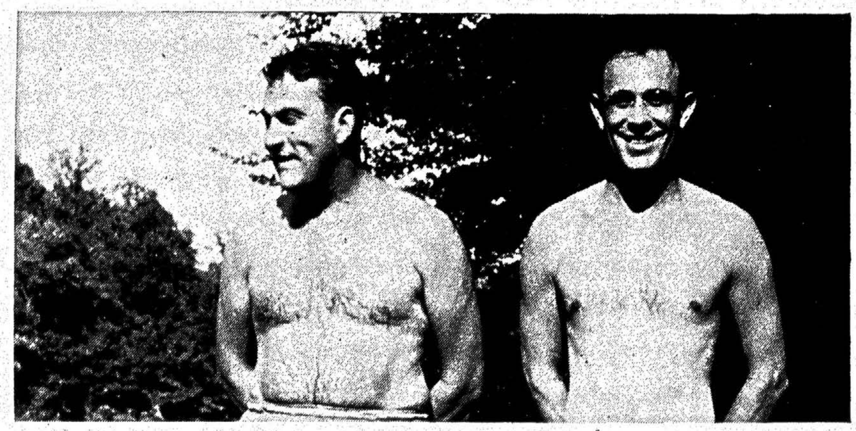
At the Sleepy Hollow Club



William Conliffe, *Merrill Lynch, Pierce, Fenner & Beane;* Edward G. Moulter, Jr., *Smart & Wagner;* Bert Sternberg, *Merrill Lynch, Pierce, Fenner & Beane;* Anthony Sommers, *Lincoln Bank & Trust Company;* Russell Ebinger, *Smart & Wagner;* Clarence Jones, *Almstedt Bros.*

Robert J. Theobald, guest; Robert Weiss, *Bankers Bond Company;* Albert Brocar, *J. J. B. Hilliard & Son;* Alexander Hamilton, *Stein Bros. & Boyce;* Sol Schulman, *"Courier-Journal";* Bert Sternberg, *Merrill Lynch, Pierce, Fenner & Beane*

Frank Register, *Citizens Fidelity Bank & Trust Co.;* Urban J. Fehribach, *Lincoln Bank & Trust Co.;* H. L. Reid, *Smart & Wagner;* John Koehler, *Louisville & Nashville Railroad;* Thomas Moore, *Berwyn T. Moore & Co.;* Dexter Payne, *Berwyn T. Moore & Co.*



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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 on 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; 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 25% 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 returns are unreliable, and the archaic 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 archaic accounting methods show a drop of 27.8% 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 10.9% **above** the second quarter of 1948 and only 10.4% below the last quarter of 1948.[1] In view of the facts that industrial production in the second quarter of 1949 was 8.7% below the second quarter of 1948, that hourly earnings in manufacturing were 4.8% 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.

II

What is the nature of the recession? If retail sales are about at 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 managements 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 $5.1 billion, or about 10%. Inventories were low in relation to sales by pre-war standards but, at the first sign of weakness in prices, managements became very anxious to cut 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 1.6 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 date. 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 confined 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 drop 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 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 reenforce 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 $35.5 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 governments 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, it is true, considerable repayment of short-term debts by business concerns to the banks. This has aggravated the recession by preventing enterprises from

1 These estimates are made as follows:

	2nd Quar. 1948 billion	4th Quar. 1948 billion	2nd Quar. 1949 billion
Reported profits	$19.6	$21.2	$15.3
Deduc. for understatement of depreciation	1.5	1.5	1.5
Inv. valuation adj.	—2.5	—0.4	+3.5
Correct profits	$15.6	$19.3	$17.3

Figures are seasonally adjusted annual rates spending this money for goods or disbursing it as dividends, but this repayment of debts 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? I do not think that the recession will be severe or that it will last much longer. The upturn is likely to start before the end of 1949 and in any event by the Spring of 1950.

One important reason for believing that the recession is near its bottom is that consumption has been outrunning production since approximately the end of February. Consumption cannot exceed production for many months without starting a rise in output. A second important reason for expecting an early upturn is that the proportion of personal income spent on consumer goods, which dropped from the last quarter of 1947 through the first quarter of 1949, has begun to rise and will undoubtedly continue to rise. The rise in the ratio of personal incomes spent on consumer goods (or, if you prefer, the drop in the rate of savings) in the second quarter of 1949 was equivalent to an annual increase of $2.7 billion in the expenditures for consumer goods. A third reason for expecting an early upturn is that the cash payments of the Federal Government during the next few months or more will be exceeding the cash receipts at the rate of about $3 billion or more a year. For the time being, the excess of government disbursements over receipts may merely offset the deflationary effect of the repayment of debts by business concerns. As the repayment of debts tapers off, however, the excess of government disbursements over receipts may be expected to mean rising incomes and expenditures in the economy as a whole—since part of the government deficit at least will undoubtedly be financed by the creation of money by the commercial banks. A fourth reason for expecting an early end to the recession is that industrial production has now been dropping for 10 months and in most recent recessions the decline in industrial production has lasted only about a year or slightly more. The depression of 1929-33 is, of course, an exception, but the banking difficulties which accompanied that depression make it a special case and an exception to all rules. In 1920-21, however, the drop in industrial production lasted 13 months; in 1923-24, 14 months; in 1937-38, 12 months.

The principal uncertainty in the short-term business outlook arises from the possibility that the output of durable goods will drop substantially below present levels. Thus far the production of durable goods has held up fairly well—in June it was 16% below the peak which, in the case of durable goods occurred in December, 1948. In considerable measure, however, the output of durable goods has been sustained by old orders—order placed a year or two ago. New orders are considerably below the current rate of production. As the backlog of accumulated orders is worked off, there is a possibility that the output of durable goods will drop substantially. In considerable measure, the high production of durable goods represents the large output of automobiles. Rapid progress is being made in meeting the large accumulated demand for automobiles. In the near future a fairly substantial drop in the demand for cars is likely. If the output of durable goods drops well below present levels, the probability is considerably increased that the upturn will not start until early in 1950.

It is convenient to examine the short-term business prospects under three headings: (1) non-durable goods; (2) construction; and (3) durable goods.

(1) **Non-durable goods.** The output of non-durable goods has been dropping for 10 months, but expenditures for non-durable goods were as large in the first quarter of 1949 as in the first quarter of last year and in the second quarter of 1949 were only 4.5% below the second quarter of last year. The physical consumption of non-durable goods has been about as large in 1949 as in 1948. Consumption has been well above production since the end of February. In view of the fact that inventories were not large at the beginning of the recession, the output of non-durable goods ought to begin to rise in the very near future—probably before the end of the third quarter and certainly before the end of the year. An upturn in the latter half of 1949 would be consistent with the duration of previous recessions with the exception of 1929-33, which, as I have pointed out, was a special case. In 1920-21, the drop in non-durable manufactures lasted 11 months (January, 1920 to December 1920); in 1923-24, 13 months (from June, 1923 to July, 1924); in 1937-38, 7 months (May, 1937 to December, 1937.)

(2) **Construction.**—Construction is one of the bright spots in the economic picture. To begin with, one should be reminded that the postwar boom of 1947 and 1948 did not generate a high rate of construction. Consequently, the general level of production was not particularly dependent upon the maintenance of the prevailing rate of construction. In 1948, construction was 6.8% of the gross national product in comparison with 7.5% in 1929 and a still higher proportion during other years in the twenties. The rate of non-residential private construction has been especially low—only 3.1% of the gross national product in comparison with 4.9% in 1929. In fact, non-residential construction in 1948 was no larger a proportion of the gross national product than in the prewar years of 1939 and 1940, when construction was quite low.

With non-residential construction at a very low rate, no substantial drop in it is to be expected. The actual amount of private non-residential construction put in place in 1949 has been about as large as in 1948. During the second quarter of 1949, the dollar volume of private non-residential construction was $1,780 million in comparison with $1,812 million in the second quarter of 1948. The physical volume of private non-residential construction in the second quarter of 1949 was slightly larger than in the second quarter of 1948. More significant than the actual volume of construction put in place is the volume of contract awards. These are holding up fairly well. For private non-residential construction, they were $964.4 million in the three months of March, April and May, 1949, in comparison with $982.5 million in the same period of 1948—a drop of only 1.4%.

Residential construction also presents a bright picture. In fact, it begins to look as if the bottom in residential construction was reached in the last quarter of 1948. In that quarter, new housing starts were 14% below the corresponding quarter of 1947; in the first quarter of 1949, new housing starts were 5.7% below the first quarter of 1948; in the second quarter of 1949, new housing starts were 5.6% below the second quarter of 1948. In May, 1949, new housing starts for the first time since August, 1948 were larger than in the same month of the previous year.

The backlog of demand for housing is very large. The proportion of families living doubled up is still abnormally high. Much of the demand during the last three years has been met by temporary housing or by subdividing existing houses. Neither method is more than a stop-gap solution to the housing problem. The number of marriages is falling, but even in 1949 will be slightly above normal. The survey of consumer buying intentions by the Federal Reserve Board indicates that about a million spending units plan to buy new houses in 1949. This is slightly in excess of the number of new houses that will be built. A strong demand for housing is likely for several years, especially if the price of houses can be moderately reduced.

Public construction is the brightest part of the construction outlook. In the first half of 1949, the value of public construction put in place was 37% above last year, and, in the three months ending in May, contract awards for public construction were also 37% above the corresponding period of 1948. A volume of public construction considerably above the level of 1948 is assured for the rest of 1949. The backlog of needs is enormous. The country needs to spend huge amounts on new schools, hospitals and public institutions. Most of its system of main highways has been rendered obsolete by the increase in the number of cars, buses, and trucks and by the increased use of each car. The country needs to plan a highway system for a much larger car and truck population than the present one.

(3) **Durable manufactured goods.**—The principal doubts about the short-term business outlook arise, as I have indicated, from the possibility that there will be a further substantial drop in the output of durable manufactured goods. The present level of business depends to an unusual extent upon the demand for automobiles and for industrial equipment. In 1948, for example, the output of durable producers' goods represented 7.9% of the gross national product in comparison with 6.2% in 1929 and 5.2% in 1939.

The urgency of the demand for passenger automobiles has been dropping for some time and will continue to drop. For over two years the prices of cars were too low to equate supply and demand. It remains to be seen how much longer the present output of cars can be sold at present prices. My guess is not much longer. Either output or prices will have to be cut. The number of over-age cars, however, is still very large. The average age at which cars are scrapped is about 12.5 years. In midyear 1948 there were 5.2 million cars over 12.5 years of age and 2.6 million more within a year of this age. Furthermore, the scrappage of cars in 1948 was only about half of normal. Hence no great collapse in the demand for cars is imminent. Moderate price reductions in the near future would be of great use in maintaining the demand for cars and thus in maintaining a high level of employment in the economy.

The present and recent high rate of buying of industrial equipment will not continue indefinitely, but no large early drop is likely. In the first place, there were a number of years during the depression and the war when expenditures on equipment were less than the consumption of equipment. These deficiencies have not yet been made up. Indeed, the total equipment and plant of industry has been increased only about one-fifth between 1929 and 1949, but the non-agricultural labor force has increased by 41%. In other words there is less equipment and plant per worker in 1949 than there was in 1929. In the second place, during the period that replacements were below normal, much progress was being made in improving the equipment available for installation. In the third place, the fact that the hourly earnings of factory workers have risen 109% since 1940, the level of wholesale prices exclusive of farm products and foods by 74%, and the price of manufactured goods by 86% creates both the need and the opportunity to use more machinery and less direct labor in making goods. Consequently, the time has not arrived when most business concerns can afford to make drastic cuts in their expenditures for the purpose of cutting their operating costs. The fact that supplies in most industries are becoming more abundant and competition is becoming more vigorous will encourage managements to look more searchingly than ever for opportunities to use cost-reducing equipment.

The prospect that a large drop in the output of durable manufactures will increase the severity of the recession and retard the upturn would be diminished by an early increase in the output of non-durable consumer goods. The prospect is good, as I have indicated, that the output of non-durable goods will begin to rise before the end of the third quarter in 1949. During this quarter the expenditures of business concerns on equipment and plant will be well sustained. Reports from enterprises to the Department of Commerce and the Securities and Exchange Commission indicate an intention to spend at the annual rate of $18.5 billion on plant and equipment during the third quarter of 1949 in comparison with expenditures at an annual rate of $19.3 billion in the third quarter of 1948 and also in the second quarter of 1949.

Although a substantial drop in the production of durable goods is a possibility and although it would deepen and prolong the recession, its seriousness should not be exaggerated. Less than one out of every seven employed persons works in the durable goods industries at the present time and the output of producers' durable goods in the first quarter of 1949 represented only about 7.8% of the gross national product. Hence a fairly large drop in the output of durable goods, though unfortunate, would not be catastrophic.

IV

How complete a recovery from the present recession is to be expected? The high level of business activity in 1948 was partly made possible by an addition of $6.5 billion to inventories. No comparable increase in inventories can be expected to accompany a normal recovery. Hence in order to attain the level of business activity of 1948, the total absorption of goods by consumers, by the increase of industrial plant and equipment, by the increase in residential building, by net investment abroad, and by government purchase of goods and services will need to be increased by about $6.5 billion above the level of 1948. In addition, of course, the country must absorb the output of a slightly larger labor force (by 1950 about 700,000 greater than in 1948) and of a more efficient labor force. Output per manhour in 1950 should be from 4% to 6% above 1948. Full recovery would require a gross national product in 1950 of approximately $270 billion at present prices. Such a recovery would mean that unemployment would again be reduced to the average of 1948—approximately 2 million. What are the prospects of achieving such a recovery?

The absorption of goods and services by the local, state and Federal governments may be expected to run slightly above the present rate—say about $45 billion. Net foreign investment is difficult to predict, but will probably be below 1948, when the amount was almost $2 billion. Let us put the figures somewhat arbitrarily at $1 billion, which is well above the rate during the first half of 1949. This leaves $224 billion to be absorbed by consumption, by residential building and by the replacement and expansion of industrial plant and equipment.

If output per manhour is 5% above 1948, if the labor force is slightly more than 1% larger than in 1948, and if no substantial changes are made in taxes, the amount of incomes after taxes ought to be about $197 billion.[2] The proportion of personal incomes after taxes spent on consumer goods will depend upon the disposition of individuals to save. If saving occurs at the rate of the second quarter of 1949, namely 9.3% of personal incomes after taxes, savings will be $18.3 billion and expenditures on consumption will be just under $179 billion—namely $178.7 billion. If saving is at the same average rate as prevailed during 1948, namely 7.7% of income after taxes, savings will be $15.2 billion and consumption will be $181.8 billion. If saving is at the average rate of 1947, namely 5.1%, savings will be $10 billion and consumption will be $187 billion.

The rate of saving and the rate of consumption are important because they determine the volume of expenditures on housing and replacement and expansion of plant and equipment which is necessary to give full recovery. If savings and consumption are at the rate of the third quarter of 1949, expenditures on housing and industrial plant and equipment (gross private investment) will need to be $45.3 billion; if saving and consumption are at the 1948 rate, gross private investment will need to be $42.1 billion; if saving and consumption are at the 1947 rate, gross private investment will need to be $37 billion. In the second quarter of 1949, private investment in housing and industrial plant and equipment was at the annual rate of a little more than $36 billion.

An investment rate of $45.3 billion or even $42.1 billion on housing and industrial plant and equipment could hardly be attained. The former rate would mean that there would be only $5.96 of gross national product for each dollar of investment in housing, plant, and equipment; the latter rate would mean that there would be only $6.41 of gross national product for each dollar of investment. Even in 1948 and 1929, when confidence was high, there was more gross national product for every dollar of investment in housing, plant, and equipment — $6.86 in 1948 and $7.33 in 1929. In years when confidence was lower, as in 1939 and 1940, the dollars of gross national product per dollar of outlay on housing, plant, and equipment was higher — $9.63 in 1939 and $8.69 in 1940.

It is not unreasonable to expect that the accumulated needs will be great enough and confidence high enough to permit a dollar of gross investment in housing, plant, and equipment for about every $6.75 of gross national product. This would mean that an annual rate of gross investment of $40 billion would accompany a gross national product of $270 billion. This rate of investment would be about 10% above the annual rate of outlay for housing, plant, and equipment in the second quarter of 1948. It

2 This figure is based upon the fact that if the labor force is 1% larger and 5% more efficient than in 1948, the purchasing power of personal incomes derived from production ought to be about 6% greater than in 1948. This assumes that dividend distributions rise in proportion to corporate profits. In terms of 1949 prices, personal incomes derived from production ought to be about $206.5 billion. If personal incomes not derived from production are about the same as in 1948, namely $11.1 billion, total personal incomes would be $217.6 billion. Personal tax and non-tax payments would be about $20.6, leaving personal income after taxes of $197 billion.

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would be close to the same ratio between gross investment and gross national product which prevailed in 1948 when one dollar was spent on housing, private plant and equipment to every $6.86 of gross national product.

Gross private investment of $40 billion would probably be moderately higher than the economy could expect to maintain in the long run. There is considerable uncertainty, it is true, as to how rapidly housing, plant, and equipment will need to be replaced. The replacement rate depends partly upon the rate of technological, progress, which will be rapid. Furthermore, if half of America is to be rehoused in the next 15 years (as should be done) annual expenditures of $40 billion would be too small. Gross investment of $40 billion a year would probably permit the housing, plant, and equipment of the country to be expanded by 5% a year. It is doubtful whether a rate of more than 4% a year can be maintained in the long run. If government purchases of goods and services was $45 billion, net foreign investment $1 billion, and gross private investment $40 billion, an outlay of $184 billion on consumers' goods would be needed to produce a gross national product of $270 billion.

Can gross private investment on housing, plant, and equipment be raised within the next 12 months to $40 billion a year and the rate of consumption to $184 billion a year? Neither goal seems outside the range of practical achievement. The required rate of investment is not far above the present rate. Despite the fact that this recession has not been accompanied by a significant drop in expenditures on housing, plant, and equipment, a moderate expansion of investment may be expected to accompany the revival of business. Raising consumer expenditures to $184 billion out of personal incomes after taxes of $197 would require a drop in the rate of personal saving. In the second quarter of 1949 personal consumption expenditures were running at the annual rate of $175 billion and personal savings at the rate of $18 billion though there is reason to doubt that the rate of saving was in fact so high. Consequently individuals would need to be persuaded to increase their purchases of consumption goods by $9 billion a year, or 5.1%, and to cut their rate of savings by possibly as much as $5 billion a year, or, 30% In 1948, when personal incomes after taxes were $190.8 billion, personal savings were $12 billion, or 6.3% of incomes. Personal savings of $13 billion out of incomes of $197 billion would represent almost the same rate—6.5%. Perhaps individuals can be persuaded to cut their savings back almost to the rate of 1948—particularly in view of the fact that the present rate of saving may not be as high as the figures indicate and may reflect in part the involuntary accumulation of inventories by unincorporated enterprises.[3] Raising consumption to $184 billion while cutting personal savings to $13 billion obviously requires that business do a good job of offering consumers more attractive goods at more attractive prices.

If consumption cannot be raised and savings reduced to the required levels, other ways of achieving complete recovery need to be developed. An increase in expenditures on housing and private plant and equipment above $40 billion a year would be only a stop gap solution which would create as many problems as it would solve because it would raise gross investment too far above the probable long-term rate. A solution of the problem of full recovery might be achieved by larger dividend disbursements by corporations and less reliance by corporations upon plowed-back earnings for financing expenditures on plant and equipment. In 1948 over $13 billion of private gross capital formation was financed by undistributed corporate profits. Larger dividend disbursements would mean somewhat larger personal incomes after taxes, (though the share of the tax collector would be large), larger expenditures for consumer goods, and greater reliance by corporations upon personal savings to finance their expenditures on plant and equipment.

V

What should be done to mitigate the severity of the recession and to accelerate recovery?

Since there is good reason to expect the depression to be mild and to believe that the upturn is near, drastic action is unnecessary. It is important, however, to avoid certain mistakes, such as raising taxes, or raising wages under the mistaken notion that raising the price of labor is a way to sell more labor. It is possible, however, to stimulate business by simultaneously cutting government expenditures and taxes. Most important of all, it is possible by price cuts to stimulate the demand for goods and to accelerate the reduction of inventories and thus to pave the way for an expansion of production.

The proposal that taxes be raised in order to keep the budget of the Federal government in balance is now dead and requires no discussion. Certainly a period of business contraction is no time to increase taxes. The proposal was never properly formulated. Mr. Truman recommended that the administrative budget be balanced, overlooking the fact that a balance of the administrative budget, which treats many noncash items and intra-governmental settlements as receipts and expenditures, would mean a surplus in the cash budget. It is, of course, the cash budget which measures the effect of the government's fiscal operations on the economy. It is doubtful whether taxes should be increased even after expansion is well under way, because the rise in incomes will raise the yield of taxes and, at the present level of expenditures, will bring the cash budget into balance.

Some persons who are opposed to raising taxes have urged that the budget be kept in balance by cutting government expenditures. Elimination of ill-planned and wasteful expenditures is always desirable. If reductions in government outlays are made at a time when business is contracting, however, the cuts in expenditures should be promptly offset by reductions in taxes. A period of recession is no time for the government to strive for a balance in its cash budget. As a matter of fact, reductions in expenditures which make possible cuts in taxes would stimulate production. The drop in government expenditures would be offset by larger outlays by consumers and business concerns made possible by lower taxes. In addition, lower tax rates would improve the long-run prospects of business.

The recession should not be aggravated by making general wage increases — they are quite as much out of place in a period of contraction as are increases in taxes. A fourth round of wage advances has recently been urged by trade union representatives as a method of halting the contraction of business. This, however, is Alice-in-Wonderland economics. It amounts to saying that the way to sell more labor, and thus to reduce unemployment, is to charge more for labor.

The argument of the union spokesmen is simple. "Raise wages," they say, "in plants where higher wages would not diminish employment very much and thus would mean larger payrolls. Since business is more or less depressed, employers could not pass on higher wages in the form of higher prices. Consequently the higher payrolls would buy more goods. Greater purchase of goods would mean more production and more employment. Hence the way to stop a recession and to sell more labor is to charge a higher price for labor—that is, to raise wages."

The argument seems too good to be true. Certainly if recessions can be halted merely by raising wages, there is no need to have any more recessions. Why have economists overlooked this simple method of keeping the economy stable? There is obviously a catch. The union spokesmen overlook the fact that larger payrolls with no increase in selling prices mean that the income of enterprises after meeting payrolls would be diminished. Income after meeting payrolls is used for some or all of the following purposes: (1) to increase the enterprise's holding of cash and securities; (2) to buy raw materials; (3) to buy plant and equipment either for replacement or expansion; (4) to repay debts; (5) to pay dividends and interest. The concerns which were compelled by wage increases to disburse larger payrolls would have to cut some or all of these uses of income or to find new methods of financing some expenditures. Some of the effects of higher payrolls would be stimulating to business, as the union spokesmen believe. For example, higher payroll disbursements would reduce the rate at which some firms increase their cash or securities, would retard the rate at which some firms pay their debts, would compel some firms to sell securities or to borrow in order to keep up their expenditures on new plant and equipment. All of these effects would be favorable to employment. On the other hand, larger payroll disbursements would reduce the demand of all concerns for raw materials, would force some concerns to liquidate inventories more rapidly in order to pay their debts or to keep up expenditures on plant and equipment, would induce some concerns to repay their debts more rapidly, and most important of all, would cause many firms to protect their liquidity by cutting their expenditures on plant and equipment—making replacements and improvements more slowly. Although the increasing competitiveness of industry is making management reluctant to postpone any replacements or improvements, larger payrolls at the expense of profits would leave most managements no alternative. All of this second group of results would be deflationary, and there can be little doubt that in a period of recession they would occur more frequently than the inflationary results of wage advances. Consequently, so long as business is contracting, wage increases should be avoided. Incidentally it should be pointed out that the rise in real hourly earnings during the last year has been considerably greater than can be expected to prevail in the long-run. Since output per man-hour can hardly be expected to rise by more than 3% a year, real wages cannot be expected to increase in the long-run by more than 3% per year. During the last year the rise in the purchasing power of hourly earnings has been 6.6% in manufacturing, 4.6% in retailing 6% in bituminous coal mining, 7% in building construction—in other words, from one and one-half to more than two times the long-run rate.

The most effective way to limit the recession and to hasten the upturn is to cut prices and to offer consumers better and more attractive goods. The precise economic problem created by the recession is to get individuals to spend a larger fraction of their incomes for goods and to get business concerns to cease reducing their inventories. For example, if individuals could be persuaded to spend as large a proportion of their income for consumer goods as last year, the level of consumption expenditures (at present prices) would rise by nearly $5 million a year. There is no mystery about the way to get people to buy more goods. It is to offer goods at lower prices or to offer better goods at a given price. The actual drops in prices thus far have been gerater than the overall indexes of prices indicate, partly because some prices (such as rents), which have been artificially repressed, are still rising. Although the index of consumer prices is down 3%, retail food prices are down 6.6% from the postwar peak and both apparel and house furnishings are down 4.7% Nevertheless, managers should realize that business has done only a fairly good job of limiting the recession by reducing prices and that the community on another occasion will probably not tolerate such conservative price cutting as has prevailed in the last year. For example, in the future when an enterprise lays off men in order to reduce inventories of finished goods, the community will probably insist that it accelerate the process of reducing inventories and reduce the length of the layoffs by making large cuts in prices.

Reducing prices and improving quality to limit the depth of the recession and to hasten the recovery is consistent with the policies needed to raise consumption sufficiently to produce a full and sound recovery.

VI

The conclusions of these remarks may be summarized as follows:

(1) The recession thus far has been remarkably mild and has taken the form in the main of the efforts of business concerns to adjust their inventories to the new relationship between supply and demand. Retail sales, expenditures on housing, plant and equipment, and profits have held up remarkably well.

(2) No substantial additional drop in production and employment is likely, unless new and unforeseen deflationary influences develop. The outlook for nondurable goods and construction is good; there is some uncertainty about the outlook for durable goods.

(3) The bottom of the recession is not far away.

(4) Since the rate of investment in housing, plant, and equipment is already about as high as can be indefinitely sustained, recovery should take the form, in the main, of substantially larger expenditures on consumer goods.

(5) Since the boom in 1948 was based in large measure on the accumulation of inventories, full recovery will require a substantially higher rate of consumption than prevailed in 1948. Hence the achievement of full recovery requires that business concerns offer better goods at more attractive prices.

(6) A fourth round of wage increases at the present time would do more to retard recovery than to assist it and, in consequence, would be contrary to the interests of employees as a whole. Wage increases during the last year have considerably exceeded the amounts that technological progress will make possible without a gradual rise in the price level.

(7) The most effective way for business concerns to limit the recession and to accelerate the recovery is to persuade consumers to buy more goods by offering goods at lower prices and by improving quality.

(8) For the year 1950, the country should set for its goal a gross national product at present prices of about $270 billion with $45 billion of goods and services by the local, state and Federal governments, a billion of net foreign investment, $40 billion of gross private investment, and consumer expenditures of $184 billion.

[3] The question naturally arises: How can gross private investment of $40 billion a year be financed if personal savings are only $13 billion a year? About $13 billion would come from business depreciation allowances, about $3 billion from capital outlay charged to current expense, and about $11 billion from undistributed corporate profits. The last figure is somewhat smaller than undistributed corporate profits in 1947 or 1948.

Savings would not be needed to finance a budget deficit, as a gross national product of $270 billion would yield at present tax rates slightly more than the rates of 1948 yielded in that year when the surplus was $8.4 billion. Expenditures of $45 billion on goods and services by the local, state and national governments would exceed their expenditures for these purposes in 1948 by about $9.5 billion, thus eliminating the surplus which existed in 1948.

Carl Apponyi With Hexter & Co. in L. A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Carl E. Apponyi has become associated with Hexter & Co., 6363 Wilshire Boulevard. Mr. Apponyi was formerly Los Angeles manager for Blair & Co. and prior thereto was with Edgerton, Wykoff & Co. and Bogardus, Frost & Banning.

Joins Kuemmerling Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O.—Mrs. Ann Ulmer has joined the staff of Don D. Kuemmerling, Union Trust Bldg., member of the Cincinnati Stock Exchange. Mrs. Ulmer was formerly with Browning & Co. and Edward Brockhaus & Co.

Westheimer Adds Two

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O. — Ray P. Harten and Luis A. Perdomo have become affiliated with Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Waddell, Reed Add in Fla.

(Special to THE FINANCIAL CHRONICLE)

George B. Ditewig, Merl D. Fountain, Mrs. Sue Mattson, Paul J. Rasor, Edward Stanley, and Harvey M. Wiggins, all of Florida, are now connected with Waddell & Reed, Inc.

H. O. Peet Co. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Harvey Rechnitzer has become associated with H. O. Peet & Co., 23 West 10th Street, members of the New York Stock Exchange.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

HEBRON, NEB.—Laurence H. Peters has been added to the staff of Waddell & Reed, Inc., of Kansas City.

Colvin Mendenhall Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—David L. McKay has been added to the staff of Colvin, Mendenhall & Co., 220 Montgomery Street.

With Bache & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O. — Oldrich Jicha is now with Bache & Co., National City East Sixth Bldg.

With William S. Beeken Co.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Louis C. McClure has been added to the staff of William S. Beeken Co., Harvey Building.

Cites Progress Toward Currency Convertibility

Bulletin of Institute of International Finance of New York University, issued by Dean G. Rowland Collins, Director and Marcus Nadler, Research Director, says restoration of western Europe's economy will create prerequisites for currency stability. Says dollar shortage is principal financial problem and can be solved.

The current acute dollar shortage of the sterling area and the controversy over whether devaluation of the pound sterling would remedy this situation have tended to overshadow the great strides that have been made in restoring the economies of Western Europe and in laying the foundation for the ultimate removal of exchange restrictions and the restoration of free convertibility of currencies, according to a bulletin entitled "The Outlook for Convertibility of Western European Currencies" issued on Aug. 15 by

Geo. Rowland Collins Dr. Marcus Nadler

Dean G. Rowland Collins, Director and Marcus Nadler, Research Director, of the Institute of International Finance of New York University.

In considering the dollar deficit that now confronts many countries, the bulletin states, the element of time needed to restore economic health and to create the prerequisites for currency stability and free convertibility is too often overlooked. An analysis of the various factors involved indicates that, if the present rate of progress can be maintained and the cooperation of the United States is continued, the present difficulties may solve themselves and that by the time the European Recovery Program terminates the western European currencies may again be freely convertible into one another and into dollars.

Strides Made in Postwar Recovery

Summarizing the strides made in postwar recovery, the Institute's bulletin points out that the output of commodities in western Europe has increased fairly rapidly. Much of the damage sustained during the war has been repaired. In the principal countries, with the exception of Germany and Italy, industrial production is larger at present than in 1938. In fact, the comeback after the Second World War has been faster than after the First World War. Transportation and power facilities today are more abundant than those available before the war. Rapid strides have been made in restoring the merchant marines, an important source of earnings of foreign exchange. Slower, but nevertheless notable, progress has been made in agriculture as well, and acute food shortages no longer exist. The balance of trade of the various countries has shown a reduction in the gap between imports and exports. Exports of the ERP countries increased by a fifth last year while receipts from invisible items, especially shipping and tourism, are mounting. The forces of inflation have been largely curbed.

The principal international financial problem confronting the world at large, and western Europe in particular, the bulletin continues, is the dollar shortage. In essence, this means that the rest of the world is too dependent on commodities from the United States and has too little merchandise of acceptable price and quality to offer to buyers in this country and elsewhere, especially in view of the loss in earnings from invisible items since the prewar period. This situation is not surprising. Whereas the economies of western Europe were hard hit by the war, the productive capacity of the United States was greatly increased. In addition, the European countries have been handicapped by the adverse international political situation, which brought about the split between eastern and western Europe, by the elimination of Germany as an important economic factor in Europe, and by the loss of foreign investments, which in prewar years contributed materially to the balancing of the international accounts of the principal western European countries.

But in this respect, too, evidences of steady improvement are accumulating. The net current account deficit of western Europe with the United States was reduced from $5.7 billion in 1947 to $3.5 billion in 1948. Continued shifting of purchases to nondollar countries, by means of trade controls and bilateral agreements, will further reduce the deficit in the period ahead.

Dollar Shortage—A World Problem

The dollar shortage, however, is not merely a western European problem. It is equally an American problem and can be solved only by close co-operation between the United States and other countries. The dollar deficit can disappear only if the United States is willing to see its exports shrink materially, or if American imports increase substantially, or if large expenditures are made by Americans for invisible imports and capital investments abroad. With regard to these problems, also, encouraging trends and tendencies may be noted.

Despite the heavy tax burden resting on the people, the United States Government, since V-J Day, has placed at the disposal a foreign nations more than $25 billion. In all probability, Marshall Plan aid will continue up to 1952. If prices of commodities in the rest of the world, and particularly in western Europe, decrease as a result of an increase in the efficiency of management, equipment, and labor, or a readjustment in the exchange value of overvalued foreign currencies, or both, imports into this country and other dollar areas are likely to expand. American tourist expenditures are on the increase. Although the International Monetary Fund and the World Bank have been overshadowed by the ERP and their activities have not come up to expectations, they have made available about $1.5 billion to member countries and the coming years may well witness a significant increase in the role of these institutions in promoting world trade and currency stability. The program outlined in Point 4 of the President's inaugural message should stimulate a substantial revival of American direct investments abroad.

The fear of war, which was so pronounced last year, is disappearing. While the international situation is still far from satisfactory, the efforts being made to restore East-West trade in Europe are a promising sign of increased political and economic stability. The restoration of western Germany's economy has been more rapid than was generally anticipated. The elimination of this vacuum created by the war should have a salutary effect on European and world trade.

Nevertheless, the Institute's study states, there has been thus far insufficient evidence of willingness on the part of western European countries to co-ordinate their economies as a means of speeding up economic recovery and the development of multilateral trade. The lagging of intra-European trade, which is still far below the prewar level, is one of the basic causes of the serious dollar deficit. It is questionable whether the western European nations, standing alone and following nationalistic policies, often at the expense of their neighbors, can become self-supporting. An increased realization on their part that the policies of exaggerated economic nationalism followed before the Second World War are outmoded and the adoption of more vigorous measures to integrate their economic planning and activities would go a long way toward solving the European dollar shortage. Such action could eventually lead to a western European economic and currency union. Similarly, a clearer understanding on the part of the American people that in order to export it is also necessary to import, be it merchandise of services, would contribute materially to the restoration of free convertibility.

In discussing the dollar crisis of the sterling area, the bulletin of the Institute of International Finance points out that Great Britain has made notable progress in increasing production and trade, curbing inflation and reducing the deficit in her balance of international payments. The fact remains, the bulletin declares, that the pound sterling, like practically all other European currencies, is considerably overvalued and that a readjustment in its exchange value may have to take place in the future. With the seller's market rapidly being converted into a buyer's market, the British are encountering increasingly greater competition in world trade and the high prices have further intensified the dollar problem. While a reduction of the exchange value of the pound would mean higher costs for imported commodities, British export prices in terms of dollars would be lower and the competitive position of Great Britain increased.

Despite all its vicissitudes, the pound sterling remains a vital key currency. If free convertibility of sterling balances arising out of current transactions could be restored the problem of western European convertibility would be greatly simplified. The British Government is not likely, however, to consider the abolition of exchange, price, and wage controls until Great Britain's international balance of payments has come closer to equilibrium and a better balance exists between the demand for and the supply of commodities.

Measures Increasing European Trade

The bulletin outlines the various measures taken to increase European trade, culminating in the new intra-European payments agreement concluded by the ERP nations on July 1 of this year. Although operating within a comparatively limited scope, the bulletin states, the new scheme may be regarded as a breach in the bilateral trading system and a promising step in the direction of broader competition and multilateral trade among the countries of Europe.

Similarly, the bulletin points out, progress has been made in closing the rift between eastern and western Europe, which has been an important factor contributing to the decline in intra-European trade and the increased dependence of Europe on the dollar era. Despite the political obstacles, the basic economic needs of the two areas are gradually bringing about more extensive trade relations through a network of agreements calling for considerably larger shipments in both directions. Some of these treaties provide for compensating former owners of nationalized eastern European properties, thus paving the way for the solution of one of the most difficult problems involved in the development of east-west trade. The partial agreement reached at the conference of the "Big Four" foreign ministers at Paris in June, 1949, which laid the foundation for the resumption of economic intercourse between the industrialized western zones and the largely agricultural eastern part of Germany, thereby accelerating the country's economic rehabilitation, may also prove to be a turning point along this road.

Dollar Deficit Not Insurmountable

Judging by the balance of payments of the United States during the interwar period, according to the Institute's study, the problem of the European dollar deficit does not appear to be insurmountable. From 1919 to 1930 the excess of current credits over debits of about a billion dollars a year was met primarily through the flotation of foreign loans in the United States, and to a smaller extent through an inflow of gold. During the thirties, the United States was, on the whole, a capital-importing country, largely because of the flight of capital from Europe, which was financed mainly through the shipment of gold. Eliminating both the movement of gold and the capital flow into this country, the international accounts of the United States during the period 1931-1939 were not far out of balance. In the nine years, the excess of credits over debits in current transactions averaged $231 million a year. The favorable balance of the United States in merchandise trade was to a considerable extent offset by the deficits in invisible items, such as tourist travel, remittances, and shipping.

Should the balance of payments of the United States continue to show a large excess of credits over debits after the ERP, the bulletin continues, the convertibility of European currencies will depend largely on the willingness of the United States to continue extensive grants or loans. The prolongation of Marshall Plan aid is a possibility already discussed in some quarters. In view of the heavy tax burden already borne by American taxpayers and the prospective continued heavy expenditures for military purposes and social welfare, such a proposal is not likely to get wide acceptance, although the government might make small loans or grants in individual cases for short periods. The revival of private foreign direct investments by Americans probably offers better prospects, particularly in connection with the Administration's proposal to develop economically retarded areas.

The attainment of free convertibility of European currencies will depend largely on the progress made during the coming years in the integration of western Europe's economies, the bulletin states. If the first steps in this direction are gradually extended, they might eventually result in the establishment of a western European currency bloc in which the currency of each member country would be freely convertible into those of the other members and the settlements would be cleared through one center. Such a unit could contribute substantially to the development of European and world trade and the restoration of free convertibility of the currencies into dollars. On the other hand, if it were hemmed in by exchange restrictions it could be a powerful weapon for discriminating against the trade of nations not members of the bloc. Such a development, of course, the bulletin concludes, would not be in the interests of the United States or of world trade in general.

Export-Import Bank Grants New Loan to Mexico

The Directors of the Export-Import Bank of Washington announced on Aug. 4 authorization of additional credits in the total amount of $17,900,000 for the rehabilitation and development of Mexican railroads. Two credits were extended, one of $12,900,000 to Nacional Financiera, S. A., for the improvement of government-owned National Railways of Mexico, and the other of $5,000,000 to the Southern Pacific Railway of Mexico, a wholly-owned subsidiary of the Southern Pacific Railway of the United States.

Both credits carry the full guaranty of the Mexican Government and the Southern Pacific credit represents a sharing with this private enterprise of funds previously earmarked for Mexican Government projects.

The credits are to be amortized over a 12-year period and bear interest at the rate of 3½% per annum.

The dollar funds are to be used only for the purchase in the United States of equipment, materials and services for the rehabilitation and development of the two railways. They will be supplemented by peso funds to be supplied by the Mexican Government and, in the case of Southern Pacific, by that company.

"The improvements in the Mexican railway system contemplated under these credits," said Herbert E. Gaston, Chairman of the Export-Import Bank, "are part of a general program of railway rehabilitation in Mexico for which the Bank has previously lent $62 million, of which $22 million have been repaid.

"The combined dollar and peso expenditures to be made on the National Railways will include, besides the provision of new motive power and other equipment, the rehabilitation of roadbed and service facilities so as to permit more rapid traffic and more efficient use of rolling stock, particularly on the main international lines from Mexico City to the border at Nuevo Laredo and from Queretero to Juarez.

"A feature of interest in connection with this credit is that officers and engineers of the National Railways have been working closely with the economic and engineering staffs of the Bank to plan the most efficient use of the funds. This collaboration will continue during the execution of the improvements on the railway."

There will be similar collaboration, Mr. Gaston said, with respect to the Southern Pacific improvements, which include no motive power or other rolling stock, but are confined to track and roadbed rehabilitation, shop and signal equipment and other service installations.

The Southern Pacific of Mexico serves the west coast from Nogales (Sonora and Arizona), where junction is made with the Southern Pacific of the U. S., 700 miles south through a rapidly progressing region to Guadalajara. Its traffic, which includes winter vegetables as well as minerals for American markets, has been growing in volume in recent years.

This is true also in the case of the network of 7,300 miles of the National Railways, notably the lines from Mexico City to and through the industrialized regions of North Mexico and to the United States border.

Fourth Round Wage Increase Means More Inflation

(Continued from page 4)

and rightly, an increasing share of the savings through better technology, and a corresponding increase in buying power or true wages.

What Standards For Wage Increases?

It is a sad thing that the series of post-war wage increases granted by industry to workers since the end of the war have not provided more real benefits to labor than they have. The basic difficulty is that wages *do* govern costs and that an increase secured by the steel industry is likely to "sweep the boards" and go through the whole economy. The result is that when one group receives higher wages, others receive similar increases, so that when the first group comes to buy the product of the second, the buying power of its increased wages is no greater than it was before the wage increase was received. There isn't any reason to speculate about what will happen should a wage increase be granted at this time. There is plenty of experience on which to draw for a judgment in this field.

Since 1946, as a layman, I have followed the arguments used in support of the various rounds of wage increases. Of these arguments the following stand out:

(1) Take-home pay.
(2) Purchasing power.
(3) Cost of living.
(4) Capacity to pay.

Taking up these arguments in turn:

(1) The argument of take-home pay was advanced immediately after the end of the war to take care of the sudden loss of overtime and the shrinking work week. Prior to the end of the war, with Bernard Baruch I was asked by James F. Byrnes, then Director of War Mobilization, to prepare a report on War and Post-War Adjustment Policies. In our report, Mr. Baruch and I flatly predicted that far from a depression, as so many feared, the post-war period would bring "an adventure in prosperity," and that the problems of the post-war period would be inflationary in character. During 1946, however, certain government officials began issuing dire forecasts of 8 to 10 million unemployed. Need I remind you how far "off the beam" were these expectations of government economists?

(2) From the fear of unemployment and the fear of reduction in current income from the shortened work week, the advocates of wage increases adopted the purchasing power theory originated by Lord Keynes. The idea was that the nation at that time needed an increase in purchasing power. Then as now, there was a record volume of savings in the hands of the people. The experience of the last three years has gone far to discredit Lord Keynes and his theory. To given an increase in pay to workers in one industry — employing 3 or 4% of the people engaged in production—to be followed by increases to other people to a total of possibly 50% of the labor force, with the result of increasing costs to the other 50%, provides a benefit to the first group and takes from the second group the same amount in the process. Even if it had resulted as expected, there would have been no gain in real purchasing power.

(3) The high cost of living has been used at other times when a plausible case could be made out that wages had lagged behind the cost of living because of inflation. It is noteworthy, however, that whenever wages advance faster than the cost of living or when the cost of living drops, then the argument is not used. The argument is not being advanced now.

(4) As to the matter of capacity to pay, I find that argument very strongly advanced now. It was certainly *not* advanced in 1946 but was utterly disregarded. Why was it disregarded? In the second-half of 1945 the steel industry failed by $65 million to earn the amount of profits used as a standard by the O.P.A. In other words, capacity to pay is the basis of the argument when the facts support it and capacity to pay is not even considered when it does not support an advance in wages. At this time the argument of capacity to pay is being urged very strongly because of allegedly excessive corporate profits. I readily admit they are large by comparison with the submerged level prevailing in prior years, but I would point out that still *over a period* they are *not large enough in a cyclical industry* for a sound economy. If wage levels are to be raised because of profits passing any certain standard, then quite obviously they should be lowered when profits fall below the accepted standard. I have never heard the latter argument advanced by any labor leader, and I do not believe it would be in the long-range interests of labor to have such a principle adopted.

Every year since 1946 the problem of wages in the steel industry has been raised for consideration. Such of the above arguments as suited the advocates for higher wages were used as each occasion demanded, and the other arguments were not even considered. There has been no attempt to weigh all the above arguments on every occasion, much less to weigh the factors affecting the interests of the other elements of the population. Over the years there has been *no set of principles* established *on a sound consistent basis* by which to judge *the fairness* of wage rates.

To arrive at fair wage standards it is essential to clear up certain misconceptions of the nature of profits and to bear in mind the problems facing American business, as well as workers and farmers and other groups.

What Are Profits?

The first of the misconceptions that becloud the issue is that the public does not understand the general nature and size of business profits. There is a general public impression that corporate earnings are revealed in a single figure at the bottom of the income account, when in reality this figure is not a *fact* at all. By its very nature it can be only an estimate depending upon the judgment of the man or men who present the figure.

On the whole, corporate accounting is excellent and has served a useful purpose. It was not developed, however, so as to provide a full understanding and to afford a basis of judgment in a period of inflation, such as we have had over late years. Almost all the concepts on which corporate accounts are now based were developed in periods of comparative price stability. The accounting profession has been wrestling with the problem for the past several years and can find no ideal solution.

A further part of the problem arises from tax laws and regulations because of the need of determining corporate income for tax purposes on a yearly basis. Basically the problem is that the people expect the income figure to be a cold, calculated fact—when by its very nature it can be, at best, only a good judgment.

Depreciation

One of the great difficulties lies in the fact that, for tax purposes, depreciation is figured as an annual charge designed to cover the original, historical cost of the plant or equipment over the estimated life of the property. That was perfectly adequate in a period of relative price stability, but it disregards the realities in a time of inflation. I understand from engineers that in the steel industry a ton of ingot capacity could be created for an investment of about $70 in pre-war days. I am also informed that the present cost would be $300 per ton. These plants do not fold up like a one-horse shay. Parts of the plant have to be renewed over their entire life and no one can make any even reasonably accurate statement of their probable future life. And that creates the difficulty of determining the amount to be charged to earnings in any short period, to cover the destruction of values of plant which occur in the production processes.

Every going business has the first objective of maintaining its existence and yet it knows that if it accumulates only enough cash to represent the original, historical cost during the life of the original equipment, it will cease to be in business, following a period of inflation, at the end of the useful life of the equipment.

As a matter of simple logic, depreciation charges should be based on the best judgment as to the value of the property destroyed in the period—not the original, historical cost of the equipment, but rather the present value, probably best represented by the cost of replacement. Though the tax laws do not recognize this sound principle, some companies do try to give the public their best judgment as to their true earnings.

Any attempt to establish a true trend of earnings for any company wherein this matter of adequate depreciation is an important factor is futile in a period of extreme inflation. The simple fact is that earnings are overstated in an inflated economy under present accounting practices.

Inventory Profits

Inadequate charges for depreciation are not the only cause of overstatement of corporate profits. Few people understand the unreal character of so-called Inventory Profits. In a period of rising prices, inventory profits are bound to occur and to remain hidden in corporate income statements.

In order to explain the nature of inventory profits, let us take a simple illustration. Let us suppose that a business owned one thousand bags of coffee worth $17 a bag, or a total of $17 thousand, on Jan. 1, 1946, and that every month thereafter the business sold a thousand bags of coffee and replaced the inventory by an equal purchase. If this process had continued uniformly over that period, the business would find itself on Jan. 1, 1948, as still having a thousand bags of coffee, but because of inflation the value has become $35 a bag, or $35 thousand in total. That mere difference in the price tags on the coffee would result in an inventory profit of $18 thousand, but the profit is represented by coffee and not cash. Incidentally that profit would be taxable at the 38% corporate tax rate, and on the stated facts, the corporation would actually have to borrow *$6,840* in order to pay its income taxes.

Quite obviously these profits would not be in the form of cash and, therefore, could not be paid out in wages to workers or in dividends to stockholders or for additional plant facilities. That is a curious kind of profit and it is no wonder that the general public does not understand it. The Department of Commerce has attempted to make this plain. In its reports upon national product over recent years, it has made an adjustment to exclude such inventory profits.

Another interesting effect of "changes in the price tags" on the coffee is that this little business has to have more working capital invested in order to handle as many bags of coffee as before. This increase in working capital may take the form of a higher inventory investment or a larger amount invested in accounts receivable. In addition, as commodity prices rise, the risk from possible price declines is markedly increased.

Surplus Misunderstood

Another confusion regarding corporate accounting arises around the term "surplus" or "retained earnings." Many people think that this figure is truly a cash surplus beyond the company's needs. It is really only a bookkeeping figure which shows the source of funds invested in the business. Just as fast as the accumulated earnings are invested in the business, they are no longer available for either wages or dividends. In fact, as they are spent for property improvement, they go in large part to labor. In the steel industry particularly, and its history proves it, the earnings retained by the steel companies are invested in new plants, themselves largely consisting of the products of the workers in the steel industry.

Profits Depend Mainly on Volume

The foregoing concludes the discussion of those aspects of the problem which are primarily of an accounting nature. May I now proceed to a discussion of the problem from essentially the business aspects, dealing with the business problems rather than the predominantly accounting problems.

It was not worth while in the limited time I had available before my appearance here to attempt to establish a forecast of production. I assume this will be a factor in the presentation by the industry itself.

It is clear that the most important element having to do with profits is volume. The problem is too extended to cover except in a few highlights. In this field of thinking, business likes to calculate upon the volume necessary to reach a break-even point. Quite obviously many costs of production are more or less fixed in their nature, regardless of volume, and a small volume certainly results in a loss. Other items of cost which are more or less variable with the volume are naturally not such a governing element.

I know only enough about the steel industry to recognize that its multitude of products, their diverse character, and the size of its production runs make it impossible to arrive at a dependable and stable break-even point for any company. These factors in the steel business would make such a calculation a pure speculation. To explain merely the theory of the break-even point, let us assume that a business has to produce and sell the tonnage represented by 75% of its capacity in order to break even. If it sells less than this amount in actual performance, it will be losing money. As it passes this break-even point, profits will accumulate quite rapidly because these fixed expenses will be spread over an increasing volume. Profits may seem very high on the last elements of the high volume. As a rule of thumb, it would be expected that in a company with 75% of capacity as its break-even point, profits would be twice as high if operating at 95% capacity, as if operating at 85% capacity. This may explain the true nature of corporate profits which are in large part a by-product of several items, of which volume is normally the most important. This also explains the risk that a business faces a sharp diminution of profits when it cannot attain a volume near its capacity.

It might be stated another way: that profits do not vary directly as volume varies, but do vary almost in relation to the excess volume over the calculated break-even point previously referred to. I know I have oversimplified the problem but I hope I have made it clear that it is this volume over the break-even point that makes profits, and the loss of it which makes such profits vanish. The risk of the loss of this volume is a very important factor in determinations such as you have to make. Unless one can feel satisfied that current volume is going to continue, one must not assume that current profits will continue.

A Rolling Recession

During the past 9 months this country has been going through a rolling recession, resulting in some unemployment. As certain inventories were liquidated, prices and profits in the affected industries fell. This merely proves that the consumers boss the economy. Of course we had gone through a great war effort with tremendous civilian shortages. During a great part of the war, production went to other purposes and not to serve the public needs. Quite naturally, at the end of the fighting war, consumers' home stocks of goods were at a minimum and almost no goods were stored up in the customary distribution channels. As the accumulated demands were met by a tremendous increase in production from 1946 through 1948, and as the previous shortages were replaced by adequate supplies, people then surmised that wartime and inflated costs would disappear and that they would be able to buy their current needs at lower prices. As a result of the sharp curtailment of purchasing in most industries, particularly in the consumer goods field, production has been cut back very sharply. This adjustment process has gone on in one industry after another.

The steel industry on the contrary is still living on orders received many months ago and resulting from the limitations on building construction during the war, the unavailability of many items of equipment during the war, and the prospects for improving business which created a feeling of confidence from the end of the conversion period following the war until about the end of 1948.

Business Capital Expenditures

Throughout a large part of industrial management a great deal of the industrial expenditures planned prior to a year or so ago are now in process of completion and current expenditures are providing a good volume of business in the building field and in the equipment field; but incoming orders in these industries, in general, are declining. There has been a period of uncertainty for some months past. Projects under way are being completed but there are almost no decisions to appropriate funds for future expenditures. These appropriations will not be resumed, in my opinion, until the future prospects for business can be seen more clearly and until business confidence is restored.

There is no mystery about this matter of business confidence. It exists whenever the hope of a reasonable profit exists. If one were to study the relation between business expenditures and the national income, he would come to the conclusion that in the past the economy has been healthy whenever 10% or more of the national product is being spent for business purposes. In every case a marked depression has existed when less than this amount was being spent for this purpose.

I would not venture when the current decline in business confidence will impinge upon the volume of steel production, but I am quite certain it will impinge upon it as soon as the projects now under way are completed. Our steel industry met the demands of the great war, and in four short years since, has met all accumulated needs. I cannot believe it will run at full capacity or near it over any extended period.

Some Steel Demands Abnormal

It must be apparent that marginal volume is very necessary for the industry. The prospects for foreign business are also, at best, uncertain and are probably discouraging. Nearly all foreign countries are reporting a shortage of dollar exchange, which of course limits their ability to buy American products. If the costs of American products are increased, that will be a still further limiting factor. On the foreign side of the picture, there are recurring reports of probable devaluations of foreign currencies which will reduce foreign costs of production so as to make these foreign costs competitive.

It is fair to assume that some day this country will end or curtail Marshall Plan aid and will likewise cut its own armament program. No one can forecast when these steps will be taken. In the meantime, there will be a moderate demand for steel crated by our preparedness actions and possibly also by the proposed Military Aid Program under the Atlantic Pact. In all probability, steel gets a part of its present volume from these situations. Whenever this buying ceases, steel profits will decline faster than does volume.

If it be true, as I believe, that business confidence is shaky at the present time, that business expenditures are likely to lessen in the future, and that abnormal demands for steel for the defense program and for export are likely to dwindle—then it is probable that the rolling recession will catch up with steel. In short, steel has yet to take the "bath" already taken by other industries.

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 how a substantial rise in wage costs, and a consequent decline in profits, would affect the investor, the technological progress of the industry and, in the long-run, the worker himself. Just where does the investor come into this picture?

An inflation period such as the present puts a great strain upon the working capital of industrial corporations. Inventories require more money and, in an advancing inflation, still more. Accounts receivable tie up additional funds. When the concern hasn't capital itself to meet such needs, they can generally be financed to some extent by short-term bank loans. Beyond this, however, corporations can secure their requirements for capital investment only from two sources: either through (1) investors who are willing to put up the funds, or (2) the retention of earnings.

When the corporation desires to secure funds from public investors it incurs obligations in the form of either a debt structure or some form of equity. In general, the debts bear such a low rate of interest that investors in their search for security place a very definite limit upon the amount that a company can borrow. As the equity securities bear the entire risk of failure, they must pay a higher return in keeping with the public's appraisal of the risk involved in the particular company. That appraisal will depend largely on the established earning capacity. There isn't any reason to burden you with details in this regard, but it is substantially accurate to say that the public is not interested at this time in steel equities. In general these equities are selling in the public market on the Stock Exchanges at prices substantially below the historical cost and obviously far below the replacement costs of the assets.

As of the early part of Aug. 11 steel stocks were currently appraised by public opinion at an average of approximately 58% of book value, figured on historical costs as of the end of last year. In terms of earnings and dividends, the lack of investor confidence in the steel stocks is further revealed by a few figures comparing steel companies with companies in the drug and tobacco industries, using the latter merely as examples. Relating prices in the early part of August to the annual rate of earnings shown for the first-quarter of 1949, the latest quarter available, 11 steel stocks were selling at only 2.2 times such yearly earnings, 10 drug stocks were selling at 9.2 times earnings, and 9 tobacco stocks were selling at 11.3 times earnings. These same 11 steel stocks showed a yield on market value of 8.3%, whereas the drug stocks showed a yield of 4.8%, and the tobacco stocks a yield of 5.9%. It is quite evident that a yield of over 8% is required to attract investor interest to steel stocks, obviously because of the fear that these dividends will not be continued. The same fear is what governs the low price-earnings ratio of 2.2 prevailing in the case of steel stocks. Thus, steel stocks at a yield of 8.3%, with the current market price representing only 58% of the historical investment, are no more attractive to investors than drug stocks and tobacco stocks, though the latter yield much less and sell at a much higher relationship to current earnings.

The desire for security has become so widely spread that there is little interest in taking risk. Strangely enough, it seems that the desire for security has destroyed the desire for securities.

Stockholders' Position

Stockholders as a group have no political power with which they may protect themselves. The stockholder is truly the forgotten man in recent years. His securities have gone down in value during the inflation starting in 1946. The increase in cash income which stockholders have received through dividends does not approach the increase in cash income which many other elements of the population have received.

The market price of equity securities, particularly in the steel industry, reflects the public doubt that corporations will be able to maintain a volume much beyond their break-even point. The public expects that, on top of the already high break-even point in all American corporations, the great clamor for still higher wages will raise break-even points still higher and that profits will be still further reduced, with corresponding reductions in dividends and a still more limited buying power inherent in these smaller dividends.

This is a situation basically unfair to investors, and not in the long-range interest of the country nor in the long-range interest of its workers. One class may gain temporarily at the expenses of another, but over the long run business can succeed only if it treats fairly with three elements: the consumers who use its products, the investors who supply the needed funds, and the production workers. There is no way of coercing the user to buy or the investor to invest, and yet if they do not willingly cooperate by supplying the demand for the products and the funds needed for growth, companies cannot grow and there cannot be full employment.

The need is for a fair decision among the respective interests of all three elements involved in production — stockholders, workers and consumers. If one class gets more than its share, the others must get less than their share, although all are needed to cooperate in the joint venture. This is what I mean by recognizing the essential interdependence of all of the elements involved in production.

The Requested Wage Increase

To summarize my position on the question now before this Board I wish to state, flatly and without reservation:

(1) The granting of an increase in steel wages would lead to a national "pattern" of another round of wage increases;

(2) To increase wage and salary payments for *all* workers by the 30 cents an hour requested by the steel unions would increase total labor income and costs by more than $25 billion;

(3) This $25 billion would have to come from somewhere:

(a) If it were to come out of corporate profits before taxes, as the union is suggesting that it should in the steel industry, it would completely wipe them out. It is hardly necessary for me to spell out what a catastrophe this would create. In the first place, income tax receipts from this source would be wiped out. In the second place, businesses would neither have any money to spend for further capital expansion nor any incentive for spending it, if they had it. It is only too obvious that under such circumstances the economy would be plunged promptly into a depression.

(b) On the other hand, if this $25 billion were added to the sales prices of corporate products, the burden of the wage increase would be passed on to the American consumer. Then we would, of necessity, be "off to the races" on the fourth leg of our post-war inflationary binge, assuming, of course, that consumption would continue at present high levels in the face of such a pronounced increase in prices. Should the American consumer balk at a further substantial rise in his cost of living—in other words, if the price increases in question were to put the products of American industry beyond the reach of the American consumer—we would be faced with the specter of increasing unemployment and rapid recession.

These wage demands confront the nation with the unlovely alternatives of either a substantial rise in the cost of living, or a serious increase in unemployment. We cannot for a moment countenance either.

The question at issue here is not whether corporations can pay higher wages—though it has been made to appear so. The question is: Is it wise to attempt to compel business to pay higher wages at a time when the interests of the country require a general lowering of costs to stabilize our economy and maintain full employment?

In a period in world history when a strong America is essential to the continuity of our way of life, to risk undermining the entire business structure, and even the national security, for transitory gains to a small portion of the total population is indefensible national policy.

Bache Co. Adds

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Philip D. Small has become associated with Bache & Co., Johnston Building.

Says Federal Reserve Can Supply Unlimited Credit

Annual Report of Board 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 now has almost complete authority.

The Annual Report of the Board of Governors of the Federal Reserve System covering its operations during 1948, which was submitted by Chairman Thomas B. McCabe to Congress, has been recently released, and, in addition to reviewing Federal Reserve policies and recent developments during the year, discusses the situation in the light of recent readjustments from an inflationary to a deflationary economy.

Thomas B. McCabe

According to the Report:

"The banking system has emerged from the long period of inflationary pressures exceptionally well equipped to meet changed conditions. Banks have a large proportion of their assets in liquid and riskless form. Loans are close to record volume but cash and government securities constitute about two-thirds of all assets of commercial banks. This is a somewhat larger proportion than in 1939 and more than twice that for 1929. The volume of highly speculative loans appears much smaller than has often been the case in the past. Mortgage loans, which have expanded rapidly on the basis of high property values, are generally on a better amortization basis than was previously customary, and a large portion of them are insured by government agencies.

"The Federal Reserve System is also much better equipped than ever before to meet the credit needs of the economy in a period of downward readjustment. Through open market operations, the System has virtually unlimited means of supplying the money market with additional reserves, if the situation should call for such action. The Reserve Banks have about $23 billion of gold certificate reserves, only half of which are currently need to meet gold reserve requirements. Accordingly, the System could more than double its note and deposit liabilities. Furthermore, the Banking Act of 1935, by removing some of the technical limitations on the lending functions of the Reserve Banks, placed them in a position to lend to member banks on any assets considered to be acceptable as security for advances. This makes possible a liberal lending policy on the part of the Reserve Banks. Also, the Reserve Banks have authority to make so-called Section 13b loans for working capital purposes to business and industry when other credit is unavailable.

"Although the Federal Reserve System has substantial powers to act for the purpose of counteracting contraction of credit, the System continues to lack adequate means of coping with a recurrence of strong inflationary pressures. This country has a virtually unlimited potential for further increase in deposits and bank reserves as well as for a more rapid use of money. The volume of deposits and currency outstanding is nearly three times the maximum prewar level, and the turnover of bank deposits is currently less rapid than it has been in previous periods of high economic activity. Spending for all purposes could be considerably expanded through more active use of the money supply already outstanding.

"The problem of exercising credit restraint in the United States, or of encouraging expansion, centers on the supply of bank reserves. While individual banks obtain or lose reserves largely through the shifting of deposits among banks, the banking system as a whole acquires reserves in three major ways: imports of gold, return of currency from circulation, and purchases of government securities by the Federal Reserve Banks. If credit expansion, during a period of inflation, is to be held in check, additional reserves arising principally from these sources have to be absorbed or immobilized.

"Commercial banks alone hold more than $60 billion of marketable government securities, which they can convert at will into reserves capable of supporting an enormous credit expansion. The exceptional and assured liquidity of the banking system, which is an element of strength in a period of recession, can be a source of danger in a period of boom. Also, sales of securities to the Federal Reserve from the large volume of nonbank holdings can create additional reserves.

"As the Board has pointed out in previous Annual Reports and other statements, large-scale selling of government securities to the Federal Reserve increases the supply of money and of bank reserves and thus accentuates inflationary pressures when production is insufficient to satisfy demand. Continuous market transactions aggregating large amounts are inevitable in view of the large volume of marketable government securities outstanding and the wide distribution of their ownership. Therefore, regular and active participation in the market by the Federal Reserve is necessary for the maintenance of orderly conditions and the prevention of unnecessarily wide fluctuations in prices.

"In earlier periods when the public debt was a relatively small part of the debt structure, there was little or no need for supporting the market for government securities and, therefore, no problem of dealing with additional bank reserves created through support operations. Federal Reserve policies could be and were directed primarily toward the maintenance of the volume of bank reserves and the cost of obtaining reserves at levels that conformed to the current needs of the economy. With a large government debt which is likely to be a dominant part of the debt structure for many years, the Federal Reserve has to cope with the dual problem of maintaining an orderly government security market and exercising control over the volume of bank reserves."

With Stewart, Scanlon Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Thomas J. White has become connected with Stewart, Scanlon & Co., 216 Montgomery Street, members of the San Francisco Stock Exchange. He was previously with King Merritt & Co. and First California Company.

With Hannaford & Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Harold H. Domeny has been added to the staff of Hannaford & Talbot, 519 California Street.

Mid-Year Review of Economic Activity

(Contnued from page 2)

ed in many lines at virtual capacity levels, it was not uncommon to find that businessmen and others looked upon the situation as an abnormal one. They recognized that it was brought about by a combination of such forces as the large backloges of consumer and business demands, a substantial inflation of the monetary stream during the war and postwar years, and the expansive atmosphere of a period of inflation that induces businessmen to increase their stocks of goods and materials and expand their operations. In other words, most businessmen realized that sooner or later a change from conditions of inflation to deflation would occur and that when the turn came there would be an adjustment of values and production to levels more nearly approximating those that they conceived as "normal." The decline that has taken place in manufacturing and mining activity represents, at least in part, the type of adjustment that businessmen anticipated.

Although it is possible that the adjustment may have proceeded farther in some lines during the past six or eight months than was either desirable or necessary, it is unlikely even at this time that the process has been completed. For example, the automobile industry has avoided a postwar adjustment to date, but it is improbable that it can be avoided indefinitely; there are indications that the steel industry, manufacturers of machinery and major durable goods, and numerous other industries still may be vulnerable to further adjustment. At the same time, however, there are industries, such as crude oil production, certain types of cotton and wool fabrication, and some of the minor durables, which shows signs of attaining a somewhat better degree of balance and stability. Moreover, elements of support may develop from the operation of natural economic forces and may become factors in shaping the overall situation.

In appraising the trend of production it is important that consideration be given to developments affecting inventories, because inventory policies and the level and condition of stocks of goods have a direct and determining influence on manufacturing output. Since the first of the year the volume of consumer expenditures and the physical volume of goods moving through retail trade channels have compared rather favorably with figures of the comparable period of 1948, although the physical volume of goods manufactured has declined sharply. Obviously, the goods which have been passing on to consumers have been drawn to an increasing extent from the stocks of manufacturers, wholesalers, and retailers rather than from new production, as sellers have followed the practice of "living off their inventories." Inventory figures reveal the fact that factory output has not entirely replaced or offset inventory consumption, for the book value of manufacturers' inventories declined during the first five months of the year by $1,239,000,000; wholesalers' inventories, $643,000,000; and retailers' inventories, by $357,000,000. During the same period, sales of manufacturers and wholesalers showed declines of only 3% and 1%, respectively, while sales of retailers increased by about $90,000,000.

As soon as it became apparent that the general economic trend was pointed in a deflationary direction, businessmen at all levels of distribution began to take positive measures to reduce stocks, not only to bring inventories in better relationship to an anticipated lower sales volume but also to minimize inventory depreciation resulting from dedeclining prices. Consequently, buying policies changed promptly from comparatively long forward commitments to hand-to-mouth buying on a carefully selective basis, while orders placed for advanced shipment were cancelled in substantial amounts. This development of caution in business buying was reflected in a shrinkage of demand for new production and, consequently, exerted a direct impact on manufacturing activity. On the other hand, consumer demand, which continued comparatively strong but very selective, was met by retailers who drew on their inventories. Moreover, increasingly aggressive merchandising policies, especially at the retail level, tended to stimulate consumer expenditures. Store-wide clearance sales, special promotions, and featured markdown offerings have been received very favorably by consumers, who have exhibited an effective demand for goods but who have become extremely value-conscious.

Inventory Adjustments Completed

It is not probable that businessmen have completed their inventory adjustments and have bought their stocks of goods down to the desired levels. On the contrary, reports seem to indicate a further inventory liquidation for the next few months, despite the progress made in improving the situation during the second quarter of the year. It is significant, however, that production has been falling below consumption—this is attested by declining inventories at the different levels of distribution. This condition of new factory output running at a level lower than is warranted by current sales to consumers will continue only until businessmen believe they have reached a point of balance in their inventories, both from the standpoint of quantity and quality. At that time, replacement buying in amounts in line with the then existing sales volume will reappear and check or possibly reverse the declining production trend. How long this process of adjustment of inventories will require will depend in a large degree on the success of businessmen in maintaining sales. If consumer expenditures can be maintained at approximately the level of the second quarter of this year, and if recent success in reducing stocks can be continued, much of the inventory adjustment may be completed comparatively soon.

The importance of vigorous efforts by businessmen to maintain the flow of goods and volume of consumer expenditures in the neighborhood of levels reported during the first two quarters of this year is very great as a factor in determining the orderliness of the progress adjustment. Personal consumption expenditures were at an annual rate of $176,600,000,000 during the first quarter of 1949 and $175,000,000,000 during the second quarter as compared with $172,500,000,000 and $177,300,000,000 during the same periods of 1948. Although the trends during the two periods are in opposite directions, the comparison nevertheless is very favorable and reflects both a continuing demand for goods and services and a substantial availability of purchasing power in the economy.

It has been stated that consumers have become increasingly value conscious and critically selective in their purchases of merchandise and services. This attitude developed gradually as capacity production increased supplies to the point that backlogs of pressing demand were eliminated and urgent buying no longer was necessary and as unbalanced price increases priced an increasing number of consumers out of the market for goods and services, at least temporarily. Just as it is a difficult, time-consuming, and sometimes painful process to reduce excessive inventories, so is it a painful and slow task to restore a sound state of balance to the price structure. To a considerable degree the adjustment through which the Nation is passing is a price adjustment, and consequently the problem of how to meet the price situation is proving to be one of the most vexing problems confronting businessmen.

Although there have been exceptions with respect to a number of individual materials and products, the decline in prices from the peak levels reached in 1948 has been surprising orderly. Even the sharp declines in the prices of agricultural products late in January, 1948 and again in January, 1949 and the more recent break in the prices of certain nonferrous metals did not spread in full degree to other areas to set off a typical postinflation price crash. On the basis of general indexes, the decline in prices has been most marked in the 28 basic commodities, which declined by the end of June, 1949 to 231.9% of the 1939 average from 329.7% in June, 1948, the level to which the index has recovered following the break in prices that occurred during the preceding January. Wholesale prices reached a peak in August, 1948 at 169.8% of the 1926 average, and then moved downward steadily and in June of this year were 154.0% of the base year average. The cost of living as measured by the B.L.S. index also reached its high in August, 1948 at 174.5% of the 1935-39 average and since that date has moved downward very gradually to 169.8% in June. In brief, during these roughly approximate periods, average prices of basic raw materials declined 29.6%; wholesale prices showed a decline of 9.3%; and the cost of living 2.7%.

These figures indicate that the usual lag in price movements from one level of production and distribution to another has characterized price trends during the past 12 months. Of course, it is not to be expected that wholesale prices would necessarily show the same proportionate decline as prices of raw materials or that the decline in retail prices should of necessity keep pace with the movement of wholesale prices. The marked differences in rate of decline, however, seem to forecast a further adjustments at the wholesale and retail levels; in fact, some further decline in raw mamaterial prices is also a possibility. The question is hardly whether the downward price trend will continue into the next few months but whether such a decline will continue to be gradual and orderly.

Businessmen may feel that, confronted as they are with a high wage structure and declining demand at current prices, their pricing problem is well-nigh insoluble. However, it should be recognized that the pricing adjustment will be made one way or another—either by voluntary, farsighted pricing actions by retailers, wholesalers, and manufacturers, or through the pressure of natural economic forces resulting from declining sales and reflected in more intensive competition and finally price-cutting, regardless of the consequences. During recent months there have been several developments which seem to indicate that voluntary corrective pricing actions may prevail and that the economy may be spared the strains of the more drastic course, although this is by no means a certainty.

Trend Toward Lower Production Costs

Favorable factors which may induce voluntary price adjustments are an outgrowth of a number of developments pointing toward lower production costs per unit of output. First, raw material prices have experienced sharp reductions and, as high-priced inventories are worked off and replaced with lower priced stocks, material costs will shrink. Second, as a result of production cutbacks, expensive overtime wage rates are being eliminated rapidly. Third, the cost-saving benefits of new equipment installed during the postwar period are beginning to be reflected in an improved efficiency of production. Fourth, businessmen confronted by this cost-price adjustment problem are actively seeking ways to improve the efficiency of their operations by eliminating wastes which no longer can be tolerated. Fifth, the more intense competition in virtually all lines of business is forcing the adoption of better sales and production methods. Sixth, as the labor market has tended to weaken somewhat—for instance, in manufacturing industries and in construction — workers have become more concerned as to their job security and, hence have improved their work attitudes and and their labor efficiency.

Unfavorable possibilities in the cost-price situation, on the other hand, include the fact that some businessmen are reluctant, even under circumstances such as prevail, to undertake to move merchandise at prices involving a smaller than normal mark-up or possibly some loss until forced to do so by the pressure of economic circumstances. Then too, consumers and business purchasers, realizing that the price trend is downward, may reduce or defer their purchases as they wait to buy at the very bottom of the price movement. There is certain to be a cautiousness in purchasing under prevailing conditions, but sales developments of recent months seem to support the view that realistic price reductions may help to support sales volume by uncovering new layers of demand but that trifling and obviously insignificant price reductions fail to attract buyers. In fact, they may have the effect of discouraging purchases, as buyers decide to wait for the real price reduction which they feel is sure to follow eventually. Finally, there is the ever-present danger of wage rate increases which might have the effect of increasing production costs and thus tend to prevent price reductions which might otherwise be made. The gains obtained from improvements in productivity should be reflected in wage rates of the wage earner and in lower prices for the consumer; however, unless wage rate increases can be absorbed by greater productivity, they tend to add to production costs. Under existing circumstances neither management nor labor should increase production costs. On the contrary, they should bend their efforts toward the objective of achieving lower costs through more productive management and labor.

Large Agricultural Production

In the important area of agricultural production, estimates at midyear indicate that the volume of crops and livestock that will be produced during 1949 will approximate the unusually large production of the preceding year. Large planted acreages—slightly larger than those of 1948 — together with generally favorable weather conditions over most of the country, seem to assure a very large volume of production. To some extent the large acreages planted in 1949 are the result of a generally favorable price outlook for agricultural products and attempts on the part of farmers to establish favorable bases for acreage allotments, if such should be established in connection with production control programs for the year ahead. The Nation's problem in connection with agricultural production certainly is not one of shortages in any of the major crops or in livestock products but, on the contrary, is one of over-supply and surplus production. This fact, of course, tends to magnify the importance of a sound solution to the agricultural price problem.

Although weather conditions, insect damage, and other unpredictable developments may influence the production of major crops during the growing season, rough estimate point toward a cotton crop of some 15,000,000 to 16,000,000 bales—possibly even larger —in 1949, as compared with crop of about 14,800,000 bales 1948; a corn crop of more than 500,000,000 bushels or only slightly less than the record-breaking crop of last year; a very large wheat crop estimated in the neighborhood of 1,200,000,000 bushels, as contrasted with a wheat crop in 1948 of approximately 1,300,000,000 bushels; oat production estimated to be about 100,000,000 bushels less than the 1,500,000,000 bushel crop of last year; and a rice crop of about 86,000 000 bushels, about 5,000,000 bushels in excess of last year's crop. It is expected that during the remaining months of this year cattle and hog marketings will be very large, but despite this probability the livestock population at the end of this year should compare favorably with the number of livestock farms and ranches at the beginning of the year.

From the short-run point of view, the agricultural price situation does not appear to be seriously threatening. Prices of virtually all of the major agricultural crops are now so near to the support levels that, assuming a continuance of effective support during the months ahead, there is little probability for a further substantial decline. This does not mean, of course, that agricultural prices would not decline to lower levels if it were not for the support program, but there is nothing in the picture at present that indicates a policy on the part of the government of permitting substantially lower support prices during the remainder of this year. Livestock prices, which rose during the Spring months, are expected to show declining tendencies during the last half of the year as increased marketings exert their effect on the price structure.

Since agricultural production probably will compare favorably with the production obtained in 1948, the trend of farm income will be influenced primarily by the extent to which agricultural prices decline during the remaining months of the year. Cash receipts from farm marketings for the country as a whole during the first six months of 1949 were about 6% below the same period in 1948. At the same time, however, farmers' production expenses showed a slightly smaller decline, with the consequence that farmers' net income for the first half of the year perhaps was in the neighborhood of 10% below that received a year ago. Viewing the year as a whole, it is believed that farm net income will be somewhere in the range of from 7% to 10% lower than the very high level of income received in 1948.

Developments during the first six months of this year in the construction industry resulted in a somewhat larger volume of construction than had been anticipated. It is true that private construction declined from levels of a year ago, but this decline was offset by increases in public construction by Federal, state, and other governmental agencies. Total private construction in June is estimated at approximately $1,240,000,000 as compared with $1,348,000,000 in June a year ago, but figures for public construction during the two comparable months rose from $406,000,000 to $518,000,000. As a result of these developments, total new construction in June of this year was fractionally above the volume reported during the comparable month in 1948.

A comparison of new construction expenditures during the first six months of 1948 and the first six months of 1949 shows a total of $8,453,000,000 during the latest period as compared with $7,720,000,000 during the earlier period. A steady, strong demand for various types of construction, together with somewhat lower construction costs, much better availability of materials, and a more adequate and somewhat more efficient labor supply, all have combined to bring about this unexpectedly favorable development in the construction area.

During the remaining months of this year, estimates seem to indicate that private construction will continue to run at a somewhat lower level than last year but that this decline will be offset by further increases in public construction; consequently, the total volume of construction in 1949 should approximate and possibly may exceed slightly the total reported for the preceding year. Therefore, as a source of income and as a factor in the demand for labor, it is possible that activity in the construction area of the economy may continue to give needed support at a time when trends in other areas of the economy are shifting downward.

No Credit Excesses Apparent

One of the features of this period of economic adjustment is that it was not preceded by a period of credit excesses, either in the banking field or in the security markets. Consequently it has not been necessary to face extreme or severe liquidation of past credits. Since the first of the year there has been a steady decline in total loans of the weekly reporting member banks in leading cities of the country, largely as a result of a steady shrinkage in the volume of commercial, industrial, and agricultural loans. The decline that has occurred, however, has been orderly and has not been caused by credit stringency at the banks of the nation but, instead, has been the result of a declining demand for loans by businessmen who have found their need for bank credit less strong than it was during the inflationary period.

The fact that an overextension of credit was avoided during the upward phase of the business cycle has contributed a considerable element of strength to the economy during this period of economic adjustment because it has not been necessary to subject businesses to forced credit liquidation. The banks of the country are in an exceptionally strong and liquid condition and are able to meet any reasonable financial requirements that might arise in the business, industrial, or agricultural sectors of the economy during the months ahead. Moreover, money rates continue at comparatively low levels and recent announcements of the monetary and credit authorities show that credit policy during this period will be directed toward the end of making available an adequate supply of bank credit to prevent that factor from being restrictive in any sense.

The Frear Bill to Amend SEC Act

The "Chronicle" has received a copy of the Bill (S.2408) introduced by Senator J. Allen Frear, Jr. (Dem - Del.) and noted in last week's issue, p. 25. This measure would extend the power of the Securities and Exchange Commission so as to require reports and data from concerns, whose securities are not listed on any registered exchange, the same information, that is now required from registered corporations. The bill would exempt companies with less than $3 million of assets or having stockholders fewer than 300.

Sen. J. A. Frear, Jr.

The complete text of the Bill follows:

A BILL

To amend the Securities Exchange Act of 1934, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 12 of the Securities Exchange Act of 1934, as amended, is hereby amended by adding thereto a new subsection (g) reading as follows:

"(g) (1) Every issuer which is engaged in interstate commerce or in business affecting interstate commerce, or the securities of which are regularly traded by use of the mails or any means or instrumentality of interstate commerce, shall file with the Commission, with respect to each of its securities not registered pursuant to subsection (b), a registration statement containing such information and documents as may be required in respect of an application to register a security pursuant to subsection (b), and such supplementary and periodic information, documents, and reports as may be required pursuant to section 13 of this title in respect of a security so registered. Whether or not a registration statement has been filed pursuant to this subsection, the provisions of sections 14 and 16 of this title shall apply with the same force and effect as if all the securities of any such issuer were registered pursuant to subsection (b)

"(2) The provisions of this subsection shall not apply in respect of any security issued by—

"(A) Any issuer which has less than $3 million in assets;

"(B) Any issuer all the securities of which are held directly or indirectly by fewer than three hundred persons;

"(C) Any issuer all the securities of which are exempted securities;

"(D) Any issuer which is a bank;

"(E) Any issuer organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes and not for pecuniary profit, and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

"(3) The provisions of this subsection shall not apply in respect of any issuer, security, transaction, or person which the Commission may by rules and regulations exempt, either unconditionally or upon such terms and conditions as may appear to be necessary or appropriate in the public interest or for the protection of investors, as not comprehended within the purposes of this subsection. The Commission may so exempt any issuer, whether or not it is engaged in interstate commerce or in business affecting interstate commerce, if substantially all its securities are held within a single State. In respect of foreign issuers, considerations relevant to the granting of such exemption may include the extent to which the provisions of this subsection are susceptible of enforcement with respect to such issuers, and the extent to which there may exist a substantial interest in the securities of such issuers among investors located within the United States or any State.

"(4) The provisions of section 14 of this title shall not apply to any solicitation of a proxy or consent or authorization in respect of any security not registered pursuant to subsection (b) where all the securities in respect of which the solicitation is made are held directly or indirectly by fewer than three hundred persons. Failure to comply with the provisions of section 14 of this title in respect of any security not registered pursuant to subsection (b) shall not invalidate any corporate action, but the provisions of this paragraph shall not be construed to prevent the granting of injunctions in any proper proceeding, or to exempt any person from any penalty or prohibition provided by this title with respect to violations of this title or of any rules or regulations thereunder, or to alter or modify any rights or remedies which would otherwise exist at law or in equity.

"(5) The rules and regulations of the Commission shall provide that an issuer may adopt in compliance with the registration and reporting requirements of this subsection information, documents, and reports filed with the Commission under any statute and substantially equivalent to that required of an issuer having a security registered pursuant to subsection (b).

"(6) This subsection shall remain applicable in respect of any security registered hereunder until the Commission, upon its own motion or upon the application of such an issuer, by order cancels such registration. The Commission shall enter such an order, subject to such terms and conditions as it may deem necessary to impose for the protection of investors, if it finds, after appropriate notice and opportunity for hearing, that by reason of change of circumstances since the date of registration or otherwise the issuer is not subject to this subsection.

"(7) The Commission, for the purposes of this title, may by rules and regulations define the phrases 'less than $3 million in assets' and 'held directly or indirectly by fewer than three hundred persons', and any portion thereof."

Sec. 2. Subsection (f) of section 12 of the Securities Exchange Act of 1934, as amended, is hereby amended as follows:

(a) By inserting between the fourth and fifth sentences of the second paragraph of that subsection the following new sentence: "The issuer of any security which is the subject of an application to extend unlisted trading privileges pursuant to clause (3) of this subsection shall be given an opportunity to appear as a party and be heard on such application; and, if the issuer so appears and opposes the application, it shall not be approved unless the Commission finds that the continuation or extension of unlisted trading privileges pursuant to such application is necessary or appropriate in the public interest or for the protection of investors notwithstanding any showing of detriment to the issuer which may be made."

(b) By amending the second sentence of the fourth paragraph of such subsection to read as follows: "On the application of the issuer of any security for which unlisted trading privileges on any exchange have been continued or extended pursuant to this subsection, or of any broker or dealer who makes or creates a market for such security, or of any other person having a bona fide interest in the question of termination or suspension of such unlisted trading privileges, or on its own motion, the Commission shall by order terminate, or suspend for a period not exceeding twelve months, such unlisted trading privileges for such security if the Commission finds, after appropriate notice and opportunity for hearing, that by reason of inadequate public distribution of such security in the vicinity of said exchange, or by reason of inadequate public trading activity or of the character of trading therein on said exchange, or by reason of detriment to the issuer, such termination or suspension is necessary or appropriate in the public interest or for the protection of investors."

Sec. 3 This Act shall become effective six months after approval.

Securities Salesman's Corner

By JOHN DUTTON

Everybody likes a bargain! But when you are selling securities you must not only be able to offer a PRICE VALUE but it is vital to your continued success in the investment business that even 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 a century. Yet they can be bought today at from 60% to 70%, 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 very substantial assets represented by years and years of good will and an established insurance business, with agencies gathering premiums daily and sending them in to these companies from all parts of the country, you have something worthwhile to offer in the way of a good investment and a BARGAIN.

You might pick out one good issue that you like—there are many of them—and 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 have the information that you can attractively present to them. Show the long record of dividend payments, mention the liquidating value and the current price. Explain a bit about the broad diversification of securities in the investment portfolio, and add a line or two about the high rating of the company in its industry. Tell your clients and prospects that you believe you have uncovered a real INVESTMENT bargain and that you believe it to be to their interest to have full information and all the details.

A good Fire or Casualty stock lends itself to newspaper advertising. First, of all the conservatism of the offering speaks well for the advertiser. 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 will be much more effective than one or two larger pieces of copy. Something along the following lines should bring interested inquiries.

5%
An Investment Opportunity

—:—

Dividends paid every year for the past Fifty years on this stock.

—:—

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

—:—

Book value $40. Can be acquired at today's offered price of $32 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 them a steady income and freedom from worry about the safety of their investment. Most of them did not want to "play the stock market" as they called it. One fellow said, "I want some investments like A. T. & T." When people who have these ideas can be shown that they can buy a diversified portfolio of the finest investment securities, under expert management and government regulation, and they can buy these securities at a discount of as much as 30% and more, they will be interested. These are real investment customers and the only worthwhile type of account is such a client, as far as the retail security dealer is concerned. Once you sell high grade, dividend paying investments to people whose main desire 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 see them.

Yancey-Harris Stock Offered by Luckhurst

Luckhurst & Co., New York, are offering (as a speculation) at $1 per share 298,500 shares of class A stock (par 50 cents per share) of Yancey-Harris Co., Inc., of Dallas, Texas, a producing oil company. The stock receives preferential treatment as to dividends up to 6% per annum; and in liquidation, up to $1 per share. The net proceeds may be added to the working capital for general corporate purposes or may be applied to refunding a portion of the $537,857 due the Equitable Life Insurance Co., the remainder of a credit of $650,000 originally extended by Equitable.

An independent engineer's report estimates oil reserves at 1,873,260 barrels in the company's present 29 producing wells. It is also estimated that 15 additional wells can be drilled on the company's 965 producing and 250 proven acres. In addition, there are more than 3,000 acres of nonproven leases.

The company's oil run for the fiscal year of 1948 and the first nine months of the fiscal year of 1949 was just short of $250,000.

The Problem of Industrial Concentration

(Continued from page 9)

than one-half of all corporate assets in 1933. Other studies indicate that these concerns received 33% of the total net income of our non-financial corporations in 1920 and 43% of such income in 1929. Similar and even more striking figures are available for certain key manufacturing industries. However, there are no regular statistical series which show the concentration of control over all manufacture or over particular manufacturing industries. The nation is operating in the dark as to such questions as the rate at which concentration is increasing and the relative importance of the problem in different industries. We have reason to believe that concentration is a cumulative process, but, not knowing its pace, we do not know how much time we have left to cope with it.

The fact that a large part of American industry is controlled by a few corporations has a substantial impact upon our way of life. It has led to a barrage of complaints addressed to Washington by individual small businessmen and by associations organized to represent small businessmen. In the aggregate, these complaints challenge most aspects of the structure and practice of large enterprises and assert that the survival of independent small business is in jeopardy. Some of the complaints, of course, will not hold water, whereas others point to grave abuses. In considering them it is easy to get lost amid details. But figures which the Federal Trade Commission now obtains each quarter as to the profits of large and small corporations suggest very persuasively that the size of a business enterprise is a significant element in determining its profits and its chances for survival. Information is available by quarters and by size groups as to the rates of profit of manufacturing corporations during 1947 and 1948. It is apparent that the profits of corporations with assets of less than a quarter-million dollars move quite differently from the profits of larger enterprises. The profits of the small corporations show a drop in the fourth quarter of 1947 and again in the fourth quarter of 1948. In part, this drop is known to be due to year-end adjustments, which are more prevalent among the smaller corporations. From our present information, however, such adjustments do not appear to account for the whole of this seasonal movement in small corporation profits. We are watching the figures carefully in the hope of explaining these quarterly changes.

Profits of Small and Large Concerns

We have also compared the annual rates of profit in 1947 and 1948 for different-size groupings. For manufacturing industry as a whole the rate of profit increased slightly in 1948. The profits of the largest corporations, those with assets of $100 million and over, were wholly responsible for this increase. The rate of profit in these concerns went up substantially. For all-size groups below $100 million the rate of profit went down, and the severity of the decline was greater for the smaller corporations. Whereas, in 1947, the middle-sized corporations, with assets of from $1 million to $5 million, had the highest rate of profit and the large corporations had the lowest, in the following year the rate of profit rose steadily from the smallest corporations to the largest. It is evident that the fortunes of large and small business are sufficiently different that neither the rate of profit nor the trend of profit for enterprises of one size may be taken as representative of that for enterprises of a different size. Moreover, it is a different size. Moreover, it is evident that the smaller corporations have borne the brunt of recent changes in business conditions.

Among the many problems for which the growth of large business is primarily responsible, five are of outstanding importance. The first is the problem of market competition. American policy toward business has been based for nearly 60 years upon the anti-trust laws, and in spite of underenforcement these laws have had a substantial effect in preventing American enterprises from basing their business policies upon restrictive agreements such as have been supported in custom and law in some other parts of the world. With the growing concentration of control that is evident in manufacture, to prevent restrictive agreements is no longer sufficient. Large enterprises readily adopt a live-and-let-live policy toward their large rivals. They compete less readily by price reductions and more readily by sales effort. The results of a business oligarchy—or, as economists call it, an aligopoly—resemble those of restrictive conspiracy but are much harder to destroy than an ordinary loose agreement. If concentration should continue to grow, the result would be a series of monopolies obviously inconsistant with our anti-trust policy.

Problem of Personal Independence

A second problem is that of personal independence. In the community of small individual enterprises which shaped American thinking about the relation of the individual to freedom, entry into business for one's self was regarded as a fundamental guarantee of all forms of freedom. As large parts of American business have become typically and necessarily corporate, this conception of personal freedom has come to be inapplicable to growing segments of our population. So long as business enterprises are relatively small, however, it can be supplemented or replaced by a conception of personal freedom which rests upon availability of alternative opportunities and wide diffusion of responsibility within a world of small enterprises. Numerous potential jobs and bosses give the employee considerable freedom of choice as to his conditions of work and as to his associates. The simple organization of the small concern makes the climb to a place of responsibility a short one. A large number of separate managements assures participation in policy-making responsibilities for a relatively large part of the personnel engaged in business. As business enterprises grow in size and decline in number, these safeguards tend to disappear. The gulf between employee and executive becomes wider. The positions at the top become relatively few. The alternative opportunities available at the bottom become fewer. A larger part of the work force is confined to jobs of limited responsibility and limited freedom. New insecurities arise and new problems of morale appear, both in the labor force and in the lower ranks of the executive personnel.

A third problem is opportunity for the appearance of new business enterprises. American business methods and American technology have been protected from stagnation by the fact that the field was open for the new concern. Vested interests in obsolete equipment, in obsolete industrial locations, and in antiquated ways of doing things have succumbed to the business pioneer, and established concerns have survived only so long as they could retain the pioneer spirit. As enterprises become larger and fewer, the chance for a new concern to do business on equal terms with its established rivals becomes progressively smaller. Disparities in size and power tend to be decisive against the new venture. It took a war, plus the full support of the Federal Government, to enable new enterprises to enter aluminum manufacture. Wherever the newcomer cannot get a foothold, vigorous industrial progress necessarily depends upon the willingness of established enterprises to experiment in defiance of their own vested interests, and the absence of competition from newcomers reduces the incentives for such experimentation.

A fourth problem created by bigness is the drying up of the sources of capital. New undertakings are risky business. They flourish best where they can be started on a limited scale by small groups of persons who have and are willing the risk the necessary resources. It is difficult to be venturesome with funds toward which one has a fiduciary relationship. In the great corporation the management occupies a position of trust for the stockholders and must hold its venturesomeness within the limits that can be justified by a steward of other people's funds. Truly speculative stock flotations on the part of large corporations are becoming rare. Corporations are increasingly financed out of retained earnings, but even these are likely to be cautiously used. Moreover, in the typical case a great concern expands in a field related to its existing activities rather than in unrelated new fields of business. The small funds of individuals, no longer sufficient to finance business ventures, are accumulated in the hands of life insurance companies and other institutional investors, which must behave even more circumspectly as trustees of other people's money than do the managers of manufacturing corporations.

Organized scientific research applied for industrial purposes and high pressure development of technology under the spur of war have done much to offset the tendency away from new business ventures by encouraging some of our great corporations to experiment with new products and processes. Nevertheless, the trend of our business structure is such that we are increasingly dependent upon the venturesomeness of a few boards of directors who are increasingly subject to influences that make it difficult for them to be venturesome.

Bigness in Government and Labor Unions

A fifth problem created by bigness in business is bigness in government and bigness in labor organization. I do not wish to be understood as saying that the cause-and-effect relationship runs all in one direction. Big government may strengthen big business by making it difficult for any small enterprise to keep track of the laws and administrative decisions that affect its fortunes, and big labor may strengthen big business by wage policies that encourage mechanization, by providing incentives to create larger bargaining units, and in various other ways. But big business in turn makes government organization and labor organization larger. The great union is the natural answer to the great industrial combine. Government regulation is the logical response to the changes which concentrate industrial power and limit personal opportunity. As spontaneous business adjustments break down, government planning to adjust business arises. Big business, big labor, and big government go together, each insisting that it is merely the inevitable response to the problems created by the other two.

Problems of this magnitude cannot be met by simple blame or praise of particular business enterprises or particular business personalities. What is at stake is not the narrow question whether or not a specific great concern is abusing its power or whether or not it should be controlled, dissolved, or let alone. Even those of us who like industrial concentration most can think of instances where it has been abused for anti-social purposes, and those of us who like it least can think of cases where it has served a useful public purpose. Disagreements about the propriety of particular instances of concentrated economic power are inevitable, but not of major importance. The significant problem is economy-wide in scope; whether or not we shall permit the concentration movement to go so far that the organization of business becomes inconsistent with our economic and political institutions. This is an issue which cannot be disposed of merely by adopting an attitude of sympathy or antagonism toward particular large enterprises.

Policies for Dealing with Economic Concentration

Broadly speaking, two lines of policy are available in dealing with the concentration of economic power. The first is to accept that concentration as typically natural, inevitable, and perhaps desirable, and to use public authority to regulate its effects where there is danger that they may be objectionable. The second is to oppose concentration and to seek to hold it within relatively narrow limits. Under the first policy, the impairment of competition by concentrated control of industry would become the basis for regulation of prices and quality designed to give the consumer whatever degree of protection he might need. The disappearance of personal independence in business would become the basis for public guarantees of individual security and for whatever devices might prove feasible to select the most able people to be trained for positions of great responsibility. The disappearance of the opportunity to launch new enterprises and the drying up of venture capital would be met by programs of public research and development and of publicly financed investment where private enterprise lags. The relations between government, labor, and business would come increasingly to be defined by some combination of regulatory statutes and organized bargaining. At the very least, development along these lines would give us an economy subject to elaborate regulation by a state that takes detailed responsibility for the public welfare. At most it might edge us out of the private enterprise economy into a system of state socialism.

There is no blueprint for this kind of system, for no state that values and seeks to preserve a democratic political organization has yet built very elaborately along these lines. Socialistic governments in England and Sweden have posed some of the problems, but they do not pretent to have achieved yet the pattern which they are trying to establish. We know of a few of the scattered devices which have been used for control of industry. There is, for example, the public utility device, which substitutes detailed regulation of prices, services, profits, and investment for the competition prevailing in ordinary markets. There is the board of directors jointly representative of business and government, which has been used in various foreign countries, for example in joint ventures of business and government in the petroleum field. There is explicit socialization, such as the British Government contemplates undertaking in the steel industry. The proposal to accept a continuing trend toward greater concentration of control over industry is necessarily a proposal to experiment with devices of this kind as substitutes for the competitive checks and balances upon which our public policies have been based. It is not probable that if we take this road the choice will be dramatically and consciously made. We are much more likely to let things drift and later to adopt piecemeal remedies for the problems created by concentration when these problems have become acute and when no remedy but regulation or socialization is any longer possible. But our failure to foresee or desire the result will not be sufficient to avert it.

Preservation of our free enterprise system requires that we choose the other alternative—action to check the concentration of economic power. An effort to limit concentration entails a continuation of present policies, but with better instruments and greater vigor. There are four parts to such a program. The first is action designed to prevent large enterprises from following policies that tend to destroy their smaller competitors. This involves proceedings against price discriminations which may be used by a large seller as a means of bludgeoning his small rivals in their home markets or which may be used by a large buyer as a means of obtaining a decisive advantage over other buyers who do not enjoy the benefits of the discrimination. It involves prevention of such devices as full-line forcing, through which a concern that controls one commodity may refuse to supply it unless the customer will buy other commodities also, thus diverting trade from the competitors who produce them. It involves an effort to identify and prevent other abuses of the economic power of great enterprises. Work of this kind is important in reducing the impact of large size, but the means of converting size into business advantage are so numerous and many of them are so subtle that this type of activity alone cannot be expected to be enough to prevent undue concentration. Moreover, proceedings directed against the way large enterprises buy and sell have the effect of making it necessary for the government to take responsibility for many detailed business decisions, at least to the extent of preventing these decisions from being taken along certain specified lines. Limited government action of this type appears to be inevitable, but if such a program should be made comprehensive it would be scarcely distinguishable from comprehensive regulation of price policies.

The second way of limiting concentration is to dissolve great corporate combinations where they have acquired so much power as to be clearly objectionable. The longer we neglect the concentration problem the greater burden of dissolution we will necessarily carry if we are to restore competition. On a piecemeal basis, as anti-trust proceedings have shown, dissolutions can be successfully undertaken. Even under the most favorable conditions, however, they are slow and hard fought. They make it necessary for the government to take the responsibility of deciding how an industry should be organized. They entail a certain amount of unsettlement and waste in the process of reorganization. For these reasons, a broad and comprehensive program to dissolve great combines looks less feasible than a sporadic and selective one. There is probably some limit beyond which dissolution programs can be pushed, and if concentration is allowed to proceed well beyond this limit the process of concentration is likely to prove irreversible.

Preventing Types of Concentration

The limitations and difficulties attendant upon these two ways of attacking the concentration problem emphasize the importance of a third method of attack, that of preventing types of concentration that are undesirable. The barn door should be locked before the horse is stolen. For this purpose, however, our present law is insufficient. Its most obvious gap is the fact that Section 7 of the Clayton Act, which prevents one corporation from acquiring stock in another if the result is to substantially lessen competition, leaves corporate mergers and other forms of acquiring corporate assets completely unchecked. The Sherman Act has not yet proved adequate to prevent the creation of business oligarchies by a process of slow accretion. With the Clayton Act incomplete, there is no adequate preventative of concentration. For over two decades the Federal Trade Commission has recommended that this gap in the law be filled, and in recent years bills for this purpose have been introduced in each Congress. In the last Congress, one such bill was favorably reported but not passed, and in this Congress the same bill is now pending.

A fourth way of coming to grips with the concentration problem is by creating an environment more favorable to the rise and growth of small business than that we now have. In this, as in the first three methods of attack, the government can do a good deal. But this is peculiarly the method that can be used by private interests. If the vigor of small business can be maintained primarily by business action, there will be a corresponding reduction in the need to let the defense of the free enterprise system depend upon the use of the powers of government. With the rise of big business, there has been a tendency to organize industrial markets, transportation systems, and methods of financing so that they are increasingly appropriate for great organizations and increasingly difficult for small enterprises to use effectively. The capital markets illustrate the point. We have no financial machinery which is appropriately designed for raising small amounts of equity capital, and, in consequence, the cost of equity financing for small businesses is likely to be prohibitive. Yet small enterprises still do a large part of America's business, undertakes many of its most promising new ventures, make some of its best profits, and furnish by their very numbers and variety a diversity of risks capable of providing a kind of automatic risk insurance in a broad financial program. Within the last 20 years, farm credit has been revolutionized by joint action of the government and the financial community. In the same period, residential financing has been revolutionized, and among the leading inventors of the techniques by which this has been done have been some of the great life insurance companies. It may not be too much to hope for a revolution in the financing of small business in which those who administer the nation's larger loan funds will take an active part.

If it is true, as most of us believe, that a private enterprise system is more productive, more progressive, and more consistent with human freedom than one run by the state, then it is also true that all of us have much to gain from an effort to keep the control of business activity diffused. Unchecked concentration of economic power points toward monolithic private monopoly and, in the reaction from that, toward monolithic state control.

The State of Trade and Industry

(Continued from page 5)

The increase in steel demand has been general though not big enough to promise anything approaching capacity operations for the rest of the year. A few months ago business coming into steel sales offices would hardly have supported a 75% steel ingot operating rate for August. Aside from heavy consumer hedging against a September steel strike there are several other reasons for the recent pickup: (1) fear of higher prices, or at least less chance of price cuts; (2) inflationary trends; (3) better demand than manufacturers anticipated, and (4) sharp inventory reductions, which in some cases went a little too far.

Steelmaking scrap prices continued their advance this week and foundry grades were very strong. The top price on No. 1 heavy melting steel was up $2 a gross ton at Pittsburgh, Detroit and Birmingham. It was $1 a ton higher in Chicago, New York and Cincinnati and 50 cents stronger at Philadelphia. "The Iron Age" scrap steel composite (average delivered price of No. 1 steel scrap at Pittsburgh, Chicago and Philadelphia) scored its biggest jump of the year, advancing this week to $21.17 per gross ton. This is a gain of $1.17 for the week.

Purchasing agents are beginning to fear that steel prices may if anything go higher if steel companies should lose their fight against higher labor costs in steel and in coal. Sensing the change in the steel price picture, some buyers are stepping up orders. The sudden advance in delivery dates surprised many buyers and some got rather testy during the past week on learning they couldn't get steel as quickly as they could a few weeks ago, this trade authority notes.

Regardless of the recommendations of the presidential fact-finding board, steel shipments in the second half of September will not approach first-half figures. But there are signs that steel has returned to a "normal" seasonal pattern. Barring a strike, it is possible that October will show a normal seasonal pickup, but on the whole the odds are that the fourth quarter will be poorest of the year for the steel industry, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 83.5% of capacity for the week beginning Aug. 15, 1949, as against 82.3% in the preceding week, or an increase of 1.5%, or 1.2 points.

This week's operating rate is equivalent to 1,539,300 tons of steel ingots and castings for the entire industry, compared to 1,517,200 tons a week ago, 1,443,500 tons, or 78.3% a month ago, and 1,712,400 tons, or 95% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS OFF 1 POINT FOR WEEK ENDED AUG. 6, BUT 18.4% BELOW LIKE 1948 PERIOD

Loadings of revenue freight for the week ended Aug. 6, 1949, totaled 716,824 cars, according to the Association of American Railroads. This was a decrease of 6,986 cars, or 1% below the preceding week. It represents a decrease of 161,823 cars, or 18.4% below the corresponding week in 1948, and a decrease of 188,420 cars, or 20.8% under the similar period in 1947.

ELECTRIC OUTPUT HIGHER FOR WEEK AND CORRESPONDING PERIODS IN 1948 AND 1947

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 13, was estimated at 5,530,090,000 kwh. according to the Edison Electric Institute. This represented an increase of 64,086,000 kwh. above the preceding week 212,266,000 kwh. or 4.0% higher than the figure reported for the week ended Aug. 14, 1948, and 607,090,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE PRODUCTION REDUCED IN PAST WEEK BY CONTINUED HEAT WALKOUTS

According to "Ward's Automotive Reports" for the past week, motor vehicle production for the United States and Canada was held down to an estimated 144,078 units from 142,718 units (revised) in the previous period.

While the total is slightly higher than last week's revised figure, U. S. output was off 2,483 units. The gain in the over-all total for the week was due to the resumption of operations by General Motors and Chrysler in Canada following a two-weeks' vacation closing.

The total output for the current week was made up of 118,223 cars and 21,640 trucks built in the U. S. and 2,900 cars and 1,315 trucks in Canada.

Output a year ago was 112,342 units and, in the like week of 1941, it was held down to 45,550 units due to model changeovers.

Production for the year to date is estimated by Ward's at 31,105,-608 cars and 768,255 trucks for the U. S. and 106,133 cars and 62,832 trucks for Canada. In the like period of last year, the figures were 2,308,084 cars and 885,402 trucks for the U. S. and 87,353 cars and 61,800 trucks for Canada.

BUSINESS FAILURES CONTINUE TO RISE WITH INCREASE FOR WEEK HEAVIEST IN RETAIL TRADE

Commercial and industrial failures increased slightly to 176 in the week ended Aug. 11 from 171 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were considerably above the comparable levels of 1948 and 1947 when 103 and 60 occurred, respectively, they were approximately two-thirds as numerous as in the same week of prewar 1939 when 252 were reported.

Failures involving liabilities of $5,000 or more increased to 132 from 123 and compared with 79 a year ago. Small casualties, those with losses under $5,000, dipped to 44 from 48, but continued to be almost twice the number of a year ago.

Retail failures rose to 92 from 67 a week ago and construction advanced to 15 from 11. Other industry and trade groups reported a decline in casualties. In both manufacturing and retailing, casualties were slightly more than double that of the corresponding week of 1948.

New England, the Middle Atlantic States, the East North Central States, and the South Atlantic States had fewer failures than in the previous week. The number of failures in the West North Central States was unchanged from a week ago. Casualties were more numerous than last year in all regions except the New England States.

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 $5.89 on Aug. 9. This marked an increase of 4.1% above the year's low of $5.66, and the highest level for the index since Jan. 25 when it registered $5.91. The current figure represents a drop of 18.0% from the $7.18 of a year ago.

WHOLESALE COMMODITY PRICE INDEX CLOSED SLIGHTLY LOWER LAST WEEK

Following a sharp rise in the early part of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved gradually downward to close at 238.99 on Aug. 9. This compared with 239.87 a week earlier, and with 280.22 on the corresponding date a year ago.

Grain markets on the Chicago Board of Trade continued to be irregular. Price changes were generally narrow with all grain futures except corn showing advances for the week.

Cash wheat was fairly active and prices showed little net change for the week. Corn displayed independent weakness. Support was lacking due to reports of continued hot and dry weather over the belt. Domestic demand for hard and soft wheat bakery flours was at a greatly reduced level last week following the very heavy bookings recorded a few weeks ago. Interest in other flours remained slow.

Cocoa continued to edge higher, aided by scattered trade buying and a lack of offerings for shipment from primary markets. With supplies still tight, coffee prices moved up to new high levels as the week closed. Butter was off slightly for the week. Consumer demand for butter was still lagging but the market was stimulated by record purchases under the government support program. Domestic and export demand for lard was good with prices firmer. Cold storage stocks of lard showed a decrease during July contrary to trade expectations. In the Chicago livestock market, hogs were steady to slightly higher. Lambs 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.

There was a slight upturn in values in the final session following publication of the first government estimate on this year's crop which placed the total yield at 14,805,000 bales, or about 300,000 bales lower than was expected.

Inquiries and offerings showed some increases in most areas of the belt. There was some improvement in mill demand with some mills reported covering through December. Export inquiries were light and sales for export remained small in volume.

Supplies were reported getting tighter in many textile lines with premiums being offered for some spot deliveries.

RETAIL AND WHOLESALE TRADE CONTINUES MODERATELY BELOW THE LEVEL OF THE CORRESPONDING PERIOD OF 1948

Although very warm weather in many parts of the country in the period ended on Wednesday of last week discouraged many shoppers, total retail trade was very close to that of the previous week. Aggregate dollar volume, however, continued to be slightly below that of a year ago, Dun & Bradstreet, Inc., reports in its latest summary of trade. Consumer demand continued to center on moderately priced goods.

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, bathing suits and men's sportshirts. There was a rise in the interest in Fall apparel in scattered localities, but overall demand remained scanty. 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 popular foods were cold cuts, dairy products, fresh fruit and beverages. Interest in canned goods rose slightly.

Despite many aggressive promotions, the retail volume of home furnishings dipped slightly. It was reported that high temperatures adversely affected shopping in many sections. Refrigerators, washers and curtains were in large demand in some parts.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 3 to 7% below a year ago.

Regional estimates varied from the levels of a year ago by the following percentages: New England, South and Southwest —4 to —8, East —1 to —5, Midwest —6 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 continued to be moderately below that of a year ago. The number of buyers attending many wholesale markets dipped slightly in the week, but was somewhat above that of the similar week in 1948.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 6, 1949, decreased by 13% from the like period of last year and compared with a decrease of 11% in the preceding week. For the four weeks ended Aug. 6, 1949, sales registered a decrease of 11% from the corresponding period a year ago and for the year to date a decline of 5%.

Retail trade here in New York last week was again adversely affected by record temperatures which in part resulted in department store sales dropping, according to estimates, by about 15% or more below the like week of 1948.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 6, 1949, declined by 14% from the same period last year. In the preceding week a decrease of 13% (revised) was registered below the similar week of 1948. 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 7%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions by referring to "Indications of Current Business Activity," a regular feature in every Thursday's issue of the "Chronicle."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

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 signs of bigger obstacles to further advances seem to be more prominent almost daily.

* * *

Having told you how I feel about the market I must now say something that'll sound almost completely different. Anybody with a nose for technical market patterns has seen what appears to be the inability of some stocks to get through certain levels. If it is plain to me it is equally plain 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 what is obvious to others—many 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, 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, why don't I advise 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" level.

* * *

A "lock-in" is a market range where there's considerable public interest and greater than average public buying, from which stocks may later recede. Such a recession may be the result of too much intelligent unloading to an overenthusiastic public. When a decline occurs from such conditions the buyers are "locked-in," waiting to get out even.

* * *

All of the fears mentioned above may later prove groundless. I don't know. If I did, I know what I'd do. But I do know that certain conditions do exist. And when that occurs I try holding on to my bankroll.

I'm quite aware of the changing business tides. I've also read the speech of Thomas B. McCabe, Federal Reserve Board chairman, urging Congress to do something to make equities more attractive to investment capital. The better business, however, has already been reflected in recent market advances. The suggestions of Chairman McCabe won't be acted on in this session of Congress. I may be wrong on both counts. That is a chance I take. It is a chance any trader takes. However, I'm cautious enough to want as many odds on my side as possible when I put up money.

* * *

A Miami reader has written me a longhand letter I'd like very much to read. I'm therefore requesting that he type the letter and send it again to me. Incidentally, I do not write letters to readers of this column. But if anyone has an inquiry I suggest it be typed and be short, and if merits a reply, it will get it through this column.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

What More Does The Investor Want?

(Continued from first page)

that the readjustment period will be short-lived. This may well prove to be the case, but my concern lies in the fact that when something like this starts, no one knows how far it will go or how long it will last. Obviously there are tempering or supporting factors present, but there are factors also which are not reassuring.

The Hazards of Managed Money

It is interesting to note that just as in 1920, 1929 and 1937, when the Federal authorities played with the credit and money supply, their shrinking of credit and the money supply over the last year or two was again a forerunner to the drop in the business activity. Historically, the authorities tend to delay until the inflationary force or boom is about exhausted and ready to correct or reverse itself before they put on the "squeeze." This is one of the hazards of a managed economy, when the judgment of one person or a small group of persons is substituted for the collective judgment of all of us.

Also, at some point the cumulative financial and economic abuses of the last 15 years become a threat to our financial and economic health. There must be a point where the economy gets satiated with credit and when the economy ceases to be particularly or immediately stimulated by the mere introduction of more credit. I feel sure that we have not reached such a condition as yet, but I suspect that the recent steps taken by the Federal Reserve authorities to ease the credit situation will be both disappointing and delayed in their effects on business activity.

Employment is the key to government policy and as unemployment passes the 4 million mark, increasingly aggressive steps to bolster the economy can logically be expected.

Healthy Investor Interest Lacking

All this tends to explain investor cautiousness of the last several years and their unwillingness to pay high prices for the flush earnings of the last few years. The buyers' conservative appraisal of these earnings was a good thing in many respects. Wild price fluctuations are not desirable and only leave scars in their wake. In my opinion, stock prices have fluctuated too widely in the past, so widely in fact that the investor at times is bewildered to find or to see a security change drastically in market price in a very short time. I hasten to add that there is such a thing as healthy investor interest without which the private enterprise system cannot live, and when the private enterprise system passes, democracy must inevitably pass with it.

Actually there is not a healthy investor interest at this time and we are all aware of the factors that have brought this tragic condition about. The proof of the health of the security markets is best summed up by my widely quoted phrase, "American industry is worth more dead than alive." If "industry is worth more dead than alive," and there is wholesale evidence of the accuracy of this statement, then it follows that good investment values, as measured by historic standards, are present.

Industry Is Worth More Dead Than Alive

It has been estimated that American industry is carried on the books for less than 40% of its replacement cost. However, the common stocks of a great host of companies are selling considerably below book value and therefore at a fraction of their real value as measured by cost. Innumerable issues sell below the amount put back into the business in the last half dozen years, and others below net working capital. Earnings and dividends could shrink considerably and still suggest a real satisfactory investment at current prices.

With a new steel capacity costing $200 to $300 a ton, steel equities sell for less than $20 to $25 a ton; bank stocks sell for about two-thirds to three-quarters of their book value and bigger discounts from their liquidating values, and at only half of what it would cost to replace them; and the same applies to the capital stocks of leading insurance companies. Many strongly situated companies sell for less than their net working capital. The shares of leading integrated oil companies sell for around 60% of a conservative valuation of their oil reserves alone with no value being given to their tremendous other assets. And so on down the list.

Bonds and Cash vs. Common Stocks

To bring the basic problem of investment values into better focus and to permit a better perspective, let us analyze the liquid savings of the country. Some $141 billion of individual savings is in currency and in bank deposits of various types, on which an average return of only about 1 to 2% is probably being received. About $70 billion more is in U. S. Government bonds, including savings bonds, on which the average yield is less than 3%. In other words, of this $211 billion of individual savings, a portion is earning nothing, another segment is earning 1 to 2% on average and the balance is earning less than 2.9%.

The question as to the relative investment value of common stocks thus becomes one of determining whether American industry will have sufficient future average earning power to pay the investor more than the nominal rate they are getting on their savings as now placed. It would seem inconceivable that they will not achieve this with plenty of room to spare, particularly in view of the fact that investment equality common stocks sell at fractions of book value or replacement costs and at low price-earnings ratios. If it is not valid to assume that industry will earn enough to pay more than 2 or 3% on common stocks bought at current levels and that future quotations will be at this level or higher at least some of the time, I suspect it will probably be because we have embraced state capitalism either deliberately or because an extended period of declining business activity, sizeable unemployment, public spending, deficit spending (inflation), etc., has brought on government controls to stem the inflationary forces released in an effort to stimulate the economy.

Even under these conditions, it is difficult to visualize the ownership of businesses (common stocks) being a less desirable holding in the long run than the ownership of cash, savings deposits and fixed income securities. The record of the last decade bears out this reasoning and vividly shows that common stocks with all their shortcomings were a much sounder place for savings than were cash or bonds.

	12/31/38	12/31/48	Change	‡Adjusted for Depreciation of the Dollar	
Price of common stocks	$155	$177	+14%	$103	—34%
Dividend from common stocks	$4.98	$11.50	+130%	$6.71	+35
Earnings on common stocks	$6.01	$23.07	+282%	$13.46	+124
% Dividend of earnings	62%	50%	------	------	------
Price of high grade bonds	99	101	+2%	59	—41%
Yield from high grade bonds	3.05	2.90	—5%	1.69%	—44
Savings accounts	$100	$100	0	58.34	—42
Yields from savings accounts	*2%	*1.70	—15%	1.00	—50
Cash	$100	$100	------	58.34	—42%
Yield	nil	nil	------	------	------

*Average rate for year in major new York City savings banks.
‡Based on U. S. Bureau of Labor Statistics, Cost of Living Index.

The important thing to note from the foregoing is that because of the inflation, the real value of government bonds, savings and cash is down to about 59% of their 1938 value and income is only 55% of what it was in 1938. I am sure that many people who think common stocks are unsafe, do not realize how unsafe cash and bonds really were in the inflation of the last decade or what really happened to them. They have experienced a capital levy without realizing it in the form of a depreciation of about 40% in purchasing power since 1938.

While the market prices of common stocks did not give full protection against the inflation, the earnings and dividends increased more than enough to completely offset the change in purchasing power of the dollar, notwithstanding the fact that dividends were the lowest percentage of earnings in history. It is evident that quality common stocks represented a far safer place for savings than did bonds or cash over the last decade.

The impairment in real value of bonds, cash and savings and in the income received from these groups is permanent to the extent that the inflation is permanently frozen into the economy. In contrast, by plowing back earnings, book values of leading common stocks are up about 65% and replacement costs suggest even higher real values. The stockholder has had better protection, but of equal or greater importance, he has a basis for hope that the real value of his property will be reflected in quoted values in the future. The holder of cash or bonds has no basis for hope, he has been "taken."

"What More Does the Investor Want?"

In my opinion, the investors is "shell-shocked." I am old-fashioned enough to believe in the biblical saying "As you sow, so shall you reap." It looks to me as though the country is reaping the rewards, in the form of shattered investment confidence, of years of anti-business propaganda, acts and policies. Confidence in industry, in industrial and financial leadership and in the working of the private enterprise system has not been permitted to return, nor have the scars and the mistakes of the past been permitted to blend into history. And, of course thinking people are concerned by the trends toward socialism in this country, perhaps failing to realize that the trends are much slower than they seem from the headlines. In addition, the fear of a major decline in business activity has been kept so alive as to be in itself a major force affecting investment confidence.

The over-regulation of the security markets and the inadequacy of our investment banking and brokerage machinery under the changed investment conditions is a much more serious handicap than generally realized, as is the tax structure. And, of course, the investor is not unmindful of a growing tendency by management to place the stockholder's interest near the bottom of the list. If space permitted, I should like to have discussed each of these elements in detail as they each have a very important but varying effect on equity prices.

As important as they are, in my opinion, what the investor needs and wants more than anything else is a background that permits confidence, a more friendly and understanding environment for private capital and the private enterprise system. The other thing that has worried him most is in the process of being eliminated, or resolved, and I refer to the fear of a business decline and the presence of many economic abnormalities.

In the Long Run—

In the back of my mind lies the knowledge, or should I say the conviction, that the public is not likely to sit complacently by indefinitely and watch the true value, the purchasing power, of their savings go down and down without making some effort to protect themselves. Perhaps this is not a factor to be weighed heavily during the present business unsettlement, but rather something to consider when the inevitable deficit financing is in full swing again. What is more likely when the visibility clears up a bit is that the investor will see values that are irresistible, but it is a bold person who will say just when the public's indifference will run its course or when the inevitable flight from bonds and cash will take place.

The Real Position of the Steelworker

(Continued from page 7)

ductivity in the steel industry, Mr. Nathan alleges was at least one and a half times as great as the long-term trends which have been estimated to have developed in this industry prior to 1939.

Such fragmentary data as are available on changes in output per man-hour since 1939 for industry generally show a considerably smaller rate of gain than that experienced before the war.

No direct evidence has been presented to this Board to support the assumption that the steel industry has been increasing output per man-hour one and a half or more times the prewar rate, while for all industry, the rate of increase during the past decade has fallen below the historic rate of growth.

Productivity and Wage Changes

There has been no direct correlation between the rate of increase in productivity in specific industries and the changes in wages in such industries.

If wage increases were determined primarily by the rate of increase in productivity in particular industries, we would soon have a chaotic wage structure.

"Likewise, it does not follow from the fact that increases in real wages over the years have accompanied rising productivity in the economic system as a whole, that a similar correlation has been applicable to a particular industry, especially over short periods of time.

In the last few years wage increases have outstripped productivity increases no matter how the latter are calculated. Thus, from 1939 to April, 1949, average hourly earnings for workers in blast furnaces, steel works and rolling mills rose 94%. Even on the basis of Mr. Nathan's high estimates, productivity increased 49.5%, or only a little more than half as much as the rise in hourly earnings. In terms of the estimated actual rise in steel productivity since 1939, the discrepancy between increases in productivity and hourly wages has been much more marked. Since during the past decade hourly earnings have risen an average 6.9% a year, unit labor costs in the steel industry have risen sharply.

The rise in hourly wages has more than exceeded the rise in unit labor costs which in turn became a factor in raising steel prices.

Clearly one of the elements which has played a significant role in the modest increase in productivity during the war and postwar years has been the tremendous expansion in output by the steel industry. As compared with an operating rate of about 65% for 1939, the industry averaged 94.1% in 1948. Continued at that level, and of course they have recently declined by some 14 percentage points, then it would follow that part of the past small increase in productivity would be reversed and such a reversal has taken place recently.

Labor Shares in Various Ways

Higher wage rates constitute only one of many avenues by which the worker has participated in productivity advances. Other forms have included: lower prices, product improvement, paid vacations, rest periods, shorter hours without income loss, and various welfare plans.

In effect, gains in productivity provide a fund out of which a company can either increase wages, decrease prices, increase profits to the stockholder, or follow a policy which involves a combination of any two or three of these alternatives.

If part of these gains is taken in the form of greater welfare fund payments, the gains cannot also be obtained in the form of higher wages.

Summary of Productivity Situation

There is clearly no evidence either in the past or recent trends in output per man-hour in the steel industry to support the union's demand for a package increase of 30 cents an hour (18%) or a general wage increase of 12½ cents an hour (7½%). The comparisons between past increases in real hourly earnings of steelworkers and changes in productivity have no relevance to the question of worker participation in past gains in productivity in this industry. When the appropriate comparison is made, namely between increases in money wages and increases in output per man-hour, it is found that all of the wartime gains in productivity—and much more—have been reflected in the 94% increase in hourly earnings. This statement applies even to the highly inflated productivity gains shown by Mr. Nathan for the past decade. The modest annual gains in productivity provide the source for all increases in labor costs.

* * *

ABILITY TO PAY

The ability to pay argument is a highly opportunistic one which cannot be and will not be widely applied by labor.

The dominant theme of both of the Nathan reports is that industry has tremendous profits and that, therefore, "corporations as a whole can afford a substantial wage increase." He qualifies this general statement by recognizing that

". . . many firms and industries are being squeezed, especially the smaller companies" . . . "a uniform round of identical wage increases is not justified, because there is no uniform ability to grant increases."

"He uses ability to pay not only as reflected in current profits but in terms of the high profits that he says should prevail if we have full employment. Mr. Nathan does not appear to be concerned by the fact that many companies could go broke under the impact of the higher wage costs.

Usefulness of the Ability to Pay Criterion

(1) Wage increases on the basis of ability to pay would create a chaotic wage structure. Wage rates within an industry or a community have evolved over the years as a result of economic pressures supplemented by collective bargaining, arbitration, and government regulation. They reflect various economic pressures including the relative importance of wages to costs, the growth pattern of the industry, the type of labor required, the nature of operations, etc. Any attempt to base wages upon abilty to pay must result in sharp changes in these relationships and act as a disturbing influence to the effective utilization of resources. It is difficult to understand how Mr. Nathan's professed objective of full employment can be obtained when wage relationships are thrown into chaos.

Strictly adhered to, the ability to pay doctrine would mean that the most profitable firms would pay a differential as compared with other firms and hence be able to obtain the most efficient members of the labor force.

The fact is that while ability to pay is a very useful opportunistic argument to use under some circumstances, it is quickly and conveniently overlooked where it has no application. If wages are increased in key industries such as steel or automobiles on the alleged basis of ability to pay, other unions in other industries would quickly adopt as their slogan the need to obtain for their members the "national wage patterns" established in the "key bargain" industries.

Any attempt to determine wages on the basis of ability to pay within any industry also would conflict with the avowed objective of most unions to secure equal pay for equal or similar work. The Steelworkers Union long has proclaimed this objective.

(2) Corporate savings represent one of the chief sources of capital and profits are the source of such savings. Moreover, profits on the expectation of future profits are the means of attracting venture capital to industry. For many industries, undistributed profits represent the most important source of these savings. Workers have nothing to gain and everything to lose from a wage policy that tends to hold down profits and hence to retard new investments. This is particularly true of steelworkers and other workers in industries making capital goods. A reduction in profits will mean a reduced demand for plant and equipment and that in turn will mean a smaller demand for steel.

When steelworkers advocate a cut in profits they are at the same time advocating a reduction in the number of job opportunities available to them.

(3) Unions do not want to apply the ability to pay criterion consistently and uniformly even now, since it cuts both ways and would lead to wage reductions wherever profits are non-existent or inadequate.

(4) The wage rates established on the basis of abiltiy to pay by any company or industry in the abnormally good years would remain to block cost and price reductions when, as and if we have poorer years.

We are now in the period when the bottlenecks have been eliminated and the backlog of demand has been substantially met. Higher costs in the form of higher wage rates at this time will make it more difficult to effect any required adjustments in the future.

(5) Rates of profit vary widely in different industries and among companies in the same industry. There is no scientific standard that can be used to determine when profits are excessive.

(6) Under the ability to pay theory, the principle is the same as a backer asking each customer how much she can afford to pay and charging her accordingly.

(7) Production is not automatic. It must be induced. The most effective incentive known is a high rate of profits. If that opportunity is weakened or destroyed entrepreneurs will be discouraged from establishing or expanding enterprises, the demand for labor will diminish, and employment will be reduced.

(8) There is no necessary relationship between the profits of the past and the ability-to-pay wages in the future.

The large number of companies which showed sharply reduced earnings in 1948 and 1949 furnish additional evidence on this point. Reported corporate profits before taxes declined from an annual rate of $34.5 billion in the fourth quarter of 1948 to an annual rate of $25.5 billion in the second quarter of 1949. While $4.7 billion of this $9.0 billion decline in the annual rate of profits reflected inventory losses, there still remained a decline of $4.3 billion reflecting the modest decline in business activity during this period.

(9) Ability to pay has had little significance in wage determination in recent years.

(10) Profits fluctuate very widely over the years. If wages are to be made dependent upon profits, they too will fluctuate erratically and the ability of industry to set aside reserves for bad times will be impaired.

Reserve Board Opposes Enlarging RFC Power

S. R. Carpenter, Secretary of Board, in letter to Senator Maybank, Chairman of Senate Committee on Banking and Currency, presents view commercial banks have ample available funds to meet business credit requirements.

S. R. Carpenter, Secretary of the Board of Governors of the Federal Reserve System, on Aug. 8, transmitted to Sen. Burnet R. Maybank, Chairman of the Senate Committee on Banking and Currency, a letter in which he gives the apparent unanimous stand of the seven-man board that no further expansion of the lending power or functions of the Reconstruction Finance Corporation is required, since the credit facilities now offered by the commercial banks are ample to meet current business needs.

The text of Mr. Carpenter's letter follows:

"This is in response to your letter of Aug. 2, 1949, requesting the views of the Board of Governors with respect to the bill S. 2344. The principal effects of this bill would be to remove all maturity limitations on loans made by the Reconstruction Finance Corporation and to increase the aggregate amount of such loans that may be outstanding at any one time to $5 billion.

"The Reconstruction Finance Corporation was established in 1932 as an emergency organization. In that capacity, during the economic depression of the 1930's and again during the war period the Corporation performed a very useful service to the government and to the nation. The Board feels that the Corporation should continue to be regarded as essentially of an emergency character. In ordinary peace times the lending functions of the Corporation, if continued at all, should be held to a minimum and it should not be aggressive in soliciting or accepting loans. Even in such circumstances the Corporation should avoid as far as possible competition with private credit sources.

"In his recent Economic Report the President suggested legislation to extend the maximum maturities of loans by the Corporation to permit financial assistance to business ventures which are economically sound and urgently needed in an expanding economy but which require long periods of time to develop and produce earnings which will permit orderly amortization of debt. It is the view of the Board that the present 10-year limitation on ordinary business loans by the Corporation is entirely adequate and that in the types of cases referred to by the President the limitation could well be fixed at 15 years but should not be removed altogether. The Board concurs with the view expressed by the Secretary of the Treasury that there be regular amortization of loans having maturities in excess of 10 years.

"The Board is not in accord with the provision of the bill which would increase the aggregate limitation on loans made by the Corporation. The Board is in sympathy with the policy of stimulating employment at this time through the encouragement of necessary financing of business enterprises, particularly small business. However, it believes that such financing of enterprises worthy of credit should be encouraged to the greatest extent possible through regular private banking channels and that financing by the government should be undertaken only when financing is not available on a reasonable basis from the usual credit sources. In the case of ordinary business loans, the Board feels that the use of the private credit system can best carry out the objective of the President's statement in his recent Economic Report that the Government's policy should be 'to encourage banks and other institutions to maintain and expand their productive lending activity.' Commercial banks have available ample funds to meet the financing requirements of business, and there appears to be little evidence that sound credit is unavoidable on reasonable terms to an extent that would call for increasing the aggregate dollar amount of authority for Reconstruction Finance Corporation loans.

"It should also be noted that loans made by the Corporation involve the use of government funds and that a further enlargement of the aggregate lending authority of the Corporation would thus increase the amount of the prospective government deficit.

"Since the bill is now the subject of hearings before your Committee, time has not permitted us to take the matter up with the Bureau of the Budget."

Iowa So. Utilities Preferred Offered by First Boston Group

The First Boston Corporation headed an investment banking group which offered to the public on Aug. 17 80,000 shares of Iowa Southern Utilities Co. (of Delaware) 5½% series cumulative preferred stock at par ($30 per share) plus accrued dividends. The new preferred stock is convertible on or before June 1, 1959, into common stock at a basic conversion rate of two shares of common for each share of preferred.

The proceeds from the sale of these newly issued shares will be applied in part toward the cost of the company's construction program and payment of $1,143,780 of bank loans incurred for construction purposes. The balance of proceeds will be used to reimburse the company for construction expenditures already made. The company estimates construction expenditures for 1949 at approximately $3,000,000 and for 1950 at around $2,900,000.

The preferred stock is subject to redemption at any time at $30.75 per share if redeemed on or before June 1, 1952 and thereafter at prices scaling down to $30 per share after June 1, 1958. It also has the benefit of a purchase fund under which the company, beginning in 1960 and in each year thereafter, will set aside out of net profits 3% of the aggregate par value of the shares of preferred stock outstanding on Dec. 31, 1959.

Bond Club of Pittsburgh Outing Date Changed

PITTSBURGH, Pa.—The Bond Club of Pittsburgh has announced that their annual fall outing has been changed to September 30th, from September 23rd.

Three With Cruttenden Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Norman J. Hickey, Albert R. Schwartz, and Torben H. Sorensen have become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges.

King Merritt Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Edward J. Peck has joined the staff of King Merritt & Co., Inc., 220 Montgomery Street. He was previously with Denault & Co.

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 spendthrifts in the United Kingdom who apparently look to us 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 liberty of scoffing at him. 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 which we as a people simply must not permit 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 the republic. They are a nuisance and require attention. 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 of these European infections. They fail to realize that our American system has grown away from the systems of Europe by 250 years. They have the foolish notion that a collectivist economy 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 complacent, or at all events not effectively active, 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 governmental spending and taxes 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—power, more power, more centralization in the hands of the state. And along this road of spending the government either takes over, which is Socialism, or dictates institutional and economic life, which is fascism.

"We have not had great socialization of property, but we're on the last mile to collectivism through government collection and spending of the savings of the people.

"You must give it thought.

"And the device of these advocates of gigantic spending is the manipulation of words and phrases and slogans to convey new meanings different from those that we have long been used to. The maligned distortions drug our thinking. They drown it with emotion. For instance, we see government's borrowing and spending transformed into a soft phrase called 'deficit spending.' And the slogan of the 'welfare state' that has emerged as a disguise 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—we had 'the security from the cradle to the grave.' But in action these frustrate those 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 production of the population, but that it has other direct and indirect consequences 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 his words about the final, and in a sense the sole responsibility for all this, and hence the only real cure, he 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 history. He warns the individual that he cannot with warrant or justice sit back and lay the blame for such things on elected officials or legislators. These are representatives of the voters, and in order to remain in office must be regularly seeking reelection. They are subject to all the pressure 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 here, too, the ex-President has at least an inkling 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 "advanced thinking" of European revolutionaries, and of a good many untrained but highly influential figures in our own midst, has seeped deep into the thinking and the reactions of the American citizen. For this we have in substantial part to thank the persuasiveness of Franklin D. Roosevelt. Vastly developed and improved transportation and communications—especially the radio—have immensely helped this movement along—as have huge sums from the Treasury of the United States where they would "do the most good" in accomplishing this transformation. Unfortunately, the jingling of the 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 replaced 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 centuries of hardship, to reteach men what centuries had already once taught them.

Foundations of Sound Collective Bargaining

(Continued from page 11)

must be based upon sound economics.

Unless labor and management accept intelligent economic criteria as a guide to baragining actions there is trouble ahead for us all. What those criteria should be, I know, would bring argument from all directions. But we need such argument, such discussion of basic premises if collective bargaining is to flourish.

Basic Principles

In my opinion five principles form the economic foundation of constructive collective bargaining Let me submit them to you.

Principle Number One — Labor and management must believe in capitalism, and help to make it work.

Number Two—Labor and management must believe in ever-increasing productivity, and must work to achieve it.

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

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

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

Now let me discuss these five principles one by one. When I say that both sides must believe in capitalism, I mean that they must believe sincerely and wholeheartedly in the competitive free market economy and must devote intelligent effort to make it work. Theoretical agreement on this basic premise of our economy is not much of a problem.

But I have the feeling that all of us could help narrow the gap between belief and practice.

Management and labor leaders make economic decisions daily which affect the growth of our economy. Are they ready to make decisions in the spirit of an expanding capitalism? Are they ready to reject decisions which limit production or restrict competition? Does the labor leader who believes in a profit and loss economy accept the role of profits? Does he agree that profits are good—necessary to investment and expansion? Does the manager who believes in a mass production economy accept the relationship of volume to price? Does he agree that the constant lowering of prices can build volume and that this is fundamental to our kind of capitalism? Does the manager agree that the interests of business as a whole are best served by passing on a substantial part of the savings flowing from higher productivity in the form of lower prices and higher wages?

And finally if both management and labor believe in democratic capitalism do they resist the temptation to preserve temporarily their economic positions by the use of restrictive practices aimed at each other or, in collusion, at the consumer?

The American public has come to expect a steady improvement in living standards. The quest for material progress is one of our most distinctive characteristics. We are determined that our children shall be better off than we have been.

Under this philosophy the standard of living—the material well-being of most people—has increased in the United States more rapidly than at any other time or place in the history of mankind.

Here are the facts. Since 1850 population has increased six times while national income (in constant prices) has increased more than 25 times. The real income per person rose more than four-fold. The record indicates that the American capitalism has been and is the most productive in the world.

This enormous increase of productiveness has been translated into higher living standards in a variety of ways—shorter hours of work, longer years in school and earlier retirement, higher wage and salary rates, lower prices, new products and improved qualities, and more public services and benefits.

The rising standard of living of the past century, in the sum of all these forms, was made possible basically by the great expansion in the capacity to produce—primarily through the accumulation of capital invested in plant and equipment.

Critical Importance of Investment

The critical importance of investment in machinery and capital goods is illustrated by the fact that in 1850 a worker typically had one one-half of a horsepower to help him. By 1940, however, each worker was assisted by 27 horsepower. Thus the amount of horsepower **per worker** was multiplied 54 times between 1850 and 1940. In 1850 for each worker in manufacturing it is estimated there were $557 (in 1850 prices) worth of capital equipment. In 1940 the figure approximated $6,000. Since prices had almost doubled, that represents about $3,000 in terms of 1850 prices—or a six-fold increase in capital equipment. These statistics provide some indication of the increase in the quantity of capital goods combined with labor services to increase the productiveness of the economy.

America enjoys the highest standard of living in the world because its capitalism—in spite of some defects—has delivered. And it can deliver far more than it has. The standard of living of the American family can be doubled in the next 25 or 30 years. This is a practical objective for the common effort of management and labor. It is a necessity if this generation is to meet its responsibilities.

The record of the last century has been impressive. The problem for the future is to keep our capitalism dynamic—continue to raise living standards and yet to reduce, as much as possible, the human costs as reflected in insecurity and instability.

But the point I make is this: We can accomplish as much, or more, in the future as we have in the past only if labor and management adhere to the basic economics of capitalism.

Practically, what does this mean? Let me give one example. Labor and management have a stake in securing a sufficient stream of funds, particularly venture funds, for new plants and equipment. We have seen the critical role which those expenditures played in raising living standards in the past. To raise real wages four-fold, capital per worker in manufacturing had to rise six times. Over the past century about 20% of our gross national product has been used annually for capital formation.

The present tax system discriminates in important ways against risk bearing investment—by limitations on the spreading of losses through time, by penalizing those with irregular incomes, by exempting state and local government bonds from Federal taxation, by double taxation of corporate dividends, and by very steep rates of progression in the individual income tax. If we are to maintain the rate of investment which made our past growth possible it would seem obvious that labor has as a big a stake as management in working to correct these tax inequities.

Threats of Wage and Price Inflation

Self-serving pressures that contribute to inflation — in times when inflationary pressures are strong—provide another example of an area demanding greater attention to the basic economics of capitalism — and less lip-service. Real danger to our economy arises from the threat of continuing wage and price inflation under conditions of high employment. The widespread growth of labor unions establishes the basis for powerful upward pressure on money wage rates. When there is a strong demand for goods and a tight labor market, wage demands are hard to resist and easy to grant. Under these circumstances, there is real danger that unions may force up wages at rates which exceed productivity gains and necessitate increases in prices. Similarly, in these circumstances some businessmen find it too easy to inflate profit margins. And then we find ourselves on the inflation highway. Inflation brings with it the danger of subsequent depression, with widespread waste of manpower and productive facilities and depressed real incomes for all groups in the population.

Neither the alternative of widespread unemployment nor of direct government controls over economic activity is acceptable in a democratic capitalism as a check against such inflation. Yet can collective bargaining in this country, under conditions of high employment, restrain wage settlements within limits which are not inflationary? The answer may well be decisive for the future of our economy.

I have emphasized that our capitalism requires constant changes in management techniques, processes and skills. Such changes, while contributing to general progress, inevitably mean hardship for some firms and workers. These are temporary layoffs. Some jobs are permanently lost. Old skills become obsolete. The new jobs may arise in different localities or require very different skills. There is danger that collective bargaining may become so concerned with security that we will fail to provide for the readjustments required for rapid increase in living standards.

Security and Progress

There is need to keep in mind the double objectives of security and progress. I don't think it's possible to have complete security without sacrificing progress and thus drying up the well-spring which makes security possible. On the other hand progress provides the foundation for increased real security— not only its level but its distribution as well. More progress means more security, for more people. But it still should be possible to mitigate the personal costs of movement and readjustment and yet secure a high rate of increase in living standards. Can collective bargaining adjust to this problem?

Increasing Productivity Essential

Principle Number Two — Labor and management must believe in ever-increasing productivity and must work to achieve it.

Productivity is the basis of the modern industrial society. Increased productivity, more output per man-management-machine hour, is the heart of our industrial body. Any permanent stability in the workshop will have to be in harmony with this fundamental fact.

There are two general ways in which groups in our society may seek to improve their economic lot. One method is to take away income from others. A company may raise its prices relative to other prices. A union may push up the wages of particular workers more rapidly than others. Political action may be used to support particular prices, profits or wages at abnormal levels. That is one way—at the expense of each other. It is the unsound way—the uneconomic way.

The other way of improving living standards of a group is for that group to participate in increasing the total output—helping to produce a bigger pie. That is what I mean by believing in and practicing a philosophy of dynamic capitalism.

The tons of the dealings between union and management organizations will condition the morale of the workers and, in turn, the quality and amount of their output. An understanding and sympathetic attitude on the part of management tends to be reflected in the interest and efficiency of the work force. Similarly, the union organization affects productivity by the attitude it engenders among its members. If the union officers show no interest in production and disparage, criticize and oppose all programs to increase productivity, the workers are likely to act accordingly. On the other hand, a sympathetic attitude on the part of union leaders will be reflected in the performance of the rank and file.

Distribution of productivity gains, which stimulate business owners and managers to increase productive efficiency, has kept the economy dynamic and progressive. It has served, in turn, to distribute rapidly throughout the population the gains resulting from economic progress.

In highly progressive industries wages have, in general, increased somewhat more rapidly than average, and profits have tended to be relatively high, but most of the productivity gains have been transmitted to consumers in the form of lower prices and improved quality of product. In industries experiencing little or on increase in productivity, wages have increased less than average, profits have tended in general to be low, while prices have increased.

Continued productivity will depend greatly upon labor's attitude. Labor cannot continue to have the power is does and not hurt the economy as a whole unless it exercises its power in the direction of increased productivity.

I am not unmindful of the difficulties in getting collective bargaining dedicated to productivity. It is not easy to convince men that increased productivity is not so much a matter of working harder as it is a matter of working better.

Our troubles at home are the heavier through the weight of our troubles abroad. But the diligent pursuit of mounting production will help to solve them. It is nothing new to say that high productivity makes more jobs, maintains jobs and makes for better jobs. But it never needed retelling more emphatically than now. Let me tell it in terms of a hubcap.

One day in 1938, the officials of a motor company called in a skilled craftsman and said to him: "Jake, do you think you could make a hubcap shell by hand?"

"Sure," he replied, "but there's no sense to it."

"We just want to see how long it takes," they told him, and so Jake went to work.

Jake was no slouch, and by the stop-watch his time was good. But while he was hammering out one hubcap shell, an automatic press turned out 2,160 of them.

In material cost, plus his pay, Jake's hand-made shell cost $2.50.

The machine-made shells cost a little over 12 cents apiece.

With Jake's sample as a starter, the company went on to calculate that to produce an entire car by hand would cost $17,850. Perhaps not 50 cars a year would be sold at that figure.

There wouldn't be an automobile industry as we know it, with its hundreds of thousands of jobs There wouldn't be any jobs in filling stations and in rubber plants and drive-in restaurants which those automobile-making jobs have generated.

I could have used a safety razor blade or a light bulb instead of a hubcap shell, perhaps. The point of the story is the same. Productivity has given us all we have and can remultiply it endlessly. But will it? It can if labor and management believe in ever-increasing productivity and work to achieve it.

The Managerial Function

Now let's examine Principle Number Three—Labor and management must believe in the importance of the managerial function.

It is now obvious to all that the union has an important role in our industrial life. It has a voice in decisions and the power to back up what it says. To an increasing extent it has moved in on the traditional preserve of management to make decision.

This has been developing for the last 20 years. During this period, collective bargaining in our factories has been increasingly concerned with the issue of how much the union should have to say in running the show. The average American on the sidelines of the labor-management arena has watched labor's struggle with an indulgent and sympathetic eye. He has often been inclined to wear labor's colors and to cheer its gains. He has often largely identified himself with its cause.

Good pay, good working conditions and fair treatment are desirable ends which everybody wants and understands. But attention to these ends has caused many to overlook the importance of efficient management.

Management's function is different from the function of ownership. In effect, management's function is as impersonal as traffic rules. The right-of-way on the public highway is not a personal privilege. It is there for the sake of order.

Nor are the functions of management something confined to a capitalist society such as ours. They prevail in all societies, socialist and communist as well as capitalist. Whether the workers own the plant, whether the government owns it or stockholders own it, there must be management.

Our natural inclination toward the human, understandable and rightful objectives of labor have caused us to underestimate the importance of management's function in our modern industrial society. We have taken its accomplishments largely for granted. But it has been management which has brought labor, capital and raw materials together. It is management which fix the standards of efficiency for the one and calculate the most productive use of the others. Management must adjust the outward flow of the finished product. Our high standard of living is owed in no small part to the high caliber of our management.

Through the years the concept of the managerial function is constantly being modified and changed as the production environment changes. In the past it was generally considered management's prerogative to formulate all factory law. This included all rules and regulations, hours of work, working conditions, and wage payments. Take the problem of layoff. Twenty years ago management was in sole charge of whom to lay off if business receded. Now there are seniority lists in all organized and most unorganized plants. Management has conceded that layoffs should be governed by agreed rules. It is a rare management today that argues that it alone should decide who shall remain at work.

But there is a basic right, if the economy is to function efficiently, that labor must concede to management and that is management's authority to direct the business. There must be no infringement by labor on this basic managerial function—direction and administration of the enterprise.

Can collective bargaining meet this challenge? Can it resist short-circuiting and undermining the managerial function? For if it does not, neither collective bargaining nor our economy will survive. On the other hand, can collective bargaining reinforce the managerial function? It can if labor and management believe in the importance of the managerial function.

Economic Fact vs. Economic Power

Now to **Principle Number Four** — Labor and management must make decisions on the basis of economic fact and not economic power.

Every collective bargaining session eventually resolves itself down laregly to the issue of labor's share of the sales dollar. And that is as it should be. Labor costs are vital to labor and management. To labor it is the heart of collective bargaining. To management it is often the hell of collective bargaining.

For the great weakness in collective bargaining today is the unwillingness — often of both sides — to rest one's case upon economic facts that pertain to the enterprise involved. There is a tendency to use either economic power or propaganda power to force decisions which are not economically sound. Collective bargaining cannot survive that kind of practice.

Take the propaganda front. Both labor and management are prone to use yardsticks which suit their purpose rather than economic fact.

In periods of inflation labor will use the cost of living argument. In periods of deflation labor drops the cost of living argument. In periods of deflation management will use the argument of losses but will ignore the argument of profits in a period of inflation. This refusal to find the facts and hold to them always reminds me of the classic couplet: "Give me what I haven't got and take me where I'm not."

What I am driving at is the need for both sides to honestly grasp the economics of the particular industry and of the particular business and to base their collective bargaining decisions on those facts.

The wage structure of the country is now set, in the main, by collective bargaining. That makes it imperative that economic fact guide labor and management in fixing wages. The nation has an interest in the kind of wage structure which is developed because rates influence the movement of capital and workers and thus the growth of the economy.

Labor and management must also recognize the relationship that exists between real wages and productivity. The only important way in which real wages can be raised is through increases in productivity. Attempts to raise wages generally faster than productivity increases results in increased prices, decreased employment, or both. On the other hand, as I have indicated, most of the productivity gains of the past century have gone either to labor in higher wages or to the consumer in lower prices. This is as it should be.

There is an urgent need for labor and management to resist the temptation to use economic power and use reasoning power based upon economic fact instead. Can collective bargaining meet this challenge? It can if labor and management believe that decisions should be made on the basis of economic fact and not economic power.

Joint Responsibility to Community

The last of the five principles I listed a few moments ago is: Labor and management must accept primary responsibility to the community.

Collective bargaining, like democracy, is a technique. It can be good or bad. If the technique is used by men who act in the public interest then collective bargaining is constructive. If not, it can be destructive.

Labor and management owe it to themselves and to America to develop patterns of living together. They cannot use their power—power derived from the right to associate and incorporate —to tear the economy apart. After all, the right of association, whether into corporations or unions, is a right granted to individuals by the community. This right carries with it a social responsibility. And it is government's duty to enforce that social responsibility. To the extent that these associations accept their public obligations, government can stay out of their affairs. Where the group does not practice public responsibility, government steps in.

Our society, to remain democratic, must continue to grant the right of freedom of association, but it must, at the same time, insist that autonomous economic groups assume social responsibility. And it must do this without destroying the group itself. It is one of the primary problems of modern, democratic government to mold these great interest-groupings into the economic and political structure of a free society without destroying either group or individual rights. This is the great; long-term problem raised by the growth of the corporation and the union. We refuse to accept either the alternative of rule by the power blocks or a dangerous extension of governmental power.

To serve themselves best, management and unions must recognize their mutual interdependence and their responsibility to the community. This is the great imperative of our time. It isn't a question of lip service to social idealism. It is a question of down-to-brass-tacks appraisal of our economic necessities.

We know that isolationism can be dangerous in an interdependent world. We are learning that isolationist conduct by any one group in our modern society is dangerous to our interdependent, interwoven economy. There is no better place to begin to end economic isolationism than in the collective bargaining process.

The Committee for Economic Devlopment has repeatedly stated that it believes in free collective bargaining. But collective bargaining is a relatively new technique. It is still on trial with the American people. And it will be on trial until labor and management demonstrate that they accept their responsibility to the community.

Let me summarize.

Collective bargaining is now accepted as public policy. It is part of the warp and woof of our social fabric. But it needs constructive development. That means putting it on a sound economic foundation. In my opinion that foundation has five pillars:

An energetic belief in capitalism.

Constant effort to increase productivity.

Recognition of the importance of the managerial function.

Decisions based on economic fact.

Acceptance of responsibility to the community.

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

With Lamson Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—John F. Gaynor is now connected with Lamson Bros. & Co., 141 West Jackson Boulevard, Chicago, members of the New York and Chicago Stock Exchanges.

Burgess & Leith Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James A. Hodder, Jr. has become affiliated with Burgess & Leith, 30 State Street, members of the Boston Stock Exchange.

Stockholder Relationship

(Continued from page 6)

tal appreciation has a simple and easy story. These corporations will hold their stockholders and will not find it difficult to raise capital through them. New corporations and less successful corporations have a more difficult job, and they must offer a greater appeal in the form of a larger reward for capital. This is not as difficult as it sounds. Corporations that do not have a successful record behind them undoubtedly have lower priced equities relative to assets, and the stockholder is not different from any other individual. He is always hoping to find a winner.

The Economic Services and the Financial Page

There are many economic services that publish and analyze the financial records of corporations. The value of these as historical accounts showing what has been accomplished is indispensable to the analyst and the prospective buyer of stocks. Through the financial press current news of a financial interest is reported from time to time, but this is seldom enough for the holder of a large block of stock or a prospective buyer. He wants to know what the company is planning to do. He wants to know what the policies of the company are—whether it expects to expand into new markets, add new products, find some new ways of cutting the costs of producing and selling the products. Information and advertising circulars seldom provide the stockholder with the understanding necessary to enable him to make a decision as to whether he shall buy the stock of one manufacturer or a n o t h e r, or whether he shall buy the stock of a bank or an insurance company, or whether he had better get out of stocks altogether because business depressions always come and the present period of prosperity has lasted longer than usual. It is not possible for the individual stockholder or most investment managers or brokers to sit down with the operating officers of a corporation and sufficiently absorb enough information and understanding of the corporation to answer these questions. Because of these limiting conditions, many corporations have felt it necessary to maintain someone thoroughly familiar with the financial history and progress of the company and its outlook and be prepared at any time to furnish this information to any and all stockholders or their representatives. It is quite logical, of course, that such a company employee would be a little biased in favor of the company, but stockholders and brokers can quickly discount that matter. Also, they are very keen to sense whether or not the information is entirely open and above-board and honest or promotion. No corporation can afford to have a representative of this kind who indulges in promotion or making over-optimistic statements about the company. Nothing can be more damaging to a stockholders' list than misinformation received from a company representative. The company will hold its stockholders better that furnishes accurate information and errors if errors must be committed on the side of conservatism. Such a representative of the company who is accessible to stockholders is of great value both to the company and to the investing public. This representative must be something more than a mere news carrier. He must understand the economic and financial conditions of the business in general he represents, as well as the particular company, and the general economic conditions and trends. In short, he must be a very able analyst of financial and economic data and trends affecting business. An uninformed representative can do a company more harm than he can ever do good.

The management of old, large, well-established companies whose stock is widely distributed and held for investment and growth may think that they do not have a problem of stockholder relations. But the management of these companies must remember that stockholders are not perpetual like corporate characters. Investment advisers can find new opportunities offering more profitable employment of capital, and if one of these old, well-established companies needs to raise new capital they will find it much easier if their stock is held in high repute and of confidence in its future profitability has not been impaired.

Stockholder Relations and Public Relations

Stockholder relations are a specialized form of public relations. It is possible for a company to be highly respected by the general public who buy the products and still be in disrepute among investors. It would not be difficult to name some very important companies whose products are widely consumed and have been for a long time and these companies are contributing valuable goods and services useful to the public just as their advertising and publicity campaigns say they are. But their management has not been successful financially. Stockholders have lost money and no one capable of analyzing the corporations from the standpoint of its securities as investments would recommend the stock to either an investor or speculator. These companies will find it almost impossible to raise new capital by stock. The reasons for their financial failure may be very difficult to place, but investors are interested in financial results favorable to them or they seek other opportunities for their investments.

Management and Employee Ownership of Stock

For the most part it is a mark of confidence to find that the management of a corporation has its own money invested in the company. If the management has confidence to invest in the company they will undoubtedly have more care in looking after the welfare of the company and the stockholders than a hired management that has no interest in the welfare of those who contribute the capital. When a management invests their own money in the company and encourages employees of the company to invest their savings in the company because they know what the company is doing and their mutual interest in their own company will enable them to do a better job in managing their investments than they can do by risking their investments in the stock of companies whose business they do not know. It seems that any one who has an investment in a company, whether he be an employee or an officer, must have a greater interest in the welfare of the company and its successful operation which is in the best interests of all stockholders. But no company can expect to encourage its employees to invest in the stock of the company unless it has established a record of growing success with good future promise.

The Stockholder and the Management

Every stockholder is interested in the capacity of the management to succeed in building up his company and making his investment grow. Successful management is something that cannot be defined in advance. In other words, you cannot lay down a prescription for successful management and hire some one to carry it out. It is a well-known fact in business that some men make a big success where other men fail. Just what is the requirement for success no one can define or describe. Only experience and successful experience produces confidence in a management. Stockholders measure successful experience by capital appreciation and dividends or by earnings. These are the only inducements for stockholders to risk their capital.

The Stockholder and National Economic Policies

The stockholder is a necessary factor in business enterprise. Without the stockholders' risk capital creditors would be very reluctant to risk their money. It is the stockholder who wins big profits or all the losses. Profit is the hope that induces him to take the risk. Profits may always be modest or even none at all, but it is the hope of profits that lures the stockholder on to risk his savings. When national policies bring on conditions that could end in inflation, causing rising costs which may snuff out all hope of profits or when governments threaten to increase taxes and take away the possibility of profits, or go into business in competition with private capital, or nationalize successful businesses and pay of the stockholder who made them a success in bonds of questionable value, this is war against the stockholder. Under these conditions present stockholders withdraw from the market and new stockholders are glad they have their money in the savings banks or some other form of fixed interest-bearing security where they do not have the risks of enterprise.

But remove these forms of profitless investment and restore confidence that there are profits to be made and that the successful enterpriser who can keep his costs down and deliver the products to the market that the consumers will buy is entitled to the profits he can make by his ingenuity, skill and management, and the market will take a new life with investors seeking out these productive enterprises with promise of profitable results. The competition between successful management for stockholders and the competition between investors for the equities of successful corporations sometimes lifts the prices of these equities far above their merit. Some companies can succeed in making profits and deserve the high rating, while a great majority in the competitive struggle must get along with much less profit or fail entirely.

Keeping stockholders informed of the facts and not misleading them will tax the ingenuity of the most skilled financial and economic analyst.

Schram Submits Tax Revision Plan to Congress

(Continued from first page)

tunities are to be provided on a scale proportionate to the requirements of our expanding national life."

The principal recommendations presented in the study are:

(1) An immediate attack on the problem of the double taxation of dividend income by revising the law to permit individuals to deduct from their income tax liability an amount equal to 10% of dividends received on common stocks, with the further recommendation that the amount of the tax credit be increased in subsequent years.

(2) A change in the law to permit capital losses to be offset against ordinary income to the extent of $5,000 in the year in which such losses occur plus an equal amount in each of the five carryover years. (The present law allows an offset of $1,000 in the year in which a loss occurs plus $1,000 in each of the five carry-over years.)

(3) The application of a flat 10% tax upon long-term capital gains. (Under the law as it exists, long-term capital gains taxes range from approximately 10% when the taxpayer is in the lowest taxable income bracket to a maximum of 25%.)

(4) A reduction to three months, from the present six months, in the length of time an asset must be held before realized gain is taxed as a long-term capital gain.

The study, which represents a collaboration by Mr. Schram and Franklin Cole & Co., economic consultants, says: "A limited tax credit on dividend income is a ready method of partially eliminating a serious tax injustice and encouraging equity investment. This approach involves essentially a return to the tax treatment accorded dividends in the United States between 1918 and 1936. The 10% tax credit for dividend income recently adopted in Canada represents a similar approach to the problem."

It is pointed out that people of moderate incomes would enjoy the larger proportional reduction in the rate of tax paid on dividend income as "in the lowest brackets, where combined normal and surtaxes take nearly 20% of additions to income, the tax on dividends received would be cut in half." Common stock dividends subject to the personal income tax are estimated at about $6,000,000,000 for 1948. The maximum reduction in Federal tax receipts would be approximately $600,000,000, and the report points out that possibly there would be no loss of revenue because the tax credit would tend to increase the amount of taxable income at the personal level by encouraging larger dividend distributions and by incentive effects.

"The combined high corporate and high personal taxes levied on distributed corporate income," the study says, "leave little incentive for present-day savers or for those holding savings accumulated in the past to invest in common stocks. Under our suggestion for attacking the problem of double taxation, the proposed credit for dividend income could be put into effect quickly. It would stimulate equity investment right now when it must be stimulated if industry is to grow in step with our increasing labor force."

It is not enough, says the report, that capital losses can be offset against capital gains. An individual investor may have no gain at all against which to cancel realized losses. If, on the other hand, he has participated in successful ventures as well as unsuccessful ones, he may find it difficult or unwise to sell his interests at a particular time merely to establish offsetting gains. Even after six years (under the present law), the taxpayer who suffered a large loss can offset a total of only $6,000 against ordinary income. This represents, in effect, $12,000 of long-term capital loss, a much less significant sum than it was in 1942 when the present tax provisions were adopted. A liberalization of loss allowances would do a great deal to remove one of the most serious tax impediments to our industrial development and growth. It would be of especial help, the report emphasizes, in the uncertain days ahead when the hazards of enterprise threaten to become accentuated.

In commending a flat 10% tax, the study states that the present higher tax is a "hold over" from the Revenue Act of 1942 when it was considered to be "only proper that some additional tax should be derived in this emergency from capital gains." (The maximum rates in effect from 1938 to 1942 were 15% on gains from assets held over two years and 20% on gains from assets held from 18 to 24 months.)

"Our problem now," the study says, "is not to collect as much as possible in taxes in order to combat wartime inflationary pressures; we must now think in terms of stimulating risk investment so that our economy will retain its vigor. . . . If a flat rate of 10% is substituted for the present arrangement, not only would the flow of venture capital be stimulated, but the sale of appreciated assets would be encouraged, and less injustice would be done to people who have had purely illusory gains that merely reflect the inflationary trend of recent years."

The study points out that since any gain from an investment held less than six months is taxed at the high income tax rates now in effect, investors are discouraged from taking risks, "especially at a time like the present when even the near future is so unpredictable." Under present conditions, it adds, a holding period of three months would be a more logical dividing line between trading and investment than the longer period (of six months).

The authors express firm belief that the recommended changes of law affecting capital gains and losses would not lessen Federal revenue, that they would, in fact, soon increase the flow of tax money into the Treasury. The more liberal treatment of losses would ultimately result in increased income and other tax receipts because of the stimulus it would give to enterprise. Capital gains, differing from income which flows in a steady stream, are realized only at the option of the taxpayers, as the Ways and Means Committee of the House of Representatives recognized in 1942 when it declared that "since the realization of a capital gain is solely a matter within the discretion of the taxpayer, a too high capital gains tax will lose rather than gain revenue for the Government."

In concluding the discussion of the capital gains tax, the report says: "There has been a great appreciation in the value of tangible assets and a lesser appreciation in security prices over prewar years, and we are convinced that the high tax rate has now become a serious barrier to the sale of such assets and deprives the Treasury of considerable amounts of potential revenue."

Summing up the benefits of the recommended changes, the report says: "Private industry can be relied on to provide an ever-increasing number of jobs and the tools necessary for such jobs when tax laws permit the necessary venture savings to be formed and encourage their constructive use. The proposals we have made in this report, if adopted promptly, could provide the stimulus for an era of economic growth and individual economic progress even greater than any we have thus far achieved."

Robt. Schweser Adds

(Special to THE FINANCIAL CHRONICLE)

HASTINGS, Neb. — Fred C. Barth and Walter Divan have become associated with Robert E. Schweser Company, 208 South 19th Street, Omaha.

Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 21	83.5	82.3	78.3	95.0
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 21	1,539,300	1,517,200	1,443,500	1,712,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 6	4,669,700	4,676,600	4,667,750	5,504,550
Crude runs to stills—daily average (bbls.)	Aug. 6	¶5,188,000	5,187,000	4,291,000	5,641,000
Gasoline output (bbls.)	Aug. 6	17,900,000	18,058,000	15,862,000	17,669,000
Kerosene output (bbls.)	Aug. 6	1,663,000	1,478,000	1,520,000	2,126,000
Gas, oil, and distillate fuel oil output (bbls.)	Aug. 6	6,259,000	6,293,000	4,708,000	6,975,000
Residual fuel oil output (bbls.)	Aug. 6	7,220,000	7,205,000	5,172,000	9,359,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 6	108,444,000	109,964,000	96,914,000	97,838,000
Kerosene (bbls.) at	Aug. 6	24,885,000	24,547,000	23,304,000	20,940,000
Gas, oil, and distillate fuel oil (bbls.) at	Aug. 6	72,222,000	70,878,000	56,179,000	55,568,000
Residual fuel oil (bbls.) at	Aug. 6	67,281,000	67,166,000	31,299,000	49,788,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 6	716,824	723,810	595,321	878,647
Revenue freight received from connections (number of cars)	Aug. 6	567,143	564,852	456,614	694,436
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 11	$257,314,000	$239,245,000	$190,346,000	$197,861,000
Private construction	Aug. 11	135,745,000	100,250,000	61,468,000	71,810,000
Public construction	Aug. 11	121,569,000	138,995,000	128,878,000	126,051,000
State and municipal	Aug. 11	106,697,000	111,952,000	87,408,000	87,554,000
Federal	Aug. 11	14,872,000	27,043,000	41,470,000	38,497,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 6	7,550,000	7,360,000	4,725,000	12,175,000
Pennsylvania anthracite (tons)	Aug. 6	689,000	965,000	848,000	1,163,000
Beehive coke (tons)	Aug. 6	8,000	*7,700	16,900	141,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 6	228	*209	201	261
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 13	5,530,090	5,466,004	5,342,107	5,317,724
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 11	176	171	167	103
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 9	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Aug. 9	$45.91	$45.91	$45.91	$44.11
Scrap steel (per gross ton)	Aug. 9	$20.00	$19.92	$19.33	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 10	17.325c	17.325c	16.700c	23.200c
Export refinery at	Aug. 10	17.575c	17.550c	16.925c	23.425c
Straits tin (New York) at	Aug. 10	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Aug. 10	15.125c	14.750c	13.000c	19.500c
Lead (St. Louis) at	Aug. 10	14.800c	14.550c	12.850c	19.300c
Zinc (East St. Louis) at	Aug. 10	10.000c	10.000c	9.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 16	103.76	103.77	103.46	100.73
Average corporate	Aug. 16	114.66	114.46	113.70	111.25
Aaa	Aug. 16	120.63	120.63	119.82	116.02
Aa	Aug. 16	119.00	118.80	118.00	114.08
A	Aug. 16	113.89	113.70	112.56	110.52
Baa	Aug. 16	106.04	105.86	105.00	105.17
Railroad Group	Aug. 16	109.42	109.24	107.80	107.27
Public Utilities Group	Aug. 16	115.82	115.82	115.24	111.62
Industrials Group	Aug. 16	119.20	119.00	118.20	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 16	2.23	2.23	2.25	2.45
Average corporate	Aug. 16	2.92	2.93	2.97	3.10
Aaa	Aug. 16	2.62	2.62	2.66	2.85
Aa	Aug. 16	2.70	2.71	2.75	2.95
A	Aug. 16	2.96	2.97	3.03	3.14
Baa	Aug. 16	3.39	3.40	3.45	3.44
Railroad Group	Aug. 16	3.20	3.21	3.29	3.32
Public Utilities Group	Aug. 16	2.86	2.86	2.89	3.08
Industrials Group	Aug. 16	2.69	2.70	2.74	2.89
MOODY'S COMMODITY INDEX	Aug. 16	337.4	342.2	341.0	427.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 6	229,455	161,429	104,809	222,034
Production (tons)	Aug. 6	171,094	162,831	73,941	178,326
Percentage of activity	Aug. 6	82	80	35	90
Unfilled orders (tons) at	Aug. 6	323,864	268,530	278,124	395,406
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Aug. 12	128.7	128.2	128.0	144.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—	July 30	15,699	16,162	13,389	19,747
Number of orders	July 30	456,490	462,012	384,489	588,337
Number of shares	July 30	$17,155,684	$17,148,809	$14,072,542	$23,475,672
Dollar value					
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 30	15,997	15,981	12,974	18,929
Customers' short sales	July 30	141	188	154	125
Customers' other sales	July 30	15,856	15,793	12,820	18,804
Number of shares—Customers' total sales	July 30	436,867	441,561	352,153	530,122
Customers' short sales	July 30	5,462	6,604	6,600	4,402
Customers' other sales	July 30	431,405	434,957	345,553	525,720
Dollar value	July 30	$14,092,163	$13,898,415	$11,265,509	$19,640,622
Round-lot sales by dealers—					
Number of shares—Total sales	July 30	159,990	141,010	123,730	149,720
Short sales	July 30	------	------	------	------
Other sales	July 30	159,990	141,010	123,730	149,720
Round-lot purchases by dealers—					
Number of shares	July 30	167,310	185,550	162,630	220,280
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 9	152.7	152.6	154.2	169.6
Farm products	Aug. 9	163.8	164.3	168.5	191.1
Foods	Aug. 9	161.4	160.6	164.2	190.5
All commodities other than farm and foods	Aug. 9	145.0	144.9	145.1	153.0
Textile products	Aug. 9	138.9	139.5	138.6	149.0
Fuel and lighting materials	Aug. 9	130.3	130.2	130.6	136.7
Metals and metal products	Aug. 9	167.9	167.9	167.6	170.2
Building materials	Aug. 9	189.9	190.0	190.1	202.8
All other	Aug. 9	124.3	124.0	124.8	134.9
Special indexes—					
Grains	Aug. 9	150.6	152.6	156.5	180.1
Livestock	Aug. 9	211.2	210.5	208.8	271.6
Meats	Aug. 9	224.8	222.2	228.0	281.5
Hides and skins	Aug. 9	184.8	184.9	179.5	215.1

*Revised figure. ¶Includes 438,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive.

	Latest Month	Previous Month	Year Ago
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of July (in thousands)	$98,484,000	$109,068,000	$102,940,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of July:			
Manufacturing number	188	215	119
Wholesale number	77	92	62
Retail number	344	372	166
Construction number	61	74	36
Commercial service number	49	75	37
Total number	719	828	420
Manufacturing liabilities	$10,183,000	$13,500,000	$7,208,000
Wholesale liabilities	2,754,000	4,089,000	1,945,000
Retail liabilities	5,629,000	6,234,000	2,281,000
Construction liabilities	1,845,000	2,476,000	1,163,000
Commercial service liabilities	1,393,000	1,862,000	1,279,000
Total liabilities	$21,804,000	$28,161,000	$13,876,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of June (000's omitted)	$825,800,000	$193,300,000	$728,400,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of July:			
Total U. S. construction	$619,442,000	$896,128,000	$713,719,000
Private construction	221,502,000	436,740,000	357,495,000
Public construction	397,940,000	459,388,000	356,224,000
State and Municipal	292,101,000	338,238,000	281,338,000
Federal	105,839,000	121,150,000	74,886,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) to Aug. 1	297,843	------	258,972
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of May:			
All manufacturing	11,847,000	*12,129,000	12,738,000
Durable goods	6,002,000	*6,188,000	6,642,000
Nondurable goods	5,845,000	*5,941,000	6,096,000
Employment indexes—			
All manufacturing	144.6	144.8	155.5
Durable goods	166.2	171.4	183.9
Nondurable goods	127.6	129.7	133.1
Payroll indexes—			
All manufacturing	329.4	*336.1	346.7
Durable goods	367.2	*379.3	390.8
Nondurable goods	292.4	*293.8	303.6
Estimated number of employees in manufacturing industries—			
All manufacturing	15,030,000	*15,332,000	15,892,000
Durable goods	7,451,000	*7,656,000	8,114,000
Nondurable goods	7,579,000	*7,676,000	7,778,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of June:			
Earnings—			
All manufacturing	$53.68	*$52.86	$52.95
Durable goods	57.57	*56.82	56.32
Nondurable goods	49.57	*49.00	49.39
Hours—			
All manufacturing	38.9	*38.5	40.2
Durable goods	39.3	39.0	40.7
Nondurable goods	38.4	*38.1	39.8
Hourly earnings—			
All manufacturing	$1.380	*$1.373	$1.317
Durable goods	1.465	*1.457	1.385
Nondurable goods	1.291	*1.286	1.242
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of June:			
Factory sales (number of units)	207,354	222,850	256,071
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of June:			
Factory sales of washers (units)	272,200	214,000	386,685
Factory sales of ironers (units)	20,600	19,000	32,767
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE)—Month of May (millions of dollars):			
Inventories:			
Durable	$14,820	$15,122	$13,780
Nondurable	16,004	16,144	15,657
Total	$30,824	$31,266	$29,437
Sales	16,190	16,163	16,777
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Aug. 31 (000's omitted)	$27,492,909	$27,506,730	$27,902,858
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of July:			
Industrials (125)	6.78	7.22	5.62
Railroads (25)	8.97	9.20	5.60
Utilities (25)	6.17	6.33	5.80
Banks (15)	4.70	4.76	4.72
Insurance (10)	3.35	3.52	3.53
Average yield (200)	6.64	7.00	5.55
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of July	£25,151,000	£12,351,000	£6,676,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of July 31	$253,902,387	$252,797,635	$253,428,940
General fund balance	3,337,163	3,470,403	5,073,518
Net debt	$250,565,224	$249,327,232	$248,355,422
Computed annual interest rate	2.236%	2.236%	2.197%
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of June 000's omitted):			
Exports	$1,104,000	*$1,078,400	$1,015,000
Imports	526,100	*540,500	624,817
U. S. GOVT. STATUTORY DEBT LIMITATION —As of July 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	253,876,874	252,770,350	253,373,752
Guaranteed obligations not owned by the Treasury	25,512	27,275	55,188
Total gross public debt and guaranteed obligations	$253,902,387	$252,797,635	$253,428,940
Deduct—Other outstanding public debt obligations not subject to debt limitation	764,750	769,922	817,327
Grand total outstanding	$253,137,636	$252,027,712	$252,611,613
Balance face amount of obligation issuable under above authority	21,862,363	22,972,287	22,388,386

*Revised figure.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **American Listings, Inc., New York, N. Y.**
Aug. 11 (letter of notification) 1,000 shares of class B common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—745 Fifth Avenue, New York 25, N. Y.

Anchor Steel & Conveyor Co., Dearborn, Mich.
July 21 (letter of notification) 10,000 shares ($1 par) common stock. To be sold by Francis I. LeVeque, Dearborn. Underwriter—Bradley Higbie & Co., Detroit.

Bondstock Corp., Tacoma, Wash.
Aug. 5 filed 300,000 shares ($1 par) common stock. **Underwriter**—Frank Russell & Co., Tacoma, Wash. Price will vary as market price varies. **Business**—Non-diversified closed-end management investment company.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. **Price**—20 cents per share. **Underwriter**—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

Buzzards Bay Gas Co., Hyannis, Mass.
July 26 (letter of notification) $220,000 3¾% Series A 25-year bonds, due 1971. **Underwriters**—To be offered under competitive bidding and sold for not less than par. For payment of outstanding notes.

California Water Service Corp. (8/24)
Aug. 4 filed 60,000 shares series E ($25 par) cumulative convertible preferred stock. **Underwriter**—Dean Witter & Co., San Francisco. **Proceeds**—For construction.

Carnegie Mines Ltd., Montreal, Canada
April 27 filed 500,000 shares of common. **Price**—60 cents per share. **Underwriters** — Name by amendment. **Proceeds** — For working capital, exploration, development and other purposes.

● **Colombia (Republic of)**
Aug. 15 filed $40,824,720 30-year 3% sinking fund bonds, dated July 1, 1948 and due July 1, 1978, to be issued as follows: $14,833,920 by the Department of Antioquia; $5,534,400 by the Department of Caldas; $5,928,000 by the Department of Cundinamarca; $1,080,000 by the Department of Tolima; $5,190,600 by the Department of Valle del Cauca; $1,491,600 by the Department of Santander; $1,260,600 by the Municipality of Cali, and $5,505,600 by the Municipality of Medellin. They will be issued in amounts equal to 120% of the principal amount of the bonds to be surrendered (in settlement of unpaid principal and interest) with cash adjustments to be made instead of issuing fractional bonds. The Schroder Trust Co. of New York has been named as the New York agent for the new bonds which will bear the guarantee of the Republic. The outstanding bonds (with unpaid coupons) affected follow: Antioquia 7s, July 1, due 1945; Antioquia 7s, due Oct. 1, 1957; Caldas 7½s, due Jan. 1, 1946; Cundinamarca 6½s, due Nov. 1, 1959; Santander 7s, due Oct. 1, 1948; Tolima 7s, due Nov. 1, 1947; Valle del Cauca 7½s, due Oct. 1, 1946; Valle del Cauca 7s, due June 1, 1948; Cali 7s, due May 1, 1947; Medellin 7s, due Dec. 1, 1951; and Medellin 6½s, due Dec. 1, 1954. Sinking funds are to be created for each issue of new bonds. The offer is made following negotiations with Foreign Bondholders' Protective Council, Inc. **Underwriters**—None.

● **Comco Limestone Co., Inc., Ft. Worth, Texas**
Aug. 10 (letter of notification) 200 shares of common stock (par $100) and 1,000 shares of 6% participating preference stock, non-cumulative and non-convertible (par $100). **Price**—At par. **Underwriter**—none. **Proceeds**—For additional equipment and working capital. **Office**—5936 Curson, Fort Worth, Texas.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

● **Consolidated Engineering Corp., Pasadena, Calif.**
Aug 12 (letter of notification) 900 shares of common stock (par $1). **Price**—$5 per share. **Offering**—To be sold as follows: 300 shares to H. W. Ruby of Pasadena; 400 shares to James B. Christie of Altadena; and 200 shares to Giles S. Hall of San Marino, all under option agreements. **Underwriter**—None. **Proceeds**—For working capital. **Office**—620 N. Lake Ave., Pasadena, Calif.

● **Consolidated Gas Utilities Corp., Oklahoma City, Okla.**
Aug. 11 (letter of notification) 1,600 shares of common stock to be offered at $11.75 per share for account of the owner, Norman Hirschfield, President. **Underwriter**—P. F. Fox & Co., New York, N. Y.

Cooperative G. L. F. Holding Corp., Ithaca, N. Y.
June 29 filed 44,088 shares 4% cumulative preferred stock. **Offering**—To be offered at $100 to farmer and non-farmer patrons of the G. L. F. Exchange and its affiliates. **Underwriting**—None. **Proceeds**—To replenish working capital.

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
June 29 filed 1,200,000 shares ($5 par) common stock. **Offering**—To be sold to members and farmer patrons. **Underwriter**—None. **Proceeds**—To be added to working capital and used for general corporate purposes, including payment of $12,693,000 in loans to an affiliate, Cooperative G. L. F. Holding Corp. **Price**—At par.

Diesel Power Co., Pittsburgh, Pa.
July 28 (letter of notification) 25,000 shares of common stock (par $1). Price, $50 per unit of 50 shares each. **Underwriter**—Graham & Co., Pittsburgh.

● **Douglas Oil Co. of California**
Aug. 12 (letter of notification) 10,000 shares of common stock. **Price**—$3.30 per share. **Proceeds**—To Woodrow G. Krieger, President (selling stockholder). **Underwriter**—Shearson, Hammill & Co., Los Angeles.

Edgewood Junior College, Barrington, R. I.
Aug. 3 (letter of notification) $182,800 6% first mortgage serial bonds. **Underwriters**—Pilgrim Land Developers, Inc., Cranston, R. I., and A. C. Beals Co., Inc., Providence, R. I. To pay off mortgages.

Emerson Radio & Phonograph Corp.
June 7 filed 235,000 shares of capital stock. **Underwriter**—F. Eberstadt & Co., Inc. The terms and price of the offering have not yet been determined, but the stock will not be sold below the market price on the New York Stock Exchange at the time of the offering. **Proceeds**—The shares to be sold are from holdings of Mrs. Benjamin Abrams, Mrs. Max Abrams and Mrs. Louis Abrams, wives of principal officers and directors of the company, and do not involve new financing by the company. Following sale of the shares, the Abrams family will own approximately 25% of the company's 800,000 shares of common stock.

● **Engineers Waterworks Corp., Harrisburg, Pa.**
Aug. 10 (letter of notification) $140,000 of series C 5% debentures, due 1971. **Price**—$990 per unit. **Underwriters**—C. C. Collings & Co., E. H. Rollins & Sons, Inc., and Battles & Co., Inc., Philadelphia, Pa., and Warren W. York & Co., Allentown, Pa. **Proceeds**—To repay loan, invest in additional public utility companies and for working capital. **Office**—600 N. Second Street, Harrisburg, Pa.

● **Frailey Industries, Inc., N. Y. City**
Aug. 15 (letter of notification) 10,000 shares of A capital stock (par $1) and 5,000 shares of B capital stock (par 10c) to be offered in units of two shares of A stock and one share of B stock. **Price**—$10 per unit. **Underwriters**—None. **Proceeds**—To expand sales and to increase working capital. **Office**—11 East 44th Street, New York 17, N. Y.

● **Gas Service Co., Kansas City, Mo.**
Aug. 12 filed $18,000,000 25-year first mortgage bonds due 1974. **Underwriters**—Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Harriman Ripley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Stone & Webster Securites Corp. (jointly). **Proceeds**—To be used to repay $13,800,000 of 2½% to 3% notes, due 1950-56, and $1,000,000 of 2% notes due 1950, and the balance for the company's construction program. **Offering** — Expected in September.

● **Golden Ensign Mining Co., Salt Lake City, Utah**
Aug. 10 (letter of notification) 300,000 shares of non-assessable common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—For mining operations. **Office**—309 Newhouse Bldg., Salt Lake City, Utah.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

● **Gulf Public Service Co., Inc., Lafayette, La.**
Aug. 12 (letter of notification) 27,000 shares of common stock (par $4). **Price**—$11 per share. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—For Federal funds, and to improve properties.

● **Haedtler (Martin C.), Chicago, Ill.**
Aug. 8 (letter of notification) to issue receipts to bondholders for $66,500 worth of outstanding Bernell first mortgage bonds, issued by Bernell Building Corp., and to reissue new Bernell first mortgage bonds. **Underwriting**—None. **Office**—1180 E. 63rd Street, Chicago, Ill.

Haimes Litho Laboratories, Inc., Wash., D. C.
Aug. 3 (letter of notification) 2,950 shares ($5 par) class A common stock; 6,950 shares ($5 par) class B non-convertible (preferred at 5% accumulative) and 1,749 shares of class A "voting stock." The latter is to be offered by Sidney S. Haimes, President and Treasurer. **Price**, all classes, $5 a share. **Underwriter**—Edward A. Jacobs, Washington, D. C. For additional equipment and working capital.

Hawaiian Electric Co., Ltd., Honolulu
June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 5,000 shares of class B common stock (par $100). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Heliogen Corp., New York
Aug. 4 (letter of notification) 2,000 shares of capital stock (par $5). 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.

Household Finance Corp., Chicago, Ill.
Aug. 10 filed 60,000 shares (no par) common stock. **Price**—$23 each to employees, executives and certain other persons. No underwriter. **Proceeds** — Working capital.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 180,000 shares ($10 par) common stock to be offered at $10 per share and 20,020 shares to be issued in exchange for $170,200 first mortgage bonds. **Underwriter**—Tom G. Taylor & Co., Missoula, Mont. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

● **Insurance Shares, Inc., Denver, Colo.**
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**—Preferred at par and common at $5 per share. **Underwriter**—None. **Proceeds**—For discounting notes, setting up agency offices and investing. **Office**—1447 Welton Street, Denver, Colo.

● **Iris Oil Co., Denver, Colo.**
Aug. 11 (letter of notification) 50,000 shares of capital stock (par $1). **Price**—$1.25 per share. **Underwriter**—None. **Proceeds**—For drilling expenses, leases, royalties, equipment and supplies. **Office**—412 First National Bank Bldg., Denver, Colo.

Kaman Aircraft Corp., Windsor, Locks, Conn.
May 23 filed 170,456 shares of class A non-voting common stock (10c per share non-cumulative dividend) and 11,362 shares of class B voting common stock. Price, $5.50 per share. **Underwriter**—None. **Purpose**—To acquire machinery, tools and equipment; to buy land and buildings; to produce 30 helicopters and accessories; to complete engineering changes; to setup sales and service departments; and to train service personnel.

Keller Motors Corp., Huntsville, Ala.
May 10 filed 5,000,000 shares (3¢ par) common. **Underwriter**—Greenfield, Lax & Co., Inc., New York. **Price**—$1 per share. **Proceeds**—For plant facilities, equipment and working capital to manufacture a low-priced, medium-sized station wagon.

Kenilind Oil & Gas Co., Inc., New York
Aug. 3 (letter of notification) 600,000 shares of common stock (par 10¢). **Price**—50¢ per share. Drill test well, etc. No underwriter at present. Names to be furnished when underwriters are engaged. Office, 400 Madison Avenue, New York.

● **La Jolla Racquet Club, La Jolla, Calif.**
Aug. 8 (letter of notification) 2,780 shares of capital stock. **Price**—At par ($100). **Underwriter**—None. **Pro-**

NEW ISSUE CALENDAR

August 23, 1949

Northern States Power Co. (Minn.) 10:30 a.m. (CDT) ---- Bonds

August 24, 1949

California Water Service Corp. ---- Preferred

Chicago, Milwaukee, St. Paul & Pacific RR., Noon (CDT) ---- Equip. Trust Ctfs.

Dominion of Canada ---- Bonds

September 8, 1949

Indiana Harbor Belt RR. ---- Equip. Trust Ctfs.

September 12, 1949

Louisville Gas & Electric Co. (Ky.) ---- Common

Oklahoma Gas & Electric Co. ---- Common

September 21, 1949

New York Central RR. ---- Equip. Trust Ctfs.

ceeds — To build and furnish the club. **Office** — 7462 Girard Street, La Jolia, Calif.

● **Leadville Lead Corp., Denver, Colo.**
Aug. 12 (letter of notification) 50,000 shares of common stock (no par value). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—To pay debts and exercise options. **Office**—508 Kittredge Bldg., Denver, Colo.

Louisville Gas & Electric Co. (Ky.) (9/12)
Aug. 4 filed 250,000 shares (no par) common stock, to be sold by Standard Gas & Electric Co. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Otis & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—To be applied toward Standard's corporate indebtedness. **Hearing**—By SEC on Aug. 24.

MacFarlane's Candies, Oakland, Calif.
July 18 (letter of notification) 9,545 shares ($1 par) common stock. **Price**—$9 per share. **Underwriter**—Stephenson, Leydecker & Co., Oakland, Calif.

Maumee Oil Corp., Toledo, Ohio
May 12 filed 8,000 shares (no par) common, of which only about 2,614 shares will be offered publicly at $100 per share. No underwriter. For general working capital. SEC held hearing June 6 to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

● **McBee Co., Athens, Ohio**
Aug. 12 (letter of notification) 2,000 shares of 3½% series first preferred stock. **Price**—At par ($100 each). **Underwriter**—Roy E. Hawk & Co., Athens. **Proceeds**—For working capital.

Mellin's Food Co. of North America, Boston
Aug. 1 (letter of notification) 10,000 shares of 5% cumulative preferred stock ($10 par). Price, par, with a minimum purchase of five shares. For working capital. No underwriter. Office, 41 Central Wharf, Boston, Mass.

Memorial Community Hospital, Upland, Calif.
Aug. 4 (letter of notification) $150,000 of 4% 25-year sinking fund debentures. To construct a new hospital. No underwriter.

● **Mid-Continent Petroleum Corp., Baltimore, Md.**
Aug. 10 (letter of notification) 1,500 shares of $10 par value capital stock. **Underwriter**—None. No price set. For working capital.

Mrs. Tucker's Foods, Inc., Sherman, Texas
Nov. 26 filed 200,000 shares of common stock (par $2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—For general corporate purposes.

New England Gas & Electric Association, Cambridge, Mass.
Aug. 10 filed 124,601 common shares of beneficial interest ($8 par). **Offering**—To be offered present stockholders at rate of one new share for each 10 held. Offering price to be filed by amendment. **Underwriter**—None. **Proceeds**—To pay $1,125,000 of short-term notes and make additional common stock investments in subsidiaries.

New Jersey Power & Light Co.
June 9 filed 20,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers. **Proceeds**—Will be applied to the payment of the cost of, or in reimbursement of payments made for, construction of additions and betterments subsequent to April 30, 1949. Sale deferred until later this year.

New York & Cuba Mail Steamship, New York
June 17 filed 190,125 shares of 5.6% cumulative preferred ($25 par) stock, which Atlantic Gulf and West Indies Steamship Lines is offering in exchange for its own preferred (5% non-cumulative $100 par) at the rate of one Atlantic share for three shares of Cuba Mail preferred plus $25 in cash. No underwriting.

Northern States Power Co. (Minn.) (8/23)
July 8 filed $15,000,000 first mortgage bonds, series due Aug. 1, 1979. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co. **Proceeds**—Will provide part of the new capital needed for company's construction program. **Bids**—Bids for the purchase of the bonds will be received by the company at Room 1100, 231 So. La Salle Street, Chicago, Ill., up to 10:30 a.m. (CDT) Aug. 23. **Proceeds**—Proceeds from sale of bonds, including $15,000,000 of bank loans obtained in March 1949 and due December 1949, the company expects to be able to carry its construction program through 1949 and to purchase $1,500,000 common stock of Northern States Power Co. (Wis.), a subsidiary.

Oklahoma Gas & Electric Co. (9/12)
Aug. 4 filed 200,000 shares ($20 par) common stock, to be sold by Standard Gas & Electric Co. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp. (jointly); Lehman Brothers and Blyth & Co., Inc.; Otis & Co.; Smith, Barney & Co. **Proceeds**—To be applied toward Standard's corporate indebtedness. **Hearing**—By SEC on Aug. 24.

Palestine Cotton Mills, Ltd., Tel Aviv, Israel
June 29 filed 300,000 ordinary (common) shares, one (Israeli) pound par value. **Underwriter**—The First Guardian Securities Corp., New York. **Price**—$5 each. **Proceeds**—To expand weaving facilities.

● **Penn West Producing Corp., N. Y. City**
Aug. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To rent drilling equipment and for other expenses connected with drilling oil wells. **Office**—9 East 62nd Street, New York, N. Y.

● **Pikes Peak Plastics, Inc., Colorado Springs, Colorado**
Aug. 4 (letter of notification) 100,000 shares of capital stock. **Price**—Par (50 cents). **Underwriter**—Newman and Co. **Proceeds**—For additional working capital. **Office**—5 W. Cucharras Street, Colorado Springs, Colo.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

● **Pym Publishing Corp., N. Y. City**
Aug. 12 (letter of notification) 750 shares of 5½% cumulative preferred stock (par $100) and 1,500 shares of common stock (no par value). **Price**—Preferred at par and common at $20 per share. **Proceeds**—For working capital. **Underwriter**—None. **Office**—43 West 70th Street, New York 23, N. Y.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

Resort Airlines, Inc., Southern Pines, N. C.
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. **Underwriter**—Marx & Co., New York. **Price**—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service.

● **Rochester (N. Y.) Gas & Electric Co.**
Aug. 15 filed 835,000 shares of no par value common stock. **Offering**—To be offered by parent, General Public Utilities Corp. to GPU common stockholders at the rate of one Rochester Gas share for each 10 shares of GPU stock held on Sept. 8. Rights may expire on Sept. 30. **Price** — By amendment. **Dealer Managers** — First Boston Corp., Wertheim & Co., Lehman Brothers, and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Expected to be used by GPU to retire about $32,000,000 of 5% bonds of Associated Electric Co., a GPU subsidiary.

● **Rotary Mills, Inc., Seattle, Wash.**
Aug. 5 (letter of notification) 200,000 shares of common stock (one-cent par value). **Underwriter**—None. **Price**—50 cents per share. **Proceeds**—For milling equipment and mining ground contracts. **Office**—3330 Fuhrman Avenue, Seattle 2, Wash.

St. Regis Paper Co., New York
Aug. 8 filed 860,000 shares ($5 par) common stock. **Offered**—Offered by Eastern States Corp., Baltimore, owner of 1,000,000 shares, in exchange for outstanding securities of Eastern States. For each of the 40,000 shares of Eastern States series A $7 dividend preferred stock, 9 shares of St. Regis and $4.79 is offered; for each of the 60,000 shares of Eastern States series B $6 dividend preferred, 8½ shares and $4.43 is offered.

● **Scot-Signs, Inc., Dallas, Texas**
Aug. 5 (letter of notification) 8,000 shares, par $1, and 14,000 shares of class A preference stock (par $10). **Underwriter**—None. **Price**—At par for both issues. **Proceeds**—For expansion in Southwest. **Office**—1016½ Elm Street, Dallas, Texas.

Sierra Madre Mining Co., Spokane, Wash.
Aug. 2 (letter of notification) 400,000 (25¢ par) non-assessable common shares. Price, par. **Underwriter**—Alvin William Mackey, Spokane. To develop and operate mining properties. Office, 711 Hutton Building, Spokane, Wash.

Silver Bell Mines Co., Denver, Colo.
July 27 (letter of notification) 20,000 shares of capital stock to be offered by Edward G. O'Brien and 20,000 by Eugene J. Nord. **Price**—$1.10 each. **Underwriter**—E. W. & R. C. Miller & Co., Philadelphia.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

● **Three States Oil Co., Inc., Ft. Worth, Texas**
Aug. 12 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To acquire and develop an oil and gas lease in Caddo Parish, La. **Office**—317 Majestic Bldg., Fort Worth, Texas.

● **Time Finance Corp., Salt Lake City, Utah**
Aug. 11 (letter of notification) 1,000 shares of preferred stock (no par value) and 5,000 shares of common stock (no par value). **Offering**—To be offered to stockholders at $51 for a unit consisting of one share of preferred and five common shares. **Underwriter**—None. **Proceeds**—To carry on business, buy conditional sales contracts and chattel mortgages covering the sale of appliances, furniture and automobiles. **Office**—52 W. Broadway, Salt Lake City, Utah.

● **Troy Duke Producing & Drilling Co., Ft. Worth, Texas**
Aug. 8 (letter of notification) 30,000 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase an oil and gas lease. **Office**—501 Moore Building, Fort Worth, Texas.

2413 Farragut Avenue Building Corp., Chicago
Aug. 5 (letter of notification) 630 shares ($5 par) common stock. **Price**—$100 each. To be sold by Sol A. Hoffman, President; David Greenberg and Samuel J. Hoffman, Vice-Presidents. **Underwriter** — Draper & Kramer, Inc., Chicago.

United Minerals Reserve Corp., Chicago
July 27 (letter of notification) 270,000 shares of common stock. **Price**—$1 each. **Underwriter**—Edward W. Ackley & Co., Boston. For development of mining properties.

Upper Peninsula Power Co.
Sept. 28 filed 154,000 shares of common stock (par $9). **Underwriters**—SEC has granted exemption from competitive bidding. An investment banking group managed by Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis, may be underwriters. **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively.

Utah Power & Light Co.
July 28 filed 148,155 shares of common stock (no par). **Offering**—To be offered for subscription by stockholders of record Sept. 13 at rate of one new for each eight shares held. Unsubscribed shares will be sold at competitive bidding. Probable bidders: Harriman, Ripley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. **Proceeds**—For construction purposes.

Utah Power & Light Co.
July 28 filed $3,000,000 first mortgage bonds, due 1979. **Underwriters**—Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp. and Smith, Barney & Co. (jointly). **Proceeds** — For construction purposes.

Victor Valley Housing Corp., Victorville, Calif.
Aug. 1 (letter of notification) 100,000 shares ($1 par) common stock. Price, par. No underwriter. For organizational work, architects and engineers' fees on new housing project.

Western American Life Insurance Co., Reno
March 30 filed 11,975 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

Western Oil Fields, Inc., Denver, Colo.
May 19 (letter of notification) 800,000 shares of common capital. Price, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver, Colo. For working capital and drilling of wells.

Prospective Offerings

Alabama Power Co.
July 28 reported company may sell $80,000,000 of bonds to refund its first mortgage 3½s, due 1972. Investment banking groups reported as preparing to compete for a possible new issue include: Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

American Gas & Electric Co.
July 27 reported four investment banking groups are forming syndicates to submit competitive proposals for the underwriting of company's proposed offering of 500,000 additional common shares. The groups are: Union Securities Corp.; The First Boston Corp.; Dillon, Read & Co. Inc.; Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly). The shares will first be offered, about Oct. 1, for subscription by company's stockholders, in the ratio of one new share for each nine held.

Appalachian Electric Power Co.
July 23 reported company expects to sell, probably after the turn of the year, $30,000,000 in new first mortgage bonds. Probable bidders include: Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.; Halsey Stuart & Co. Inc.

(Continued on page 38)

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Arkansas Power & Light Co.

June 29 reported company plans sale in September of $8,700,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.

● **Canada (Dominion of) (8/24-25)**

Aug. 10 it was announced that sale was planned of $100,000,000 25-year 2¾% bonds to mature in 1974 (payable in U .S. dollars). Underwriters—Morgan, Stanley & Co. will head a group of United States and Canadian bankers. Proceeds—To redeem $57,728,500 Canadian National Rys. 5% 40-year guaranteed bonds (called for redemption Oct. 1, next); $19,000,000 Harbour Commissioners of Montreal 5% 40-year guaranteed bonds (to be called for redemption on Nov. 1, next); and $17,338,000 Canadian National Rys. 5% 40-year guaranteed bonds (to be called for redemption on Feb. 1, 1950). All of these three issues are guaranteed by the Dominion of Canada as to principal and interest, are payable in U. S. dollars and are callable at 105. Registration statement expected to be filed today.

● **Central Hudson Gas & Electric Corp.**

Aug. 12 company made application to the New York Public Service Commission for authority to issue and sell $6,000,000 of convertible debentures. Proceeds will be used to retire short term loans incurred for plant construction.

● **Central Illinois Light Co.**

Aug. 12 company estimated that in order to finance its construction program and pay off temporary bank loans which at July 31, 1949 amounted to $2,005,000, approximately $4,500,000 additional cash will have to be provided before the end of 1950. To the extent necessary it is proposed to issue additional securities of a type not yet determined.

Central Maine Power Co.

Aug. 9 reported company expects to raise construction funds this Fall through sale of additional common stock. Expectations are that the number of shares to be involved in the offering will range between 150,000 and 300,000. Probable underwriters: The First Boston Corp.; Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly); Harriman, Ripley & Co.

Chicago Milwaukee St. Paul & Pacific RR. (8/24)

The company will receive bids at noon (CDT) on Aug. 24, in Chicago, for its proposed offering of $5,640,000 in equipment trust certificates. The certificates will be dated Sept. 1, 1949, and are to mature in 30 semi-annual instalments of $188,000 each, beginning March 1, 1950, and ending Sept. 1, 1964. Probable bidders: Halsey, Stuart & Co., Inc.; Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Chicago Rock Island & Pacific RR.**

Aug. 12 company applied to the Interstate Commerce Commission for authority to issue $3,552,000 of equipment trust certificates in connection with the purchase of $4,738,800 of passenger and freight equipment. Probable bidders—Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., and Lehman Brothers (jointly).

Cuba, Republic of

Aug. 4 Havana official circles confirmed reports that the Cuban Government is negotiating for the sale of approximately $100,000,000 of bonds in the United States to finance a comprehensive program of public works. It was stated that $40,000,000 of the loan will be obtained this year, $30,000,000 in 1950 and $30 000,000 in 1951. Out of the first instalment of the loan, Cuba would repay $6,000,000 of the $25,000,000 loan obtained from the Export-Import Bank in 1941. The First Boston Corp. was mentioned in reports as a principal in the negotiations.

Press dispatches from Havana, Aug. 9, however, stated that Cuban banks have notified the government that they are willing to underwrite a government bond issue of $35,000,000 with option to subscribe to $32,500,000 in each of two succeeding years.

● **Delaware Fund, Inc.**

Aug. 30 stockholders will vote on increasing authorized capital stock from 300,000 shares to 1,000,000 shares.

● **Dividend Shares, Inc.**

Aug. 9 stockholders authorized an increase in the capital stock from 50,000,000 shares to 100,000,000 shares. On June 30, 1949 there were 46,303,180 shares outstanding.

El Paso Natural Gas Co.

Sept. 12 stockholders will vote on authorizing a new issue of 200,000 shares of second preferred stock (no par) issuable in series. It is understood that 65,000 shares of the stock will be issued in the first series. Of these, 50,000 will be offered to holders of $5,000,000 of the company's convertible debentures. The remaining 15,000 shares would be sold for about $100 a share. Traditional underwriters: White, Weld & Co. and Stone & Webster Securities Corp.

Hartford Electric Light Co.

Aug. 31 stockholders will vote on creating an authorized issue of 300,000 preferred shares (par $50). Company proposes to register with the SEC 160,000 shares. Proceeds will be used to finance company's construction program. Probable underwriter: Putnam & Co.

Iowa-Illinois Gas & Electric Co.

Aug. 8 reported company may be in market in September-October with $10,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co., Union Securities Corp.; and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.

Iowa Power & Light Co.

Aug. 4 reported company may be in the market this year with $7,500,000 first mortgage bonds and $3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co. Inc.; W. C. Langley & Co., and Union Securities Corp (jointly); The First Boston Corp.; Glore, Forgan & Co. and A. G. Becker & Co. (jointly); Harriman Ripley & Co.

Kansas City Power & Light Co.

Aug. 8 reported company probably will be in market later this year or early in 1950 with $12,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.

Kansas Power & Light Co.

Aug. 8 reported company possibly will raise additional funds this Fall through sale of $5,000,000 bonds. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Union Securities Corp.; Harriman Ripley & Co.; White, Weld & Co.; Blyth & Co., Inc.; Glore, Forgan & Co.; Equitable Securities Corp.

● **Milwaukee Gas Light Co.**

Aug. 9 reported contemplating financing, late this year or early in 1950, may amount to approximately $23,000,000. Proceeds to be used to refund $13,000,000 first mortgage 4½% bonds due 1967 and balance for working capital. Probable bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co. Nothing definite has been agreed on at present.

● **Missouri Power & Light Co.**

Aug. 9 reported the company will probably sell a small issue of bonds later this year. Probable bidders—Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co.; White, Weld & Co., and Shields & Co. (jointly).

New York Chicago & St. Louis RR.

Aug. 10, reported to be planning the sale of about $3,500,000 equipment trust certificates early in October. Probable bidders—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., and Lehman Brothers (jointly).

● **North Butte Mining Co.**

Aug. 29 stockholders will vote on authorizing the company to mortgage all or part of company's properties for not less than $1,000,000 nor more than $3,000,000.

● **Northern States Power Co. (Minn.)**

Aug. 10 company requested SEC authorization to sell from 1,357,918 to 1,584,238 shares of its common stock, no par value. It is intended to make the initial pro rata offering to present common stockholders. Proceeds—To be used to retire $15,000,000 of 2% promissory notes due on or before Dec. 30, 1949.

Pacific Power & Light Co.

June 28 company contemplates the issuance by Nov. 15, next, of approximately $7,000,000 additional first mortgage bonds to retire outstanding notes and to finance its construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp., Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly).

Tennessee Gas Transmission Corp.

July 20 the FPC in granting company authority to extend its natural gas pipeline from Eastern Kuntuck to Buffalo, N. Y., conditioned its order by requiring company to sell at competitive bidding any debt securities issued to finance the facilities. Probable bidders: Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly); Halsey, Stuart & Co. Inc.

Union Electric Co. of Missouri

Aug. 8 reported company will be in market before year's end with a bond issue of $15,000,000. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Harriman Ripley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers, Dillon, Read & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly).

West Penn Electric Co.

Aug. 9 directors authorized filing with SEC a refinancing plan, which will provide for issuance of $31,000,000 sinking fund collateral trust bonds, to be sold competitively, and 856,895 additional common shares, 468,621 shares to be offered to common stockholders at rate one-for-five, the balance, 388,274 shares to be offered in exchange for preferred stocks. Unsubscribed shares will be underwritten. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers.

● **Westchester Lighting Co.**

Aug. 15 it was reported that company may refund its $25,000,000 general mortgage 3½s, due July 1, 1967. Probable Bidders—Morgan Stanley & Co.; Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; White Weld & Co., and Stone & Webster Securities Corp. and Lehman Brothers (jointly).

Our Reporter's Report

The current dearth of new corporate debt issues seemingly has cleared the field for the present to equities. And underwriters are quite evidently moving to take advantage of the situation where they have such deals on the fire.

One of the largest such undertakings in recent weeks came to market yesterday when bankers brought out an offering of 218,625 shares of common stock of the Texas Gas Transmission Corp.

This took the form of a "secondary" offering there being no new financing for company account involved, but rather the sale of holdings of a group of individuals who had purchased the stock a little more than a year ago.

Priced for public offering at $12 a share, less commissions to dealers, it was reported that demand for the issue was of proportions which assured quick placement of the shares.

Meanwhile another group brought out a new issue of 80,000 shares of 5½% convertible preferred stock, $30 par, of the Iowa Southern Utilities Co., on which the conversion feature is operative until June 1, 1959.

The issue, sale of which will provide funds for construction, likewise was reported to have been well spoken for in advance, with indications that it would move out quickly to investment interests.

Keeping Busy

With business light in keeping with more or less normal seasonal trend, competition appears to be increasingly keen in the case of small issues as these make their appearance.

California Oregon Power Co.'s offering of $7 million of first mortgage bonds on Tuesday provides a case in point. This project brought out a total of no less than six separate bids for 2⅞s and 3s.

The high bid of 100.42 for the lower coupon, compared with a low bid of 100.02 for the same rate, while the minimum bid received was 101.5246 for a 3% rate. On reoffering the bonds were priced at 101 to yield about 2.825 per cent.

Next Week Looks Better

The forthcoming week promises, thanks to the big new Canadian dollar loan, to roll up at least a larger total of new business than has been the rule recently.

On Tuesday bankers will bid for $15 million of new first mortgage bonds of the Northern States Power Co. of Minn., due in 30 years. Proceeds will supply the issuer with part of the funds needed to finance its current construction program.

It is now indicated that at least six groups will be in the running for this issue which should find the competition quite keen.

Early in the week, probably on Wednesday, Canada's new $100 million offering is expected on the market in the form of 25-year 2¾ per cent bonds, the second issue to be marketed here by the Dominion since 1943. A year ago an issue of $150 million was sold direct to three institutional investors.

The Futures Book

West Penn Electric Co. has launched a substantial financing program, involving the flotation of a new bond issue, offering of almost half a million additional common shares to stockholders and the exchange of new common for outstanding preferred issues.

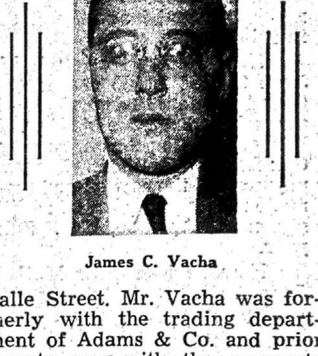
The directors on Aug. 9 authorized the filing of a refinancing plan which will provide for issuance of $31 million of new sinking fund collateral trust bonds and 856,895 shares of new common. The bonds will be sold in competitive bidding, while 468,621 shares of the new common will be offered on the basis of "rights" to present holders.

The balance of the common will be offered to preferred holders in exchange for their shares. The company is expected to seek the services of investment bankers in a "standby" capacity in connection with the stock offering.

Meanwhile Central Hudson Gas & Electric Co. has filed with the N. Y. State Public Service Commission for sale of $6 million of convertible debentures designed to raise funds for liquidation of short-term borrowings incurred in connection with its expansion program.

James Vacha Joins Webber-Simpson Co.

CHICAGO, Ill.—James C. Vacha has become associated wth Webber-Simpson & Co., 208 South La



James C. Vacha

Salle Street. Mr. Vacha was formerly with the trading department of Adams & Co. and prior thereto was with the corporate trading department of the Chicago office of R. S. Dickson & Co., Inc.

With Shields & Co.

SARASOTA, FLA.—Morris Adler is with Shields & Co. of New York City.

Observations

(Continued from page 5)

holder, pay them very well for their work, and resent their tincup and blackjack approach to social security and old-age assistance, all de luxe, at my expense.

"Several of these distress cases have explained to me that they are really asking only my cooperation in the execution of a dodge around the income tax.

"They want nothing for themselves, really, beyond club dues, modest replacements of their tweedy, semi-country things, their charge accounts at the Stork and the theater ticket broker's and a modest amount of in-kick money for their twilight years.

"Their real interest lies in the future of their loved ones or, in some cases, ex-loved ones who have them under continuing obligations for alimony.

"Those are noble sentiments and I break down and splatter many tears like a dumb spaniel come ashore with a stick, but still I want to know why I have to be cut in on their obligations and woes.

"Will they do as much for me? Who is going to pension us petty stockholders, the backbone, or the life-blood, if you like that better, of free enterprise who keep renewing the venture-capital or sucker-money in the busy and perilous marts of trade with the little dribs 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 $350 a week and living along the line of the five-fifteen also pays taxes and hurts when kicked and bleeds when stuck even as the chairman of the board on 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 thrift in running International Beelmite, Ltd., of which I am a faceless owner to the extent of 10 shares, on the mere purchase of which I had to pay a commission and a tax, probably will have no more than $50,000 left when Federal and state have done plucking.

"But quit breaking my heart. Do you think the stockholders get a pass?

"And, after all, you know, on $50,000 a year a truly frugal fellow, stuffing away odd amounts in the cookie-jar and behind the clock, could lay up a pretty fair social security of his own and keep his self-respect.

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

"Frankly, an executive has to be awful good to deserve $50,000 in my scale, and I want him to smile and thank me as a generous boss instead of sulking about his take-home.

"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 Haloid Co., occurred on Aug. 12, according to the Rochester "Times-Union." The new directors succeed C. T. Crouch and Marion B. Folsom, the latter having been elected a director of the Federal Reserve Bank of New York. The paper from which we quote also said in part:

"Raymond N. Ball, President of the bank, also announced that the following have been named to the Advisory Committee to the Board: John Craig Powers, Chairman; John P. Boylan, James C. Dryer, Albert E. Eastwood, Frank Gannett, James E. Gleason, Edward G. Miner and Herman Russell. The members of the Advisory Committee formerly were directors of the bank. Under the bank's policy directors on reaching 70 years of age are named to the Advisory Committee."

* * *

Elmer S. Carll, Vice-President and Title Officer of the **Frankford Trust Co. of Philadelphia,** has been elected a director of the bank, it is learned from the Philadelphia "Evening Bulletin" of Aug. 6.

* * *

Thomas Scott, President of the **Farmers' National Bank of Bucks County in Bristol, Pa.,** died on Aug. 5. He was 80 years of age. In the Philadelphia "Evening Bulletin" of Aug. 6 it was stated that Mr. Scott entered the service of the bank in 1885 as an office boy, when his father, the late Charles E. Scott, was Cashier. In 1903 he was elected Assistant Cashier, and 15 years later he succeeded his father as Cashier. He was named President in 1947. Mr. Scott, it is added, was active in civic affairs and also in the Bucks County and Pennsylvania Bankers Associations.

* * *

William Rea, an Assistant Trust Officer of the **American Security & Trust Co. of Washington, D. C.,** died on Aug. 7. Mr. Rea had been connected with the institution since 1918, the Washington "Post" reports, adding that he was an authority on tax laws. It also notes that for many years he served as Chairman of the Taxation Committee of the Fiduciaries Section of the District of Columbia Bankers Association.

* * *

Appointment of Carroll G. Stevens as Superintendent of the general fidelity division has been announced by the **Fidelity and Deposit Co. of Maryland** and its affiliate, the **American Bonding Co. of Baltimore,** the Baltimore "Sun" of Aug. 2 reported. It added:

Mr. Stevens has been promoted from the position of Associate Superintendent of that division, filling the vacancy caused by the recent retirement of W. W. Watson.

* * *

What is termed "Highlights of the first 100 years of the only mutual savings bank in the Western Reserve" are recorded in ornate book form issued by **The Society for Savings of Cleveland, Ohio,** which is now entering on its second century. The book is published in commemoration of the bank's centennial on June 22, 1949, reference to which appeared in our issue of June 23, page 2727.

Pictured in the book are various murals, in exquisite coloring, adorning the main banking room; likewise are shown, in color, views of the interior of the bank's quarters along with various rooms set aside for the transaction of business with the Society's patrons, etc. The Society's ten past Presidents are also pictured, the first who assumed that post having been John W. Allen, from 1849-1850; Samuel H. Mather who played an important part in the Society's organization, also served (1884-1894) as the head of the institution, whose first Secretary, says the book, "was the tireless Mr. Mather." Myron T. Herrick also officiated as President (1894-1905, 1908-1921) after having been Secretary and Treasurer (1886-1894) and later becoming Chairman (1905-1908, 1921-1929). One of the Society's early Presidents (1852-1855, 1861-1866) was William A. Otis, and among some of the later Presidents were John W. Dexter and Henry S. Sherman. The present head of the Society is Mervin B. France, who has served in an official capacity since 1934, in the post, successively, of Assistant Vice-President and Assistant Secretary (1934-1936), Vice-President and Assistant Secretary (1936-1941); First Vice-President (1941-1947), becoming President in 1947. The Society has grown to be an institution with resources of $225,646,030, and deposits of $209,000,000.

* * *

The Camargo Bank of Madeira, Ohio, was absorbed on July 30 by **the Fifth Third Union Trust Co. of Cincinnati.** As a result the Madeira bank is now operated as a branch of the Fifth Third Trust Co.

* * *

A new office—the Grand River-Forrer office—has been opened by the **Wabeek State Bank of Detroit, Mich.** President George B. Judson, says the Detroit "Free Press," announced that E. W. Nelson, Vice-President and former State Bank Commissioner, would be in charge of the branch.

* * *

Following the issuance of a charter on July 28 the **Citizens National Bank of Walnut Ridge, Walnut Ridge, Ark.,** the bank opened for business on Aug. 3. The officers are R. S. Rainwater, President; W. E. Spikes, and J. J. Sharum, Vice-Presidents; Wm. A. Schneeberg, Cashier, and Sloan Rainwater, Jr., Assistant Cashier. The bank has a capital of $50,000.

* * *

The First National Bank in Tucumcari, New Mexico, has increased its capital from $100,000 to $150,000 by the sale of $50,000 of new stock. The new capital became effective July 25.

Liquidation Notice

The Plainfield National Bank of Moosup, located at Moosup, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

BENJAMIN F. DAWSON,
Liquidating Agent

Dated June 24, 1949

DIVIDEND NOTICES

B. T. Babbitt, Inc.

83rd CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 30c per share on the Common Stock of the Company, payable on October 1, 1949 to stockholders of record at the close of business on September 9, 1949.

LEO W. GEISMAR, *Treasurer.*

August 11, 1949

BRIGGS & STRATTON

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of thirty-five cents (35c) per share, less 2.81 per cent Wisconsin privilege dividend tax, on the capital stock (without par value) of the Corporation, payable September 15, 1949, to stockholders of record August 30, 1949.

L. G. REGNER, Secretary

August 16, 1949

Mid-West Exchange Merger Effective Sept. 15

It was announced in Chicago on Aug. 16, that the effective date of the consolidation of the leading Mid-West securities exchanges would be Sept. 15, and actual trading by the merged organization would be initiated on or near Nov. 15, 60 days thereafter. The announcement came after a two-day meeting of representatives of the participating exchanges, headed by its Chairman, James E. Day, President of the Chicago Stock Exchange. The exchanges taking part in the consolidation are those of Chicago, Cleveland, St. Louis, Cincinnati and Minneapolis-St. Paul. The last organization has decided to join the merger only on the previous day. The Detroit exchange had announced several weeks ago that it would not become a member of the joint organization. Of the exchanges represented at the two-day meeting in Chicago, all have contracted to take part in the new combined market except Cincinnati, whose members, will vote on the proposition Sept. 12. The New Orleans exchange also has been invited to join the merger.

The organization representatives announced further that a ballot form was adopted which will be sent to all members of the participating exchanges so they may express their preference for a new name. Nominating committees were set up for the purpose of choosing governors to represent the new exchange.

The representatives of the participating exchanges also agreed on basic provisions of a new constitution. These include the acceptance of corporation memberships, permission of "off exchange" trading in specified inactive stocks, and mail clearings to handle transactions without the help of a member at the headquarters of the merged exchange.

Representatives of the exchanges who attended the meeting, in addition to James E. Day and Homer P. Hargrave, President and Chairman, respectively of the Chicago Exchange, were: Clemens E. Gunn, President of the Cleveland Stock Exchange; John A. Isaacs Jr., President of the St. Louis Stock Exchange; Robert M. Rice, Secretary of the Minneapolis-St. Paul Stock Exchange, and Joseph B. Reynolds, Past Chairman of the Cincinnati Stock Exchange.

DIVIDEND NOTICES

Johns-Manville Corporation

JOHNS-MANVILLE JM PRODUCTS

DIVIDEND

The Board of Directors declared a dividend of 40¢ per share on the Common Stock payable September 9, 1949, to holders of record August 29, 1949.

ROGER HACKNEY, *Treasurer*

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of $1.50 per share and an extra dividend of $1.50 per share payable on September 14, 1949 to stockholders of record at the close of business on August 25, 1949.

D. H. ALEXANDER, Secretary.

August 10, 1949.

DUPONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *August 15, 1949*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the outstanding Preferred Stock—$4.50 Series and 87½¢ a share on the outstanding Preferred Stock—$3.50 Series, both payable October 25, 1949, to stockholders of record at the close of business on October 10, 1949; also 65¢ a share on the outstanding new $5.00 par value Common Stock as the third interim dividend for 1949, payable September 14, 1949, to stockholders of record at the close of business on August 22, 1949.

L. DU P. COPELAND, *Secretary*

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company on August 16, 1949, declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A, payable October 1, 1949, to the holders of such stock of record at the close of business September 2, 1949.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on August 16, 1949, declared a quarterly dividend of thirty-seven and one-half cents (37½¢) per share on the outstanding shares of the Common Stock of the Company, payable October 1, 1949, to the holders of such stock of record at the close of business September 2, 1949.

R. S. KYLE, *Secretary*

CONSOL

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on September 12, 1949, to shareholders of record at the close of business on August 26, 1949. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

August 15, 1949.

O'okiep Copper Company Limited

Dividend No. 11

NOTICE TO HOLDERS OF AMERICAN SHARES

Dividend No. 11 of one shilling six pence per share, declared August 10, 1949 on the Ordinary Shares of O'okiep Copper Company Limited, has been converted to United States funds at the rate of $0.20 per shilling, subject to the withholding of the Union of South Africa non-resident shareholders tax in the amount of seven and one-half percent (7½%). The net amount payable September 9, 1949 to the holders of American Shares of record at the close of business August 19, 1949 will be $0.27¾ per share.

By order of the Board of Directors.

H. E. DODGE, *Secretary.*

New York, N. Y., August 16, 1949.

The Board of Directors of

Wentworth Manufacturing Company

has declared an extra dividend of fifty cents (50c) per share on the outstanding common stock of the Company, payable on September 30, 1949, to stockholders of record at the close of business September 12, 1949. Checks will be mailed.

JOHN E. McDERMOTT,
Secretary.

At a meeting of Directors held August 16, 1949 in London it was decided to pay on September 30th half yearly dividend of 2½% (less tax) on issued 5% Preference Stock and Interim Dividend of Twelve Pence for each One Pound of Ordinary Stock free of income tax.

Coupon No. 92 must be used for dividend on 5% Preference Stock and Coupon No. 205 must be used for dividend on Ordinary Stock.

All transfers received in London on or before August 30th will be in time for payment of dividends to transferees.

Also decided to pay on October 31st half yearly dividend of 3% less tax on issued 6% Preference Stock. All transfers received in London on or before October 7th will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

BRITISH-AMERICAN TOBACCO COMPANY, Limited

August 16, 1949.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

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 amendment of the Taft-Hartley Act. In theory such a course of hearings, with labor spokesmen sounding off about the "iniquitous Taft-Hartley Act," would help build up a little sentiment in the hope that maybe Congress in 1950 could be moved to modify the Taft-Hartley Act, a proposition on which Congress would not sell this year.

Actually, however, the study of labor-management relations is to be most abridged. Only $25,000 was proposed for the expense. There is actually no serious thought of making a thorough and impartial study of labor legislation. The idea was that there would be just enough hearings to build up a steady barrage of labor propaganda against the Taft-Hartley Act, and in particular against its politically surviving sponsor, Senator Taft.

At first the Senate Administration leaders expected to keep Senator Taft off the subcommittee which would conduct the hearings. Senator Taft, however, was not intimidated. He held up the proposed subcommittee program until the Administration leaders agreed to give in and let him serve as one of its members. When the Administration leaders agreed to let the Ohio Senator serve on the subcommittee, then 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 underlying situation respecting legislation on labor relations. Politically the idea is to embarrass the re-election campaign of Senator Taft. Politically, Senator Taft has accepted the challenge and incidentally, will serve on the subcommittee to prevent the new study from being packed completely with 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 all the $1,100-million proposed for European arms aid in any one, single year. It did not believe it could spend this much money in one year.

What the Administration did, according to this source, was in effect to write a two-year program as though it were a one-year program. It did this to make the figure look as impressive as possible to this country's "allies" and to the "enemy."

Hence in the proposed compromise allowing only about half the funds to be appropriated as cash in one year and the balance to be authorizations to be contracted for and delivered in the second or future years, there is actually a "compromise" which will give the Administration all that it actually wants, it is reported in that quarter.

Louis Johnson, Defense Secretary, untutored in the State Department's politics, and seeing the practical fact that only about half the money could be spent in one year, agreed to the halving-plus authorization "compromise." The State Department and the Administration, however, do not want to admit that the things is a two-year program. To do so would diminish its political significance internationally. The State Department might have a better chance to get the $500 million it really wants, if it doesn't admit that the halving of its funds is all it can spend.

So if some such compromise as $500 million is appropriations this year plus $600 million of authorizations is finally adopted, the Administration will have won a substantive if not a psychological victory.

* * *

Behind Senator George's "speaking out" in favor of lower taxes and lower expenditures there is a new tactic for conservatives. That is to take the offensive for lower taxes of a character that would be beneficial to business and beat Mr. Truman to the draw.

Next year the President, unless business is markedly better is expected to take a stand in favor of lower taxes, such lower taxes as would benefit the Administration politically yet with benefits of doubtful utility to business. Or, if the Administration sees business as good, it would be likely to stand against any appreciable lowering of taxes but wage an even more vigorous campaign for expanded "welfare" spending.

Ordinarily when Senator George, the Chairman of the Senate Finance Committee, speaks on the subject of taxes, he reflects the views of the conservative Democrats (as well as many Republicans) if he does not actually speak for them.

In the instant case, some of the other conservatives, while agreeing with the Georgia Senator privately, are hesitant to commit themselves publicly to lower taxes of any character because of the certainty of a deficit.

Senator George does not agree to the hesitancy. He feels that if the offensive is not taken now, it is reported, for tax reduction which will assist business, the conservatives will find themselves in 1950 defending themselves against proposal of the President of little benefit and probably much relative harm to business.

Senator George is also trying to develop a politically salable objective to go with his tax reduction scheme, and an objective that cuts right into the merchandise of the "Economic Expanders." The Senator is expected to say that if tax impediments to business are diminished in their ferocity, it will be entirely feasible to bring about such a business expansion as to achieve the Truman objective of a national income of $300 billion. Then if only one-fifth of that income is swiped by all government, Federal, state and local, this would still leave $60 billion for all government expenses, Federal, state and local. Then, if the Federal Government merely retrenches a little, it will be possible to retire some of the debt of the Federal Government without unduly curtailing the size of the government.

The Georgia Senator's proposals for tax reduction, however, were made independently of somewhat similar proposals made by Chairman Thomas B. McCabe of the Federal Reserve Board, in his report on equity financing. The Senator and the Federal Reserve Chairman have not been in touch with one another on this subject.

* * *

There was some distinctly fast 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 ban, the acquisition of one company of the assets of 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 prosecuted.

Until very recently the ardent proponents of the Kefauver bill, which includes the Federal Trade Commission and most of the Administration as well as the "liberals" of Congress, were as sure the bill would not pass either House, as were opponents. The bill was bottled up in the Rules Committee and no move had been made to get it taken up under the new procedure under which the Rules Committee can be by-passed.

Instead the Administration leadership at the instance of Chairman Celler of the House Judiciary Committee, quietly decided to take up the bill Monday under the procedure of the suspension of the rules. Under that procedure a bill is voted "up or down"; that is, it is either approved or disapproved, with only 40 minutes debate and no amendments permitted. This requires a two-thirds vote for passage.

None of the conservatives was tipped off sooner than two days in advance that it was coming up. If the procedure for bypassing the Rules Committee had been used, public notice would have had to be given. Meanwhile the House Democratic leaders quietly passed the world along to the faithful to be on hand and vote right. The conservatives were caught flat-footed.

Taking this action with the success of the "liberals" in first tying strings to the bill granting authority to industry to use basing point-price absorption pricing methods, and second, the success in long delaying approval of this bill, it would appear that the "foes of monopoly" are currently having their inning.

Conservatives still do not expect the Kefauver bill to pass the Senate this year, but the bill has already had a long start for Senate consideration next year.

* * *

Defense Secretary Johnson is really going to bring some economy out of the Truman-Hoover plan, approved by Congress, to reorganize the three Armed Services into the Department of National Defense, according to the grapevine from the Pentagon.

Johnson, it is promised, is going to close down naval and army shore stations on a wholesale basis, training camps, ordnance manufacturing plants, and the like. "And military installations from Maine to California and from the Canadian border to Mexico" will be affected, these informants predict.

They don't expect Johnson to take this action, designed to show a genuine savings of $1 billion, until after the Congress leaves Washington, for the resulting scream from Chambers of Commerce and Congressmen from constituencies where men were thrown out of work, "will be really something to hear."

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"—Any more objections?"

F. F. Latscha Rejoins Geo. Eustis & Co.

CINCINNATI, OHIO.—Frederic F. Latscha has rejoined Geo. Eustis & Co., 18 East Fourth Street, members of the Cincinnati Stock Exchange. Mr. Latscha has recently been a partner in Frederic F. Latscha & Co., which has been dissolved.

Frederic F. Latscha

C. H. Scott Opens

LITTLE ROCK, Ark. — C. H. Scott is engaging in a securities business from offices in the Boyle Building.