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Arms Aid Abroad Vital: Truman

President tells war veterans his military aid program is essential to implementation of Atlantic Pact as our task of achieving world peace is hopeless without armed allies. Cites value of military aid to Greece and Turkey.

In a short prepared address delivered at Miami, Fla., on Aug. 22, before the Convention of the Veterans of Foreign Wars, President Harry S. Truman strongly defended his program for arms aid to Western European nations and called for appropriation of the full amount of funds for that purpose asked by the State Department, despite the fact that the House of Representatives has already passed a measure cutting the amount demanded by one-half.

President Truman

The complete text of the President's address follows:

Mr. Commander in Chief, distinguished guests, fellow-members of the Veterans of Foreign Wars:

I am happy to be in Miami today to help celebrate the Golden Jubilee anniversary of our organization.

I am proud to be a member of the oldest active veterans' organization in the nation. For 50 years

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The Outlook for Railroads

By WAYNE A. JOHNSTON*
President, Illinois Central Railroad

Prominent railroad executive reviews progress and problems of railroads, and stresses importance to national economy of sound and financially strong railroads. Cites vast reduction of railroad indebtedness and increased capital outlays as factor in railroad progress in last two decades. Defends rate increases as essential to railroad solvency and denies higher rates lead to reduced rail traffic. Denounces Federal subsidies to railroad competitors and asks rails receive equal treatment with other forms of transportation. Calls for universally strong individual railroad systems.

On several occasions since I became President of the Illinois Central Railroad in 1945 I have given expression to my belief in the railroad business in these words: "We must have railroads in and for America—solvent railroads, strong railroads, manned by alert and respected workmen, directed by progressive management, modernized to fit the needs of American enterprise, operating under sound policies of government, and commanding the confidence of the American people."

Wayne A. Johnston

Today I take this sstatement as my text for discussing with you "The Outlook for Railroads."

We mus have railroads in and for American because they now are, and within the predictable future will continue to be, our one indispensable mode of transportation. It has been well said that America lives out of box cars.

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*A lecture by Mr. Johnston at the School of Banking of the University of Wisconsin, Madison, Wis., Aug. 25, 1949.

Steel Workers' Demands—Power Fight Between Rival Union Leaders

By ENDERS M. VOORHEES*
Chairman of the Finance Committee, United States Steel Corp.

Mr. Voorhees, contending higher wage and pension demands by workers in steel industry is result of competitive rivalry between leaders of nationwide unions, gives reasons why these demands cannot be met without increasing steel prices and leading to inflation. Says pensions cannot be provided or protected without heavy accumulation of reserve funds, and attacks making pensions a retroactive charge on future consumers. Says constant cutting of slender thread of prospective profits will end industrial expansion.

I am appalled by the insatiable influences which are so constantly constricting the area within which productive efforts in American business are possible. The evidence I propose to submit can only be weighed against the barest outline of the growth in power of big unionism and the insufferable race for position by union leaders.

Enders M. Voorhees

The competitive rivalry between the leaders of nationwide unions in pursuit of an even greater proportion of what there is for all, cannot be forgotten if fairness is to prevail in this case.

Thus the leaders of the United Steelworkers are confronted with

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*Part of statement by Mr. Voorhees before the Presidential Steel Fact Finding Board in the wage controversy in the steel industry, New York City, Aug. 22, 1949.

EDITORIAL

As We See It

What Those Economic Paradises Are Like

"The anatomy of Communist society may be described as follows: it is a society in which (a) there will be no private but only social, collective ownership of the means of production; (b) there will be no classes or state, but workers in industry and agriculture, managing their economic affairs as a free association of toilers; (c) national economy, organized according to plan, will be based on the highest technique in both industry and agriculture; (d) there will be no contradiction between town and country, between industry and agriculture; (e) the produce [of labor] *will be distributed according to the principle of the old French Communists: 'from each according to his abilities, to each according to his needs'; (f) science and art will enjoy conditions conducive to their highest development; (g) the individual, free from worries about daily bread and from the necessity of cringing to the 'powerful of the earth,' will become really free, etc., etc."*

So one Joseph Stalin upwards of 20 years ago described Communism and its works, according to Isaac Deutscher, a British journalist writing in the New York "Times" last

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The Next Broad Swing Will Be Upward!

By HARRY D. COMER
Manager, Statistical Department,
Paine, Webber, Jackson & Curtis,
Members of New York Stock Exchange

Stockmarket analyst, contrasting trends following World Wars I and II, concludes postwar readjustment in the stock market was probably completed last June. Says technical weakness is lag in prices of speculative stocks, but contends attainment of a new high in stock market may prove a "flash point" for upward trend.

Average stock prices saw their postwar high more than three years ago, in May 1946. Since that time the market, as well as the whole economy, has been undergoing readjustment. The elapsed time in this period exceeds that of the entire bear market 1929-1932, which was somewhat less than three years.


Harry D. Comer

After World War I, the stock market reached its peak in the Fall of 1919. The readjustment period ensuing lasted only 22 months (versus 36 months following World War II).

The percentage declines in average prices in these two postwar periods were not greatly different, as shown in table I.

An outstanding feature of the 1946-1949 market readjustment has been its "piecemeal" nature, with cross-currents ever-present among various stock groups. That contrasts with the 1919-1921 downswing, which affected practically all stock groups simultaneously. Another noteworthy contrast, partly explainable by the difference in intra-market trends, is the fact that in the War II adjustment the brunt of the decline in the market as a whole had been registered in about a year. Thus, the May 1947 low was 115.2 in the above series, compared with a subsequent low of 112.0 in June, 1949. The last two years of this "bear market" carried the average price down only 3%. On the other hand, in the case of War I, the downswing proceeded almost without interruption for its whole duration. These differences have probably served to obscure the fact that in both extent and duration the recent readjustment was near parallel to that following War I.

This writer's conclusion is that *the postwar readjustment in the stock market was probably completed in June this year.* This view is further borne out by an inspection of the 50-year performance of the composite averages. It is a fact that stock prices since 1900 have pursued a long-term upward trend, rising at the over-all rate of 3.64% compounded annually. That rate multiplies dollar values by 6 in 50 years. A long-term line, sloping upward at this rate, touches all bear market bottoms of this century except two. The only cases where stocks fell out of this price-path were 1931-32 and 1940-42. These were, of course, the occasions of this country's worst depression, and "Pearl Harbor". Stock prices in June this year, again turned upward from a close proximity to this 50-year price-path, lending additional support to the view that *the next broad swing will be upward.*

In mid-September, the U. S.-British-Canadian monetary talks will get under way in Washington. American investment sentiment may get some chills and jolts from the head-lines emanating from these conferences. Britain's plight is bad enough, to be sure. However, it will be painted as black as possible in a desperate effort to get more of Uncle Sam's dollars. The outcome may include devaluation of the pound sterling as well as other "soft" European currencies. Speculators looking for a higher American gold price, however, seem doomed to disappointment.

The collapse of the market for British Government bonds is an important milepost along the route of worldwide inflation. Perhaps even more than that—it may provide a much needed object-lesson for the would-be socializers in our midst. The socialists in England had been proceeding on a premise now proven to be fatally false. That premise was that, in government credit, they had an inexhaustible resource which could be used without limit, in the socialization of industry, or what-not. From Britain's experience, it should be clear to all that (1) socialization is not the answer to the common man's prayer for security, and that (2) there is an elastic limit beyond which government credit cannot be stretched without breaking. *Bureaucrats, money-managers, voters—take heed!*

Campaign for Better Sentiment

Our markets have been trying for years to discount the collapse of Britain. Yet it appears that official Washington has been doing its best, of late, to generate sufficient optimism on the domestic outlook to serve as a sort of antidote for the sad news soon to appear about the condition of England. Various official and unofficial talks and actions since early summer point in the direction of a definite plan to prepare the American public for these (or maybe some other) forthcoming "shocks".

Prominent among these actions and gestures have been the following agencies and individuals: President Truman, Federal Reserve Board, (also Chairman of the Board, McCabe, personally); Secretary of the Treasury Snyder, Department of Commerce, Department of Agriculture, and others.

Commissioner McDonald of the SEC, speaking before the first annual Mutual Fund Conference, declared: "What must be avoided is discouraging the investor from ever buying individual securities. Our economy demands all types of people in the market. It requires amateurs as well as professionals, speculation as well as restraint, blue chips and new promotions. That is what makes the wheels go 'round."

A Technical Weakness—Speculative Stocks Lagging

Officialdom is undoubtedly right in trying to encourage "venture" capital—in trying to induce people to take risks instead of hiding in storm cellars. The storm cellars themselves lack security unless the junior equities have sufficient value to serve as a cushion. (Note British Government bonds.)

Probably the most glaring weakness in the internal condition of our stock market at present is the position of highly speculative issues. There is no real enthusiasm yet for outright speculations. The upswing in the market since mid-June has been featured by investment-type or middle-grade stocks. Speculative issues have lagged far behind.

As shown in table II, stocks in the $50 price-class (D-J industrials) advanced 9.7% between the dates shown. Meanwhile, stocks in the $4 average class (Standard & Poor's 23 Low-Priced Stocks) rose only 15.3%. The normal advance in these low-priced issues, to be in line with the move in the $50 stocks, would need to be 44%, or just about 3 times the rise actually registered.

The "Flash Point" in Stocks

Average stock prices now stand near the 1949 top, a level which has but scant technical significance. A rise of 4% or 5% would carry them back to the pre-election level of September 1, 1948. Then a further slight lift would provide *a new high for the past three years.* Such a new high might well prove to be *the "flash point" in stocks*,—the point at which the real flight out of dollars and into stocks gets under way in earnest.

Our citizens hold a record-breaking volume of dollar equivalents. They are holding these in the apparent belief that they represent good storers of value. As signs multiply that the value of our currency will be deliberately reduced, a movement out of dollars and into equities could very well begin almost any time. Only a relatively small amount of new buying would carry the stock

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TABLE I
Composite Stock Prices*

Post-World War I		Post-World War II	
October, 1919	80.5	May, 1946	154.3
August 1921	54.8	June, 1949	112.0
Decline	—31.9%		—27.4%
(Duration)	(22 Mos.)		(36 Mos.)

*Standard & Poor's, monthly average of weekly indexes; 1935-39=100.)

TABLE II
Sluggish Performance of Low-Priced Stocks

	Dow-Jones 30 Industrials	Standard & Poor's 23 Low-Priced Stocks
Aug. 10, 1949	180.60	118.1
June 15, 1949	164.58	102.4
Advance	9.7%	15.3%

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Articles and News

Regular Features

*Mr. May is en route to Paris. This week's column was written by Milan D. Popovic, Vice-President of the Blue Ridge Corporation.
†Not available this week.

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The Weakness in Current Stock Market

By GAYLORD WOOD
Fort Lauderdale, Fla.

Market analyst foresees huge inventory losses due to inevitable postwar collapse in commodity prices and looks for heavy selling to drive stock prices down below 1942 lows. Says numerous clews are accumulating that top in stock prices is forming.

The investor who is open-minded enough to retreat to the sidelines from time to time has a much greater chance for success than has the operator who will get out for perhaps a few days, but who is always overcome by the itch to buy, "for fear he will miss something."

Gaylord Wood

You just can't be in the market all the time. If, as is frequently the case, the habitue of the board room is always long of stock, there does not seem to be much point in doing anything about the market. Much better would it be to place the certificates in a lock box, and forget them—which is also bad, as witness those who locked up utility and railroad stocks in 1928 and 1929.

A little volume, published towards the end of the last century, covered the matter very adequately

"There is scarcely a more important point to which to draw attention than that of being contented to watch for an opportunity. It is fatal to the success of a speculator to be always with stock open in the markets. The casual observer must be well aware that now and again a small panic occurs, and the general level of values is knocked down perhaps two, three, or on serious occasions as much as 4%, according to the inflated state of particular stocks at the time. A speculator who has £20,000 or £30,000 nominal of stock open at such a time, stands in a moment to lose £800 or £1,200 at a blow. With such a contingency always hanging over him, it must be evident to the prudent man that in order not to expose himself more than he can possibly help to such a catastrophe, which may happen at any moment, he should operate, be contented with a moderate profit, and close.

"The obvious advantage of looking on for comparatively long periods and having commitments for short periods, is that the chances will be much more in favor of the speculator when a panic causes a heavy fall. He is then free to buy at prices which are sure to be unduly depressed, and instead of the dreary waiting to recover from losses incurred, he makes in a very short time probably a handsome profit, again retreating to avoid the reaction that follows a sharp recovery, to await a similar favorable opportunity.

"To be overtaken, with large amounts of stock open for the rise, by a panic which engulfs a speculator's money and upsets his judgment at the same time, is among the least excusable faults when committed by the man who starts upon any system. The haphazard speculator is almost sure to have accounts open when a panic takes place, because he is, as a rule, in a fever lest he shall miss a rise, and is, therefore, never contented unless he is 'in the swim,' and hence the severe handling he gets by never seeing the cataract until he is half way to the bottom."

We think that the description of "never seeing the cataract until he is half way to the bottom" is just about what happens to most speculators *and investors* sooner or later. Take 1937 as an example. Our notebook is full of opinions by all the leading "experts" (stock market advisory services) that there was no need to sell stocks. The cataract of October and November, 1937, and of March, 1938 (all of which we avoided), lost more money for investors who held on to their stocks, than they could make up in ten years.

The Three Trends

The primary trend is down.
The secondary trend is up.
The minor trend is up.

This week the Dow-Jones Industrial and Rail averages continued the rise that started on June 13. The volume of trading remained moderately high.

The underlying weakness in the current business situation is so uncomplicated, it is amazing that it escapes detection by 99% of businessmen and business analysts. Briefly, in recent years we piled up staggering inventories, purchased for the most part at prices that were the highest since 1782. Had these inventories been owned outright, with no money borrowed on them, possibly the coming chaos could have been partially avoided. But businessmen very stupidly borrowed huge sums on their inventories.

On March 31, 1949, business inventories totaled the gigantic sum of $54,809,000,000, an all-time high. (As of June 30, business inventories amounted to $51,579,000,000, down three months in a row.) Commodity prices reached their postwar high in August, 1948, with the Bureau of Labor Statistics index at 169.5. This represented the highest level since the year 1782—the post-Revolutionary War price inflation. Bank loans to business zoomed to stratospheric proportions in December, 1948. Loans of all commercial banks in the United States at the end of 1948 totaled the all-time record high of about

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The SEC Looks at Mutual Funds

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

Commissioner McDonald gives assurance SEC recognizes importance of well-managed investment companies in overall investment picture. Cites large savings available for mutual funds purchase. Cautions mutual fund sellers against discouraging investor from ever buying individual securities, against unwarranted sales arguments as comparison with government issues or insurance, and urges proper responsibility for corporate management.

I am greatly encouraged by this conference. Your presence here is the answer to the frequent criticism that the investment industry does not change with the times. Mutual funds are, after all, a relatively new field. Although they started in Boston during the early 20s, they did not "come of age" until the passage of the Investment Company Act of 1940, less than 10 years ago. In just a decade the open-end investment company, as it is designated in the statute, has assumed a significant place on the financial scene, in no small measure through the efforts of the investment fraternity. I take this as an illustration of the adaptability of the investment industry to the changing financial desires of the American people.

Harry A. McDonald

You, who are associated with mutual funds, are probably in one of the fastest growing businesses in this country. Today, while some sections of the securities industry are hard put to make ends meet, mutual funds are continuing their unusual growth. The other day while attending the convention of the National Association of the State Securities Commissioners at Richmond, Va., trading small talk in the lobby of the John Marshall Hotel, I asked the underwriter of one of the well-known funds how things were going. He replied, "Oh, pretty fair. Business for the first six months was only 179% ahead of the same period last year." That certainly does not sound like the reports from most industries today.

You have spent the past three days exchanging ideas and developing your selling methods, so that this steady improvement will continue. Personally, I can see no reason why it should not. Mutual funds have something to offer in today's market, and, as you know, there are savings available for their purchase.

The Commission's Point of View

I want to talk to you today from the point of view of the Securities and Exchange Commission, whose responsibility is not limited to investment companies, but extends over the entire securities market—of which the mutual funds are a part. I am not going to discuss sales technique with you—you have heard the real experts on that subject—but I do think that what I have to say has a very close connection to your day-to-day operations.

When reflecting on what I might say to you today, I tried to account in my own mind for the sales popularity of the mutual funds. It occurred to me that there are two rather conclusive reasons: first—the investment need which the mutual funds fill, and second—the active program you employ in selling them.

We happen to be living in a period when the search and desire for economic security has become one of man's primary motivations. At the same time, we are witnessing the emergence in this country of a new investor class, a class which considers the purchase of securities as a form of investment in which the preservation of principal is a most important consideration. This is the great middle-income group—a group which has only since the depression become the reservoir for most of the savings in this country, and has thereby become the source of most investment funds.

These are the people who hold a large part of the 78 million insurance policies currently in force; they make up most of the 28 million individual investors in government bonds; and they are the millions with savings deposits. Individually, their savings are not large; collectively, they form the great mass of reserve capital to which industry must turn for funds to replenish and expand its productive plant.

We know that so far these people have not shown great interest in securities markets. Estimates of the number of persons owning corporate securities vary greatly. But whether one takes the low figure of 6 million or the larger figure of 14 million some people like to talk about, it is clear that the great body of savers in the middle income group have yet to be introduced to the securities markets. It seems to me that the mutual funds have a definite appeal for that purpose.

Unlike the wealthy people who formed the small investor class in years gone by, these people with their recently accumulated savings usually have had little or no experience in the buying and selling of securities. In fact, not only are they unfamiliar with the market, but they are frequently fearful of it. They have vague memories of the losses suffered by small investors in the market swings of the past. They hesitate to risk savings accumulated through long labor and self denial. To them the market is not only strange, it is technical, and best left to the full-time "experts."

Fund Advantages

To these people, as indeed to others who are more experienced investors, the mutual fund method of buying securities is particularly well adapted. It solves one of the biggest hurdles to initial investment, and that is—which particular security or securities to buy. It offers diversity of risk, professional management, and relief from the need for detailed day to day supervision.

The investment companies have approached this mass market for investment with intensive selling methods designed to merchandise their wares. Their experience has not been too dissimilar from that of the insurance companies. Insurance companies learned long ago that insurance had to be sold. It did not jump "out the window" like a hot issue. Their biggest task has been to educate the public to the need for insurance and the accessibility of insurance protection. Similarly, the investment companies have set out to convince the public it needs mutual funds, to teach them what mutual funds are, and where they fit into an individual's investment program.

But the problems which the mutual fund companies pose for the economy as a whole are broader than the exercise of salesmanship or of competent day-to-day management of the portfolio.

Much like banks and insurance companies, the investment companies are a form of institutionalized saving. In other words, the savings of many individuals are pooled, and investment is channeled through professional managers who determine investment policy. This basic fact has significant consequences.

Significance of Institutionalized Savings

Those of us, in government and out, who like to view the functioning of our capital markets with some perspective, see the continuous development of institutionalized savings as transforming the investment market as we know it. Ours has been traditionally a market place based on the individual judgments of many thousands of investors. The sum total of their separate responses constitutes the market at a given time. As investment becomes institutionalized and individuals delegate their investment decisions to institutions, more and more of our savings become translated into investment on the basis of rules and formulas of a few professional managers.

Your salesmen stress the merits of professional management. You try to sell the investor on letting "experts" pick securities for him. You urge him to abdicate his position in the market, and discourage him from exercising his own judgment. With what result? If this sales approach is carried too far, the end result may be quite deleterious to our economy. Let me try to explain why.

Cautionary Note

Unless you take care, this sales approach may eliminate from the market thousands of potential purchasers of corporate securities. The mutual fund, as I have said, can do much to introduce the unfamiliar to the so-called secrets of the securities markets. But, the purchase of mutual shares should be only the first step in that process. It would seem to me that mutual funds should be sold with the aproach that they represent a part of the investment program of the average individual and not the complete program in itself. The way to buying other types of securities should also be left open. As the new fund-holder gathers experience, he will also gain courage. He will learn some of the terminology of the stock market. He will learn to read the financial page. And one day, unless you have completely discouraged him from taking the initiative, he will be prepared to exercise his own personal selection, and become a direct investor in corporate securities and, perchance, in equity stock. His individuality then becomes a factor in the market, as it should be.

What must be avoided as far as possible is the type of selling of investment shares which completely discourages the investor from ever buying individual securities. Our economy demands all types of people in the market. It requires amateurs as well as professionals, speculation as well as restraint, blue chips and new

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*An address by Commissioner McDonald before the First Annual Mutual Fund Conference (sponsored by "Investment Dealers' Digest") Hotel Statler, New York City, Aug. 18, 1949.

Socialized Medicine

By THOMAS I. PARKINSON*
President, The Equitable Life Assurance Society of U. S.

Holding socialized medicine, while increasing number of those receiving medical care, is likely to lower its quality, prominent life insurance executive, though not opposing compulsory medical aid, contends, because of accomplishments of private health insurance we ought to think first before substituting cold hand of government for warm heart and skilled hand of existing medical services.

One of the principal criticisms of Socialism has been that though it increases distribution of the things that men want, it decreases their production. In like vein, it is said by the critics of the pending scheme for Socialized medicine that it may increase the number who receive medical attention, but it will decrease the quality.

T. I. Parkinson

The proponents of medical care provided by the Government may take for granted that it will increase the distribution of medical care, but they cannot escape the necessity of some proof that it will not decrease the quality of the medical attention which the increased number receive. No one would quarrel with the desirability of providing more and better medical care for the people of this country.

We all want better health for ourselves and our neighbors. We all want a continuation of pioneering medical research, and the provision of adequate hospital facilities and practicing skill which we sometimes refer to as preventive medicine and which has added so much to the health and welfare of our people. The question is, therefore, not what we want, but how can we get it.

We must all be appreciative of the personal sacrifices, the professional competency and the public spirited endowments which have done so much for improvement in the knowledge of the medical profession, the effectiveness of its services, and the decrease in human suffering and extension of human life which have resulted. These results so far have been without Government leadership and, indeed, with very little contribution by the Government. Nevertheless, it must be admitted that the benefits have been confined to less than all of the population and their extension to a greater number of the population is desirable.

This extension of the benefits of medical research and practice has been gradual but has already accomplished much. Some of the results to date may be stated in terms of the mortality in our population In the first place, the death rate of this country has been reduced by more than 40% since 1900. Put in another way, one and one-quarter million people are saved in this year who would have died under the conditions prevailing in 1900. During the same period our average life span has increased by more than a third. The present average life is 67 years as against 49 in 1900. Also, great strides have been made in reducing infant mortality and its accompanying maternal mortality. In the case of several well known diseases, mortality has been reduced almost to the vanishing point. These include scarlet fever, diphtheria, typhoid fever and small pox. Many other diseases. which used to take a great toll of human lives, have been brought under control or abolished by research, medical practice, and nursing.

Even within the past few years there has been a great improvement in mortality in this country. If the 1940 mortality rates had prevailed in 1947, the number of deaths would have been 1,712,000. The actual number of deaths in 1947 was 1,445,000. It is not surprising that the Brookings Institute says, 'The United States is now among the most healthful nations of the world."

Much of the benefit of modern medical care can never be paid for by the individual who receives it. Nevertheless, the cost of that which he is called upon to pay for involves a problem for many of those who need it. The possibility of provision for such costs by insurance and the accumulation of advance funds has been recognized and many organizations now provide this service. Extraordinary progress has been made in the organization of Blue Cross plans providing hospitalization for members who contribute sums which form an insurance fund from which benefits providing hospital care may be drawn. It is estimated that more than 60 million Americans today are members of, or enjoy, such hospitalization benefits.

More recently similar insurance provisions to reimburse the insured for his expenditures for normal medical attention have been developed and greatly expanded. These, of course, are for medical attention outside of hospitals. Many employers now provide group medical reimbursement benefits for their employees and the dependents of their employees. The plan provides for reimbursement up to five or six dollars for a doctor's visit, including larger sums for the service of specialists. One life insurance company which offers these plans now has more than 400 insured groups covering nearly 500,000 employees and the wives and dependent children of such employees.

This represents progress in prepayment of funds for medical attention and will undoubtedly greatly expand the quantity and quality of medical attention by that part of our population which is in particular need of it. Is it not desirable as we have done in so many other matters in this country to try out the further possibilities of such voluntary plans before proceeding to something compulsory?

By voluntary plan we mean one under which the person in need of medical attention selects his own doctor to provide it; and, of course, we mean that the doctor operates as a free agent in performing the obligations of his profession.

All of which is not to say that the pending compulsory medical aid proposal is undesirable, but rather to suggest that in view of what has been accomplished in the past without government assistance, we ought to think first before substituting the cold hand of the government for the warm heart and the skilled hand of our existing medical services. At least we ought to try to build up voluntary group insurance methods of providing in advance the cost of medical attention until, like the Blue Cross provision for hospitalization, it has covered the greater part of our population.

*A statement by Mr. Parkinson distributed by the Continental Press Syndicate, Brightwaters, N. Y.

The Weakness In Current Stock Market

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$42.5 billion. (In 1929, commercial bank loans totaled only about $36 billion.)

It has been our contention that the inevitable post-World War II collapse in commodity prices would cause huge inventory losses. *Bankers, faced with the problem and duty of protecting their depositors funds, will have no other course open—they will be obliged to call loans on a wholesale scale. Eventually this will result in further panic declines in wholesale commodity prices.*

That inventory losses are no idle threat, was borne out last week in the report of *American Woolen Co.* for the first six months of 1949. The report showed a net income of 36 cents a common share, against $9.92 for the first six months of 1948. *In addition to the drop in sales, the flattened earnings figure was due to the company's decision to write down the value of its inventories by $3,167,331.*

The majority of the country's corporations have not as yet been willing to call a spade a spade. *We predict that eventually company after company will take huge inventory losses.* In many cases this will turn profits into losses. In a few cases bankruptcy will occur. On the whole, we think that current corporation earnings are grossly overstated, particularly with regard to potential inventory losses which have not as yet been taken.

We think that stock prices are currently very high. *We expect panic selling to drive stock prices down below the 1942 lows, with at least an approach to the 1932 stock price lows.* Those who think that the Dow-Jones Industrial and Rail averages made their bear market lows at 161.60 and 41.03 are due for a rude shock of awakening. *We predict a drop on the part of the Dow-Jones averages far below 161.60 and 41.03.*

We advise immediate stock sales —a 100% cash position is the only logical and safe course to follow.

Definite evidence is lacking that the June-August stock rise has culminated. But numerous clues are accumulating that an important top is now in the process of forming. In the not-too-distant future a sharp break in stock prices should make its appearance. *We regard the June-August rally as a definite error of optimism.* After Labor Day, the rosy glow of summer vacations will be replaced by the realization that current business statistics are not favorable. *The coming autumn period is likely to be a critical one for both businessmen and investors.*

Long-term investors should maintain a 100% cash position. Sell all stocks at once, at the market. In 1921, 1932 and 1942, stock purchases rewarded holders with several hundred percent profit in a short period of years. We advise that cash be held in anticipation of a buying juncture as favorable as 1921, 1932 and 1942.

Intermediate-term investors should continue an all-cash position.

The primary trend is down, having turned down on the Dow theory bear market signal of Sept. 27, 1948. That signal advised stockholders of a drastic reduction in stock earnings, and a severe bear market in stock prices. The signal advised businessmen of the approach of a business depression that will prove to be as severe as the panic of 1932. Current Dow theory indications are highly bearish.

The State of Trade and Industry

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

Many of the accepted indicators of industrial activity the past week again showed a slight advance in keeping with the trend o previous weeks, but notwithstanding this, total industrial production for the country as a whole was moderately under the level of the corresponding week a year ago.

Total employment in the week, although under the figures of 1948, held close to the peak level for 1949. Compared with the similar period a year ago, unemployment was noticeably higher.

Reporting that new unemployment among the 33,000,000 persons covered by government jobless benefits established a new 1949 low in the week ended Aug. 13, the Bureau of Employment Security observed that there were 291,000 new claims for jobless compensation. Continued claims, according to the Bureau, actually rose in the week ended Aug. 13, to 2,154,400 from 2,119,000 filed in the previous week, due, Director Robert Goodwin reports, primarily to the filing of claims by veterans.

Activity in textiles continued to be brisk last week with some materials reported to be in short supply. In the cotton textile markets print cloth demand remained high, while orders for sheetings and fine combed goods were moderate. Cotton yarns sold well, but buyers were selective regarding future commitments.

Wholesale buyers of foods continued to purchase enough to fill day-to-day needs resulting in total wholesale food volume for the past week being only slighly above the level of the previous week.

* * *

The prolonged boom in the motor industry, which has confounded the pessimists, reflects the continued high purchasing power of the American people despite a moderate increase in unemployment and curtailment to part-time operations in various industries, states the National City Bank of New York in its "Monthly Letter," dated August, 1949. The latest Department of Commerce report on total personal incomes for May, the article notes, was at an annual rate of $212,000,000,000 (seasonally adjusted) or only 2% less than the all-time peak last December. June sales of all retail establishments were estimated by the Commerce Department at barely 2% under a year ago which, with allowance for lower prices, means actually a larger volume of goods and services.

This high and sustained rate of people's income and consumption, while overall production as measured by the Federal Reserve index has gone off some 13% from last year's peak, continues the "Monthly Letter," is the kind of thing that can set the stage for recovery, provided new developments of an unfavorable nature are avoided.

In this situation, the article concludes, the most disturbing domestic element is the demand for further wage increases, carrying the threat of higher costs and a reversal of the decline in prices which consumers generally have been hoping for.

THE ASTOUNDING GROWTH OF NATURAL GAS LINES IN U. S.

The great network of gas pipe lines in this country is now more extensive than all of our railway systems, writes J. D. Ratcliff in "Steelways." Up to date, the pipe lines total 231,000 miles, including the spider-like net of small lines that gather gas from individual wells and those that distribute it to homes. Pipe lines now serve the nation with a fuel that once was largely wasted.

The consumption of natural gas doubled between 1923 and 1935 and doubled again from 1935 to 1945 and is expected to repeat its doubling performance in the coming decade.

Mr. Ratcliff writes that "Gas pipe lines now supply the country with more than five times the energy produced by the entire electric utility industry." The Chinese piped gas through bamboo rods and used it to heat salt evaporators before the Christian era. In 1821, natural gas was piped to a hotel and several stores in Fredonia, N. Y., and in 1891 gas was piped for the first time from northern Indiana to Chicago—a distance of 120 miles. The great gas lines in use today came into existence when stronger and bigger pipe, up to 24 inches in diameter, became available, making it possible to operate powerful centrifugal compressors.

For an activated picture of the natural gas industry, this department would like to refer our readers to the June 21 issue of "The Chronicle" which featured the comments of the country's leading executives in the "Oil and Natural Gas" Industry. Some day soon, other pipe lines from rural sections to the populated centers may convey milk from the creameries to millions of city consumers.

STEEL OUTPUT FOR THE CURRENT PERIOD SET AT HIGHEST LEVEL SINCE WEEK OF JUNE 13, 1949 WHEN IT REACHED 86.7% OF CAPACITY

The better tone in the steel market is still here this week and it looks as though it would last for many more weeks to come, barring strikes, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

Steel salesmen who a few months ago were offering customers prompt shipment must now deliver on their promises. In the past few weeks this has been getting harder to do because new business has been heavy enough to stretch many delivery dates into October or November, says the trade magazine.

Some segments of the metalworking industry have experienced a revival of confidence. Purchasing agents are back to normal forward buying in most lines. In Chicago, which for the past several months has been the nation's largest steel producing area, mill schedules are generally filled through September, some products are booked solidly through October and one large mill has no cold-rolled sheet space open until December. For the time being, states this trade authority, purchasing agents are not going to take any more chances on letting inventories run as low as they were a month ago.

Not all segments of the metalworking industry are sure of the future. The Administration's policy of not letting the right hand know what the left is doing—of simultaneously attacking inflation

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Observations . . . .

By A. WILFRED MAY

[The following article was written by Milan D. Popovic, pinch-hitting for A. Wilfred May who is en route to Paris. Mr. Popovic is Vice-President of the Blue Ridge Corporation.—Editor.]

Closed-End Versus Open-End Funds

In the controversy on management performance and relative investment attractiveness of Open-End Funds vs. Closed-End Trusts the facts are measurable and it is hardly pertinent to reduce the matter to a discussion just of statistical methods and inconsistencies as some recent articles, including one in this publication, do.

Popovic

Referring to the well-compiled analysis in Wiesenberger's investment company manual, it can be said that statistics show that the closed-end companies are slightly better managed than the open-end on basis of investment results and operating expense ratios. This is revealed in the accompanying table:

Consistently, a larger number of closed-ends did better than the averages and, conversely, a smaller number did worse than the market. As to the expense ratios in each of the past five years, the closed-ends managed to report a lower average expense ratio to assets.

The Pitfalls of Taking Average Results

It must be emphasized that these are average results. As the table clearly shows in both groups there are well-managed companies with better-than-average results, so it is evident that even though open-ends come second best it does not mean that all of them are worse than closed-ends. Therefore, it is a bit pointless to discuss the average results and project it upon the whole group. It is a matter of individual selection in either type of issue since the performance is not necessarily tied up to the form of the fund.

Results for the period in comparison with the Standard & Poor's 90 Stocks Average—Number of companies with assets of over $10,000,000

	Period Including	Better: Closed-End	Better: Open-End	Worse: Closed-End	Worse: Open-End
1 year	1948	4	--	14	20
5 years	1944-1948	11	9	8	9
10 years	1939-1948	15	10	--	3

The second point always brought up is the fact that currently open-ends are available to the buyer at a 7-9% premium over assets while the closed-ends sell at a 25-35% discount. This is used both ways, to condemn and recommend either as investment vehicle. Analysis shows that it is not all in favor of either group and the conclusion really depends upon specific needs of the respective investor.

Assuming no market fluctuation, the relative position is simple to calculate:

	Open-End	Closed-End	
Invested funds	$100	$100	
Working funds (assets)	93	133	(25% discount)
Annual return (at 4% net)	3.72	5.32	
Realizable in market	93	100	(less 1% comm.)

Advantages to the Open-End Holder

It is obvious that if we assume that the market and discount remain fixed the advantage lies with the closed-end issues both in terms of dividend return and realization upon sale.

If the market alone fluctuates the advantage continues with the closed-end because the assets would go up and down at equal pace. However, the open-end stockholder is always assured of its exact asset value, whatever it may be, while the closed-end holder may have the leverage of flexibility of the discount to contend with which may emphasize market losses, but also may increase gains by

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"Is Bigness Badness?"

By HAROLD C. HASKELL*

General Counsel, E. I. du Pont de Nemours & Company

Defending large corporations as promoters of prosperity and economic expansion, Mr. Haskell attacks shifting interpretations of Federal anti-trust laws as handicapping nation's business. Holds business today is on much higher plane than quarter-century ago, and public's ideas of what business executive is and does is out of date. Says no business has dificulty in finding competitors and denies there is essential opposition between big and small businesses or that small businesses are being eliminated. Urges joint selling job by big and small business to keep public informed of our economic system.

I feel I must warn you gentlemen that you are in bad company; that you are consorting with a representative of that reprehensible, sinful section of the American people known as Big Business. Were this a country in which the government were less broad-minded, it might actually be dangerous for you to listen to me talk, for there appears to be little doubt that some parts of our government view the activities of the company for which I work, and those of many other large organizations, as anti-social and bad for the country.

Harold C. Haskell

It is a fair question to ask what it is that we are accused of doing, that we have come to be so attractive a target. I must report to you my conviction that at the base of it all is the single fact that we have been successful. The du Pont Company has proved itself very able indeed at supplying things the American economy wants, and at prices within the economy's ability to pay.

In the course of doing this, it has contributed much to the ever-rising American standard of living. From its research laboratories have come neoprene, the first general-purpose synthetic rubber, nylon, moistureproof cellophane, the lacquer that broke the bottleneck slow-drying paint had imposed on the automobile industry. These are only a handful of illustrations from a list that would cover many pages.

In the course of doing this, it has created many thousands of jobs that never existed before, both within its own organization and in other companies. Put that way, it sounds rather impersonal. Let me put it another way: thousands of American men and women today have jobs—and good jobs, too—today who would not have them were it not for du Pont research and du Pont production.

In the course of doing this, du Pont created opportunities for the existence of hundreds, perhaps thousands, of small businesses. Certainly it is true that thousands of small organizations are in business today because they sell to du Pont, or buy its products and either incorporate them into finished products, or market such finished products to the ultimate consumers.

And in the course of doing this, du Pont has helped make it possible for American men and women to have more and better possessions, to find life easier and more comfortable, to enjoy, as everyday and commonplace, things that would have been luxuries unknown even to kings and emperors of the past.

It has been possible for du Pont to do these things because du Pont is a large and successful company that can take big risks. By long steady growth and a policy of reinvesting part of the earnings in the business, this company has financial resources to invest in ventures far beyond the scope of small organizations. It has experienced and skilled experts in research and production to put the money to work.

I believe, as do my fellow workers in the du Pont Company, and as I hope you do, that these things are all to the advantage of the American people, that they bolster the strength of our economy, that they contribute to make it possible for the United States to shoulder the burden of world leadership that events have thrust upon it.

Yet I tell you in all seriousness that there has arisen a question in this country as to whether these things are good. Clarion voices are raised to say that they are bad for the country, that they threaten our economic system. These voices are raised not alone against du Pont, but against many, even most, large and successful companies.

Question of Bigness Must Be Answered

The time is coming when the American people must answer that question, and it is no idle statement to say that upon that answer will depend the future of our country.

It may be that this comes as something of a shock to you, unless it happens that some of you, like me, work for large companies, and are aware of current trends in the United States.

I could not blame you who are not in that position if you feel that my words are over-drawn, and that I am exaggerating an issue for whatever motive your minds might supply. I can only say that I devoutly wish this were the case, for the issue has been drawn, and drawn in unmistakable terms, both by the Department of Justice and the courts.

The broad question is whether or not bigness is helping or hurting the country. It was put with considerable clarity in the Aluminum Company case, in which the basic issue was that through the great efficiency of its organization, it had reached a point where it dominated the aluminum industry. The court specifically stated that it did not matter whether or not the monopoly had been obtained by legal or illegal means, that the retention of the monopoly itself was in violation of the law.

If this doctrine holds—and the evidence is that it will—then I take it that under the law of the land you can, by perfectly legal means, obtain a certain percentage of the business in an industry and find that you are automatically in violation of those laws. There is thus applied an automatic check to growth. At the present time it seems that 65% is about as far as you can safely go, but the percentage is less important than the establishment of the principle. Once that is done, the percentage can be changed to whatever the government thinks it ought to be.

There is one qualification. If you have the protection of a patent position, then you can be the sale producer until the patents expire. After that, if you don't see to it that there are competitors in the field, and that these competitors have a percentage of the business satisfactory to the government, you risk violation of the law.

Nor does it matter whether your operations are good or bad for the customers, which is to say, the public. Judge Hand, in the Aluminum decision, argued in effect that whether or not the public benefited from the operations of the company was irrelevant. Congress, he said, did not condone "good trusts" and condemn bad ones: it forbade all.

And so, under contemporary legal interpretations, you can reach a certain position through perfectly legal means, a position from which the public benefits, and still be a law-violator. If this sounds confusing to you, think how confusing it must be to me, whose business it is, among other things, to advise my associates on anti-trust matters.

I have cited the Aluminum case only to show you that what I am talking about is no mirage. I am interested in it only as confirmatory evidence. What I want to do today is to discuss with you the broad issue involved, and to present to you my thinking on that issue.

I should be the last to deny that big business—like medium-sized business and small business—sometimes finds that it is violating the anti-trust laws. This can happen in one of two ways. Sometimes—not very often—there is willful and knowing violation of the law by men who are willing to take a chance that they will get away with it, or by men who feel that by the time the government catches up with them they will have made enough money to make the gamble well worth while.

It would be foolish to deny that there are people like that in big business. After all, the law of averages applies to businessmen as well as everybody else. This means that you are going to find a certain percentage of businessmen who are crooked, or stupid, just as there are lawyers and government employees who give the majority a bad name through their ill-considered acts.

In cases like that, no representative of business, big or small, should have any sympathy for the offender, for such people do more than the Communists could ever hope to do to tear down this American economic system that has done so much for us all. On the contrary, it seems to me that honest businessmen and industrialists should wish the government all success in convicting and punishing such law violators.

Shifting Interpretation of Anti-Trust Laws

It seems to me, however, that by far the larger number of people who find themselves involved in difficulties with the Anti-Trust Division, or the Federal Trade Commission, do so because of shifting interpretations of the law. I believe that by far the largest number of anti-trust indictments and civil suits come about because businessmen enter upon a course of action in all good faith, only to discover that the Department of Justice and the courts view as a serious offense this year something that was accepted industrial practice last year.

I confess I do not know precisely how this could be handled in such a way as to avoid law violations that come less from positive act than by changes in the interpretations of the law. There are great practical difficulties lying in the way of any solution. I mention the point because it is important that you understand that the majority of anti-trust actions cannot be attributed either to

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*An address by Mr. Haskell before the Rockland County Rotary Club, Rockland, Me., Aug. 19, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

If I were General Vaughan's attorney I could make a ringing defense for him from which he might emerge as a National hero instead of being the subject of criticism and jibes.

This defense would be based on the fact that no longer is the business of making a living in our land of the free and the brave an easy, uncomplicated thing with honesty, straight-forwardness and fair dealing the most profitable assets. No longer can a business man just go about selling his wares on a system of paying so much to the manufacturer for them and selling them to his customers at a fair profit.

Carlisle Bargeron

More than likely he has got to be a schemer, to have a thorough knowledge of government and to have the knack of cutting sharp corners with the mass of regulatory agencies. He has got to be a politician or to have friends or agents who are politicians.

He finds that the government, aside from the vast rigamorale of red tape with which he must cope, is in the market for fairly everything that is sold, so if he has gotten beyond the corner grocery or drug store stage, he must get in on that government buying to progress, if not to survive. This is not as simple as just marking up your prices on the show window from day to day. It takes what a few years ago would have been described as sharp business practices but which in our evolution to the better life, have come to be quite acceptable, certainly expected.

A builder seldom goes these days to his local banker and borrows the money with which to build an office building, a home or an apartment. He becomes conversant with the various forms in which the government puts up the money and acquires a knowledge of how to write in costs for the trouble he will have with this government. An enterpriser with a money making idea should have a way of getting to the RFC, and you just don't walk into the RFC and say "here are my credit cards." If you want to raise money by public subscription you've got to deal with the SEC.

It is hard for me to imagine any business these days that doesn't have to deal either directly or through its trade association or its Washington representative with some government agency and more likely several agencies. A fellow launching a new business and going ahead in ignorance of the day to day happenings in the Washington bureaucracy would probably find in less than a month that he was in violation of regulations all the way from PXYV 42356 to ZLOV 56421.

A few years ago the Senators and Congressmen voted themselves extra clerical help to deal with the scores of requests that come daily from their constituents begging that agency X, for Heaven's sakes, be made to take action on their application for a permit, that a cease and desist order that had been hanging over their heads for months be removed, that agency Z say what it intends to do about their bid to furnish the government 100 tons of barley seed or 1,000 gallons of varnish for swivel chairs.

All over town as this is written are small minded Bureaucrats holding a Business Man's importunity before them, grinning perversely and showing it to their fellow Bureaucrats with the observation: "It'll do this bird good to squirm for awhile," or conjuring up something bad about the Business Man that he can pass out to a gossip columnist.

The Senators and Congressmen, even with their extra clerical help, have pretty much given up trying to get any light or action out of the Bureaucratic maze. They gladly switch their constituents over to a five percenter or somebody who is working at the business of getting action in Washington.

The investigation of the five percenters has revealed pretty clearly that General Vaughan could get action. Either through wheedling or browbeating he seems to have moved many a Bureaucrat who had been sitting on a case for months. I understand he was quite persistent in getting action for Truman's constituents when the latter was Senator and Vaughan his secretary. From his White House position he has acted with more authority, of course. So far as I can tell he has considered he was still getting things done for Truman's constituents and they now embrace the American people.

It strikes me that a monument of some kind should be built to a man who can get things done in Washington these days. It is utter nonsense for critics to say it is an outrage that a citizen has to be acquainted with "men in high places" to get his just dues. It is an outrage that he should be dependent upon the whim of the Washington bureaucracy for his daily bread.

The American people have docilely permitted a big, Tammany-like government to straddle them. New York City business men know what living under a Tammany government is. Greatly enlarged and more powerful, its counterpart now rules from Washington.

General Vaughan doing favors for people is relatively one of the brightest spots I have seen in the picture. It may be that I am just perverse. But certainly the General Vaughans are not the disease. It is something far deeper that needs treatment.

New York Stock Exchange Weekly Firm Changes

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

Herbert F. Boynton and Elwood D. Boynton will retire from partnership in Laird, Bissell & Meeds on Aug. 31.

Siegel & Silver was dissolved as of Aug. 12.

A. W. Graham Joins Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Arthur W. Graham has become associated with Central Republic Co., Farnam Building. He was formerly with Cruttenden & Co. and John Douglas & Co., Inc. In the past he conducted his own investment business in Omaha.

A Program to Encourage Investments Abroad

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Speaking as Chairman of National Advisory Council, Secretary Snyder tells House Banking Committee proposed bill to permit Export-Import Bank to guarantee U. S. private investments abroad is implementation of President's Point Four Program and is essential to overcome obstacles to existing foreign investment situation. Cites principle obstacles as: (1) anti-foreign sentiment created by unfavorable American experience with foreign investments; (2) growth of nationalization ideology abroad; (3) foreign political instability; and (4) prevalence of exchange controls.

I am happy to appear before your Committee today, as Chairman of the National Advisory Council, to testify on H. R. 5594 which would amend the Export-Import Bank Act of 1945 to vest in the Export-Import Bank the power to guaranty United States investments abroad. At the outset I should like to state that in my opinion the objectives of the proposed legislation are of the highest importance and I urge its enactment.

John W. Snyder

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

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

Financial Aspects

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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*Statement by Secretary Snyder before House Committee on Banking and Currency, Washington, D. C., Aug. 17, 1949.

The President's Attack on Collective Bargaining

By IRA MOSHER*
Chairman of Finance Committee and former President, National Association of Manufacturers

Industrialist maintains government-directed arbitration of new agreements, like industry-wide bargaining, surely undermines collective bargaining which is necessary to save us from statism. Recalling the steel union's tactics in 1946, he accuses it of now trying to use the Presidential panel as tools to effectuate similar strategy to lead to government control. Scores steel company managements for submitting to unwarranted Presidential pressure.

My appearance here today is not to be construed as a statement in behalf of the steel companies involved in this case. I am appearing solely as a spokesman for the National Association of Manufacturers. The time to make this presentation was granted to us by the steel companies since our application to the panel itself was denied.


Ira Mosher

The members of the NAM are some 15,000 individual manufacturing companies located throughout the nation in all manufacturing industries and consist of companies of all sizes. More than 70% of our membership consists of companies having less than 500 employees. Some, but not all, of the steel companies involved here are members of the NAM. Among our membership are other steel producers and other consumers of steel who have a vital interest in the outcome of these proceedings.

In fact, the action of this panel, like a stone cast in a pool of water, is bound to have ever-widening effects and may well affect every man, woman and child in this country.

NAM is opposed to nation-wide or industry-wide bargaining. It is engaged in bringing home to its members the dangers to a private enterprise system inherent in industry-wide bargaining. NAM does not negotiate for any of its members and would not do so even if requested. Our appearance here is motivated by the vital influence which the outcome of these hearings will have upon the entire economy and upon the institution and practice of collective bargaining.

Not Representing Steel Companies

I want to make it clear that we are not speaking as representatives of the steel companies. In fact, in the course of my statement I shall criticize the action of the steel companies in this case. Our position and the statement I make here is not that of one of the parties to the dispute. It is the statement of a responsible national organization which regards these proceedings with grave misgivings. We feel so strongly about this matter that we have mailed to each of our thousands of members a statement of the issues involved and notice of our decision to intervene. A copy of that letter is attached to copies of my remarks to this panel.

We are convinced that the appointment of a fact finding board in this case was wrong. Newspapers have speculated freely, both before and after the appointment of this panel, that a compromise recommendation will be issued.[1] We do not believe that that will be the case. But we are convinced that if such a compromise recommendation results, it would wreak havoc with our economy and would strike a serious blow at collective bargaining We are convinced that the only way the situation can be saved at this late date is for the board to remand the case to the parties for genuine collective bargaining.

It may seem strange to this panel that the NAM appears here as a staunch champion of collective bargaining which we believe to be threatened by the action of the union in this case with the cooperation of the government. Let me make our position clear.

As one of the world's foremost proponents and defenders of the free competitive enterprise system, the NAM wants to make it clear that we are deeply concerned about the preservation of the institution of collective bargaining. Regardless of misconception or misrepresentation of our position, the NAM stands in favor of genuine collective bargaining.

We faced the issue squarely in 1946 when the NAM formulated its present policy. At that time the overwhelming majority of the Board of Directors affirmed the policy that "the right of employees to join or not to join a union should be protected by law . . . when the collective bargaining relationship has been established, both employers and employees, quite aside from their legal obligations and rights, should work sincerely to make such bargaining effective."

We adopted that policy not because we wanted to make life easy for labor organizers nor because we thought that every plant should be organized. We adopted that policy because we came to the conclusion that if the majority of the employees of any employer wanted to be represented by a union for purposes of collective bargaining, it was up to management to do its part toward making collective bargaining work. Otherwise, that aspect of the employment relationship would come increasingly under the regulation and control of government. And we know that government regulation and control in the field of collective bargaining will inevitably result in government regulation and eventual nationalization of all industry.

Either Collective Bargaining or Statism

The choice is clear: either this nation must make collective bargaining work or we embark on the road to statism. It is sound and enlightened selfishness, not altruism, that has motivated our position. Unfortunately, the national union involved in this case has a history of hampering collective bargaining and is nullifying collective bargaining now. In our opinion, it is attempting to utilize this panel as an instrument of its grand strategy.

The position of the NAM in favor of genuine collective bargaining is in conformity with the position of the American public in general.

The American people believe in voluntary collective bargaining because it is a reasonable and sensible way of settling problems and differences. The American people believe that the proceedings before this panel are part and parcel of collective bargaining. On the contrary, it is our profound conviction that these proceedings are the antithesis of collective bargaining. Such proceedings can only serve to destroy collective bargaining.

What is collective bargaining? One perequisite is that the majority of the employees must voluntarily elect to be represented by a union for this purpose. Secondly, the employer and the chosen representative of the employees must be willing and able to meet together, consider and discuss their problems, *voluntarily* agree upon their solutions, and then live up to the voluntary agreements thus reached. That is the essence of collective bargaining. Any attempt to delegate or impose upon a third party the responsibility for such consideration, discussion and decision strikes at the root of collective bargaining.

When collective bargaining is extended beyond the individual employer to an entire industry or an entire country, it loses its fundamental characteristics. For if an employer is to be represented by his association for collective bargaining purposes, he must delegate to his association the authority to make binding agreements for him. Thereby, the employer deprives himself of the right and opportunity to discuss and become intimately familiar with the problems of the employees. The representatives of the employees, similarly, are no longer concerned with the specific problems of the employees of a particular employer and must instead consider only the impersonal generalities applicable to an entire industry.

Perils of Industry-Wide Bargaining

Instead of an employer and his employees sitting down to solve their common problems, industry-wide bargaining becomes a semi-political jockeying for advantage. The parties who do the negotiating no longer have the responsibility for living with the agreement which they negotiate. The people who carry out the agreement at the plant and company level then are not implementing a voluntary agreement which they themselves have made, but one that is imposed upon them. Both parties are encouraged to resort to government for help and the value of face-to-face discussion and consideration, which is the essence of collective bargaining, becomes largely dissipated.

It is for that reason that the NAM in May of this year reiterated its policy that "the NAM believes that where collective bargaining is in effect, it should be conducted in a manner which promotes mutual understanding and cooperation between management and workers and which fully protects the public interest. The NAM believes that industry-wide bargaining on a national basis tends to defeat these objectives."

I raise this fundamental matter of industry-wide bargaining because by the appointment of this panel the steel companies have been maneuvered into a position in which they are engaging in something very similar to industry-wide bargaining with all of the adverse results that flow from it. The recommendation which this panel may make, even though it be not technically binding on

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1 See, for example, New York "Times" article of June 14, 1949.

*Statement of Mr. Mosher before the Steel Industry Board, United States Court House, New York City, Aug. 18, 1949.

Dealer-Broker Investment Recommendations and Literature

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

Airline Passenger Traffic—Analysis of growth trend—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Base Metal Shares—Analysis of the outlook—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Also available are brief data on **Consolidated Mining & Smelting, Hudson Bay Mining & Smelting Co., Noranda Mines.**

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

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

Manual of Sugar Companies—26th edition of reference manual of sugar and sugar companies—contains special section giving details pertaining to the new domestic contract, trading in which started on the New York Coffee and Sugar Exchange July 18—manual sent postpaid on receipt of price of $2.00—Farr & Co., 120 Wall Street, New York 5, N. Y.

Oil Industry—1949-50 Winter Outlook—Eastman, Dillon & Co., 15 Broad Street, New York 5, 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.

Systematic Savings—Discussion of a planned program—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

* * *

American Cyanamid Company—Detailed memorandum—Stein Bros. & Boyce, Starks Building Arcade, Louisville 2, Ky.

Also available are memoranda on **General Cable Company**, and **Laclede Gas Light Company.**

Booth Fisheries Corp.—Circular—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Clinton Industries—Circular—DeHaven & Townsend, Crouter & Bodine, Packard Bldg., Philadelphia 2, Pa.

Diversified Investment Fund—Descriptive material—Hugh W. Long and Company, Inc., 48 Wall Street, New York 5, N. Y.

Douglas Oil Co. of California—Analytical report—William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Dresser Industries—Circular—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Halliburton Oil Well Cementing Company—Analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Knudsen Creamery—Circular—Floyd A. Allen & Co., 650 South Grand Avenue, Los Angeles 14, Calif.

Long Island Lighting Co.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

Missouri Pacific—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Missouri Pacific Railroad Co.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

National Folding Box Co.—Circular—Day, Stoddard & Williams, 95 Elm Street, New Haven, Conn.

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

Northern Indiana Public Service—Detailed memorandum—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Also available is a tabulation of preliminary operating results for insurance companies as of June 30.

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

Security First National Bank of Los Angeles—Circular—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Southern Co.—Circular—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif.

Southern Company—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a leaflet on **Texas Eastern Transmission.**

A. E. Staley Manufacturing Co.—Revised analysis—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

United Light & Railways Co.—Revised appraisal—Gerstley, Sunstein & Co., 213 South Broad Street, Philadelphia 7, Pa.

United States & Foreign Securities Corp.—Analysis—Bacon, Stevenson & Co., 39 Broadway, New York 6, N. Y.

The Outlook for Agriculture

By C. CHESTER DU MOND*

Commissioner, New York State Department of Agriculture & Markets

In reviewing agricultural situation, Commissioner Du Mond criticizes Brannan Plan as "a very great concession to ideology of an all powerful government." Points out fallacies of regulated price support, and urges more agricultural efficiency and more education and information be given to farmers so they can help themselves. Says farmers must consider their farms as permanent and going businesses, and proper ways must be devised to prevent wide fluctuation in agricultural prices.

I want to talk to you today on the Outlook for Agriculture. In so doing, I want to consider the topic in perhaps a broader way than most of us have been accustomed to thinking of it, in that I want to have you think with me for a while on the outlook for agriculture here in America to continue to be an honored and worthwhile profession. It is a well-known fact of history that in practically all of the older countries of the world farming has degenerated into a condition approaching peasantry. In my mind this need not be so if thought and attention are given to the problem of food production in a long-time program.

C. Chester Du Mond

First let us consider the importance of our agriculture here in the northeastern States — with which we are most directly concerned. We have here less than 5% of the farm land of the United States. Yet on that 5% of land we produce about 12% of our total national farm production. We have had the added advantage of being very close to the great metropolitan centers of the Northeast so that our agriculture has received a reasonably fair share of the consumer's dollar.

In the agricultural subsidy programs of the last 20 years the Northeast has received only 2½% of the moneys expended by the Federal Government. This would indicate that as yet we here in the Northeast have not needed government assistance so badly and that there has been more reluctance on the part of the northeastern farmers to accept government assistance than has been true in other areas. We can therefore assume that our farm economy in the Northeast was not as severely affected by the last depression as were other areas of the country and that should we have another depression this area would not be in as vulnerable a position. So far as we can see, the factors leading up to a depression are all present today. Whether we will have a depression again depends, in my mind, on the mental attitude of our businessmen and bankers. So far they haven't become convinced that the present recession must end in a depression; and until that fear becomes dominant there still remains a possibility that our economy will level off without too severe dislocation.

Increased Agricultural Productivity

In the past we have seen an epic accomplishment as the American farmers took over the soil of this new continent and developed it to feed a great nation. They brought to this continent the primitive methods of Europe, and by a wonderful display of inventiveness, ingenuity and hard work they have developed the productivity of the individual farm from a point where it required all of a man's time and effort to feed himself and his family to a point where a man on a farm today can feed himself and five others who are not food producers.

This tremendous increase in productivity has come about because of the development of machinery, and this to a great extent is seen only in the western hemisphere. The abundant food thus produced from a virgin soil—and later from a soil kept fertile by animal husbandry — has enabled us here in the United States to raise our standard of living to a height unbelievable only a few years ago.

It is a well-known fact that when a man is relieved of the necessity of providing his own food he has the time to devote to the production of the other things and services which make possible a high standard of living. Should we go back again to our primitive methods, it would be impossible for America to continue to be the greatest industrial nation in the world, because most of the people now engaged in industry would be obliged to spend their lives producing food.

This economy as it has developed has made almost a perfect setting for a representative form of government to flourish. We have had abundant food; we have had the money and the desire to educate our people. We have had —above all — the willingness to work to better our individual family fortunes and to provide our independence in old age. This has been the ideology of America. It is endangered now by a too rapidly increasing population. Don't forget that the United States today is a great magnet which is drawing population to it from practically every nation on the globe. By fair means or foul, they intend to get in.

We must consider whether a different approach is necessary. We have seen the governments of Europe start out as feudal governments run by all-powerful nobles on through the period in England, France and the United States where the *people* supported the *government*. Now we are coming to a theory of government which is encroaching on the representative form of government where the government is expected to support the people—and usually from less and less national production. Lest you think that we in America have not progressed down that same road, may I state that the present tax on an average family of four people is now $1,450. Not too long ago that would have seemed a quite substantial income for such a family. We are expecting the government to do many things for us which we formerly did as individuals.

This picture, as I have drawn it, emphasizes some problems which agriculture must face under such circumstances. It is not enough to say that we condemn changes. We should not, because perhaps a change is necessary as our nation develops from an agricultural nation to one where more than four-fifths of its people are industrial.

One problem which I believe paramount is that we have a better understanding of the problems and aspirations of each segment of our population by the other segments. When we consider how this understanding can best be accomplished, it would seem that we must not neglect to stress *all* types of education, particularly education as to the public problems which face our legislators. The more we can do to help people realize the trends that are taking place in our government today the more opportunity there will be for our people to decide for themselves whether such changes in government will in the long run, give them more happiness and more contentment. Our form of government, which is that of a representative republic rather than a democracy, must depend for existence on the intelligence, good sense and amount of education of the average citizen. I believe therefore that anything which can stimulate sound thinking on the part of the electorate is most essential.

We are going into a period when it will be most essential for agriculture to match up the amount of foodstuffs and fibre produced on our farms with the amount needed for human consumption and for export. Some day this country will reach the point in its population numbers when every bit of food which can be raised will be needed to support its population. We have not as yet reached that point. We still can produce by our mechanized methods and our agricultural know-how more food—particularly food of a higher type—than we can afford to eat under the present setup of our economy. It is therefore most essential that the four-fifths of our people engaged in industry and in our service groups, such as doctors, educators, storekeepers, etc., are all profitably engaged in their various lines of business. Agriculture today is dependent as never before on the general prosperity of the nation.

Brannan Plan Criticized

In matching the supply of agricultural products with the demand, we are faced with what seems to be some new ideologies. This is evidenced, it seems to me, by such plans as the Brannan Plan where the consumer is supposed to profit by the low prices arising from unlimited competition as farmers try to sell their perishable foodstuffs. Then, in order that the farmer need not go out of business for lack of income, the government is to decide just how much he should be paid for output of his farm. This method of course is a direct and very great concession to the ideology in government of an all-powerful government under which the people exist only to serve. It purposely under-emphasizes the fact that during this process our representative-type of government will undoubtedly continue for a number of years. Our representatives are of necessity more and more industrially minded rather than agriculturally minded, and the day might soon arrive when these representatives would not appropriate out of the public treasury the money to compensate the farmer for his full production.

Most of our farm organizations feel that such a possibility is too real to be disregarded. These organizations, including the Grange, believe that if some way could be devised so that a farmer could be kept reasonably acquainted with the need for food production he could gauge his own business better than the government could. What he would desire would be

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*An address by Commissioner Du Mond at the Chautauqua Institute, Chautauqua, N. Y., Aug. 20, 1949.

Our Labor Unions Are Uncontrolled Monopolies

By WILLFORD I. KING*
Economics Professor Emeritus, New York University
Chairman, Committee for Constitutional Government

Dr. King, reviewing dangers of uncontrolled monopoly, points out that under present laws, labor organizations are a type of monopoly which is dangerous to social welfare. Holds working class as whole is injured by labor monopolies and says labor leaders tend to price labor out of market. Urges monopoly laws be applied to labor unions.

To the founders of our Republic the idea of uncontrolled monopoly was anathema. From Adam Smith and his disciples, they had learned how despotic sovereigns in England and elsewhere had used monopolies to "line their own pockets" at the expense of their subjects.

Willford I. King

From the same authors they had also learned the advantages of free and untrammeled competition. Today, we have become much more tolerant of monopolies. We have passed such laws as the Norris-La Guardia Act and the Wagner Act to encourage monopolization in the field of labor. Does such legislation represent progress or retrogression? An analysis of the basic goals sought by uncontrolled monopolies may help us to give a reasoned answer to this question.

As previously noted, monopolies are, of course organized for the purpose of maximizing the incomes of the monopolists. Very commonly, it will appear that the monopoly's net income can be increased by raising the price of what it sells. This will, of course, be at the expense of the customers, but will probably benefit the owners of the monopoly. If the latter gain as much as the former lose, no loss will result for society as a whole.

But now we come to a difficulty which monopolists have never been able to overcome. When prices are raised, sales volume declines, and this results in less production. And when production shrinks, the volume of goods available for use by the public in general is inevitably reduced. Clearly, therefore, monopolization accompanied by price raising is injurious to society as a whole.

Since the prime function of government is to safeguard the general welfare, it follows that it is the duty of government to prevent such anti-social monopolization. Doubtless your Committee is anxious to discover and eliminate all monopolies that are injuring the public to any appreciable degree.

Dangers from Different Types of Monopolies Compared

By far the most numerous monopolies are patents and copyrights. The extent of a monopoly's power depends mainly upon the difficulty of finding substitutes for the goods which it offers for sale. Americans are so ingenious that they have devised and patented various ways of producing almost everything needed in every-day life. Hence, a patent gives to its owner surprisingly little opportunity to advance the prices of his products. On almost every subject of interest, so many books are written that a copyright usually has but slight control over the market. It appears, therefore, that the common weal is menaced very slightly indeed by patent or copyright monopolies.

Railways and public utilities frequently are in a position to monopolize effectively in certain localities services essential to the public welfare. But the actions of such monopolies are usually regulated in detail by governmentally-sponsored commissions. Therefore, any danger to the public from monopolies of this type appears to be negligible.

Radical writers are prone to assert that illegal combinations of industrialists are continually "fleecing the public" unmercifully. Since such combinations, in so far as they exist, must be secret, it is manifestly impossible to collect statistical data concerning their prevalence. Our conclusions in this connection then necessarily rest upon incidental evidences of monopoly. In just what fields of industry do we find prices unyielding and profits maintained in time of recession? It is difficult if not impossible to discover any major industry in which such manifestations of control by monopoly are present.

With the evidence as it exists, it seems certain that any unbiased investigator will be forced to conclude that, at present, in the United States, uncontrolled monopolies having any considerable degree of power are confined almost entirely to the field of labor. Here they flourish under the aegis of government and openly boast of their strength. They collect from their members each year more than half a billion dollars in dues, and much of this money is used to strengthen their control over industry. They go into politics with the avowed purpose of defeating all candidates for Congress who dare to oppose their demands. How does it come that the people of the United States and their representatives tolerate such arrogance?

Why Anti-Social Acts of Labor Monopolies Are Tolerated

The answer is, of course, that most Americans have been convinced that the labor monopolies deserve primary credit for the amazing improvement in the condition of labor which has taken place during the last century. In the manufacturing field, *real* wage rates have been multiplied by five. Though the average number of hours worked per week has been nearly halved, the workers' *real* annual earnings have more than doubled. If this is what labor monopolies have accomplished, their beneficence can scarcely be questioned.

Forces Really Responsible for Labor's Advancement

But one should carefully avoid succumbing to the hoary fallacy that because two things occur together, one is necessarily the cause of the other. Reference to Charts I and II and the supporting tables in the folder "What Raises Wages—Labor Unions or Better Tools?" shows that the marked growth of labor unions since 1933 has had not the slightest tendency to increase the *percentage* share of wages and salaries in the output of industry. What then is the real explanation of the wonderful advance in labor's well-being occurring during the past century?

The answer is given by Chart II and Table I in the pamphlet—"Raising the Workingman's Scale of Living." These show that, in the 90 years from 1849 to 1939, capital investment per worker increased nine fold. It was this which caused the gross value of the worker's product to be multiplied by seven, and his hourly *real* wage rate to be more than quadrupled. Here you have the basic cause of the workingman's increase in *real* income.

Working Class Injured by Labor Monopolies

The truth is that, during the last two decades, the average American factory worker would have prospered far more had there never been a labor union in the United States. As Charts I and II in "What Raises Wages—Labor Unions or Better Tools?" shows, the *percentage* share of the nation's new spending power going to wages remains nearly constant year after year. The term "new spending power" is used to cover the algebraic sum of the national income and the CHANGE in the volume of circulating medium. Statistics show that the aggregate demand for goods in the nation as a whole depends upon the amount of new spending power available.[1]

The principal constituent in the nation's aggregate new spending power is the national income. It, in turn, is governed mainly by production. It follows that all featherbedding and restrictions on output imposed by labor unions cut, in like proportion, the income of employees, for they too are buyers of goods. As you all know, new houses have been selling at outrageously high prices largely because building workers have been restricting output. The railway unions are striving vigorously to force the railroads to carry useless workers on every Diesel engine. This would raise freight charges. John L. Lewis is limiting coal workers to three days' production a week. This results in high-priced fuel. And I am told that union leaders are urging the Senate to pass Section 630 of the Armed Services Appropriation Bill, providing that "no part of the appropriation shall be made available for any person, firm or corporation which uses stop-watches or time-measuring devices for time studies and for related purposes." Here is featherbedding to the nth degree! And every resulting cut in production will inevitably mean lower total real income of employees as a whole.

But featherbedding is not the only result of labor monopolization which reduces sharply the total income of the laboring class. Still more inimical to the prosperity of the average workingman is the practice of pricing labor out of the market whenever a business recession occurs—something which we have been experiencing during the past few months.

Charts I and II in my study entitled "Would a Fourth Round of Wage Increases Benefit Factory Workers?" prove conclusively that the actual factory wage total depends primarily upon the nation's aggregate of gross new spending power. The composition of this item is shown in Table I. Reference to the figures there presented reveals that this latter quantity is, in turn, dominated by

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*Part of a statement by Dr. King before the Senate Banking and Currency Committee, Washington, D. C., Aug. 16, 1946.

1 See Table XV in the present writer's book—*The Keys to Prosperity.*

Consumer Purchasing Power And Labor Agitation

By DR. A. L. GITLOW
School of Commerce, New York University

Prof. Gitlow scores Nathan Report as anachronistic and self-contradictory. Points out fallacies in labor leaders' purchasing-power-and-employment theories. Maintains real income of working class does not depend on money wage level, but on size and distribution of national income.

The CIO has once again called upon Robert Nathan to analyze the state of the nation's economy. His report is called "A National Economic Policy for 1949," and it recommends wage increases as a cure for the country's economic ills. In view of the use being made of this report, it may be well to analyze its basic argument; namely, the consumer purchasing power theory.

Abraham L. Gitlow

As presented by Nathan, the 1949 "National Economic Policy" should be to raise wages because:[1]

"The upturn in investment must await rising consumption, which is certainly not now an immediate prospect," and,

"There is no doubt but that an increase in wages will result in more consumer spending by those who get the raises. Of necessity, wage earners spend most of their income."[2]

Purchasing Power and Ability to Pay

This would seem to indicate a general wage increase throughout the economy, for the purpose of stimulating consumer spending and, as a consequence, production and employment. However, the Nathan report contains a qualification. It states:[3]

". . . Nonetheless, a uniform round of identical wage increases is not justified, because there is no uniform ability to grant increases in every instance. Some companies and industries can afford much more than others, and some few cannot afford any raise and remain in business."

This brings out one of the anachronisms in the report. It justifies wage increases on the basis of the consumer purchasing power theory, but tempers the recommendation by calling attention to ability to pay, as a basis for actual wage adjustments. In fact, the purchasing power and ability to pay approaches are in direct contradiction to each other. Under the ability to pay approach, wages should be pushed up whenever and wherever profits are good. Logically, this must mean that wages should go down whenever and wherever profits are disappearing. Yet, under the consumer purchasing power theory, wages should be increased when business is declining, despite the fact that declining business is accompanied by profit shrinkage and elimination of ability to pay.

As a matter of fact, the ability to pay doctrine is *not* popular with labor leaders. They have excellent reason to dislike it, for it violates basic common sense insofar as practical union administration is concerned. Thus, in a survey of the opinions of businessmen and labor leaders, W. S. Woytinsky stated:[4]

"Both union leaders and business executives were asked about the factors they had considered in preparing their recent wage demands and counteroffers. The emphasis was on their thinking rather than on the arguments they had used in pleading their cause at the negotiation table or before the public. Additional questions were put to both parties to clarify their attitudes: Union leaders were asked what factors they expected to take into account in determining their union's wage policies in the next five years; business executives were asked whether they thought the pressure for wage increases originated with rank-and-file workers, local union leaders or national officers.

"The answers received from both parties reveal a strong imprint of the particular conditions of the postwar wage rounds. Both placed the heaviest emphasis on recent changes in cost of living. Both groups ranked wages in other industries and in other areas close together in the second and third places. *Half the union officers and nearly one-third of the businessmen named comparison with other unions as a factor in determining wage increases. Consideration of the profits of the company was mentioned less frequently by both parties.*"

Can anyone imagine a labor leader willingly accepting less for one group of his members than for another group, just because the former worked in a marginal plant? The Nathan report assumes such willingness. I would dislike being a local labor leader faced with the necessity for explaining varying collective bargaining results to the rank and file membership. No labor leader would willingly accept the threat to his leadership tenure implied in the report's ability to pay thesis. Therefore, the true result of the "aggressive"[5] bargaining, on the part of labor, that is called for in the Nathan report, it would be general wage increases coincident with the area of collective bargaining, regardless of specific ability or inability to pay. This would, of course, eliminate marginal plants and increase unemployment. There is the further question: Should labor leaders base collective bargaining on ability to pay? The wisdom of such a course seems doubtful, particularly in view of such traditional labor slogans as "equal pay for equal work" and "the living wage."

Wage Increases and Purchasing Power

Assuming that consumer purchasing power could influence production and employment, would wage increases raise consumer purchasing power? There is a glib identity between wages and total purchasing power, which is invariably assumed by the labor proponents of the purchasing power theory. The Nathan report makes such an identification. It is incorrect. Wages are only a part of total income, and total spending for consumers' goods. The other forms of income also are a source of consumer purchasing power. To the extent that higher wages represent a reduction in other forms of income, like dividends, they merely constitute a redistribution of spending power, not an increase in the aggregate. They are, therefore, self-defeating.

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1 Robert Nathan, "A National Economic Policy for 1949," R. Nathan & Associates, Wash., D. C., 1949, p. 23.
2 Ibid., p. 38
3 Ibid., p. 37.
4 W. S. Woytinski. "Labor & Management Look at Collective Bargaining," 20th Century Fund, mimeographed, 1949, p. 71.

5 R. Nathan, op. cit., p. 40.

Your Everyday Tax Burden

By ROGER W. BABSON

Mr. Babson points out high cost of everyday taxes to consumer and ordinary housewife. Says individual can figure he is working at least three months a year for government and that ordinary people are paying for "security experiments."

GLOUCESTER, MASS. — A young friend of mine arrived home the other night to find his wife on the warpath. She had kept account, for the first time, of every cent she had spent that day on taxes. First she went shopping for some of the articles used in most homes as regular necessities. She bought a small container of deoderant (Federal tax $.08), and one larger container (Federal Tax $.12). She also bought one can of baby powder (Federal tax $.10), a bottle of baby oil (Federal tax $.20), and one medium-sized jar of hand lotion (Federal tax $.09). Any woman who does all of her own housework will tell you that the last mentioned item is no luxury.

Roger W. Babson

Everyone Pays the Same Federal Sales Taxes

Next, my friend's wife paid two bills, one for her husband's safe deposit box (Federal tax $1) where a very few government bonds repose. At the telephone company where she paid her second bill, there was a Federal tax of $.56 for "local service and equipment," another $.38 on "message units," and another $.13 on a nearby toll call. The bill was $7.82. $1.07 of this amount went to the government. That same morning she had the family car filled with gas. This tax amounted to $.45 on 10 gallons, as the Massachusetts state tax is $.03 on each gallon and the Federal tax is $.01½. All these taxes are in addition to the taxes the corporations (which are already taxed to the hilt) pay.

At noon, this young housewife, sick and tired of Federal and State taxes, went to a restaurant for lunch—one where she could get a "99c. special." A choice of beverage was included. She decided to have tea—"iced." When the bill came she found that 5c had been added for the ice! The bill was $1.10. She figured that having her tea iced had cost her 11c extra, 6c of that amount going straight to the State Government for the "old age" tax.

Multiplication

The above little story explains why this housewife came home angry and resentful. She had turned over in that one morning $2.81 in taxes to the Federal Government and $.36 to the State—a total of $3.17. She had not bought what seemed to her, or to any thinking person, a single luxury. Small potatoes? Multiply that amount by all **other** housewives in the United States out on a normal morning's activities and you will see where the money for social experiments is coming from —**out of your own pockets.**

C. E. Glander (Ohio Tax Commissioner and Pesident of the National Association of Tax Administrators) says that in the past 30 years annual taxes in the U. S. A. have risen 1,500%. Someone has estimated that when a baby is born in the United States he can count on spending several thousand dollars in gasoline taxes alone before he dies. "There are 200 separate taxes in the price of gasoline levied at different stages of processing from the oil well to the gas pump," according to the American Petroleum Institute.

Where Is It Going?

You can figure that you are working for at least three months of every year entirely for the government, not keeping a cent from your labors during that period for living expenses. These taxes are enough to support one government employee for about every seven families in the U. S. In the last 20 years the population of the United States has increased 21%. The Federal employee increase has been 250%. It is your money which is being spent on all "security experiments." If you save a dollar for the future you have that dollar, plus the interest it earns ready and waiting for you when you need it. But when you hand over a dollar to the government in taxes, you have very little to show for it.

A national healtn program, for instance, would call for almost as many more government employees to operate it, and keep the records, as it would require doctors. Your doctor's bill might be less; but your taxes would be more. All these "social programs" mean higher taxes for you, both on income directly and also on what you buy. It is well said that "Government **has nothing** except what the working taxpayer gives it." You are the working taxpayer. What is your desire, to spend your own money as you see fit or turn nearly one-third of it over, each year, to the government to spend? Upon your choice depends the freedom of the individual in this country.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Robert E. Moore is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Fusz-Schmelzle & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Edward C. Kreutz is with Fusz-Schmelzle & Co., Boatmen's Bank Building.

With Gross, Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John H. Ashun is now affiliated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

McDowell With Marache, Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harry B. McDowell has become associated with Marache, Sims & Co., 458 So. Spring Street, members of the Los Angeles Stock Exchange. Mr. McDowell was formerly with First California Company.

Ernest I. Cahn Opens

Ernest I. Cahn will engage in a securities business from offices at 29 Broadway, New York City.

Walter With Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Philip P. Walter has become associated with Douglass & Co., 133 North Robertson Boulevard. Mr. Walter was previously with Dempsey-Tegeler & Co. and Bingham, Walter & Hurry.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Helen F. Cowan has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Mutual Funds

By HENRY HUNT

Wellington Fastest Growing Fund

Despite the fact that net assets of 80 odd leading mutual funds declined 3½% to $1,536 million during the 12 months ended June 30, Wellington Fund was able to add 31% to its assets during this period, the largest gain of any mutual fund with assets over $20 million. Affiliated Fund with an increase of 17% was in second position on a percentage basis while Investors Mutual was fifth on a percentage gain basis but second on a dollar gain basis as will be noted from the following tabulation:

NET ASSETS

Fund	6/30/48	6/30/49	% Inc.
Wellington	$57,756,000	$75,807,000	31
Affiliated	57,343,000*	67,042,000*	17
Boston	33,035,000	37,418,000	13
Fidelity	19,041,000	21,350,000	11½
Investors Mutual	124,273,000	138,217,000	11¼
Eaton & Howard Bal.	36,845,000	40,774,000	11

*Excluding bank loans.

As a result of the rise in the market since June 30 and continued high volume of sales of new shares, Wellington's present net assets are in excess of $83 million. It won't be long before you're above the $100 million mark, Al. Congratulations.

It will be noted that among the six leading funds tabulated, four are balanced funds while the other two, Affiliated and Fidelity, are equity type funds.

Among the smaller mutual funds, the **Commonwealth Investment Co. of San Francisco** is showing rapid growth. Since the first of the year its assets have increased some 30% to more than $7 million.

Mr. Weir Looks at Europe

National Steel's President, Ernest Weir, returning from West Europe: "Except in England, the trend of government leadership toward socialism has halted and, in fact, reversed. The countries in which the trend away from socialism is most pronounced have made the greatest relative progress. The fear of war in the near term has greatly diminished, not only among leaders, but among the rank and file of people. We are entering history's greatest period of international competition in commerce."—From "These Things Seemed Important," issued by **Selected Investment Co. of Chicago.**

This May Cost You Money . . .

"After that fair warning, we would like to point out that the U. S. still has a stock market, that the market plays a useful part in the U. S. scheme of things—and that perhaps it is time for all citizens to take another look at it. 'Life' does not pretend to know whether stocks will go higher or lower in the next few months. Moreover we would not think of urging anybody to try to get rich quick by speculating in the market. We do know, however, that most people who have put their spare money into stocks over the years—not gambling for a fast profit but investing for the long pull—have made a handsome return. Certainly more than they would have made by investing in race-track tickets, which seems to have become a popular American way of being financially optimistic.

"The most important thing about the stock market right now is that it is going begging for customers—which means that U. S. industry is going begging for funds and for partners. The old millionaire investors have disappeared or have been discouraged by high taxes. Many of the new potential investors in American business—the prosperous farmer and the laboring or salaried men with money in the bank—have not yet learned that a stock certificate can be a profitable way of promoting and sharing in progress.

"The stock exchange and the brokers have only lately begun to realize that business must now depend for its funds on the little man. Their recent advertising campaigns, however, seem to be taking effect. The New York 'Daily News,' the newspaper of the common man, has never bothered to run a page of stock quotations. Yet last week it was moved to editorialize on the stock market's campaign to attract small investors, and to express itself heartily in favor. As the 'Daily News' pointed out, 'If Wall Street doesn't stimulate average citizens to put money into industry and enterprise, the government will do more and more of that sort of thing—meaning we'll get State Socialism here after a while. State Socialism is a nice-Nellie term for Fascism or Nazism.'

"Any of the millions of Americans who are said by statisticians to have some spare money around, over and above such necessary investments as insurance and emergency savings, might do well to ponder the 'Daily News' words and then see what the local broker has to offer. This can be one way to vote for freedom and make a little money too."—An editorial from the Aug. 15 issue of "Life" magazine.

Chlorine—The "Green Goddess"

"Chlorine is sometimes called the 'Green Goddess.' Like the lady in the famous old play it is evil but very powerful. It is greenish in color and poisonous enough to have been used in the combat gases of World War I.

"Like many chemicals, however, that are dangerous in pure form, it forms combinations that are entirely harmless and extremely useful. Common salt is a combination of sodium and chlorine and salt brine is the source of most of the chlorine made by the chemical industry. An electric current is run through brine contained in large specially designed cells producing chlorine gas and caustic soda.

"Although the average man never sees any chlorine and doesn't want to, there is probably no single chemical that enters into more of the things that are used in every day life. Chlorine has the faculty of combining with other elements to make a tremendous variety of useful chemicals, and it is also useful in the preliminary processes of making other chemicals.

"Its first big uses were in purifying water and in bleaching textiles and paper, but in recent years its field has widened enormously. In the last 15 years alone demand has increased 700%, and there is no reason to think that the limit of its growth has been reached. Newly created chemicals every year add to the need.

"Chlorine is essential in making the most important plastics. Phenol, used in making phenolic plastics such as Union Carbide's 'Bakelite,' needs huge amounts of chlorine in the making although it doesn't contain chlorine. Vinyl plastics such as Carbide's Vinylite, Dow's Saran or Goodrich's Koroseal contain chlorine. Every household now has vinyl shower curtains, raincoats, upholstery or floor covering.

"The 'Green Goddess' helps create such new soapless soaps as 'Vel' or 'Tide.' Famous DDT, killer of all sorts of insect pests, requires large amounts of chlorine. So does 2, 4D which helps the farmer kill weeds and clears poison ivy off country stone walls."—From **Chemical Fund's** "Test Tube."

$100,000,000 Canada Dollar Bonds Marketed

Bulk of proceeds to be used for refunding purposes at interest saving to Dominion of $1,953,325 annually.

A group of United States and Canadian investment bankers headed by Morgan Stanley & Co. on Aug. 25 offered $100,000,000 25-year 2¾% bonds of the Government of Canada. The bonds are priced at 100¼% to yield 2.736%.

The bonds which will mature Sept. 1, 1974, will be direct obligations of the Government of Canada, with principal and interest payable in United States dollars.

Proceeds of the issue will be advanced to the Canadian National Railway to redeem $57,728,500 of 5% bonds due in 1969 which have been called for payment on next Oct. 1 and $17,338,000 of 5% bonds due in 1970 which are to be called for payment on Feb. 1, 1950.

The Canadian Government will also advance the necessary funds for the redemption of $19,000,000 Harbour Commissioners of Montreal 5% bonds due in 1965 which are to be called for payment on next Nov. 1.

The balance of the proceeds will be added to the general funds of the government.

All of the bonds slated for redemption are payable in U. S. dollars and will be redeemed at 105%.

The sale of the new bonds will result in an annual saving of $1,953,325 in interest charges payable in U. S. dollars.

Canada has enjoyed a budgetary surplus during each of the past three fiscal years ended March 31 despite three substantial reductions in personal income taxes since the end of World War II. A further general reduction in personal income taxes has been instituted this year. The government has made a start toward the removal of double taxation of corporate profits by allowing individuals a credit against their personal income tax equal to 10% of the dividends they receive from common shares of Canadian taxpaying corporations.

The prospectus states that Canada depends heavily on foreign trade, and has now developed to the point where with less than 1% of the world's population it ranked third in exports and imports in 1948. The U. S. A. has become the principal customer of Canada and also the principal source of imports into Canada.

Canada's official holdings of gold and U. S. dollars have fluctuated since the war from the high point of $1,508 million at Dec. 31, 1945 to $502 million at Dec. 31, 1947 and, following the adoption of measures in November, 1947 to halt the drain on reserves of foreign exchange, together with assistance derived from the European Recovery Program, recovered to $977 million at June 30, 1949.

Atlas Investing Corp.

The Atlas Investing Corporation is being formed with offices at 25 Broad St., New York City, to engage in the securities business. Officers are Ralph De Pasquale, President, Secretary and Treasurer; and Carlyle Detjen and John C. Ferlaino, Trustees. Mr. De Pasquale in the past was with Amos Treat & Co., Hirsch & Co., and Clark Kohl & Eyman. Mr. Detjen has been active as an individual dealer in Brooklyn.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

The Security Traders Association of New York is reminding members of the annual summer outing and dinner to be held Sept. 9 at Travers Island. Tickets for the outing, which will feature golf, soft ball, tennis, and horseshoes, are $8. Reservations may be obtained from D. Raymond Kenney, Kenney & Powell, or Arnold J. Wechsler, Ogden, Wechsler & Co.

SECURITY TRADERS CLUB OF ST. LOUIS

The Nominating Committee of the Security Traders Association of St. Louis consisting of John F. Matye, Dempsey-Tegeler & Co., Chairman; Robert A. Pauli, Scherck, Richter Co., and James O'Brien, Mississippi Valley Trust Co., has submitted the following for officers of the Security Traders Club of St. Louis for the year 1949-50:


John Bunn


Earl Hagensieker


Edward Senturia


Edward Oldendorph


Kenneth Kerr


David S. Matthew

President—John W. Bunn, Stifel, Nicolaus & Co.
1st Vice-President—Earl Hagensieker, Reinholdt & Gardner.
2nd Vice-President—Edward Senturia, Newhard, Cook & Co.
3rd Vice-President—Edward Oldendorph, Smith, Moore & Co.
Secretary—Kenneth Kerr, A. G. Edwards & Sons.
Treasurer—David S. Matthew, Scherck, Richter Co.

Any five members of the Association may in writing nominate an additional candidate or candidates for office. Notice of such nominations must be in the hands of the Secretary at least three weeks before the annual meeting. The annual meeting has been set for Thursday, Oct. 20, 1949; therefore any additional nominations must be received on or before Sept. 29, 1949.

If an election by ballot is necessary the voting will take place on the floor of the St. Louis Stock Exchange, 319 North 4th Street, at 4:00 p.m. on Thursday Oct. 20, 1949 unless otherwise advised.

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.

Oct. 20, 1949 (St. Louis, Mo.)
Annual meeting and election of officers of Security Traders Club of St. Louis.

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.

Farm Price Support—Step Toward Nationalization

By EARL L. BUTZ*
Head, Department of Agricultural Economics
School of Agriculture, Purdue University

Asserting we can nationalize agriculture gradually and insidiously by forcing crop controls, even though land is privately owned, Dr. Butz says best way to avoid it is to keep entire economy producing fully and to follow realistic farm price program. Says artificial high prices and rigid controls are Siamese twins and cannot be separated. Advocates flexible system of price support as provided in Aiken-Hope Bill, and maintains any rigid system of price support will eventually lead to acreage allotments and marketing quotas.

My remarks will encompass three general areas. The first subject I shall discuss is the role of prices in our economy, particularly as applied to agriculture, because I feel so few of our population understand that. The second is the basic conflict at the present time in our agricultural philosophy with respect to the relationship between government and agriculture. The third thing is the alternatives for the agricultural industry and what you and I can do about it.


Earl L. Butz

I am going to speak very frankly. I shall say somethings that I couldn't prove if my life depended upon it because they are my opinions. I am going to say some things with which you won't agree, but that doesn't displease me either. For it is only when mind clashes against mind and ideas against ideas that we have intellectual progress. If everybody agreed with what I had to say here today, I think my trip down here would have been in vain. It is only when we disagree that we progress intellectually.

If United States agriculture moves toward nationalization in the next decade—I didn't say it was going to move toward nationalization; I said, if it does, and there is a real prospect that it will—and it can happen in a democratic society—we don't have to have a Hitler or a Mussolini to take over. It can happen within the framework of a democratic government. It can happen under fee simple ownership of land by private parties.

Controls Mean Nationalization

I was in England and five other European countries Summer before last on a little trip that placed me in contact with high government officials in those countries and in United States Embassies. Thinking now of England especially, I saw where agriculture for all practical purposes was nationalized, even though the government hadn't taken over title to the land. It was still privately owned, but the London bureaucracy has so many controls over the farmer that they have removed from the individual farm operator many of the managerial decisions that are worth making.

They decided in London how much of a particular crop will be grown in each county and ultimately on each farm and, by George you grow it or they put somebody on the farm who will. After having seen that condition abroad, I came back to this country, and I have decided that for all practical purposes, we can nationalize agriculture gradually and insidiously. We will be able to nationalize it within the framework of a democratic government and within the framework of fee simple ownership.

If United States agriculture moves toward nationalization in the next decade, such action will probably be associated with food and surpluses which may be associated with a rigid system of artificially high price supports. The controls will be part of an intricate system to allocate production quotas to individual farmers on a large number of crops and livestock. If and when such a situation occurs, there can be no voluntary compliance. Everything much be compulsory. Then agriculture will be nationalized in effect, even though not in name. The best way to avoid this is to keep our entire economy, including agriculture, producing fully and to follow a realistic pricing program with respect to government and agriculture.

That summarizes my speech. I will take about 15 minutes to amplify it a little bit.

The Function of Price

Just a few words about the function of price in our economy. So few people understand it.

I guess prices are never satisfactory. My students sometimes ask me what is a fair price for corn and what is a fair price for milk or hogs. The only answer I can give is "10% more." That is also a fair salary for Earl Butz at Purdue University or for the Secretary of the Virginia Bankers Association. We are both underpaid. And when we get 10% more, the only fair salary will still be 10% more.

And then my students sometimes ask me what is a fair cost. The only answer I can give is "10% less." That is the way we all view prices in this country; and yet in our more rational moments we have to admit that price does perform a vital function in our society. In any free economy such as we have, price is the mechanism that guides the flow of resources.

There are sometimes injustices

(Continued on page 34)

*An address by Dr. Butz before the Virginia Bankers Association, Hot Springs, Va., June 28, 1949.

Canadian Securities

By WILLIAM J. McKAY

Reports from north of the border, seemingly authoritatively inspired, indicate that Canada will do everythnig possible to maintain her currency at its present parity even in the event of a sterling devaluation. Regardless of the correctness of such a course recent experience has clearly demonstrated the disastrous results that stem from arbitrary decisions of this kind.

The monetary authorities of the United Kingdom committed themselves unequivocally in advance to the maintenance of the pound and left no easy way of retreat in case of unexpected developments. The defense of an artificial currency level instead of the protection of the national economy became a single-minded aim to be achieved regardless of its effect on British foreign trade or financial prestige. The lesson of the previous disastrous attempt following World War I to hold the pound at its old parity has been totally disregarded. When political considerations dictate economic policy, history provides only too many examples of the inevitable consequences.

In the case of Canada, a country at a youthful stage of development, there would appear to be little reason to follow the policies which are adaptable to the mature economies of Europe. Slavish adherence to the present British course moreover is helpful neither to Canada nor to the Mother Country. For instance, in order to maintain the exchange reserves necessary to protect the Canadian dollar at its present level, the Dominion is obliged to insist on the fulfillment of current British commitments to provide U.S. dollars in payment of certain Canadian exports. This, in turn, is also embarrassing from the point of view of this country as it raises the question of providing E.C.A. dollars to pay for Canadian goods that should logically be provided from U.S. sources.

To a large degree the rigidities of the British system are dictated by the current economic situation. Canada, however, is in an entirely different position. No other country has a better opportunity at the present time to take the initiative in an effort to break the world-wide currency impasse.

Although under existing circumstances Canada is faced with many difficult economic problems, the long terms situation is unquestionably fundamentally sound. Canada therefore can afford to take the risks involved in freeing her economy from the present restrictions that encumber the free movement of trade and exchange. If, as a result the Canadian dollar suffered a temporary decline, this would not be disastrous but beneficial.

If the Canadian dollar were permitted to find its natural level in relation to the U.S. dollar, it is logical to presume that there would be an initial decline. This would serve as a deterrent to unessential U.S. imports, and the exchange premium would serve the same purpose as the present import restrictions. Apart from the incentive provided for increased exports and the stimulation of Canadian gold production, a lower exchange level is necessary to ensure the steady influx of U.S. capital funds that is indispensable in order to offset the chronic imbalance on U.S./Canadian commercial account. Until the Dominion attains a more mature stage of development, it is clearly indicated that the primary objective of Canadian financial policy should be the attraction of U.S. capital and the removal of all restrictions that prevent its free movement. Failure to follow such a course will not only result in the perpetuation of artificial controls and restrictions but will also prevent the proper development of Canada's unparalleled wealth of natural resources.

During the week the external section of the bond market was firmer in sympathy with the trend of domestic securities. For the same reason the new $100 million 25-year 2¾% refunding loan, although a little highly priced, seems assured of a very favorable reception. The internals were also higher following the recent advance of the bond market in Canada. Free funds likewise were strong but the corporate-arbitrage rate was slightly easier, around 14%. Stocks in the initial sessions were generally firm with the golds advancing to their highest level since December, 1947. Following the setback in New York however, there was a general reaction that extended throughout the list.

With Wulff, Hansen Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Edward H. Guyon, Jr. has become affiliated with Wulff, Hansen & Co., Russ Building.

C. W. Leonard Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Philip K. Leonard has been added to the staff of C. W. Leonard & Co., Masonic Building.

Kennedy-Peterson Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Kenneth H. Roberts has been added to the staff of Kennedy-Peterson, Inc., 75 Pearl Street.

Budd G. Moore Now With Paul A. Davis & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Budd G. Moore has become associated with Paul A. Davis & Co., Ingraham Building. He was formerly an officer of Gordon Graves & Co., Inc., of New York in charge of their Miami office for many years.

Too Powerful Labor Unions —Threat to Our Democracy

By JOHN V. VAN SICKLE*
Chairman, Department of Economics
Wabash College, Crawfordsville, Ind.

Veteran economist, asserting today organized labor threatens American democracy, cites as objections to industry-wide collective bargaining: (1) it establishes uniform wage rate regardless of varying local conditions and thus destroys regional competition; (2) it gives union leaders excessive power; (3) it promotes centralization and cartelization; (4) it permits collusive labor-management monopoly; and (5) it destroys workers' incentive and morale. Refers to British experience as case in point, and concludes if wages continue to rise we will have serious unemployment or inflation.

In any society, power is divided among individuals, voluntary associations, such as corporations, churches, lodges, trade unions, etc., and the compulsory association known as the State, and its political subdivisions. The maintenance of democratic institutions, here or anywhere else in the world, depends upon the way in which power is divided among these three groupings. Government must possess enough to make it abundantly clear that no individual and no private association can successfully challenge the overriding authority of the State. Individuals and associations must have enough to act effectively; this means that they must have enough power to persuade but not enough to compel. The State must have the exclusive monopoly of the power of compulsion. The extent of its power obviously depends on how much power individuals and associations are permitted to exercise. The greater the permitted concentration of power in private hands the greater must be the power concentrated in the hands of public officials. Unfortunately power can corrupt public officials at least as easily as it corrupts private individuals. Hence the successful maintenance of a democratic society depends upon a people's ability to keep power widely diffused among individuals, voluntary associations and the organs of central and local government. Federalism is a vital part of the American solution.

John V. Van Sickle

Numerous competitive private enterprises are indispensable to the successful operation of a democratic society for the very simple reason that they make possible a wide diffusion of power. If the State takes over too large a segment of private enterprise or regulates it too minutely liberty ends, regardless of how honest the administration or the regulation. The delicate balance of power has been destroyed.

From a material point of view competitive private enterprise is an essential guarantor of abundance. This is due to the fact that it permits and encourages literally millions of enterprisers, big and little, to try out new ideas. It keeps the door wide open to talents with the result that it turns out goods and services on a scale that no centrally planned economy can hope to rival. And in addition it guarantees our personal liberties. Yet its very productivity constitutes its greatest weakness. This is because past performances have created great expectations. In a mass democracy private enterprise must satisfy these expectations. If it fails demagogues will persuade the disappointed masses to destroy it even though its failures are due to crippling restrictions placed upon it by the government.

My views on labor organization are influenced by these considerations.

Organized Labor Threatens American Democracy

Extended observations of developments here and abroad have brought me slowly and reluctantly to tne conclusion that the chief threat to private enterprise and hence to political democracy comes today from the side of organized labor. This threat is due purely and simply to the fact that organized labor has too much power. Almost overnight ours has become a "laboristic economy," to quote Sumner Slichter of the Harvard Graduate School of Business Administration.

I recognize that Big Business may also have more power than is desirable. I favor reasonable restrictions on bigness, even if they should result in some reduction in the productivity of the American economy. I believe that we should use Anti-Trust far more vigorously than we have done to date against restrictive business practices. Anti-Trust plus further tariff reductions can, in my judgment, keep business competitive. But I should like to make two points here, before coming to the issue at hand. The first point is that business has never possessed the crippling power which organized labor now possesses. The owners of vital private businesses would never dare expose the public to hardships as the controllers of the workers in these same businesses have done repeatedly. The second point is that the granting of excessive power to organized labor on the ground that it is necessary to offset undue corporate power is not the answer to mistakes we may be making in the field of business control. Two wrongs do not make a right. They force upon us a third evil—the all-powerful State that threatens to destroy all our liberties.

I am satisfied that the leaders of organized labor in the United States are for the most part genuinely unaware of the fact that they have become a threat to our American democracy.

I myself have come to this conclusion slowly and reluctantly. It was not easy to emancipate myself from earlier emotional loyalties, particularly in view of my awareness of the important contributions organized labor has made to our American democracy. These contributions were made when unions were comparatively weak. They depended for their acceptance upon their inherent reasonableness; they were the fruits of persuasion. As unionism has grown, its beneficial effects have declined and its harmful effects have increased. It appeals more and more to force, less and less to persuasion. Like all other social institutions, it has shown that it is subject to what may be called the law of diminishing social utility. Organized labor has become too powerful for its own good and the good of the country.

Does this mean that trade unionism and private capitalism are incompatible, that one or the other must go? This was the conclusion reached by the late Professor Henry Simons of the University of Chicago in his much-discussed article entitled, *Some Reflections on Syndicalism.* (1941.) This has always seemed to me too extreme a position.

In any event it is perfectly obvious that a Congressional majority can not be rallied in support of so drastic a solution of the problem. More important is the question whether a majority can be had for imposing reasonable restraints which may give us a workable unionism and a workable capitalism. Unless restrictions are imposed it is my conviction that Professor Simons' analysis will prove correct and that we shall be forced to choose between the destruction of private enterprise and the destruction of trade unionism. When the Supreme Court holds that the Federal Trade Commission may enjoin business practices which might restrain trade, even though, in fact they have not been so used,* it is surely time to reconsider the immunities accorded to organized labor. Since the rank and file of American workers are genuinely devoted to the democratic way of life it is in their interests that we explore the possibility of cutting down the powers of unions to the point where unionism and capitalism can both operate effectively.

Many limitations have been proposed. Personally, I attach chief importance to the issue of industry-wide-collective bargaining and to it I propose to devote most of my attention.

Industry-Wide Bargaining Gives Organized Labor Too Much Power

I discussed this issue of industry-wide collective bargaining in a statement which I made on June 10, 1948, before the Joint Committee of Congress on Labor-Management Relations. Here I propose to restate the case against industry-wide collective bargaining on somewhat different lines and to illustrate the consequences more from foreign experience than I did last year.

In my judgment there are at least seven objectionable features of industry-wide collective bargaining which inevitably grow out of the methods and the objectives involved in this sort of bargaining.

Methods and Objectives

Industry-wide collective bargaining is a substitute for individual plant, or local bargaining. The men representing management at the bargaining table speak for all or most of the firms in the industry; the labor representatives speak for all of the local unions. These plenipotentiaries are empowered to commit their constituents with respect to all of the issues on which they have agreed to bargain collec-

(Continued on page 38)

*Statement by Dr. Van Sickle before the Senate Committee on Banking and Currency, Washington, D. C., Aug. 17, 1949.

*Supreme Court of the United States, October Term, 1945, *American Tobacco Co. v. United States*. The Court held, "It is not necessary that the power (to control the prices of a commodity moving in interstate commerce) should be exercised. Its existence is sufficient." Quoted from Harold G. Moulton, *Controlling Factors in Economic Development*. 1949. p. 199.

Dangers in Point IV Implementation

By MAX WINKLER
Bernard, Winkler & Co.
Members, New York Stock Exchange

Dr. Winkler points out heavy risk involved in Administration's proposal to guarantee private investments in undeveloped areas.

Inasmuch as political difficulties invariably stem from economic and financial complications, one welcomes the efforts of the U. S. Government, directly and through various agencies, to aid world recovery and rehabilitation. Laudable though America's efforts may be, there is a certain degree of danger for a government devoted to the capitalistic and free enterprise system to engage in activities which the individual or institutional investor can pursue more effectively and profitably. Regardless of how impartial the Government may wish to be, it cannot entirely divorce itself from politics, and the granting of credits or the extension of loans or outright gifts is bound to be influenced by political considerations. Nor is the recipient in a better position than the donor.

Dr. Max Winkler

Testifying before the U.S. Congress on ways and means to implement Point IV of the President's Inaugural Address, Secretary of the Treasury Snyder recommended government guarantees for American foreign investments, especially insofar as they relate to difficulties which stem from—

(a) Conversion of native currency into dollars and their transfer abroad;

(b) Expropriation of property without adequate compensation; and

(c) destruction of property incident to war.

It is not difficult to imagine what would have happened to America's economy if the above recommendations had been in force after the securities and commodities debacle in the Fall of 1929, when American investors abroad were unable to collect in dollars, interest or dividends on about two-thirds of their holdings, because the debtors were unable to obtain the requisite foreign exchange; or in the 30's, when Bolivia and Mexico expropriated American oil investments without arranging for any kind of compensation: or in the 40's when billions of dollars' worth of American owned assets were destroyed in Europe and the Far East as a result of the War. Despite its vast resources, even the United States could not with impunity make good all of the losses sustained through the above happenings.

If world recovery is to be successful, it should be entrusted to the United Nations, despite the difficulties with which this Agency will be called upon to cope while engaged in such task.

Conditions today are not much different from those which obtained after World War I, except that they are much more aggravated and urgent. The economic chaos which existed a quarter of a century ago in the world, especially in Central and Southeastern Europe, would have spread and engulfed the whole world, if it had not been arrested by the League of Nations. While unsuccessful in the field of politics, it accomplished veritable miracles in the realm of economics. It was instrumental in effecting the rehabilitation of Austria, the rebirth of Hungary, and the recovery of Bulgaria and Greece, as well as the settlement of Greek and Bulgarian D.Ps., making at the same time arrangements for these refugees to become economically self-supporting. The League was also responsible for the restoration of Estonia and Danzig.

Although the United States was not a member of the League, the country, through American investors, participated generously in virtually all transactions sponsored by the League, which directly and indirectly aggregated almost one billion dollars. There is no reason why the United Nations cannot achieve similar or even more impressive results. Just as the League did not tackle the problem of world recovery as a whole at once, the United Nations might proceed from area to area and region to region.

The United Nations should be requested to evolve a plan for the economic and financial rehabilitation of an area or region which needs such assistance most urgently. The plan should be sufficiently sound and realistic to appeal to the private banker and financier who in turn will present it to the individual and institutional investor.

The Next Broad Market Swing Will Be Upward!

(Continued from page 2)

market up to the flash point referred to above. It remains to be seen, however, whether this movement will occur soon, or will be postponed until later on. The time seems bound to come, however when investor-preference for stocks rather than dollars becomes the prime motivating force in the market, overshadowing such factors as the trend of business, profits, employment, and even the trend of dividends.

The very large "short" position in stocks may be a factor providing further strength in prices during the early future. As of August 15 the short interest on the New York Stock Exchange was 2,006,119 shares, the largest in about 17 years. The total potential buying by shorts may be somewhat smaller than is indicated by this figure, because it presumably includes some technical shorts "against the box" for income tax purposes (capital gains). Such transactions would not bring net buying-power into the market when the shorts are covered.

Masterson With Floyd Allen

(Special to THE FINANCIAL CHRONICLE)

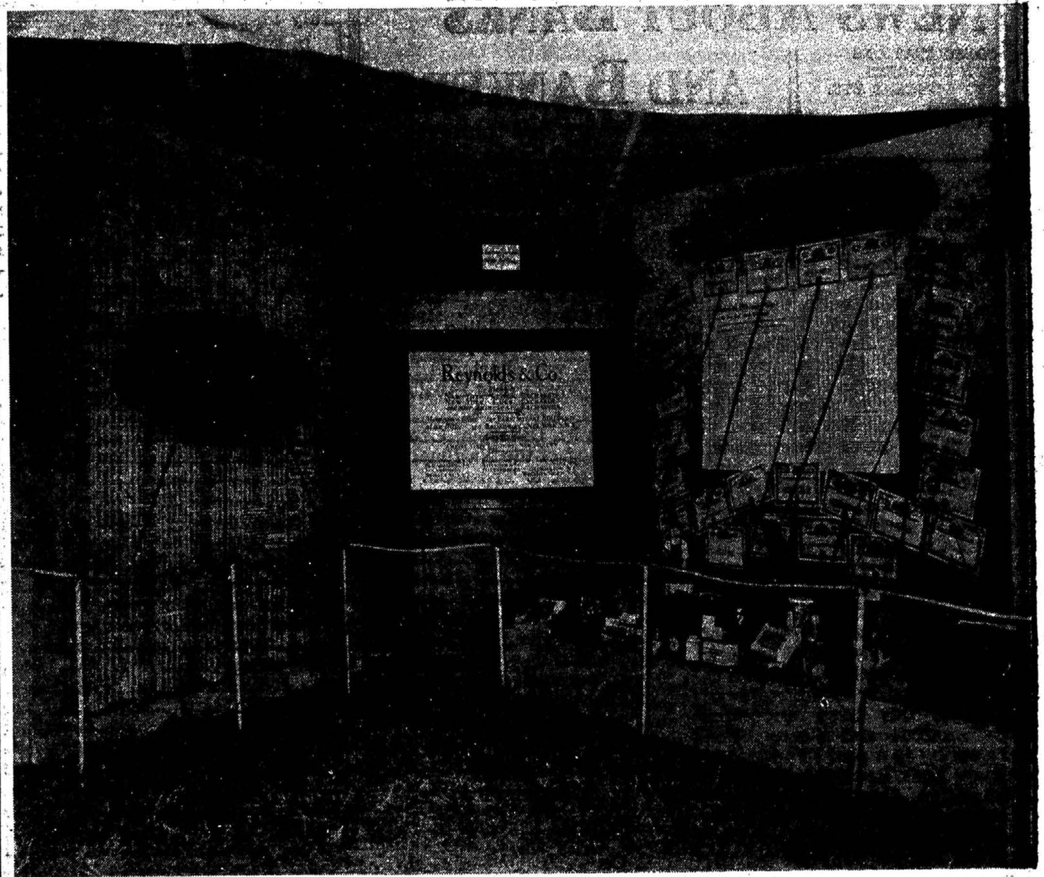
LOS ANGELES, CALIF.—John P. Masterson has become associated with Floyd A. Allen & Co., 650 South Grand Avenue. He was formerly with Walston, Hoffman & Goodwin and Merrill Lynch, Pierce, Fenner & Beane.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frank Searle is with King Merritt & Co., Inc., Chamber of Commerce Building. He was previously with Herrick, Waddell & Reed, Inc.

Reynolds & Co. Exhibits at Morris County Fair



TROY HILLS, N. J.—Representatives of a New York Stock Exchange member firm "invaded" the Morris County Fair here today in an effort to carry the story of investment in America "out to the grass roots." Amid the mooing of cows and flying sawdust kicked up by participants in a Western rodeo, officials of Reynolds & Co. arrived here from New York to assist their Morristown office manager in opening an exhibit designed to interest visitors to the Fair in the ways and means of becoming "part owners in America's great industries."

The Reynolds people, borrowing a page from the life of the late Phineas T. Barnum, have followed all the traditional "side-show" atmosphere in setting up their exhibit under a tent. The unusual exhibit will be on display for the duration of the five-day fair, which opened today. More than 100,000 visitors are expected to attend.

The theme of the exhibit centers on a tie-in of the various products of companies whose stocks are listed on the New York Stock Exchange and New York Curb Exchange with the stock certificates of the companies and the stock quotations carried in the daily newspapers throughout the country.

Part of the exhibit consists of a reproduction of a financial page from a daily newspaper, showing the tables of daily quotations on stocks on the "Big Board" and the Curb markets. Superimposed on this blown-up reproduction is the admonition, "This is your stake in America."

Carrying out the motif of knowing what a particular stock is doing is a Trans-Lux ticker, which shows at a glance the current "tape" quotation on the stock.

From there the eyes of a vistor to the Reynolds exhibition are drawn to a large board on which is listed a roster of 196 common stocks on the New York Stock Exchange that have paid cash dividends every year for 25 to 101 years and are yielding from 3% to 13%.

Around this roster are displayed sample stock certificates of some of these leading companies, and from each certificate a red ribbon leads the viewer's eyes to some of the products which are nationally advertised and sold by that particular company.

The over-all objective of this novel move by one of Wall Street's leading stock exchange houses is best described in the words of Lawrence B. Howell, manager of the Morristown office of Reynolds & Co., who said:

"We are attempting to personalize investments and to acquaint the general public with its stake in the future of America by taking some of the 'mystery' out of the brokerage business. Through moves such at this, we hope to do our part in helping supply the equity capital needed for the future of American industry and of our Nation."

Iowa Banker to Attend Gold Standard Parley

H. J. Stuhlmiller will participate in meeting on Sept. 8, sponsored by Economists' National Committee on Monetary Policy.

It was announced by the Economists' National Committee on Monetary Policy that H. J. Stuhlmiller, former Vice-President of the Iowa Bankers Association and a bank president, will participate in the International Gold Coin Standard Conference which is being sponsored by the Economists' National Committee on Monetary Policy with foreign trade associations on Sept. 8.

"Since money is a commodity in which banks deal, I believe that it is the duty of bankers to make a study of this subject and acquaint their depositors with the facts," Mr. Stuhlmiller gave as his reason.

"Deficit financing," Mr. Stuhlmiller continued, "provides such an easy way for the government to obtain additional money, it is no wonder that the American people are themselves so rapidly falling victim to the European type of Socialism, the very system that has already weakened those nations and taken from their people many of their prized liberties.

"Fortunately, our nation holds a gold stock that can support a sound monetary system. It is still not too late for your government to reinstate its promise to exchange gold coin for its paper money at the 1934 official devalued rate of $35 per fine ounce. At this rate a $20 gold piece would still be slightly more than half as large as the $20 gold coin Americans could legally possess up to 1933. We recognize that if this step were taken prematurely it could be at the risk of heavy gold withdrawals.

"Time would be needed for the government to restore its true credit standing so that it would be deserving of the public's full confidence. By strict economy and by the replacement of deficits with surpluses, this can be done.

"The necessary retrenchment would involve some sacrifice on the part of many individuals and pressure groups who have become accustomed to this easy money. Yet this sacrifice," Mr. Stuhlmiller concludes, "is but a small price to pay in order to stop long-run depreciation of the people's savings—a small price to pay for a sound monetary system that alone can save us from the downward path to socialism and totalitarianism to which America's present irredeemable currency is taking us."

With McDonald-Moore

DETROIT, MICH.—McDonald-Moore & Co., Penobscot Building, members of the Detroit Stock Exchange, announce the association with them of Richard C. Spaulding, who recently was graduated from the Babson Institute where he majored in economics and finance. Prior to his college work, Mr. Spaulding was in the Army for about four years.

Geo. J. Martin Co. in N. Y.

George J. Martin has formed George J. Martin Company with offices at 79 Wall Street, New York City, to act as dealers in stocks and bonds.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Harvey D. Gibson, President of **Manufacturers Trust Company of New York,** announces that James F. Gill, Assistant Secretary of the bank, is retiring as of Aug. 31. Mr. Gill, a native of Hudson, Mass., has been with the bank since 1933. However, his association with Mr. Gibson goes back to 1902 when Mr. Gibson, just out of Bowdoin College, went to work for the American Express Company in Boston. Mr. Gill was at that time the office stenographer. From the American Express Company Mr. Gill went with Raymond & Whitcomb Co., for which he travelled as tour director. During most of the time since 1933 Mr. Gill has acted in a secretarial capacity in Mr. Gibson's office.

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Harvey D. Gibson, President of **Manufacturers Trust Co. of New York,** announces that Raymond C. Deering, formerly Comptroller of the bank, has been appointed Vice-President and Comptroller. Mr. Deering is a past President of the New York Bank Comptrollers' and Auditors' Conference and past Chairman of the Bank Management Conference of the New York Clearing House. He is currently Secretary of the National Association of Bank Auditors and Comptrollers, a member of the Bank Management Commission of the American Bankers Association and a member of the Group Life Insurance Committee of the New York State Bankers Association.

* * *

The election to the board of directors of the **Industrial Bank of Commerce,** at 56 East 42nd St., **New York,** of Samuel Barbour was announced on Aug. 18 by Walter E. Kolb, President of the bank. Mr. Barbour is Vice-President and director of The Linen Thread Co., Inc., and was formerly President and General Manager of John Leckie, Ltd., Toronto, Canada. He is also a director of United Shoe Machinery Corp., Boston, Mass.

* * *

Williamson Pell, Chairman of the board of **United States Trust Co. of New York,** died on Aug. 22 at the Presbyterian Hospital, New York City, at the age of 68. Mr. Pell was admitted to the New York Bar in 1904 and practiced law in New York City until 1912 when he joined the United States Trust Co. of New York. He became President of that company in 1938 and Chairman of the board in 1947. Mr. Pell was also a trustee of the Greenwich Savings Bank and of the James Foundation of New York; an Honorary Governor of the Society of the New York Hospital and a director of the following: Great Northern Paper Co., Atlantic Mutual Insurance Co., The British General Insurance Co., Ltd., Commercial Union Assurance Co., Ltd., The Commercial Union Fire Insurance Co. of New York; the Palatine Insurance Co. Ltd.; The Union Assurance Society Ltd.; The Ocean Accident and Guarantee Corp.; Columbia Casualty Co.; Continental Insurance Co.; Manhattan Fire and Marine Insurance Co. Mr. Pell was born in Goshen, N. Y., in 1881.

* * *

Frank J. Mooney, Vice-President of the **Chase Safe Deposit Co of New York,** in charge of its branch at 11 Broad Street, died on Aug. 15 after a brief illness He was 62 years old. Mr. Mooney resided in Bogota, N. J. He was born in New York and started his business career in 1906 with the Mercantile Safe Deposit Co., which was merged with the Chase in 1930.

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The Home Federal Savings and Loan Association moved on Aug. 15 from its quarters at 58-22 Myrtle Avenue, **Brooklyn, N. Y.,** to its new modern building at Forest Avenue, near Myrtle Avenue. The Association was chartered in 1935. Philip M. Burkard is President.

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William M. Gillespie, Chairman of the board of the **National Commercial Bank & Trust Co. of Albany, N. Y.,** died of a heart attack on Aug. 18 while on a Lake Champlain trip in his cabin cruiser. Mr. Gillespie, who was 8 years of age, had been associated with the bank for more than 50 years, and became President in 1931; he retired as head of the institution eight years later, but was persuaded by the directors to continue with the bank as Chairman. He was formerly President of the New York State Bankers' Association.

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It was announced on Aug. 19 that Marhlon G. Snell has been elected President of the **Citizens Trust Co. of Schenectady, N. Y.**

* * *

E. Willard Dennis has been elected a director of the **Security Trust Co. of Rochester, N. Y.,** it is announced by Bernard E. Finucane, President of the trust company, according to the Rochester "Times-Union" of Aug. 18. Mr. Dennis, who is President of Sibley, Lindsay & Curr Co., entered the employ of the latter as a part time worker while attending high school. During his 45 years association with Sibley's, says the "Times-Union," promotions have carried him through all phases of the business from bundle boy to the Presidency.

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Theodore Rokahr was on Aug. 22 elected President of the **First Bank and Trust Co. of Utica, N. Y.** succeeding Francis P. McGinty who died on June 5. G. Harold Stark was elected Executive Vice-President and Treasurer. Mr. Rokahr had therefore been Vice-President and Treasurer. The death of the former President, Mr. McGinty, was noted in our issue of June 16, page 2600.

* * *

Thomas R. Kenney of New Brunswick was named Executive Vice-President of the **Union National Bank of Newark, N. J.,** at a meeting of the directors on Aug. 16, it was reported in the Newark "Evening News." That paper stated that Mr. Kenney had been a National Bank Examiner, attached to the Third Federal Reserve District with headquarters in Philadelphia. It was likewise stated in the "News" that Mr. Kenney was in private banking business before entering the government service in 1934.

* * *

Effective Aug. 22 the **Passaic National Bank & Trust Co. of Passaic, N. J.,** and the **Clifton National Bank of Clifton, N. J.,** were consolidated to form the **Passaic-Clifton National Bank and Trust Co.** The union of these two banks which have long served the interlocking communities of Passaic and Clifton, was dictated, it is stated, by a belief that the best interest of these communities would be better served by a larger banking organization. Resources of the Passaic-Clifton National Bank and Trust Co. approximate, it is said, $100,000,000 and it has capital funds of over $8,700,000. George Young Jr. of the Passaic National continues as President of the consolidated bank. Plans for the union of the two institutions were referred to in our issue of July 14, page 172.

In stating that Ben C. Peticolas of West Orange, N. J., has joined the **Passaic National Bank & Trust Co.** as Vice-President and Controller, the Newark "Evening News" of Aug. 12 added that he would take over the duty of supervising the consolidation of the two banks. It was indicated in the "News" that Mr. Peticolas took over all Japanese banking in the New York area for the U. S. Government soon after Pearl Harbor.

* * *

William H. Williams, who for 40 years was associated with the **Girard Trust Co. of Philadelphia** until his retirement two years ago, died on Aug. 17. Mr. Williams held the post of Assistant Secretary when he retired. At his death he was 67 years old.

* * *

Promotions for three members of the staff of the **Bank of Virginia, Richmond, Va.,** as new Assistant Vice-Presidents and a new Assistant Cashier have been approved by the directors of the bank, according to an announcement Aug. 22 by W. W. McEachern, Executive Vice-President. The new assignments are effective Sept. 1. The three named as Assistant Vice-Presidents are Richard F. Bates, in charge of the bank's South Richmond office; Frank G. Perkins, of the Petersburg office and Lewis P. Thomas, of the Roanoke office. L. Ralston Curry, Manager of the adjustment department at the bank's office in Richmond, has been named Assistant Cashier. Mr. Bates joined the staff of the bank in 1929. In 1940 he reported for active military duty and returned to the bank in 1946 as an Assistant Cashier in the adjustment department. In July that year he was granted a year's leave of absence to enter the service of the Department of State with the Office of the Foreign Liquidation Commissioner in Paris. He took charge of the South Richmond office in January of this year. Mr. Perkins began his banking career with the Richmond Trust Co. and the American Bank and Trust Co., and joined the staff of The Bank of Virginia in 1933. He was made an Assistant Cashier in 1942. Mr. Thomas joined the staff of the bank after his graduation from college and has been with the bank since then, except for three years in military service. He was made Assistant Cashier in 1945 after his return from the service. Mr. Curry, now Manager of the adjustment department of the bank joined that department in 1944. He became supervisor of the department, then worked for a time in the bank's South Richmond office.

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The appointment of Ronald M. Chisholm, as Manager of a new office of the **National Bank of Detroit, at Detroit, Mich.,** has been announced by Charles T. Fisher, Jr., President of the bank. The new office — Seven-Mile-Winthrop Office—was opened on Aug. 15. Mr. Chisholm, the Detroit "Free Press" states, has been with the bank since its organization in 1933, and in recent years has been Manager of one of the bank's other offices.

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C. Lisle Kays, of Covington, Ky., a member of the Kenton County Airport Board, has been named Chairman of the board of directors of the **Covington Trust & Banking Co.,** it was announced on July 30, according to the Cincinnati "Enquirer" of July 30, which also said:

"Mr. Kays succeeds Dr. J. D. Northcutt, Covington surgeon, who resigned as Chairman after five years. Dr. Northcutt still is a member of the board."

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The directors of the **Federal Reserve Bank of St. Louis** at their regular monthly meeting elected Dale M. Lewis Assistant Vice-President effective Aug. 15. Mr. Lewis entered the employ of the bank on June 9, 1926 and served in various capacities, advancing to the position of Manager of the Bank Relations Department in 1947. He worked with the staff of the Board of Governors of the Federal Reserve System in Washington, D. C., on two occasions, serving in an administrative capacity.

* * *

Fred A. Ferroggiaro, member of the board of the **Bank of America, National Trust & Savings Association, of San Francisco,** was elected to the office of Senior Vice-Chairman of the bank on Aug. 10. The Los Angeles "Times" of Aug. 11, reporting this also said:

"Mr. Ferroggiaro, who is Executive Vice-President with over-all supervision of loan activities, is the bank's oldest employee in point of service, having been employed as a messenger by the late A. P. Giannini in 1906. After having held many important offices he became Chairman of the bank's General Finance Committee in 1944.

"As Senior Vice-Chairman of the board Mr. Ferroggiaro is succeeding Francis S. Baer, former Senior Vice-Chairman who has been elected a Senior Vice-President and director of Bankers Trust Co., New York, effective Sept. 15. His seat on the Bank of America board has been filled by the election of S. C. Beise, Executive Vice-President and Co-ordinator of Administration."

* * *

Russell F. Watson, a Vice-President of the **United States National Bank of Portland, Oregon,** has been appointed to a faculty post at the **Pacific Coast Banking School.** The Portland "Oregonian" of Aug. 10, from which this is learned, said Mr. Watson would instruct a third-year class in advanced credit analysis, which has been included in the curriculum. The "Oregonian" noted that the school is sponsored by the bankers' associations in six western states and would be held at the University of Washington in Seattle for two weeks beginning Aug. 22.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

As most of the major fire insurance companies have issued their semi-annual statements of operations, it is now possible to make some comparison between results for 1949 and 1948.

Geyer & Co., Inc., 63 Wall Street, New York 5, one of the larger investment houses specializing in bank, utility and insurance stocks, has done this in a tabulation of the preliminary operating results of 31 fire and casualty insurance companies.

In addition to the approximate current price, the tabulation shows the capital stock equity at the end of June compared with the similar figure for December 31, 1948. Also shown are the invested and total assets per share and the net premiums written in the first half of 1949 as well as the percentage gain in volume over 1948.

The earnings for the period are shown in these various components and adjusted for the expenses estimated to have been prepaid as a result of a higher volume of premium underwritings.

To complete the table, earnings for the 12 month period ended June 30, 1949 are shown where available and a five-year average, 1944-1948, of adjusted earnings is also shown. As a final column the indicated current annual dividend rates are included.

The tabulation by Geyer & Co. is very helpful in making comparisons of current results between the various companies. It saves considerable time when per share figures are desired and provides other convenient information in an accessible form.

The earnings estimates for the period have been taken from the table for some of the more prominent fire insurance companies and are presented below.

Per Share Operating Earnings

	Fire Assoc. of Phila.	Fireman's Fund	Fireman's Ins. (New'k)	Ins. Co. of N.A.	St. Paul Fire & Mar. Ins.
Earnings Before Taxes:	$	$	$	$	$
Underwriting Earnings	7.40	2.30	2.40	3.90	5.22
Est. Exp. Prepaid	1.43	3.14	0.59	2.48	1.29
Adj. Under. Earns.	8.83	5.44	2.99	6.38	6 51
Net Invest. Income	2.38	2.08	1.00	3.99	2.59
Total	11.21	7.52	3.99	10.37	9.10
Federal Income Taxes	3.08	1.49	1.24	2.04	2.19
Adjusted Operating Earns.:					
Six Mos. ended 6-30-49	8.13	6.03	2.75	8.33	6.91
Six Mos. ended 6-30-48	4.11	3.29	1.18	4.65	4.78
Indicated Annual Div.	2.50	2.60	0.50	3.50	2.25

With the return of a profitable period of underwriting all of the above companies were able to show substantial improvement in underwriting results. Premium volume during the period continued to increase although at a slower rate than formerly. Expenses were prepaid on the larger volume and adjusted underwriting earnings were at record levels.

Investment income reflected a larger volume of funds available and some increase in yields.

Federal taxes showed large increases reflecting primarily the improvement in underwriting earnings. Last year taxes were lower because in a number of cases statutory underwriting losses were shown while in others profits were of minor importance.

A large part of the gain in underwriting and investment income, however, was carried through to net operating earnings. In all cases the results for the first six months of the current period were substantially above those of last year. With the fundamental factors in the industry continuing favorable, the remaining months of the current year should show comparable results, and earnings for the year should be at the highest level in the history of the industry.

Although a number of the companies have increased their dividends to stockholders within the past year, current payments continue conservative. In the first six months' period, investment income for three of the companies covered the full indicated annual payment. In all cases net operating earnings for the period covered annual disbursements by a considerable margin. These favorable results indicate the likelihood of more liberal payments for these as well as other companies in the period ahead.

Let's Have No Reckless Buying of Common Stocks!

By EDWIN J. SCHLESINGER
Investment Counsel

Mr. Schlesinger, though applauding statement of Chairman McCabe of Federal Reserve Board in urging investors to take reasonable risks with their savings, cautions against any actions to encourage reckless buying of common stocks by public.

The statement made by Mr. Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, before the subcommittee of the Committee on Banking and Currency of the United States Senate on Aug. 5, 1949 is worthy of great consideration. In fact, it would be a splendid thing if everybody with a dollar available for investment in common stocks were equipped to thoroughly understand the various proposals made by Mr. McCabe.

Edwin J. Schlesinger

The statement starts with the following sentence:

"Until recently there has never been a general unwillingness on the part of investors in this country to take reasonable risks with their savings."

Somewhat further on the following appears:

"The desire of individuals for safety in investments has been revealed in the Surveys of Consumer Finances conducted in postwar years for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan. These surveys suggest that an overwhelming majority of the population as a whole save primarily for security reasons, such as for a rainy day, old age, and emergencies."

Not only will the country's underlying economy be strengthened, but investors will be well advised if they look out for a rainy day, old age or an emergency. However, to accomplish this, they will have to be very careful as to the proportion of their total assets they place in common stocks. Before buying common stocks, an investor should (1) have a fair amount of life insurance, (2) be in a position to own his home, (3) have sufficient cash in the bank to take care of emergency expenses and (4) own a block of E bonds. If, after these provisions are made, he feels that he wants to buy common stocks, he should first make a point of finding out the risks involved in that form of investment.

Since life insurance companies have proven to be the last financial refuge for millions of our citizens, as the dark days of the 1930's so clearly demonstrated, it does not seem that they should be permitted or encouraged to buy common stocks. The housing developments which are now receiving considerable attention from many of the large life insurance companies are likely to prove a much more stable investment than the purchase of common stocks.

Assuming for the moment that the rank and file of our citizens is influenced into purchasing common stocks, it may be asked what will the result be to our national economy and democratic form of life if the market takes a nose dive? Will the common stockholder be permitted to run to the government and cash in his stocks for what he paid for them or a figure close thereto? If not, he will ask why the farmer receives a more favored treatment from the government in respect to the prices for his crops.

Mr. McCabe goes on to say:

"I would like to urge those engaged in marketing securities to give extraordinary consideration to ways and means of informing the public more fully about the investment opportunities in stock ownership."

However, what is far more important is that the dangers involved be clearly and exhaustively enunciated.

In saying: "We do not want the over-selling of stocks to receivers of small incomes that characterized the years of the late twenties," Mr. McCabe is asking for something rather utopian.

The statement: "We need to be concerned with assuring a steady and adequate flow of savings into equity ownership" is a problem that will take care of itself in cases where business enterprises are soundly managed, honest merchandise produced and sold at fair prices.

The Twenty-Sixth Annual Report of the Board of Governors of the Federal Reserve System for the year 1939 carries a paragraph which it may still be time to act on. Reference is to the following:

"The Federal Advisory Council, considering that many of the fundamental effects of the continuing cheap money policy have not been fully appreciated, recommends that the Board of Governors of the Federal Reserve System conduct a study of the long-range consequences of the continuing policy of cheap money upon the accumulation and investment of the savings of the people, and upon the financial structure of the country, with especial reference to its effects upon the maintenance of a sound banking system."

The thing that should be avoided, under all circumstances, is to get the American people so steamed up that they buy stocks in reckless fashion, regardless of value. The economic situation today is such that no steps should be taken which might bring about the unhappy consequences of the 1929-1932 period.

Let the government balance the budget, reduce the national debt, unpeg interest rates and it will not have occasion to worry about equity financing.

Loewi & Co. to Hold Finance Forum

MILWAUKEE, WIS.—Loewi & Co. of Milwaukee is sponsoring an open forum on Sept. 20 at 7:30 p.m. in the Elizabethan Room of the Milwaukee Athletic Club for its women customers and their friends. The subject will be "What Women Should Know About Finance." Speaker of the evening will be Mrs. Lorraine L. Blair, founder and executive director of the Women's Finance Forum of America.

With Peters, Writer Firm

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Gerald P. Peters, Jr. has joined the staff of Peters, Writer & Christensen, Inc., U. S. National Bank Building.

Says Investors' Case Should Be Heard By Steel Wage Board

George Putnam Fund of Boston, with more than 13,000 shareholders, wires Chairman of Steel Wage Fact Finding Board steel shareholders have not fared as well as wage-earners.

The Trustees of the George Putnam Fund of Boston, a mutual fund organization, with assets of over $35 million and with more than 13,000 shareholders, on Aug. 18 sent the following telegram to Carroll R. Daugherty, Chairman, President's Steel Fact Finding Board, New York.

George Putnam

"Your Fact Finding Board has heard Labor's story. You have heard Management's. What about the investors'? There are over 166,000 owners of U. S. Steel Corporation. We submit that these men and women and the millions of owners of other American businesses are vitally interested parties to this controversy. The George Putnam Fund owns shares in many leading American corporations including National Steel, U. S. Steel and Youngstown Sheet and Tube. We do not presume to speak for all investors but on behalf of the 13,000 shareholders of this Fund we do speak. Do you realize that in six of the past twenty years the owners of the great U. S. Steel Corporation received no income and that during the prosperous year 1948 they received 30% less than in 1930 and 40% less than in 1929? This in spite of the fact that U. S. Steel produced more tons of steel in 1948 than in 1929, provided employment for more people, and paid two-and-a-half times as much in wages and salaries. Continued high employment and general prosperity depend heavily on recognition of the investors' interest.

(Signed), George Putnam, Charles M. Werly and Richard Osborn, Trustees of the George Putnam Fund of Boston."

World Bank Grants $5 Million to Colombia

The International Bank for Reconstruction and Development on Aug. 19 granted a loan of $5,000,000 to the Caja de Credito Agrario, Industrial y Minero of Colombia to finance the purchase of agricultural machinery.

The loan is for a term of seven years and is guaranteed by the Republic of Colombia. Interest is at the rate of 2½%, plus a commission of 1% per annum, which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Semi-annual amortization payments will begin May 15, 1952, and are designed to retire the loan by maturity on Nov. 15, 1956.

Price & Co. in Baltimore

BALTIMORE, MD.—W. James Price has formed Price & Co. with offices in the Mercantile Trust Building to act as distributor of mutual funds.

With Lincoln E. McRae

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, MAINE — Donald G. Cummings has joined the staff of Lincoln E. McRae, 449 Main Street.

Britain and U. S. Criticism

By PAUL EINZIG

Pointing out growing concern in Britain regarding adverse American opinion on British Socialist Government policies, Dr. Einzig sees in it a handicap to agreement between two countries at forthcoming conference in Washington. Defends British bilateralism and holds to force multilateral trading on Britain would mean continued dependence on American aid and demoralizing effect on British worker.

LONDON, ENG.—The wave of criticism directed against Britain by the American press and American politicians is causing growing concern in London. Official circles fear that it tends to weaken further the chances of a satisfactory solution resulting from the coming Washington discussions. Those chances were never assessed very high in any case, but it is now feared that, as a result of the hostile attitude of American opinion, the United States Government will be reluctant to agree to a solution which, however useful and necessary it may appear, is likely to have an unfriendly reception in Congress.

Dr. Paul Einzig

Even in quarters on this side of the Atlantic, which share some of the American criticisms of the British Socialist Government, it is felt that the timing of such criticisms has been unfair. For the charges brought against Britain were equally valid, or equally invalid twelve months ago, and yet American newspapers and politicians were then singing Britain's praise on account of the progress of her recovery. Mr. Hoffman, Mr. Finletter and others were paying the highest possible compliments to the British Government, and the later was in a position to quote such compliments against the British experts or Opposition politicians criticising its policies. And now the pendulum of American opinion has swung into the opposite direction, and spokesmen of American opinion compete with each other in condemning British economic policy.

Yet nothing has changed during the last twelve months, except the dollar position which has deteriorated quite considerably—though no particular fault of Britain. That is to say, the fundamental faults which are at the bottom of Britain's unsatisfactory balance of payments position were in existence twelve months ago fully as much as they are now. As for the immediate cause of the widening of the dollar gap, it is the trade recession in the United States, as a result of which less is imported from the Sterling Area and lower prices are paid for the diminished imports. Neither the British nation nor the Socialist Government can be criticized for this immediate cause.

There are of course the fundamental causes, which were in operation at a time when American newspapers and politicians had nothing but praise for the progress of British reconstruction. The main index of that progress was the reduction of the adverse trade balance. What the American newspapers and politicians showering compliments on the British Government did not know at the time was that during the second half the equilibrium of the British trade balance was achieved largely by giving away British goods for nothing, through excessive repayments of war debts represented by war-time sterling balances. Also it should have been obvious already then that the achievement for which the British Government claimed, and was given credit, was bound to be purely temporary, and was bound to be nullified by the appearance of the buyers' market. Indeed the British Government was open to criticism already then for having failed to take full advantage of the sellers' market while in operation. Instead of building up a substantial reserve for rainy days by exporting to the utmost limit of the country's capacity, at a time when there was an almost unlimited demand for British goods, the Government preferred to pursue a policy resulting in high wages, high social service charges, high taxation, and short working hours.

Possibly in prevailing circumstances this was inevitable. The Government was unable to induce the working classes to work harder and accept lower standard of living until Britain is once more in a position to pay its way. The reason for this was that there was a feeling that the deficit of our foreign trade could always be covered by means of American financial assistance. But for that feeling the British worker could have been induced once more, as he was in 1931 and again in 1940, to do his utmost to increase the output. So long as the United States continues to insist on maintaining a huge export surplus, even if it has to be financed at the expense of the American taxpayer, any British Government will have a very difficult task in persuading the British worker that he has to rely on his own effort instead of depending on getting something for nothing from the United States.

While there is undoubtedly a great deal of truth in American criticisms that the British worker is pampered, the attacks against Britain on the ground of the bilateralist trend of her trade policy need careful re-examination. To a large degree they are inconsistent with the criticism of the unduly favorable treatment of the British worker. The reason why the Government finds it difficult to make the British worker realize that he must work out his own salvation lies in the conception that the United States are so very keen on maintaining a large export surplus that they are prepared to finance such a surplus indefinitely. There is nothing like bilateralism to make one realize that, in order to consume, one must produce. Had the United States adopted a bilateralist policy in relation to Britain after the war, the British worker would undoubtedly have felt forced to make all the necessary sacrifices and exertions to increase his output and curtail his consumption instead of relying on American help. If Britain were to accept American criticism of her bilateralist policy, and if multi-lateral trading methods were to be introduced at this stage, it would only mean that she would come to be dependent on American assistance to an even larger degree than hitherto, which again would produce a demoralizing effect on the British worker.

Ingalls & Snyder Admit 2

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange, on Sept. 15 will admit John T. Snyder, Jr., and Roscoe C. Ingalls, Jr., to partnership.

Public Utility Securities

By OWEN ELY

Consolidated Edison

Consolidated Edison is currently around 25, this year's range being 21½-25⅝. With the $1.60 dividend rate, the yield is still relatively high—6.4%—as compared with yields on the common stocks of some other large utility companies. Considering the company's unbroken dividend record since 1885, the high common stock equity, and the fact that the company does nearly 8% of the utility business in the country, the stock might naturally be expected to sell on a better yield basis.

The explanation seems to be that: (1) The company has been bringing down only about 7% of revenues to earnings for common stock, with the result that share earnings have been somewhat erratic in recent years. On at least two occasions the interim or calendar year figures have dropped dangerously close to the dividend level; at other times the company has surprised stockholders by making an unexpectedly favorable showing. (2) The company has carried on a running fight with the Public Service Commission at Albany for many years over the question of proper depreciation accounting. As a result of this, Chairman Maltbie as almost his last official act before retiring in January, forced a 10% cut in "temporary" electric rates on the company, although he allowed a partially offsetting increase in gas rates.

The company appealed the electric rate cut to the courts, and a final decision is expected next fall (a lower court favored the company). In the meantime, however, despite inclusion of the lower rates for most of 1949 to date, the company's report for the twelve months ended June 30, showing earnings of $2.37 against $2.06 for the previous corresponding period, proved very favorable. The June quarter showed 31c against 34c last year. These remarkable gains may perhaps be explained as follows:

(1) Due in part to an aggressive expansion policy and partly to the record heat this summer, there has been a large increase in the air-conditioning load. The company is developing the use of steam for air-conditioning, and machinery has been developed for this purpose, so as to take the steam department out of 'the red" during summer months. The company believes there is a large future potential in this development.

(2) The company has also benefited by the television load. The phenomenal sale of television instruments in New York City has lagged in the last two months, but is reviving due to the fact that instruments can now be sold with little or no down payments, the Federal Reserve credit rules having expired June 30th.

The following was recently published by Truslow Hyde of Josephthal & Company: "The company has just completed a survey on the consumption of television sets, of which about 300,000 are now on its lines. This survey revealed that upon installation of a television set, consumption was increased 15 kwh a month, most of which occurred during the evening hours. This new appliance, which is especially adaptable to the company's service area, should be of particular benefit to the company which has had difficulty in stimulating residential consumption because of the small dwelling units which predominate in most of its territory. Assuming the installation of an additional 500,000 sets, which is believed to be a conservative estimate, consumption of electricity would be increased by about 100,000,000 kwh. At an average profit of 3c per kwh, this would increase the company's earnings by almost $3,000,000 or 17c a share after allowing for income taxes."

(3) the company has benefited this year from lower costs of coal and oil, with respect to the gas business (the electric service largely returns savings to consumers).

(4) Operating expenses increased only about $4 million in the 12 months ended June 30th and in the June quarter were down nearly $6 million, although $1,257,000 of the later reduction was accounted for by retroactive wage adjustments in June last year. This showing seems remarkable since it was accomplished despite another substantial wage increase this year. There was a great deal of deferred maintenance work to be done the past year or so. This has apparently been largely completed. In the 12 months ended June 30th, despite an increase of over $12 million in revenues, maintenance expenses decreased slightly.

Because of the rather sharp fluctuation in earnings referred to above, Edison's showings for any particular 12 months' period are hard to forecast. However, President Searing has mapped out an ambitious program to improve labor morale and administrative efficiency, which may already be bearing some fruit. Savings from the use of natural gas in 1951 have been estimated at $6,000,000 per annum, although this was based on coal and oil prices of some months ago; this figure, if valid in 1951, would amount to 33c a share. If the company receives a "break" from the courts on temporary electric rates, and from the Commission in eventual fixing of permanent electric and gas rates, earnings might regain the levels of some earlier years despite probable dilution through gradual conversion of the debenture 3s.

Bailey, Scott & Co. Forming in Dallas

DALLAS, TEX.—Effective Sept. 1, the firm name of Bailey & Co. will be changed to Bailey, Scott & Co. and the offices will be located in the Mercantile Bank Building. C. Alfred Bailey will be proprietor and Walter R. Scott and James S. Cleaver will be associates. Mr. Scott was formerly in charge of the New Orleans office of Lord, Abbett & Co. Mr. Cleaver was with Dittmar & Co. in Dallas.

FIC Banks Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Credit Banks was made Aug. 17 by M. G. Newcomb, New York fiscal agent for the banks. The financing consisted of $31,555,000 1.35% consol. debentures dated Sept. 1, 1949, due June 1, 1950. The issue was placed at par. The proceeds, together with $32,530,000 cash in treasury, will be used to retire $64,085,000 debentures maturing Sept. 1. As of the close of business Sept. 1, 1949, the total amount of debentures outstanding will be $598,775,000.

Why Not the Facts?

"The Tennessee Valley in this country, for example, had seen fairly good times for many decades, but the time came when, after years of exporting its coal, lumber and raw materials, its smart young men went elsewhere to find opportunties and the people of the valley could not get enough money from further exploitation of their depleted resources to purchase even the essentials of a decent standard of living.

J. A. Krug

"On its own, the region could not have raised the hundreds of millions of dollars that were needed to build dams to check the devastating floods, supply low-cost electric power, or produce fertilizers to revitalize the exhausted soil. The Federal Government had to do that. With this help, the people of the region made an all-out effort to re-establish their prosperity on a firm foundation and the successful results have been the focus of attention of thinking people the world over.

"The under-developed regions of the world are not alone to blame for the predicament. Yes, they are poor because they have no industry and only primitive agriculture. And yes, they have no industry and only primitive agriculture because they are poor. We know all that. But nobody can ask them to lift themselves by their bootstraps. They need help from outside—understanding, technology and investments. The vicious circle of no capital and no development must and can be broken."

—Secretary of Interior Julius A. Krug.

No one is in a better position than Secretary Krug to draw up a thoroughly business-like statement of the outlays, the profits and the actual assets of the TVA to date—not the political hokum, the pious mouthings about the poor inhabitants and all that about which we hear so much, but a set of accounts such as the SEC would demand of private interests seeking capital.

Why does he not do something of the sort? We wonder whether it would support the world TVA idea the Secretary is proposing here.

Reveals New England Manufacturers Expect 15% Decline in 1949 Sales

Exception to trend is noted by Federal Reserve Bank of Boston in textiles and shoes, with durable goods producers reported as most pessimistic on outlook.

A survey in which New England manufacturers were asked to do their own economic forecasting reveals that the typical manufacturer expects his 1949 sales to fall behind last year's by 15%. The survey, which was sponsored by the New England Council and analyzed by the Federal Reserve Bank of Boston, is summarized in an article in the bank's "Monthly Review."

The expected 15% decline in sales for the full year exceeds the average decline of 9% experienced in the first quarter compared with the same period last year. The expectation of a larger decline for the full year indicates that the manufacturers felt that business conditions would get worse before they got better.

Cooperating with the Federal Reserve Bank and the New England Council in the survey were nine manufacturers' associations in the region. A total of 605 firms, representing about 20% of the region's manufacturing employment, responded to a mail questionnaire.

Several trends were disclosed by the survey. Two of the most important are the prospective sales improvement in textiles and shoes and the anticipated further decline in durable goods sales.

Textiles and Shoes—While most industries expected that their sales for the year would register a greater decline than was experienced in the first quarter, textiles and shoes were the leading exceptions, indicating renewed vitality in these industries. Dollar sales in textiles were typically down 20% during the first quarter, but manufacturers expected a decline for the year of only 15%. Shoe sales were down 5% during the first quarter, but producers felt there would be no decline for the full year. These views were regarded as significant in the light of the widely-publicized decline in the two industries.

Durable Goods—The manufacturers of so-called "hard" goods, who initially had withstood the downturn in business activity, were the most pessimistic of all concerning sales for the current year. By and large they expected much larger declines for the full year than they had experienced in the first quarter. For example, stone, clay and glass producers, who had no decline in the first quarter, thought their sales for the year would be off by 10%. Manufacturers of electrical equipment, who likewise had no decline in the first quarter, expected their annual sales to decline by 15%. Fabricated metal products manufacturers (for example, hardware, heating equipment, metal containers, nails, screw-machine products, stampings) anticipated that their first quarter decline of 8% would reach 20% for the full year, and primary metal products manufacturers (for example, iron and steel, non-ferrous metals) expected their decline would move from 15 to 25% for the comparable period.

Similar declines were anticipated by producers of non-electrical machinery and of furniture and finished lumber. Producers of lumber and basic timber, expected their first quarter decline of 15% to remain the same for the year.

The spread of recession readjustments from soft goods to durables is reflected in the areas within New England. The three southern states, with their higher proportion of durable goods production, reported a smaller downturn in sales in the first quarter than the northern New England states. However, manufacturers in southern New England have shown more pessimism concerning the months ahead than have manufacturers of the northern states who sustained the greatest losses in the first quarter.

An unexpected disclosure of the survey is that small business concerns do not seem to be faring as poorly in relation to the larger firms as had been expected by many observers. Companies with less than 20 workers expect smaller sales decreases than do the larger companies, according to responses to the survey. This would indicate that, contrary to popular belief, the small companies may not have suffered relatively from the recent decline any more than the larger concerns. Moreover, they may be less severely affected by falling sales during the rest of the year 1949.

New Financial Writers' Roster Off Press

A new roster which lists the names, titles and newspaper connections of 102 working newspaper members of the New York Financial Writers' Association is just off the press. The book contains biographies on each of these men.

In addition, the book lists the names and business connections of its 62 associate members. The By-Laws of the Association are included, as well as a page devoted to the history of the Association, and the many functions which it initiates and in which it participates. A list of officers and directors of the Association, since inception, is also included.

The book is being sold at $1 a copy. It may be had, by written request, from the Executive Secretary, P. O. Box 483, Times Square Station, New York 18.

Myron Ratcliffe to Be Bache Partner

CHICAGO, ILL.—Myron F. Ratcliffe will be admitted to partnership in the New York Stock Exchange firm of Bache & Co. on Sept. 1. He will make his headquarters at the Chicago office, 135 South La Salle Street. Mr. Ratcliffe was formerly with Lehman Brothers for many years both in New York and Chicago.

Rice to Be Partner In Francis I. du Pont

MINNEAPOLIS, MINN.—Robert A. Rice will be admitted to partnership in the New York Stock Exchange firm of Francis I. du Pont & Co. on Sept. 1. Mr. Rice was formerly Resident Manager in Minneapolis and St. Paul for Harris, Upham & Co.

Holds American Investments Abroad Could Reach $2½ Billion Annually

James E. Webb, Under Secretary of State, tells House Banking and Currency Committee such placement of funds would have an all round advantage and would curb spread of communism.

Appearing before the House Banking and Currency Committee on Aug. 19, in behalf of the proposed extension of the powers of the Export-Import Bank to the guarantee of American investments abroad, James E. Webb, Under Secretary of State, stressed both the advantage and the ability of American private capital to undertake foreign investments, which, he contended, on the basis of experience during the '20's, could attain an annual sum of $2½ billion.

James E. Webb

"Private American investors constitute the largest potential source of investment capital in the world," Mr. Webb pointed out in his statement. "If this program," he continued, "succeeds in stimulating the flow of investments abroad up to the levels attained during the 1920's relative to our national income, we will be making net annual private investments abroad of at least $2.5 billion. These investments will be of mutual advantage to investors as well as to the people of the countries in which the investments are made, and ultimately to the United States. We hope all of this will be without burden to the American taxpayer."

Continuing his argument, Mr. Webb stated:

"The bill which is before you is intended to stimulate this flow and constitutes an important element in a comprehensive program to aid the people of underdeveloped areas in their efforts to utilize more effectively their human and natural resources. This general program was proposed by the President in his Inaugural Address last January as the fourth major course of action which he believed we should take in our international relations. The other three points were (1) continued support to the United Nations and its related agencies, (2) continuance of our programs for world recovery and (3) the strengthening of freedom-loving nations against the dangers of aggression." In proposing the fourth point the President made the following comments:

"'We must embark on a bold new program for making the benefits of our scientific advances and our industrial progress available for the improvement and growth of underdeveloped areas . . . we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development. Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.'

"You will note that the program proposed has two broad aspects both leading toward the goal of economic development. One aspect involves the interchange among nations of technical knowledge and skill. A bill designed to authorize an expanded program for such exchanges is now pending before the Foreign Affairs Committee. The other aspect of the program involves the fostering of capital investment.

"The Point IV program is designed to benefit both the peoples of the underdeveloped areas and the rest of the world, including ourselves, as well. The political instability and tensions which exist in many areas of the world grow out of extreme poverty and frustration of hopes for economic betterment. The secure growth of democracy in these areas is dependent upon a realization by their people that they can better their economic conditions and still maintain their democratic institutions and their freedom and dignity as individuals.

"In the last year, we have seen the march of Soviet Communism halted in Europe. In the last year, however, we also have seen the greater part of China fall under a Communism which appears to be in large measure Soviet-inspired and directed.

"We know that Communism and other anti-democratic ideologies make little or no appeal to peoples which are prosperous and which have a high degree of modern material civilization. We know that they appeal with peculiar force in those regions where ignorance, poverty and hunger prevail, and where most of the things that we regard as necessities are either unknown or are luxuries beyond the reach of all but a favored few. Those regions, however, comprise a large part of the surface of the world.

"Our desires for an expanding world economy are also to a considerable extent dependent upon the success of efforts to increase the means of production in these areas. Their development will result in an increase and a better balance in world trade which will have particular significance for the recovery of Europe and for our own economy. At the same time by assisting in this effort we can increase our security by associating stronger nations with us in the cause of human freedom and by the strengthening of the United Nations which will occur through its participation in constructive action for economic development.

"We recognize that the principal effort for economic development must come from the underdeveloped countries themselves. We cannot and should not assume this responsibility ourselves. We can, however, assist in various ways. Although the bulk of the financing of development projects must come from local sources, foreign capital is an essential element. The International Bank and in appropriate cases the Export-Import Bank can be expected to continue their activities in loaning funds for certain types of development projects for which private financing is not available. These loans will assist the underdeveloped countries to expand such basic facilities as transportation, communications and power which in many cases are needed before private enterprises can be established.

"Particular emphasis on the Point IV program is placed upon the need for increasing the flow of private investment. Not only is private capital in this country potentially the greatest external source of investment funds for development abroad, but in addition a private investment carries with it the technical skills, managerial experience, organizational talents and incentive which are essential to put capital to effective use. Our industrial technology is largely in the hands of private organizations and can best be put to work through private channels.

"There are a number of obstacles which have prevented an outflow of United States private capital in recent years, in as great a volume as might have been anticipated. In large part these obstacles are the result of abnormal conditions following the war. The most significant obstacles appear to be unstable political conditions in many parts of the world, balance of payments problems leading to limitations on the ability to transfer earnings and capital, and various types of governmental restrictions imposed on foreign investments. If these obstacles are to be removed, a cooperative action on the part of capital importing and capital exporting countries is necessary. We are trying in a number of ways to exert our influence to alleviate the conditions which are deterring the flow of capital. We are exerting our influence toward more stabilized political conditions and more satisfactory economic relationships through our participation in the United Nations and its Specialized Agencies, through the European Recovery Program, through reciprocal trade agreements and through other cooperative efforts with individual foreign countries.

"We feel it is particularly important to secure a basic understanding with countries needing foreign investment as to the treatment which will be accorded to foreign capital by those countries. To this end we are actively engaged in the negotiation of bilateral treaties with foreign governments. These treaties provide that the property of investors will not be expropriated without prompt, adequate and effective compensation, that investors will be given reasonable opportunity to remit their earnings and withdraw their capital, that they will have reasonable freedom to manage, operate and control their enterprises, that they will enjoy security in the protection of their persons and property and non-discriminatory treatment in the conduct of their business affairs.

"I want to point out that we do not consider this program to be a one-sided arrangement. Although we fully recognize the need for giving an investor assurances as to the protection of his property we also believe that the underdeveloped areas are entitled on their part to expect that private investments will make a genuine contribution to their national welfare. This is not a program of exploitation for foreign profit. It is a program for mutual benefits. We consider that the private investor has an obligation to give due regard to the welfare of the persons dependent upon his enterprises, to contribute his fair share of taxes to the local community, to conserve as well as to develop local resources, to observe local laws and so to conduct his enterprise that the local economy will derive full benefit from the enterprise.

"Treaties alone, however, cannot give an investor the assurances which he may legitimately require in order to risk his capital abroad. With the best faith in the world a foreign government cannot guarantee that it will have sufficient dollars actually available to permit investors to remit their profits. It cannot guarantee that dollars will be available to pay promptly for property should it become necessary in the public interest for it to be expropriated. It cannot guarantee against the possibility of confiscation or destruction in the event of internal disturbance or war. We believe, therefore, that guaranties by the United States Government against certain risks peculiar to investment in foreign countries will have an important effect on the decisions of potential investors to send their money abroad. The bill which you are now considering authorizes the Export-Import Bank to make such guaranties. It is important to keep in mind that the legislation does not permit guaranties covering ordinary business risks. It does not assure anyone of a profit, it does not insure anyone against loss. It is also important to keep in mind that the purpose of the legislation is not simply to provide an outlet for surplus capital but it is intended to stimulate investment which will be productive and will contribute to economic development abroad. In issuing guaranties the Bank will give full consideration to the contribution that the investment can be expected to make to economic development. Furthermore, we do not intend to impose our own plans of economic development on foreign countries and we would not, therefore, guarantee investments if those countries themselves did not consider that the investment would make a contribution to their economic development.

"This legislation is a part of a program which involves cooperative action on our part and on the part of other countries for our mutual advantage. I urge you to give it your approval."

Securities Salesman's Corner

By JOHN DUTTON

A small advertisement can sometimes do a big job. E. L. Kendrick, Manager of the Orlando, Fla., office of Allen & Co. of Lakeland, Fla., had an idea that there would be many investors in his territory that would not only be interested in the coming break-up of Commonwealth and Southern and the distribution of the stocks of the various operating subsidiaries, but who might also be confused as to the proper procedure necessary for their participation in the plan. So he decided to offer a service. Their advertisement which now appears daily in the Orlando "Evening Star" tells it own story.

> COMMONWEALTH
> &
> SOUTHERN
>
> The final liquidation of this Holding Company and exchange of its stock for underlying stocks has been ordered and will be consummated over next few weeks.
>
> Details of this exchange and quotations on underlying stocks to be received are now available. Call, wire or write for any desired data.
>
> **ALLEN & CO.**
> **INVESTMENTS**
> **511 Metcalf Bldg. Tel. 2-2772**

One of the interesting results of this constant use of small space advertising according to Mr. Kendrick, was that results did not begin to come in until after the first seven or eight insertions. Then leads and inquiries started and quite a number of investors called at the firm's office. The advertising is now paying in actual new accounts opened and in good prospects that have been obtained for further cultivation. It takes not only a good idea, plus good copy and display, but also constant repetition to bring in the results. Advertising experts and newspaper publishers have been telling advertisers this important fact for years yet many Security Dealers expect one or two advertisements to more than pay for themselves and stop there.

Mr. Kendrick also stated that the firm recently tried a similar ad in a small town paper that only had a circulation of about 2,500 people which was located about 30 miles from the firm's office in Orlando. This advertisement too pulled surprisingly well after several insertions. It is quite possible that many security dealers are overlooking a good bet when they fail to use the smaller town newspapers in their trading area. Today the farmer has a surplus of cash, there are also retired people in many sections of the country who are interested in investments, and they too live in rural vicinities.

If you analyze the copy used in this advertisement it is clear as to just why it brought in a good response. There is investor interest in Commonwealth and Southern in this territory. The pending break-up of the holding company brings a sense of urgency to the reader. If he owns any stock he knows he should get busy. Then there is the offer of service regarding details of the exchange and quotations on the underlying stocks. Last but not least, comes the definite opportunity for discussing the merits of Southern Company (one of the operating holding companies) which will be one of the securities received in exchange for C and S. For the present time this good utility common stock is actively traded over-the-counter on a when-issued basis and therefore offers opportunity for retail purposes.

When a smaller city can produce the type of up-to-the-minute, and soundly conceived advertising such as Allen & Co. are now using, the retail end of the securities business is still very much alive. It takes good ideas like this to lift the recession out of the securities business.

Dow With Cliff. J. Murphy

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — George C. Dow has become associated with Clifford J. Murphy Co., 443 Congress Street. He was formerly with A. C. Allyn & Co., Bond & Goodwin, Inc. and Townsend, Dabney & Tyson.

Evans With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—Jack H. Evans has become associated with A. M. Kidder & Co., 400 Beach Drive, North. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Arms Aid Abroad Vital: Truman

(Continued from first page)

the VFW has been serving not only the interests of the men who have fought for our country in foreign lands, but also the interests of our whole nation.

I have watched the splendid humanitarian work which our organization carries on. I have also been gratified by the record of the VFW in other fields, and particularly in the field of international policy. I recall the United Nations rally in 1942, at our 43rd national encampment in Cincinnati, to which 14 Allied nations sent representatives. I remember the victory conference in 1945 at our Chicago encampment, where representatives from 21 Allied nations met to discuss the value of cooperation in war and the importance of continuing international cooperation in time of peace. The VFW has continued this fine record by its strong support of the North Atlantic treaty.

I am particularly pleased that you have asked me to be here on the day the VFW is honoring distinguished representatives from other countries which have joined in the North Atlantic treaty. The presence of veterans from most of the treaty countries, meeting with our own veterans, is deeply symbolic of the spirit that binds together the free nations of the world.

Effects of War Tragic

All the countries that signed the treaty have learned the tragic cost of war. All of us have learned how weakness invited aggression—how democratic countries, unless they stand together, can be taken over one by one. And now, all of us are determined that, by joint efforts and a common defense, we shall become strong enough to prevent another terrific conflict.

Four years ago, when the war ended, the world entered a new phase of human history. There were many who believed that the world would quickly return to its old ways. Many believed that the countries of the world would work their way, peacefully and in cooperation, back to conditions of stability and prosperity.

But the effects of this last war were too far-reaching to permit such an easy adjustment. The destruction had been too great to allow a quick recovery. The accumulated wealth of generations had been poured out and lost in the conflict. Conditions of world trade had been fundamentally altered. As a result of the upheaval, many peoples demanded new rights and new responsibilities. Men who had lived for centuries in economic servitude asked for independence and a fair share of the good things of life.

The war against tyranny was sustained by belief in the Four Freedoms. Men refused to yield to dictatorship because they desired and believed they could secure conditions of material and spiritual freedom. When the war ended, they demanded to be treated as free men. They demanded a world in which they could attain security and liberty.

This demand cannot be suppressed. It must not be frustrated. It presents a challenge to us and to the values of our civilization which will require all our energies and wisdom to satisfy.

Communism Leads to Tyranny

One pretended answer to this demand of mankind is offered by organized Communism. But that answer is a false one. Communism claims to satisfy the universal desire for a better life. But, in fact, it lures men by false promises back to tyranny and slavery—and more and more people, all over the world, are learning that fact.

The free nations of the world offer a different answer to the demand of mankind for security and liberty. Our answer is based upon voluntary associations among free nations, mutual adjustment of our common problems and combined economic effort. We are convinced that through these means the world can achieve economic progress and at the same time maintain and expand democratic freedoms. We are convinced that our answer will prevail.

The people of the United States have been meeting this challenge. In four short years they have done more in the cause of world peace and world recovery than any nation has ever before been called upon to do.

We are not alone in this effort. Many nations which share our democratic values and our traditions are working with us. Without these allies in the cause of peace, our task would be hopeless. We can win a permanent peace only through the joint efforts of free nations striving toward the same objectives.

To achieve a better world we must prevent international violence. Unless protection against war can be secured, all efforts for the advancement of mankind will fail. One of the most important aspects of our foreign policy, therefore, is our effort to establish international order.

To this end, we have joined with other nations in creating a world organization which would outlaw aggression and establish a means of settling international order.

United Nations Principles Our Goal

The principles of the United Nations are still our goal. We have undertaken to defend and preserve them. We will keep that pledge. Shortly after the end of the war, however, it became apparent that the United Nations could not live up to all our hopes for it until all nations were united in the desire for peace. It became necessary, therefore, for the free countries to take action to defend the principles of that organization and to preserve it.

By an overwhelming bi-partisan vote, Congress approved my recommendation early in 1947 that the United States help Greece and Turkey resist Communist pressures. Our prompt action preserved the integrity of both countries.

By an equally overwhelming vote in 1948, the Congress approved our joint enterprise with 16 European nations to achieve economic recovery. The European recovery program has prevented general collapse in Europe and has given hope to all countries who want to see the world resume the course of economic progress.

While we are working with our friends in Europe, we are also working with our friends and neighbors in this hemisphere. The pact of Rio de Janeiro, signed in September, 1947, binds the nations of North and South America together in a defensive alliance.

The United States and 11 other nations have now joined in the North Atlantic treaty. Like the Rio pact, this is a pledge of mutual assistance by nations which are determined to protect their independence. It is based on the principle that an armed attack on one member nation is an attack on all.

Must Back Up Atlantic Pact

The next task is to back up this principle with military assistance to European nations, and to certain other nations, which are unable to build up their defenses without outside help.

I have recommended to the Congress that the United States supply three kinds of military assistance to friendly democratic nations in need of our help. First, we should help them increase their own military production. Second, we should transfer to them some essential items of military equipment. Third, we should send some of our experts abroad to help train and equip their military forces.

Some people who do not understand the state of the world very well have tried to make the military assistance program seem a difficult and confused issue. On the contrary, it is very simple.

The purpose of the military assistance program is to prevent aggression. Our European partners in the North Atlantic treaty are not strong enough today to defend themselves effectively. Since the end of the war they have been concentrating on rebuilding their war-torn economics. We can strengthen them, and ourselves, by transferring some military means to them, and by jointing with them in a common defense plan. The military assistance program is based on the same principle of self-help and mutual aid that is the cornerstone of the European Recovery Program and the North Atlantic treaty.

We are not arming ourselves and our friends to start a fight with anybody. We are building defenses so that we won't have to fight.

Our aid will be limited to the material necessary to equip mobile defense forces. These forces will constitute no threat to the independence of other nations. The democratic nations have no desire for aggression; they only want to be able to defend their homes.

Most of our assistance under this program will go to Atlantic treaty countries, but will also help certain other nations whose security is important to world peace. We must continue our aid to Greece and Turkey. We should help Iran maintain its firm stand against Soviet pressure. And, in the Far East, two young republics—the Philippines and Korea—need military assistance if they are to maintain their national security.

If it were possible, we would prefer that these bulwarks against aggression be established by the United States. We hope the peace of the world will some day be enforced by security forces under the control and direction of the United Nations.

Blocked by Soviet Union

We have been working for that. But the Soviet Union has blocked every effort to establish an effective international police force and to free the world from the fear of aggression. For that reason, we have had to join other friendly nations in forming regional defense pacts.

The United Nations Charter was wisely drawn to permit these regional defense pacts and other collective security arrangements which are consistent with the great principles of the charter. The military assistant program will help the United Nations to cooperate more effective by increasing the collective as well as the individual ability of free countries to resist aggression.

Close Relationship Between Economic Recovery and Armed Strength

The military assistance program and the European Recovery Program are part and parcel of the same policy. There is the closest relationship between economic recovery and military defense. On the one hand, economic recovery will lag if the haunting fear of military aggression is widespread. Such fear will prevent new investments from being made and new industries from being established. On the other hand, if protection against aggression is assured, economic recovery will move forward more rapidly. Sound economic recovery and adequate military defense must be carried forward together in balance. That is exactly what we propose to do.

Great progress has been made in economic recovery in Europe. The production of the Western nations of Europe has been rising steadily. To continue the momentum of this economic advance it is necessary now to remove the obstacles created by the fear of military agression.

We should therefore undertake a program of military assistance without delay. The cost of such a program is considerable, but it represents an investment in security that will be worth many times its cost. It is part of the price of peace.

Peace with freedom and justice cannot be bought cheaply. No single program can bring it about, nor can any single nation. It can only be assured by the combined efforts of the multitudes of people throughout the world who want a secure peace. They are our friends and they are friends worth having. We must keep them our friends if the world is to be a decent place for our children and their children to live in.

We must face the fact that we have forever put behind us the false security of isolationism. We have done so because we have learned—learned the hard way—that, in the world of today, isolationism is a futile and vulnerable shield. We have learned that the defense of the United States and the defense of other freedom-loving nations are indivisible. We have learned that we can serve our country best by joining in the common defense of the rights of all mankind.

The Congress of the United States in noble words has set out certain purposes of the Veterans of Foreign Wars. Our organization is pledged:

"To maintain true allegiance to the Government of the United States of America, and fidelity to its Constitution and laws; to foster true patriotism; to maintain and extend the institutions of American freedom, to preserve and defend the United States from all her enemies."

In the fulfillment of those high purposes, I enlist your support to the end that we may persevere in the ways of peace with the same vigor and determination with which we fought our country's wars.

NYSE Revises Floor Trading Rules

Board of Governors, on Aug. 18, vote to permit traders to initiate purchase of shares for their own long accounts above previous price.

It was announced by the New York Stock Exchange on Aug. 19, that at a meeting on the previous day, the Board of Governors revised Rule 374 (A) (1) to permit floor traders more freedom in buying stock for their own long accounts. Under this rule floor traders had been prohibited from initiating the purchase of stocks for their own long accounts above the price of the previous close or the price of the immediate preceding transaction, if that price was above the previous close. This prohibition is now removed within certain limitations.

The rule now reads as follows:

NEW YORK STOCK EXCHANGE

Office of the Secretary

"Rule 374 (A) (1). No member, while on the Floor of the Exchange, shall after the opening, initiate a 'long' stock purchase for an account in which he has an interest above the previous closing price:

(i) at a price higher than the last sale (i.e., a 'plus' tick) if the two preceding purchases which in each case was at a price higher than the last sale (i.e., the two preceding 'plus' ticks) were initiated by members on their bids while on the Floor for accounts in which they have an interest, unless there intervened either (a) 15 minutes from the first of such purchases or (b) a transaction at a price higher than the last sale (i.e., a 'plus' tick) effected on an order originated off the Floor.

(ii) of more than 300 shares or 50% of the amount offered, whichever is greater, at a price higher than the last sale (i.e., a 'plus' tick) and then only if the offer quotation remains unchanged.

(iii) of more than 500 shares or 75% of the amount offered, whichever is greater, at the same price as the last sale if such price is above the next preceding different price (i.e., a 'zero plus' tick) and then only if the offer quotation remains unchanged.

(2) In applying the above limitations in sub-paragraphs (ii) and (iii) on the amount of stock members, individually or as a group, may purchase the amount of stock offered at the time of the first such purchase shall govern. After the limited amount has been purchased, no further 'long' purchases may be made of the remaining stock offered until 15 minutes have elapsed, when such members may again make such purchases of the remaining stock offered, subject, however, to the limitations set forth in paragraph (1) above.

(B) The limitations set forth in this Rule shall not apply to purchases made

(1) by a specialist in a stock in which he is registered as a specialist to maintain a fair and orderly market in accordance with Rule 365;

(2) by an odd-lot dealer in a stock in which he is registered as an odd-lot dealer;

(3) to effect or facilitate a distribution of securities, if such transaction is made pursuant to Regulation X-9A6-1 or if such transaction and such distribution are made pursuant to the approval of the Exchange;

(4) to offset a transaction made in error;

(5) for bona fide arbitrage;

(6) with the prior approval of a Floor Official (i) to permit the member to contribute under unusual circumstances to the maintenance of a fair and orderly market, or (ii) where the purchasing member intends to hold the stock for not less than two business days."

The Board of Governors also adopted a new Rule, to be numbered 375, effective Aug. 24, 1949, to read:

"Rule 375. Members, while on the Floor of the Exchange, who desire to purchase stock to establish or increase a position for accounts in which they have an interest

(1) shall not congregate in a particular stock, and individually or as a group, intentionally or unintentionally, dominate the market in that stock;

(2) shall not effect such purchases except in a reasonable and orderly manner and they shall not be conspicuous in the general market or in the market in a particular stock."

Reports Substantial Drop in Farm Mortgage Debt

However, Institute of Life Insurance points out non-real estate indebtedness of farmers has risen, due to crop loans under price support legislation.

An important indication of the current financial strength of the nation's farmers as a whole and the prudence with which they have handled their record incomes of recent years is found in the trend of farm mortgage debt in the past war and postwar period, the Institute of Life Insurance reported on Aug. 8.

The current position takes on added importance since it is in such marked contrast with the corresponding trend during the First World War period and the three ensuing years, the Institute pointed out. A financially strong agriculture is of the utmost significance to the nation's economy since agricultural distress has played a major role in past depressions.

"Figures compiled by the U. S. Department of Agriculture" the Institute said, "show that farm mortgage debt went down consistently during the entire period of the past war, dropping from $6,586 million at the end of 1939 to $4,682 million at the end of 1945, a decline of 29%. The 1945 farm mortgage debt figure was the lowest in 33 years. In the last three years the trend has been upward, but the gain for this period has only been $426 million, or 9.1%. Thus in the last war and postwar period, from 1940 through 1948, farm mortgage debt showed a net reduction of $1,478 million, or 22%.

"The corresponding period in the First World War, covering the war itself and the three postwar years, runs from 1915 to 1921, inclusive. Farm mortgage debt rose sharply throughout this period. The aggregate debt was $4,991 million at the end of 1914. By the end of 1918 the total was up to $7,137 million, a gain of $2,146 million or 43%. In the following three years the total farm mortgage debt jumped to $10,702 million, a gain of $3,565 million or 50%. Thus in the First World War and the three postwar years, total farm mortgage debt rose $5,711 million or 114%.

"Non-real estate debt rose substantially in both war and postwar periods but the gain this time has not been as rapid nor as large as during 1915-21. As a matter of fact, about one-sixth of the approximately $6 billion of aggregate nonreal estate agricultural debt at the beginning of this year represented crop loans under price support legislation. Furthermore, the over-all financial liquidity of farmers as a whole is high. According to preliminary Department of Agriculture figures, farmers in the aggregate had about $2 in cash or its equivalent at the beginning of this year for every dollar they owed. At the end of 1939 they had only 50 cents in cash or its equivalent for every dollar of aggregate debt."

The following table compares the trends of overall farm mortgage debt (000,000 omitted) in the two war and corresponding postwar periods:

First World War		Second World War	
Year-End	Amount	Year-End	Amount
1914	$ 4,991	1939	$6,586
1915	5,256	1940	6,491
1916	5,826	1941	6,372
1917	6,537	1942	5,951
1918	7,137	1943	5,389
1919	8,449	1944	4,933
1920	10,221	1945	4,682
1921	10,702	1946	4,777
Net Gain	$ 5,711	1947	4,882
		1948	5,108
		Net Decline	$1,478

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

The SEC Looks at Mutual Funds

(Continued from page 4)

promotions. That is what makes the wheels go 'round.

Few of you present are exclusively dealers in mutual funds. Either you yourselves, or your firms, also do a general brokerage business. For the economy as a whole, and for the sake of maintaining a balance in your own business, you should not ignore the fact that many of your mutual fund customers are potentially direct investors.

You and I know that the mutual funds, like other institutional portfolios, are growing—in part—at the expense of young and unseasoned securities. The mutual funds are large purchasers of equity securities, but generally these are limited to outstanding issues of well-known businesses. With some few exceptions, mutual funds do not invest the large sums at their command in new enterprises. Rarely do they buy new issues. Yet the lifeblood of this nation is the creation and growth of new business enterprise. Only by encouraging new enterprise can we avoid stagnation and deterioration.

I am not suggesting that mutual funds go into the business of underwriting new business. I am suggesting that the maintenance of a vital economy requires the maintenance of private, individual investment. As more and more individual investors succumb to your sales approach, there are fewer and fewer around to invest in the new, struggling outfit just getting on its feet. In due time, the widely recognized problem of risk capital will be put up to the investment companies as it is increasingly being put up to the insurance companies. This is a responsibility fund managers should take cognizance of.

Management Responsibility

The growth of the investment companies poses another economic problem. As they grow, they are acquiring sizable positions in the voting stock of many corporations. What responsibility do they have for the management of those companies? While the charters of most mutual funds prohibit them from owning stock control of portfolio companies, they frequently are among the largest stockholders of those companies. I know there are at least two schools of thought on how fund managers should exercise their responsibility to their own shareholders in this situation. Some feel that if they are dissatisfied with the management, their duty is to dispose of the stock: others believe their duty is to take steps to improve the management. I express no opinion as to either course. I want to point this up as another problem to which the mutual funds must give increasing attention.

At this stage in the development of mutual funds, one of your main selling tasks is to build public acceptance of mutual shares as a mode of investment. It is a mode of investment which has its own characteristics, and which should and can be sold for what it is. Some salesmen seem to find it expedient to emphasize the "security" aspect by likening investment shares to insurance policies, to government bonds, or to savings accounts. Such comparisons, of course, are most improper. A mutual fund share is not an annuity. It is not like an annuity. There is missing that basic ingredient of an annuity contract, a commitment to pay a sum certain on a fixed date. No matter how mutual funds are dressed up, they are no annuities.

Misleading Sales Arguments

It is similarly misleading to suggest that an investment in mutual shares is as safe as government bonds or a savings account.

This type of selling is not only wrong, it is also most unsound from a sheer selling point of view. The ultimate success of investment companies as investment media will depend as much on continued public confidence as on performance. Over-selling is self-defeating. If you lead the purchaser to think he is getting something he is not buying, you will be the loser when he discovers his mistake. Further sales under such circumstances are next to impossible.

Current sales technique also raises another difficulty. In looking over the figures regularly published by the SEC on the growth and size of investment companies, I was surprised and distressed to learn that for some time redemptions have run at just about 50% of sales. I am told that for the first-quarter of 1949 the rate has dropped to one-third. This is still something you in mutual funds must consider seriously. Redemptions most frequently occur during the first two years, before the customer has absorbed the sales expense. Here are the figures for 1948 if you would like to have them: Total sales, just over 35 million shares; redemptions, about 17½ million shares; net growth, the balance of about 17½ million shares.

High Redemption Rate

May I point out to you—and I speak as one who was for many years engaged in the investment banking business — that to sell shares, and then have the customer turn them back within a short time establishes quite definitely that the investor was not properly sold in the first instance. The high redemption rate is a reflection on the quality and adequacy of existing selling technique. Normal turnover, formula-plan operations, and those who by nature cannot stay put in a situation, produce an expected amount of turnover. But I suspect that a large amount comes from misdirected salesmanship and from deliberate "switching."

I could discuss at length the evils of "switching" from one fund to another in order to earn sales commissions, for this invidious practice strikes at the very heart and integrity of the mutual funds. However, I know that fund managers are aware of the problem and are making efforts to meet it.

Perhaps the insurance companies can furnish still another lesson in this connection. As you are aware, lapsed policies create a problem for them just as switching does for you, for it is detrimental to the public and adds to the overall cost of insurance. One company has a directive to company personal and clients which, in part, says:

"Do not lapse your policy in any old line company to take one with us. Do not lapse your policy with us to take one in any other old line company. You lose in either case."

I suggest that with appropriate changes in language, this might become a watchword with you, too. Perhaps it may also prove one way to reduce distribution expense.

Legislation

The Investment Company Act of 1940 is a unique piece of legislation. It is perhaps one of the rare instances where an entire industry was able to agree on a comprehensive code of regulation. Many of you will recall that the statute was drafted jointly by representatives of the industry and the SEC. It was presented to the Congress with the "distinction of having the virtually unanimous support of the persons for whose regulation it provides, as well as of the regulatory agency by which it is to be administered" (quoting from Representative Cole of Maryland who introduced the bill into the House). It was unanimously approved in Committee by both houses, and passed without a dissenting vote.

The industry has prospered under the legislation. Public acceptance of investment company shares was never so high. Last year, mutual funds added over $145,000,000 to their assets through additional sales. They have tripled in size since the Act was passed. Indications are that there will be continued growth. During this period there have been no major casualties to mar the record.

The SEC and the industry do have frictions. Some in the industry would like more freedom than we believe the Act can permit. From time to time we have found it necessary to restrain certain practices which were developing along unsatisfactory lines. We shall undoubtedly have friction in the future. But these are only incidental to the larger harmony which this joint effort in regulation presents.

In closing, I want to assure you that we at the SEC recognize the importance of well-managed investment companies in the overall investment picture. They have become a permanent part of our national economy. We are sympathetic to your problems. While we may not always agree on their solution, we want to be told about them and work them out with you.

Railroad Securities

There has been unusual activity in the railroad reorganization field in the past week or so. Three reports—two by examiners and one by the ICC itself—have come out of Washington recently. An examiner recommended that the stock recapitalization plan of Boston & Maine be approved. This stock plan is designed to eliminate dividend arrears on the various classes of preferred stocks and to simplfy the capital structure. The prior preference stock, the many various classes of junior preferred, and the common would be replaced by one class of preferred and one class of common. All of the new preferred would go to the present prior preference stock and the new common would be divided in varying amounts among all stockholders.

In another proceeding an examiner for the Commission recommended that the recapitalization plan of the Chicago Great Western be disapproved. A similar recommendation was made last year but the company was granted a rehearing. This plan contemplated elimination of the outstanding preferred on which accrued unpaid dividends have reached their maximum. Holders of the stock were to be offered part income bonds and part common stock for their present shares. The examiner recommended turning down the proposal on the grounds that it would increase the company's debt and that control, which now is vested with the preferred stockholders, would be transferred to holders of the common stock. As the company has an ambitious rehabilitation program, and finances have been sapped by extensive debt retirement, disapproval of the plan appears to eliminate any likelihood of income return to preferred holders over the visible future.

By far the most important report was that of the Commission presenting a reorganization plan for the combined Missouri Pacific, New Orleans, Texas & Mexico and International—Great Northern. This is the most important unresolved reorganization proceedings under Section 77 of the Bankruptcy Act. Presentation of a plan by the Commission does not by any means mean speedy consummation of a plan and discharge of the properties from the courts. There will obviously be further arguments and appeals by security groups dissatisfied with their treatment. Nevertheless, the mere filing of a plan is a long step forward in this case that has been argued back and forth some 15 years already.

By and large the Commission's plan followed closely along the lines recommended by the examiner. It provides for a capitalization appreciably larger than was called for in its own earlier plan of a number of years ago. This was in recognition of the substantial sums spent in the interim on property improvements and on new equipment. Proposed debt of roundly $398 million would be some $46 million greater than in the old plan and total fixed and contingent charges would be increased nearly $2 million to $17,723,883.

The amount of preferred stock is almost double that of the earlier plan, but the amount of common stock would be less than originally proposed. In all, stated capitalization would be $611,931,000, taking both classes of common at $100 a share. Even with this larger capitalization there were dissents among the Commissioners on the grounds that the plan was not liberal enough. As had been advocated by the examiner, the old Missouri Pacific common would be eliminated. Holders are expected to fight this provision which is only one reason why consummation within the next two years does not appear likely.

Although the proposed capitalization is increased it does not appear out of line with the recent and prospective earning power of the properties. The proposed fixed charges would have been earned in full in each of the past 10 years and for the full period average coverage would have been better than four times. Moreover, in all but two of the 10 years (the earliest two years) total fixed and contingent charges would have been earned by highly satisfactory margins. In this connection it should be borne in mind that the constituent roads did not have the operating benefits of the property expenditures in those years. While many analysts think most of the system securities are attractively priced on the basis of the reorganization, the potential long delay detracts from the speculative appeal of the junior securities.

As We See It

(Continued from first page)

Sunday. Mr. Deutscher then examines present day Russia with an evidently expert eye to determine the degree, if any, that Communism thus defined exists in that vast and troubled land. His findings are of interest, the more so since they are presented on the same day that another correspondent of the "Times" quotes new findings of Colin Clark on the degree of productivity reached by Russia in comparison with that attained by various other lands.

The subject matter, of course, would not be of particular interest were it not for the fact that we are so often told, and apparently all too many believe, that "capitalism" has somehow "failed," or is in danger of failing, or must be "saved" from failing by something more than homeopathic doses of Communism or Socialism. These arguments are usually accompanied by a statement that unless some such course is taken we shall have no alternative but that of turning to Communism, Socialism, Statism or some of the other variants of these "isms" of the day in order to prosper at the expense of freedom.

What Russia Is Like

First, let us note what Mr. Deutscher finds actually exists in this paradise behind the iron curtain. Passing over aspects of the situation which are hardly germane to wholly practical affairs, we observe, first, that Russia is anything but a classless society. Instead of any such state of affairs—whatever it may mean—Mr. Deutscher tells us that "we have witnessed a progressive, visible and all too striking growth of the police state." As to economic abundance, Mr. Deutscher finds that "for the first time in its history, Russian industry at large has *approached* a level at which it *should* be able to supply the *barest essentials* to the entire population" (italics ours). As to the distribution of what is produced, Mr. Deutscher makes it plain enough that "to each according to his needs" is no more than a hollow mockery.

And now to Mr. Clark's testimony. His effort—and he has for many years been noted throughout the world for work in this field—is to compare the quantity of the good things of life produced in one hour by one man in the various countries of the world. Such a figure, obviously, can be taken as a rough measure of the economic position of any nation, or at least a practical basis for comparing potentialities. For the purpose Mr. Clark uses what he calls "international units," a term the precise technical meaning of which need not detain us here. Suffice it to say that it is designed as a sort of "common denominator" enabling him to compare the productivity of various nations.

Uncertain Progress

On the basis of elaborate analysis and prolonged study, Mr. Clark concludes that "economic progress in Russia has been uncertain and slow (for the past half-century) and the most recent figures indicate that productivity now is only at about the 1900 level." But where does this leave the Soviets in comparison with some of the other countries which also have been through two devastating wars within the past three or four decades? Have they been able to make progress, or is this uncertainty and sloth peculiar to Russia? Among those countries for which the "Times" correspondent quotes Clark's figures, there is none except Russia which is not now far and away ahead of their position two or three decades ago, and those which have made the greatest progress and which today stand out from all others—Canada, New Zealand and the United States—are not socialistic countries.

The record in some detail is worthy of inspection. In 1947, the United States was producing about 1.19 "international units" per man per hour worked; the figure given by Mr. Clark for Russia in that year is .14. In now socialistic Britain, where dollars are so scarce, the figure for that year was .59, which is appreciably below the best war level, but ahead of her best prewar record. France stands at .35, a little below its best prewar record. Only New Zealand with 1.07 and Canada with .96 are within hailing distance of the United States of America which is eternally flirting with the notion that it ought to adopt some of the plans, programs and procedures of these other countries in order to abolish poverty here!

Let no one say that this favorable position of the United States is a result of its great distance from the site of war and thus its escape from damage so heavily weighing upon some of the other countries with which it is compared. The United States has always been far ahead of virtually all of the countries many would have us emulate. What is more, our progress between the two world wars far outstripped most of them. Progress in all countries was marked in the 1920s, though it was far greater here than in most of the others (all of the others for which figures are before us) and was least marked in Soviet Russia. There was another sharp rise in the later 1930s, again led by the United States, and again with Russia at or near the tail end. All this is obviously quite apart from the rebound since the end of World War II which, as one might expect, was greater here than in some of the other countries where war damage was great.

Now, of course, no one in his right senses would assert that such attainments as these are wholly a matter of the structure of the economy or society. The characteristics of the citizenry, the abundance of raw materials, and a dozen other factors enter, but neither would any one with any real understanding of the subject for a moment believe that the type of social and economic organization has nothing to do with such progress. Certainly, one must search in vain for any good reason to suppose that we should have made a better record in the past, or that we could make a better record in the future, by emulating the countries whose progress does not even compare with ours. After all, one can scarcely call Russian resources niggardly. Nor is France without the means of making good progress.

Let's Not Play "the Sedulous Ape"

Of course, it is fully realized that the estimates of Mr. Clark are hardly more than informed guesses, and the observations of Mr. Deutscher are subject to substantial margins of error, but even when allowance is made for all this, we can scarcely justify any feeling that we should benefit by aping any other nation.

Steel Workers' Demands—Power Fight Between Rival Union Leaders

(Continued from first page)

a *fait accompli* of the head of the United Mine Workers, who by the exercise of a complete and untrolled monopoly power—a concentration of power heretofore unknown in American life—is able to turn on or turn off at will the nation's production of coal, and has succeeded in wringing from the public, in terms of higher coal prices, a series of special benefits and pensions for the members of his union. The national tribute of 20 cents on each ton of coal now paid by the public is already claimed to be inadequate to cover the great cost of the extensive welfare benefits which are presently being paid. The immediately relevant fact is that leaders of other unions are competitively compelled to seek similar or better results for their members, regardless of what other part of the public must be drained to make this possible.

All of us are familiar with the mushroom growth in recent years of these giant labor monopolies. Even in wartime, when all were desperately striving to stem the tide then flowing against us, our common extremity was used to exact appeasement after appeasement from other segments of the public. Even the government has been forced to bow to the striking force of these great aggregations of monopolistic labor power. Memories are not so short that the devices of appeasement have been forgotten, or that the innumerable occasions upon which government was forced to appease cannot be recalled.

On one of those occasions in the coal industry, which was then particularly serious to the nation, the government stepped in and the appeasement took the form of a 5 cent tax per ton of coal, a tax to be paid by everybody using coal, and the creation of a private welfare fund—or perhaps I should say, welfare state—for miners supported by this private tax. The camel's welfare nose was then definitely inserted in the customer's tent. Since then his head and his neck have moved in, and the private tax is now 20 cents per ton—$90 million for the year ending June 30, 1949.

Consequences

Certain consequences of appeasing this union's demands for more and ever more need mentioning. First, people who can do so are fleeing from the further use of coal, although it is the nation's greatest energy resource. The use of coal has scarcely increased in 20 years, while the use of other energy resources—like petroleum, natural gas and electric power—has about tripled in that period.[1] Even the government has considered bringing in natural gas from distant places as power for atomic plants, although such plants are located close to great coal fields. Employment in coal mines has, in the same 20 years, gone down by one-fourth, while factory employment in general has advanced by one-half.[2] Coal prices more than doubled during this period, while those of natural gas and electricity have gone down, and those of petroleum products are up about two-thirds.[3] The great mechanical improvements in the coal industry in this period are well known and should have resulted in lower prices so as to give wider use of this great energy resource and to create confidence in relying on its use as an energy resource. Contrariwise, the union's selfishness has done away with jobs for many miners. It has narrowed and made undependable the nation's access to this, its greatest energy resource.

I feel certain that the success of the United Mine Workers' leader—and he is merely a symbol of what is happening in other industries—in establishing new labor patterns at the expense of other segments of the public, arouses other union leaders' envy and goads them to seek equal or greater goals. Hence the origin of the pension demand here made upon us. It is a prime instance of the effect of the virus of big unionism. The company, the industry and, therefore, too, the public, our employees, our customers, our suppliers, and our stockholders are caught, with the government itself, in the bitter race for power of giant labor monopolies.

The most recent instance of the power of big unionism and its unconscionable exercise is the restraint on production of coal by the device of the three-day week. Paralysis of coal production for the remainder of the week is accomplished by the dictate of one man. Not even the President of the United States has the power, under the Constitution or by law, to close down a whole basic industry on his personal whim. Yet it is now being accomplished by the ruler of this private empire existing within our Republic.

It is against this background that I wish to place before you the facts. And it is against this background that I will show that the insatiable appetites of labor bosses in their competitive race for superiority cannot be satisfied. Their momentary gains—and they would have to be momentary if they come into being—would have to come from other segments of the public, *for there is no other way.*

Responsibility for Pensions

Let us look at pensions for a moment, even though we strongly contend that pensions have no proper place in these discussions, because of the express agreement which the union made with us a year ago. Pensions deal with people's whole life spans. They involve the voluntary or compulsory shifting away from people's immediate reach of substantial parts of the values they currently produce so that those values will be available to sustain later consumption by them when their own production has ceased. Pensions can take from people jurisdiction over their own thrift and savings and subject them to unwanted mass disciplines. Production policies and other problems are also involved, as the health and medical care of the American people has lengthened the span of productive years beyond that formerly dreamed possible.

For these reasons pension arrangements are not lightly or hastily to be entered into. They must be undertaken with the utmost prudence, with the highest regard for their moral and financial integrity and based on the lessons of experience. Such arrangements require cooperation and good faith on both sides. They are difficult, if not impossible, of proper solution in an atmosphere of conflict and distrust. We have had long experience with pensions and the problems they present. To my mind, the big problem is how the individual may achieve reasonable security without losing his freedom.

I regret that the union leaders in this case have chosen to represent U. S. Steel as being "against pensions." The record displays that to be false. Long before the CIO came into existence, U. S. Steel was well aware that people are often improvident and so face problems in later life after their productive days are over. U. S. Steel did something about it.

U. S. Steel was a pioneer in pensions a quarter of a century ahead of the social security legislation, and then established a pension plan to provide something for retiring employees to supple-

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1 *U. S. Bureau of Mines—Production in millions. Bituminous Coal* — Tons (daily average) Year 1929—1.74; year 1948—1.91.

Crude Petroleum — Gallons (monthly average) Year 1929—83.94; year 1948—168.0

American Gas Association — Sales in Billion cubic feet. Natural Gas—Cubic feet (monthly average) Year 1929—82.75; year 1948—227.36.

Federal Power Commission — Production in Million Kwh. Electric Power — kwh. (monthly average) Year 1929—7.99; year 1948—23.55.

2 *U. S. Bureau of Labor Statistics. Bituminous Coal Mining*—Index of Employment—(1929=100) (monthly average) Year 1929—100; year 1948—75.3.

Manufacturing Industries — Index of Employment (1923-25=100) (monthly average) Year 1929—106.0; year 1948—159.9.

3 *U. S. Bureau of Labor Statistics—Wholesale Price Commodity Indexes* (1926=100).

Bituminous Coal (monthly average) Year 1929—91.3; year 1948—187.0.

Gas (monthly average) Year 1929—93.1; year 1948—89.2.

Electricity — (monthly average) Year 1929—94.5; year 1948—66.3.

Petroleum Products — (monthly average) Year 1929—71.3; year 1948—122.0.

ment the provisions they themselves might have made for their old age. Let the facts speak: Over the years U. S. Steel has provided over $300 million for employee pensions, aside from $90 million in taxes paid by it for Federal old age benefits. U. S. Steel currently pays pensions to over 15,000 retired employees; the average of such pensions is $44 a month. Social security benefits are considered in calculating steel pensions and such average amount of $44 a month is in addition to whatever social security benefit the employee may receive. Every retiring employee who has continuously worked 25 years for U. S. Steel receives a Federal social security pension, or a steel pension, or both. No one receives in total an amount less than the standard established by Congress in its social security legislation. U. S. Steel's pension plan further provides for additional pensions, paid for jointly by employees and employer, on earnings not covered by social security, for all who elect to join with U. S. Steel in so providing for their old age.

Let it be clearly understood, then, that my comments on the union's pension demands are not to be construed as evidencing hostility to provisions for old age that are proper, workable, financially sound, and within the framework of accepted American principles.

If a business is to pay pensions to people who are not working, as well as wages to people who are working, then it must pay less to those working in order to find funds to pay those who are not. This is true in everyday life: The man who would spend on Sundays when he is not producing must spend less than he earns on weekdays when he is producing. Everybody cannot consume during the week all that is then produced and still do any consuming on Sunday—for there is nothing left to consume. Pensioners as non-producers cannot consume except as they share what producers turn out.

In the final analysis no significant source other than current payments for employee services performed is generally available to the nation to be tapped for wage earners' pensions. No business can force government to reduce total taxes, or can force suppliers of tools and materials to charge less. In fact, if such suppliers be also loaded with fixed pension payments to non-producing people their prices would advance, even as taxes do to cover payments to non-producers. Other than payments to wage earners, there then remain only dividends and income reinvested. But a corporation without dividends or prospects thereof will either die or never be born in the first place. As for income reinvested, that, in most cases, and certainly in ours, is as much already spent for wages, tools and materials as the cost items so labeled on the income statement. These items are, moreover, small in comparison with wages and pension demands.

Corporations continue to exist only because of the dividend and income reinvested possibilities. Eliminate those possibilities and new businesses will remain unborn, while expansion by existing concerns will be replaced by contraction. Those newly entering the nation's labor force will find difficulty in locating a job, and the number of those presently employed will diminish.

With pronounced unemployment and men looking for jobs, then either wage rates will go down to make room for the pension costs or the government will issue what amounts to printing press money to take care of the unemployed. Then prices in general will rise, cutting back the buying power of the wage dollar to accommodate in terms of real things the pension cost imposed. These are the inescapable consequences of the general assumption by employers of responsibility for paying money to people not producing. Some few concerns may be able to find room for modest pensions not deducted from wages and still escape too great competitive deterioration or insolvency.

The question then is not whether old folks need income, for no one questions that. For a couple of centuries the old folks in America have pretty well been able out of their own prior foresight, thrift, productivity and self reliance to provide for their final years of consecutive Sundays. There is no significant class of both destitute and aged in America. Nor is the question even that of who is to provide that income. It will always be the same people—only those producing can provide, through voluntary or enforced thrift, for their own or each other's non-productive periods.

The question is solely to what degree individuals and family groups are to retain their individual responsibility for and jurisdiction over their own savings, or to what extent, acknowledging incurable spendthriftness, they are to forfeit those savings and the responsibility of their management to employers, union, or government while submitting to the mass disciplines and standardized compensations that result.

If the responsibility for employees' security is transferred to employers, union or government, employees are denied jurisdiction over their own savings unless the transfer provides that pensions shall be directly financed for the most part by contributions out of wages as voluntarily elected by each participating employee. Any other plan would deny to the employee his individual freedom to use his own savings, say, to set his son up in business if he thought that a preferable use of such savings. It would do it by conscripting every employee's savings margin. If the employer seemingly assumed the whole cost, the wage rate, would relatively have to go down or else the conscription would be through cutting everybody's wage dollar by inflation. There are some very grave matters involved in the union's pension demand to which the union leaders seem oblivious.

May I point out further that if the decision or desire is to transfer the employee's savings margin and its control to the employer, the union, or the government, the transfer cannot be readily effected unless the employees of a given concern directly contribute to the cost *via* payroll deductions. The transfer *via* inflation, in order to work, must move gradually across the whole corporate front. Any one corporation or segment of industry cannot boost its prices without pricing itself out of business and its workers out of jobs as has happened in the coal industry. The steel union has, however, asked for just that.

The union leaders argue strongly that employers should take over the responsibility for retirement compensation and, seemingly, the cost thereof, and in a manner which would sacrifice every employee's jurisdiction over his own savings margin. The union leaders contend that if a business provides for the replacement of a machine, it must in fairness provide for the old age of its employees. This analogy may superficially seem plausible to some. But this likening of men to machines is not complimentary to men, and the analogy, upon inspection, proves to be without merit.

A business buys materials and uses them up in turning out its manufactured product. And then it buys some more. A business similarly buys machines and uses them up in turning out its product. And then it buys some more machines. There is no significant difference between a material and a machine, except the latter lasts a little longer. A coke oven and the coal that goes into it are both materials that are used up in production and replenished as required. There is no more sense in likening a man to a coke oven than in likening him to a lump of coal, or a freight bill. The union people have simply got themselves mixed up in accounting terminologies and conventions. Inventories of short-term goods and inventories of longer-term goods are so segregated by accountants as a matter of convenience. But both are purchased, both are used up, both are replenished. If accountants wanted to they could tag the using up of coal as the "wear and exhaustion of a pile of coal," just as they now have a tag "wear and exhaustion of a coke oven."

U. S. Steel takes care of and replenishes its materials and machinery because it owns them, just as you and I care for our homes and clothes. Machines are not paid current wages which they can freely elect to spend or to save. U. S. Steel does not own its employees; they are free men, each entitled to the respect of the other as such. U. S. Steel "cares for"—cooperates with—its employees by paying money to them representing the full value of services rendered, as judged by the public as customers. U. S. Steel's wage policy is and has been to pay as high wages as those of other similar manufacturers, and wages which are consistent with the rules of fair play underlying our competitive system. Such wages of U. S. Steel are among the very highest in American industry; and hence steel workers are privileged beyond most people with opportunity to provide for their own Sunday periods if they so choose.

Cost of Pensions

I have reviewed the matter of responsibility for pensions. Now let us turn to the cost of pensions. At the outset I wish to say that from my observation most people do not realize how much it costs to provide pensions.

The union wants a pension of $125 a month upon retirement at or after age 65 for all its members, regardless of the respective ages of those employees at the time the pension plan is made effective, and regardless of length of service before retirement. It wants this in addition to old age benefits provided under present or future Federal social security acts. This may well be, of course, only the beginning of additional pension "wants."

Let me cite some examples of what pensions cost.

Take John Smith. He is 40 years old the day the plan becomes effective on which day he also starts to work for U. S. Steel. If he goes to an insurance company as an individual, he will be told that in order to get the $125 pension at the age 65 he must pay an annual premium of $597.25 in each of the following 25 years.[4] These amounts, with interest, would build up to $19,870 by the time John Smith is 65 years old. This sum would provide for and be drawn upon to pay his pension.

Take Bill Jones. He is 65 and retires from U. S. Steel the day after the plan becomes effective. The insurance company would tell him that in order for him to have the $125 pension he would have to put up the whole $19,870.[5]

The point is that to have money to spend in a non-productive period someone must first have accumulated the money. This makes the starting of a pension system a quite different financial matter from that of keeping it going after it has been operating on a sound basis for a long time. If a pension plan had been in effect a long time, amounts for all the employees, like the $597 for John Smith, would have been paid annually into a fund beginning on the day each employee first entered the service. Such annual amounts, continued into the future, constitute what is customarily called *future service cost*. This cost is recognized by the union; and for all our employees as a group it amounts to $42.5 million per year, according to a skilled public actuary who does work for unions, industry and government.

But when a plan like that proposed by the union is first started there has been no accumulation for the Bill Joneses who immediately or soon will become entitled to pensions, or for others who have been in the service for varying periods of years but have not reached retirement age. The money isn't there. The aggregate amount, with interest, that would have been paid in, if the plan had been operating, but which hasn't been paid in at the time it is started, is customarily called *past service cost*.

The past service cost for U. S. Steel, according to the actuary, amounts to one billion dollars. This large amount is approximately equal to the present market value of all the outstanding stock of U. S. Steel, both preferred and common.

The union recognizes the past service cost but holds there is no need to put up the one billion dollars. Instead it would have the sums collected in behalf of employees in service used directly to pay pensions for those retiring, rather than accumulated to protect the pensions of those currently employed when they retire. But the future service amounts currently collected would be inadequate because those amounts are calculated on the assumption of actuarial soundness, which, in turn, relies partly on the interest earned on accumulated funds to defray the payment of pensions. To meet the current deficiency the union would increase the $42.5 million annual payment for future service cost by a $25 million amount equal to the interest which the one billion dollars would have earned had it been accumulated. This additional annual payment would merely serve to keep the one billion dollar past service cost from growing; it would not pay off or even reduce the liability.

To put it bluntly, that which the union leaders propose is that this year's crop of pensioners get theirs in cash, while yesterday's get nothing and tomorrow's receive an unsecured promise.

Out of its own experience, U. S. Steel has learned that no pension plan should be undertaken unless it can be financed on an actuarially sound basis, and is a plan to which the employee contributes substantially. Indeed, no one should have greater interest in or insistence upon actuarial soundness of a pension plan than the employee who looks to it for old age benefits; and no one unwilling to contribute towards his own old age requirements has a moral right to demand that others make that provision for him. It was because of its experience that U. S. Steel revised its pension plan following Federal social security legislation and coordinated it with the provisions of such legislation. For U. S. Steel to adopt the union's pension plan, which is not in accord with well-tested practice developed from the long experience of insurance companies in the pension field, would be basically unsound and unsafe for employees retired under such plan. We cannot urge this too strongly. Is it fair to ask U. S. Steel to fly in the face of both its own experience and that of insurance companies? Would this be protection of employees? Or would this be deception of employees?

It is a sad misfortune when pension plans have to be abandoned because of lack of funds, or when expected pension benefits can only be partly made good. The union's plan definitely runs that risk. At such a time whom would the workers blame—the union leaders or the company?

How can pension promises be surely kept? There is only one way. It is to provide such annual amounts as will provide upon retirement a fund sufficient to afford the expected pension. It is certainly not to pretend that there is a billion dollar pension fund when there isn't one.

Under the union's pension concept its leaders blow hot and cold. They are hot on the notion that the past service of present employees creates an obligation, but they are cold to the possibility that such obligation might have to be paid. In their presentation before this Board they have very loudly claimed that industry conceals profits; but in the same presentation they have very quietly proposed that industry create and then conceal huge liabilities.

Any company that undertakes a pension plan such as proposed cannot fail to recognize in its balance sheet the contractual liability for past service cost. Is it different from any other liability that is incurred in one period and paid in some succeeding period, as for example wages paid in January for work performed in the previous December? In the case of a sale of a business as a going concern is it conceivable that a purchaser would not consider all of its liabilities in determining the value of his purchase?

If the union's proposed pension plan is made effective, on that day U. S. Steel's liability for past service cost is one billion dollars. If the same union plan is extended to all corporations other than banks and insurance companies, the liability of such corporate industry is more than its entire working capital of $65 billion.[6] Consider the enormity of this impact. For the less financially strong companies it spells insolvency immediately, with attendant bankruptcy as the money markets close to them. For the more financially strong, those which may weather the storm, it means a material weakening of their ability to maintain their productive tools and the jobs of operating them.

But that is not the end of the story of liability. Because of inflation the pension of $125 per month now proposed has only the buying power of about 75 prewar dollars. Who knows when it will take $200 or more to equal 75 prewar dollars with a further added liability for past service cost? Who will pay for that? Balance sheets of the future even though they give recognition to the then known liability, still will be under a cloud if retroactively created past service costs for pensions are to be bargainable.

Should a past service liability amounting to one billion dollars be imposed, sound financial policy would demand, as would security of the pensions themselves, that the liability be met by creating an equivalent fund. The best any company could do would be to set aside an amount annually which would ultimately be sufficient for this purpose. The actuary advises us that if U. S. Steel annually sets aside in respect of past service the same amount as the $42.5 million required on ac-

4 ***Travelers Insurance Company***—The non-participating annual premium for an annuity of $125.00 a month commencing at age 65 which was purchased at age 40.

5 ***Travelers Insurance Company***—The non-participating rate for an annuity of $125.00 a month commencing at age 65 and purchased at age 65.

6 ***Securities and Exchange Commission*** **—Statistical Series, Release No. 876—Working Capital of U. S. Corporations (exclusive of banks and insurance companies) March 31, 1949. Page 2. Net Working Capital at March 31, 1949 reported as $65.8 billion.**

(Continued on page 24)

Steel Workers' Demands—Power Fight Between Rival Union Leaders

(Continued from page 23)

count of future service it would take U. S. Steel about 35 years to catch up with the liability for past service cost.

The union's pension plan to be financially sound—and an unsound plan is intolerable—would cost U. S. Steel $85 million each year for the next 35 years. This is a total of three billion dollars with a subsequently continuing annual cost of $42.5 million, supposing that everything else relevant to the matter was the same 35 years hence as it is now. These are staggering amounts. Moreover—and this is important because it is too often obscure to too many people—there is a multiplying effect on costs, as I will explain in detail later, that approximately doubles even that cost.

What does this mean? The union is asking U. S. Steel retroactively to squeeze out of future receipts from customers—the public—past pension costs originating when each of our present employees began work one, five, ten, twenty-five, and in some cases, forty or more years ago.

In America a bargain is a bargain. It is unfair to make a bargain for the exchange of one's goods or services and then much later come along and demand that more be paid for those past goods and services. It is unfair to ask the public now to pay more for things it had fully paid for when they were purchased years ago—goods and services perhaps long since used up or discarded. This proposed retroactive bill for pensions must mean a higher price for everything everyone buys in the future.

The effect of the union's demand is this: You did not pay enough for the bicycle you bought in 1911; or for your first automobile in 1920; or for the radio purchased in 1928; or for the baby carriage you bought in 1935; or for the television set you have just bought. The prices you paid for those things should have included an amount to take care of the cost of higher pensions for union members. Not having been so included, this retroactive cost will have to be tacked on to the price of everything you buy in the future. If the union is successful in its pension demand, the prices of all the bicycles, automobiles, radios, baby carriages, television sets—as well as refrigerators, stoves, heaters, and the thousands of other things you buy in the future—will include an amount to cover such past service liability.

If you were a doughboy in World War I or a GI in World War II you will be among those asked in the future to pay an added cost for the ships, shells, tanks and planes used up in the fighting.

That is what the union leaders ask. But how would it work out if tried? It would *boomerang* into a substantial conscription of workers' real savings as I have already explained.

As I suggested at the outset the union demand contemplates many things, moral, economic, and political, to which the union leaders appear oblivious. Yet these are matters charged not only with high public interest but also with vital significance to the whole lifeplan, individual freedom and security of employees.

As I see it the first grave policy matter to be resolved in the national interest is to determine where the responsibility for old age income should rest. Should it primarily rest with individual and family groups as it has historically in America; or should it be taken away from them in the hope that a generalized leaning upon each other will give better results?

"Needs"

Let me now turn to the general arguments which the union has advanced in support of its several demands for more in the form of wage rate increase, health and insurance benefits and pensions.

The arguments are, for the most part, the rather well-worn arguments. First, there is the assertion that the members of the union need an increase. In the distorted sense that the union leaders use the word "need," this is undoubtedly true because the union has taken the official position that workers "needs remain virtually limitless."[7] In short, no wage increase or enlargement of pensions or other benefits, however great, could in the union leaders' eyes dissipate the force of the argument for still more and more. For that which the union leaders describe as "need" most people would use the word "want" or "desire," which describes an understandably human attitude and is all square with the theory of indefinite extensibility of human wants.

We in U. S. Steel cannot subscribe to the notion that people should be paid in accordance with their needs or wants or desires instead of in terms of the relative worth of their services to each other, as measured by what they and all other consumers are competitively willing to pay for such services, either directly or indirectly, through purchase of the goods produced. If a man's pay is to be pinned to his need or want rather than to his skill and effort, why should he ever become skilled or experienced? Or, carrying it a little farther, why should he exert himself at all? If this is to be the criterion, there is no doubt as to what will happen to our country. In this particular case it has been established that steelworkers are among the highest paid of all industrial workers. Adherence to the doctrine of needs or wants would dictate that steelworkers now paid more than others should have their pay leveled down so that those now paid less than others might have their pay leveled up.

The American productive power was not built on the welfare state notion that what a person wants to buy, or feels he must buy, or someone else thinks he ought to have, is a proper measure of the worth of the services he seeks to sell. It was built instead on the principle that anyone and everyone is freely entitled to seek out the highest voluntary bidder in all the land for his services, his products, or the use of his savings, but that no one is entitled to coerce another or steal the fruits of his efforts. Through that protection each man's wants were converted into his own productive incentive; everyone has been cooperatively encouraged to build and produce for himself; that way the American power arose. Times change, but truth remains.

So much then for the argument of "need." Aside from that argument, the union has three standard or stock arguments from which it picks for emphasis to suit any given occasion. This was recently admitted in a moment of frankess in a televised program by the union's consultant on economics.[8]

Cost of Living

One of those arguments is the cost of living. Whenever consumer prices advance, such advance is proffered as reason for higher pay to shelter those union members who are working from participation in any hardship or sacrifice which the rest of the country may experience as a result of rising living costs. The union does not emphasize that argument this time. Changes in the cost of living since the last wage determination have advantaged rather than disadvantaged the steelworkers.

Productivity

Another stock argument of union leaders is productivity. Whenever it can be shown that fewer manhours have been used per unit of output, regardless of whether this is due to increase of volume or improved tools, the gain is claimed as labor's increased performance for which higher pay is demanded. The simple facts are, as everybody knows, that virtually all the true gain in output per manhour is attributable over the years not to greater employee performance but to provision by the owners out of their savings of ever more powerful, productive and efficient tools, and to the organization of production and distribution by the managers hired by the owners. The effort and burden on the employees has been decreased, not increased. The man hired to run a truck moves more dirt per hour than he hired to run a wheelbarrow—but it is the truck which moves more dirt while it is the man who works less hard.

Nevertheless, workers and their families are the principal beneficiaries. It works out like this: When someone finds a better way to produce things and spends his savings to buy the machinery required to do it that someone has as a compensation for his initiative and for the use of his savings the presence or prospect of profit. That, in turn, provokes others similarly to spend their savings for tools which increases the output of the given product. The resulting competition brings its price down for the benefit of everybody. Labor is especially benefited because the process involves not only the jobs of building the new plants, machinery and equipment, but it also creates the new continuing jobs of operating such new machinery and equipment. Indeed, it is by this means, and by this means alone, that a new self-sustaining productive job can come into existence: By the productive investment of savings in the hope of profit, the tools of production are provided so that men may go to work and produce the marketable values which will cover their continuing wage.

May I point out, however, that this whole process of expanding production, of providing new jobs, of increasing productivity, of lowering prices, and indeed of progress itself, all hangs on the slender thread of prospective profit to the thrifty person who invests his savings in tools of production. Without such thread, why should anyone ever invest or spend his money for more efficient tools? If organized labor should ever succeed in directly conscripting for itself the whole fruits of innovation and thus sever that slender thread, on that day progress in America will stop.

Ability to Pay—Profits

The third stock argument that union leaders take off the shelf for justification of further demand is the presence or prospect of the employer's profit. This is the argument upon which they are bearing down heavily in this instance. Whenever profit can be made to appear large by misrepresentation, insinuation or clever statistical comparisons, the alleged presence of such profit is advanced as the occasion for an increase in wages or benefits regardless of whether the demanded increase has been or will be earned by the employees. The appeal is emotional rather than reasonable. Because the so-called argument, when stripped to the bone, is revealed as envy and greed, the union has confessed, perhaps necessarily, that profit alone is not a sufficient reason for increasing wages.[9]

Something more than the presence of profit must be advanced as a reason for wage increase lest the demand be exposed as a barefaced application of the he's-got-it-let's-grab-it notion. This is readily understandable, because the basic absurdity and immorality of the ability-to-pay argument is apparent when applied to the simple interchanges between people in their daily lives, where the principles involved can stand out unobscured by the panoply and propaganda of bargaining conferences. What would one think, for example, of the baker who required the buyer of a loaf of bread to open his wallet and also reveal his bank account and who then boosted the price of his loaf as against the previous buyer whose wallet and account indicated lesser ability to pay?

A Profit "Squeeze"

Accordingly, the union leaders have on this occasion devoted their greatest effort to converting the presence of profit into a plausible argument for higher pay and benefits. I suppose they thought they could not gain public approval for their demands, in view of the price inflation that has in recent years regularly resulted from previous rounds of wage inflation, if they exhibited indifference to the probability of an increase in steel prices following an increase in steel wages. They have, accordingly, first assumed to dictate that wage increases must not be matched by price increases but must, instead, come out of profits and so-called liquid reserves. The union demand is thus presented to the public as a squeeze on profits rather than a squeeze on the public. I would guess that in this connection the union leaders have the idea that anyone guilty of receiving a dividend cannot be regarded as part of the public. As for profits over and above dividends, they are mostly spent to pay wages.

Exaggeration of Profits

A second phase of rationalizing the proposed squeeze on profits is, I suppose, habitual and routine with the union leaders in such instances. It is to try to arouse suspicion and enmity in the rank and file towards employers by widely spreading the insinuation that profits are greater than they are reported to be by the companies. This same tactic was employed by the union leaders before the Steel Panel of the War Labor Board in 1944. After investigation, the Panel found as follows. I quote:

"The Union's characterization of the reserves and allowances for depletion, depreciation and amortization and for additional war costs and contingencies as 'concealed profits' is unwarranted. Such allowances and reserves are regarded as sound and necessary by industry, and appear to be in accordance with good accounting practice."

Increasing "Purchasing Power"

The third aspect of the union leaders' effort to persuade people that it is desirable to raid profits for wage increases is really fancy. It is an effort to play up and exploit for these leaders' own purposes a public fear of imminent business recession. The otherwise threatened unemployment will, however, be averted, they promise, if they can only get a good fourth round of wage increases really rolling. The reasoning of a public already fooled by three previous rounds cannot be trusted, it seems, and so the public must this time be frightened into endorsing the union leaders' demands.

I say this is quite fancy, because it flies in the face of common sense. What reason under the sun is there to suppose that if present employers are unwilling or unable to hire people at, say $1.70 an hour, they will nevertheless hire more people if the cost is boosted to, say $2.00, while simultaneously the profit from hiring them is reduced or turned into a loss? The union turns its own reasoning upside down with rapidity when talking about other things. It argues, for example, more goods will be bought if prices are reduced; and, indeed, everybody knows that more can be purchased if the price is less, although the amounts by which volume is actually affected by price changes widely vary among items according to their nature.

This is not to say that the worker is a commodity. We are all workers; and we are all free men. So far as I know there is no person or force in America that is trying to turn the worker into a commodity except the leaders of organized labor, who, while pretending the opposite, seem nevertheless determined to limit and standardize the worker's output for their convenience in mass selling of it by the head or the hour across the board. Simultaneously they would enforce such regimentation of workers by compelling job tenure and promotion to be based upon such things as dues paying and seniority instead of upon individual ability and effort. But though the worker is not a commodity, the service he renders cannot escape economic law. If its price is boosted while demand for it is diminishing, the only result acceptable to common sense is that still less of it will be purchased. The services of workers as well as commodities can readily be priced out of their markets.

Perhaps because of this conflict of their contention with common sense, the union leaders have come up with the even fancier notion that increasing wages will increase something they call "purchasing power." This notion indeed, seems to be the heart of the union's bid for public approval in resorting to strike threat enforcement of a big inflationary fourth round of increased wages and benefits. I am not quite sure just what the so-called "purchasing power theory" behind the union's contention is. I have never been able to get anyone to define it precisely and in detail as something sensible. It may be that these are but appealing words to cloak a give-me-the-other-fellow's-money-to-spend idea. But there are certain plain business facts of which I am very sure indeed, because I can find them proven daily in the accounts of my company. One of those facts is that increasing at this time the wage rates or other employment costs of U. S. Steel would not and could not increase the community's net power to buy goods by one iota; instead, it would, in due course, diminish the community's power to buy goods.

I do not wish to be too harsh, but let me repeat: The idea that raising steel wages will increase the country's over-all power to buy goods is the purest balderdash.

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7 *Official text of the CIO's Full Employment Committee—Section III.* Production and the Failure of Purchasing Power. "Any real familiarity with the American workers and farmers and their needs. . . . Their needs remain virtually limitless, but their wherewithal to fill these needs has been whittled away by the grinding inflation."

8 *Statement by Robert R. Nathan, July 17, 1949,* on the program "American Television Forum of the Air" over WNBW-TV—Washington, D. C.

9 *Wages—Prices—Profits in the Steel Industry*—page 3. "The Union does not pretend that ability-to-pay as measured from company financial statements is, of and by itself, the one ground on which a wage demand should be settled."

With G. H. Walker & Co.

(Special to The Financial Chronicle)

HARTFORD, CONN.—Edward P. Piatek is with G. H. Walker & Co., 50 State Street.

The President's Attack on Collective Bargaining

(Continued from page 8)

either party, is nevertheless bound to have a profound influence upon each of these companies and many others. I believe the steel companies have done a disservice to industry and to the people of this country in agreeing to appear before this panel, even though such agreement resulted from unprecedented pressure exerted both by the union here involved and by the national Administration.

I think it is time that we drew the issue clearly. Either we are going to have collective bargaining and a private competitive enterprise system or we are going to have industry-wide bargaining, compulsory arbitration (through fact finding boards or otherwise) and statism. The action which this panel takes will, to a very large extent, determine the road the country will take at this critical juncture.

As I mentioned above, the NAM sent all of its members a statement concerning this dispute. That statement required no reply. Nevertheless hundreds of letters and telegrams have already been received, all strongly endorsing our position. As one member company, a New England manufacturer, puts it:

"I think industry-wide bargaining is one of the shortest routes to overall government direction and control, and I feel that those companies that indulge in it are pursuing a dangerous course of expediency."

A Long Island chemical manufacturer writes:

". . . we realize that if the pattern is once taken it will cover the entire country . . . while we are only a small manufacturer, we do appreciate the efforts being made by industry as a whole, of which you are thoroughly representative."

A small midwestern manufacturer telegraphed:

"This is not the steel industry alone but the crossroads of the American way of free enterprise. We don't want to drift further into the socialized mess that has bogged down Australia, New Zealand and Great Britain."

I need not further emphasize the importance of this proceeding, and the effect of the panel's action.

Arbitration Undermines Collective Bargaining

Like industry-wide bargaining, arbitration of the terms of a new agreement undermines collective bargaining because it takes the final decision away from the parties who should be responsible for it and puts it in the hands of a third party who has no responsibility for living with the decision it makes.

Where terms are imposed upon management and workers by such third party, neither management nor workers have the same degree of responsibility for making the formula work. Accordingly, the terms imposed by a third party lack the element of voluntary agreement which is the very essence of collective bargaining.

It may well be said that the proceeding before this panel, however, is not arbitration. It is merely fact finding and the recommendations of this panel are not binding upon either party.

Let us be perfectly frank. The entire country awaits the action to be taken by this panel. All of the parties involved know that your recommendation is bound to have a profound influence on public opinion. Furthermore, if your recommendation favors granting some or all of the union's demands, the national union and Administration can be relied upon to exercise their extensive influence to the full to insist that that recommendation be accepted. Therefore, these proceedings are very much akin to compulsory arbitration—a procedure which was used extensively during the war by the National War Labor Board and which has so hampered and harmed free collective bargaining that we have not yet recovered from the effects.

Wide Implications

Nor would the action in this case be limited to the steel industry. If other unions are given hope that by refusing to negotiate in good faith they can arrange to have part or all of their demands granted to them by a Presidentially appointed board, we shall see not only steel, but automobiles, coal, electrical, petroleum and other industries have their working relations also determined by some such board as this. I am confident that the members of this panel do not want to have all matters of working relations determined by panels rather than have them determined through genuine collective bargaining.

I have full confidence in the integrity and good faith of the members of this panel. Nevertheless it is not an accident that a panel has been set up to hear this case. There is good evidence indicating that it was planned that way.

This panel has before it some 63 companies. The conditions and status of negotiations among these companies varies all the way from substantial negotiations to negotiations which have hardly been begun. Is it not strange that all of these companies have now reached the point where their negotiations are before you for finding and recommendation?

A review of the negotiations seems to show that they were conducted from the beginning not with the aim of reaching an agreement but with the aim of seeking an imposed settlement which the union knows it could not win from a majority of the employers by genuine collective bargaining.

The President's Intervention in 1946

The union involved in this case is exactly the same union which in 1946 called a paralyzing strike in the steel industry affecting every company with which it had collective bargaining relations regardless of the status of its negotiations with each company. In this way production was stopped simultaneously in some eleven or twelve hundred companies. In some cases negotiations had been going forward satisfactorily at the time the strike was called. In other cases the local union had not even presented any demands to the management when it went out on strike in accordance with instructions from the national union officers.

In that case too, the President of the United States intervened, made a personal recommendation and appointed a fact-finding board.

The result was an 18½c wage increase which became the pattern throughout the country and was a major factor in the inflationary spiral that followed. The union proceeded on the theory that it is much easier to get a friendly Administration to impose a solution in this fashion than it is to go through the arduous process of true collective bargaining.

Today, three years later, the same union pursues the same tactics. It threatened a nation-wide strike although its negotiations had not reached an impasse in all cases. Mr. Randall graphically described the situation as it applied to Inland Steel. He pointed out that the wage demand presented to this panel had never been made by the union to his company. The process of collective bargaining had not been followed at all and there is serious question whether true collective bargaining had been undertaken in any case.

Union Tactics

The union apparently decided upon this procedure because it felt certain that with a declining market and in a period of falling prices, it could not extract a wage increase through collective bargaining. It remembered a previous experience which led it to believe that if it could bring about Presidential intervention, by a Presidentially appointed board or otherwise, it might obtain a compromise recommendation which would give the union, if not what it asked, at least as much as it expected to get and in any event, more than it could gain by negotiating directly with the companies. That had been its previous experience. And if it works in the steel industry, it can be expected to be applied in all other industries.

As evidence that it had been planned that way, let me quote from an article in the New York "Times" for June 14, 1949, a full month before this panel was appointed. I read from a Washington dispatch dated June 13:

"Both the union and the steel employers have made preliminary soundings in government circles. The result is that government officers believe a stalemate in the union-company contract talks is inevitable and that the union will threaten a strike. President Truman will name a fact finding board.

"Mr. Murray then is expected to express satisfaction with this course and to lift the strike threat as an earnest of his sincerity until the board makes its report. That will obviate the need of an injunction."

The setting up of this panel was predicted more than a month in advance, and the negotiations were conducted in accordance with schedule. One would have to look far to find a comparable case of brazen undermining of real collective bargaining.

In place of bargaining, the union has indulged in grand strategy to bring this case before a board in the hope that it can get a recommendation which it and its friends in the national Administration would then pressure the companies to accept. As the same New York "Times" article (dated June 14) states:

"If Mr. Murray regards the board's report as upholding his viewpoint and the steel companies refuse to budge, the strike threat will be brought out of the background."

I am confident that the members of this board will not lend themselves to being used as tools to effectuate such strategy. Such strategy, if successful, will replace collective bargaining with coercive bargaining. That kind of solution to labor disputes can only result in eventual government control and worse.

If, as the union hopes, the result of referring this case to a board will be some compromise recommendation which will raise the cost of labor, then the products of the industry will necessarily be priced out of the market, there will be a reduced effective demand for the products of the industry and unemployment will increase. Raising the labor costs at this juncture can and may grease the skids for a depression.

Administration Pressure

The companies initially opposed the submission of this negotiation to a fact finding board. They finally consented reluctantly in view of the pressure exerted by the Administration. It is my considered opinion that these companies, some of which are members of the NAM, were wrong in consenting to this hearing because they have thereby dealt a serious blow to collective bargaining and because they will have contributed to any increase in wages and prices which may result. Management's responsibility in this case required resistance to pressure, even if that pressure came from the White House itself.

If this board makes a recommendation on the issues in dispute it will have contributed to imposing nation-wide bargaining and something akin to compulsory arbitration upon the most basic industry of our industrial economy. If this panel's recommendation results in increasing the labor cost in the steel industry, it may well convert the current uncertainty in industrial activity into a serious depression.

However, I am not here to argue the merits of the dispute. I have come here solely for the purpose of pointing out the damage which may result to the economy and to the institution of collective bargaining by any recommendation as to the issues before this board.

The known integrity of the members of this board gives me confidence that this board will rise above politics, above compromise and above such pressures as may be exerted upon you. The only sound course is to remand the case back to the parties for genuine collective bargaining. Should this panel decide to take this road, it will go down in history as a group of men whose sense of social responsibility not only prevented the danger of a serious depression but who likewise saved the institution of collective bargaining from the attacks of those who have the most to gain by it.

I repeat, gentlemen, that the issue before you is the preservation of a free competitive enterprise system characterized by individual freedom and collective bargaining, or another long step toward state control, which can provide neither individual freedom nor genuine collective bargaining.

Sees High Taxes Menacing National Solvency

First National Bank of Boston, in current "New England Letter," warns that if this country gets into same position as Britain, no outside aid would be forthcoming.

"In the race toward bankruptcy we are rapidly catching up with Great Britain whose taxes now absorb around 40% of her national income," says The First National Bank of Boston in its current "New England Letter." Continuing, the bank says, "Great Britain now faces an acute crisis despite the substantial aid that has been provided by the United States since the close of the war. In the event our country should find itself in a similar position, there would be no outside aid forthcoming. Should the United States go beyond the danger point, then this country would go down and drag the rest of the free world with it. We would then likely have 'one world'—dominated by the communists.

"But those who are concerned with the preservation of Federal fiscal integrity and want to deflate the bloated budget are branded as 'anti-social,' 'economic illiterates,' and 'ruthless men.' Arraigned against them is a powerful lobby of Federal employees who are mustering their strength to launch a huge spending program and to block the economies recommended by the Hoover Commission. This group is unwittingly joining forces with the communists whose basic strategy is to force this country to spend itself into bankruptcy and thus be softened for easy conquest. The bald facts are that the battle against communism will likely be won or lost on the financial front.

"The stakes are high and the hour late. Unless there is a fundamental change in our financial policies and national philosophy, we are headed for a crisis in a comparatively short period of time. After a thorough study of our financial situation, Senator Byrd warns: '. . . I am convinced that in the coming year we shall extend our fiscal and economic stability to extremes where it may be unable to withstand additional pressures which are unavoidable in fiscal year 1951. When our fiscal and economic stability weakens there is certain to be a demoralizing domestic crisis which probably would be disastrous to our private enterprise system and, therefore, to our form of government.'

"Despite our perilous position, never in the history of this or any other country have there been so many promises made for providing 'benefits for the people' of this country as well as for rehabilitation of the backward sections of the world. The ultimate costs of these projects stagger the imagination as they run beyond the trillion dollar range—an amount that might well exceed twice the estimated wealth that has been accumulating since the Pilgrim Fathers landed here more than 300 years ago. In the meantime, we are told that in spite of a bloated national income, more than three times as high as a decade ago, the country cannot pay its way but must resort to heavy deficits and thus add to the burden of the more than $250 billion debt under which we are staggering. It is a sad commentary on a country with such a record for outstanding contribution to material welfare that our officials can come forward with Federal spending as the only panacea for our domestic economic ills and for world salvation.

"The President has strongly advocated deficit financing as a means of correcting our economic ills at this time. But the facts are that money spent by the government is much less productive than that spent by individuals and business according to their discretion. This has been demonstrated by the Tool Owners Union, which recently made a study of the fluctuations in employment in this country for the period 1929 to 1948, and found that the private investment dollar is 14 times more effective in creating jobs than the public spending dollar.

"Instead of being a remedy, deficit financing will aggravate our basic problems, undermine our security, and, unless checked, invite disaster. The government is taking an increasing proportion of our national income. In 1929, Federal, state, and local government took less than 13% of income. In 1939 it was over 21% and in 1948 nearly 27%, while for the fiscal year 1950 it will likely be still higher.

"There are signs that the people are at last being aroused. A nation-wide, non-partisan taxpayers' association is being formed to demand action on the Hoover Commission's recommendations for elimination of waste in the Federal Government. Everyone concerned about our fiscal affairs should join in this campaign. To be victorious this group must be prepared to match the zeal and determination of the spenders. It is a crucial battle for American solvency upon which may hang the destiny of this country and Western civilization."

The Outlook for Railroads

(Continued from first page)

Railroads reach every part of the country and handle every article of commerce every day in the year. Considering all costs, railroads furnish the cheapest form of transportation. Their service is dependable. By interchange among themselves they constitute an integrated and coordinated system of transportation which has no parallel elsewhere. They represent a net investment after depreciation of some $23½ billion, supplied by private investors. They employ more than a million well-paid workers. Their purchases in 1948 amounted to approximately $3 billion. Their tax accruals for 1948 exceeded $10 billion. Truly we must have railroads in and for America, and the outlook for them—for their solvency and strength—is of paramount importance to the American people.

At the outset we must recognize that railroad prospects depend first of all upon the general economic situation of the country. Although that is true of all lines of business, it applies particularly to railroads because their sole function is to transport goods and people, and the volume of traffic is, therefore, directly tied to the volume of production and consumption. It is not for us here to consider the many and serious problems that are involved in the maintenance and expansion of production and consumption in America. We must assume for the purpose of this discussion that these problems can and will be solved by the genius of the American people. With that assumption, what we here want to find out is how the railroads can be expected to fare in the future.

Railroad Debt Reductions

I am sure you all are aware of the very great reductions which the railroads have made in their debt and fixed charges from the peak in the thirties. Let us look at the figures. Funded debt unmatured of Class I railroads reached a peak of $10,769 million in 1932 and from that peak was reduced to $6,850 million at the beginning of 1949, a reduction of approximately $4 billion or more than 36%, in that period of 17 years. Much more of that reduction was paid off by solvent railroads than was written off in reorganization. In fact, approximately two-thirds of the entire reduction that has been made in funded debt since 1932 has been made voluntarily, while only about one-third has been due to reductions in funded debt of companies undergoing reorganization.

Annual charges also have been substantially reduced since 1932. Total charges amounted to $654 million in 1932 and $425 million in 1948, a reduction of $229 million or 35%. Decreases have been brought about both in interest payments and in rentals. Of the total reduction, interest payments on funded debt, resulting both from the reduction in the total of funded debt and refinancing at lower interest rates, accounted for $204 million.

It is significant also that in this period while funded debt and annual charges were decreasing steadily, total investment in road and equipment increased some $3.5 billion. The ratio of funded debt to investment was reduced from 41% in 1932 to 23% in 1948.

It is significant that the greatest progress in debt reduction has been made in times of relatively good earnings. Of the $4 billion reduction in debt in the 17-year period 1932-48, about two-thirds was accomplished in the seven war and post-war years of relatively high, though still inadequate, earnings. The railroads want and intend to continue to reduce their debt. They will do so if their earning power can be raised and maintained at an adequate level. The ability of the railroads to maintain adequate earning power will depend in large part upon (1) their being allowed to charge compensatory rates and fares for their services; and (2) adoption of a sound national transportation policy providing equal treatment for all forms of transportation.

Capital Requirements

Adequate earnings also are necessary to meet the capital requirements of the railroads. One basis, and perhaps the best available, for estimating the capital requirements of the railroads for the future is the record of such expenditures in the past. Since the return of the railroads to their owners in 1920 after government operation during World War I, an average of more than $500 million each year has been spent on improvements and additions. Cost of the current improvement program, which was begun during World War II, amounted to $1,273 million in 1948 and is expected to reach a record of $1,342 million in 1949. Such expenditures should be continued at a high level for years to come.

Most economies come from added investment. The current trend from steam to diesel locomotives and the continued replacement of passenger equipment with modern light-weight equipment will require large outlays of new capital. More than 1,000 diesel locomotives were on order on June 1 this year compared with only 30 steam locomotives. New passenger cars on order totaled 1,780 as of that date. The 40-hour week also will increase expenditures for labor-saving machines to reduce labor costs.

Even if the present improvement program were to be discontinued, expenditures necessary to keep railroad equipment ownership at no more than present levels would run considerably higher than before the war due to increased cost of materials. Freight cars, for example, have doubled in cost since before the war and are now being replaced at the rate of approximately 75 thousand per year. With nearly one and three-quarter million freight cars averaging approximately 20 years of age, it is obvious that freight car replacements must continue at a high rate for many years. Funds for financing equipment purchases should come in substantial measure from earnings, but whether they come from earnings or are borrowed from investors to be repaid out of income, an adequate level of railroad earnings, at no less than 6% on net investment, is the only means of assuring a railway plant capable of meeting the needs of the future.

Deficient Postwar Earnings

The postwar earnings of the railroads have not measured up to this 6 per cent mark. In 1947 net operating income was $780 million for a return on net investment of 3.41 per cent. In 1948 it was roundly $1 billion for a return on net investment of 4.24 per cent. The best estimate that can be made at this time, taking into account the increased cost of the 40-hour week due September 1, is that 1949 net operating income will be around $700 million, which would be a little more than 3 per cent on net investment.

With this record of less than adequate earnings in a period of peak peacetime traffic, it is pertinent to ask whether the railroads can be expected to establish their earning power at a level of 6 per cent on net investment. The answer to that question is a key to the health and security of rail transportation and has an important bearing upon the health and security of our national economy.

There is not the slightest doubt in my mind that the country can afford and should allow the railroads to make 6 per cent on net investment year in and year out. In fact, I go further than some of my associates in the industry in believing that 6 per cent should be the floor and not the average of railroad earnings. It is a modest figure compared with earnings in other essential industries. It is vitally needed to insure the ever-progressing rail transportation which the country wants and must have. The only thing that stands in the way of its realization is public indifference. We must have that degree of public acceptance which will put pressure on government to allow the railroads to charge compensatory rates and fares for their services and to give the railroads equal treatment with all other forms of transportation.

Diesel Motive Power

The diesel locomotive has come to be one of the recognized symbols of railroad progress and economy. The use of these oil-fueled mobile power units has indeed made tremendous strides in the last few years. This has naturally been due to their dependable performance and the savings effected through economies in train operation, both freight and passenger. In switching and transfer service the diesel locomotive has been well-established for years. There is no question that further savings can be developed by increased use of diesel locomotives in various classes of service.

That raises a question of fuel supply and cost. There is no indication of any shortage in diesel fuel for railroad use either in the near future or over the long run. In fact, a study which was made and published during the past year by the leading manufacturer of railroad diesel locomotives reached the conclusion that if all the work performed on American railroads were performed by diesel locomotives, the total consumption of diesel fuel would be less than 5 per cent of the total consumption of petroleum products in all fields and would actually be less than the quantity of fuel consumed by the oil-burning steam locomotives now in use. That is because diesel engines burn fuel more efficiently than oil-burning steam locomotives. The thermal efficiency of a diesel engine is approximately 35 per cent as against about 8 per cent for an oil-fired steam locomotive.

Some of you may have the idea that diesel locomotives in road service on preferred runs produce exceptionally good operating results and therefore give a somewhat exaggerated picture of savings, and there is some basis for that belief. However, the best results come from complete dieselization through the elimination of expense of operation and maintenance of such facilities as coaling stations, water stations, treating plants, enginehouses and other servicing facilities that are necessary to steam operation. The savings that are being reported by various railroads from diesel operation, where this type of locomotive has assumed a considerable percentage of the traffic moved, are quite substantial, and I do not believe these savings are exaggerated.

Along with the improvement in motive power through the use of diesel locomotives there has also been continued progress in the development and refinement of the steam locomotive. On the Illinois Central Railroad we have made over practically our entire fleet of steam locomotives, and we are producing results in the maintenance of a favorable ratio of transportation costs that compare with the best results that other railroads have produced with dieselization.

Another promising development in motive power is the oil-burning gas turbine locomotive, one of which is now actually operating on American rails. For the past several years various railroad and coal companies have been working on a gas-turbine locomotive burning pulverized coal as fuel, and this project is likewise fast reaching the decisive stage in its development.

Turning from locomotives to cars, the publicity that has been given to advances in the design of passenger cars for comfort, safety and speed of rail travel has kept the traveler well informed of the efforts of the railroads to provide the best. Improved air conditioning, restful seats, adequate illumination, easy riding, new designs of lunch and dining car cars, together with pleasing interiors and accommodations, have provided greater comfort. Improved design of trucks and brake apparatus has provided greater safety for the higher speeds at which diesel locomotives and high-speed steam locomotives operate these trains.

Rolling Stock Improvements

On the freight side the development of new shipping methods and the effort to outdo other forms of transportation have produced some load-carrying equipment that was almost unheard of 20 years ago. This type of equipment is known to the industry as specialty or one-way cars. That is, they are ordinarily used only for the commodity for which they are designed and for the most part must be handled back to the loading point empty. The early 1930's saw the beginning of this type of equipment.

First of the specialty cars were the Evans device cars, equipped with devices which made it possible for four automobiles to be loaded in a 40-foot box car. This is the railroads' method of competing with the auto highway transport which hauls a like number of cars per unit.

Within the last few years the automotive industry has set up many assembly plants throughout the country. Parts are shipped from the manufacturing centers to these assembly plants many hundreds of miles away. This has necessitated new installations of equipment in box cars to provide for loading a car of axles, wheels, engines, fenders, and other various component parts of the finished automobile. Such terms as stanchion cars and skidless racks are used to describe these various types of cars.

In 1937 the cement industry conceived the idea of shipping cement in bulk to facilitate the loading and unloading and reduce the cost of distribution. The railroads experimented with an ordinary hopper car, putting a roof on it with four hatches on top for loading. The results were so successful that in the last 10 years railroad ownership of covered hoppers has risen to 18,500 cars. In addition to cement, such commodities as soda ash, phosphate rock and even starch for human consumption are now transported in covered hoppers.

During the war very few refrigerator cars were built. Since that time the railroads and the private car lines have been building refrigerator cars to replace those worn out and retired. The new cars have improved insulation qualities. Frozen foods have become quite popular in our every-day lives, and it was necessary that the railroads devise the means of transporting them. Another improvement in refrigerator construction is the installation of fans, which are run by pulley contact with the car wheels to circulate the air and maintain a uniform temperature throughout the car. The Illinois Central in cooperation with the shippers of perishable traffic has produced an experimental refrigerator car built of aluminum with fiber glass insulation, recessed fans and ice bunkers and exact temperature control. This car is now on exhibit at the Chicago Railroad Fair.

The modern freight car of all types has been greatly improved in structural strength with trucks designed for safer operation at higher speeds with less damage to lading. Newer methods of freight car building have permitted lighter cars of adequate strength being produced, increasing the ratio of lading to empty weight of car.

Betterment of Railroad Structure

Another important subject which has received intensive treatment is the betterment of the roadbed structure. A stable roadbed is essential to the prevention of traffic interruption and train delay. Such a roadbed is one that is not subject to damage by floods and has a minimum number of soft spots, which require the use of slow orders. Substantial expenditures have been made to provide such a roadbed by improving the drainage, by the driving of piling, and by grouting. Bridges that have been constructed in recent years are not only capable of supporting heavier equipment than those of early days, but, in many instances, through truss bridges, have been replaced using girder construction, thereby providing greater clearance.

With the exception of fuel, ties constitute the largest item of expense for material. The increasing shortage of suitable tie timber has made it imperative that measures be taken to lengthen their service life. The most effective methods developed so far consist of treatment with creosote or other preservatives to prevent decay and the use of large tie plates to reduce mechanical wear. Fifty years ago the ties used in replacements on American railroads averaged about 300 per mile annually. Renewals now average about 115 per mile annually, notwithstanding that traffic is greater and speeds are higher than 50 years ago. No satisfactory substitute for wood ties has yet been found, and it appears that we will have to continue to depend on our forests for this important element of track.

Many new practices have been put into effect in the interest of safety and economy in the manufacture and use of rail. Lengthening the cooling time of rail after rolling has been effective in preventing the subsequent development of transverse fissures, one of the principal causes of rail failures. A process for hardening the ends of rail is now extensively used to prevent rail-end batter, caused by wheels passing over the joints. The practice of welding together the ends of rail, eliminating the joint bars, is being extended where conditions are favorable. Likewise, improvement has been made in the design and manufacture of joint bars, bolts, spikes, switches, frogs and other track material. Improvement and modernization of the track structure will continue to receive attention in an effort to make it safer and more economical to maintain.

Unprofitable Passenger Service

It is common knowledge that passenger service on the whole is not profitable to the railroads. The best evidence on the subject is the breakdown of net railway operating income as between freight and passenger operations which the Interstate Commerce Commission has reported in its annual "Statistics of Railways in the United States" since 1936. These reports show deficits in net railway operating income from passenger service averaging $245 million annually for the six years 1936-41. There was a plus figure averaging $208 million annually for the four years 1942-45, reflecting the concentrated troop movements and other military travel during the war years. With the disappearance of troop trains and other wartime travel, the deficits have returned and are increasing with the continued decline in total travel and the continued increase in all the costs of operation. The 1946 deficit was $140 million. The 1947 deficit was $426 million. The 1948 deficit was $560 million. These calculations must be taken with some reservations, but they are indicative of a very grave situation.

The subject is one which cannot be viewed with any complacency in my way of thinking. I do not subscribe to the theory that the railroads are warranted in incurring such distressing deficits to advertise their freight service. Passenger fares are too low, but I have no idea that they can be increased very materially without curtailing the volume of traffic. Travel can be attracted by improved service and better promotion, but that too is only a partial solution. I see no way out except to bandon all unprofitable passenger operation and concentrate on those operations which can be made to show a profit. The passenger service must be made to stand on its own feet and pay its own way.

The local passenger train on both branch lines and main lines is a thing of the past. On the Illinois Central Railroad we no longer operate any passenger service whatever on approximately half of our road mileage, including routes which once supported three or four or more passenger trains a day in each direction. The only passenger trains on our railroad that are above suspicion are high-speed streamliners operating between large centers of population 300 miles and more apart. I believe such trains are our only hope of profit from passenger service. Unfortunately, the demand for such service is subject to extreme fluctuations, and no railroad can afford to own the necessary equipment to handle all peak loads. As a result there is an unfavorable reaction due to inadequate or inferior service at these times. Another problem to be met is the handling of mail and express traffic. Both of these want high speed, but at the same time there must be provision for local stops. The railroads are also confronted with an Interstate Commerce Commission order restricting high-speed train operation unless they spend enormous sums for additional signal protection.

All high-speed passenger trains placed in service on the Illinois Central have made money from the start and continue to do so. The City of Miami, our Florida coach streamliner, has been a consistent revenue producer ever since its introduction in 1940, not only during the winter season, but throughout the entire year. With the recent addition of sleeping cars, it promises to increase in earning power. The streamline Panama Limited between Chicago and New Orleans is one of the best-paying trains in America. Our popular dayliner, the City of New Orleans, has been an outstanding example of profitable high-speed operation and excellent service. The Chicago-St. Louis high-speed streamline trains, the Daylight and the Green Diamond, have likewise demonstrated that this type of service will bring increases in revenue. Speaking from our experience and similar experiences on other roads, high-speed passenger trains will permit railroads to make money on passenger business.

Another factor in the outlook for railroads is the greatly increased cost of labor. The average straight time rate of pay of railroad employees was 60 cents an hour in 1922. From that point it went up to $1.39 in January, 1949, and with the adoption of the 40-hour week it is estimated that it will be $1.54 in September, 1949. Using another yardstick, the average annual compensation of railway employees went up from $1,623 in 1922 to $3,590 in 1948.

The Labor Problem

Labor unions have represented railroad employees for approximately seventy-five years. The first legislation dealing with labor relations in the railroad industry was enacted in 1888, the year after the Interstate Commerce Act was passed. This law of 1888 has been amended from time to time and is now known as the Railway Labor Act. There was a long time when wages and working conditions of railroad employees were well in advance of the wages and working conditions of industrial workers generally. Then came the National Labor Relations Act (the Wagner Act) which was enacted in 1935. This legislation facilitated and accelerated labor organizations and upward wage adjustments in the industrial field. In the period from 1929 through 1932 the average hourly earnings of railroad nonoperating employees and industrial workers were on the same level at 56 cents per hour, but in July, 1948, the average hourly wage of the same railroad employee was $1.21 and the average for the same industrial employee was $1.47. Instead of setting the pace in wages, we are now having to meet the pace set by other industries.

This pressure was the basis for the demand from nonoperating railroad employees last year for a forty-hour week, changes in rules and increase in wages. The dispute resulted in the appointment of an Emergency Board by the President and a report recommending an increase of 7 cents an hour retroactive to October 1, 1948, and a forty-hour week to be effective September 1, 1949, without reduction in pay. This case is typical of how labor costs on railroads are affected by the prevailing practice in American industry. The Emergency Board said in its decision: "Forty basic work hours per week with time and a half for overtime is the prevailing practice in American industry. It has been put into force not only in those industries on which it was imposed by the Fair Labor Standards Act of 1938 but to a steadily enlarging extent in industries excluded from that act. It is constantly being accepted through collective bargaining in retail establishments and in local service industries. It is in effect in innumerable continuous production industries. Many industries which employ craftsmen included in the nonoperating railroad groups almost uniformly have the 40-hour week, and frequently the employees live and work in the same communities and are members of the same unions. This pattern is extremely impressive in itself as a sound basis for including the railroad industry within its scope. The railroads now stand out as a striking exception."

I believe future wage trends will be toward stability and uniformity, rather than diversity, but the factors affecting wages cannot be avoided or nullified, and changes in any industry cannot be confined to that industry but will invariably spread to others.

Many of the demands of the railroad labor unions are inimical to their own interests, to the railroad industry and to our free economy. Specific examples of this are the so-called full crew laws which in the Central West exist in the states of Indiana, Wisconsin, Missouri, Arkansas and Mississippi. Under these state regulations the number of men to be used in the operation of trains, locomotives and self-propelled machines of varying characteristics operated on railroad tracks is fixed by law. These laws set the number of men to be used in these operations as a safety measure irrespective of the work performed by the equipment or machines. In these instances the use of more men than are adequate for the proper movement and work accomplishment of the machine does nothing more than guarantee compensated time for unnecessary additional men in order to preserve the force that was employed before the improvements were developed. If Federal and state train limit bills which have been advanced from time to time were enacted, it would vitiate the progress and economy effected by the use of modern power.

Another recent example is the report of a Presidential Emergency Board on a dispute involving a request of the Brotherhood of Locomotive Engineers for two men on each diesel locomotive to do one man's work. The board decided after lengthy hearings there was no need for a second engineer. At this moment this same Emergency Board has before it a similar demand by the Brotherhood of Locomotive Firemen and Enginemen for a second fireman.

Conditions of this kind involving pay for nonproductive time, or time not worked, constitute a major obstacle to full production. They are not confined to the railroad industry, but exist to as great, if not greater, extent in other industries, such as printing, construction, building trades, entertainment, to mention only a few.

Freight Rate Increases

As you all doubtless know, the Interstate Commerce Commission on Aug. 11 announced its decision authorizing an increase in freight rates of approximately 9%, on the average, to supersede and replace the interim increase of 5.2% allowed effective Jan. 11, 1949. Petitions as finally amended to Oct. 12, 1948, requested 13% increase with certain exceptions. To meet the emergency caused by the increases in wages effective retroactively to Oct. 1, 1948, the railroads asked for an interim increase of 8% and were allowed only 5.2% pending a full hearing.

Since 1939 wages of railroad employees have been increased 86% not including the increases that will be caused by the 40-hour week beginning Sept. 1. Prices of materials and supplies have increased 117%. Taxes have increased 189%. To meet these enormous increases in costs, the railroads have been allowed to date increases in freight rates totaling 57%.

While many objections have been expressed to rate increases sought by the railroads, no one has come forward with a practical suggestion as to how the money necessary to meet the increased costs mentioned could be obtained other than by increasing the rates. Obviously there is no other way to obtain the money necessary to maintain the services required by the public. Indeed the public and the railroads will be most fortunate if the railroads can successfully meet the situation without further additional increases.

Increases in rates to meet the needs of the railroads for increased revenue have to be made in the form of blanket increases as a practical matter. In some cases there are certain deviations from the over-all pattern to cover specific commodities or geographical areas, but on the whole the increases are applied percentagewise or in stated amounts. After these blanket increases are made, it is then necessary to make numerous adjustments in specific rates to meet the needs of the traffic. These adjustments are going on all the time and will continue to receive the joint attention of shippers and carriers.

Some people seem to be concerned that increases in freight rates will result in loss of traffic and thereby be self-defeating. That is not a new idea. It has been raised every time general increases have been proposed by the railroads. The results are that every general increase so far made has produced for the rail lines more revenue than they would have had without it. In connection with the latest rate case, this question was considered before the petitions were filed with the Commission. It was concluded that the diversions, if any, would not be appreciably greater with the increases than without them, and that the increases in rates would result in increased revenue for the carriers. Some, if not all, of the railroad officers participating in the case so testified before the Commission. Nothing has happened since that time to cause a change in the views and opinions so expressed.

Rates and Traffic

The volume of traffic on the railroads is not as large as last year. However, this smaller volume is not due to increases in rates. As a matter of fact, the reduced volume is largely due to general economic conditions. For example, there has not been as much coal mined this year as last and the demand for it is less; cotton has not been spun, with the result that much of it has not moved to the mills; there will be a large carryover of cotton stored in warehouses in the origin territory; inventories generally in all lines have been reduced throughout the year; retail sales have generally been off; and ther have been many other conditions that have caused reductions in volume which have no connection with the level of freight rates.

In February and March, 1949, when all of the increases allowed as of Jan. 11 were in effect, the average revenue per ton on the traffic handled by the railroads was 10.5% over the same period last year and per ton mile was 10.1%. On either basis it is safe to say that the revenue of the rail lines on the smaller volume of traffic is about 10% greater than it was last year. This would indicate that while the railroads are handling a smaller volume of traffic, they are receiving more money for what they handle than they would have received without the increase. To repeat, there has been nothing happen so far to cause me to feel that the increases that have just been authorized will result in any appreciable loss of traffic or will be self-defeating.

Federal Spending on Waterways

Federal spending on inland waterways is another factor in the outlook for railroads. On the Mississippi, Missouri, Ohio and Illinois rivers, and similar streams in other parts of the country, the Federal government since 1921 has spent $1,249 million to make them suitable for today's commerce.

Some 30 years ago the government also went into an experiment on the Mississippi River and certain tributaries to demonstrate the possibilities of river transportation. There was invested $24 million in the Federal Barge Line. It has not made any money during all this period. Notwithstanding this, Congress is now being asked to appropriate $18 million more to the Federal Barge Line so that it may continue in experiments which so far have proven unprofitable.

One of the principal reasons advanced for these large expenditures is that such inland waterways are necessary in time of war. This notion was completely exploded in World War II. The percentage of intercity traffic including government traffic handled on interior rivers and canals went down from 3.7% in 1940 constantly every year until 1943, which was at the height of the war, when it was only 2.6% of the nation's commerce. In 1944 and 1945 it was only 3%. In 1948 it was 4.4%. The railroads, on the other hand, handled 62.3% of the total in 1940, and the upward trend on rails continued until 1943, when it reached a height of 72.7% of the total. In 1948 as conditions have become more stabilized and normal the railroads handled 64.3%.

Waterway Competition

Competition of the railroads with water craft on these inland waterways divides itself into three parts: competition with common carriers which hold themselves out to handle all or substantially all kinds of traffic (this includes the Federal Barge Line owned by the government); contract carriers which handle only specific commodities between specified points on contract or agreed prices or rates; private carriers by which is meant boats or other craft operated by individuals or firms in the handling of their own business. Take the Mississippi River as illustrative. The best information to be had is that the common carriers which serve the public generally handle only about 20% of the total tonnage, and the remaining 80% is handled by contract or private carriers for the benefit of the owning or contracting companies.

While this highly subsidized competition is decidedly unfair to the railroads and takes from them a certain amount of traffic needed for their successful operation, the losses have not yet reached the point where it may be said that they are seriously crippling the railroads. Of course it hurts some railroads far more than others. For example, the lines of the Illinoise Central Railroad parallel the Mississippi, Illinois and Ohio rivers, and we feel it more than others which are not so situated. It must be very obvious, however, if the government persists in spending enormous sums of money on these waterways without making any charge for their use, it may not belong before the railroads will be seriously crippled.

Coastal shipping was greatly reduced during the war. Some of the service was discontinued entirely and has not been restored. The tonnage handled by the coastal shipping has not as yet reached the prewar volume. The tonnage of the coastal vessels was not, prior to the war, in balance in that they had more tonnage in one direction than in the other. This condition still exists. Many of the vessels were sold or leased or destroyed during World War II and are therefore not available. The competition was intense between the many operators, and their operations were not profitable. With increased operating expenses, wartime shifts in industrial production, as well as the postwar shifts, the outlook does not appear as bright for the successful operation of coastal fleets as it did prewar. However, there may be adequate traffic for successful operation of a limited number of vessels at profitable rates. All things considered, I do not think coastal shipping is or will be in the near future a serious threat to the railroads.

Intercity Trucking

While intercity trucking has increased rapidly since the war, the reason for this is plain to see. During the war new trucks could be had only to a limited extent, gasoline and other petroleum products were rationed, and there were shortages of labor, with the result that there was a substantional shrinkage in the volume of traffic trucked and the railroads had to take over the traffic the trucks could not handle. The percentage proportion of intercity traffic for the trucks, as measured in ton miles, went down from 8.4% in 1940 to 4.6% in 1944. The railroad intercity tonnage, on the other hand, went up from 62.3% in 1940 to a maximum of 72.7%

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The Outlook for Railroads

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in 1943, and in 1944 it was 70%. In 1948, when new trucks were available and all war restrictions on trucks were removed, when there were shortages of railroad cars, and all the rate increases were effective on rails except the increases effective Jan. 11 and those authorized Aug. 11, 1949, the intercity truck proportion of the tonnage came up to 9% of the total, or approximately the same relative position as in 1940. The proportion for the railroads, on the other hand, was 64.3% in 1948 compared with 62.3% in 1940.

While the monthly reports made by the American Trucking Associations do not include all intercity traffic handled by trucks, they are sufficient to measure the trend. I have the figures through April, and they show that the trucks handled 11,768,498 tons in the first four months of 1949 as compared with 11,772,437 tons in the corresponding four months of 1948. This slight decrease indicates that truck traffic is leveling off, and I see no reason to believe that it will increase greatly.

The reports to the Interstate Commerce Commission covering common carrier and contract trucks show that the average charge per ton paid by the shipping public was $10.05 in 1948. The corresponding figure for the railroads was $2.79 per ton. It will be seen that notwithstanding the subsidies to the trucks in the way of providing and maintaining highways, the railroads are doing a cheaper all-around job of transportation.

The trucks have not come forward with a complete transportation service for the public, and their charges are higher. In view of this, I cannot see now that they can supplant the railroads. However, volume of traffic is important to the successful operation of the railrods, and any diversion of traffic is harmful to the railroads and to those who look to them for transportation. How long the railroads can continue to compete under private management with trucks that are subsidized and that take the most profitable traffic, leaving the less profitable for the railroads, I cannot say. It is hoped, however, that the unfairness to the railroads will soon be recognized by the law-makers and corrected in order that the cheaper, complete, all-around transportation system under private management may be preserved.

Railroads Ask Fair Treatment

The railroads do not advocate repressive measures against other forms of transportation. All they ask and want is equal treatment of all forms of transportation. Railroads are self-supporting. On the other hand, the public purse is used to provide almost all the fixed investment required to carry on most other forms of transportation — the improved waterway channels, the airways and airports, the roads and streets—and to provide many services for them. And these things are done without, in most cases, making an adequate charge for the use of such facilities in carrying on the business of commercial transportation. The result is that the rates charged by these carriers for their service need not and do not reflect the full cost of providing the service. This discrimination should and must be removed.

The competition confronting railroads nowadays is not all from other forms of transportation. Part of it comes from government policies that affect the railroads. The basing point pricing system decision of the Supreme Court is an example. The railroads are affected two ways by the results of this decision. In the first place, the use of FOB mill prices has caused the railroads to pay more for materials and supplies, thereby increasing their costs of operation. This is common with other users of similar materials and supplies. This decision is decidedly unfair to all consumers in that it gives a virtual monopoly to the mill or producing point with the cheapest transportation cost. In the second place, this decision has caused the railroads some losses in traffic due to the fact that the nearest producing or manufacturing point needs less transportation and has a monopoly under the FOB mill basis, and the mills at a freight disadvantage cannot compete by absorbing the difference with result that the producer or manufacturer at a disadvantage usually loses the sale and the rails lose the traffic or are short-hauled, thereby reducing their revenues. Due to the shortage of many goods, particularly steel, and the desire to get the goods quickly, the losses, while important, have not as yet been of serious consequence to the railroads as they might otherwise have been. However, with the catching up with production and the urge to economize by effecting all savings possible, unless something is done promptly there may be serious damage generally to the public and diversions from the railroads.

There is pending in Congress a bill known as the O'Mahoney Bill which was designed to clarify the law to the extent of making it clear that shippers may sell delivered or absorb freight differences to equalize competitors' prices. This would certainly be in the interest of all business including the railroads. It would not in any way weaken the antitrust laws; it would simply make it clear that a manufacturer may sell delivered or absorb freight to equalize with competitors so long as he does not violate the antitrust laws. A free and lawful competitive market would thus be preserved for all.

Government Reparation Suits

Another serious threat to the railroads is the series of reparations cases which have been instituted by the Department of Justice on the theory that the government was greatly overcharged by the railroads for the transportation of war materials. An adverse decision in these suits would be disastrous to the railroads. I believe we have the ability to defend ourselves, but it is deplorable that so much of the time of our best talent and so much expense have to be used for this purpose. Talent and money that we are required to dissipate in protecting us from these assaults could with so much greater benefit to the public be directed toward further progress in rail transportation.

Railroad Abandonments

The road mileage of all railroads in this country reached its maximum in 1916 when the railroads had 254 thousand miles of lines. The present mileage is 225 thousand. In other words, an average of nearly one thousand miles a year have been abandoned. Railroad mileage which the public will not support should of course be abandoned in the interest of the public as well as in the interest of the railroads, because in the end the public must pay for any unprofitable rail operation. The railroads are constantly studying their lines, particularly their branches, to determine whether they are needed and are being operated profitably or can be made to do so. Such studies should and will continue.

How much railroad mileage may be abandoned in the future depends on whether such mileage is needed and will be supported by the public. While I think all unprofitable rail mileage should be abandoned, I have no reason to anticipate that the mileage abandoned will be at a more rapid rate in the near future than it has been over the last thirty years. On the contrary, as much unnecessary and unprofitable mileage has now been eliminated, it might well be that the rate of abandonment will not be so great as it has been.

The railroads now own 1,771,000 freight cars and the private ownership is 270,000, making a total of 2,041,000 freight cars available for use in handling the commerce of the country. The average turnaround time of a freight car is fifteen days, which means that on an average a freight car makes two loaded trips per month or twenty-four trips per year. On this basis, if freight cars are properly utilized, the existing supply will take care of 49 million car loads per year. The highest loading attained in any recent year was in 1947 when there were loaded on the American railroads 44 million cars. There is nothing that I can foresee in any year in the near future to cause me to feel that the loading will exceed that of 1947. A shortage of freight cars does not now exist; indeed there is now a substantial surplus of cars.

To avoid surpluses and shortages it is necessary that the cars of the character or kind and dimensions be where there is a demand for them when needed. Car distributors on the individual railroads do an excellent job on their own rails, but it is also necessary to view the commerce of the country as a whole to avoid car shortages. This need is supplied by the Car Service Division of the Association of American Railroads. Whether shortages of cars have disappeared temporarily or permanently depends on several conditions: 1) Will the public pay sufficient to enable the railroads to replenish their supply of cars as needed and keep those they have in repair? 2) Will the public continue to use cars for the purpose for which they were intended, namely, transportation and not for storage? 3) Will the shippers continue to cooperate in the prompt loading, unloading an release of the cars supplied? While the lessening of demand for cars due to general reduction in the volume of busines has had something to do with the improved car supply, the principal causes have been the improved and more expeditions handling by the railroads; the new cars received since the war, a new car has much greater utility than an old one; the cooperation of shippers in the proper use and full utilization of carrying capacities of cars supplied and in prompt loading and unloading of the cars. I think the railroads will do their part if accorded the necessary funds to provide the equipment and service. I am equally confident that the shippers will cooperate.

Conclusion

In conclusion, a final point deserves mention. The financial problems of the railoads have been considered herein in terms of the industry as a whole, and statistics have been cited on this basis. Accurately speaking, however, there is no such thing, from the standpoint of finances, investment and credit, as "the railroad industry." Supplies of capital have to be obtained by individual companies, each on the basis of its own finances and credit, and individual situations vary widely. Certain railroads, for example, by reason of exceptionally favorable conditions of one kind or another, enjoyed a relatively high degree of prosperity and credit all through the worst of the thirties. On the other end of the scale, certain other railroads, variously handicapped, failed to share proportionately in wartime improvement in earnings.

As a matter of fact, the railroad industry could be classified into a number of groups, strong and weak and all the way in between. The industry figures which have been used in this discussion reflect the admixture of the performances and experiences of all these various groups. This fact accounts for contrasts which might be noted in setting figures for a particular railroad against the industry averages, and it is a fact which the investment market fully recognizes and takes into account.

Two statements are true beyond question, however. One is that whatever helps to improve the financial situation of any individual railroad contributes by that much to the betterment of the industry as a whole. The other is that sound economic conditions in transportation can be enjoyed only with vigorous, progressive railroads, which means railroads with adequate earnings and good credit. With growing appreciation by regulatory authorities and the public of the railway case for better earnings, the railroads can be counted upon to continue their record of both financial and physical progress.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market took the combination announcement by the Treasury of the fall and year-end refunding operation, very much in stride, with only minor price changes being registered throughout the list. . . . The long eligibles displayed some firmness on not too much activity. . . . The 1⅛% certificate for the September 2s was expected, and although no rate has been set for the October maturity, it is believed a 1⅛% coupon will also be used in taking care of this issue. . . . As for the December maturities, it is too early to make predictions because there is a longer time in which to observe economic developments, which will determine the rate and maturity of the note which will be used to refund these higher coupon obligations. . . .

Again there will be an increase in the amount of short-term low coupon obligations, which would ordinarily result in a greater demand for the longer-term issues especially among the bank obligations. . . . High prices and a cautious attitude among bank buyers has tended to hold back purchases of the larger coupon obligations. . . . However, easy money and continued offerings of shorts, will eventually push up prices of the longs. . . .

SHORT-TERMED FINANCING FAVORED

There was an element of surprise in the September financing announcement, when the Treasury stated an intermediate term note would be used in the December operation. . . . Also, by leaving the rate open for the October certificates, a minor amount of uncertainty was created. . . . There is however, only a short period of time before the coupon will have to be set for the October operation and the action of the short-term market will determine what the rate will be. . . .

Long-term high coupon obligations are definitely out of the financing program of the monetary authorities. . . . The continued use of short-term with low yields, is still the way in which it is hoped the commercial banks will be forced to seek outlets other, than government obligations, for their surplus funds. . . . To be sure, the cost of carrying the debt will be substantially reduced through the offering of near-term obligations. . . .

HOW LOW CAN THE RATE GO?

The market action will set the rate for the October and December financing. . . . Nonetheless, there is considerable disagreement among money market followers as to whether there is likely to be very much lower rates, for government obligations. . . . "Very easy or extremely easy" credit is held by some to be less likely because of the more favorable trend in economic conditions. . . . It is believed that yields of Treasury obligations will tend to stabilize around present levels. . . . A 1⅛% certificate rate is the lowest expected by this group. . . .

On the other hand, there are those who contend business conditions will deteriorate later on in the year, and this will bring about lower yields for all government securities. . . . A 1% certificate or even lower would not be unexpected by these money market followers, because they believe the deficit of the Treasury will be enlarged and the increased debt will be financed as cheaply as possible. . . . "Very easy or extremely easy" credit is looked for by this group, and they are of the opinion long-term Treasury bonds, especially the bank issues will sell at much higher levels. . . .

MARKET ACTIVITY

Considerable switching and swopping has been going on, with the 2¼s due 1956/59 being let out by some non-bank investors, and the proceeds again going into the 1952 eligible taps. . . . Also the 2s due 1952/54 have been sold by both the deposit banks and non-bank owners with the former reinvesting the funds in shorts, and the latter largely in the Vic's. . . .

Savings banks continue to be on the buy side with purchases pretty well spread over the entire restricted list, although it is reported the 2½s due 1967/62 were taken in slightly larger amounts than the other issues. . . . Life insurance companies, are on the sell side (in not large volume) with some of the eligibles and small amounts of the taps being let out by these institutions. . . .

The loan curve will no doubt have an influence on the future rates for Treasury obligations and in some instances there are indications of a seasonal upturn in borrowings. . . . The Kansas City district has been on the upside five weeks in a row, with other areas, showing an irregular advance. . . . Philadelphia and New York City have also been on the favorable side. . . . Although the increase in loans has not been too sizable yet, there could be a more vigorous trend, according to some, because of needs to rebuild inventories. . . .

Demand for the "D" tax notes is still substantial, mainly from corporations although state funds in some cases are reported being put into this security. . . . World Bank bonds are among the favored issues with the longs, apparently more in demand now than the nearer-term obligations. . . . Out-of-town commercial banks are currently putting some of their recently released reserves in short Treasuries. . . . It had been expected they would be mainly buyers of the longs.

"Is Bigness Badness?"

(Continued from page 6)

willful violations of the law by business on the one hand, or prosecution for political advantage by the government on the other. Most of them come about through misunderstanding or changed interpretation.

I should like, however, to make one comment about this point. I believe it is true that industrial ethics and morality move to a higher plane as time goes by. Industrial practices which were the accepted thing at the beginning of the century would seem like a dismal savagery to the toughest industrial leader today. This is true not alone in industry I call to your attention that during the Civil War it was possible for a man to hire for $300 another man to substitute for him when he was drafted into the army. This was accepted practice and a man with $300 to spend for this purpose seems not to have incurred any shame for paying someone else to go to war in his place. You can imagine what would have happened to a man who tried to do that in World War II—or World War I, for that matter.

Business on a Higher Plane

The point I am making is that business today exists on a much higher plane than it did a quarter of a century ago. I grant that there is still the going percentage of fools and knaves, as in other fields. Despite them, the whole level of industrial ethics has been lifted, and continues to be lifted. I have no doubt that 10 years from today we shall look back on 1949 and marvel that business could think that some of the things it did as a matter of common practice could possibly be justified.

It is a healthy thing, this fact that every year enables us to look back and see that our standards of dealing with our fellowmen have been raised. I hope that there will never be an end to this process, which goes on by such imperceptible degrees that it is hard to put your finger on any spot and say "here was the great change."

At the same time, this situation has its disadvantages so far as business is concerned. The main one is that public awareness of what business is doing seldom catches up with contemporary events. I believe that if you will look at current attacks on business and industry, and study them a little, you will be struck by the fact that in most cases the things complained of happened some years ago, and again in most cases they not only have become exceptions in American business practice but are condemned just as much by businessmen as by anybody else.

Let's think for just a moment about the conventional cartoon of a president of an organization like du Pont. I am sure you can see how he would appear. He would be fat. His face would bear a marked resemblance to that of a pig, with selfish little eyes, an aggressive wedge of a nose, and a mouth that could double for that of a steam shovel. He would inevitably be wearing a silk hat, a cutaway coat, and a white vest with dollar signs written all over it. This fellow is the conventional figure to represent management on its top levels, and I am afraid that the average American tends much too easily to think of management in terms of this horrible monstrosity. Now, it may be that there was a time when some important industrialist might have had the physical appearance suggested by these cartoons, and when most of them had the ruthlessness and shortsightedness and selfishness that the artists have labored so hard to put into their drawings.

But . . . I suppose that most of you here know presidents of companies, and it is hardly necessary for me to point out to you the descrepancy between the symbol and the actual individual, who is most likely to be slender, alert, quietly dressed, and very much aware of the sociological responsibilities involved in his job.

Let's look at another conventional figure, the cartoon character who stands for organized labor. He is a meek looking man in overalls and wearing a square paper cap. Well, again it may be that 50 years ago this fellow represented labor. But today? Suppose you found yourself in a hotel in which a state CIO convention was taking place. The delegates would be well-dressed, upstanding men. They probably drove to the hotel—to the best one in town—in their own cars, and not all of them Fords, Plymouths, or Chevrolets, either. Their wives would be beautifully dressed and good looking. In fact, if you couldn't hear what they were talking about, you might easily have mistaken it for a meeting of the Chamber of Commerce.

What I am trying to say is that one of the greatest handicaps business has is that the public's ideas of what it does and how it does it are hopelessly out-of-date. This might not be so serious except for the obvious fact that the public doesn't realize that the ideas are out-of-date. They think business still runs the way it did when Theodore Roosevelt and William H. Taft served as Presidents of the United States. Certainly, no greater service could be done for business than by convincing the public that its ideas about business are obsolete, and, even more important, by substituting today's actuality for yesterday's recollection.

In a sense, I suppose, this may seem a rather lengthy digression. In reality it is not, for it is woven into the warp and woof of our economic structure that business must have popular understanding and support if it is to survive.

Laws Violated Inadvertently

You will recall that I said that men got into trouble with the anti-trust laws in most cases inadvertently. Not only do they not want to get in trouble with the government; they want not to. But alas for their good intentions, somebody else will decide.

In any event, it seems to me that we now have a new element in the situation. I am sure that it has been the average man's understanding of our legal system that in order to make himself subject to punishment, he must first do wrong. We do not, for example, try a man for murder where the death he caused was clearly accidental. And in business, it has generally been thought that the sky was the limit as long as you did not violate any laws on your way to that lofty estate. It isn't that way anymore.

As I have suggested, behind this state of affairs lies the broad question as to whether bigness in industry is a good or bad thing. Perhaps for purposes of more exact definition, we should say that the question is whether big business as it exists today is a bad thing. Those who argue that it is, hold that it is concentrating industry in a few hands, with the consequent elimination of competition. They also argue that big business is swallowing up small business, and that the aims of big business and small business are opposed to each other.

No Difficulty in Finding Competitors

As to the first point, it has not been our experience in the du Pont Company that there is any difficulty in finding competitors. It is an interesting and significant fact that in most of the fields in which the du Pont Company has a position of importance, it is confronted with the most rugged sort of competition. Let me give you a few examples: Du Pont manufactures paints and lacquers. There are 1,200 producers in this field, and one of them, Sherwin-Williams, is larger in this field than is du Pont. Du Pont makes viscose and acetate rayon. American Viscose is larger in the viscose field and Celanese in the acetate field. Du Pont makes photographic films. But Eastman makes more. And so it goes, right on down the line. There are some fields, such as nylon, where du Pont is the sole producer because it invented and developed the substance, and has patent protection for 17 years. Even here it would be wrong to argue that du Pont has a real monopoly. The fact is that nylon must compete with wool, cotton, silk, rayon, and other synthetic fibers. It has done very well indeed, for the reason that it has proved very useful in many fields, and can be produced at a price that makes it attractive to the ultimate consumer. There are no other reasons for its success, and I assure you that should there be developed some other fiber that does a better job, or that does as good a job at less cost, then it will pass nylon, as it should under our economic system.

Or take the case of moisture-proof cellophane, which is produced by du Pont and American Viscose. Cellophane is successful as a wrapping material because it has made a place for itself against every other type of wrapping material in the open market. It has had to compete with paper, glassine, metal foils, and plastics. Here again, the appearance on the market of a new wrapping material, better than cellophane or just as good and costing less, could change the situation rapidly. Short of being able to reduce costs or improve quality, or both, to the point where cellophane would again be competitive with the new material, nothing du Pont could do could maintain the present situation. The obvious reason is that it is not du Pont, but the consumer, who decides whether cellophane or nylon shall succeed or fail.

No, competition is far from dead, and it is our belief that in coming years it will become even more intense, rather than less so. Nor do I think that our situation differs very much from that of any other large company.

Big Business and Small Business Not Opposed to Each Other

As to the second point, that big business and small business are opposed to each other, the Federal Trade Commission has asserted that from 1940 through 1947 2,400 companies "disappeared" through mergers. It cited this figure as evidence of the weakening of competition and the "disappearance" of small business.

On the other hand, the Research Department of the National Association of Manufacturers has pointed out that calculations made by the Department of Commerce show a net addition of more than 100,000 new firms in approximately the same period. Figures calculated by the Department of Commerce show that in the fields of mining and manufacturing there were 235,600 firms in these two major fields in 1939, while in December, 1948, there were 351,400 such firms, an increase of 49%.

This does not look as though small business were being eliminated. Anyway, it seems to me that the whole thesis of the "disappearance" of small business rests upon an erroneous base. This idea that big and small business are rivals just will not hold water. The truth is that there exists between big and small business a fundamental partnership aimed at furthering the objectives of the American economy. It is obvious, I think, that there are jobs to be done that can only be tackled by large companies, bulwarked by strong financial resources, and with resorvoirs of trained technicians upon whom to call. There are operations which are only economical when performed by a large company. Just as an example, I might point out that if a modern day automobile were put together on an individual basis, rather than by mass production, the completed vehicle would cost about $50,000, instead of something less than 5% of that amount. I leave it to you to imagine how many of you would own automobiles at any such price.

On the other hand, there are operations that would not be economical on such an imposing scale of production. These operations are performed by small manufacturers. To get back to the automobile, I am sure you are aware that a company like General Motors buys parts for its automobiles from literally thousands of small producers. In the chemical field, the du Pont Company would find it extremely difficult to exist at all were it not for the thousands of companies, most of them very definitely in the category of small business, from which it buys its raw materials and other supplies. It would be in a bad way were it not for the thousands of small companies which buy its products and turn them into finished articles.

Let me give you a concrete example: Du Pont makes viscose rayon yarn. It is possible to trace a cone of rayon yarn from the winding machine to the finished dress. We traced one such cone, and found that it took 47 days for a dress made of that very yarn to appear for sale for $8.95 in a shope in the same town in which the yarn was made. In those 47 days, 10 different businesses in five states had combined their creative, productive, and sales effort to produce the garment. Two of the firms, one of them du Pont, were large. The other eight, ranging in number of employees from one to 220, were typical small businesses.

The story wouldn't be much different if it were nylon, or some other du Pont product. You can see, I am sure, that du Pont has a very real interest in the success of those nine other companies, and that the nine other companies have a like interest in the success of du Pont. It seems to me that this is the way that our economic system ought to operate, just as it is the way in which it does, in fact, operate. It is a partnership based on the intelligent self-interest of the various organizations involved.

It seems to me that these examples make my point, and it would be idle to labor it further. This is especially true since I am sure that most of you could tell similar stories from one point of vantage or another.

Are Attacks on Big Business Reasonable?

Now if I am right, and this *is* a good thing, then why is it that the operations of big business are under attack? Mainly, I believe, it is because the public does not understand how our economic system works. The public does not realize that this partnership exists, nor what would happen were either small or large business liquidated, or subjected to controls so rigorous that they seriously limited freedom of decision.

To put it in salesmen's terms, it seems to me that what is needed here is a selling job on the part of *both* big and little business. I say both, because both have much to gain by a successful selling effort, and everything to lose by one that is unsuccessful. Our American way of life is a good product to sell, but we are not selling it. I am certain that if the American people had a clear comprehension of how our economy works, and knew how they benefit from its operation, we should not be confronted with this dangerous problem.

It is not a matter that can be settled by the operation of lobbies in Washington or state capitols, for the attitudes of government, at its various levels, are reactions to popular thinking. Only rarely do they create opinion. This means, as I see it, that business and industry, small and large, have the inescapable duty of selling the American people on what they are doing. If they can do this successfully, then I have no fears for the future of our way of life. If they cannot, I am afraid we are going to be in serious difficulties.

This selling job has two aspects. The first is to make very sure that the product is up to specifications. Business and industry that is, must inspect themselves with great care and on a continuing basis to make sure their operations are in the public interest. This means operating legally, to be sure, but it means more than that. Mostly, you see, the law tells us what we must *not* do lest we offend the public interest. But we must also be concerned with what we *must* do to *promote* the public interest. When business and industry have done these things, then they must do everything in their power to make sure that those with whom they are associated understand that this is the case.

I believe there is an increasing awareness in American business and industry of the importance of this phase of our operations. I believe that more and more is being done in the way of selling our economic system. But not enough is being done, and the time at our disposal is not unlimited. If we can promote popular realization of the fact that all of us, the public, big and little business, not to mention labor and the farmer, are riding on the same street car, all of us heading for a common objective, then I can assure you that there is some mighty pretty country ahead of us.

Business Man's Bookshelf

Manual of Sugar Companies—26th edition—contains special section giving details pertaining to the new domestic contract, trading in which started on the New York Coffee and Sugar Exchange July 18—manual sent postpaid on receipt of price of $2—Farr & Co., 120 Wall Street, New York 5, N. Y.

Retail Credit Management—The official textbook of the National Retail Credit Association — Dr. Clyde William Phelps—McGraw-Hill Book Company, 330 West 42nd Street, New York 18, N. Y.—cloth—$5.00

Security Dealers of North America—Mid-Year 1949 Edition—completely revised edition of directory of stock and bond houses in the United States and Canada—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—fabrikoid—$10.00

Trade Union Library, A—1949—Industrial Relations Section, Department of Economics and Social Institutions. Princeton University, Princeton, N. J.—paper—75c

With Garrett-Bromfield & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Robert J. Pringle is now with Garrett-Bromfield & Co., 650 Seventeenth Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Sharply increased short position gives bulls new hopes.

It's very easy, and quite tempting, to step up to the order clerk's window and buy some stocks; or phone the broker to buy you 100 shares of XYZ. Everything seems to be in favor of higher prices. Business reports show an upturn, earnings estimates are becoming brighter and last but not least, the Administration and its spokesmen are on record as forestalling any depression.

* * *

Everything, therefore, seems made to order. All you have to do is buy them and sit back waiting for what seems to be the inevitable rise. To add fuel to the bullish feeling is the improved technical position of the market.

* * *

Ever since there's been a market, the starting impetus for an advance came from a heavy short position. According to NYSE figures, the short position is now the heaviest it has been since September, 1932, amounting to about 2,000,000 shares.

* * *

Theoretically, such a heavy short position in a market as thin as this one, has explosive potentials. Once it starts covering it can start a rally that can pale most recent rallies into insignificance. All these are conditions that many people are aware of. But because they are aware of them, the chances are the blueprints for the "next" advance will be found faulty.

* * *

Against the large short position there is the Dow theory and its lack of confirmation; e.g., rails have not followed the industrials. There is some importance given that failure, though most of it is limited to the theoretical discussions in the statistical departments of brokerage houses.

It would be nice to know what this lack of confirmation means. I know the classic interpretation, so do thousands of others. I also know that if one waits for the final confirmation, one can miss the market. I'm merely pointing out that long accepted signals frequently lose their meaning for both the bull and the bear.

* * *

A postcard from a reader who signs himself "Bozo" interests me. Ordinarily I don't bother with such correspondence. But inasmuch as "Bozo" boasts of his yield—"over 11% on my money . . ."—I'd like to repeat what I've said here so often before: I'm not interested in yields.

* * *

I recommend certain stocks because I think they'll go higher. When I think their advance potentials have temporarily been used up, I advise selling. An 11% yield at this stage of the inflated dollar is nothing to boast of. In itself it may well be a danger signal.

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.]

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Emil Presburg has joined the staff of Bache & Co., 135 South La Salle Street.

With First Boston Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Lowell A. Warren, Jr. is now with the First Boston Corporation, 75 Federal Street.

Goldman, Sachs Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Albert C. McKenna has been added to the staff of Goldman, Sachs & Co., 75 Federal Street.

With Prugh, Combest & Land

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Patrick J. Tobin, Jr. has been added to the staff of Prugh, Combest & Land, Inc., 1016 Baltimore Avenue.

With Standard Investment

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—John C. Harvey has become affiliated with Standard Investment Co. of California, 117 East Colorado Street. In the past he was with Harris, Upham & Co. and Pacific Company of California.

Joins Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Philip B. Taylor has rejoined the staff of Hannaford & Talbot, 519 California Street. He was recently with King & Merritt & Co.

Maloney & Wells Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Albert G. Schaefer, Jr. has been added to the staff of Maloney & Wells, Inc., 650 South Spring Street.

The Outlook for Agriculture

(Continued from page 9)

some type of support which would protect him from, first, the exceptional hazards of the weather—over which he has no control—and, second, from that dismaying spectacle which the farmer has so often seen where the combination of good luck, good weather and hard work has produced a crop which is so abundant that it is worthless on the market, and his very good fortune has ruined him.

It seems quite probable that safeguards could be devised under the program of support prices which would eliminate such hazards and help adjust overproduction. The fallacy of regulated price support has been and is being illustrated by our government potato programs. These programs resulted from the need for production during the wartime. The support prices were worked out so that our farmers could readjust their crop planning back to a peacetime level. Yet we have seen no readjustment. We have seen counties in the United States where almost no potatoes were grown increase their production so that many thousands of acres are now under cultivation, the potatoes from which must depend on government support to return a profit. The great bulk of these potatoes, as in many of our major potato-producing areas, are not grown by farmers as we ordinarily think of them. They are grown by men in other lines of business who are speculating in producing a potato crop. This could undoubtedly be corrected by reducing the support price to a point where the production of potatoes would not be attractive as a speculation but would yield enough return to make the production of potatoes a profitable farm enterprise.

Another problem which should be considered is the handling of our present surplus of grain and other crops. We do know that any agricultural area which can maintain animal husbandry usually can maintain its prosperity and its soil fertility. We do know also that the types of food which people most desire to eat are milk, butter and eggs, fruits and vegetables and meat—which are mainly the products of animal husbandry. We really would have no surplus-grain problem in the United States if the grain we produce could be fed to animals and the resulting products used in our diet.

A movement to acquaint people with the tremendous advantages to be acquired from using these vitamin-bearing protective foods has been given great impulse by Ed Babcock from Cornell and others. Yet we find ourselves today with a human-animal ratio of 1.4 animals per person in the United States. Whereas in 1942, just as the war came upon us, we had almost two animals per person throughout the land. This, it seems to me, is a significant change. And if agriculture is to prosper, the trend must be reversed so that our animal population so increases in volume that we can use our grains to feed it and improve the diet of our human population from its consumption.

Farmer Must Promote Increased Efficiency

The next problem I shall mention, it would seem to me, is one which, in a way, goes back to education but is, in the long run, up to the farmer himself. And this problem is to promote and foster the increase in efficiency in food production which has characterized this nation in the past. This efficiency is related to and almost synonymous with the keeping down of farm costs. We all know that some of our farmers can produce their crops at a much cheaper cost than others.

We also must realize that any program of price support or price aid cannot apply equally to an efficient, businesslike farmer who is doing a real job producing foodstuffs and to another one whose slipshod methods and lack of efficient planning make his costs too great to show a profit at any time except while a war is in progress. I would say, therefore, that perhaps the part that a farmer can do for himself is about as important as any part of a program to meet his problems.

We have been greatly encouraged here in the State of New York by the fact that a great many of our farmers have now had the benefit of a farm-school or college education. This is a tremendous change from the old days when book-learning was so despised by many of our farm people. Farmers have come to realize that the greatest benefit which a man can receive from an agricultural education is the ability to sense the changes in agriculture as they take place and the ability to adapt his farm program to meet these changes. This is the definition given by Dean Myers of Cornell as the real aim of a college education in agriculture.

In this matter of keeping down farm costs, and of adult education on the farm, I cannot neglect to pay tribute to our Granges, to our Farm Bureaus and to our work with our young people for the wonderful results they have accomplished. There is no question today but that the areas of our state where farm organizations are not active are the same areas where our agriculture is weakest. Our farm people often do not realize that the contributions of time and effort and money which they have made in carrying on their part of these organizations have been one of the reasons why our agriculture in America has reached its present state of efficiency.

Agriculture in Transition Period

As to the future, it seems to me that our contentment and prosperity will depend to a large extent on how we solve our problems. As a nation in agriculture we are passing over into an industrial era here in the United States in which the producers of foodstuffs are very much in the minority. Population under the efficient administration of our medical profession is increasing. I understand that the world's population is increasing by 60,000 persons per day. The United States will have, whether or not it so desires, its part of this population increase.

It would seem that we could take either of two roads as we go into this era. First, we could conduct our agricultural production so that we will eventually be reduced to a cereal-soybean-coconut-oil diet, with our farmers largely producing for their own sustenance, and our cereals produced by the government on completely controlled, collectivized farms. Or, we can foster and develop our habits of diet so that we can up-grade our cereals and roughage, by feeding them to animals, to a supply of protective foods high in vitamins and energy. This can be done under a system where the producer continues to produce under private enterprise on land constantly getting better and more productive instead of becoming worn out. We **know how** to produce on our lands and maintain and increase their fertility. Such agriculture is only possible where an efficient producer is receiving a reasonable return for his efforts.

It should be our aim, therefore, to see that products of the farm bring enough in the market place to furnish an incentive for continued production. We will not reach the proper position in agriculture, it seems to me, so long as it is the ultimate goal of many of our farmers to lay aside enough money from their farms so that they can retire to live in town. Our farm people must consider their farms as going businesses in which they can afford to invest their surplus funds with the sure knowledge that if for any reason their farm cannot be carried on by their heirs it will at all times have a value in the market-place should they wish to dispose of it.

This is going to bring us a type of agriculture which will get the most from our State and government services for helping farm production. It will give us a type of agriculture which can make its proper contribution toward the carrying on of a representative form of government under a republic. Such a government has been the ideal toward which men have worked for centuries. It has been realized here in our American republic.

I still cannot believe it possible that we are going to sacrifice those high ideals which stimulated our forefathers to perfect this type of government for a so-called "security," which many people seem to have forgotten depends for its stability on the willingness to produce by hard work the things which make our type of living possible.

Summary

To summarize briefly the points I have attempted to make, I would say that our future as farmers will be determined by the manner in which we solve the following problems:

First. We must find some means, by developing a better understanding between the various segments of our population, of overcoming a purely selfish approach to our national problems. This understanding can be worked out only by better contacts between the various groups—and I understand that our great farm organizations are much interested in this approach.

I have heard one of our most influential representatives in Congress state that until farmers voted together as farmers they would never receive just recognition. I do not approve of this type of pressure organization. I would not wish to see it any more than I like to see the representatives of our labor organizations attempt to vote solidly together representing labor. America was not built on such a basis of class distinction.

Second. We must all work hard for a more comprehensive education. It is only through an enlightened citizenry, which maintains an active interest in the functioning of government that we can hope to carry on a government such as ours.

Third. We must find some way to prevent the wide fluctuations in prices which now bring us feast or famine in our food production. This is a hard problem, but it should not be unsolvable. We must find some way to approximately match our agricultural production with our demand. To do this it should not be necessary that farmers be encouraged to produce crops for the express purpose of selling them to the government.

Fourth. The best place to store grain is in the form of meat and animal products. We should, therefore make every effort to increase the ratio of animals to man in this country so that the fertility of our land can be increased while at the same time a great reservoir of food of the highest energy-producing type is created, which would be a tremendous assets in case of war. To do this, our people must not only be educated to the desirability and need for a better diet, but our national prosperity must be safeguarded so that they can afford to purchase such a diet.

As fifth, I would say that we must keep our overall farm organizations strong and virile. Over the past fifty years they have done more than any of us realize to keep agriculture from being completely lost in our economic picture. Many of us can serve only in the ranks of these great organizations; but we should have increasing confidence in the leaders as they are developed to carry on the work. The programs of these organizations will be, in the main, sound and practical.

I hope that we can go on in this this country building, through the intelligent cooperation of our farm people and our urban people, a civilization in which both the agricultural part and the industrial part are prosperous and contented, each having an incentive to work for the good of all. As they recognize their interdependence there can develop a program under which it will not be possible for history to repeat itself. Remember that we have not yet proven that we can keep the power and wealth from entirely gravitating to the cities, as it has in every past civilization. Unless we can do this, we must expect that agriculture will decline until our food can no longer be produced by free men. The vision of our forefathers of a great, free United States of America will then have perished.

Davies & Mejia to Admit

SAN FRANCISCO, CALIF. — Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges, will admit Wilson M. Dodd to general partnership and Gifford L. Troyer to limited partnership on Sept. 1. Mr. Dodd is in charge of the firm's Berkeley, Calif., office.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Mark D. Wright has been added to the staff of Investment Service Corporation, Security Building.

With Aikin-Lambert Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Milton B. Sheftall has become connected with Akin-Lambert Co., Inc., 639 South Spring Street.

The State of Trade and Industry

(Continued from page 5)

and deflation— is disturbing industrialists. On the optimistic side are the appliance makers. Exactly opposite to them are the railroads. Between the two there is still some uncertainty, "The Iron Age" notes.

Although appliance production is better in every item from hot water heaters to gas stoves, the boom is in refrigerators. Many of the big refrigerator manufacturers are now coming back to capacity production. This has not only helped sales of slow steel items like electrical sheets, but it has put a little life into demand for electric motors, copper tubing and all the other items that go into this product.

The railroads generally don't share the optimism of the automobile and appliance people. Last week several roads held up orders for substantial tonnages of rails and track supplies scheduled for fourth quarter shipment. For one thing they are worried about the cost of the shorter work week beginning Sept. 1.

From the standpoint of steel traffic they have cause to worry, too, since the rate increase to take effect Sept. 1 will add an average of 25c a ton to the consumer's steel bill if he gets it by rail. Rail freight increases during the past three years have added about $3.50 to the cost of making a ton of finished steel. About $2.50 of this has been passed on to the consumer in the form of higher steel prices. On top of this the average railroad freight bill on steel is about $4 a ton higher than it was in June, 1946.

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 84.8% of capacity for the week beginning Aug. 22, 1949, as against 83.5% in the preceding week, or an increase of 1.8%, or 1.3 points.

This week's operating rate is equivalent to 1,563,300 tons of steel ingots and castings for the entire industry, compared to 1,539,300 tons a week ago, 1,502,500 tons, or 81.5% a month ago, and 1,728,600 tons, or 95.9% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS SHOW SLIGHT UPTURN FOR WEEK ENDED AUG. 13

Loadings of revenue freight for the week ended Aug. 13, 1949, totaled 728,029 cars, according to the Association of American Railroads. This was an increase of 11,205 cars, or 1.6% above the preceding week. It represents a decrease of 163,247 cars, or 18.3% below the corresponding week in 1948, and a decrease of 178,276 cars, or 19.7% under the similar period in 1947.

ELECTRIC OUTPUT IN LATEST PERIOD AT HIGHEST LEVEL SINCE WEEK ENDED FEB. 19, 1949

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 20, was estimated at 5,578,800,000 kwh. according to the Edison Electric Institute. This reprsented an increase of 48,710,000 kwh. above the preceding week 118,012,000 kwh. or 3.5% higher than the figure reported for the week ended Aug. 21, 1948, and 625,924,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE OUTPUT EXPECTED TO REACH A NEW MONTHLY HIGH RECORD IN AUGUST

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 146,545 units from 144,317 units (revised) in the previous period.

The gain was due to increased Canadian output, as labor trouble at Chrysler plants caused U. S. production to drop to 139,800 units from 140,147 last week.

The total output for the current week was made up of 117,881 cars and 21,919 trucks built in the U. S. and 4,417 cars and 2,328 trucks in Canada.

Output a year ago was 113,324 units and, in the like week of 1941, it was held down to 45,545 units due to model changeovers.

A new monthly high of 643,000 units for United States car and truck production is predicted by Ward's for this month, barring a continuation of heat walkouts and labor disputes. The existing record of 537,564 units was established in April, 1929.

BUSINESS FAILURES CONTINUE UPWARD TREND

Commercial and industrial failures rose to 193 in the week ended Aug. 18 from 176 in the previous week, according to Dun & Bradstreet, Inc. More than twice as many casualties occurred as in the comparable week of 1948 and 1947 when they totaled 94 and 78 respectively. However, failures continued below the pre-war total of 253 in the similar week of 1939.

All of the week's increase involved casualties with liabilities of $5,000 or more which rose to 164 from 132 and were more than twice as numerous as the 77 reported a year ago. Concerns failing with liabilities under $5,000 declined to 29 from 44, but continued to exceed noticeably the 1948 level.

Manufacturing failures increased to 61 from 46, reaching a total more than twice that of a year ago when 25 were reported. In retailing, failures declined to 85 from 92, but were about twice as numerous as a year ago. Both wholesale failures, at 23, and commercial service failures, at 14, rose, while construction casualties, at 10, were down moderately from a week ago.

The New England region accounted for the sharpest relative weekly increase, reaching the highest level in the last seven years. Failures in the Middle Atlantic area held steady, while East North Central casualties fell off almost a half. Slight increases occurred in the Pacific states, South Atlantic and West South Central. All areas except the Mountain States had more failures than in the same week of last year. Noticeable increases from the 1948 level appeared in the New England, Middle Atlantic, and East North Central areas.

WHOLESALE FOOD PRICE INDEX 5-WEEK ADVANCE ARRESTED LAST WEEK

Following five consecutive weekly advances, the Dun & Bradstreet wholesale food price index for Aug. 16 leveled off at $5.89, unchanged from a week ago. The current figure compares with $7.07 for the corresponding date a year ago, or a decline of 16.7%.

Individual commodities showing advances in the week included hams, bellies, sugar, cottonseed oil, potatoes, steers and lambs. Against these were declines in flour, wheat, corn, rye, oats, cocoa and hogs.

The index represents the sum total of the price per pound of 31 foods in general use.

WHOLESALE COMMODITY PRICE INDEX TOUCHES NEW LOW FOR CURRENT YEAR AND SINCE LATE JANUARY, 1947

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved downward last week to reach the lowest level of the year and a new low since late January, 1947. The index closed at 236.41 on Aug. 16, comparing with 238.99 a week previous, and with 280.41 at this time a year ago.

Under the leadership of corn, grain markets developed pronounced weakness last week, moving sharply lower under pressure of liquidation induced by lessened demand from the East, expanding receipts and lack of storage room.

Other grains declined in sympathy with corn. Easiness in wheat also reflected a falling off in export demand for both wheat and four.

The Department of Agriculture report as of Aug. 1, estimated this year's corn crop at 3,538,000,000 bushels.

This was slightly higher than the July 1 forecast, and compared with 3,650,000,000 bushels harvested last year.

The total wheat crop was estimated at 1,132,000,000 bushels, or a decline of 156,000,000 bushels under last year's yield.

Although dressed pork prices at New York continued to advance, hog values at Chicago declined sharply at the week-end as the result of heavier than normal marketings which met with slow demand.

Cotton prices fluctuated irregularly over a fairly narrow range last week with final quotations up slightly from a week ago. Prices advanced in the early part of the week following the first official forecast of the new domestic cotton crop, which was below general trade expectations. In subsequent dealings, the market was stimulated by mill price-fixing and reports of continued improvement in the cotton gray goods market. Also lending support were the growing prospects of a 90% of parity loan on next year's crop and reports of weevil infestation in eastern and central parts of the belt. Reported sales in the ten spot markets during the latest week declined to 69,900 bales, from 82,500 bales the previous week, and compared with 79,400 bales in the like week a year ago.

The indicated lint yield per harvested acre this year was estimated by the Department of Agriculture at 274.4 pounds. This was 38.7 pounds below the record 1948 yield, but 20.4 pounds above the 10-year average.

Trading in the cotton gray cloth market continued active. Prices were firm with spot print cloths showing a further slight advance for the week. Commitments from converters were reported well into the fourth quarter of the year.

There was a somewhat better feeling in the Boston raw wool market last week although trading continued to be rather quiet. Woolen wools and noils continued in steady demand with many of the desired types difficult to obtain. Business in foreign wools was slow. Production of shorn wool in the United States for the year 1949 was estimated at 213,635,000 pounds, according to the U. S. Department of Agriculture. This was 8% less than the 1948 clip, and the lowest ever recorded.

RETAIL AND WHOLESALE TRADE VOLUME HOLDS MODERATELY UNDER LIKE PERIOD OF 1948 IN LATEST WEEK

Despite a continuation of very warm weather in many parts of the country, the volume of retail trade rose slightly the past week. Dollar volume, however, according to Dun & Bradstreet, Inc. in its current review of trade, was moderately below that of the corresponding week a year ago.

The interest of shoppers in apparel increased fractionally last week, although retail apparel volume remained moderately below last year's level.

Wool jersey and velveteen dresses were frequently purchased, though interest in women's coats was substantially below that of the comparable week a year ago.

Consumer purchases of food compared favorably with that of a week ago with dollar volume remaining slightly below the 1948 level. Fresh produce sold well in most parts of the nation. There was an increased demand for fish, poultry and cold meat cuts. Purchases of dairy products and canned foods were slightly larger than in the preceding week.

Home furnishings and household appliances attracted more shoppers the past week than in the preceding period, although the consumer demand for such items remained moderately under that of a year ago.

Television sets, refrigerators, and air conditioning equipment sold well.

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 —1 to —5; East —3 to —7; South —0 to —4; Midwest and Pacific Coast —5 to 9; Northwest —2 to —6 and Southwest —4 to —8.

With Labor Day near at hand retailers were busy the past week filling their shelves with Fall merchandise. Total wholesale volume during the week was moderately above that of the previous week. In some lines volume compared favorably with that of a year ago although total volume was slightly below the 1948 level.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 13, 1949, decreased by 16% from the like period of last year and compared with a decrease of 12% (revised) in the preceding week. For the four weeks ended Aug. 13, 1949, sales registered a decrease of 13% from the corresponding period a year ago and for the year to date a decline of 5%.

Cool weather here in New York last week had a favorable effect on retail trade and while sales volume held under the like period of 1948, the decline was much less than in the week immediately preceding.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 13, 1949, declined by 21% from the same period last year. In the preceding week a decrease of 14% was registered below the similar week of 1948. For the four weeks ended Aug. 13, 1949, a decrease of 15% was reported under that of last year. For the year to date volume decreased by 8%.

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."

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. 28	84.8	83.5	81.5	95.9
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 28	1,563,300	1,539,300	1,502,500	1,728,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 13	4,722,900	4,769,700	4,671,350	5,507,050
Crude runs to stills—daily average (bbls.)	Aug. 13	¶5,227,000	5,188,000	5,130,000	5,592,000
Gasoline output (bbls.)	Aug. 13	18,383,000	17,900,000	18,117,000	17,489,000
Kerosene output (bbls.)	Aug. 13	1,383,000	1,663,000	1,531,000	2,050,000
Gas, oil, and distillate fuel oil output (bbls.)	Aug. 13	5,724,000	6,259,000	5,699,000	7,440,000
Residual fuel oil output (bbls.)	Aug. 13	7,282,000	7,220,000	7,785,000	9,310,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 13	108,174,000	108,444,000	111,464,000	96,634,000
Kerosene (bbls.) at	Aug. 13	25,329,000	24,885,000	23,791,000	21,564,000
Gas, oil, and distillate fuel oil (bbls.) at	Aug. 13	73,815,000	72,222,000	68,622,000	57,089,000
Residual fuel oil (bbls.) at	Aug. 13	67,818,000	67,281,000	67,799,000	51,368,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 13	728,029	716,824	724,100	891,276
Revenue freight received from connections (number of cars)	Aug. 13	566,163	567,143	531,788	692,141
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 18	$137,173,000	$252,314,000	$158,751,000	$117,146,000
Private construction	Aug. 18	55,657,000	135,745,000	65,229,000	55,420,000
Public construction	Aug. 18	81,516,000	121,569,000	93,522,000	61,726,000
State and municipal	Aug. 18	69,140,000	106,697,000	77,984,000	51,521,000
Federal	Aug. 18	12,376,000	14,872,000	15,538,000	10,205,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 13	8,000,000	7,550,000	6,640,000	12,561,000
Pennsylvania anthracite (tons)	Aug. 13	696,000	689,000	1,034,000	1,201,000
Beehive coke (tons)	Aug. 13	7,200	*7,500	6,600	148,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 13	217	*229	213	258
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 20	5,578,800	5,530,030	5,461,665	5,390,788
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 18	193	176	182	94
IRON AGE COMPOSITE PRICES:	Aug. 16	‡3.705c	3.705c	3.705c	3.720c
Finished steel (per lb.)	Aug. 16	$45.91	$45.91	$45.91	$44.52
Pig iron (per gross ton)	Aug. 16	$21.17	$20.00	$19.33	$43.16
Scrap steel (per gross ton)					
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 17	17.325c	17.325c	17.325c	23.200c
Export refinery at	Aug. 17	17.550c	17.575c	17.550c	23.425c
Straits tin (New York) at	Aug. 17	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Aug. 17	15.125c	15.125c	14.000c	19.500c
Lead (St. Louis) at	Aug. 17	14.800c	14.800c	13.800c	19.300c
Zinc (East St. Louis) at	Aug. 17	10.000c	10.000c	9.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 23	103.70	103.76	103.22	100.71
Average corporate	Aug. 23	114.85	114.66	113.89	111.25
Aaa	Aug. 23	120.84	120.63	120.02	116.22
Aa	Aug. 23	119.00	119.00	118.20	114.27
A	Aug. 23	114.08	113.89	112.75	110.34
Baa	Aug. 23	106.21	106.04	105.17	105.00
Railroad Group	Aug. 23	109.60	109.42	107.98	107.27
Public Utilities Group	Aug. 23	115.82	115.82	115.43	111.81
Industrials Group	Aug. 23	119.20	119.20	118.40	115.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 23	2.24	2.23	2.27	2.45
Average corporate	Aug. 23	2.91	2.92	2.96	3.10
Aaa	Aug. 23	2.61	2.62	2.65	2.84
Aa	Aug. 23	2.70	2.70	2.74	2.94
A	Aug. 23	2.95	2.96	3.02	3.15
Baa	Aug. 26	3.38	3.39	3.44	3.45
Railroad Group	Aug. 23	3.19	3.20	3.28	3.32
Public Utilities Group	Aug. 23	2.86	2.86	2.88	3.07
Industrials Group	Aug. 23	2.69	2.69	2.73	2.88
MOODY'S COMMODITY INDEX	Aug. 23	338.9	337.4	339.3	422.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 13	169,424	229,455	145,799	165,194
Production (tons)	Aug. 13	181,138	171,094	137,034	184,342
Percentage of activity	Aug. 13	84	82	64	93
Unfilled orders (tons) at	Aug. 13	311,124	323,864	282,174	375,515
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Aug. 19	129.2	128.7	128.4	143.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders					
Number of shares	Aug. 6	16,382	15,699	13,160	18,438
Dollar value	Aug. 6	473,645	456,490	368,858	526,559
Odd-lot purchases by dealers (customers' sales).	Aug. 6	$18,090,645	$17,155,684	$13,549,189	$21,572,393
Number of orders—Customers' total sales	Aug. 6	16,061	15,997	12,101	16,774
Customers' short sales	Aug. 6	145	141	136	94
Customers' other sales	Aug. 6	15,916	15,856	11,965	16,680
Number of shares—Customers' total sales	Aug. 6	446,864	436,867	318,652	457,136
Customers' short sales	Aug. 6	5,456	5,462	5,844	3,428
Customers' other sales	Aug. 6	441,408	431,405	312,808	453,708
Dollar value	Aug. 6	$14,571,925	$14,092,163	$10,251,259	$16,904,433
Round-lot sales by dealers—					
Number of shares—Total sales					
Short sales	Aug. 6	166,940	159,990	100,700	126,040
Other sales	Aug. 6	------	------	------	------
Round-lot purchases by dealers—	Aug. 6	166,940	159,990	100,700	126,040
Number of shares	Aug. 6	203,460	167,310	147,790	202,560
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities					
Farm products	Aug. 16	151.9	152.7	154.3	169.9
Foods	Aug. 16	160.1	163.8	168.4	192.3
All commodities other than farm and foods	Aug. 16	161.0	161.4	164.2	191.0
Textile products	Aug. 16	144.9	145.0	145.2	152.9
Fuel and lighting materials	Aug. 16	139.0	138.9	139.0	148.9
Metals and metal products	Aug. 16	130.0	130.3	130.6	136.6
Building materials	Aug. 16	167.9	167.9	167.8	170.0
All other	Aug. 16	190.1	189.9	190.4	203.4
	Aug. 16	124.1	124.3	125.0	134.7
Special indexes—					
Grains					
Livestock	Aug. 16	146.6	150.6	155.5	181.9
Meats	Aug. 16	204.6	211.2	213.9	275.0
Hides and skins	Aug. 16	224.4	224.8	231.1	281.5
	Aug. 16	189.5	184.8	180.5	208.6

*Revised figure. ¶Includes 451,000 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
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of June:			
Total shipments (thousands of pounds)	80,674	89,029	141,799
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	5,780,777	*6,498,201	7,075,517
Shipments of steel products, including alloy and stainless (net tons)—Month of June	5,177,259	5,234,862	5,476,774
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	91,835	104,305	108,546
Unfilled orders at end of month (short tons)	412,308	464,782	623,620
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of July	283.9	294.5	311.3
COPPER INSTITUTE—For month of July:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	62,635	*72,051	81,473
Refined (tons of 2,000 lbs.)	85,638	92,118	107,014
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	45,316	45,653	103,277
Refined copper stocks at end of period (tons of 2,000 lbs.)	212,817	166,925	79,277
COTTON ACREAGE AND PRODUCTION U. S. DEPT. OF AGRICULTURE—As of Aug. 1:			
Acreage	26,380,000	------	23,003,000
Production 500-lb. gross bales	14,805,000	------	14,868,000
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE=100—Month of July:			
Sales (average monthly), unadjusted	152	228	184
Sales (average daily), unadjusted	155	224	181
Sales (average daily), seasonally adjusted	222	238	259
Stocks, unadjusted as of June 30	189	206	*216
Stocks seasonally adjusted as of June 30	213	218	*243
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE—Month of July:			
Deliveries (number of cars)	6,434	9,121	Not Avail.
Backlog of orders at end of month (number of cars)	36,564	42,813	125,093
GRAY IRON CASTINGS (DEPT. OF COMMERCE—Month of May:			
Shipments (short tons)	866,631	929,307	992,692
For sale (short tons)	439,420	467,433	555,728
For producers' own use (short tons)	427,211	461,874	436,964
Unfilled orders for sale at end of month (short tons)	1,243,266	1,445,532	2,601,626
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of July:			
Factory sales (number of units)	161,920	207,354	222,478
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of July (1935-39 average=100)	†115.9	†118.9	130.6
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of June:			
Shipments (in pounds)	752,000	756,000	526,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of June:			
Shipments (short tons)	59,597	54,472	81,747
For sale (short tons)	32,639	27,643	48,170
For producers' own use (short tons)	26,958	26,929	33,577
Orders booked, less cancellation, for sale (short tons)	23,560	11,629	35,377
Unfilled orders, end of month, for sale (short tons)	69,865	78,944	178,760
METAL OUTPUT (BUREAU OF MINES)—Month of June:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	60,625	*67,354	75,596
Gold (in fine ounces)	158,218	*153,349	159,449
Lead (in short tons)	35,528	*36,807	34,521
Silver (in fine ounces)	3,174,687	*3,530,839	3,112,527
Zinc (in short tons)	53,173	*54,791	51,755
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.)—Month of June:			
Total number of vehicles	593,640	481,467	431,046
Number of passenger cars	493,882	394,703	312,406
Number of motor trucks	99,126	86,200	117,572
Number of motor coaches	632	564	1,068
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of June (000's omitted):			
Savings and Loan associations	$318,643	$296,617	$334,343
Insurance companies	83,399	79,713	80,986
Banks and Trust companies	202,634	196,865	234,804
Mutual Savings banks	61,913	59,396	70,988
Individuals	170,973	168,926	187,409
Miscellaneous lending institutions	158,358	141,232	141,061
Total	$1,000,920	$942,749	$1,049,591
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of May:			
Production (M sq. ft. ⅜-in. equivalent)	154,677	*153,516	151,364
Shipments and consumption (M sq. feet, ⅜-in. equivalent)	152,137	*158,279	150,924
Stocks (M sq. ft. ⅜-in. equivalent) at end of month	77,811	*76,148	40,778
Consumption of logs (M ft. log scale)	74,733	*75,384	64,889
Stocks (M ft., log scale) at end of month	216,394	*207,989	131,920
STEEL CASTINGS (DEPT. OF COMERCE)—Month of May:			
Shipments (short tons)	106,178	119,953	143,337
For sale (short tons)	75,537	83,277	111,616
For producers' own use (short tons)	30,641	36,676	31,721
Unfilled orders for sale at end of month (short tons)	191,473	250,506	482,531
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of May:			
Production (number of units)	2,752	*2,760	3,688
Shipments (number of units)	2,541	*2,869	3,985
Shipments (value in dollars)	$8,992,275	*$9,936,183	*11,544,799

*Revised figure. †Preliminary figure.

Consumer Purchasing Power and Labor Agitation

(Continued from page 10)

The Nathan report makes the further assumption that the wage earners most likely to obtain wage increases will increase their spending for consumers' goods. The appropriate quotation has already been cited. This is one of those generalizations which obscure the truth. The lower the income, the greater the proportion spent on consumption. That is statistically verified fact. It does not follow, however, that the wage earners most likely to obtain wage increases are in the low income groups. For example, the steel workers are in the $3,000-$3,999 income group. This group, according to the Nathan report (p. 23), accounted for 9% of the total net savings by all spending units in the United States during 1947. There is no guarantee that an increase in the wages of this income group would result in an increase in consumer spending. It could result in an increase in savings. To that extent it would be abortive, insofar as quickening production and employment through investment was concerned.

Purchasing Power and Employment

The above observations point up the necessity for a clearer definition of the term "purchasing power." In the popular form of the theory, purchasing power is often regarded either as total money income in the economy, or, more narrowly, as the quantity of money received by wage and salary earners.[6] Actually, purchasing power is the *quantity of goods and services* which can be bought with the money income distributed to all individuals in the economic system. It thus depends on the relation between aggregate personal income and the price level. Personal income includes income from interest, profit, farm ownership, and so on, as well as wage and salary income. The amount of wage income, moreover, depends on the volume of employment as well as the level of wage rates. Even a little thought, then, reveals at least four determinants of purchasing power: money wage rates, the volume of employment, the size of non-wage incomes, and the level of retail prices. Raising one of these factors, such as money wage rates, will not necessarily increase purchasing power, for there may be offsetting changes in the other factors. To take a simple case, if the income of everyone in the economy rises by 10% while the retail price level also rises by 10%, there has been no change in purchasing power. Therefore, as a matter of practical judgment, it is difficult to feel optimistic about the possibility of producing an increase in employment by a general increase in money wage rates. The main reason is that, in an uncontrolled economy, prices cannot be expected to remain stable while the wage increase is going on. Prices may rise considerably, even though the economy is in a state of deep depression, and this rise would cancel out any expansionary tendency which the wage increase would otherwise have had.

As a matter of fact, Robert Nathan recognized this in a book written some years ago when he said:[7]

"Many are in favor of increasing the relative share of the lower income groups through higher wages. Anything that can be accomplished in this direction through ever increasing minimum wage requirements is desirable, but *history reveals that prices increase when labor costs increase. It is then suggested that prices be arbitrarily held down while wages are arbitrarily raised. This is a most difficult administrative task and one which can disrupt competitive forces, with unfortunate consequences.* Rather than expect from businessmen a benevolence which is incompatible with vigorous competition or impose arbitrary controls by government on prices, it would seem better to rely on tax and social security measures in directing a larger flow of income to those who will spend it."

6 L. G. Reynolds, "Labor Economics and Labor Relations," Prentice-Hall, N. Y., 1949, pp. 426 et seq.

7 R. Nathan, "Mobilizing for Abundance," Whittlesey House, N. Y., 1944, p. 86.

Historical Cases

The most important historical instance is the substantial wage increase which occurred in most industries during 1933 as a result of the National Industrial Recovery Administration.[8] The announced intent of these increases was to raise the level of employment by increasing purchasing power. Between June, 1933 and June, 1934, the *hourly* wage rates of workers under NRA codes rose by about 20%. At the same time hours of work were reduced about 10 percent, so that *weekly* earnings rose only about 10%. During this same period the cost of living rose by roughly 10%, so that the real incomes of workers under the codes remained about the same as before. The real income of manual workers not under NRA codes and of salaried people seem to have been reduced. Industrial output during 1934 was only slightly above the 1933 level, and this increase can be entirely explained by the great increase in federal spending for relief. There is no evidence that the wage increases themselves had an appreciable effect on the level of output and employment.

There is a second historical instance of some pertinence. Dr. L. Albert Hahn, writing of German experience in an article entitled, "Wage Policy in Recessions",[9] states:

"I have once already lived through a period in which wages should have been lowered but were not because of the arguments of the purchasing power theory. From 1927 on employment began to decrease in Germany at a time when demand was still holding up. Entrepreneurs held that unemployment was the result of a too rapid rise in wages and a subsequent replacement of labor by capital. Labor leaders rejected wage reduction in the face of steadily mounting unemployment. Their argument was, just as it is today, that high wages are necessary to maintain a high level of purchasing power. Indeed the reasons advanced at that time in dailies presenting the views of labor were so identical with those of today in this country, that I sometimes have the feeling of living this period of my life over again.

"As is well known, wage reductions were opposed in Germany for years by the trade unions. They even succeeded in obtaining substantial wage increases at a time when the depression was already clearly noticeable. . . ."

Dr. Hahn goes on to point out that leading economists warned of the sterility and dangers of the German trade unionist policy. They were ignored. Dr. Hahn believes that this materially contributed to the growth of the fascist philosophy and its acceptance in Germany. The only other alternative, in his mind, is continuous inflation through deficit financing, ending in a socialization of the economy.

The most desirable behavior of the wage level, then, would probably be stability during recession and a moderate rate of increase during recovery, so that over the long run the wage level would rise at about the same rate as man-hour output. One should not try to use sudden changes in the general wage level as a means of either checking recession or accelerating recovery. Nor should one look to increases in the money wage level as a means of increasing labor's share of national income and reducing the share of "capital."

8 L. G. Reynolds, op. cit., p. 428

9 L. Albert Hahn, "Wage Policy in Recessions," *Commercial and Financial Chronicle*, June 16, 1949, p. 11.

Is Labor Agreed on the Purchasing Power Theory?

That some labor leaders do have a certain understanding of this may be gathered from "Labor's Monthly Survey," publication of the AFL. Its issue of January, 1947 stated:[10]

"Prices must come down in 1947 if we are to avoid a serious depression. Consumer buying power must be restored, and this cannot be done by wage increases alone. Only one-fourth of American workers are organized, and 1946 experience shows that millions fall behind the union wage rises. Price declines will raise everyone's living standard. Price declines cause problems for industry however, and will be accompanied by temporary production cuts and unemployment. Such unemployment will not be serious if the price adjustment is made now, and prices go no higher. However, if prices are forced up so that consumer buying power is cut down, we may expect serious production declines that would throw millions out of work."

Therefore, not all labor leaders are agreed that wage increases alone would serve to increase consumer purchasing power, production and employment.

Conclusion

If the real income of the working class does not depend to any extent on the money wage level, on what it does depend?[11] Speaking broadly, labor's real income at any time depends on the size and distribution of the national income—how much is produced and how much labor gets of what is produced. Workers' incomes can be raised either by increasing the size of the national income or by altering its distribution in favor of labor. The former possibility clearly offers more scope than the latter. For the sake of argument, let us assume that all property incomes were distributed to wage and salary earners. The income of the latter would be increased probably less than one-quarter. Of course, it is understood also that such a distribution could be made only once, that it would involve intense social conflict, and that it would have to be made by means other than raising money wage rates.

There are doubtless historical limits to the level of national income which any country will be able to attain. While the economy of a country is expanding however, national income can be doubled and redoubled, and this will make possible a continuing rise in real wages. The great increase in the real incomes of workers in the United States over the past century has come about mainly in this way. Moreover under these conditions, rising real wages can be accompanied by rising real incomes for other economic groups. This development makes for a large measure of political and social harmony. So long as the attention of different economic groups can be kept focused on a general enlargement of everybody's income, one need not have major political disagreement in the community. Discord enters when economic expansion ceases and each group struggles desperately to enlarge its share of a stationary or falling national income.

10 *Labor's Monthly Survey*, January 1947, p. 4.

11 L. G. Reynolds, op. cit., p. 431.

Observations

(Continued from page 5)

reduction of discount. Assuming that discount widens 2% with each 6% decline in the market and correspondingly narrows on the rise, the record would be:

Market Changes	Open-End Redemption Price	% Discount	Closed End— Market of Stock	Asset Value
—30%	$65	35%	$60	$93
—24	71	33	68	101
—18	76	31	75	109
—12	82	29	83	117
— 6	87	27	91	125
Present	93	25	100	133
+ 6	99	23	109	141
+12	104	21	118	149
+18	110	19	127	157
+24	115	17	137	165
+30	121	15	147	173

This clearly shows the reason for the fears of those who are wary of being caught in the scissors of declining markets and rising discount. A decline of only 12% in the assets and a rise in discount spread by 4 percentage points is sufficient to wipe out the loading charge costs and place the closed-end owner at a disadvantage *insofar as realization of assets is concerned.* On the other hand, in the rising market the closed-end stockholder has, of course, considerable leverage in his favor. Also to a permanent stockholder the advantage of larger working assets and dividend returns in closed-ends continues and is even slightly enhanced in declining markets.

This example illustrates the advantages and disadvantages of the two types of stocks. It can be said that open-end issues are particularly suitable to investor who wants absolute marketability. On the other hand, the permanent investor who wants a good return without loss of potential appreciation in rising markets the closed-ends at a discount are definitely more attractive. This assumes that choice of issue can be made of equal quality of management.

Unions Are Uncontrolled Monopolies: King

(Continued from page 10)

the gross national product. Obviously, when workers are idle, the national product will fall. But why do workers become idle? Simply because the labor monopolies set wage rates higher than the existing volume of new spending power will justify.

Factors Determining the Volume of Employment

Strangely enough, the whole relationship of employment volume to gross new spending power is capable of an ultra-simple mathematical demonstration. All that is necessary is to subtract $2½ billion from our nation's gross new spending power for the month. Take 14.4% of the remainder. That gives the total wage bill for the month in all of the factories of the United States. The last column of Table VI shows how close this simple formula comes to giving the correct answer, despite the presence of a multitude of interfering factors.

Obviously, if one divides the total factory wage bill by the average hourly wage rate for all factories, the quotient will be the total number of hours of employment. It follows that, the lower the wage rate, the more will be the hours of work performed—and *vice-versa.*

Why Unemployment Has Risen in 1949

A glance at Chart IV shows that, during the early part of 1949, the actual average factory wage rate was above the rate which would give full employment, hence unemployment rose sharply. Recently, however, an improvement in gross new spending power has lessened the excess of the actual wage rate over the rate which would give full employment, and there seems to be a tendency for unemployment to diminish.

In May, 1949, actual average hourly earnings of factory workers stood at $1.38. Had the rate been reduced to $1.31 the effect would have been to restore full employment rather promptly. But the leaders of the great labor monopolies did not then, and still do not, show the slightest interest in keeping wage rates at a level which will keep everyone employed.

Instead, they have been pressing with utmost vigor for a wholly unwarranted fourth round of wage increases.

If gross new spending power should continue to decline, it seems almost certain that the monopoly leaders would prevent the necessary downward wage adjustments, and thus would cause a repetition of the chronic employment for which they were primarily responsible during the decade of the 1930's. As I have shown in Table VI of my book "The Causes of Economic Fluctuations" (published by Ronald Press), on the average, during that whole decade, unemployment cost the people of our nation one-sixth of their total potential income. This was the result of pricing labor out of the market. And for this overpricing, prime responsibility rests upon the great labor monopolies which controlled wage rates.

What Is Now Sound Policy?

Sooner or later, we are all too likely to be faced with another great shrinkage in demand like that characterizing the 1930's. If and when this occurs, do you feel that it is sound policy to leave in the hands of the labor leaders power to paralyze the nation's industries? Would it not be wiser to recognize the fact that labor leaders are no more paragons of virtue than are captains of industry, and that hence both should be treated alike? When the leaders of a powerful pressure group persistently advocate policies inimical not only to the public at large but to their own followers, and when they attempt by threats to dictate the actions of our elected representatives and officials, is it not, indeed, time for Congress to clip the wings of these would-be dictators? Ought not Congress to pass legislation forbidding combinations or organizations of any kind to push prices of either commodities or labor above the levels which competition would determine? Is it not desirable to prevent any group from interfering with freedom of contract? Do you feel that Congress should continue to allow any class the special privilege of preventing honest American citizens from working where they please, when they please, and on what terms they please? In brief, is it not high time to reestablish in our nation economic freedom and equality before the law? These are the questions which I leave with you for your thoughtful consideration.

Farm Price Support—Step Toward Nationalization

(Continued from page 13)

in its operation, and there are things about it that we would like to correct. Yet it is the mechanism that guides the flow of resources, and when we get far away from it we leave a free society. I think that is almost axiomatic. If we try to set the price too low, as we did during the war when we said to the grocer in our home town, "It is going to be a crime to sell ham for more than 50 cents a pound," then we have to devise some other way of deciding who gets the ham. We devise a new type of ration ticket.

You know we always ration goods in our society. We ration today. We use this kind of ration ticket today (holding up a dollar bill). You have a few of them—not too many. We ration everything we have today. I would like to ride in a Cadillac but, as a college profressor, I am rationed out of that market, I drive a Chevrolet.

We always have used this kind of ration ticket, except during the war when we said we were going to keep prices below their competitive level, and then we devised a new kind of ration ticket. It was a little red fibre ticket that the government issued. When the housewife went to the store, she never asked how many cents per pound or how many cents per can; she always asked, "How many points per pound?" The cents were incidental, you see.

Artificial Prices and Controls Are Siamese Twins

Whenever we get the price too low, we must control on the demand side of the market. By the same token, when we get price too high, we must control on the supply side of the market. It is inevitable. These are the Siamese twins of agriculture—artificially high prices and rigid controls. They cannot be separated. This principle is so fundamental it is almost axiomatic. If this is what Farmers in America want, I am for them, but I want them to be sure to understand that if they take the one they must also take the other. They go together.

The same principle holds in the agricultural processing and distributing fields. In England those functions are absorbed almost completely by the government, and I think they ultimately will be here if we choose to follow the pattern outlined in the Brannan Plan.

All I am saying, then, is that price performs a vital and necessary function, sometimes unsatisfactorily and sometimes inadequate, but nevertheless, if we are going to throw it overboard, the alternative is government supervision of production and distribution with somebody in Washington deciding who gets what and who produces what.

Conflicts in Present Agricultural Program

Just a few words about the conflict in the philosophy of agricultural programs at the present time. A year ago this month the United States Congress adopted a so-called long-range farm program which was to replace the wartime system of price supports that expired last Dec. 31. The new farm program was to have taken effect Jan. 1, 1950—next Jan. 1—but the day after the election last Fall the sharpshooters began getting out their guns saying, "We are going to amend this long-range farm program." That was a year and two months before it was to take effect. The main effort was directed at putting back into the farm program some of the high price supports and various other things that prevailed during the war.

What is in the new farm program? I want to touch briefly on just two things. First, it provides for modernization of the parity concept. You people in rural communities know about parity. The farmers' Bible now reads, "Thou shalt cherish faith, hope, and parity, and of these the greatest is parity." It will lower somewhat the parity price on feed grains and certain fibres and it will raise somewhat the parity price on livestock, on dairy products, on poultry, on certain fresh fruits and vegetables. It will encourage the conversion of feedingstuffs into meat, milk and poultry. If we encourage expanded livestock and dairy production, we need not worry about crop surpluses, except in certain areas such as the cotton-producing areas; and even here the pressure will be to shift into livestock and dairy production.

The second thing the Aiken-Hope farm bill does is to provide for a flexible system of price supports—something I think we should strive to maintain. It provides that if we have a large supply of any particular commodity, the price support will drop somewhat. For basic commodities the price support can go as low as 60% of parity. If we have a small crop, the price support will be raised to 90% of parity—but if we have a small crop, prices always go up anyway and price supports won't be operative. The plan basically recognizes that if we have a lot, we must set the unit price a little lower which will do two things—it will encourage added consumption and it will discourage the further aggravation of the supply situation. That is a sound provision.

Powerful forces are struggling in Congress now, trying to get a flat 90% of parity price support across the board, regardless of size of crop, except, of course, we cannot do that without also ultimately having production and marketing controls. Opposing this drive are the two top farm organizations in America today, the American Farm Bureau Federation and the National Grange. They have taken positive stands to retain the flexible price support provision which is to go into effect Jan. 1, 1950, if we don't change the law.

A Unique Situation

We have a unique situation in America today. We have the two top farm organizations—pressure groups, if you will, selfish groups, if you will—going to Congress saying essentially, "Don't give us quite so much money," and Congress saying, "Doggone you, I am going to give it to you anyway." It is a very unique situation in American history. It is one I never expected to see. Ordinarily, the pressure group says, "Give me more," and Congress says, "I will give you less," but now we have the two top pressure groups in agriculture saying essentially, "Give me less," and Congress saying, "I am going to give you more." It is hard to understand.

What are our alternatives? Why do the Farm Bureau and the National Grange take that stand? They take that stand not because they want the farmers of Virginia to get lower prices for things they sell, not because they want the farmers of Virginia to have a lower standard of living; they take that stand because they want to preserve for the farmers of Virginia, and of 47 other states, freedom to manage their farms the way they want to manage them, freedom to grow what they want to, where they want to and when they want to, freedom to sell what they want to, where they want to and when they want to. They want to preserve for the farmers of this country freedom from the necessity of selling like I saw in England, where the only place you can sell wheat is to a government wheat collecting station and the only place you can sell eggs is to a government collecting station, and so on down the line. They want no part or parcel of that. It takes courage on the part of the leaders of our farm organizations to take that stand when not every member of their organization understands why they take such a position. I think they deserve your support as they fight this battle in the days ahead—even with our Secretary of Agriculture coming out with a plan that promises all things to all people except the taxpayer, whom, of course, he has very studiously avoided mentioning in his plan.

Price Supports Lead to Production Controls

Some people say we can have these high price supports and don't have to worry about controls, but let us not deceive ourselves. First, we will have acreage allotments; but the American farmer is a rather ingenious person. We had acreage allotments before the war too. I might illustrate in Indiana, where the corn acreage was reduced to some 75% as much as farmers grew in the last five years, or whatever it was. So farmers cut their corn acres down. We then called the County Agents and farm leaders to a conference at Purdue University and said in effect, "We have developed a new strain of hybrid corn that out-produces anything we now grow. If you will fertilize it right, and plant it this way and cultivate it correctly, we believe we can outsmart this control business." Do you know what our farmers did? They did produce more on fewer acres than ever before, and so did you farmers in Virginia. And I take my hat off to them for doing it.

Then someone told our farmers that we had developed some new pasture mixtures and new grasses to put on those acres taken out of grain production and that if they got the right kind of livestock they could produce about as much as before on the acres that used to be in corn. Our farmers did just that, and so did you farmers in Virginia. I congratulate them for it, because we want to live in a growing, expanding America where we do produce more efficiently all the time.

The Effect of Brannan Plan

All I am saying is that under a system of high price supports and restricted output, we will first have acreage controls, and when they fail we will have marketing quotas. You now have marketing quotas on tobacco in this state. They work fairly well with tobacco since we have a limited area where it can be produced. If we adopt the Brannan Plan, we will also have them on corn, on wheat, on cotton, clear across the board, and on livestock, too. They will be inevitable, I think. Farmers will get a little card to be punched when they market their produce, and when the card is punched out they will quit selling, except as they find an outlet on the black market. We have had some experience with that, too.

Hurrying on, that brings me to a discussion of what we can do about it. Are we going to continue the kind of silly things we have been doing? We spent, to get rid of the 1948 potato crop in this country, over $200 million buying U. S. No. 1 potatoes off the market and destroying them so you and I could pay more for the No. 2 potatoes that showed up in the retail stores; and today, in this last week of June, we are spending a million dollars a day buying low quality eggs out in my state and further west and putting them through dehydrating plants, even though we have so many dried eggs now that we don't know what to do with them. It just doesn't make sense. I could go on and quote illustration after illustration. I don't have time. However, it is one of those things we must be realistic about.

What are we going to do about it? You and I are influential people. We influence the thinking of a lot of people. The chance remark we may make is repeated by more people than we appreciate. Your job and my job is adult education in this great democracy of ours. We must raise the level of economic literacy of the electorate. Only as we can influence the sound thinking of the people around us are we going to have sound government and sound governmental programs in this country. This process involves adult education as well as the education of our youth. Education is a never-ending process. We must apply our best talents continuously. Let us recognize that. Let us do a rational job of it.

You bankers were in the doghouse 15 years ago. You are not completely out of it yet, as some of you told yourselves this morning. You are business people; you are financial people; you are a group that has not been in political favor, and it will continue to be politically popular to persecute you. You simply must recognize this, and must be subtle and tactful in your attempts at adult education in your communities; nevertheless, you can do it and you must work at it.

Urges Flexible Price Support Program

Let us press for a flexible farm price support program, free from individual controls. Let us be careful in agriculture, and in other industries, too, that we don't price ourselves out of the market. If we put the price too high, we can price our product out of the market. Let me illustrate in the case of potatoes. In 1948, with the government spending over $200 million to keep potato prices high, the U. S. per capita potato consumption dropped 15 pounds in one year. Why? We are pricing ourselves out of the market. Consumers have learned to eat something else. That's the way the American buying public reacts to that kind of tomfoolery.

I think you know what I mean when I talk about pricing ourselves out of the market. Have any of you people hired a plumber recently? I needed one a couple of years ago. He came out to the house to fix a little leak in the bathroom. He loosened the stool and took it up—he and the apprentice. The apprentice had only been an apprentice for two years. He had learned how to hand the plumber a wrench but he didn't know which way to turn it yet. He only got a dollar and a quarter an hour. The plumber, of course, was better paid. They loosened the stool and took it up and said, "We will be back tomorrow and get a carpenter to take up the floor." I said, "What?" I really said more than that. I told them to sit down while I took up a little floor myself. It didn't take long. They made a couple of trips back and forth to the shop, and finally got this little job done. In a few days I got my bill—$49—$7 for material and $42 for labor. I turned to Mrs. Butz and said, "Well, the clerk made a mistake in making out the bill." I went to the office and said to the clerk, "You must have made an error in making out this bill." She said, "No, I didn't. I am ashamed to send out those bills. I charged you exactly what we paid the plumber and his apprentice. We made nothing on it. The rate per hour wasn't so bad but they took too long to do the job."

That was my error, so I paid the bill. However, on the way home I stopped at the hardware store and bought myself two pipe wrenches and a hacksaw; I am now a plumber. I make my highest wages when I plumb. Those men have priced themselves out of little jobs around my house, as they have taught me how to plumb.

By the same token, It is not too hard for others to price themselves out of the market. It is not too hard for agriculture to price itself out of the market. Let us get close to Virginia and illustrate with cotton. Before the war we exported about half of our cotton crop. In the 1930's we decided we were going to raise the price and make those foreigners pay for it. Then someone discovered that cotton grew pretty well in Brazil and Egypt. As a result, we have permanently lost our export market for cotton, except as we give it away under the Marshall Plan—and we'll stop that some of these days. Then we decided to keep the price of cotton high for domestic consumers, with the result that it was the greatest thing that ever happened to the rayon and nylon industries in this country. We are that kind of people.

Let us not price ourselves out of the market. It is so easy to do in every industry, in agriculture, and even in banking. Let us keep America working together, producing together, consuming together. Let us recognize that we are a growing nation, not a mature country. We are a young nation as nations go. Let us worry more about expanding our markets than curtailing our output. Do you know that in the last 10 years the population of America has increased 19,000,000 people, one and one-half times the entire population of Canada? We have a tremendous potential market for food right in our own back yard. And if the signs I see in our veteran's village at Purdue University mean anything, our population is going to increase 19,000,000 more in the next 10 years.

Let us get that philosophy across in our communities. It is going to take some work. It is going to take some education. We must return somehow to the philosophy in this country of an honest day's work for an honest dollar. We must induce every group, whether it be agriculture, industry, management, finance, labor, or what-not, to recognize that prosperity does not consist of what we can gouge out of each other. Production is wealth. Wealth consists of goods — not gold, of services—not silver. Only as we have a full flow of goods and services from farm and factory, from management and labor, are we a wealthy country. Our crying need today is to get that basic concept across to 150,000,000 Americans. We must strive for expanded consumption and not for curtailed output. We must abandon the illusion we have been chasing that we can get more by producing less. We can only get more by producing more. In that way and in that way alone, will we be a healthy, prosperous nation.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• **Ajax Mining & Oil Co., Grand Junction, Colo.**
Aug. 19 (letter of notification) 315 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To acquire mining and oil properties. **Office**—838 Grand Avenue, Grand Junction, Colo.

• **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.

• **Associated Grocers Co-op, Seattle, Wash.**
Aug. 19 (letter of notification) 2,000 shares of common capital stock. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—1916 Occidental Avenue, Seattle, Wash.

• **Automatic Coffee Service, Inc., Phila, Pa. (8/29)**
Aug. 19 (letter of notification) 2,000 shares of no par value. **Price**—$100 per share. **Underwriter**—None. **Proceeds** — To purchase coin-operated vending machines, equipment, real estate, etc. **Office**—1947 North Howard Street, Philadelphia.

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.

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.

• **Carolina Power & Light Co., Raleigh, N. C.**
Aug. 23 filed 30,000 shares of $5 preferred stock (no par value) and 200,000 shares of common stock (no par value). **Offering** — Terms to be filed by amendment. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, of New York, and R. S. Dickson & Co., Inc., Charlotte, N. C. **Proceeds**—For construction.

• **Central Detroit Warehouse Co., Detroit, Mich.**
Aug. 16 (letter of notification) 115,839 shares of common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To pay a $75,000 mortgage owing to the Michigan Central RR. Co. and the New York Central RR. Co. and a $30,000 note owing to Warehouse and Terminals Corp. **Office**—1627 W. Fort St., Detroit, Mich.

• **Colonial Acceptance Corp.**
Aug. 15 (letter of notification) 60,000 shares of convertible cumulative class A common stock (convertible into common share-for-share). **Price**—$5 per share. **Underwriters** — Sills, Fairman & Harris; Straus & Blosser; Mason, Moran & Co.; and The Marshall Co. **Proceeds**—To increase net worth and working capital.

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**
Aug. 16 (letter of notification) 200 shares of common stock (par $1), at $13.87½ per share, to be sold to Armand F. Dufresne, Pasadena, who will sell them to Hopkins, Harbach & Co., Los Angeles, for public offering at the market price. **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.

• **Convertible Television, Inc., N. Y. City (8/26)**
Aug. 19 (letter of notification) 300,000 share of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—George J. Martin Co., New York City. **Proceeds**—To pay debt, for additional equipment, etc. and for working capital. **Office**—630 Fifth Avenue, New York 20, 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.

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.

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. (9/13)
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 Securities Corp. (jointly); First Boston Corp. **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.

• **Gold Crown Mining Corp., Reno, Nev.**
Aug. 19 (letter of notification) 150,000 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds**—For developing gold properties. **Office**—Gazette Building, Reno, Nev.

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**—To improve properties, etc.

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.

• **Hancock Oil Co. of California**
Aug. 15 (letter of notification) 160 shares of class A common stock. **Underwriter** — Akin-Lambert Co., Los Angeles, Calif. **Proceeds**—To pay off fractional stockholders in cash for stock dividend issued.

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.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 180,000 shares ($10 par) common stock to be offered at $10 per share and 20,020 shares to be issued in exchange for $170,200 first mortgage bonds. **Underwriter**—Tom G. Taylor & Co., Missoula, Mont. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

• **Illinois Wyoming Oil Co., Chicago, Ill.**
Aug. 15 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—Leason & Co., Chicago. **Proceeds**—To lease oil and gas properties from the State of Wyoming. **Office**—39 So. La Salle Street, Chicago, Ill.

• **International Petroleum Corp., Spokane, Wash.**
Aug. 9 (letter of notification) 500,000 shares of common stock at 10 cents each. **Underwriter**—None. **Proceeds**—To drill for oil and gas and to secure equipment. **Office**—223 Rookery Bldg., Spokane 8, Wash.

• **Interstate Indemnity Co., Los Angeles, Calif.**
Aug. 18 (letter of notification) 15,000 shares of capital stock (par $10). **Price**—At $20 per share. **Underwriter**—None. **Proceeds**—To start insurance business. **Office**—1540 Wilshire Boulevard, Los Angeles, Calif.

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** — To purchase additional plant facilities, tools, dies, jigs, etc.; the balance for working capital.

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.

• **Lake Paupac Corp., Philadelphia, Pa.**
Aug. 16 (letter of notification) 500 shares of capital stock (no par value). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For working capital, payment of indebtedness and development of Lake Paupac property. **Office**—1035 Land Little Bldg., Philadelphia 10, Pa.

• **Lexa Oil Corp., Denver, Colo.**
Aug. 19 (letter of notification) 1,200,000 shares (par one-cent). **Price**—25 cents per share. **Underwriter**—Tellier & Co., New York, N. Y. **Proceeds**—For drilling wells and for working capital. **Office**—229 Cooper Building, 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.

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NEW ISSUE CALENDAR

August 26, 1949
Convertible Television, Inc.____________Common
Trion, Inc. ____________________________Preferred

August 29, 1949
Automatic Coffee Service, Inc.__________Common

September 8, 1949
Chicago Rock Island & Pacific RR.,
Noon (CDT) ____________________Equip. Trust Ctfs.

September 12, 1949
Louisville Gas & Electric Co. (Ky.)______Common
Oklahoma Gas & Electric Co.____________Common

September 13, 1949
Gas Service Co.__________________________Bonds

September 14, 1949
Indiana Harbor Belt RR.____________Equip. Trust Ctfs.

September 20, 1949
Wisconsin Public Service Corp.___________Bonds

September 21, 1949
New York Central RR.__________Equip. Trust Ctfs.

October 4, 1949
New York, Chicago & St. Louis RR..Equip. Tr. Ctfs.

October 10, 1949
Utah Power & Light Co.__________________Bonds

October 11, 1949
Arkansas Power & Light Co.______________Bonds

October 13, 1949
Texas & Pacific Ry._____________Equip. Trust Ctfs.

(Continued from page 35)

Langley & Co. (jointly). Proceeds—To be applied toward Standard's corporate indebtedness.

MacFarlane's Candies, Oakland, Calif.
July 18 (letter of notification) 9,545 shares ($1 par) common stock. Price—$9 per share. Underwriter—Stephenson, Leydecker & Co., Oakland, Calif.

● Managed Funds, Inc., St. Louis, Mo.
Aug. 17 filed 1,000,000 shares of one-cent par value capital stock. Price—At market. Principal Underwriter—Slayton & Co., Inc., St. Louis.

● Matheson Co., Inc., East Rutherford, N. J.
Aug. 16 (letter of notification) 3,000 shares of non-convertible 6% cumulative preferred stock (par $20) and 600 shares of common stock (no par value). Price—At $100 per unit of five shares of preferred stock and one share of common stock. Underwriters—Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security & Bond Co., Lexington, Ky. Proceeds—To erect a chemical plant and for general corporate purposes. Office — 337 Paterson Plank Road, East Rutherford, N. J.

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 5½% 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.

● Midway Enterprises, Inc., San Francisco, Calif.
Aug. 17 (letter of notification) 168,500 shares of capital stock, at $1 per share. Underwriter—None. Proceeds—For expansion. Office—1064 Mills Building, San Francisco, Calif.

● Minnesota Fund, Inc., Minneapolis, Minn.
Aug. 22 filed 1,000,000 shares of common stock (one-cent par value each). Underwriter—Minneapolis Associates, Inc. Business—Company is a diversified open-end management investment company.

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.

● National Exhibitors Film Corp., N. Y. City
Aug. 19 filed 100,000 shares of no par value common stock. Price—at $100 per share. Underwriter—None. Proceeds—To finance production of motion pictures by others and to provide materials and talent services. Business—To boost the supply of films available for the exhibitors who are expected to buy this stock.

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.

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.

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.

● Paris Baths, Inc., Seattle, Wash.
Aug. 11 (letter of notification) 246 shares of common stock. Price — At par $500 per share. Underwriter — None. Proceeds—To construct 12 stainless steel bath tanks and fixtures at race tracks to give the Paris Bath treatment to horses. Office—802 Hoge Building, Seattle, Wash.

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.

● Pittsburgh-Des Moines Co., Pittsburgh
Aug. 22 (letter of notification) from 1,000 to 3,000 units of stock to employees and those closely affiliated with the business affairs of company and Pittsburgh-Des Moines Steel Co., a unit consisting of one share of Pittsburgh-Des Moines Co. common stock, without par value, and one share of beneficial interest in the steel firm's Employees' Trust Fund. Price — Will probably range from $70 to $80 per unit. Underwriter—None. Proceeds—For working capital and plant expansion. Offering—Expected Sept. 1, 1949 and continuously thereafter, but not to exceed 3,000 units annually. Office—Neville Island, Pittsburgh 25, Pa.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. Price—50 cents per share. Underwriters—S. G. Cranwell & Co., New York. Proceeds—For administration expenses and drilling. Statement effective June 27.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). Underwriting—None. Offering—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. Proceeds—To pay balance of current liabilities and working capital.

Resort Airlines, Inc., Southern Pines, N. C.
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. Underwriter—Marx & Co., New York. Price—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service. Expected in September.

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 to 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.

● Rocky Mountain Kennel Club, Colorado Springs
Aug. 15 (letter of notification) 966 shares of preferred stock (par $100) and 2,950 shares of common stock (no par value). Price—Preferred at par and common at $1 per share. Underwriter—None. Proceeds—For club house, grand stand, kennels, race track, equipment and working capital.

St. Regis Paper Co., New York
Aug. 8 filed 860,000 shares ($5 par) common stock. Offered—Offered by Eastern States Corp., Baltimore, owner of 1,000,000 shares, in exchange for outstanding securities of Eastern States. For each of the 40,000 shares of Eastern States series A $7 dividend preferred stock, 9 shares of St. Regis and $4.79 is offered; for each of the 60,000 shares of Eastern States series B $6 dividend preferred, 8⅓ shares and $4.43 is offered.

Sierra Madre Mining Co., Spokane, Wash.
Aug. 2 (letter of notification) 400,000 (25¢ par) non-assessable common shares. Price, par. Underwriter—Alvin William Mackey, Spokane. To develop and operate mining properties. Office, 711 Hutton Building, Spokane, Wash.

Silver Bell Mines Co., Denver, Colo.
July 27 (letter of notification) 20,000 shares of capital stock to be offered by Edward G. O'Brien and 20,000 by Eugene J. Nord. Price—$1.10 each. Underwriter—E. W. & R. C. Miller & Co., Philadelphia.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. Price—$1 per share (U. S. funds). Underwriting—None. Proceeds—Funds will be applied to the purchase of equipment, road construction, exploration and development.

● Trion, Inc., McKees Rocks, Pa. (8/26)
Aug. 19 (letter of notification) 40,000 shares of 5% cumulative preferred stock (convertible into common stock, share for share, on or before Aug. 1, 1959). Price—At par ($5 per share). Underwriter—Graham & Co., Pittsburgh, Pa., and New York. Purpose—To pay bank loans, etc., and for additional working capital.

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. (10/10)
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.

● Van Camp Sea Food Co., Inc., Los Angeles
Aug. 22 filed 125,000 shares of common stock (par $2). Offering—Of the total, 25,000 shares are to be sold by the company to stockholders at the rate of one new share for each 16 now held, and 100,000 shares are to be offered by five stockholders. Expected in September. Underwriters—White, Weld & Co., New York, and William R. Staats Co., Los Angeles. Proceeds—From sale by company to be added to general funds.

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.

● Wellington Fund, Inc.
Aug. 15 filed 2,000,000 shares of common stock (par $1). Price—At market. Underwriter—W. L. Morgan & Co. Proceeds—For investment.

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 Arkansas Telephone Co., Russellville, Ark.
Aug. 16 (letter of notification) 1,000 shares of 6% cumulative non-participating preferred stock (par $100 per share). Underwriter—Lewis W. Cherry Co., Little Rock, Ark. Proceeds—To pay indebtedness for equipment and supplies.

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.

● Wisconsin Public Service Corp. (9/20)
Aug. 19 filed $4,000,000 first mortgage bonds, series due Sept. 1, 1979. Underwriters—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Goldman, Sachs & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co. and Central Republic Co. (jointly); Shields & Co.; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., Inc. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. Proceeds—To repay bank loans and for construction. Bids—Bids for purchase of the bonds will be received by company at Room 1100, 231 So. La Salle Street, Chicago, Ill., some time in September.

Prospective Offerings

Alabama Power Co.
July 28 reported company may sell $80,000,000 of bonds to refund its first mortgage 3½s, due 1972. Investment banking groups reported as preparing to compete for a possible new issue include: Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

American Gas & Electric Co.
July 27 reported four investment banking groups are forming syndicates to submit competitive proposals for the underwriting of company's proposed offering of 500,000 additional common shares. The groups are: Union Securities Corp.; The First Boston Corp.; Dillon, Read & Co. Inc.; Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly). The shares will first be offered, about Oct. 1, for subscription by company's stockholders, in the ratio of one new share for each nine held.

Appalachian Electric Power Co.
July 23 reported company expects to sell, probably after the turn of the year, $30,000,000 in new first mortgage bonds. Probable bidders include: Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.; Halsey Stuart & Co. Inc.

Arkansas Power & Light Co. (10/11)
June 29 reported company plans sale of $8,700,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.

● **Central Hudson Gas & Electric Corp.**
Aug. 11 requested SEC authorization to issue and sell $6,000,000 of convertible debentures. **Probable bidders:** Union Securities Corp, Salomon Bros. & Hutzler and Spencer Trask & Co. (jointly); First Boston Corp.; Drexel & Co.; White Weld & Co.; W. C. Langley & Co.; Harriman, Ripley & Co.; Shields & Co. Expected early in November. **Proceeds**—For retirement of short-term loans incurred for plant construction.

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, Rock Island & Pacific RR. (9/8)**
The company will receive bids up to noon (CDT) on Sept. 8, in Room 1136, La Salle Street Station, Chicago, Ill., for its proposed offering of $3,552,000 equipment trust certificates, series F, to be dated Oct. 1, 1949, and mature in 24 equal semi-annual instalments of $148,000 each, beginning April 1, 1950, and ending Oct. 1, 1961. Probable bidders—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly). No bid for less than 99 will be considered.

Cuba, Republic of
Aug. 4 Havana official circles confirmed reports that the Cuban Government is negotiating for the sale of approximately $100,000,000 of bonds in the United States to finance a comprehensive program of public works. It was stated that $40,000,000 of the loan will be obtained this year, $30,000,000 in 1950 and $30 000,000 in 1951. Out of the first instalment of the loan, Cuba would repay $6,000,000 of the $25,000,000 loan obtained from the Export-Import Bank in 1941. The First Boston Corp. was mentioned in reports as a principal in the negotiations.
Press dispatches from Havana, Aug. 9, however, stated that Cuban banks have notified the government that they are willing to underwrite a government bond issue of $35,000,000 with option to subscribe to $32,500,000 in each of two succeeding years.

El Paso Natural Gas Co.
Sept. 12 stockholders will vote on authorizing a new issue of 200,000 shares of second preferred stock (no par) issuable in series. It is understood that 65,000 shares of the stock will be issued in the first series. Of these, 50,000 will be offered to holders of $5,000,000 of the company's convertible debentures. The remaining 15,000 shares would be sold for about $100 a share. Traditional underwriters: White, Weld & Co. and Stone & Webster Securities Corp.

● **Gulf States Utilities Co.**
Aug. 23 reported company may issue within the next few months $10,000,000 "new money" first mortgage bonds (instead of between $6,000,000 and $7,000,000 previously reported). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White Weld & Co. (jointly); Stone & Webster Securities Corp.

● **Gulf States Utilities Co.**
Sept. 27 stockholders will vote on issuance of 60,000 shares of a new series of preferred stock (par $100). It is planned to place this issue privately with several insurance firms. Proceeds will be used to finance a portion of the 1949 construction program.

Hartford Electric Light Co.
Aug. 31 stockholders will vote on creating an authorized issue of 300,000 preferred shares (par $50). Company proposes to register with the SEC 160,000 shares. Proceeds will be used to finance company's construction program. Probable underwriter: Putnam & Co.

● **Indiana Harbor Belt RR. (9/14)**
The company will receive bids on Sept. 14 for $2,970,000 equipment trust certificates, to mature annually on Sept. 15 from 1950 to 1964, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman, Ripley & Co., and Lerman Brothers (jointly).

Indianapolis Power & Light Co.
July 23 reported company may be in market in September with a $32,000,000 bond issue, the proceeds to refund outstanding 3¼s. Probable bidders include: Halsey, Stuart & Co. Inc.; Lehman Brothers; Goldman, Sachs & Co. and The First Boston Corp. (jointly); Blyth & Co., Inc.; W. C. Langley & Co. and White, Weld & Co. (jointly).

Iowa-Illinois Gas & Electric Co.
Aug. 8 reported company may be in market in September-October with $10,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co., Union Securities Corp.; and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.

Iowa Power & Light Co.
Aug. 4 reported company may be in the market this year with $7,500,000 first mortgage bonds and $3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co., and Union Securities Corp. (jointly); The First Boston Corp.; Glore, Forgan & Co., and A. G. Becker & Co. (jointly); Harriman Ripley & Co.

● **Johnson & Johnson**
Sept. 7 stockholders will vote on increasing the authorized common stock by an additional 200,000 shares, $12.50 par value.

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. and Merrill Lynch, Pierce, Fenner & Beane (jointly); 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. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & 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 Central RR. (9/21)
July 30 stated that company is expected to sell at competitive bidding about Sept. 21 an issue of $9,120,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers.

New York, Chicago & St. Louis RR. (10/4)
Aug. 23 reported the company expects to sell at competitive bidding $3,360,000 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.**
Stock unsubscribed for by stockholders under stock purchase warrants which company plans to issue, will be publicly offered at a price not below $1 per share. Stockholders are to receive rights to purchase two new shares for each share held at par.
On Aug. 29 stockholders will also vote on granting the management authority to mortgage any or all of the property of the company for not less than $1,000,000, nor more than $3,000,000.

● **Northern Indiana Public Service Co.**
Aug. 15 it was announced that part of the $12,237,914 still needed to complete the company's construction program will be obtained through the sale of $12,000,000 of additional securities. Company believes that a substantial part if not all of such funds will be raised by the issuance and sale of bonds, notes, or other securities having priority over the common stock.

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).

● **Texas & Pacific Ry. (10/13-14)**
Aug. 23 reported that company is planning issuance and sale of $2,130,000 equipment trust certificates, series G. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & 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).

● **Washington Water Power Co.**
Company contemplates permanent financing in the year 1950. Net proceeds are to be used to repay bank loans.

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. and W. C. Langley & Co. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly).

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 and White, Weld & Co. (jointly); Stone & Webster Securities Corp. and Lehman Brothers (jointly); First Boston Corp. Refunding operation, however, not being considered by company at the present time.

A Program to Encourage Investments Abroad

(Continued from page 7)
ceive higher priority than the remittance of the income from their investments.

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

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

This government can also help by supplementing these assurances to investors through the issuance of guaranties with respect to private United States investments abroad. This is the particular point to which H.R. 5594 is addressed. This proposed legislation would authorize the Export-Import Bank to guaranty United States private capital invested abroad against the risks peculiar to foreign investment. These risks might include (1) the inability to convert earnings in foreign currencies, or other amounts received in connection with the foreign investment, into United States dollars; (2) the expropriation of the investors' property by a foreign government without prompt and adequate compensation, and (3) physical destruction of property incident to international war. Guaranties may perhaps be issued against the non-convertibility of local currencies to begin with and later be extended to cover other risks if the situation seems to warrant it.

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

Too Powerful Labor Unions —Threat to Our Democracy

(Continued from page 14)

tively. Of these issues the most significant is the wage rate which is usually the most important element of cost for all of the firms involved. The objective, as far as labor is concerned, is to equalize this cost as rapidly as possible throughout the industry, thus exempting the workers from the requirement to compete which is expected of management and the suppliers of capital.

Industry-wide bargaining is just beginning in the United States. In most of our mass production industries we have reached a halfway position. National unions bargain with the individual employers on a plant-by-plant basis, or on a company-wide basis, and occasionally on a local area basis, as in San Francisco. This method of bargaining permits the national union to tap the wages of the workers in all the unstruck plants for the sinews of its war against the plant or plants singled out for attack. The latter are at a serious disadvantage. They stand to lose business to their competitors and they know that the ability of the national to provide generous strike benefits for an indefinite period precludes any early settlement or terms that they would regard as reasonable. Once the victory is won the national union puts the squeeze on the other plants in the industry. Foreign experience shows that this type of "pattern" bargaining finally induces the independent companies to join forces and to enter into industry-wide bargaining in the sense defined above.

We in the United States have not yet had much experience with this type of bargaining. A study of foreign experience plus a little common sense will indicate what we may expect. As I remarked a moment ago, there are at least seven objections to this type of bargaining.

1. Excessive Concentration of Power—Industry-wide collective bargaining puts a degree of power in the hands of union leaders such as no giant corporation possesses or would dare to exercise if it did. I do not believe that men can possess power without using it. I do not believe that power such as this can be used wisely. In 1945, the Supreme Court held in the case of the American Tobacco Company that the mere existence of powers substantially less than those of any great national union warranted Federal action to check possible abuses even though the power has not in effect been used. In this case, however, the power not only exists; it has been used repeatedly in the last 15 years at great cost to the community.

This, to my mind, is the first and greatest objection to industry-wide collective bargaining.

2. Promotes Cartelization — I have already indicated why competitive firms in an industry are not likely to be satisfied with the type of "pattern" bargaining that is now widely practiced. When a single union gets control of all or most of the workers in an industry the independent firms really have no choice but to form an association and authorized individuals chosen by them to negotiate for all of them on matters of wages and conditions of employment. Once they have to accept common standards for their most important single element of cost the temptation to agree upon price and market policies will be very strong. It seems to me quite clear that government approval or even toleration of industry-wide collective bargaining is going to defeat the government's efforts to enforce Anti-Trust.

This is my second objection: Industry-wide collective bargaining is almost certain to promote cartelization of American industry.

3. Promotes Collusive Labor-Management Monopoly — Firms agreeing to negotiate through an association expect to increase their bargaining power and get a better deal from the national union than they can get by bargaining separately. Full fledged industry-wide bargaining would thus appear to be in the consumers' interests. European experience, however, shows that this is not so, and a little reflection reveals the reasons.

Business firms don't like competition any better than the workers like it. The majority of the firms at the labor management bargaining table can be easily persuaded to accept common labor standards that are admittedly too high for an important minority of the firms. These may be young and growing firms located in small communities where the dearth of employment opportunities permits them to attract the cream of the local labor supply at rates appreciably below those which old, well-established firms are obliged to pay. If the growth of these troublesome smaller firms can be checked, still better; if they can be forced to liquidate, life for the survivors will be a lot easier. They can afford to accept a fairly high wage standard, if it forces out this troublesome fringe, because they can then pass on the costs to the consumers. This is the line of least resistance. Public opinion approves it. Only theorists criticize firms for maintaining attractive wage standards that depend on collusive labor-management monopoly.

A Digression: British Experience

The causes for Britain's present plight are many and complicated. What I want to say here is admittedly an oversimplification, a partial explanation. But it is worth pausing to make the point.

During the 1920s industry-wide bargaining developed rapidly in Britain and was met by the formation of industrial associations. The unions and the associations agreed upon terms. These were highly favorable to the workers. Employed union workers enjoyed real wages appreciably higher than those of the decade preceding World War I, despite the fact that the country as a whole had been seriously impoverished by the struggle. This gain was in part at the expense of the unorganized workers who continued to keep their jobs and in part at the expense of those who were unable to find any jobs. Britain experienced unprecedented unemployment throughout this period. This unemployment represented an enormous waste. What might have been produced may well have approximated what was wantonly destroyed in the late war. At the end of the "twenties" Britain was staggering under two body blows —a war and almost a decade of high unemployment.

Yet life was easier than before for the firms and the workers within the protective picket fence of industry-wide collective bargaining. Domestic consumers had to foot the bill. The really serious drawback was that foreign consumers could not be brought into line. Britain was losing the foreign markets on which her very existence depended.

During the "thirties" the British Government discovered a method of bringing foreign consumers into line. But first Britain had to abandon the "free trade" position which she had defended for 80 years. This radical change in policy was not difficult to sell to a public which had come to believe that it was unreasonable to expect workers in Britain to compete with one another on the basis of wage differentials such as had previously existed between northern and southern England and between the large cities and the smaller communities. If that kind of competition were contrary to the public interest then surely it was even more against the public interest to ask British workers to compete against Belgian workers or Czech workers or Polish workers or Indian workers, who were getting much less than the lowest paid workers in Britain.

So in 1932 the Conservative Party returned to protection. This completed the delivery of British consumers to the tender mercies of Britain's labor-management monopolies but was of less than no help in protecting Britain's customary foreign markets. Devaluation represented an attempt to regain these markets. Unfortunately Britain played too big a role in international trade to be able to devalue without provoking counter-devaluations. Hence this device proved of little avail. The next step was to use the bargaining power of the British market to impose upon Britain's customary suppliers the obligation to buy British. The British Government could do this in the case of any country from which it customarily bought more than it sold. As an old creditor country it naturally had an "unfavorable" balance with quite a few countries. To them it said in effect: "In the past you bought quite a lot of our coal, our textiles, pottery, machinery, etc. Recently you have been buying in other quarters simply because prices are lower. This won't do. You can't expect to continue to sell to us unless you continue to buy from us. We'll agree to take so much of such and such of your products if you will see to it your people continue to get as large a proportion of their coal, textiles, etc., from us as they did in a representative period in the recent past." The British market was so important that country after country was forced to sign on the dotted line.

This pressure could not be brought against the governments of countries with which Britain had a favorable balance of trade. Their people could continue to buy in the cheapest markets. This meant that they very often increased their purchases from the businesses that had been hurt by the British policy and hence obliged to offer their products at lower prices. To be specific, Polish coal that was forced out of Baltic and Scandinavian markets by Britain's superior political power began to find its way to areas around the Adriatic which had formerly used only British coal. Britain thus regained her northern European markets only to lose her southern European markets. The end result was that the consumers in the Baltic and Scandinavian countries were the poorer because they had to pay more for their coal, the Polish mine owners and mine workers were poorer because they got less for their coal at the minehead, international trade was cut down and distorted and Britain sold no more coal on balance than before. International trade, however, had become the football of politics and a source of international friction instead of international amity as it tends to be when trade is allowed to move on the basis of comparative advantage.

Britain was not the only offender during this period. Our own Hawley Smoot Tariff of 1930 may well have started the stampede back to the insensate protectionism which set in during the 1930s and which contributed so much to the rise of Hitler and to World War II.

The points I am trying to make in this digression are that industry-wide collective bargaining (1) is almost certain to lead to tight labor - management monopolies that prefer to make so-called fair profits and to pay so-called fair wages by raising prices to the consumer rather than by devising new and better ways of producing; (2) that this development prices a country out of world markets and leaves its own monopolistic industries so exposed to foreign competition as to necessitate far reaching governmental interferences with international trade.

The British White Paper of March, 1949, in a bit of masterly understatement refers to these developments as "the habit of seeking stability and security rather than progress (which) has retarded the study and adoption of the best methods." The report goes on to say that British "recovery will never be complete unless we can develop a keen and adventurous spirit in management and a readiness to welcome new and improved methods of labor." (Parag. 125.)

I should like to add that when the British people voted to try out the Labor party's promises they did not register a vote of no confidence in competitive capitalism but rather a vote of no confidence in a unprogressive monopoly capitalism which had been brought into existence in part through the excessive burdens placed upon it by a strong and militant trade union movement.

4. Destroys Area Competition Within the Country — Industry-wide bargaining attacks the historic pattern of wages that has existed from colonial days down to the present and undertakes to alter it drastically and industry by industry without regard for the reasons for these differentials and with entirely inadequate understanding of the effects of sudden and marked changes in old established relations.

The historic pattern of wages in the United States showed a close relationship of wage rates to community size, rising by fairly predictable progression from the small rural town to the great metropolitan center. There were and still are regional variations in this pattern; the South on a lower level than the industrial northern and central states, and the Pacific Coast states on a still higher level because of their rich natural resources and their relatively sparse populations.

These differences in wage rates are due to the fact that labor is not completely mobile. Men simply will not move in sufficient numbers in response to differences in wage rates to bring about complete uniformity. And it is good that this is so. Nomads do not make good citizens. Fortunately this relative immobility of labor can be offset by greater fluidity of capital. Capital tends to move into areas where wage rates are relatively low, thereby increasing the ratio of capital to manpower, making this manpower more effective and hence bringing about a rise in wages that is justified and supported by the rise in productivity. If the migration of capital to low wage areas is very fast, money wages may fall in the high wage areas where most of the investment capital originates. In an expanding economy such as we have had in the United States geographical wage differentials have not had this effect. They have, however, enabled a region like the South to attract more capital than would otherwise have been possible and thus to expand nonfarm jobs at a somewhat faster rate than other parts of the country.

I shall come back in a moment to the way in which geographical differentials in wages exercise a socially wholesome decentralizing effect. Here I wish to stress the way in which they vitalize competition.

Regional and size of community wage differentials constitute a standing threat to plants in big cities. There is always the danger that a plant or a whole industry may migrate in search for cheaper labor. It imposes moderation on management and labor alike. It forces them both to compete. If labor organizations manage to get labor excused from this requirement I am convinced that we shall move steadily and probably quite rapidly into the kind of monopolistic capitalism which developed in Britain during the two decades preceding World War II.

Industry-wide collective bargaining threatens to break up the greatest free trade market in the world and to assign to the various parts the tasks which they happened to be carrying out at the moment organized labor took over. It is an attempt to freeze the status quo. It is a denial of opportunity to the poorer areas. It is not, however, an invitation to the people of these areas to come unto the great cities and knock at the gates of the great companies and jobs will be their's—unless their coming in no wise threatens existing wage rates. Instead organized labor supports an unbelievably costly farm aid program one purpose of which is to keep more people on our farms than we really need, and to pay them for not producing as much as they would like to produce. Needless to say the taxes to pay for this farm subsidy are not to come from the pockets of the worker.

In brief my fourth objection is that collective bargaining threatens to destroy area competition and in the process to bring into existence internal barriers to the movements of capital and of labor from one part of the country to another that may do as much harm to the unity and prosperity of our country as high tariffs, exchange controls, quotas, etc., have done to the nations.

5. It Promotes Centralization— In a dynamic economy competitive forces tend to maintain differences in money wages that vary roughly with community size. These differentials are in part offsets to differences in costs of living and in part the means of replenishing the labor supply of the big cities whose adults do not reproduce themselves. A free people can not dispense with these differentials. They have the further advantage of forcing management to consider very carefully where to locate every time there is a question of establishing a new enterprise or of expanding or renovating an existing one. The advantages of the big city as a market for end products, as a labor pool, from which workers of various skills can be easily recruited, have to be weighed carefully against the costs associated with location in the big city. Differences in wage rates force a constant re-examination of this problem of location and introduce a constant bias in favor of decentralization. If, as many believe, there are great sociological values associated with life in small communities, government should not deliberately support measures that favor the forces of concentration. If, as military men assure us, big cities are extraordinarily vulnerable targets in the event of an atomic war, again government should avoid supporting measures that needlessly increase the profitability of carrying on our economic life in big cities.

Industry-wide bargaining aims at the eventual elimination of the size of community differentials as well as the north-south differential which is now so much in the public mind. Hence, it favors centralization.

This is my fifth objection to this new form of bargaining: It favors a degree of centralization that is economically wasteful, sociologically objectionable and militarily dangerous.

6. It Weakens Morale—I find it hard to believe that men can get any real satisfaction out of work, however good the pay, unless they feel that they are part of a team. There must be loyalty to the employer and the plant. Can genuine *esprit de corps* be developed under the industry-wide collective bargaining? I do not see how.

7. **It Forces a Choice Between Inflation and Regimentation**—In the absence of any common loyalties trade union pressures are all directed at increasing wage rates, reducing hours and otherwise improving conditions from the point of view of the individual worker without any thought of a *quid pro quo* in terms of increased performance. Most national unions also endeavor to reduce the number of job classifications and to narrow the pay differentials between them. Consequently, workers come to look more to across-the-board wage increases as a means of getting ahead and less to advancement within the firm from one job classification to another with the further possibility of numerous advances within each job classification.

This new method of getting ahead costs a lot of money. If the unions are to get these general advances year after year will they be content to keep them within the modest limits set by technological improvements? Three per cent a year would appear to be an optimistic outside limit to what the American economy can provide at a stable price level. The improvements, it must be remembered, occur irregularly, now in this industry and now in that, and usually starting in one firm in an industry and then spreading to the others as rapidly as patents and secret know-how permit. In the industries where they occur they bring substantial economies, but decades may go by without any saving in other industries. Yet all workers are entitled to share in the gains of technological progress. Reduced prices to consumers are the surest way of getting these gains widely and quickly distributed. Strong unions show little disposition to share with the general public the economies of the technical progress that happens to occur in the plants under their control. They take all that the traffic will bear. Then other unions insist upon comparable advances though no technical advances have occurred which would permit of a wage advance without a price advance.

Under these circumstances, it seems almost inevitable that that unions that control the labor in entire industries will not be content with the advances that the economy could absorb with a stable price level. Is this not what has been happening since V-J Day?

If the trend continues we shall have to choose between (a) serious unemployment; (b) an inflationary expansion of credit that will inject enough new purchasing power into the system to support the higher level of prices needed to restore profitable cost/price ratios to the firms that have not been able to develop any technical or administrative economies; or (c) comprehensive controls on prices and wages. Any of these developments could have very serious political and economic consequences. We have developed such a pathological fear of unemployment as a result of our 1929-1933 experience that really serious unemployment now will almost certainly give rise to a widespread demand for lavish public works to be supported by short-term borrowing from the commercial banks. Alternative (b) may be preferable to this, but it will certainly cause unrest, recrimination and serious hardships for the unorganized middle classes who constitute the backbone of a democratic society. Alternative (c), if we may judge by foreign experience and our own brief experience after the war, will result in misdirected investment, lowered production and lowered levels of living. No one of these prospects is at all pleasing.

These, gentlemen, are the reasons that led me to the overall conclusion expressed at the outset that organized labor has become so strong in the United States as to threaten our democratic way of life.

Recommendations

What is to be done about it? The Taft-Hartley Act has done something to redress the balance of power, but not enough. The following principles, as I see it, should guide the lawmakers in their efforts to establish the basis for a workable unionism that will be consistent with a dynamic private capitalism:

(1) The union must be open—not closed—and open on reasonable terms to all qualified workers;

(2) The jurisdiction of unions should be limited to local areas;

(3) The coordination of wage demands by unions in different areas should be as resolutely repressed as any efforts of competitive plants within a single industry to agree upon and to enforce a common price policy;

(4) Law and order and the right to work should be enforced at all times and in all cases.

Brazil Steel Concern Seeks New U. S. Loan

Herbert E. Gaston, Chairman of the Board of Directors of the Export-Import Bank, has announced that the Bank is giving active consideration to a request from the Companhia Siderurgica Nacional (the National Steel Company) of Brazil for an additional loan for an enlargement of the steel company's plant at Volta Redonda, completed in 1946. The plant's design is in accordance with the most advanced United States practice and is entirely equipped with United States machinery, largely supplied from the proceeds of Export-Import Bank loans totaling approximately $45,000,000. American consultants have been active from the start in advising and training Brazilian employees.

"We have been greatly pleased," said Mr. Gaston, "by the progress made at Volta Redonda as reported to us by General Sylvio Raulino de Oliveira, Director General of the Siderurgica Nacional, who has been in this country for several weeks consulting with the Bank and steel industry experts on ideas for the expansion of the plant to supply the Brazilian market more adequately."

The Volte-Redonda plant was the first large-scale, integrated, modern steel plant to be financed by Export-Import Bank funds. Situated in the valley of the Paraiba River and 90 miles from Rio de Janeiro, the Volta Redonda enterprise is conveniently located with respect to the supplies of iron ore which are transported by railroad from the State of Minas Gerais and to the principal markets for steel in the metropolitan centers of southeastern Brazil.

The company has financed a surrounding industrial city with modern homes for workers and supervisory employees.

The total physical investment of the company in the steel plant and its associated enterprises is approximately $175,000,000, of which the equivalent of $130,000,000 has been supplied by Brazilian private investors and the Brazilian Government.

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

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York 6, N. Y.
PREFERRED STOCK DIVIDENDS

A dividend of $1.50 per share on the Preferred Stock ($6) and a dividend of $1.25 per share on the $5 Preferred Stock of American Power & Light Company were declared on August 24, 1949, for payment October 1, 1949, to stockholders of record at the close of business September 6, 1949.

D. W. JACK, Secretary and Treasurer

J. I. Case Company
(Incorporated)

Racine, Wis., August 18, 1949.
A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable October 1, 1949, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable October 1, 1949, to holders of record at the close of business September 12, 1949.

WM. B. PETERS, Secretary.

The Colorado Fuel & Iron Corporation
Dividend on Common Stock

At a meeting of the Board of Directors of The Colorado Fuel & Iron Corporation held on August 23, 1949, the regular dividend in the amount of 25c per share was declared on its common stock, payable September 30, 1949, to stockholders of record at close of business on September 12, 1949.

D. C. McGREW, Secretary.

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 127

A QUARTERLY DIVIDEND of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, September 19, 1949, to stockholders of record at three o'clock P. M., on Monday, August 29, 1949. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.
New York, N. Y., August 18, 1949.

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 174
Common Dividend No. 163

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1949, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1949, to holders of record September 1, 1949. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
July 27, 1949 Secretary

INTERSTATE POWER COMPANY
DUBUQUE, IOWA

Notice of Dividend

The Board of Directors has declared a dividend of 15¢ per share on the outstanding Common Stock, payable September 20, 1949, to stockholders of record on September 10, 1949. The transfer books will not be closed.

OSCAR SOLBERG, *Treasurer*
August 19, 1949

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia
PREFERRED DIVIDEND
COMMON DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending September 30, 1949, payable October 1, 1949, to holders of record at the close of business September 21, 1949.

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable October 1, 1949, to holders of record at the close of business September 21, 1949.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*
Dated, August 18, 1949

DIVIDEND NOTICES

THE GARLOCK PACKING COMPANY

August 18, 1949
COMMON DIVIDEND No. 293

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable September 30, 1949, to stockholders of record at the close of business September 16, 1949.

H. B. PIERCE, *Secretary*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 136 of thirty-five cents (35c) per share on the common stock payable October 15, 1949, to stockholders of record at the close of business on September 15, 1949.

GERARD J. EGER, Secretary

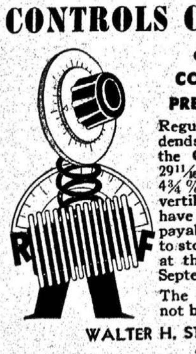
INTERNATIONAL SALT COMPANY

DIVIDEND NO. 141

A dividend of SEVENTY-FIVE CENTS a share has been declared on the capital stock of this Company, payable October 1, 1949, to stockholders of record at the close of business on September 15, 1949. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary*

ROBERTSHAW-FULTON CONTROLS COMPANY



Greensburg, Pa.
COMMON STOCK
PREFERRED STOCK

Regular quarterly dividends of 20¢ per share on the Common Stock and 29 11/16¢ per share on the 4¾% Cumulative Convertible Preferred Stock have been declared, both payable October 1, 1949 to stockholders of record at the close of business September 12, 1949.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
August 18, 1949

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

August 18, 1949

A quarterly cash dividend of $1.12½ per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Prior Preferred Stock of this Corporation has been declared payable September 15, 1949 to the stockholders of record at the close of business on September 1, 1949.

A quarterly cash dividend of $.37½ per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Convertible Preferred Stock of this Corporation has been declared payable September 23, 1949 to the stockholders of record at the close of business on September 1, 1949.

A quarterly cash dividend of $.50 per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Common Stock of this Corporation has been declared payable September 23, 1949 to stockholders of record at the close of business on September 1, 1949.

DONALD A. HENDERSON,
Treasurer.

DIVIDEND NOTICES

SOUTH PORTO RICO SUGAR COMPANY
August 23, 1949.

The Board of Directors has this day declared a quarterly dividend of 50c per share on the $25.00 par value 8% Preferred Stock outstanding; and a dividend of One Dollar per share on the outstanding Common Stock; all payable on September 28, 1949 to stockholders of record at the close of business on September 8, 1949.

F. M. SCHALL, Treasurer.

UNION CARBIDE AND CARBON CORPORATION
UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable Oct. 1, 1949 to stockholders of record at the close of business Sept. 2, 1949.

MORSE G. DIAL,
Vice-President and Treasurer

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable October 3, 1949, to stockholders of record at the close of business on September 9, 1949.

J. H. MIRACLE,
August 23, 1949 *Secretary*

UNITED FRUIT COMPANY
DIVIDEND NO. 201

A dividend of fifty cents per share and an extra dividend of one dollar per share on the capital stock of this Company have been declared payable October 14, 1949 to stockholders of record September 8, 1949.

EMERY N. LEONARD
Treasurer

Edison

41st YEAR OF CONSECUTIVE DIVIDEND PAYMENTS

SOUTHERN CALIFORNIA EDISON COMPANY

PREFERRED DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock, payable September 30, 1949, to stockholders of record on September 5, 1949.

27 cents per share on Cumulative Preferred Stock, 4.32% Series, payable September 30, 1949, to stockholders of record on September 5, 1949.

T. J. GAMBLE
Secretary
August 19, 1949

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—So loused up is the situation with respect to adjournment that it now looks like Congress won't quit until the first part of October at the earliest unless one of three contingencies develops.

The first hope that Congress will get away any time soon after Labor Day is that President Truman will be persuaded finally to let part of his program go over until next year. There has been no sign as yet, however, that the President will take any private advice from his boys on Capitol Hill that they should leave some of the major elements of the Truman program go over until 1950.

The second contingency is some unforeseeable act of God, like the air conditioning going off before the hot weather finishes up in the latter part of September, or anything else one can imagine.

A third contingency is that Mr. Truman will make another of those political blunders which has marked his dealings with Congress, and everybody will get so darn mad that the first thing they will do is up and walk off the job, just like the CIO.

There is still quite a sizable menu before the Congress, especially the Senate. First order of business, after Interior's appropriation, was slated to be the defense appropriation bill. This is good for from three days to a week's debate unless in advance the boys have got the word that if they get through by a certain date they can have a vacation.

Theoretically, until schedules are changed, the extension of the Reciprocal Trade Agreements act is due to be taken up. It is hard to see this running for less than a couple of weeks of Senate debate, especially inasmuch as the fight will be hot and close, and the Administration doesn't have the votes to cut the talking out for the sake of action and hopes instead that prolonged talking will save the chances of the bill.

Then there is still to clear the Senate, the foreign arms aid bill, and it is hard to imagine that bill finally being disposed of in the Senate in less than a week and it easily could take two weeks. Following the passage by the Senate of an arms aid bill in some form, there will be another go-around on the actual appropriation for arms aid. There is another prospect with regard to prolongation of the fight on the defense appropriation, which will be mentioned below, and the prospect for a long argument on increasing the minimum wage.

This altogether is more than enough to carry the Senate into October. If the word comes down that the boys can quit by a certain date even if bills are not passed just the way Mr. Truman wants them, then the Senate historically can wind up a session with a terrific burst of speed and get out of the way, in a day or so, propositions over which it might normally debate for a week.

* * *

Already there is a possibility of an important Truman blunder in sight, of the kind that can influence the Congress to tell the President to go jump. Speaker Sam Rayburn is by all odds the most faithful of the President's chore boys at the Capitol. The President, listening to the officials at Interior who want to control the development of tidelands oil, will consent to no practicable compromise with the states on this issue. Tidelands oil is important to Texas, which derives large funds to finance education from royalties on state-granted tidelands oil concessions.

Then, too, the House has passed the Kerr bill to prevent the Federal Power Commission from regulating the price paid to independent producers of natural gas who sell to pipelines which subsequently deliver this natural gas in interstate commerce. This, too, is an important issue to Texas, and the Senate is likely to approve it.

What Speaker Rayburn would like the President to learn is that it is the voters of the Fourth Congressional district of Texas who elect him a Representative and thus permit him to be elected Speaker by the Democratic majority of the House. Although President Truman does not elect Mr. Ray burn, he has indicated he will veto the Kerr bill and is fighting any concessions to the states on tidelands oil. This double issue, gas and tidelands oil, is also important to Senators from the South from Mississippi to California.

* * *

Senator John L. McClellan of Arkansas has reached the definite decision, which may have been announced before publication, to hang the Woolworth 5 and 10 economy cut onto the appropriation for the Armed Services. This cut would require the President to reduce actual expenditures below appropriated sums by not less than 5% nor more than 10%, limiting the cut of anyone agency or activity to not more than 20%.

McClellan has 63 signatures to an informal petition to the Senate Democratic leadership to make this 5 and 10 cut the "order of business" so it can be taken up soon, and with one or two other Senators indicating they favored this proposition even though they didn't sign it.

The proposition will be tried out in the defense appropriation because (1) it is always a little difficult to persuade Senators to overrule the leadership and force consideration, and (2) if the amendment has a chance of getting any where, it must pass the Senate by a two-thirds vote. It would take a two-thirds vote to override a Presidential vote, if the thing miraculously succeeded in getting by the House. It would take a two-thirds vote to ensure that the Senate conferees on the defense appropriation bill, who are more concerned with getting their particular bill approved, do not cave in before the House conferees, but with a two-thirds vote, they are "bound" to recognize the sentiment of the Senate. Finally, Vice-President Barkley is expected to rule that the amendment is out of order, and it will take a two-thirds vote to overrule him.

So all in all it is considered more efficacious to attempt the thing as a rider and see if the Senators who have been shouting economy will "stand up and be counted." As a separate joint resolution, rather than as a rider to an appropriation, it simply would be buried by the House.

Sponsors of the 5 and 10 cut are not predicting a victory. They are predicting a long debate and a great deal of discomfort for the Administration forces.

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Senate Leader Scott Lucas is most unhappy about the Administration's covertly-sponsored bill, reported out by the Senate Banking Committee, vastly extending the direct and contingent commitments of the Treasury for home financing. Among other things the bill would provide $1 billion for direct government loans at 3% or less for 60 years for cooperative rental housing, at a ratio of 100% to value.

Even though Mr. Truman may be willing to have Congress meeting indefinitely, Senator Lucas is not anxious to let this one out for what might be a week's bitter debate. So he has ducked giving Senator John Sparkman (D. Ala.) sponsor and engineer of the bill, a commitment that it will be considered, and Johnny had to have a letter written to Lucas asking the latter about it.

Actually the $1 billion for cooperative housing doesn't have a chance, but there are two other propositions for which the "liberals" will hold out and junk only if absolutely necessary. One of them is direct mortgage loans to veterans, with government money. The other is the beautiful and subtly-worded language whereby eventually most if not all of some 450,000 temporary and permanent units of war housing can go for "low rent" or public housing under local government aegis. The House Committee is against this, and Senator Harry P. Cain (R. Wash.) has served notice that he will scrap about all the funny financing features, and Harry knows how to scrap.

* * *

One of the things that piques members of both Houses is the almost complete lack of voter interest in the arms aid bill. The most ardent opponents of arms aid admit only a few letters in opposition to this proposition. One Senator reported that in the last couple of weeks he has received not one single letter either for or against arms aid. Members are piqued because there is public support, apparently, neither for those who are fighting for it nor for those who are fighting against it. The public seems to be completely apathetic.

This makes the House "cut" of over $500 million in arms aid more remarkable. The word has not trickled to the rank and file of the House membership, herein reported a week ago, that actually $500 to $600 million is all the State department expects it could spend on arms aid in one year. So the members who voted to "cut" arms aid thought they actually were making a cut and they were doing it strictly free lance, on their own ideas and convictions, without apparent public backing even in constituencies that are normally hostile to the internationalist line.

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It may now be reported that it was the Economic Expanders who sold Mr. Truman on the idea of removing maturity limits on RFC business loans and doubling the loan revolving fund available to RFC. Actually the Economic Expanders have much broader ideas. It would be presumed that they would prefer to wait for a depression climate when they could set up a very big shop at the cross roads and peddle their government capitalization of business expansion on a scale of several billions. It would not be expected that they would want a comparatively little hot dog stand like the RFC to get there first with a concession at just the right corner.

Actually, the Economic Expanders reasoned that it would be impossible for a long time to get Congress and the President to come through with their schemes, and if they could just put the RFC in a position to capitalize business in a relatively small way, that would be getting the nose under the tent and better than nothing.

(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

"The boss must have something important worrying him—there he goes trying to sharpen his fountain pen in the pencil sharpener again!"

Britain's July Trade Figures Reported

Britain's visible trade gap for the month of July was £40 million, as compared with £54 million for the month of June, according to London advises. The narrowing of the gap was due wholly to a decrease in imports which fell by £15,280,000 to £186,429,000.

Exports in July were £141,663,000 and reexports £4,289,000 making together £145,957,000. This was slightly less than in June, but still about 45% above the 1938 level.

Britain's exports during the first half of 1949 averaged 50% above the 1938 level, thus attaining the target set for them by the British Government.

But the position is not satisfactory as while exports were 56% above 1938, in the first quarter of the year, they were only 46% above in the second quarter.

The target for the end of the year is that exports should be running at 55% above the prewar level.