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U. S. Must Help "Free Nations" Says Truman

President, in Philadelphia address, says combined efforts of free nations are required to expand world trade and prosperity and combat Communism. Asserts we have common interest in solving British economic crisis and decries opposition to British nationalization policy.

Addressing a convention of the American Legion in Philadelphia on Aug. 29, President Harry S. Truman urged full cooperation and assistance by this country in restoring world economic conditions, and cited, in particular, the need for extending help to Great Britain in solving that nation's serious financial situation.

President Truman

The full text of the President's address follows:

I am happy to be with the members of the American Legion again at their annual convention.

I am very proud to be honored by you with the American Legion Distinguished Service Medal. There are many fine things about this medal, and one of them is that it has no political impli-

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What's Ahead for Banking?

By MARCUS NADLER*

Professor of Finance, New York University

Contending economic forces and government action will allay impact of recession, Dr. Nadler asserts as long as readjustment continues downward volume of loans of commercial banks will decline. Says need for earnings by banks will be intensified and may lead them to seek security holdings paying higher returns. Looks for further bank mergers as well as increase in bank loans and bank deposits by end of current year. Urges more economy in bank operation.

The activities of the banks during the last 18 months were strongly influenced by prevailing economic conditions and the fiscal position of the government. During 1948 when the inflationary spiral of prices and wages was very pronounced, when business activity was at a high level and the Government operated with a substantial surplus, the banks witnessed a decline in the holdings of their government securities, caused by the debt management policy of the Treasury, and at the same time a sharp increase in the volume of loans, caused by the expansion of business and the accumulation of inventories.

Dr. Marcus Nadler

Economic and fiscal conditions during 1949 were entirely different from those which prevailed a year ago, and the activities of the banks reflected the changed economic atmosphere. The policies of the Board of Governors of the Federal Reserve System underwent a change. Reserve require-

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*Summary of an address by Dr. Nadler before the West Virginia Bankers Association, Beckley, W. Va., Aug. 27, 1949.

Panic Under Super-Planning

By MELCHIOR PALYI, PH. D.

Dr. Palyi, citing British crisis, asserts trouble there lies too deep to be cured by anything short of totally new turn in both British and American policies. Says super-planning by ECA on European scale has maneuvered Britain into near panic condition. Lists as alternatives: (1) continuation of welfare state in face of progressive financial deterioration; (2) return to free enterprise system, and (3) continuous aid from United States. Foresees need of doubled exports to balance Britain's international accounts, and predicts sterling will not be devalued.

I

It is typical of Managed Economies and Welfare States—two names for the same thing, for the modern Police State—that they do more to their subjects than to regiment and to despoil them. They blur their thinking as well. Especially, they reduce the visibility on the financial horizon. They put blinders on the horse that draws the industrial vehicle, so that it cannot see right or left, making it lose sight of the roadside ditches.

Dr. Melchior Palyi

British capitalism provides a classical example of this mental regimentation since World War II, as its German counterpart did before. During the inter-war period, Britain's economic society went along with the welfare politicians, Conservative and Laborite, accepting their devious policies at home and abroad, swallowing the expansion of social services at the cost of military establishments, enjoying the artificial Cheap Money and Managed Currency while happily

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EDITORIAL

As We See It

The Threat of Abundance Again?

"Dollar shortages" are now what might almost be termed the topic of discussion among important groups of leaders both here and in Great Britain. The remainder of the world can scarcely be regarded as without interest in the subject. Precisely what is being said in official "conversations" we, of course, have no way of knowing, but public comment both here and abroad often contains some strange observations and stranger reasoning. We have had occasion recently to analyze this phenomenon called "dollar shortage," and to make clear—so we hope—that the situation has its roots in basic economic facts, and that it is not likely to vanish from the earth unless and until these basic causes disappear. These basic causes are to be found here as well as elsewhere in the world, although on balance they are mostly at work abroad.

So much for the "dollar shortage" aspect of the current situation, and what it means to foreign peoples. Turn now to its impact upon the people and the economy of the United States. The British and some others, too, never tire of trying to convince us and keep us convinced that failure on our part to eliminate this shortage of

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The Growing Latin-American Dollar Shortage

By FREDERICK M. STERN
General Partner, Stern & Co.
Members, New York Stock Exchange

Mr. Stern, returning from business trip to Latin America, describes economic conditions there, pointing out growing distress arising from continuous inflation. Says, because of dollar shortage, much foreign trade in Latin America has shifted from United States to Britain, and lack of confidence in local currencies is leading to flight of capital and high interest rates. Cites Latin America's willful dependence on loans from United States, without taking adequate internal measures of relief, but points out vast undeveloped resources, along with light taxation, as opportunity for American investment of venture capital in Latin America.

Deflation in the United States has brought inflation to Latin America. As prices for the raw materials and commodities which we import have fallen, the dollar revenues of the exporting nations have shrunk correspondingly. In addition, the reduced general volume of trade has contracted the revenues still further.

Frederick M. Stern

Every 1c drop in the copper price has taken $5 million from the receipts of the Chilean Republic—plus the same amount from the income of the mining companies which were obliged to reduce operations by approximately 30%. The dollar squeeze is similar in all countries which consider themselves fortunate if they have any products to sell to the United States—and the picture is worse in the remaining states.

On the other hand, every nation in Latin America wants American goods, particularly motor cars and machinery, steel, paper textiles, motion pictures, etc. Dollars to pay for these items have become the scarcest commodity of all, and practically all governments have established various types of control boards to regulate their foreign trade. They are trying to balance their exports with imports, and allocate the available foreign exchange to the most necessary categories. Import licenses must be obtained everywhere in advance of placing orders, and at least in Uruguay, no imports are permitted unless the foreign currency is available at the same time.

Importers are accustomed to operate with a huge margin of profit and thus help the inflation along. We have ourselves only recently experienced the inflationary effects of shortages. The major countries have no price ceilings for imported goods and the merchants admit quite frankly that they need these substantial markups to pay for their operating expenses because their total turnover is so limited. Where we are doing a big volume with a small profit per item, they do the opposite. Thus, one of the most coveted items, American automobiles, sell at huge premiums everywhere.

The inflationary trend is likely to continue unabated. Under the shelter of the dollar shortage, local manufacturers encounter no perceptible competition from superior imported products. Therefore, the local industrialists can earn huge profits, even if their goods are of poor quality. A crop of new millionaires has come into being. Most countries have no personal income taxes, and only low rates for business enterprises, at least as compared to North America.

Government revenues are mainly derived from duties imposed on foreign commerce, and from foreign exchange profits arising from the wide spread between the buying rate at which the exporter has to surrender his foreign exchange, and the selling rate which the importer must pay. With lower interchange of trade, these sources of revenue have declined during the past year. Another important sourse of government revenues seems to originate in most countries from state and private lotteries and gambling casinos such as are federally owned in Uruguay.

Almost everywhere, industrialists, builders and merchants complained about the inefficiency of their workers who could never compete with the highly trained skilled laborers of the United States. Living standards of the masses are incredibly low. Only a small fringe of the populations are prosperous, educated people with cultural desires. To the amazement of this observer who has just returned from a three-month visit to five countries of the southern hemisphere, the poorer classes show but little aspiration for better living. Developing the backward nations is an excellent slogan and sounds like a wonderful project, and everybody will line up to share in the bounty. But do the farm and industrial workers of Latin America want our civilization, our frustrations, our anxieties?

In Rio de Janeiro, for example, one could not help but notice the most miserable huts clustered on the mountainsides in immediate neighborhood of the luxurious hotels and apartment houses. When we inquired, we heard that the government had built housing developments and chased the mountaindwellers out of the slums and assigned them new sanitary lodgings. But after a fortnight, they had all filtered back to their old shacks. They seem content to live on nature's bounty. Typical is the experience of a blouse manufacturer in Brazil who felt that his workers were underpaid and hoped that their work standards would improve if he raised the wage-scales. As soon as he had done so, his laborers could earn in four days what they had formerly gotten in five or six days, and instead of working as many hours as previously, they knocked off earlier because they had enough money to live out the rest of the week. Premium pay for regular attendance failed to have a better result.

An abundant nature and warm climate have so richly endowed the country that nobody need go without food. Bananas and oranges grow wild; fish, fowl and small animals are easily caught; a crude shelter gives protection against sun and rain. Why work for more than can be gotten without effort? Money as such fails to have attraction.

Similar experiences were reported in other countries which have large native populations. In Argentina, whose inhabitants are of predominantly European stock, a benevolent government has raised wages and social services manifold. But as a result, productivity and efficiency have slumped dreadfully. In addition, hardly a week goes by without a religious or political full or half-holiday with regular pay.

Generalization is always unfair. There exist many exceptions. Particularly in or near the major cities, like Sao Paulo or Buenos Aires, many offices and plants can vie with United States standards of performance and output per worker. But the great difference in this respect between North and South America in the eyes of this observer is found in the fact that a large percentage of our population are actual participants in the national economy, are potential consumers of almost unlimited wants, and are ready to work therefor with unequaled ambition and energy. Whereas in the other countries, the desire for a more civilized life is only found in a relatively small upper crust.

No doubt, all over the world working hours and individual performances have been declining, although often more than compensated by mechanization and technological improvements. But it is difficult to industrialize agricultural populations, particularly if they are rather primitive. Certainly, it cannot be done in a hurry. This task becomes almost impossible of accomplishment if a country fails to possess the raw materials for its factories and depends on imports from hard currency sources.

It would be a wiser policy for such a country to foster exports of its own natural products and to use the cash proceeds for the purchase of foreign-made goods. The latter are usually cheaper and better than the output of artificially supported local industries which would be unable to compete in a free economy. Were the dollar shortage to disappear suddenly, many of these national industries could only be sustained through protective tariff barriers and import quotas or restrictions.

Why We Are Losing Trade to Great Britain

One of the results of the dollar shortage has been the shifting of much foreign trade from the United States to England, particularly as many countries have accumulated blocked sterling balances. This trend came to the attention of the American public through the much-discussed Anglo-Argentine trade agreement signed last June 27. A total turnover of £1,250 million is contemplated over the five-year period, or about $5 billion, covering annual deliveries by Argentina of 300,000 tons of meat, £53 million worth of food, cereals and forage, £29 million of linseed oil, oilseed cake, raw wool, etc. Few of these items could have been sold to the United States because we produce them in abundance ourselves. When Argentina demanded too much money for their linseed, we managed to develop a sufficient production of our own to replace these former imports, and we are

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A Forecast of 1950 Petroleum Demand

By A. J. McINTOSH

Economist, Socony-Vacuum Oil Co., Inc.

Reporting on petroleum outlook through next winter in area east of Pacific Coast, oil economist predicts there will be need in this period for substantially higher production of crude oil and refined products in U. S. Says shortage condition will be aggravated by delayed dealer and consumer buying.

This report discusses conditions in the United States excluding the Pacific Coast States. Because of radically different conditions in that area, those states would require a separate forecast. Recent curtailment in crude run to stills and in production of crude oil results in some anxiety about the future. Demands for the months of April, May and June, 1949, were disappointing. This has made it important to look ahead to see whether these curtailments may continue. The answer seems to be unmistakably: "No." The industry trends appear to be in for a considerable reversal.

Albert J. McIntosh

Demand

Because demand is the basic fact upon which all industry performance depends, we pay most attention to it and in trying to determine the future demand we have the benefit of the thinking of our Market Research Department.

We estimate that the demand for all products during the nine months (July 1, 1949—March 31, 1950) will increase 7%, while the exports will drop 1%—giving the industry a 6% overall increase. Demand varies considerably due to the adjustments that have to be made to give effect to weather conditions.

Our computation indicates a calculated normal increase for kerosene of only 9% for the domestic civilian economy, but when allowance is made for weather this becomes 16% over actual deliveries of the prior period.

Comparably, distillate fuel oil is indicated to increase 13% on a normal basis, but 21% on an actual basis because of weather adjustments to the previous year which caused actual deliveries to be considerably below normal. The same conditions also affect residual fuel oil and liquefied petroleum gas, but here the adjustments are smaller and, although they have been taken into consideration and in the total of all products, are not shown separately.

It should also be borne in mind that these increases in the fuels are larger than we would have expected from a strictly burner or space heater count because there seemed to be considerable evidence of delayed buying in the months of April, May and June. We believe that some of the lower sales in April, May and June were due to using up the product left over from the previous winter and in essence bought during the summer of 1948 and carried continually on hand at higher than normal levels until after March, 1949.

Nevertheless, from our analysis, which has been checked with our market research people and others who have been working on this subject, we figure there was deferred buying of 270,000 barrels daily during the quarter ended June 30, 1949. Allowance should be made during these nine months for picking up this deficiency because we cannot see any reason why the real consumption would be changed, no matter what pattern of buying is used.

Effect of Weather on Demand

All the forecasts are predicated upon normal weather and if next winter were abnormally cold consumption would be higher than estimated here. The reverse, of course, would be true with another warm winter. During the six months of last winter (October through March) all of the fuels were below normal by about 130,000 barrels a day and this does not include a similar effect on liquefied petroleum gas, which might have depressed those sales another 15,000 to 20,000 barrels a day. Weather conditions could vary these forecasts of demands for total products up or down by a maximum of about 6% from extreme low to extreme high. That is the range of the effect of the weather on both sides of the normal we have chosen. This means that it could be about 3% lower or 3% higher than we have forecast. Individual months might vary to a greater extent and the fuel products themselves might vary to a greater extent.

Gasoline Demand

Here we have used increases in the domestic business of 4% to 5% (which we think is conservative) with the exports increasing at a somewhat greater rate. There is a possibility that some of these exports may drop off later in the season, although there is no current evidence of it. These exports do not reflect military exports for airlift, which are shown as a domestic demand as a result of the omission of these data as exports.

Kerosene and Distillate Demand

The only additional comment is that we estimate by the first quarter of 1950 we will be servicing about 14% more burners than in the first quarter of 1949. This will require about 11% more distillate fuel oil. This checks close-

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The Rationale of Consumer Credit

By ROGER STEFFAN*
Vice-President, National City Bank of New York

Executive of consumer credit department of large metropolitan bank, declares consumer credit today, supplied by 12,000 banks, is dynamic factor on favorable side of business picture and is making wholesome and vital contribution to American economy. Sees vast army of consumer credit borrowers generally able to meet payments and says consumer emergency financing is more necessary than ever, because of high taxes on incomes.

At this moment of our gathering here, Henry Stevenson Doe has stepped hurriedly into one of the 67 branches of The National City Bank and anxiously said: "My doctor has just diagnosed the condition of my young son and he will require an emergency operation tomorrow. I need $600. Can I get the cash right away?" He is saying this to a Personal Credit interviewer trained exclusively in handling thousands of similar requests, in an office confidentially screened and specially furnished to provide comfort and immediate accommodation to the hundreds of men and women who will come, on similar pressing missions, during the next few hours. The interviewer, in this instance, will be making a direct call to a standby number at the Central Office of the Personal Credit Department whose full-time staff of 873 persons works to the pleasant strains of broadcast music. Instantly he will receive a report, "excellent previous record." He turns reassuringly to the customer and says, "Certainly, just fill out the application and the money will be ready for you when you sign the note." Almost as if by pressing an electric switch — a child's health, even life, may be assured. Hospital and doctor have their money. Their creditors don't have to wait. And another family sleeps more peacefully tonight.

Roger Steffan

Another Hurryup Order

At the same time, Mrs. Alice Margaret Roe has hastened into one of the branch stores up in the Bronx of the city's largest dealer in household appliances. She wants to buy a refrigerator; she quickly selects a new model of a leading manufacturer, selling at $230. She is employed as a secretary at $2,200 a year and her husband has a position in the Finance Department of the City of New York at $3,000 a year. They have two children of school age. They hope the box can be delivered for their wedding anniversary the next day. The lady has with her $50 in cash. The alert salesman says, "I think I can arrange it; I'll phone the Bank". After the Bank's speedy credit checking, the salesman gets a prompt return call "O.K." Tomorrow the money-saving household appliance will be the admiration of the pleased family and guests. Manufacturer and dealer are free to go about their business of producing and selling more goods. The husband and wife will find they hardly miss the $6 a month they will be paying to complete their ownership. Also they will better establish dependable credit which later will enable them to say "Help Needed" to National City and quickly get such other aid as they may deserve.

These two persons are among perhaps 3,000 who in the course of this typical day will present family and business situations of 3,000 different varieties which the Bank will handle under its slogan: "Today's work today." Because tomorrow another 3,000 odd requests may come streaming in. And so on, day after day.

These are not cited as remarkably unique examples. In fact, because they are everyday occurrences, they point up something that has been happening in American banking in the past 21 years. Except as to the somewhat staggering number of transactions, doubtless this could be narrated with local overtones in many cities and towns in West Virginia. In truth, while these 3,000 enterprising New Yorkers are requesting "Help Needed", this same day throughout the country, under varying conditions of service and cost, some 90,000 hopeful men and women are treading similar paths to some 12,000 banks in every state in the union. There is nothing like it anywhere else in the world. There was never anything to approach it in the United States until these last two decades. Today the popularization of this sound and useful credit instrument has helped the "Man with a Pay-day" to achieve economic maturity.

The Search for Perfection

The purpose in reciting one bank's experience is to make a particular point. A conclusion to be drawn is that no bank, in this day and age, can be too old or too large to seek less than ever-elusive perfection if it proposes to provide successfully the financial "Help Needed" for the socalled "Man in the Street", who might better be nominated for distinction as the "Man in the Driver's Seat."

Should therefore every bank, everywhere, enter into this type of business? Certainly not. Some of the best and most effective banks in the country do not engage in consumer credit at the retail level, and for the best of reasons. I mention such factors as branch banking limitations, competitive conditions, statutory rate problems, and the particular areas of service in which certain banks rightly prefer to operate. It ought to be true that in every community there should be a *bank* source of personal credit. But in many places, even in large cities, one provider might well be best. The ideal setup I should say would be one where there would be sufficient competition to assure superlative service to the customer but not such as to produce shoddy credit standards. And if rates are to be kept low, then there must be sufficient concentration of volume to hold down the cost per loan and the operating ratio. Volume is all important in this business. At the wartime low, when we had on our books one-fourth the number of accounts we carry now, our operating ratio was 133% higher than it is today. But unduly low volume, unless transitory, causes acute budgetary discomfort. Volume implies *reaching out* to serve more individuals, because this should be considered a business of people rather than of dollars. That means aggressive helpfulness through the affirmative approach.

If Charles Dickens could have made another trip to New York—in the present day — he would want to write an opposite number to his classic partnership of Spenlow and Jorkins. David Copperfield, you remember, sounded out Spenlow about getting more favorable terms in a business deal. Spenlow, the seeming soul of warm generosity, told eager Copperfield he would be delighted to comply except for that immovable character Jorkins, the "no" man of the partnership. Whatever Copperfield proposed, Mr. Jorkins always stood in the way of Mr. Spenlow's leaning just a wee bit to the favorable side.

Reverse of the Dicken's Situation

In the National City Personal Credit Department, the reverse of this situation prevails. Jorkins is not included as a member of the Approval Committee (note the word "Approval"). Nor would you call any of the members by the name of Spenlow, because they all actually and continuously pratice reasonable liberality and don't just talk about it as Spenlow did. This Committee consists of some 45 Credit Supervisors who are experts in extending monthly-payment personal credit in amounts from $50 up. They never sit in joint session on any one loan. The amount of scrutiny, and the number and the grades of signatures, are determined by the size and nature of the request.

The National City exponent of a lender's function, to use Dickens' language, "has his views on this subject." Those views are: "Searchingly seek to validate every possible personal loan application."

Well, it takes a lot of doing. The fetters of the negative approach, of which Spenlow complained to David Copperfield, do not exist in this modern concept of personal credit. Let us for practical illustration briefly visit some key spots in this business.

In perhaps once out of 10 times, the investigated facts on the loan application may not add up to immediate approval. However, in the exceptional case the Supervisor is not "the most obdurate of men," as Dickens described Jorkins. On the contrary, he consults another committee-member, saying, "What's your slant on this?" There's our reversal of the Spenlow and Jorkins procedure.

The second Supervisor picks up the application and notes that the yearly income of $4,000 is too small for a loan of $1,500, particularly to a man 50 years of age who has five in his family. But the customer must have the full amount because this is for a partial down payment on a home. "Can this application be built up. What about those five dependents? Perhaps they are an asset not a liability."

A phone call establishes that the applicant has four children, three of them working. Two are past 21 years of age and between them make $3,800 a year. The third is just out of high school and earns $1,300. So a combined income of $9,100 is adequate for the amount needed and the loan is approved with the additional signatures of the older sons.

Build-Them-Up Policy

What happens in a case where two Supervisors can't promptly find a way? It might be reason-

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*An address by Mr. Steffan before the Annual Convention of the West Virginia Bankers' Association, White Sulphur Springs, W. Va., Aug. 25, 1949.

The Wage Earner And the Gold Standard

By PHILIP M. McKENNA
National Chairman, Gold Standard League
President, Kennametal, Inc., Latrobe, Pa.

Asserting better money rather than more money is urgent need of working people, Mr. McKenna contends, because of fluctuation in value of irredeemable currency, wage earners are made insecure both as to their earnings and their insurance benefits. Says abandonment of gold standard in 1933 was like removing safety fuse from an electrical circuit.

Better money rather than more money is the urgent need of working people today. Depreciated currency has jeopardized the interests of all those in America who toil with brain or brawn. The economic security of individuals and families is in peril. Of course there are more dollars in circulation today, but what are they worth? Their purchasing power is only one-third that of 1933 dollars. This situation has brought a hardship to all those who are depending upon insurance, old age benefits, savings accounts, and bonds.

Philip M. McKenna

Why do these conditions exist? The root of the trouble is irredeemable paper money, the chief medium of exchange for workers.

Daniel Webster once said, "Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with paper money."

Andrew Jackson, a true friend of democracy, remarked that, "The progress of an expansion, or rather depreciation, of currency by excessive bank issues is always attended by a loss to the laboring classes. This portion of the community have neither the time nor the opportunity to watch the ebbs and flows of the money market. Engaged from day to day in useful toil, they do not perceive that although their wages are nominally the same, or even somewhat higher, they are greatly reduced in fact by spurious currency, which as it appears to make money abound, they are at first inclined to consider a blessing. . . Variableness must ever be the characteristic of a currency of which the precious metals are not the chief ingredient, or which can be expanded or contracted without regard to the principles that regulate the value of these metals as a standard in the general trade of the world."

The founder and apostle of Bolshevism, Lenin, declared and demonstrated that of all the methods to overthrow a free economy and bring about communism, there is none so steathily in its approach, and so certain of success as to print irredeemable money. Prohibiting the people's ownership of gold or gold coin is one sure way to curb human liberty.

Whenever economic chaos comes, those who feel it most are always the common people, the wage earners, those who depend upon what they have "laid by for a rainy day". This was true in ancient and medieval countries, as well as in Russia, France, Italy and Germany of more recent times.

How did it come about that we —in free America—had foisted upon us this paper money not made good in anything of intrinsic value?

On the advice of an agricultural economist, Professor Warren of Cornell, in 1933, and of Lord Keynes, and Englishman, America was induced to try an experiment in 1933 and 1934. Professor Warren wanted to see a rise in the price of agricultural products. That's how it came about that wage and salary earners, were to be skilfully deprived of part of their earnings to gain the support of the politically powerful farm groups. It was to be done without our knowing it, by calling in all the gold money and managing the supply of paper money to increase it.

On March 6, 1933, the administration passed a law that all gold coins must be turned in to the Treasury, through the banks, and on pain of fine or imprisonment no one must own any real money. Once it was all in the Treasury they proceeded with Professor Warren's plan to raise the price of gold until in January, 1934 it was $34.83 at which price the Treasury would buy it, or sell it to foreigners, but no American citizen could have any. Then on January 30, 1934 they rounded the figure off at $35.00 an ounce and quit trying Professor Warren's quick remedy to raise the price of food, for the benefit of the farmer, because it hadn't worked.

Economists studying the behavior of money told the experimenters that it wouldn't work as quickly as expected. The economists' National Committee on Monetary Policy was formed in November, 1933 to advise against the experiment, and is still telling Americans we need a standard of value, with redeemable currency. At any rate the New Deal gave up that experiment and rounded off the standard of our dollar by defining it as 1/35th of an ounce of gold. Of course, rating an ounce of gold at $35.00 instead of $20.66, as it had been for over 100 years, was a neat way of giving the Treasury a profit of $2,806,000. This is an old trick practiced by kings and dictators in Europe for centuries, and known as "debauching the currency". That gave the government more money to spend, of course, but took it away from the people who might otherwise have spent it themselves, or saved it for a rainy day. In this fashion the power of the public purse was taken from the people and put under the control of the politicians.

Price of Gold

Although the price of gold was fixed at $35.00 an ounce, the laws prohibiting Americans from owning gold or gold coin were never repealed and specie payments were not reinstated. The power of the President to further devaluate the dollar expired in 1947, and has not been renewed. We are on the "limited gold bullion standard", that is, we make good to foreign countries at the standard of value of $35.00 per ounce, but the Treasury's obligations to American citizens is still denied. In other words, paper money is not redeemable in gold. Only silver certificates, mostly $1 and $5 bills, are still made good, at least in part value by being redeemed into silver dollars on demand. This is, of course, better than

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The State of Trade and Industry

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

With many industries laboring to fill current orders, total industrial production for the country as a whole advanced slightly last week, but continued to hold moderately under the high level of the preceding year.

For the week ended Aug. 6, latest available figures show that total claims for unemployment insurance in this period increased by about 2%, remaining considerably above the low level of a year ago. In the same week initial claims rose almost 22%.

Paper mill operations in the week ended Aug. 13 increased almost two points above the revised figure of 83.3% of capacity in the previous week. Paperboard production advanced nearly 4% in the week and exceeded the level of a year ago by 1%.

This was the first time in six months in which paperboard production surpassed the level of a year ago.

New orders for paperboard rose approximately 10% and were about 6% above a year ago.

Re-orders for Fall and Winter apparel became more numerous during the past week. Sizable commitments were frequently received as many merchants had placed limited initial orders. The wholesale demand for women's clothing increased noticeably with a substantial volume of orders for dresses, coats and sportswear. In many instances deliveries were not as prompt as desired. The interest in men's wear remained moderate.

Retailers of food purchased slightly more than in the preceding week with total unit volume approximating that of a year ago.

Textile order volume continued to be substantial last week. Most items in the carded cotton gray cloth markets remained in large demand and it was more difficult to secure goods for near future delivery than in previous weeks.

* * *

Industrial output increased in August—the first upturn since last autumn, according to the Federal Reserve Board. Steel production during August, the Board added, has run at about 83% of capacity, against 71% in July and 73% in June. It also reported greater activity in some nondurable lines and a pick-up in coal mining. The August gain followed a drop in industrial production during July to 162% of the 1935-39 average, it continued. This compared with 169% in June and 195% last November. August output may be close to the June rate, the Board declared.

* * *

A drop in manufacturers sales in July to $15,000,000,000, representing a decline of $1,500,000,000 below the June level, was recently reported by the Commerce Department. The dip, the Department pointed out, was most pronounced in the iron and steel and electrical equipment industries. It noted further that a "substantial decline is normal" for July, due to vacation closings. With regard to manufacturers' inventories on July 31, the Department placed them at $29,800,000,000, or a decrease of $500,000,000 during the month.

* * *

Latest developments in the steel wage controversy reveal that the Fact-Finding Board in the dispute between steel producers and the United Steelworkers, CIO, notified both sides on Friday last that it would be willing to mediate their differences. The United States Steel Corp. and the union were expected to reply to the Board on Tuesday of this week but following a conference on that day a committee representing the steel companies indicated that such talks must be conducted on an individual company basis rather than on an industry basis. In view of this decision the board withdrew its offer to mediate the dispute and notified the United Steelworkers, CIO of its withdrawal of the offer.

The board now will proceed to write its report containing recommendations for a settlement of the dispute. This report must be submitted to the President not later than Sept. 10.

STEEL OPERATIONS SCHEDULED THIS WEEK AT 86.3% OF CAPACITY, THE HIGHEST RATE SINCE WEEK OF JUNE 13

The steel industry has just amazed itself by making at least 600,000 tons more steel in August than its most optimistic executives thought possible. The pickup has now carried on too long to be called a flash in the pan, states "The Iron Age," national metalworking weekly, in its current review of the steel trade. Nor is it all strike-hedging or any of the other labels that were tacked onto it a month ago. Buyer fear of a steel tieup certainly played a part in boosting steel order backlogs. But much of the business now on steel mill books represents a return to normal buying patterns.

During the past week several top steel executives privately admitted that they were wrong in laying the upswing entirely to strike fears. Buyer gloom was so heavy in June that many steel sales executives could see nothing better than a 75% operating rate for August. In Pittsburgh they were talking about a 70% rate for the industry based on cancellations and just plain lack of orders, this trade authority points out.

A strike in steel, autos or coal could wreck the forecast but if they can all be avoided steel's prospects look good. October promises to repeat its normal seasonal strength.

Several metalworking lines have now picked up enough to stimulate overall steel demand, the trade magazine observes. Appliance production continues to improve across the board and Detroiters don't look for a drop in automotive steel demand until November. Farm equipment makers expect a good fourth quarter and a nice volume next year at 5 to 7% below current levels. Construction has picked up so sharply, the trade paper adds, that some mills are now a month behind on delivery of structural shapes. Mechanical tubing sales are better but there is no chance of a return to 1948 levels.

(Continued on page 25)

Trust Investment Problems and Common Stocks

By RICHARD P. CHAPMAN*

Executive Vice-President, The Merchants National Bank, Boston

Stressing relationship between investment policy and changing economic conditions, Boston banker outlines as categories of investment risks: (1) changes in purchasing power of monetary unit; (2) changes in interest rates; (3) the credit risk; and (4) risks of ownership. Describes problems involved in investment of trust funds under present economic and legal restrictions, and discusses policy of inclusion of stocks along with other securities in diversification of investment. Opposes stereotyped policy in selecting investments for separate trusts, and advocates flexible policy conforming to current conditions and individual circumstances.

Investing money is an intensely practical art. Those of us who are engaged in it spend a large proportion of our time in attempting to appraise economic and social trends, in making comparisons with a more benign past, and in discussions of economic and political theory. All of this is necessary and desirable, for investment, not being conducted in a vacuum, requires a working hypothesis about current conditions and the investment outlook fully as much as a set of policies and rules.

Richard P. Chapman

But after all has been said, we always come back to the problem of what immediate disposition to make of our funds. We cannot withdraw them to some investment Shangri-la where they will be insulated from the shocks of our world. They must, perforce, be placed at risk. Our daily job continues to be the study and selection of those risks that we deem appropriate for the accounts we are managing, in the light of the times through which we are passing. And in this daily process we can never lose sight of the prime importance of price, for risk is a direct function of the price we pay for a bond or a stock. If a stock or bond is cheap enough, it can fully discount all of the adversities of the general business and political outlook and the theoretical risks that surround it, short of repudiation or confiscation.

Four Categories of Investment Risks

Since this question of relative risk is the essence of the investment problem, and forms the basis of our discussion today, it might be a useful preliminary, however elementary, to enumerate the broad categories of risk to which investments are exposed. These appear to be four:

(1) The purchasing power risk, arising from changes in the real value of the monetary unit. Even cash, bank deposits and other liquid assets are fully exposed to this insidious danger, as are all bonds and preferred stocks, and indeed all conventional forms of investment in some degree, including common stocks.

(2) The interest rate risk, about which we will have more to say later. It is a matter of record, of course, that obligations of unquestioned ultimate security sustain wide price fluctuation in periods of changing money rates.

(3) The credit risk, where some degree of doubt exists as to the ability of a promissor to fulfill his obligation in full and on time.

(4) The ownership or equity risk, which embraces all of the risks inherent in participating in the ownership of a business through common stock.

Every form that trust capital can take appears to involve one or several of these types of risk, and in greater or lesser degree. It is also worth noting that none of these risks is new; neither is any of them obsolete.

If it be accepted that we can find no way of avoiding all of these risks, basic questions remain as to which types of risk are most acceptable in a trust investment today, and how and to what extent a trust fund may properly be exposed to a single type of risk, such as that of equity ownership.

Criticisms of Use of Trust Funds

In recent years there has been considerable criticism that policies and practices in general use for trust investment, which to some extent may have rested on false premises, have become outmoded and require scrutiny and redefinition. The argument runs that there is too much concern for a false stability in terms of dollars, an unresponsiveness to the real investment needs of trust beneficiaries and an absence of adaptation to fundamental economic and social change. Doubtless these critics would borrow with approval these words from Abraham Lincoln: "The dogmas of the quiet past are inadequate to the stormy present . . . As our case is new, so must we think anew and act anew . . . We must disenthrall ourselves."

If these criticisms represented merely another outcropping of the purchasing power of money, or hedge against inflation, theory, we might be ready to dismiss them. We cannot protect our beneficiaries from the consequences of fiscal folly and depreciated money for the sufficient reason that we don't know how to go about doing so, certainly not without casting prudence to the winds. We can have no duty to perform something beyond our capacity and experience. The type of monetary and governmental debt inflation that we have been experiencing is not a copyright of our present leaders; by similar devices politicians have been defrauding the industrious and thrifty for several thousand years. The only known cure is to get rid of the politicians before it is too late.

The subject cannot be dismissed so lightly, however. There are doubtless trustees with an inclination to take the easy path and to shirk the hard work and responsibility that alone produce a superior investment result, an affliction that has been aptly described as the "G" bond complex. Such trustees need a goad. Some of the issues raised, moreover, go deep. Before we get to a discussion of how to invest trust money today, therefore, let us take the time to review some of the more basic investment policies and practices in the light of their present-day pertinence.

Problem of Type of Investment

First is the question of what types of investment to place in our trusts. Here the trustee cannot be blamed too much, for he is limited to what is available and to what he is permitted to buy by law and by the provisions of his trusts. As we know, no basically new forms of investment have been evolved, but merely adaptations of existing forms such, for example, as municipal revenue bonds, and the savings bond issues of the Treasury. For practical purposes, the trustee is limited to bonds and stocks and, to some extent, real estate mortgages. Thus, if the critics have anything specific in mind, it must be an increase in trust holdings of common stocks, since this is the only available avenue of investment not fully exploited.

From the standpoint of legal restrictions, considerable progress can be reported. Not only has the modern tendency of legal draftsmanship been to grant wide discretionary investment powers, but in recent years we have seen the widespread adoption of the prudent man rule. Let us hope that this Magna Carta of trusteeship will completely supplant the legal list method of selecting trust investments. This latter method has the meritorious objective of preserving the trust principal, but it is based upon a misconception of the true relationship of the trustee to the trust property and to his beneficiaries and is, moreover, lacking in the flexibility so necessary to successful investing. The argument has been advanced that the prudent man rule, while producing good results in skilled and experienced hands, is a dangerous instrument to put in the hands of trustees generally. This is not only weak in logic, for a sound objective should be to place trust investment in skilled hands as largely as possible, but it is not supported by experience in those states where the rule has been in effect for many years. It would reduce trusteeship to its lowest common denominator. While the prudent man rule is not a common stock rule, the inevitable practical effect of its application today is an increase in trust holdings of stock.

Thus we can report a marked trend throughout the country toward liberalization of laws and customs in respect to the choice of

(Continued on page 22)

*A paper by Mr. Chapman read before the Western Regional Trust Conference of the American Bankers Association, Salt Lake City, Utah, Aug. 17, 1949.

Steel Wages and the National Economy

By ROBERT R. NATHAN*

President, Robert Nathan Associates, Economic Expert, United Steel Workers of America-CIO

Mr. Nathan contends that if wage increases come in those industries which possess ability to pay them, there will be favorable and positive economic consequences to national economy in form of greater buying power which will help restore prosperity to all industries. Says excessive profits lead to less rather than more investment, because they restrict consumption, which is most basic determinant of investment decisions. Stresses enlarged buying power on part of masses as prosperity basis.

In his concluding document entitled "National Economic Consequences," Dr. Backman summarizes what has already been discussed. It seems useful, especially in view of the vast mass of data and interpretations which are presented to this Board, to try to bring together some of the problems involved in this important issue.

Robert R. Nathan

Dr. Backman comes back again to the matter of a national wage movement and the impetus which a steel wage increase would give to such a movement. It seems to me that this Board must conclude that this economy is now back substantially on a peacetime basis. True, we are still spending $15 billion for national defense which is many times the prewar level; we are spending billions for veterans' affairs largely as a consequence of World War II; we are spending billions for overseas rehabilitation, also arising out of the war and the related political consequences; this country is disbursing billions for interest on the national debt which increased more than fivefold during the war.

Nonetheless the general economic characteristics of the war and the immediate postwar period are now behind us and America is back largely on a peacetime footing. What happened during the war is not a basis for every decision and every act undertaken at this time. Even what happened in the immediate postwar inflationary period should not be a model for what will be or ought to be done at this time.

During the war, with controls essential throughout the economy and with profitability among industries being most favorable almost universally, it was natural that various changes in such items as wages would tend to develop into a pattern. As the war receded, the pattern also changed considerably, although wages continued to rise in most industries. As evidence of the fact that big company or big industry wage increases were not as important as the companies here contend, I submit the following quotation from page three of "Wage Movements," published by the United States Bureau of Labor Statistics and referring to 1948: "By the end of April, before any major settlement in such heavy-mass production industries as steel, automobiles, electrical equipment and coal had been made, it was estimated that from a fourth to a third of organized workers had received their third postwar increase."

In Union Exhibit 4-A, we submitted three tables, Numbers 30, 31 and 32, to demonstrate the variations in wage changes which have occurred since the end of the war. These tables were taken directly from official sources, namely, the United States Bureau of Labor Statistics. It may be worth a moment of our time to refer back to those tables. In Table 30 we showed the amount of wage increases in cents which occurred between August, 1945, and May, 1946. The variations in the patterns of wage changes in that period among industries and within industries is quite strikingly in contrast with the impression which the companies' spokesmen have attempted to create here. In industry after industry there is a substantial dispersion in the amounts of wage increases which were granted.

For instance, in the textile mill products industry we find that 38.2% of the workers were in companies which granted increases of 5 up to 10 cents per hour, 32.1% were in companies in which hourly earnings were increased between 10 and 15 cents per hour, and 24.9% of the employees were in companies which paid between 15 and 18½ cents per hour more in wages. The same thing was true in food industries, in the apparel industries, in the paper industry, in the chemicals industry, in many others. In basic iron nad steel the differential was much smaller within the industry and most of the workers were employed in companies which paid an increase of 18½ cents per hour during this period. This is not unusual because, as many of the companies have already here testified, there tended to be uniformity in wage changes and rates in the industry even before the union was ever organized.

In Table 31 of Union Exhibit 4-A, there appears an analysis of changes in hourly earnings between October, 1947, and October, 1948. Here again we find evidence of substantial variations in wage changes among the 134 manufacturing industries into which the United States Bureau of Labor Statistics classifies manufacturing companies. We find that 10% of all manufacturing employees worked in industries in which average wages increased less than 5 cents per hour in the year between October of 1947 and October, 1948. About one-fourth of the workers were employed in industries in which average wages increased from 5 cents to 9.9 cents per hour during that year. Manufacturing industries employing nearly 18% of all workers showed an average wage increase of 15 cents or more per hour during that period. In industries employing nearly half of all manufacturing workers average wages increased between 10 cents and 14.9 cents per hour, with an almost even break between the industries with average wage increases of 10 cents to 12.4 cents per hour and those with average increases of 12.5 cents to 14.9 cents per hour. I believe that here again we find a very substantial variation between industries, and I am sure that a similar table showing the breakdown within industries would show further substantial variations among industrial subgroups.

In Table 32 of Union Exhibit 4-A we have shown the percentage of increase in straight-time hourly earnings among major industrial categories for three successive years, running from April, 1945, to April, 1948. Here again the variations among major industries is quite substantial for each of the years under consideration. It is true average wages increased in all major industrial groups in the postwar period because the workers were trying to recover the decline in their real earnings which had resulted from a shorter work-week and a runaway price situation. They were striving to get a fairer share of the products of American industry. That was a period in which wage increases tended to permeate every sector of economy. It was a period when ability to pay was almost universal. Yet it was a period in which wage increases varied substantially among industries. Surely such variations as are shown in Table 32 of Union Exhibit 4-A would be magnified if the classification by industries were more detailed.

These data are much more impressive in demonstrating the lack of a true national wage pattern than are the data submitted by Dr. Backman in Table 1 on page 15 of Companies Exhibit 5 which is designed to show the rigidity of a wage pattern. Dr. Backman presents information for two industries which are largely homogeneous and substantially dominated by large companies and for a few very big corporations and indicates that these limited examples are evidence of the national wage movement. In referring to his table Dr. Backman on page 2 of Companies Exhibit 5 states:

"In the light of this past record and the demands already served upon companies in all of these industries in 1949, it is clear that what happens in the steel industry will become the basis for settlements in other industries."

Elsewhere in his presentation, page 22, Companies Exhibit 2, Dr. Backman noted that:

"In 1949, however, economic conditions in the (textile) industry had deteriorated to the point where several arbitrators have ruled against new wage increases and union committees have announced their decision to seek no new wage increases."

Wage Increases Economically Desirable

I do not have any idea what is really going to happen to wages in other industries in 1949. To the extent that companies have the ability to pay wage increases and still earn substantial profits, it would be economically desirable for unions to bargain aggressively for wage increases and to secure them.

As expressed before, if wage increases come in those industries which possess the ability to pay them, there will be favorable and positive economic consequences in the form of greater buying power which will help restore prosperity to all industries. Thereafter, wage increases may be secured in other industries on the basis of ability to pay. Such a development is highly desirable from the point of view of not only the workers but also the employers and the economy as a whole. Many, many employers in the more depressed industries would be happy today to be enjoying higher levels of activity and higher wages.

If collective bargaining in various industries will be conducted on the basis of facts with good faith and a willingness to use facts, negotiations can be con-

(Continued on page 26)

*Abstracted from rebuttal statement made by Mr. Nathan on behalf of the United Steel Workers of America before the Steel Industry Fact-Finding Board, New York City, Aug. 25, 1949.

Some Thoughts on Nathan Report

By E. W. ECKARD

Professor of Economics, University of Arkansas

Almost all, if not all, of the data used by Robert Nathan in his recent report "A National Economic Policy for 1949" comes from the usual government sources such as the Department of Commerce, Bureau of Labor Statistics and the Federal Reserve System. Although the sampling may be somewhat skimpy if applied to small units this data cannot be equaled when applied to large aggregates.

E. W. Eckard

There is no quarrel with the use of government statistics. Those of us who write occasional articles for free or for small "honorariums" are delighted with the excellence and availability of the government figures. Indeed, the average college instructor of economics uses much of this data in his daily teaching. But, in such a highly touted study surely it would be reasonable to expect some well done case studies analysing relationships of costs, wages, prices and profits in appropriate fields of industry. It is difficult to believe that a very large sum of money could have been paid for a study without such analyses. If the fee for making this study were large one wonders if the costs of and profits from making this study agree with the conclusions expressed.

The Method of Attack

Mr. Nathan attacks the problem of the attainment of economic stability at a high level by discussion of aggregates of certain income flows such as corporate profits, personal saving, personal consumption expenditures and the like. Most of us will agree that a study of these quantities will throw much light on the economic problems of the day. But is it desirable to assume, as Mr. Nathan apparently does, that the problem of economic stabilization will be solved if we stabilize and/or equalize certain flows of income?

The main point expressed in the report seems to be that whenever profits reach a certain height wages should be raised so as to absorb any excess of profits above this level. Is Mr. Nathan simply refurbishing the old saw that wages are paid out of profits? If so, this is contrary to the generally accepted economic theory which looks upon wages as a necessary cost of production.

He seems to believe that by paying laborers increased wages when profits reach a certain level rather than by permitting profits to rise above that level we shall be able to guarantee adequate consumer purchasing power and to stabilize profits at a reasonable level, whatever that is. Apparently this scheme purports to make the laborer the residual claimant for the cream of production without any assumption of risk on his part. What happens when profits are below this reasonable level? Are laborers prepared to accept lower wages in order to maintain profits at the accepted reasonable level? This question should be answered before a residual claimant wage policy is advocated.

In general, there will be variation in rate of profits among the various firms in the same industry and among the various industries. Does Mr. Nathan propose that this factor be used to increase the existing discrepancies in wage rates? If so, shall wage rates be reduced in low profit firms and industries at the same time they are being raised in high profit firms and industries?

Productivity

The question of the relationship of marginal productivity to wages is suggested by the discussion of aggregate wages as a part of aggregate income and purchasing power. In spite of a short section which pays lip service to the idea that productivity is in someway connected with wages, Mr. Nathan divorces wages paid from the marginal product when he favors wage increases when obviously there has been no increase in productivity. This is noticeable particularly when he states the case for wage increases without price increases.

The main gist of the report is that wages should be increased in many cases merely because more consumer purchasing power is necessary. It seems to be describing a situation where "excess profits" are paid to wage earners in the form of raises and that those wage earners will spend their previous wages and increases immediately. There is not adequate proof to demonstrate that increments of wages are less likely to be hoarded than corporate profits.

In his concern with aggregate purchasing power Mr. Nathan does not consider the effect of wage raises upon margins of production and break even points. He implies that wage raises will have no effect on the volume of employment. Since, in his plan, wage raises are to be limited to firms where profits are high the problem of the effect of wage raises on the marginal firm is eliminated. But, what will be the effect of this increase in wage rates on the margin of employment in the high profit firms? It is difficult to believe that a raise in wages without a raise in prices will not diminish employment. Or, perhaps, the employers are supposed to pay the increased wages to the same number of employees although the productivity of certain marginal groups is less than the wage. If strong pressure is exerted against lay-offs a large amount of "feather bedding" may result.

Past and Future

Mr. Nathan's report supports the conclusion that laborers should ask for and obtain higher wages in those industries where the profits have exceeded some reasonable level during the postwar period and particulary those where profits are still at a high level. If these wage bargains are to be made for the period of one year or two years an increase of wages now may have a crippling effect on many firms that would get along well otherwise. At this time the consumer's dollar is more elusive and competition is keener than it has been since the war. Just because profits have existed at a certain level during the past three years is no sure sign that they will continue to be at the same height during the next two years. In other words, the demand for higher wages for the next two years based upon the profits of the past three years contains the element of a forecast that may be proved wrong.

Conclusion

In his report Mr. Nathan has emphasized the study of certain flows of income without adequate consideration of the effect of increased wages on the margins of production and, hence, the volume of employment. He advocates raising wages at a time when such raises may increase unemployment and may accentuate any existing tendencies toward depression.

From Washington Ahead of the News

By CARLISLE BARGERON

This writer seems to recall that back in 1938 or early 1939, anyway before the war, Adolph Berle, an in-and-outer brilliant of the New Deal, told a Senate Committee that the world trade situation was like a game of marbles in which one player had won all the marbles and if the game was to continue he had to give the marbles back to his fellow players and start all over again.

Carlisle Bargeron

Thus, this country has gathered up practically all the gold and if the game of world trade is to be continued we must give the gold back to the other countries so they can play. I do not recall that he was advocating we do this. My recollection is this was his way of describing the situation.

Since that time a second World War has intervened and worsened conditions. His point still seems to be well taken.

We are not redistributing the gold, as has been recently suggested in some quarters. We are giving the money back in dollars, instead, and through such devices as the Marshall Plan to contain Communism in Eastern Europe. Coming up is the device of arming our allies.

Basically, all of this is pump priming for this country to provide "60 million jobs." That it will restore normal trade between this country and Europe is sheer bunk in the minds of those in Congress or the government experts with whom I talk. Just as surely as the Western European countries could get into a position to supply us with enough goods to maintain their so-called dollar balance, we would have to lift our tariff barriers to maintain the high economy we have set for ourselves.

It is a commentary on the crazy thinking of the times that the British are complaining that one of the things wrong with them is that they can't produce cheaply enough to get into our market. Certainly, in the past, the shoe has been on the other foot and it is a fact that we are now subsidizing our merchant marine, have been doing so for years, against the cheaper foreign costs of not only building ships but their operation. And certainly it is a fact that if trade between this country and Britain became balanced as between imports and exports, it would have a tremendous impact on our domestic economy, against which we would have to protect ourselves.

In saying this, I am not trying to pose or to pontificate as a world authority or an economist but to set forth the background against which the British and American financial conversations will soon be held in Washington.

Fundamentally, they will be with a view to getting more money to Britain in an acceptable guise. They have run out of guises. But that some imaginative mind will come forth with another one, I haven't the slightest doubt.

There will, for one thing, be plenty of assistance from some of our most conservative quarters, from influences which belong to organizations that are continually agitating that government spending has got to be cut down, that the budget has got to be balanced, but who would have an individual fit if there were any curtailment of spending at home or abroad.

I sat with a group of industrialists only the other night and frankly I was surprised at the cynical manner in which they viewed government spending, how at heart not one of them wanted it cut down. They were a fairly representative group, too. Their most serious concern at the time was that the railroads now working their non-operating employees on a 40-hour week, would so reduce their maintenance work that it would be felt sharply in the materials market. Men figuring so closely to the penny like this, you can imagine how a lopping off of $2 billion in Marshall Plan spending would jolt them.

Naturally this group did not constitute the country's industrialists but the more I get around, the more I am convinced there is no burning desire that government spending be reduced. Oh, perhaps to the extent of dismissing a few thousand government employees. But not where it would really be effective, such as the outgo to European nations or in military purchases.

The period through which we are moving is on the order of the Coolidge prosperity in a way. Everybody realized then that it couldn't last, that the stock market had to come down some day. But Coolidge would have been ridden out of office on a rail had he done anything to break the spree.

So we will continue to send money to Europe. It isn't primarily a question of putting the economies of those countries in shape. It is cloaked in these high sounding terms. But it is apparent that we have got to go on giving our surplus away to maintain our own high way of living. As to how long it can last, I am sure nobody knows.

But certainly we are not to get anything back. It would be terrible if we did. Sending military supplies to Commy-ridden France, the "key" of our defense against Communism, though, seems to take the cake.

Thayer, Woodward Co. Formed in Cincinnati

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Warren R. Woodward and Richard Thayer have formed Thayer, Woodward & Co. with offices at 324 Walnut Street to engage in the securities business. Both were formerly partners in Frederic Latscha & Company.

Standard Invest. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—Hugh F. Flaherty has been added to the staff of Standard Investment Co. of California, 117 East Colorado Street.

Kenneth L. Mark Opens

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO CALIF. — Kenneth L. Mark is engaging in a securities business from offices at 625 Broadway.

Economic Power of Labor Organizations

By BEN MOREELL*

Chairman of the Board and President, Jones & Laughlin Steel Corp.

Prominent steel executive tells Senate Committee on Banking and Currency the rise of industry-wide powerful labor organizations, along with their ability to shut down strategic industries and to impose uniform conditions in an entire competitive field, is creating gigantic labor monopoly. Decries government fact-finding as form of compulsory arbitration, leading to price fixing and other controls, and urges labor organizations be restricted to legitimate objectives and be placed under anti-trust laws.

I will direct my testimony to the subject stated in the chairman's wire, the "extent of the economic power of labor organizations and its effect upon industry, small business enterprises, consumers, prices, banking and credit policies and national stabilization." I believe that the public welfare demands that these matters receive the thorough consideration of our lawmakers at once. The labor movement is progressing rapidly. We should determine where it is going and the probable consequences so that in choosing our future path as a nation we will do so with our eyes open. If we are to make changes in the current trends, we must act intelligently and soon, or we may have to resort to hasty and ill-considered measures in order to prevent our free economy from deteriorating by default.

Ben Moreell

A Problem of Power

The problem which faces us is an old one; it is to prevent the concentration of power in the hands of one man or of a few men, which power could be used to cause significant harm to the dominant public interest.

Our forefathers faced the same problem when they were drafting the Constitution. In that case, their task was to establish checks and balances on the use of governmental power.

Later, we faced the problem in the form of great concentrations of financial and industrial power. Restraints were established by antitrust and other legislation.

Now, we have the problem of concentration of power in the hands of labor leaders.

The question arises as to whether the continuation of such power should be prevented; whether it should be permitted and then circumscribed by restraints; or, as a third alternative, whether there should be limitations on both the size and the uses of such power.

In a mass production economy such as ours, large accumulations of industrial power are essential. Therefore, certain concentrations of labor power are necessary if there is to be equality at the bargaining table.

The problem is to establish restraints on the exercise of power in such manner that the basic structure of our incentive system of competitive enterprise will not be damaged.

I should like to outline to you the current situation and the dangers to our economy as they appear to me, and then to suggest possible remedial measures and lines of action.

At the outset, we should face one fact squarely. When two workers agree to stand together in their demands on the "boss" for certain pay and working conditions, we have a restriction on competition for work and the beginning of a monopoly. When all of the workers in a shop band together, we have an extension of the restriction on competition. Over the years, the public has recognized that this kind of restraint of competition is beneficial and in the public interest.

As the organization of workers expands to all of the shops of one company, then to all of the companies in a single industry, and then when the same organization penetrates into other industries, some completely unrelated, the public interest demands that we stop and appraise our position.

Huge Combinations

Many larbor organizations have thus grown into huge combinations, with the economic power—frequently exercised — to restrain trade and reduce competition in significant degrees. With such power, labor unions can and do affect prices, and quantities and qualities of production. Whether or not such unions are, in a strict sense, complete labor monopolies, is not important. Some are, in fact, complete monopolies. Others are so strategically placed in our economy that the end result of their actions is equivalent to complete monopoly power.

In the two industries in which I am now directly interested—steel and coal—the labor organizations exercise, in fact, almost a complete monopoly of the usable labor. There are other industries, such, for example, as automobiles, rubber, oil, electrical products, and the garment trades where similar conditions exist. The individual railroad brotherhoods are limited to specific employee functions, but a strike by any one brotherhood shuts down all railroad service. In the same manner, positions of great strategic power are held by the craft unions in the building trades—the teamsters, stationary engineers, and others.

The records of the hearings before this Committee recite many ways in which labor organizations have applied their economic power, and there is no dearth of examples where strikes and threats of strikes have slowed down and at times disrupted our entire economy. The public is well aware of these occurrences. In recent weeks the restriction on coal production imposed by the United Mine Workers has received wide publicity. If there should be a steel strike the entire country will feel its disastrous effects and the public will be keenly aware of it.

The price increases and restrictions on production which result from formal agreements between labor and management are not so clearly evident to the public. But the public pays the bill just the same. In the rising market of recent years, increases in wages in any industry, which have not been balanced by increases in production or reductions in other costs, have been passed on to the consuming public. When labor cost increases are not counterbalanced by increased production, it means that labor gets a bigger slice of the pie, and since the size of the pie remains the same, the rest of the public gets a smaller portion.

Power in Hands of Few

There is another important factor in the economic power of unions which should be noted. There is a truism that power tends to concentrate, to be drawn into the hands of fewer and fewer men. So it is with a large union. Regardless of written constitutions and by-laws, in practice, the power to impose a monoply and restrict competition gravitates into the hands of a comparatively few leaders. There are few checks and balances. Direction by a single man or by an oligarchy seems to be required by the nature of labor unions' objectives. There is no question in my mind that more democratic forms of union meetings, more frequent referendums and elections, greater police protection to prevent intimidation and attacks, the use of a fair secret ballot and more stringent quorum requirements for a vote on affirmative action would have — desirable effects without interfering with the efficiency of operation of the unions. However, if we may judge the future by the past, I believe that the actions taken and demands made by union leaders will, in most cases, be confirmed by a majority of the union members, just as the monopolistic activities of corporate managements were strongly supported by stockholder groups prior to 1890, and even thereafter, in spite of the antitrust laws. We should, therefore, face the probability that the concentrations of economic power which now rest in the hands of a few men will not be dispersed by more democratic union procedures. If we are to have corrective action,

(Continued on page 27)

*A statement by Admiral Moreell to the Committee on Banking and Currency of the United States Senate, Washington, D. C., Aug. 24, 1949.

A Defense of Direct Insurance Investment

By LOUIS W. DAWSON*

Executive Vice-President,
The Mutual Life Insurance Company of New York

Prominent insurance executive maintains entry of life insurance companies into field of directly negotiated loans is one of outstanding and most encouraging financial trends of recent years, giving corporate borrowers access to larger pool of capital and adding new element of competition among lenders. Says such loans have assisted expansion of nation's productive facilities and combated inflation. Opposes further Federal regulation of life insurance.

Many of you are probably wondering about the proposed investigations of insurance in Washington. These ostensibly have two separate purposes. One of them is to investigate whether insurance companies are now complying with the anti-trust laws. That investigation is the one contemplated under the McCarren-Celler resolution.

Louis W. Dawson

A long series of decisions by the United States Supreme Court had clearly established the principle that insurance companies, including life companies, were not engaged in inter-state commerce. They were therefore not considered subject to Federal anti-trust legislation for many years. However, in June, 1944, under another Supreme Court decision, the business of insurance was adjudged to be inter-state commerce. The companies engaged in the insurance business were then granted a moratorium that exempted them from the application of anti-trust statutes until Jan. 1, 1948, and later extended to June 30, 1948. This was done by Congress in order to give all insurance companies a reasonable time in which to make any necessary adjustments in their practices to conform with the anti-trust laws, and to permit State laws to be modified or adjusted wherever necessary. Since June 30, 1948 the life insurance business has been subject to the anti-trust laws.

The life companies, as a group have never been averse to operating under the anti-trust laws, although companies engaged in writing other types of insurance did object. Likewise, the life companies are not opposed in any way to the inquiry now under consideration, the primary purpose of which is to make certain that anti-trust violations do not exist under the laws as presently constituted. We know that The Mutual Life has been extremely careful on all anti-trust questions, and we are confident that any investigation will prove that this is the case.

Of course, there is no way of foretelling what course such an investigation if voted will take, or whether it will be the sincere, objective job it should be. But if it should carry out its stated purpose and seek to determine whether the anti-trust laws are being violated, the life insurance companies should make a good showing.

There is always the possibility of some unsuspected technical fringe violations of such a far-sweeping law, but basically the life insurance business is highly competitive, as you all know. The life companies have consistently taken the position that they did not need or wish exemption from the anti-trust laws, and the efforts of their lawyers have been to insure compliance with both the letter and the spirit of such laws. Simply stated our policy is that we believe in the anti-trust laws as part of the American Enterprise system, and we intend to do our best to comply with them. It will take no investigation to insure that!

The other investigation is that proposed under the auspices of the Sub-Committee of the Joint Committee on the Economic Report.

The O'Mahoney Committee

This is popularly referred to as the O'Mahoney Committee. This investigation is not directed primarily at insurance, but at the whole money economy of the country. It proposes to find out more about the flow of savings, the investment of such savings, and the demands for capital. Life insurance is only indirectly affected as one of the great sources of capital formation in today's economy. Here again, a wise, statesmanlike inquiry may develop information and possibly suggest some of the answers to the many questions facing our economy. In addition, other studies are being carried on under the Joint Committee, some of which will undoubtedly affect life insurance. The life insurance industry is not opposing such inquiries. We merely hope that light, instead of heat is brought to bear upon some of these important problems.

Any business in our position must expect to give periodically a public accounting of its stewardship of the public's funds, and we stand ready to do so at any time. No business is more closely related to the public interest than is the life insurance business, which has more than 75,000,000 policyholders depending upon it for personal and family security. Yet the total of life insurance now in force, in more than 500 companies that compete actively for business, does not amount even to a single year's income for the nation.

The last inquiry of this sort into life insurance affairs was that conducted by the Temporary National Economic Committee in Washington, in 1939-40, when the business acquitted itself well, both in the eyes of the Committee and before the bar of public opinion.

As to The Mutual, I assure you that we have nothing to conceal, nothing in our operations of which we are fearful. Our first duty is to our policyholders, but in exercising that duty, we have always been mindful of the public interest. The industry's flow of capital from its earliest days has always been to where the need was paramount. In times of war, the policyholders savings have supported the war effort. Upon return to peace, the necessary transformation has found financial support in life insurance funds. In times of plenty, life insurance has shown its greatest growth. In times of need it pours out its funds in a never ending stream, to support the individual and the national economy. It can truly be called the great stabilizer.

Direct Corporate Loans by Insurance Companies

Recently you may have heard criticism in some quarters of life insurance corporate loans made directly to the borrower, as if in some obscure way, they were bad for the economy. It seems to me that this criticism, to the extent that it exists, curiously misapprehends the problem of the economy. The problem of America is not how to restrict capital formation. It is how to remove the artificial barriers to the creation of capital and to encourage the free circulation of our labor and its products. The problem is how to facilitate investment of our savings in as many and as broad channels as possible, so that we never get back to that period of idle capital and idle men of the 30's.

Viewed in this perspective, the entry of life insurance companies into the field of corporate investment—and particularly industrial loans—through directly negotiated loans has been one of the outstanding and most encouraging financial trends of recent years. It has given corporate borrowers direct access to a great pool of capital, and has added a new element of competition among lenders.

For the last several years, and indeed until the recent deflation, there was a certain amount of criticism of insurance companies for selling government bonds and investing the proceeds at higher yields. The basis of this criticism was that, by lending money which we obtained by selling governments that were purchased by the Federal Reserve, we increased the money supply and thus increased inflation. This was, to some extent, true, but in the larger view it overlooked the more permanent and beneficial results of such policy.

One of the most pressing needs of our citizens, and especially of veterans, as you know, was for homes. Homes can only be built with money and, as a practical matter, with borrowed money. We and other companies met that demand, and in the last three years to July 31, we alone advanced $215 million for residential construction. In the three years ended 1948, the life insurance business as a whole advanced $5,750 million.

Investing in Nation's Productive Facilities

But in my view, even deeper, more beneficial and more far-reaching effects were produced upon the economy by investment in the country's productive facilities. Greater plant facilities insure greater production, and one of the surest and more lasting weapons against inflation is production. In the years 1946-1948, The Mutual alone made corporate loans of approximately $600 million. The new jobs and the increased goods made possible by such plant expansion are almost incalculable.

During recent years, the total of Mutual's new investment in electric power facilities, industry and housing, has greatly exceeded Mutual's increase in assets. These three things — power, industrial plant and housing—are the very heart of social welfare and progress, and the heart of the economic and military strength that America needs in the troubled world of today.

By making these loans we assisted in the expansion of productive facilties and thus com-

(Continued on page 31)

*From an address by Mr. Dawson before the Top Club of the Mutual Life Insurance Company of New York, White Sulphur Springs, W. Va., Aug. 22, 1949.

Dealer-Broker Investment Recommendations and Literature

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

Canada — Bulletin — Lawrence Turnure & Co.—Blyth & Bonner, 50 Broadway, New York 4, N. Y.

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

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

Oil Stock for Appreciation and Safe Income—Detailed analysis of industry in the current issue of "Fortnightly Market and Business Survey"—E. F. Hutton & Co., 61 Broadway, New York 6, 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.

* * *

Alleghany Corporation—Analysis—Wm. M. Rosenbaum & Co., 285 Madison Avenue, New York 17, N. Y.

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Mathieson Chemical Corporation—Detailed analytical study—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Also available is a study of the **Cement Industry** with brief analyses of **Lone Star, General Portland** and **Pensylvania Dixie Cement.**

Mining Corporation of Canada Ltd.—Analysis—Eastman, Dillion & Co., 15 Broad Street, New York 5, N. Y.

Also available is a follow-up memorandum on **Candian Pacific Railway.**

Mission Development Company—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Mississippi River Fuel Corp.—Memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available are memoranda on **Tennessee Gas Transmission Co., Transcontinental Gas Pipe Line Corp., Texas Eastern Transmission Corp.,** and **Texas Gas Transmission Corp.**

Ohio Oil Company—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is an analysis of **Interstate Departments Stores, Inc.**

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

Warren Bros.—Memorandum—Goodbody & Co., 115 Broadway New York 6, N. Y.

Western Union—Memorandum—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

COMING EVENTS

In Investment Field

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. 16, 1949 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual meeting and dinner at Palumbo's.

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.

R. L. Day Co. Opens Philadelphia Office

PHILADELPHIA, PA.—R. L. Day & Co., members of the New York and Boston Stock Exchanges, announce the opening of an office in Philadelphia, at 123 South Broad Street, under the management of Leighton Howe McIlvaine.

Mr. McIlvaine, who has been associated with the securities business for the past 20 years, specializing in tax-exempt municipal bonds during the last 15 years, was formerly Philadelphia Manager for G. C. Haas & Co. He is a member of the Bond Club of Philadelphia and the Municipal Bond Club of Philadelphia, being Secretary of the latter organization.

R. L. Day & Co. is one of the oldest investment houses in New England, having been formed in 1862. Other offices of the firm are in New York, Boston and Hartford, Conn.

Fieldman, Hirschberg Join Dreyfus & Co.

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, announce that William L. Fieldman and Benjamin Hirschberg are now associated with the firm. Mr. Fieldman was formerly Manager of the Stock Department for J. B. Hanauer & Co. of Newark.

Problem of Agricultural Abundance

By HON. CHARLES F. BRANNAN*
Secretary of Agriculture

Commenting on current large grain crops and heavy carry-over of grain supplies, involving difficulties of storage capacity and market distribution, Secretary Brannan stresses problem of keeping agricultural production in line with demand. Says producers, not Congress alone, should have this responsibility, and asserts if productive and storage capacity for abundance is here to stay, plans must be made to deal with it. Outlines and defends "Brannan Plan" of government subsidies to farmers in lieu of parity price supports.

It's a mighty fine sight for a Secretary of Agriculture to come into the Corn Belt and see this tremendous crop. But it's just a little akin to a heavyweight contender watching Joe Louis in his prime. It's a mighty fine sight—but you can't help thinking that it has the potentialities of an awful headache.


Charles F. Brannan

To me, there is something incongruous—something disturbing—in this and I wonder if you don't react the same way.

Don't you consider it a pretty sad commentary on the economic wisdom of a civilized and intelligent people that abundance, such as we see all around us today, should be a potential headache?

Don't you feel—as I do—that a civilized and intelligent people in this twentieth century A.D. should whole-heartedly welcome abundance—should know how to put agricultural and industrial plenty to good use?

I ask you these questions as a representative—and a servant—of American agriculture in our government. I ask them in the conviction that most of you out here are at least as gravely disturbed by the potential headache of our abundance of grain as we are in Washington.

All of us have the responsibility of helping to solve the tremendous problems of our era. And I want to tell you that it's a great consolation to me as Secretary of Agriculture to have Scott Lucas in the position of influence he occupies in the United States Senate today. I know I can always get an honest and wise opinion from Scott on any agricultural question—and, believe me, that's something a Secretary appreciates. He's a great leader, not only in agricultural affairs, but in all aspects of government.

So far as you personally are concerned the big, immediate problem is storage. And I am sure you realize that the responsibility for adequate grain storage is not a one-way proposition. It is, on the contrary, a joint three-way responsibility: The responsibility of individual farmers to store as much as possible on their own farms—of grain dealers to improve storage methods—and, finally, of the government to provide such price support programs and supplementary storage as are required.

As your representative I can assure you that government is anxious to discharge its responsibility. We are doing so through the corn loan program, the corn resealing program, loans for construction of storage facilities, and the purchasing of additional storage capacity by the Commodity Credit Corporation. Illinois farmers, in conjunction with farmers all over the United States, fought for these programs.

You won them—and they benefit not only agriculture but the entire nation. I tell you plainly that the department will use every available means to make sure you will continue to have a corn loan program in line with the prices you have to pay. In fact, the minimum income standard which I have proposed would provide support somewhat above 90% of parity.

I make the same personal guarantee as to an adequate storage program.

But I do not have to point out that no farm program can work very successfully without the wholehearted cooperation of American farmers themselves. You know that. I am sure you recognize your individual responsibilities.

Corn Prospects

Now what is the present situation with respect to corn? In simple language it is this: **We have by far the biggest carryover in history and a near-record crop is in sight.**

A month or so ago, we were anticipation a 700-million bushel carryover and about three and one-third billion bushels for the 1949 crop. Today we anticipate an 800-million bushel carryover and a three and a half billion bushel crop.

We have more corn under loan and purchase agreements than ever before—533 million bushels on June 30. This means that much of the ear corn now in cribs must be moved out in order to make room for the new crop.

That's the situation. That's the potential headache.

Here, from the government side, is what is being done about it.

Last May, we announced a resealing program. Under this program farmers have until Oct. 31 of this year to extend their loans on corn of the 1948 crop to mature July 31, 1950, and to put purchase agreement corn under loan to mature as of that same date. To help farmers in building this and other grain storage, the CCC is making loans available to cover up to 85% of the cost of the storage structures. These loans are at 4% interest and are repayable over a five-year period.

In some places the resealing program has been going well. In Iowa, for example, where 190 million bushels are under loan or purchase agreement, it is estimated that about 75 million bushels will be resealed. I realize that the operation in Illinois is quite different from that of Iowa. You have never found it necessary to put as much emphasis on storage. At the same time, in view of the great crop in your fields this year, I hope that Illinois farmers will bend every effort to make the corn resealing program in this state the success it deserves to be.

Even allowing for a currently estimated total resealing in the Corn Belt of about 130 million bushels, and allowing for 45 million bushels of CCC storage already available, plus other existing storage off the farm, some 300 million bushels or more of last year's corn will have to be stored somewhere to make room for this year's new crop.

Here is what we are doing about that: Through yesterday we had already awarded contracts for more than 150 million bushels of storage capacity and **we are going out to get all the additional storage that can be made available.**

But government can do only a small part of the total job. All of us—farmers, handlers, and government — have been slow to adapt ourselves to the changing conditions in grain productivity. Two and one-half billion bushels of corn used to be considered a good crop. But last year we had an all-time record corn crop of about three and two-thirds billion bushels. This year, as I have said, we anticipate a crop almost as large. We simply cannot expect to deal with crops of upwards of three and one-half billion bushels on the same basis as in the past we used to deal with crops of two and one-half billion.

So, I have come out here to lay the problem before you. I'd like you to ask yourselves—now—tomorrow—and the next day: What would I do if I were Secretary of Agriculture?

No one, of course, can chart another's action, but I've a suspicion that you would say: Gentlemen, this is your corn—you ought to help find the answers to the problem. I think you would go on to say: We need more storage on Illinois farms. There has never been enough. Now the gap between facilities and needs is bigger than ever before.

You might even be very blunt and tell your listeners that if the Commodity Credit Corporation has to move corn out of this area for storage purposes, it's going to mean money out of farmers' pockets.

You wouldn't like to say it. But if you were going to be honest, that's what you'd have to say.

And you might go even further. You might have to bring up the possibility of marketing quotas on corn. And that would bring you squarely up against some folks who seem to regard marketing quotas as regimentation—who see in quotas the heavy and dictatorial hand of government bureaucracy. But I don't think you'd have to be Secretary to disagree with that point of view. The majority of Illinois farmers know very well the need of storing fertility in the soil—and sometimes marketing quotas are necessary to keep soil fertility from being wasted. It goes against the nature of all American farmers to raise a crop only to see it go begging for a market.

Keeping Production in Line With Demand

American farmers believe in the responsibility of producers to keep agricultural supplies in reasonable line with demand. This responsibility has been recognized in law by every successive Congress over the past decade and a half. It was recognized in the agricultural legislation of the 1930's. It is in the Agricultural Act of 1948. It is in the bill passed last month by the House, the proposals now being made in the Senate, and it is in the plan that I proposed to the Congress last April.

Congress has made available to farmers certain tools of government whereby you, through your county committees, can keep supply in line with demand. Any action that is taken along these lines is not imposed upon you from outside. The choice is made by American farmers themselves voting in a free referendum. Marketing quotas will not be proposed unless there is need for them—when supplies reach a level which the Congress has designated as too high. They can not be imposed unless two-thirds of the farmers approve them. If such democratic action as this is regimentation — the word has lost its meaning.

If you were Secretary, I believe you would tell the farmers of Illinois pretty much what I have been saying to you. You would tell them also that, working together, we can lick the storage problem—but only if each of us accepts his part of the three-way responsibility.

Each individual farmer has a job to do and each of you knows in his heart what that job is.

Every farmer ought to be sure he's got enough storage on his own farm to take care of his entire corn crop this year. Every farmer who is a feeder ought to have enough storage capacity to carry a nice reserve—that kind of a reserve is as important, and as handy, as a stock of government bonds. Corn is money—at current prices about a penny and a third per ear. Think of those ears as worth upwards of a penny apiece—then they become something that you don't want to kick around.

Elevator operators have a responsibility—and a big one. Like all of us, they need to recognize that the old days of two and one-half billion bushel corn crops are gone—and probably forever.

Corn Loan Program

As for government, our position is this. A corn loan program has been made available for the benefit of the whole nation. That program helps farmers and grain handlers. But it carries with it the grave responsibility of helping to make the program work. Government in turn has a responsibility to the whole people. We don't want abundance to go to waste. We do want to be in possession of reserves adequate to any emergency that may arise. So we are going to do all that we can to get all the storage that can be made available. We have a total objective of up to 500-million-bushel capacity, if we can procure it at the right prices and within the time limits of the situation.

But storage, as you well know, is only part of the complicated problem of learning how to live happily with abundance. Abun-

(Continued on page 30)

*An address by Secretary Brannan at Annual Farm Day sponsored by Pantagraph Newspaper, Bloomington, Ill., Aug. 23, 1949.

Pennsylvania Brevities

PTC Ruling This Month

"Hearings to end all hearings" in the Philadelphia Transportation Company's eight-months' quest for higher fares were concluded before a full panel of the Pennsylvania Utility Commission Aug. 23, following which members of the rate-fixing body said they expected to hand down a final order "within three of four weeks."

The transportation company seeks a basic 13-cent fare without which, it avers, the system faces the alternatives of insolvency or the drastic curtailment of service to the public. Frederick L. Ballard, PTC counsel, told the Commission that the company lost $1,600,000 in the first six months of 1949 under present rates and stood to lose another $1,000,000 during the remainder of the year. Ballard stated that the principal component of higher costs was that of labor which has risen from 95 cents an hour to $1.35 without an increase in revenue. "Of every dollar we collect," he told the Commission, "71 cents goes for labor."

Opposing the proposed increase, Frank F. Truscott, Philadelphia City Solicitor, accused the management of inefficiency and failing to put "obvious economies" into effect. "This application for a rate increase is unjustified," he told the Commission. "It ought to be dismissed. The company should cut out its tremendous fees to engineers and lawyers, its public relations department, cut down its maintenance costs and put into effect a fare as low as possible to become once again a going and solvent concern."

In response to an inquiry by John Siggins, Jr., Commission Chairman, as to what figure Mr. Truscott considered to be a proper low base fare, Truscott replied, "If you asked me, I'd say five cents every time the riders got on a car and no transfers, I'd try it for 90 days. If the company didn't get the money it needed, then raise it to whatever is needed."

Mr. Truscott failed to reply to Mr. Siggins' further question as to who would pay the losses should such a plan be adopted and result in further heavy operational deficits.

Joseph Sharfsin, counsel for the Philadelphia Citizens Committee Against the Fare Rise, proposed a 7½-cent base fare with all transfers eliminated.

Commissioner Harold A. Scragg, Scranton is reported to favor a basic 10-cent fare with a charge of 2 or 3 cents for transfers.

Merritt Taylor, President of Red Arrow Lines, a suburban transportation system which operates as a feeder to PTC, recommended a basic 7½-cent fare with no transfers but with the possibility of later introducing zone fares on longer routes.

* * *

PITTSBURGH—Final hearings on Pittsburgh Railways Co.'s petition for fare increases, originally filed last December, have been scheduled for Sept. 26. This is not related to hearings on the system's Plan of Reorganization which will open before the Securities and Exchange Commission in Washington, Sept. 7.

* * *

Lukens Steel Co.

Although net sales and earnings of Lukens Steel Co. for the first 36 weeks of its fiscal year, ended July 9, are very substantially ahead of the like 1948 period, President Robert W. Wolcott says that indications for the remaining 16 weeks of the company's accounting year, which will end Oct. 29, "point to lowered sales and less income."

For what compares to the first three quarters, Lukens reports net sales of $46,942,027 and net income of $2,592,320, equivalent to $8.15 per common share. The 1948 figures were $40,671,343, $1,185,671 and $3.73, respectively.

In addition to a decline in sales at present in evidence, points out Mr. Wolcott, the company is faced with demands for wage increases, social benefits and pensions which amount to 30 cents per hour. The company remains in strong financial condition. As of July 9, current assets were reported as $18,105,028 (including cash and government bonds of $6,292,110), compared with current liabilities of $4,357,312.

* * *

Steel Operations

PITTSBURGH—Continuing the steady rise, steel operations in the Pittsburgh district began this week at 85.4% of capacity, highest scheduled rate since June 25. This compares with 83.9% the previous week and 95.5% a year ago.

* * *

Scranton Electric Co.

The Pennsylvania Public Utility Commission has granted Scranton Electric Co. permission to increase its rates effective Sept. 1. The increase affects 85,000 customers in Lackawanna, Luzerne, Wayne, Susquehanna Lycoming and Tioga counties and is estimated to increase annual revenues by $411,457. The company's minimum monthly rate for domestic electricity, reported to be the lowest in the state, has been increased from 50 cents to 75 cents.

* * *

Armstrong Cork Co.

LANCASTER—Attributing a decline in earnings to $2.80 per common share in the first half of 1949, compared to $4.21 a year earlier, to a "drop in sales and from the fact that wage and salary rates were higher than in the first half of 1948," H. W. Prentis, Jr., President of Armstrong Cork Co., nevertheless noted that "toward the end of the period under review, there were some encouraging signs of an upswing in business volume.

For the comparable periods, net sales of the company and domestic subsidiaries declined from $87,496,711 to $81,612,391, and net profit from $6,386,776 to $4,425,276.

* * *

Pennsylvania's "Old Timer"

Last week the nation's press carried news releases commemorating the oil industry's 90th anniversary. Reference was made to Aug. 27, 1859—also a Saturday—when Edwin L. Drake used a tin pitcher to bail crude oil from the country's first well at Titusville, Penna.

Not so well known is the fact that the Drake Petroleum Co., incorporated the same year under the laws of Pennsylvania, is still a solvent and dividend-paying concern.

Early and intermediate history is shrouded in the wraiths of lost records but the original Tom Thumb company still leases its few acres of oil-bearing land in Warren County to operators on a one-eighth royalty basis.

For the period from Dec. 9, 1947, to Dec. 7, 1948, revenues on 304.51 bbls. of oil amounted to $1,654.63. Additional income of $593.96 was received from the company's "investment account" consisting of $4,000 U. S. Treasury Bonds; $2,000 Pennsylvania RR. 4½s, 1966; $1,000 West Penn Power 3½, 1966, and rental from a parcel of real estate located in south Philadelphia.

A dividend of 2 cents per share on the company's capital stock was paid Jan. 1, 1949, to holders of record Dec. 7, 1948.

Mrs. Ann Jann, company Secretary is unable to state the number of shares actually outstanding from one year to the next. None of the original stockholders is living. As ownership changes from generation to generation, an increasing number of certificates becomes mislaid, lost or inadvertently destroyed. In 1947, dividends were paid on 51,747 shares; in 1948, on 45,608. Par value is $10.

Mr. Glenn C. Mead, an attorney with offices at 818 Real Estate Trust Bldg., Philadelphia, has served as President of Drake Petroleum Co. for the last 20 years.

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York County Gas Files

York County Gas Co., operating in York and Hanover and in adjacent areas of York and Adams Counties, Penna, has filed $400,000 in new bonds and $120,000 par value of common stock with the Pennsylvania Public Utility Commission. Proceeds from the sale of these securities will go toward the company's projected construction program, scheduled at $888,000 over the next three years.

* * *

Merger Approved

The Pennsylvania Public Utility Commission has approved the merger, pending since November, 1946, of Edison Light & Power Co. of York, Penna. with its parent company, Metropolitan Edison Co. of Reading.

ACF-Brill Motors Co.

Last week, ACF-Brill Motors Co. announced the payment of $350,000 applicable to its bank loans, reducing the amount of such loans to $2,000,000. This completes the full $1,400,000 due banks this year.

* * *

Penna. Index Slumps

The Bureau of Business Research of Pennsylvania State College reports a slump in industrial production for the sixth consecutive month. The Bureau's index dipped two points from June to July to 167. The 1935-39 average of industrial production is rated as 100. Employee vacations, for which no adjustments were made, and the miners' 3-day work week were cited as factors.

Businessmen's Fears

By ROGER W. BABSON

Commenting on fears of businessmen regarding political and economic conditions, Mr. Babson holds such fears could be allayed if businessmen themselves take action to improve public and employee relationships. Says millions should be spent on constructive promotional material to teach facts of free enterprise.

Most businessmen with whom I talk tell me they are afraid of the monkey business going on in Washington and how it will affect their business. Recently one tired and frightened company president said: "You know, Mr. Babson, America is living in a paradox—in our great land of wealth and plenty, people are unemployed." I replied, "Yes, I know. Our unemployed, ill-housed and poorly clothed people are so well off that they are the envy of all the rest of the world." For example: The Lincoln Electric Company of Cleveland recently distributed upwards of $3,500,000 in incentive payments to 1,097 workers. These payments, made possible only by individual initiative, practically doubled the income of every worker. By working hard, Lincoln produced more goods at lower prices and everybody benefited.

Roger W. Babson

One hundred and seventy-five years of evermore successful free enterprise experiences like this in our country is evidence enough for me that we must be careful not to kill the goose which is laying the golden eggs. Despite all of its inadequacies, we have a system which is the best in the world. The American paradox to me is that our own workers, who have benefited most from the highest standard of living in the world, will not choose as leaders successful businessmen. Labor leaders and theoretical government planners may hold out to them promises of security but at a bare subsistence level. Why do our people act so foolishly?

Where Business Failed

Too many of our business leaders have been phenomenally successful in commercial activities, but miserable failures as public relations men. They have lacked good two-way communication with their employees and with their communities. Business has not sold itself.

The greatest danger to business today is not the spurious "something for nothing" philosophy our government has sold the people. That kind of misinformation and unsound economics just can't withstand the white-heat of honest facts. Any salesman could demonstrate that such philosophers are liars and their products inferior.

The Time Is Now

Back in 1835 Count de Tocqueville said: "Democracy extends the sphere of individual freedom; socialism restricts it. Democracy attaches all possible value to each man; socialism makes each man an agent. Democracy and socialism have nothing in common except one word — 'equality'. But notice the difference; while democracy seeks equality in **liberty**, socialism seeks equality in **restraint.**" Any psychologist will tell you that restraint and frustration go hand in hand. When men are restrained, their behavior becomes irresponsible, their characters become weak. The American sytem of Free Enterprise enables men to be aggressive, to hold their heads high, to struggle and, through individual initiative, become responsible, productive, and happy citizens.

Our workers are not to blame for their actions when we do not give them the economic facts of life. We shall have to spend millions on constructive advertising and promotional material to teach the plain economic facts of Free Enterprise. This means educating the Press and Radio, campaigns in house organs and over public address systems. It means platform appearances in schools and colleges. It means writing simply and distributing widely corporation statements, and a dozen and one similar jobs for a full fledged public relations staff. It means telling the people fully and frankly what Free Enterprise has done for them. You say you can't afford such a program? I say we can't afford not to put such a program into action—at once!

Max C. Ibers, Jr. Rejoins Oscar Kraft

LOS ANGELES, CALIF.—Max C. Ibers, Jr. has rejoined Oscar F. Kraft & Co., 530 West Sixth Street. Mr. Ibers has recently been with Gross, Rogers & Co. in Los Angeles and T. J. Feibleman & Co. and Weil & Co. in New Orleans.

Also added to the staff of Oscar F. Kraft & Co. is B. E. Savage, previously with Buckley Securities Corporation.

Municipal Bond Club of Chicago Field Day

CHICAGO, ILL.—The Municipal Bond Club of Chicago will hold its annual field day at the Knollwood Country Club on Friday, Sept. 23. The event will be preceded on Sept. 22 by cocktails and a dinner at the Drake Hotel.

Events planned for the day will be a golf tournament with prizes for individual low gross (guest); individual low gross (member); first low net foursome; individual low net (guest); individual low net (member) and other awards. Players will pay their own caddie fees ($2.50 for 18 holes).

There will be a softball contest starting at 2:30 p.m. In tennis, in addition to the singles and doubles championships there will be special prizes for those two players winning the highest number of games who have never previously won an award at a Chicago Municipal Bond Club tennis tournament. Winners in the singles and doubles championships are not eligible for one of the special prizes. Other events are also planned.

Buses for the Knollwood Country Club will leave the Drake Hotel Sept. 23 at 9:00 a.m. and 12:00 noon. Guest reservation fee will be $25. Checks should be made payable to Ross A. Gustafson, Northern Trust Company, Chairman of the arrangements committee.

Members of the committees are Milton S. Emrich, Chairman of the general committee.

Members of the other committees are:

Arrangements: Ross A. Gustafson, Chairman; William A. Noonan: P. A. Bergquist, First National Bank of Chicago; Ronald M. Coutts, A. C. Allyn & Co., Inc.; Carnot W. Evans, Harris, Hall & Co.

Reception: Charles F. Hemenway, Illinois Company of Chicago, Chairman; George L. Martin, Martin, Burns & Corbet; J. M. Maxwell, Northern Trust Co.

Entertainment: George S. Channer, Jr., Channer Securities Co., Chairman: Henry W. Meers, White, Weld & Co.; Walter E. Lang, Harriman Ripley & Co.; George L. Martin, and James F. Quigg, Paine, Webber, Jackson & Curtis.

Refreshments: Edw. J. Knight, Blyth & Co., Inc., Chairman; Warren S. Yates, C. F. Childs & Co.; L. M. Rieckhoff, Northern Trust Co.

Special: Lawrence A. Wingader, John Nuveen & Co., Chairman; William S. Morrison, Jr., Harris Trust & Savings Bank; Gene A. Frantz, Weeden & Co.; Walter A. Hintz, McDougal & Condon; John N. Faust, Kidder, Peabody & Co.

Golf: Carl H. Ollman, Kebbon, McCormick & Co., Chairman; O. H. Heighway, Hornblower & Weeks; Paul Stephens, Paine, Webber, Jackson & Curtis.

Tennis: Francis R. Schanck, Jr., Bacon, Whipple & Co., Chairman; J. Franklin Bickmore, Boettcher & Co.; Woodward Burgert, Harris Trust & Savings Bank.

Softball: Andrew D. Buchan, First Boston Corp., Chairman; Thomas Kevin, Glore, Forgan & Co.; Eugene C. Travis, Harriman Ripley & Co.

Transportation: George L. Barrowclough, First of Michigan Corp., Chairman; Paul Uhl; Gerald Barron, Doyle, O'Connor & Co.

Special: John H. Jackson, Lee Higginson Corp., Chairman; Arthur Tresch, B. J. Van Ingen & Co., and Roland Merrell, Jr., Lee Higginson Corp.

Ewing Harper in S. F.

SAN FRANCISCO, CALIF.—Ewing Harper is engaging in a securities business from offices in the Hobart Building.

Present Readjustment— A Healthy Corrective Program

By HENRY H. HEIMANN*

Executive Manager, National Association of Credit Men

Leading credit association official, contending economic readjustment is already well on way and plunge into serious depression seems practically impossible, predicts there will be adequate credit facilities for deserving borrowers. Warns against foolhardy government program and injudicious labor leadership.

It seems practically impossible for us to plunge into a serious depression. Only a very foolhardy program of the Government or injudicious labor leadership could over-extend the present readjustment period. With the banking situation sound, with a lack of inflation in the securities markets, with consumer savings totaling over $100 billion, with the agriculture outlook satisfactory, and with the nation's and the world's needs still far from being satisfied, it is even difficult to imagine a government or man-made depression in the light of these favorable factors.

Henry H. Heimann

While the present readjustment has been cause for some concern, more experienced business leaders and economists look upon it as a healthy corrective program. Fortunately, too, it has been staggered and selective so that it has been more easily absorbed than if it had been widespread and general in character. It would have been very foolish to have expected the business activity to continue on a war tempo basis. The war activity was artificial and if business had continued at this pace, we would have built up such inflationary forces that the foundation for a real collapse would have been constructed.

So long as we have four or five millions unemployed, we should use every means to find employment for them, but we must not overlook the fact that there are presently employed approximately 60,000,000 people. By ratio, our unemployment total is small though this fact should not deter us from trying to get to an even lower figure.

Credit executives are experiencing more difficulty in the collection of accounts and the number of failures has continued and will continue to show an increase. The heaviest increase in failures is found among the inexperienced men in business. In the postwar era many people without business experience or without business capacity entered into business without the necessary apprenticeship or training to enable them to make a success of it. The credit executives are not alarmed about the existing trend. They would describe it as a return to the prewar condition for even in normal years the business fatalities or voluntary closings are sizable in number.

Adequate Credit Available

There will be adequate credit for all those who are deserving of it. The banks are willing and anxious to make loans.

There are, of course, some unfavorable factors on the business horizon. First you have the heavy government debt and the high taxes resulting therefrom. We cannot for many years, as the economic history of the world clearly proves, continue to use a fourth to a third of our effort for the support of government. Secondly, we have a world situation where the trend is toward the left and where unfortunately this trend is being supported and aided by production arising in an economy that is conservative. It is a true statement that many of the socialistic countries would have collapsed long ago had they not been the beneficiaries of the free, competitive enterprise economies in other nations. Third, you have an armament race, the cost of which over any long period of time is unbearable.

Considerable discussion and argument is found in the present day about taxation policies and the exemptions offered certain groups. I believe it can be fairly stated that very few business organizations object to the tax exemption privilege of a true cooperative. In general, a true cooperative would be defined by these groups as one that concentrated on aid to the farming community in goods and services that are essentially and peculiarly contributory to better farming and which goods and services cannot be procured at a reasonable price without the benefit of a cooperative effort. Business, too, would be less concerned with this problem if the double taxation of dividends were not in effect. The utilization of savings for cooperatives for the expansion into all fields whether or not directly related to farming is a program to which businessmen do object. The argument frequently put forth that business receives a subsidy through tariffs is no answer to the question. If tariff consideration amounts to a subsidy or gives special advantage, it rests upon a foundation of special privilege and can hardly be justified. The argument that cooperatives do pay these taxes and are not enjoying a special privilege, is liquidated by the fact that every time an effort is made to tax cooperatives, there is violent objection. If the general law were made applicable to cooperatives, and if in their opinion no special privileges were now enjoyed by them, then the logical question asked by business and other taxpayers is why the objection to the proposed law.

The true cooperative should recognize that there has been great abuse of the tax exemption privilege. It would be much better if cooperatives as a whole defined a program that would limit the tax exemption privilege to those actually entitled to it. Unfortunately, there has been too much emotion and too little fair analysis of the situation. With the tax burden as heavy as it is everyone must agree that it must be equitably distributed. That is the American concept.

Credit executives look forward with confidence to the year ahead. They believe the readjustment period is well along its way and they anticipate a satisfactory volume of business in the year 1950. The real economic test in their opinion, is still years removed because the accumulated needs of the nation and the world are still far from being satisfied. When these needs can be supplied on a normal rather than an artificial or gratuitous basis, we will have gotten back to a sound economic program.

*An address by Mr. Heimann before the American Institute of Cooperation at University of Wisconsin, Madison, Wis., Aug. 25, 1949.

Holds Open-End Trusts Cause Market "Thinness"

Leslie Gould, Financial Editor of the New York "Journal-American," says they take shares out of market and reduce its liquidity.

Writing in the New York "Journal-American" of Aug. 25, Leslie Gould, Financial Editor, ascribes part of present thinness of the stock market to recent growth in open-end investment trusts. Commenting on factors, such as over-regulation and public apathy, which make for market thinness "where sell orders totaling only 300 shares can bring a drop of 3 points," Mr. Gould states:

Leslie Gould

"Another factor—which has been generally skipped over — can be added to the list of things making for thin markets. This is the rapid and continuing expansion of the so-called 'open-end' investment trust.

"'Open-end' trusts are investing companies which sell shares to the public and reinvest the funds obtained in securities of a long list of companies, mostly those listed on a stock exchange. The object is to give the investor diversity of investment, plus—in theory, anyway — professional management of the investor's savings.

"Eight years ago, the 'open-end' trust were not much of a market factor. Their investments were around $448 million. Today they are about four times that figure—more than $1.6 billion, and are on the road to reaching the $2 billion mark.

"That is a lot of stock to be taken out of the market and as this form of investment develops, it will tend to make the market even thinner than it is now. As the market gets thinner, it will become that more difficult to sell or buy through the Stock Exchange, or any of its brother and sister boards any volume of stock in a given company. It will reduce the liquidity of the market.

"This is something that should be concerning the management of the Stock Exchange, as the big development in the last eight months has been the entrance of Exchange firms in the sale of investment trust shares.

"The Exchange firms have gone into this in a big way partly because of their higher commissions available—the firms get 5% to 6% on trust sales against an average of 1% on Stock Exchange trades.

"The thinness raises another question. What happens when the managements of several of the trusts decide at approximately the same time they should sell some particular stock? Where will the buyers come from, and what prices will the buyers pay?

"The purchases by the trusts are almost entirely in seasoned and listed shares. They seldom if ever take new, untried issues. And that is going to be the big need in the years ahead — the supplying of new venture capital.

"Instead of making business for the Stock Exchange and the other exchanges, this trend may be diverting business away from these market places."

Chilson, Newbery Opens NYC Office

Chilson, Newbery & Co., Inc., of Kingston, N. Y., announces the opening of a New York City office at 40 Exchange Place. Earl Newbery will be the resident manager of the new office and the firm will have a direct private wire from their Kingston office to Stanley Pelz & Co., New York City.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hiram H. Stolurow has been added to the staff of Samuel B. Franklin & Co., 215 West Seventh Street. He was previously with C. E. Abbett & Co.

Mutual Funds

By HENRY HUNT

These Facts May Be Important to Your Savings

From 1939—last real peacetime year for business before the war—to 1949 our economy has witnessed growth unparalleled in any other 10-year period. *Value of National Product* increased from $91.3 billion to $255 billion—an increase of 179%. *Personal Income* rose from $72.6 to $212 billion, or 192%. *National Income* climbed 209% to over $224 billion.

It was to be expected that the war years would boost production, profits and income. But the last four years of the period—almost half the decade—were years of peace and "readjustment." What are the growth forces behind this trend?

More People Working—The population in 1939 was 130.8 million; now it is 148.9 million. More people means more labor for hire, more goods produced and more money to make purchases. In 1939, 45 million were employed—today, over 59 million.

More People Buying More—With present wage and salary levels their power to consume is increased even more. In 1939, 45 million people earned $45 billion in wages and salaries. Today 59 million people earn $135 billion. Other income, too, has increased—*Dividend Payments* from corporate profits, for example, have doubled. *Total Personal Consumption* of goods and services has increased from $67.5 billion to $176.5 billion, or 161%.

What Do These Figures Mean to You?—They can mean more income from your savings. With the strong protection of the highest business activity in years, the country's great investing institutions are able to offer unusually generous returns. Because prices are low in relation to values, on a basis of long experience, opportunities exist for growth in addition to available returns ranging up to 6%. —From "Keynotes" issued by **The Keystone Company of Boston.**

Assets of "Affiliated" Up Sharply

Affiliated Fund, Inc. made arrangements recently to borrow an additional $2 million under the terms of its Loan Agreement, dated June 1, 1948.

Since its last borrowing of $2 million on July 1, sales of new shares of capital stock have been in excess of $6 million. The additional borrowing is therefore necessary to maintain the ratio of borrowed money to total assets at an amount deemed advisable by the management.

After the new borrowing, total assets of Affiliated Fund, Inc., at present market prices, are approximately $102 million, of which $24 million constitutes borrowings and the remainder, $78 million the equity. The interest on all of the borrowed money is at the rate of 2¼% per annum.

Recommended Reading

We suggest that you look at page 9 in last week's "Chronicle" and read the editorial titled "Selling It to Sweeney." It is reproduced by **Ira Haupt & Co.** and makes good reading for mutual fund dealers.

NASD Completes Survey of Investment Trust Shares Distribution

Finds substantial holdings in Western States, with California leading, but on basis of population percentage, Maine and New Hampshire have highest ratio of holdings.

The National Association of Securities Dealers has just completed a survey of the distribution of investment shares, which reveals a striking geographical representation, particularly in western states. Holdings of investment trust shares, this survey discloses, are less concentrated than were corporate stocks as revealed in a previous survey by the association. Mid-western and western states, for instance, are heavily represented in the ownership lists, and there is much less concentration within a few states than was indicated in the corporate stock study.

California reported the largest number of holders of investment trusts shares of any state, with 79,396. New York was next, with 55,196; then came Missouri, with 53,307; Michigan with 42,749; Massachusetts with 42,674 and Illinois with 41,238. Every state in the Union and the District of Columbia is represented in the ownership records, although three states recorded less than 1,000 holders. This latter group includes Delaware with 395, Nevada with 481 and Wyoming with 939.

The NASD survey embraces 105 individual funds which reported an aggregate of 658,618 owners of their shares which, of course, include duplications since no cross-check was attempted. The study was conducted by the Association's National Quotations Committee as a part of its work in obtaining regular daily newspaper publication of market quotations on investment trust shares, as well as various lists of corporate securities. The committee points out that total holdings of shares within a state is not necessarily the most important consideration in determining newspaper publication. There is the important factor of population ratio to be considered.

On the basis of population percentage, the states of Maine and New Hampshire lead all other states in holdings of investment trust shares. Pennsylvania is seventh in aggregate holdings, but thirty-second in the population ratio. On the same basis, New York drops from second to twenty-sixth place; Illinois from sixth to eighteenth, and Ohio from eighth to twenty-first. Nevada, which ranked forty-eighth in the standing of aggregate holdings, jumped to twenty-fourth in population ratio.

The following compilation shows the total number of owners of investment trust or investment fund shares, in each state, together with the percentage of holders in relation to population (based on the 1940 census figures):

Number of Shareholders

	State Totals	% (Approx.)
Maine	13,744	1.6
New Hampshire	8,144	1.6
Missouri	53,307	1.4
Oregon	15,324	1.4
Vermont	5,043	1.4
California	76,396	1.1
Massachusetts	42,674	1.0
Michigan	42,749	0.8
Minnesota	23,152	0.8
Rhode Island	5,576	0.8
Wisconsin	24,734	0.8
District of Columbia	4,440	0.7
Kansas	13,401	0.7
Washington	12,715	0.7
Connecticut	9,898	0.6
Florida	11,380	0.6
Colorado	6,436	0.5
Illinois	41,238	0.5
Montana	2,630	0.5
Nebraska	6,340	0.5
Ohio	32,291	0.5
Arizona	2,173	0.4
Indiana	13,169	0.4
Nevada	481	0.4
New Jersey	16,632	0.4
New York	55,196	0.4
Wyoming	939	0.4
Idaho	1,616	0.3
Iowa	7,178	0.3
Maryland	4,565	0.3
New Mexico	1,296	0.3
Pennsylvania	33,624	0.3
South Dakota	2,209	0.3
Georgia	6,562	0.2
Louisiana	4,591	0.2
North Carolina	6,517	0.2
North Dakota	1,301	0.2
Oklahoma	4,596	0.2
South Carolina	3,473	0.2
Tennessee	7,018	0.2
Texas	12,368	0.2
Utah	1,133	0.2
Virginia	5,400	0.2
Alabama	3,825	0.1
Delaware	395	0.1
West Virginia	1,999	0.1
Kentucky	2,540	0.09
Arkansas	1,636	0.08
Mississippi	1,837	0.08

Following is the record of totals in each state, in order of number of holders:

Number of Holders

	State Totals
California	76,396
New York	55,196
Missouri	53,307
Michigan	42,749
Massachusetts	42,674
Illinois	41,238
Pennsylvania	33,624
Ohio	32,291
Wisconsin	24,734
Minnesota	23,152
New Jersey	16,632
Oregon	15,324
Maine	13,744
Kansas	13,401
Indiana	13,169
Washington	12,715
Texas	12,368
Florida	11,380
Connecticut	9,898
New Hampshire	8,114
Iowa	7,178
Tennessee	7,018
Georgia	6,562
North Carolina	6,517
Colorado	6,436
Nebraska	6,340
Rhode Island	5,576
Virginia	5,400
Vermont	5,043
Oklahoma	4,596
Louisiana	4,591
Maryland	4,565
District of Columbia	4,440
Alabama	3,825
South Carolina	3,473
Montana	2,630
Kentucky	2,540
South Dakota	2,209
Arizona	2,173
West Virginia	1,999
Mississippi	1,837
Arkansas	1,636
Idaho	1,616
North Dakota	1,301
New Mexico	1,296
Utah	1,133
Wyoming	939
Nevada	481
Delaware	395

Marshall Rawle Is Payson Trask Partner

Marshall Rawle (Sept. 1, 1949) becomes a general partner in the firm of Payson & Trask, it was

Marshall Rawle

announced by Mrs. Joan W. Payson and Frederick K. Trask, Jr. Mr. Rawle resigned recently as Vice-President and Director of Textron, Incorporated. Prior to that he was associated with the National City Bank of New York. Payson & Trask is actively engaged for its own account in the venture capital field.

Jas. Cunningham With Reynolds in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James W. Cunningham has become associated with Reynolds & Co., 208

Jas. W. Cunningham

South La Salle Street. Mr. Cunningham was formerly in the trading department of Hicks & Price and prior thereto with Fahnestock & Co.

White & Co. Expands Trading Department

ST. LOUIS, MO. — White & Company, Mississippi Valley Trust Building, members of the St. Louis and Chicago Stock Exchanges, announce that Edward A. White has been appointed manager of the trading department and will have associated with him David Matthew, formerly of Scherck, Richter Company.

Effective Sept. 1 White & Company's wire, formerly to Robert Strauss & Company of Chicago, will go to Daniel F. Rice & Company, also of Chicago.

Miller, Spink & Co. Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Miller, Spink & Co. has been formed with offices at 231 South La Salle Street. Officers are Paul W. Spink, President and Saul R. Miller, Secretary and Treasurer. Mr. Spink in the past was with Faroll & Co. Mr. Miller was proprietor of S. R. Miller & Co.

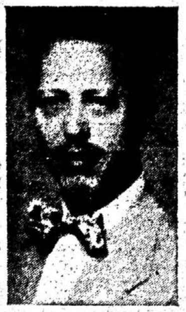
With J. W. Malmberg & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF. — Marion C. Erwin has been added to the staff of J. W. Malmberg & Co., 625 Broadway.

Edwin Jacobs Joins Staff of Stanley Pelz

Edwin Jacobs, formerly in the trading department of Blair F. Claybaugh & Co., New York, is



Edwin Jacobs

now associated with Stanley Pelz & Co., 40 Exchange Place, New York City, in their trading department. Mr. Jacobs had been with Blair F. Claybaugh & Co. in their New York office for 13 years.

Midwest Exchange to Function Shortly

The effective date of the merger of four leading midwest stock exchanges has been set as Sept. 15, by vote of the representatives of the respective institutions. The new organization is to be known as the "Midwest Stock Exchange" and is to be located in Chicago. Memberships and security listings on the merged board will be accepted for sixty days beginning with that date from members of the merging exchanges and corporations whose stocks are listed on them. Memberships in the merged organization will be sold for $2,500 apiece until the sixty-day period expires and thereafter at whatever they bring on the open market. The transfer of listings to the enlarged exchange will be executed free of charge during this period.

Apparently, in order to facilitate the initiation of the new securities exchange, the Securities and Exchange Commission on Aug. 28 amended its rule governing unlisted trading privileges on merged exchanges. A proposed amended Rule X-12F-6 for this purpose has been drawn up and submitted for comment, and unless serious objections are met with, the rule will become effective after Sept. 15. The current rule provides that when two exchanges in the same metropolitan area merge, the surviving exchange may, without asking SEC permission, continue the unlisted trading privileges of the absorbed market. The new rule would broaden that considerably by authorizing such automatic continuance where exchanges in the same "vicinity" merge. The term "vicinity" is defined as a single geographic division or adjoining division, as classified by the Census Bureau. This would cover the consolidation of mid-western exchanges, all of which are located in or adjacent to the same general geographic area.

E. J. McBrien & Co.

SALT LAKE CITY, UTAH—Edmund J. McBrien has formed Edmund J. McBrien & Co. with offices in the Newhouse Building to engage in a securities business. Mr. McBrien was formerly with J. Arthur Warner & Co., J. S. Boucher & Co. and Bond & Goodwin, Inc., in New York City.

Charles J. Hughes Opens

CHEYENNE, WYO.—Charles J. Hughes is engaging in a securities business from offices at 205 West 26th Street.

Can There Be Fusion of the Sterling and Dollar Areas?

By PAUL EINZIG

Dr. Einzig discusses the pro and con of proposed fusion of dollar and sterling areas, and contends such a fusion in near future would cut both ways, working both for and against British interests. Sees danger from plunge into another convertibility experiment.

LONDON, ENG.—It is one of the declared objects of the Washington financial discussions to examine the means by which the Sterling Area and the Dollar Area could be united. There has been no official indication however, of the way in which this end is sought to be achieved.

Dr. Paul Einzig

The declaration of this policy may possibly mean simply the restatement of the pious desire for the removal of currency barriers. In that case it is of very little immediate practical significance. For the elimination of currency area arrangements has been agreed upon in various documents since the end of the war, and yet the translation of the wish into practical achievement is now as far removed as ever.

There are two ways in which immediate action could be taken to the desired end. The one is the policy usually described as "dash for freedom," strongly urged on the British Government and other European Governments by the school of laisser-faire economists on whom the lesson of the failure of the premature attempt at Sterling convertibility in 1947 appears to have been lost. They would like the government to plunge into another convertibility experiment, although it would be even more risky than the one which collapsed two years ago, because in the meantime the gold reserve and other resources available for facing the risk have declined considerably. Another failure might mean that the last dollar would be spent, not in a matter of months but in a matter of weeks. The result of such a failure would be disastrous. Yet the fanatics who advocate a "dash for freedom" are so utterly cocksure about the correctness of their judgment that they are fully prepared to risk such a disaster.

The other way in which the two currency areas could be amalgamated would be by means of an undertaking on the part of the United States to acquire and hold Sterling to an unlimited extent, at any rate insofar as the Sterling arises through American exports. Some such solution has been tentatively suggested in unofficial quarters on both sides of the Atlantic. What it really amounts to is that the risk involved in the "dash for freedom" should be taken not by Britain but by the United States. Under the suggested arrangement an American export surplus in relation to the Sterling Area or in relation to non-Sterling countries holding Sterling balances would be financed automatically through a corresponding increase of American holdings of Sterling balances. There would be no free convertibility of Sterling into dollars—as has been suggested in some quarters—but simply an acquisition of Sterling as a result of an export surplus which in present circumstances would have to be paid for in dollars.

The advantages of the scheme from a British point of view are obvious. It would solve with one stroke the immediate problem of the dollar deficit. There would be no need for restricting British and Sterling Area imports from the United States. It would be possible to buy in the cheapest markets, irrespective of whether it is in the Sterling area or in the Dollar Area. Taking a short view, it would be the ideal solution for Britain. From an American point of view, the arrangement would ensure equal treatment to American exporters. They would not lose their European markets through lack of dollars. The American desire for non-discrimination and convertibility would be satisfied with one stroke, instead of having to agree to its indefinite postponement until Britain can afford to risk the adoption of those policies.

The other side of the picture is, of course, that it is the American taxpayer who would have to face the risk involved. The acquisition and holding of large Sterling balances would have to be financed somehow, and in the event of loss the Treasury would have to pay. That is one of the reasons why it may be considered certain that, before the United States Government agreed to such a scheme, it would insist on a devaluation of Sterling. After a devaluation the risk involved would be reasonable, especially since the chances are that the amount which the American authorities would be called upon to acquire would be much smaller as a result of the effect of a devaluation on the British balance of payments and on confidence in Sterling.

From a British point of view, all arguments are by no means in favor of the proposed solution. It is true, it would solve the immediate dollar problem, but it would aggravate the balance of payments position in the long run. The temptation of buying too much from the Dollar Area would be to strong, even though it would be mitigated by a devaluation of Sterling. Britain would lose the advantages she is now enjoying through the Sterling Area arrangements. There would be no inducement for adopting stern measures to close the dollar gap which would be automatically met by an increase of American holdings of Sterling. Indeed there would be a tendency of the dollar deficit to become perpetuated and even to widen.

If this postion were peculiar to Britain this would not matter very much. For Britain could meet her dollar deficit with the aid of her export surplus to non-dollar countries which would also return to convertibility. The trouble is that they all have dollar deficts, and, to be consistent, the United States Government would have to apply to them, or at any rate to some of them, the same measures which would be applied to Sterling. This means that they too would tend to widen their dollar deficits instead of closing it, and in many instances they would be buying American goods instead of British, if it is equally easy to pay for the former as for the latter.

Evidently, a fusion of the currency areas in the only way in which it would be possible in the near future would cut both ways, not only from an American point of view but also from a British point of view. Possibly an attempt may be made by which the risk of a "dash for freedom" policy would be shared between the United States and Britain and the other countries involved. Theoretically, at any rate, it is possible to conceive such an intermediate solution.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York is reminding all bowlers that bowling will start Thursday, Sept. 8, at 5:30 p. m. sharp, on the second floor of the City Hall Bowling Center, 23-29 Park Row.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Nominating Committee of the Investment Traders Association of Philadelphia has submitted the following slate to be voted upon at the annual meeting to be held Sept. 16:

For President, Newton H. Parkes, Jr., Bioren & Co.; for First Vice-President, Albert Fenstermacher, M. M. Freeman & Co.; for

N. H. Parkes, Jr.

A. H. Fenstermacher

J. B. McFarland, III

William J. McCullen

E. C. Williamson

Second Vice-President, James B. McFarland, III, H. M. Byllesby & Co.; for Treasurer, William J. McCullen, Hendriks & Eastwood; for Secretary, E. Coit Williamson, Schmidt, Poole & Co.

Six members of the Board of Governors to serve three years and one member to serve one year will be chosen from the following nominees: Edgar A. Christian, E. H. Rollins & Sons; Joseph Cummings, Brooke & Co.; Frederick DeVoll, Jr., J. Arthur Warner & Co.; Forrest H. Duble, Parrish & Co.; John M. Flynn, II, E. W. Clark & Co.; Russell A. Harris, Eastman, Dillon & Co.; Floyd E. Justice, Kidder, Peabody & Co.; Nevin Mann, Halsey, Stuart & Co.; William McDonald, Paul & Lynch; William Z. Suplee, Suplee, Yeatman & Co.; Bernard H. Tobias, Gerstley, Sunstein & Co., and John F. Weller, Hallowell, Sulzberger & Co.

The Nominating Committee was composed of Chairman Joseph A. Zellar, Bankers Securities Corp.; James J. McAtee, Butcher & Sherrerd; William McDonald, Paul & Lynch; Thomas F. O'Rourke, Stroud & Co., and Richard W. Heward, Janney & Co.

The business meeting and election, which will be followed by dinner, will be held at Palumbo's Restaurant. It is for members only.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Frederick Evans has become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Samuel Davidson Opens

BROOKLYN, N. Y.—Samuel S. Davidson is engaging in a securities business from offices at 455 Ocean Avenue.

Wm. M. Courtney Now With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA. — William M. Courtney has become associated with Merrill Lynch, Pierce, Fenner & Beane, 116 West Forsyth Street. Mr. Courtney was formerly Vice-President of Sterling, Courtney & Ewing.

Canadian Securities

By WILLIAM J. McKAY

Analysis of the recently announced Canadian foreign trade statistics for the first six months of the year leads to the conclusion that the Canadian position is strikingly similar to that of the British. Whereas at the commencement of the year it was possible to issue highly optimistic reports on current and future prospects, the actual situation a few months later shows an alarming deterioration.

Although there was still a favorable balance in trade with all countries, the creditor position has shrunk, in comparison with last year, from approximately $24 millions to $5 millions a month. The most disquieting aspect of the situation, however, is the sharp increase of the deficit in trade with this country, which in the six-this country, which in the six-month period has surpassed by almost $25 million the total registered for the 12 months of 1948. As a result, it is intimated that the Dominion will shortly introduce further drastic import restrictions, in order to halt the drain on the steadily diminishing exchange reserves.

Thus Canada is closely following the course set by the United Kingdom, which directly operates to contract still further the waning volume of world trade. In view of the Dominion's vital stake in this field, negative measures of this kind only serve to render Canada's long range objectives still more difficult of attainment. Canada's future welfare is dependent on an expanding volume of world trade and freedom in the exchange of goods and currencies. In following the British example, it will be found that having taken the first step in the direction of restriction of foreign trade, it is difficult to avoid the adoption of other negative measures of a similar nature. Bilateral trade arrangements, outright barter, and uneconomic buying in soft currency areas are the natural concomitants of departure from the principles of freedom of trade and foreign exchange.

Apart from Britain, which at the present juncture cannot lightly reorient its economic policies, the bulk of the democratic world is now prepared to shoulder whatever risks or sacrifices might be involved in the adoption of bold measures for the removal of restraints on the movement of trade and the free exchange of currencies. Many countries have already made tentative steps in this direction with encouraging results. Those that have resorted to restrictive practices have signally failed to improve the condition of the national economy whilst contributing to the declining trend of international trade.

The U.S.-British-Canadian financial and economic discussions commencing Wednesday next are likely to decide the fate of the current efforts to promote multilateralism in international trade and the restoration of inter-convertibility of the currencies of the world. British and Canadian insistence on the maintenance of artificial exchange levels protected by rigid exchange controls and discrimination in international trade would not only serve to postpone indefinitely the attainment of these objectives, but it would also divide the democratic world into two opposing economic camps.

In this event the already embarrassing economic position of Canada which is neither a member of the Sterling bloc nor definitely a part of the dollar trading area, would become infinitely worse. It is, therefore, of vital importance to the Dominion that the decisions reached at forthcoming internationl discussions be based on economic realism rather than political expediency. Whether the pound in relation to the U. S. dollar is valued at $3 or $4, or the Canadian dollar at par or 90 cents, is relatively of little importance; the great issue at stake is whether during the next economic decade international commerce will continue to be strangled by the continuance of artificial controls and restrictions.

During the week the external section of the bond market continued firm but inactive. After earlier strength the new Dominion 2¾s displayed a reactionary tendency. There was little interest in the internals, but prices were well maintained. Free funds remained firm around 4½%, but in view of the approaching end of the tourist season, the October and November internal bond redemptions, and possible currency devaluations, it will not be surprising to see an early reversal of the trend that has persisted during the Summer months. Stocks, after their almost uninterrupted nine-week advance, were inclined to sag. A few gold issues, however, ran counter to the general trend, notably Upper Canada Mines, which on a record turnover touched an all-time high of $3.65.

Lord, Abbett Admits Robert S. Driscoll

Robert S. Driscoll, Research Director of Lord, Abbett & Co., 63 Wall Street, New York City, since 1942, has been admitted to partnership in the firm. Mr. Driscoll has been in the investment advisory field since 1933, and has been associated with the Lord, Abbett organization for the past nine years.

Lord Abbett & Co. are investment managers of Affiliated Fund, Inc., American Business Shares, Inc., and Union Trusteed Funds, Inc., having combined assets of $140,000,000.

Guy E. Dailey Joins Paine, Webber Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Guy E. Dailey has become associated with Paine, Webber, Jackson & Curtis, 605 North Broadway. Mr. Dailey was formerly an officer of the American National Bank of St. Paul.

Mr. Attlee, Please Take Note!

"The original policy laid down when independence was still a dream called for the State to own all defense industries, all public utilities and certain key industries. As regards other industry, private ownership would prevail, subject to certain necessary controls.

"Since achieving independence, the policy has been that the defense industries, since they are the concerns of the State, are completely State-owned. Such utilities as the various river valley projects for irrigation, reclamation and hydroelectricity are paid for by the State and owned by the State.

"As to key industries, despite the previous plan for State ownership — for which many Congress (party) leaders still clamor—we've done nothing about them and we are putting off consideration for at least ten years.

"Frankly, the reason for not nationalizing is that with our limited resources, we haven't the means to compensate present owners. As long as these industries are kept going and are employing many people, we would rather use our resources for developing new projects and employing more people. If these industries are well managed privately, we see no need for nationalization at any time."—Prime Minister Nehru of India.

We do not profess to know precisely what is going on in India, and we should plainly be foolhardy to make any guess as to what is likely to occur there during the next year or the next ten years.

We must say, however, that this statement by the Prime Minister seems to us to have important elements of hard practical sense.

We could wish that some of the older and more "advanced" countries seemed always as sensible.

Memorandum on International Monetary Parley

State and Treasury Departments outline London discussions and British dollar deficit situation and explain purpose of forthcoming Washington conferences.

On Aug. 26 the Treasury Department and the Department of State released a joint memorandum concerning the tripartite discussions regarding balance of payments between the dollar and the sterling areas, which will furnish a background for the forthcoming conference in Washington between representatives of the British and American governments for a solution of the problem.

The text of the memorandum follows:

London Discussions

(1) During Secretary Snyder's visit to London in July, the Secretary, Ambassador Douglas, and Ambassador Harriman had a general exchange of views with the Chancellor of the Exchequer Sir Stafford Cripps, the President of the Board of Trade, Mr. Harold Wilson, and the Canadian Minister of Finance, Mr. Douglas Abbott, concerning the balance of payments between the dollar and sterling areas. The conversations reviewed the recent acceleration in the drain on the reserves of the sterling area, and the British representatives outlined the steps which they felt it necessary to take to deal with that immediate situation. It was agreed at that time that further consideration should be given to the balance of payments problem, and that possible remedies would be explored. The discussions now scheduled for Sept. 7 are designed to examine these matters, in the light of the information developed by technical and fact-finding discussions among the experts of the three countries.

John W. Snyder Sir Stafford Cripps

Recent Loss of Reserves

(2) The U. S. Government fully recognizes the serious import of this situation both for the British Empire and the rest of the world. While in London Secretary Snyder was much impressed with the earnest effort being made by the British Government to deal with a situation which has proved somewhat more difficult than its earlier estimates.

During the war years Britain's foreign exchange deficit totalled nearly $40 billion. Half of the total was financed through Lend-Lease and the remainder had to be financed by borrowing from other nations or by liquidating investments and utilizing reserves. Some $4.5 billion worth of foreign investments was sold during this period while the rest of the deficit was met through the accumulation of sterling by other countries and by the RFC loan and dollar loans and gifts from Canada. The British still hold substantial long-term assets abroad. British investments in the Unied States are valued at about $2 billion and the value of investments in other areas is several times that figure.

Since the war, the British Government has achieved considerable success in many of its economic efforts. Industrial production has been raised to the level of 136% of 1938. The physical volume of imports of the United Kingdom has been reduced to 82% of 1938. These figures are only two indications of the serious efforts being made by the United Kingdom to make up for the ground lost during the war.

Notwithstanding these fine efforts the drain on British reserves of gold and dollars in 1949 has been larger than anticipated. The central reserves of the sterling area fell from $1,898 million on March 31, 1949 to $1,636 million on July 30, 1949. It had been hoped that it would not be necessary to draw further on these reserves.

Dollar Position in 1946-48

(3) During the three years, 1946-48, the sterling area paid out gold and dollars in the amount of $6.7 billion in excess of its own current dollar earnings. This heavy deficit resulted from a number of factors in the post-war situation which had not been experienced before. Investment and shipping income did not contribute as heavily to earnings as before the war, import prices were higher, and normal sources of supply, particularly in Eastern Europe and Southeast Asia, were not available. During this period, the United States extended financial assistance in the amount of more than $4.4 billion. This was equivalent to more than two-thirds of the overall shortage of dollars. In addition, Canada made available approximately a billion dollars.

The Trend of Reserves

(4) The gold and dollar reserves of the sterling area, in spite of this assistance, were reduced from $2,466 million on Jan. 1, 1946 to $2,063 million on Jan. 1 1948. From that date to June 30 of this year there was a further decline of $427 million, of which $262 million occurred during the second quarter of 1949. As of June 30, the official reserves had fallen therefore to 1,636 million dollars.

Current and Prospective Dollar Deficit

(5) It is this sharp drop in the second quarter of 1949 which has caused concern. Looking at the picture before making any allowances for foreign assistance, the dollar deficit of the sterling area almost doubled, amounting to $633 million in April-June, as against $330 million in the first quarter of the year. While the figures of the second quarter may have been influenced by some temporary factors, the British Government has apparently concluded that the downward trend in reserves must be corrected. The year ending June 30, 1949 as a whole has cost $271 million in reserves, despite an allocation of $1,239 million from ECA for that period. The British Government estimated its dollar requirements from ECA for the year ending June 30, 1950 at $940 million in its initial submission to OEEC, but has recently submitted to OEEC a revised estimate of $1,518 million for that year. This latter, estimate, however, does not take into account the cuts in the import program announced in July.

Cut in Import Programs

(6) The basic reason for the loss of reserves was the excess of dollar imports of the sterling area over the amount available to the area from dollar earnings and from the funds provided by the United States and Canada under their respective programs of foreign assistance. To meet this situation the British Government therefore decided to cut back the dollar import program of the United Kingdom by about $400 million, as compared with the 1948 level of imports from the dollar area. This represents a cut of about 25% in the value of dollar imports, but corresponds to less than 6% of the total United Kingdom imports from all sources. It is understood that because of lower dollar prices for some foods and raw materials in 1949 as compared with 1948, the physical volume of dollar imports

will not fall by as much as 25%. As a result of the Empire Conference held in London last July, most of the sterling area countries have given general undertakings to carry out similar reductions of about 25% in their dollar import programs. This is designed to save about $250-$300 million per annum to the sterling area.

Significance of Import Adjustment

(7) The signifcance of this adjustment should not be exaggerated. As Sir Stafford Cripps stated before the House of Commons last July:

"Although this fall in our reserves is a serious development, yet any comparison with the events of July and August, 1947 would be entirely misleading."

Under the European Recovery Program it was anticipated that difficulties would be encountered from time to time in making the necessary adjustment to the declining level of U. S. assistance. Unless dollar earnings were to increase proportionately, it was understood that contraction of imports from the dollar area would be necessary. It is hoped that the physical volume of imports into the sterling area from the dollar area will be adequate at the reduced level to permit the continuation of economic progress in the United Kingdom, although the rate of progress will naturally be somewhat slower. The Chancellor of the Exchequer has indicated his hope that it will be possible to maintain existing levels of consumption and investment in many lines of activity.

Importance of Increased Dollar Earnings

(8) The decline of British reserves and the imposition of these import restrictions does, however, call attention to the importance of an increase in the dollar earnings of the sterling area. It is clear that the amount of assistance available under the Recovery Program for all participants will be about 30% below last year's program. Unless dollar earnings are increased to offset the declining scale of United States assistance, further adjustments may have to be made in subsequent import programs. It is expected that in the forthcoming conference there will be an exchange of views with respect to measures which may be proposed by the British Government for this purpose, and also discussion of related questions concerning the ability of the United States and Canada to facilitate an expansion of British dollar earnings. There is, of course, no easy or ready process by which this can be accomplished. On the part of the British Government and the other authorities in the sterling area the problem involves difficult and painstaking examination of a wide variety of economic factors. Policies designed to accomplish this objective may have to be developed and pursued along many fronts, and their effects may be felt only gradually in many cases.

Purpose of the Conference

(9) It is the primary purpose of the forthcoming conference to exchange views concerning the British dollar earnings problem, in the light of the need for adjustment to a declining level of U. S. assistance. It is recognized that this problem involves grave difficulties not susceptible of quick and easy solution.

The United States expects the problem to be considered within the existing framework of U. S. foreign economic policy as expressed in such measures as the Reciprocal Trade Program, the International Trade Organization, the European Recovery Program and the institutions established at Bretton Woods.

The United States Government is definitely hopeful that beneficial conclusions may be reached. It cannot, of course, forecast in any way the results of the conference.

Says Deficit Spending Will Magnify Recession

"The Guaranty Survey" criticizes President's plan to abandon attempts to keep Federal budget in balance and resort again to deficit spending.

In a leading article, captioned "Reflation Versus Readjustment," the current issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York takes issue with the Administration's policy to seek to halt the present economic readjustment by "injections of the inflationary virus" through deliberate deficit financing and continued support of wartime high levels of prices and wages.

"To what extent any of these devices might actually be effective in checking the current trade recession is very doubtful," says the article. "Their result might well be rather to increase the severity and duration of the readjustment. In either case, it can hardly be doubted that their more lasting effect would be to build up inflationary pressures for the future. Instead of helping to lay a sound basis for recovery, they would more likely have exactly the opposite influence."

Continuing its analysis, the "Survey" article states:

"The readjustment now going on appears to be primarily a price readjustment. The wholesale price level began to decline in September of last year, and it was not until several months later that industrial production, business inventories and consumers' expenditures turned downward, reflecting the curtailment of buying in the expectation of lower prices.

"The main requirement at the moment is to allow needed price readjustments to take place with a minimum of disturbance to the general levels of production and employment. A 'fourth round' of wage increases at present would run directly counter to this need. Its effect might well be to convert a mild recession, which is already showing some signs of leveling out, into a severe and prolonged contraction, with disastrous effects on employment and income. It is not only possible but probable that the effect of a 'fourth round' of wage increases would be to diminish rather than increase the aggregate purchasing power of workers.

"An increase in legal minimum wage rates at present would have an effect somewhat similar to that of a general wage increase, although the effect would be less widespread. With a rise in the minimum wage, many workers now employable would become unemployable. The net result could well be a decline rather than an increase in total wage payments.

The Position of Farm Prices

"The proposal to hold price supports for farm products at the high levels of wartime is as directly at variance with the present needs of the economy as is the effort to raise wage rates.

"The present law provides for the adoption next year of a sliding scale of price supports depending upon supply-demand relationships. It is a serious question whether this scale allows enough flexibility to maintain balance over a long period, but it is vastly superior to the rigid supports now in effect. To continue the existing supports would be to impose a major obstacle to needed readjustments in the price structure, besides saddling taxpayers with a heavy financial burden and introducing grave uncertainties into the outlook for markets for farm products.

The Deficit Spending Program

"The President's plan to abandon all attempts to balance the Federal budget and to rely upon programs of heavy governmental expenditure to maintain 'purchasing power' is inflation or 'reflation' in one of its baldest and most dangerous forms. The history of deficit spending as a business stimulant indicates that it is ineffective unless practiced on such an immense scale as to invite eventual disaster. During the fiscal years from 1931 through 1939 the Federal Government spent more than $24 billion of borrowed money, and at the end of that period unemployment in the United States was estimated at between 10 and 11 million persons. Deficit spending on the wartime scale did eliminate unemployment and raise the national income to an unprecedented level, but these results were achieved at the cost of a tax burden and a debt problem that will plague the nation for years to come, with ultimate economic consequences that defy prediction. It would be especially unfortunate if a program of deficit spending should be adopted under such slight provocation as exists at present.

What Can Be Done?

"'Reflation' is no substitute for sound readjustment. Price stability is of course highly desirable, provided it is a natural stability that reflects real economic equilibrium. But when that equilibrium is disturbed, price fluctuations are among the most important and least dangerous means by which it tends to restore itself. Such fluctuations may be prevented or restrained, for a time at least, by legal regulations or organized pressure; but this artificial stability is achieved at the cost of greater instability at more vital points, such as employment, for example.

"'Affirmative action,' as the President says, can and should be taken by business, labor, agriculture and government, 'working together in mutual respect and with common objectives.' Such action, however, should be aimed at readjustment, not 'reflation.' Business should strive for greater efficiency and economy of operation and for greater volume of output, at the cost of price concessions where such action is necessary and feasible. Labor should reconcile itself to the necessity of swimming with instead of against the economic current and should abandon its attemps to force further wage increases in the face of declining prices and employment. Agriculture should take a similar attitude with respect to prices of farm products. And government should cease trying to 'freeze' sections of the price structure, face the issue of budgetary economy more squarely than it has yet done, and match its budgetary savings with tax relief, with a special view to such burdensome and depressing levies as the wartime excises, the double taxation of corporate earnings and the almost confiscatory rates on large incomes. If these things were done, the orderly completion of the current readjustment could be anticipated with greater confidence."

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Virginia L. Greene has joined the staff of E. F. Hutton & Co. 623 South Spring Street.

Public Utility Securities

By OWEN ELY

Northern Indiana Public Service

Northern Indiana Public Service appears to be the largest utility, as measured by annual revenues, in the over-counter market. With revenues of about $45 million, the company serves electricity, gas and water to a section in northern Indiana along the southern shore of Lake Michigan, with a population of about 800,000. Gary, Hammond and East Chicago are the principal cities served with electricity, while Fort Wayne, Gary and South Bend are served with gas. In the 12 months ended June 30th the company derived about 60% of revenues from the sale of electricity, 38% from the sale of gas and 2% from water service.

The gas service includes both manufactured and natural gas. Gas of 1,000 BTU is supplied to a number of large communities and others receive 570 BTU gas. Natural gas is purchased from Chicago District Pipe Line, Panhandle Eastern Pipe Line, and other companies. Less than 3% of its total gas requirements are produced by the company.

The company also buys much of its electricity. In recent years it has been generating only about 450,000 KW and has been purchasing nearly three times as much from Chicago District Electric Generating Corporation (subsidiary of Commonwealth Edison) and others. The company is now engaged in an extensive construction program for 1949-1951, which will cost about $46 million ($3[illegible] million electric, $7 million gas, $2 million water and $4 million general). About $7 million of this was expended in the first half of 1949.

At the end of 1949 the company expects to supply about one quarter of its peak electric load for that month. Two years later when units 2 and 3 are both in service at Michigan City, the company's own generating facilities should be capable of handling two-thirds of the December load and probably a larger proportion in other months. The cost of installing these units (each of which will have an installed capacity of 70,000 KW) is estimated at $17,330,000. Unit 2 will be in service in 1950 and number 3 in 1951, reducing the amount of purchased energy.

According to Geyer & Company (who have prepared a study of the company) the $39 million required to complete the program will be provided as follows:

	Millions
Cash on hand	$11.5
Depreciation and excess earnings	10.5
Current sale of common stock	4.6
Future sale of securities (principally senior)	12.2
	38.8

The company serves a highly industrialized steel section, and about 40% of revenues are derived from industrial customers, compared with 32% residential and rural and 16% commercial (the balance being wholesale and municipal). Geyer & Company state: "While Northern Indiana obviously derives a substantial percentage of gross revenues from its industrial load, especially deliveries to the steel industry, it is our understanding that such service is largely provided by purchased power, which purchases we are informed will be continued even after the new units now under construction are in operation. We understand furthermore that if deliveries to the steel industry decline due to cutbacks in steel production, such power purchases may be reduced thus preserving the earning power of the company despite recession in the principal industry served."

On August 15th the company issued rights to subscribe to 311,354 shares of additional stock at $15.375 a share to holders of record August 11th. The warrants expire August 29th. The company's capital structure, after giving effect to the current stock offering, is 54% debt, 23% preferred stock and 23% common stock equity. Based throughout the period on the number of shares to be outstanding after the present offering, share earnings have been as follows:

12 months ended June 30, 1949	$2.03
Calendar year 1948	1.91
1947	1.79
1946	1.66
1945	1.07
1944	1.11

Regarding future earnings Geyer & Company, Inc., 63 Wall St., New York 5, say: "According to our own calculations, and on the basis of 1948 generating costs versus the cost of power purchased, savings of aproximately $2,200,000 per annum (before taxes) should be realized when the new plants are in full operation, which would be equivalent to about 55 cents per share of additional earnings on the increased amount of common stock to be outstanding, after allowance for Federal income taxes, depreciation and cost of new money. Since the new units will be more efficient than present plant, the savings may be even greater. Earnings may benefit additionally, we think, from the fact that the Company expects to receive appreciably more natural gas next year and at that time should be able to handle numerous requests for provision of house heating service."

The stock is currently around 16½ at which price it yields about 7¼% based on the $1.20 dividend, and sells at only eight times earnings. These figures compare with averages for all electric utility stocks (as of July 27th) of 7.1% and 10.4.

The company's 4½% convertible preference stock (par $20, dividend 90c) sells around 18 and is convertible into common stock share for share until December 1, 1957. The stock yields about 5% and current overall coverage of fixed charges and preferred dividends is about 2.52. The stock would appear to have an interesting call on the common stock for a period of over eight years.

With First California Co.

(Special to THE FINANCIAL CHRONICLE)

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

C. F. Cavendish Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—C. F. Cavendish is engaging in a securities business from offices at 168 West 22nd Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the special meetings of the stockholders of the **New York Trust Co. and Fulton Trust Co. of New York,** held on Aug. 30 the stockholders of both companies approved the proposal to merge Fulton Trust Co. of New York into the New York Trust Co. in accordance with the provisions of the merger agreement between the two companies dated as of July 28, 1949.

It is planned that the merger will be made effective on Friday, Sept. 2, 1949, after the close of business, at which time the New York Trust Co. will take over the personnel, accounts and relationships of the Fulton Trust Co. The office at 149 Broadway, now the head office of the Fulton Trust Co., will be discontinued. The New York Trust Co. will continue to maintain a branch office at 1002 Madison Avenue, where the Fulton Trust Co. now maintains a branch office.

Stephen C. Clark, Charles S. McVeigh, Charles J. Nourse and Walter N. Stillman, directors of the Fulton Trust Co., will become members of the Board of Trustees of the New York Trust Co. and Arthur J. Morris, President of the Fulton Trust Co., will become a Vice-President of the New York Trust Co.

A previous item relating to the merger appeared in the August 4 issue of the "Chronicle", page 465.

N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Co. of New York** announces the appointment of Alfred H. Hauser, Hugh Weir and John L. Gibbons as Vice-Presidents. All have long been associated with the bank and are presently officers of the Personal Trust Department. Mr. Hauser becomes the investment officer of the bank, Mr. Weir will supervise the administration of trust accounts and estates and Mr. Gibbons will supervise the development of corporate trust and pension trust business. Other appointments in the Personal Trust Department were W. Brewster Winton, formerly Assistant Trust Officer as Investment Trust Officer; and Earl C. Williams and Charles A. Rosebrock as Assistant Trust Officers. In the Corporate Trust Department, Richard J. Lighthall was appointed Trust Officer and Albert W. Doyle was appointed Assistant Trust Officer, effective Sept. 1.

* * *

Guaranty Trust Company of New York announces the appointment of Robert H. Blake as an Assistant Secretary at its Paris office, effective Sept. 1. With his present appointment, he returns to the company after an interval of two years spend with American Aid to France, Inc., principally as head of its Paris Office. He was previously with the Guaranty from 1929 until 1942, when he was commissioned in the U. S. Navy, serving overseas with the rank of Lieutenant Commander and receiving the Legion of Honor, Croix de Guerre, and other French decorations.

The Guaranty Trust Co. aslo announces the appointment of Whitney T. Kelsey as an Assistant Treasurer at its main office. He has been with the company 13 years and is identified with the banking department district that embraces the bank's business in the States of New York, New Jersey, Delaware Maryland and the District of Columbia.

* * *

The Corn Exchange Bank Trust Co. of New York, whose main office is at 13 William Street, received authority on Aug. 24 from the New York State Banking Department to open a branch at 1242 Second Avenue, on or about Aug. 25. At the same time the **Corn Exchange Safe Deposit Co.** has also been authorized to maintain a branch at the Second Avenue address.

* * *

David Reed Loring, Second Vice-President of the Havana (Cuba) branch of the **Chase National Bank of New York,** died at St. Luke's Hospital in this city on Aug. 27. He was 51 years of age. It is stated that he was flown from Cuba for medical observation by plane about a week before his death. Mr. Loring, who was born in San Francisco, began his business career with the Bank of West Africa Ltd. in 1917. Later he was associated with several banks in New York, among them the Seaboard National, Central Hanover Bank and Trust Co., joining the Chase National in 1943, as an official of its Havana branch.

* * *

Michael J. Burke has been elected Vice-President and Mortgage Officer of the **Lincoln Savings Bank of Brooklyn, N. Y.** Mr. Burke was formerly Vice-President of the Manufacturers Trust Co. in charge of its real estate and mortgage department. He has been associated with the mortgage business in the New York area continuously since 1926 and prior to his last association was Vice-President and Treasurer of the Mortgage Corporation of New York.

Mr. Wallace W. True, Vice-President and former Mortgage Officer, is at present on leave of absence from the Lincoln Savings Bank.

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Announcement is made of the death on Aug. 22 of John R. Beach, Chairman of the board of directors of the **First National Bank of Canajoharie** at **Canajoharie, N. Y.**

* * *

The Wyoming County Bank and Trust Co. of Warsaw, N. Y. received approval on Aug. 12 from the New York State Banking Department to a certificate of reduction of capital stock from $700,000 consisting of 10,000 shares of preferred stock (par $20 each) and 50,000 shares of common stock (par $10 each) to $240,000, consisting of 24,000 shares of capital stock of the par value of $10 each.

* * *

Clark I. Moseley and Harold A. Mattson were named as Assistant Trust Officers of the **Phoenix State Bank & Trust Co. of Hartford, Conn.,** at a meeting of the directors on Aug. 23. Mr. Moseley has been with the institution since 1941, and Mr. Mattson since 1929, it is learned from the Hartford "Courant."

* * *

Incident to the recent consolidation of the **Passaic National Bank & Trust Co. of Passaic, N. J.,** and the **Clifton National Bank of Clifton, N. J.,** the preferred stock A and preferred stock B of the Clinton National were retired on Aug. 17. As noted in our issue of Aug. 25 (page 756), the consolidation was effected under the title of the **Passaic-Clifton National Bank & Trust Co.** In its weekly Bulletin dated Aug. 29, the Office of the Comptroller of the Currency states that the capital of the consolidated bank will consist of $2,250,000 of common stock, divided into 180,000 shares of the par value of $12.50 each. The initial surplus of the consolidated bank will be $2,250,000. The office of the Clifton bank in Clifton is maintained as a branch of the consolidated institution.

* * *

The Bank of Virginia at Richmond, Va., is adding a new resident auditing plan to its statewide office operations, effective Sept. 1, according to an announcement Aug. 25 by Thomas C. Boushall, President of the bank. Authority for the new system was voted by the bank's directors at the August meeting, together with the promotion of four staff members. Fred G. Brittle, Jr., has been advanced from the position of Auditor to General Auditor and will direct auditing work under the supervision of Rowland A. Radford, Vice-President in charge of operations. Paul M. Anderson has been named Resident Auditor for Richmond and Petersburg offices of the bank. Thomas B. Hall, now of Richmond, will fill the similar position in the Norfolk office. John H. Land of the bank's Roanoke office, will be Resident Auditor there. One other officer will be named later as Auditor for Portsmouth and Newport News offices.

* * *

The **Terre Haute First National Bank in Terre Haute, Ind.,** announces the death on July 31 of Robert F. Nitsche, Vice-President.

* * *

J. N. Peyton, President of the **Federal Reserve Bank of Minneapolis,** announced on Jan. 22 that the directors of the bank had elected Walter M. Ringer of Minneapolis as a member of the Industrial Advisory Committee. Mr. Ringer is President of the Foley Manufacturing Company of Minneapolis and Chairman of the Board of the Ringer-St. Croix Company of Stillwater, Minn. and St. Croix Falls, Wis. During the war, Mr. Ringer served as Acting Regional Director of the War Production Board. He is Vice-Chairman of the Small Business Advisory Committee of the Department of Commerce and Chairman of its tax sub-committee. He holds important committee posts in the National Association of Manufacturers, the Reconstruction Finance Corporation, and the Minnesota Postwar Council.

* * *

The sale of the **Tradesmens National Bank** to the **First National Bank & Trust Co.,** both of **Oklahoma City, Okla.** was reported in the "Daily Oklahoman" of Aug. 4. In presenting details of the transaction, in the paper indicated, Chairman Guffey stated that the merger makes First National the state's first $200,000,000 bank and reduces the number of Oklahoma City banks to eight. Tradesmen's resources were listed at $27,923,729.47 on July 30. It was the third largest bank in the city. First National resources on the same date were $195,638,134. The merger, it was stated, was to become effective as of Aug. 6. Incident to the consummation of the transaction the First National officials sold the 10-story Tradesmen's building to the **City National Bank** of Oklahoma City which planned to locate in the Tradesmen's building. E. A. Walker was President of the latter, while R. A. Vose was Chairman of the Board of the First National Bank & Trust. The "Daily Oklahoman" stated that the Tradesmens bank was organized in 1909 and was then known as the Tradesmens State bank. It was not nationalized until 1920. From the "Daily Oklahoman" we also quote:

"First National contains in its corporate structure the remains of at least 22 other banks that did business in Oklahoma City. Its record is marked by mergers involving the Citizen's bank, the State National, the First National, the American National and Security National.

"The last consolidated venture was in January, 1930, when the American First National bank was merged with the Security National to become the First National Bank & Trust Co."

* * *

The 80th Anniversary of the founding of the **Union Planters National Bank & Trust Co. of Memphis, Tenn.,** was observed on Aug. 23. The bank, organized as a state institution on Aug. 23, 1869, opened on Sept. 1 of that year, and had a subscribed capital of $671,300. Vance J. Alexander, the present President, pointed out on Aug. 20, according to the Memphis "Commercial Appeal" that the bank was the first state bank to join the Federal Reserve System, taking that step in 1917, and that it was in July, 1929, that it became the Union Planters National Bank & Trust Co. The bank on June 30 last, showed deposits of more than $221,000,000 and capital assets of more than $14,000,000.

* * *

To further enlarge the scope of its services the **Bank of America, National Trust Savings Association of San Francisco,** has announced the creation of a new post in the senior management of the institution. President, L. M. Giannini named E. A. Mattison to the post of Executive Vice-President, in charge of development of bank services, and also announced the formation of the new Advertising and Customer Service Com-

(Continued on page 35)

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The market action of bank stocks so far this year has been relatively favorable, considering the developments that have taken place having an important influence upon bank operations.

At the present time most bank shares are selling near the highs of the current period and considerably above the prices shown at the end of last year.

This is in spite of an appreciable decline in business. In terms of the Federal Reserve Board Index of Industrial Production the decline has been from 192 in December to 162 for July. Of considerable importance to banks has been the decline in loans which has accompanied this business readjustment. There has been a general liquidation of inventories on the part of business and as prices have moved in sympathy with this trend, loans have been contracting.

This is especially significant to banks as it has meant the loss of earning assets which returned yields at more favorable rates than were available on government securities, the principal outlet for the reinvestment of funds.

Another important factor in this same connection has been the change in policy on the part of the monetary authorities. As soon as evidence of a decline in business became prominent, the Federal Reserve Board began to ease the controls they had imposed to control inflation. Consumer credit, margin requirements, and reserve requirements were all used in succession to promote an easy money policy and encourage business.

The lowering of required reserves provided additional funds to be used by the banks and this put pressure on the interest rate structure. While there has, as yet, been no evidence of an easing in the prime commercial rate, some of the other rates have been reduced and the yields on short-term government securities have adjusted themselves in the market to the new certificate rate of 1⅛% announced for the coming refunding. Previously the certificate rate had been 1¼%.

It will take some time for the full effect of the decline in loans and interest rates to be reflected in the earning statements. In the meantime the market for bank shares has been showing considerable strength as reflected in the accompanying tabulation:

	1949 Price Range		Price Dec. 31, 1948	Current Price	Change
Bank of Manhattan	25¾	21¼	25⅜	23¾	— 1⅝
Bankers Trust	41	36¾	38½	40	+ 1½
Brooklyn Trust	140	97½	98	122	+ 24
Central Hanover	92¼	82½	83¼	92¼	+ 9
Chase National	35¾	32½	33⅝	34½	+ ⅞
Chemical Bank	42½	37¾	40⅞	41⅛	+ ¼
Commercial National	49½	38	38¾	47½	+ 8¾
Corn Exchange	53¾	49½	52½	53½	+ 1
First National	1300	1145	1145	1270	+125
Guaranty Trust	280	252	255	275	+ 20
Irving Trust	16½	14⅞	15⅛	16¼	+ 1⅛
Manufacturers Trust	54⅛	46½	48¼	50⅜	+ 2⅛
Morgan, J. P.	228	199	200	224	+ 24
National City	41⅛	37¼	38	40½	+ 2½
New York Trust	86½	80	81	84¼	+ 3¼
Public National	40	37	38	39⅝	+ 1⅝
U. S. Trust	645	540	542	630	+ 88

The explanation for this performance against the foregoing background and the possibility of further easing in credit and a cut in the rediscount rate, may be attributed to several factors.

First, although the action of the monetary authorities has resulted in a lower level of short-term interest rates, there have been compensating factors. Reserve requirements have been lowered on two occasions and there is a good possibility that they will be reduced again for central reserve cities. This has increased the earnings assets of the banks and permitted a substantial increase in the holdings of government securities. Also, the decline in yields may permit the banks to show profits on security transactions. These considerations will help to offset any loss of earnings resulting from the other factors. For the year, there should be little change in earnings.

Second, the general stock market for high grade equities has shown improvement in the last two months and bank shares have moved along with other quality stocks.

Third, there have been individual influences in the case of some stocks. J. P. Morgan earlier this year increased the dividend from an annual rate of $8.00 to $10.00. Manufacturers Trust paid a stock dividend and Bank of Manhattan paid an extra at the year-end and sold additional stock through on offering of rights to existing shareholders. In the case of Brooklyn Trust, there have been recurring rumors of a merger with one of the larger banks.

Securities Salesman's Corner

By JOHN DUTTON

Several weeks ago we suggested in this column that their might be a golden opportunity waiting salesmen who worked on Saturdays. Mr. R. K. Babcock, who is with A. W. Benkert & Co., Inc. of New York, took our idea seriously and as a result his firm reports that he made nine calls on the last three Saturdays. He found four people in and sold 20 bonds to three out of four. Here is the way he tells it to us:

"I have found the percentage of contacts to be greater than other times, particularly in the suburbs of New York City during the summer.

"Being a resident of East Orange, N. J., I commute to New York but do not go to the office on Saturdays. I had the idea that there are many others who follow the same plan and are probably home puttering around the garden. This has proven correct in many cases.

"On one of my recent Saturday calls, a lady answered the bell and informed me that her husband was in the backyard, so I went around and found him weeding his flower bed—which of course I admired!

"He seemed pleased at my observation, after which I explained my mission and made certain recommendations, pertaining to the purchase of bonds. He listened attentively and said he might be interested and would talk it over with his wife and let me know.

"I suggested that RIGHT NOW would be the best time to talk over the situation so they would both understand the merits of my recommendations, and also that there would doubtless be many questions to be answered and that I thought I was probably more familiar with the subject than was he. The husband agreed to this and asked his wife to come out on the porch.

"After going over the situation again I convinced BOTH husband and wife that my recommendations were sound and they purchased $4,000 par value of bonds.

"I apologized for interrupting their Saturday procedure and they said that was the only day I could find them in, as they both go to business. They also gave me their private telephone so I can phone them in the evenings."

This experience of Mr. Babcock may give some of the rest of us a few ideas about how to work under today's conditions. Selling securities requires more time and concentrated effort than in many other lines of endeavor. It is better to have one or two good interviews a day, whether you have them at night, or on Saturdays, than to make dozens of calls upon people who are too busy to give the proper time and attention to your presentation. We also know of a salesman who does not come in to his office but once a week. He works right out of his home. He starts out about 10 in the morning and keeps going. If there is important information which he needs, he obtains it by mail or by using the telephone. He is specializing entirely in income and protection type investments in a suburban community around New York. After a year he has developed a very substantial income running into five figures.

"A Man can do more than he thinks he can but he usually does less than he thinks he does."

Denounces Housing Bills As Socialistic

Aksel Nielsen, President of Mortgage Bankers Association of America, urges elimination of direct Federal financing in amendments to housing bills now before Congress.

The first threat of what would likely amount to nationalization of an entire industry, such as has taken place in England, is contained in the pending Sparkman bill (Housing Amendments of 1949, H.R. 5631 and S. 2246) which would begin the socialization of real estate financing by providing for direct lending by the Federal Government, Aksel Nielsen, President of the Mortgage Bankers Association of America, declared in a statement urging Congressional action to eliminate these features, which he released on Aug. 19.

Passage of this bill in its present form may well mean the start of socialization of credit in this country and constitute a strong impetus in getting the inflationary spiral going again, he said.

The bills constitute an omnibus measure intended to supplement the provisions of the General Housing Act of 1949 which has already become law. Certain provisions of the Sparkman measures call for more than $1,600,000,000 of direct loans by the government to housing cooperatives, veterans, and educational institutions—which, should it become law, will mark the first entry of the government into direct lending of this kind.

In his statement, Mr. Nielsen reiterated the contention of the Association's representatives before House and Senate committees that no direct government lending is needed and that private funds were adequately financing the present large volume of construction and can easily continue to do so.

"The only reason why direct lending is suggested at all is because of the government's stubborn unwillingness to face the fact that there is an unsound and entirely unnecessary discrepancy between the artificial 4% VA interest rate and the 4½% rate for FHA loans. The 4% government-controlled rate is not attractive at the present time. FHA has had little difficulty in attracting private investors to FHA loans at the 4½% rate. The 4% VA rate can't compete in the present market."

Mr. Nielsen declared that there is practically no appreciation anywhere among the public, or even in many sections of the national government, as to why the 4% VA rate is no longer attractive. He said that a scientific analysis will clearly show that the return to the investor on a 4% VA mortgage, after deducting all expenses and fees which must be paid because of the involved detail in handling an investment of this type, comes down to 2.85%.

"When high grade bonds may be bought today in quantity to yield 3% and over, the disadvantage of the 4% rate is clearly apparent. Congress has given the Veterans Administration authority to increase the 4% rate, but it has not done so. The best interests of all, including veterans, would be served by the change—and not embark upon socialization of real estate financing such as this bill clearly is."

Mr. Nielsen said the Association does not oppose certain sections of the Sparkman measure. Those calling for an expansion of Title II of the National Housing Act, under which most FHA loans have been made, and the revision in Title I, are not opposed and, in fact, the latter change should bring many investors into the market who heretofore have not been attracted by these loans.

Also approved is the extension to March 31, 1950, of Section 608 of the National Housing Act which provides for rental housing, but he added that it continues to be the Association's opinion that "the sooner FHA's emergency operations are discontinued, the better it will be." Particularly recommended, he said, is the provision that FHA be authorized to pay field expenses from income rather than on annual appropriations from Congress. FHA is a self-supporting operation and should be so recognized, he said.

The Association opposes the provision permitting deferment of monthly payments up to three years for FHA loans. Mr. Nielsen said this would have a greatly adverse effect of this type of investment.

Especially condemned is the proposal to provide $1,000,000,000 for long-term loans to housing cooperatives at .5% above the going Federal interest rates.

Mr. Nielsen concurred in the prevailing general opinion that the $300,000,000 provided for direct veteran loans is not necessary and that the section calling for housing loans for educational institutions should not even be considered as part of a housing bill. Both of these provisions are opposed by Federal housing officials although they remained in the Senate version of the bill as reported by its Banking and Currency Committee.

Stein Bros. & Boyce To Exhibit at Fair

LOUISVILLE, KY.—Milton S. Trost, resident partner of Stein Bros. & Boyce, Starks Building, announces that the firm will have an exhibit at the Kentucky State Fair, to be held there the early part of September.

For the first time in the history of the Fair there will be ticker service with experienced personnel to explain its workings and the purchase and sale of securities.

There will be exhibits of facsimile municipal bonds which made possible schools, bridges, waterworks, sewerage systems, courthouses, etc., in the State of Kentucky.

Twice a day there will be a showing of the Stock Exchange movie, "Money at Work."

Trained account executives and personnel will be in the booth at all times.

In addition to the above-mentioned features there will be an explanation of Mutual Funds to attract the small buyer and the many people from the rural sections of Kentucky who will attend the Fair.

Alexander Bryson Dies

Alexander Bryson, 52, Manager of the Trading Department of Wright, Wood & Co., 123 South Broad Street, Philadelphia, Pa., suffered a cerebral hemorrhage and died at his desk Aug. 29. Mr. Bryson had been with Wright, Wood & Co, since 1942 and prior to that time with the trading departments of Blyth & Co. and Janney & Co. He was long active in the affairs of the Investment Traders Association of Philadelphia.

Central Securities Adds

OMAHA, NEB.—Fay L. Catlin has become associated with the Central Securities Co., 1004 First National Bank Building. Mr. Catlin was formerly with Wachob-Bender Corp.

Railroad Securities

Atchison, Topeka & Santa Fe

The rails have not escaped the general doldrums characteristic of security markets toward the tag end of the summer. There has been little activity and when the securities of any one particular road have shown signs of waking up, the interest has generally not carried through. About two weeks ago Illinois Central bonds and stocks became active and for a time moved forward fairly briskly. There had been rumors that a bond extension plan might be announced after the regular directors' meeting. It was announced that such a plan had been discussed but the details were not released. Interest in the road's securities immediately ebbed rapidly.

Late last week interest in the common stock of Atchison, Topeka & Santa Fe quickened. The activity, on the upside, was accompanied by rumors that the stock was going to be split. This particular rumor is a hardy perennial. It differs from most recurring rumors in that there is a lot of logic behind the idea. Quite a large number of railroads with high per share earning power have already split their stocks, the most recent having been that other prime western carrier—Union Pacific. It is not likely, however, that any action will be taken at the August directors' meeting, which will have been held by the time this is published. If any split is contemplated, action would presumably be taken at the same time as dividend action, at the September meeting.

Whether or not the common is to be split at this time, or even if it is never split, there is a widespread feeling among railroad analysts, and those few investors who still look kindly on railroad securities, that the stock at recent levels has been selling ridiculously low. At last week's close of 87½, the stock afforded an income return of 6.85% on the regular $6 dividend. Assuming continuation of last year's $2 extra, which appears as a conservative expectation, the return on an annual basis would be 9.15%.

Too few people realize that there are quite a few railroads that have long records of consistent profits. There are probably more such records in the railroad industry than in major industrial groups such as steels, automobile companies, etc. One of these star performers in the railroad field has been the Santa Fe. During the period of more than 50 years that the present company has been in existence, it has reported net profits after full fixed and contingent interest charges in every year. Moreover, in all but three years since 1900, it has paid dividends on its common stock. The lapses came in 1933 and again in 1938 and 1939. Since 1942 the stock has been on a regular $6 annual basis.

Despite this long record of profitable operations the management has not been content to rest on its laurels. It has been one of the leaders in the industry in debt retirement. In the years 1941-1948 more than $102.7 million of non-equipment debt was retired. First, all of the callable debt was redeemed and then last year the company started open market purchases of its two remaining issues—the non-callable General 4s, 1995 and Adjustment 4s, 1995. By the end of 1948 the total outstanding had been cut to $200,725,000. During this same period more than $300 million was spent on additions and betterments to property and equipment, superimposed on liberal maintenance outlays. Even with these expenditures the company still has a net working capital of close to $130 million.

Last year the company reported earnings of $23.33 a share on its common. This did not include any dividends from the wholly owned subsidiary, Western Improvement Company. Earnings of this subsidiary, mostly from oil and lumber operations, were equivalent to another $4.65 of Santa Fe stock. Naturally there has been a year-to-year decline in earnings so far in 1949. However, the comparative showing has been considerably better than that of many of the other major western carriers. On the whole it now looks as if earnings for all of 1949 should at least reach $18 a share, or three times the regular dividend requirement.

World Bank Considering Turkish Loan

Second mission on way to study need for projects and port construction.

The International Bank for Reconstruction and Development announced on August 29 that it is sending a five-man mission to Turkey to examine three specific projects for which the Turkish Government is seeking a loan. The projects are grain storage facilities: irrigation, flood control and electric power; and port construction and improvement.

The mission, which expects to arrive in Istanbul on Sept. 12, will be headed by G. Stewart Mason, Bank Loan Officer. Other members of the mission are Arthur Wubnig, of the Bank's Economic Department, and three technical specialists who have been retained by the Bank to examine the various projects. J. R. de Fargues, French hydroelectric and irrigation engineer, will study the proposed Seyhan Dam. near Adana, for flood control, irrigation and electric power. Eugene E. Halmos, Chief Engineer of Knappen Tippetts Abbett Engineering Company of New York, will examine the project for the construction and improvement of Turkish ports. James McAnsh, of Canada, Assistant Director of the Joint Agricultural Division of the Food and Agriculture Organization and Economic Commission for Europe at Geneva, will study the proposal for expanding grain storage facilities in Turkey. Thus, in connection with its study of the Turkish loan projects, the Bank is again using the technical knowledge and advice of outside experts drawn from private business and international organizations.

In January of this year, the Bank sent a mission to Turkey to appraise the general economic situation and to help select projects which might be suitable for Bank financing. The Bank's Vice-President also visited the country. Subsequently, the Turkish Government submitted a formal application for a loan, and it is in this connection that the present mission is proceeding to Turkey.

The government also asked the Bank's assistance in making a broad survey of Turkey's resources, in preparing a plan for their development, and in devising and putting into effect measures that would strengthen Turkey's fiscal and administrative structure and foster private enterprise. The Bank has agreed to furnish such assistance and is in consultation with the Turkish Government in regard to the choice of personnel to make this comprehensive survey.

The Rationale of Consumer Credit

(Continued from page 4)

able then to decline the loan—but no. A further effort is made. The policy of "Build-them-up" sends the application to a Credit Policy Officer. He has found a way to thwart Jorkins, many times. He takes the attitude of an elert competitor anxious to discover good assets in tentatively difficult situations. His value to the Bank is in proportion to how resourceful a competitor he can succeed in being, by finding new strength or the necessary loan adjustments which will reasonably assure the monthly payments being made.

Through this kind of "second-and-third look" handling about 14,000 cases yearly, amounting to some $6,000,000, are moved from the "question mark" pile to "approved." Yet it's only the final phase in a series of insistent efforts to say "yes." The interviewer at the beginning of the line has instinctively functioned likewise. He, too, has gone beyond routine consideration of facts as presented by the applicant. He looks upon himself as a channel of "Help Needed," as well as a screener of applications. He has been brought up in a disciplined but not a stern school where the slogan is, in the rapid transmission of items, "Give the applicant better service than he may be entitled to." It is futile to catechise the customer because he didn't act earlier so that more time could be utilized. The inescapable fact is he didn't, and he now is up against it.

Who *is* entitled to credit? What *is* good personal credit? Is there any *mechanical* way of evaluating various factors such as age, employment, marital state, type of work, property ownership and the like which would enable you automatically to say "Yes" or "No," to the personal loan applicant? These and many similar queries have been presented time and again in efforts to establish a rule of thumb in determining the tests which sound personal credit applications should meet. While the factors mentioned, and many others, all have a bearing, they can't be given an exact 5, 10, 15 rating. Slide rules have a very limited application.

My answer, then, in a most elementary sense, would be: "Any loan is good that gets its monthly payments made on time without real hardship to the borrower." Or looking at the typical cases just quoted you could say: "There are deposits awaiting useful employment. Here is a repayable economic need." In the early days of our business we used to say: "You can't lose money on an honest man with a job." And that is as true today as it was in 1928. In all but a small fraction of those few cases which may cause loss to the bank, joblessness or the possibility of unemployment are the matters of primary concern.

Some Tailor-Made Maxims

That has led to other tailor-made maxims in this business. Back in the middle thirties, when there were plenty of shaky corporations, it could be said: "The employee may be a better credit risk than the company," because although the company might have limped along in the red for awhile and thus not been eligible for credit, the employees, getting a weekly pay check were reasonable risks. Also, by the time the depression had progressed far, even a corporation failure only temporarily put these good earners out of work—they were in line for jobs as the upturn started, whereas the company sometimes remained flat on its back.

Next came the steady and frequent increases in personal income taxes and that raised a new element to ponder. Some years ago when an individual with very substantial salary and a long employment record, such as most persons of that type usually had, came in with a legitimate request for credit, it was an easy matter to handle. But as the income tax began to bite more venomously we had to be more careful with the top-salary men than we needed to be with those in the lower brackets. And one day somebody made this observation: "It begins to look as if the employee may be a better risk than his boss." If such pat phrases oversimplify the issues, on the other hand they do dramatize some basic truths in personal credit.

Fully 25% of the credit sought, day in and day out, is of an immediate emergency nature. Human affairs being what they are, some of these emergencies probably could have been foreseen and provided for — still more could have been foreseen but not provided for—and many more neither could be foreseen nor provided for. So it's largely an emergency solving business, to be served by facilities geared to an SOS basis. We have to take the American people as they are. If some of the emergencies are the result of an individual's defective budgeting, who indeed has not lacked similar vision at times? The "Help Needed" is *now* and cannot wait upon the making over of human nature.

Let's Look at the Grist

So now let's look at the day's grist. It's in the cards to get an early start on solving the day's "Help Needed" calls. Some, of course, have been handled as instant emergencies and the others are now at hand for handling over a day or so. The job is begun at night. Applications flow in from the branches by messenger during and after the day's business. A night force takes these applications and prepares them for investigation. Name cards are typed and cleared through the liability file comprising several million names. This is our own "Dun and Bradstreet" quick reference device showing any previous borrowings or current loans, payment record, special warnings and the like. It's something of a railroad signal system, too—with vivid colored dots pasted to the cards saying in effect "GO AHEAD!" or "CAUTION." Notations advising the Approval Committee of pertinent information are put on the new applications.

To do their job, members of the Approval Committee are part-time friendly detectives. In the quest for a valid reason to make a loan a Committee member tosses an application across the desk to an assistant. "Call Credit downtown and see if Monmouth Sales Corporation is an affiliate of the X Y Z Manufacturing Company. This man doesn't qualify for a single-signature loan because he's been on the job with Monmouth for only two months but he previously held down a job with X Y Z for several years. The addresses are the same. Just a hunch." In about the time it takes to approve two other loans the assistant reports, "Same ownership." The Supervisor indicates his approval and turns swiftly to the next case.

It's fundamental that no personal credit department can operate without plenty of information. This applies in a broader sense than just reports on specific borrowers. Keeping informed on business trends and developments is one "must." This calls for a characteristic "intelligent system." A systematic effort is made through contact men, on their visits to maintain good relations, to get advance information from employers. For instance, advance news of plant expansion, or of layoffs, is useful in opposite directions.

The consumer needs a credit diet diversified and well balanced. Both for coverage and development of volume a bank needs a complete a la carte personal credit menu. Of course there are many types of personal loans. I have been talking principally of direct loans secured only by one or more signatures. When bank savings passbooks, insurance policies or certain securities are offered, the customer may borrow up to the full value of the collateral. The steady whittling down of the debt by monthly payments makes such loans possible. We could say to such customers: "You already have shown thrifty traits in accumulating wealth. Furthermore, in a short time your monthly payments will have reduced your balance so that even if something unexpected does happen to your employment, the Bank still should be secure." It's important that primarily such loans be made on the basis of the customer's employment and income, like unsecured personal loans, the collateral or partial collateral being judged as a facilitating factor.

Constructive Credit for All

There's something constructive for everybody in a well-rounded program. There's the Health Credit plan, under which the patient fills out the application and signs the note in the office of the doctor or dentist, later paying the Bank direct. Then apartment house owners can finance refrigerators and ranges in large lots. Of course, there's the well known F.H.A. Title I plan for property improvement which was started as an emergency measure in 1934 to help lift the construction industry off the floor.

But these don't need much amplifying, so let's move on to the Bank-and-Agent auto plan and direct motor car loans. In the Bank-Agent plan the insurance broker is the natural ally of a bank. It pays him to direct business to the bank because in bank-financed deals he will place the insurance, he will get the commissions and he will gain much credit from his client for having told him how to save money on the deal. The banks and insurance brokers have been cooperating for a decade. This working arrangement has developed to the point where more than 11,000 brokers in the metropolitan area have sent business to our Bank. Of those who finance car purchases through the Bank only one in five has a deposit account. That means new people are coming into the branches. Fresh service is rendered to the community on another front. Also, about a third of all motor car loans are on cars already owned. The motor car has become as serviceable for collateral purposes as stocks or bonds.

Veterans of the late war come clamoring for the help they need to realize their fox-hole dreams—their own small businesses. The Veterans Loan Section provides the required financial help. It also protects the veteran and helps him get off on the right foot by competent examination of documents.

Right at this very moment, probably, an ambitious young doctor is discussing his very serious financial problem with a medical equipment salesman. The doctor, a veteran, whose general practice was interrupted by the war, decided on his return to civil life to specialize in radiology and took a post-war course in this field. Now he is faced with the need of adding expensive new X-ray equipment to his office. His wants don't end there either. He is in urgent need of a new car to replace his pre-war model to make calls on his patients. And he has a brand new wife to support too. Money? Well yes, the doctor has a little, which, with his moderate income, will enable him to carry on for the present.

The Doctor Gets the Cash

"Well," suggests the salesman, "you'd better go over to National City and see about a G.I. Loan." Ten days from now the young doctor may be seen leaving his up-to-the-minute equipped office, new black bag in hand, and getting behind the wheel of his day-old car to make his calls.

How will this be accomplished? The doctor receives $5,000, which he will repay in monthly installments over an extended term under the U.S.-insured loan plan of the "G.I. Bill of Rights." Liens on the equipment and partial guarantee of two businessmen relatives give added strength. Judging by the results in lending to 8,500 G.I.'s for capital use $18,-000,000—of which nearly half already has been paid back—Uncle Sam will never have to use your income-tax money to pay off a loss on this loan.

The Veterans Loan Section in this single day will greet 100 veterans. Of that number about one-half will be issued applications for G.I. Loans, while the other half will be divided between those seeking information and advice and those returning applications previously issued.

As business was starting up today, telephones were ringing all over the place. In fact, the telephone is science's principal gift to consumer credit. In our case this results in 1,200,000 outgoing and 2,500,000 incoming calls per year handled at a special switchboard staffed by 8 operators. This is the "cerebellum" of an extensive "auditory nerve" system. Special as well as regular lines radiate to loan origin points (large employers besides our own branches) and to many sources of credit information.

Let's step over to the Contract Section for a moment. This is where purchases of home utilities are financed. Here we find the records of dealers who initiate contracts, and those of their customers who also become our customers. Just listen to the jingling of that battery of telephones! But they don't jingle long.

On the desk of a Supervisor dealing with the appliance floor plan a receiver is lifted and a distributor of national appliances says: "Joe Blank over in Staten Island (one of our best dealers) wants to floor plan 8 refrigerators." After speedy reference to a compact current record the Supervisor replies: "O.K. Send us the invoices and the other floor plan papers." And when the papers for the transaction come in, the next day, the dealer's check covering the interest for 90 days is attached. Then the distributor gets our check for the balance of the purchase price, less the usual down payment. So the distributor has made a cash sale, the dealer has time to sell his goods, the customer can enjoy his refrigerator with months to pay—and the Bank has made another multiple contribution to business expansion.

Start of the Assembly Line

Now arrives a most important point in the day—the finish line for the credit team and the starting line for the accounting team. Everyone concerned with credit processing races the clock hands to get as many approved cases as possible to the payment section by cut-off time. Speed is the outstanding feature of what has transpired up to now. But there is more to come—when the loan hits the "assembly line." The assembly line is the mechanized operation of processing, from initial approval of loan to check in hands of borrower. It takes a spate of well-oiled machinery to beat the logistics problem of servicing the thousands of items a day.

Now one of the transactions we've been watching in the Approval Committee has reached the assembly line. First the papers are sorted into the proper sequence, and at the same time are reviewed for correct details. Then they are numbered—the number indicating the day of the month on which payments are due and the classification of the loan. This cuts corners later in servicing and posting several hundred thousand accounts every month, as well as in collection follow-ups. Then the check is machine-written and mechanically-signed with a facsimile signature. Next, the coupon books is prepared. A perforating machine cuts the account number, amount and date of payment through all the coupons. It eliminates many errors, too.

Finally, the check, the coupon book, and loan statement are ready to be mailed. Thus, in the morning mail, those applicants who did not receive cash payouts get their checks, which they can cash at any branch or handle as they please. So instead of the three calls to the bank required years ago—the applicant need make only one call from signing the note to cash in hand.

When mail payments on a loan are made by check, the coupon and the check have their "candid" picture taken before parting company. Of you might call it their "wedding" photograph — a union for record purposes. Anyway, they're micro-filmed together (both side simultaneously due to three ingeniously placed mirrors). This saves writing the account number on the check and provides a useful record.

There is plenty to attend to in handling the affairs of the population of this veritable "City of Borrowers" following their own diverse paths in happiness and health. But, as must always happen in any large group, another figure enters three or four times every day. This is Death.

Relief at a Bad Moment

Last week, Mrs. Mary H. came to the collection counter because she had opened a letter addressed to her husband to remind him that the monthly payment on a $660 loan was past due. Her husband had been buried the day before after having been ill just a few days. The woman was terrified. In addition to the heavy expenses incurred by her husband's illness and death, she now faced the burden, so she thought, of a loan which had been necessary to cover the expenses of an earlier illness of her husband some months before. "You won't have to pay a cent, Mrs. H," said our interviewer at once. "Your husband's loan was insured, so you go home and don't give the matter another thought." And then, the next day, we receive this letter:

"You have made me very happy. With all my troubles and debts, it was relief to learn our loan with you was insured. Thank you and God bless you for inventing that system."

Over the past 21 year, 12,449 borrowers died before their loans were paid, leaving balances of a total of $2,612,249. The widows, the families, were able to breathe more freely and face life more competently than if, in a day in May, 1928, the decision had not been made for the first time for any complete group of bank loans in the world, that the hazard of death should be shared in tiny fractions by all the users of the service through the saving quality of group life insurance. Such "sharing of the hardship debt" is almost universal now in this field of banking.

Now you have come in your tour to the area where a bank can continue to do a lot of good—even build goodwill—while firmly protecting its interests. Collections of past-due accounts can be approached from the oldtime collector's viewpoint or from the more enlightened concept of a welfare group. The majority of delinquent personal loan borrowers mean to and want to pay their obligations. Therefore, the prognosis in most "sick" loans is "improvement expected." But here, too, it often is a case of "Help Needed." Collection interviewers look upon themselves as counselors. Usually an interview is started off with "How can I help you?" The interviewer knows there is a reason for the delinquency and he tries to find out what it is and how to cure it.

Those delinquents who do not respond, of course, are in for the usual legal treatment and no account is ever too small to be forgotten. Payments still are being obtained on loans defaulted 21 years ago.

"It Couldn't Be Done"

So your tour, and a glance at part of one day's business, is at a close. This is a business that many people said couldn't be done. For many years before 1928 some had been saying, "The average individual is not a good credit risk, at least when the bloom comes off the rose of prosperity. To lend to hundreds of thousands without giving away the bank can't be done." But it was.

Then they said, "The mass of detail from credit investigation to handling monthly payments and collections can't be done at a low cost." But is was. Certain soothsayers, often with axes to grind, had been saying that for a long time. Some still are saying it. But banks generally now are sharing the returns from this lively addition to the banking family.

These Personal Credit customers are helping themselves to a "2-in-1" value. Two services, two returns—both from the one loan. The first is the direct solution of their immediate financial problem. But that's only the first return. There's a second as well. This is the benefit the transaction confers on our economy. The *future* ability of these borrowers to pay, sets in motion *today* a chain reaction, consisting of successive business transactions. This inherent credit-ability, turned into cash on the barrelhead, amounts in all banks to hundreds of millions a month to pay for goods and services in every conceivable area of business or industry. This cash reaches from the suppliers of the physicians, to the makers of television tubes, and to the owners and miners of coal.

Consider how widely your deposits are utilized when you advance the credit for the purchase of a single television set. The suppliers for whom you are making orders may run into the hundreds because one set may have 692 mechanical components, 280 electrical components, and 27 tubes.

Will the People Pay?

It may be asked, "What if these hundreds of thousands of borrowers don't pay?" My question mark answer is, "When and to what small extent?" This process has been tested. Through thick and thin in every economic climate, I have seen the payments made under all manner of business conditions presented by that capricious scene-shifter, economic history. Review the cycle—exhorbitant boom, depression, recovery, fears of war, war in reality, the aftermath, the inflation, the leveling off. Out of the mass millions of transactions, there have been individual failures. But in the broad result such defaults have not marred the prescribed pattern forecast by the law of averages. The inevitable percentage of loss must be considered operating expense, as necessary as salaries and rent, and your discount should properly provide for it.

In this period in which credit expansion is said to be particularly desirable, consumer credit is fullfilling its function valiantly. The "Man in the Street" is not afraid. He's buying and he's borrowing—for his idea of necessities from dental care to motor cars—because he believes he can pay back. Well this fellow is doing pretty well. In 1939 government (Federal, State and Local) taxed him $17.3 billion, or $133 per capita. Today government taxes him $54.5 or $372 per capita—about three times the 1939 tax. Of course, these are not all personal income taxes but who pays taxes except the man who produces? As Franklin D. Roosevelt so rightly said in his first campaign: "Taxes are paid in the sweat of every man who labors because they are burden on production and can be paid only by production. Our workers may never see a tax bill, but they pay in deductions from wages, in increased cost of what they buy, or (as now) in broad cessation of employment."

The fact is that this consumer fellow is paying more for government than he is for food—the latter annual bill being only $52.9 billion at latest count. So it isn't so surprising that he's caught short of cash when an emergency strikes. But although in 1939 instalment credit was 6.1% of national personal income, in 1949 it is only 4.3%. Recently the Federal Reserve System reported instalment credit totaling $9,133,000,000 outstanding, of which $3,854,000,000 is held by commercial banks. But, assuming the present national income, not until or unless instalment credit reaches a resounding $13,024,000,000 will it bear the same seeming relation to the facts of life as in 1939. Whether that is a reliable yardstick or whether a 1949 consumer is better able to carry a proportionally larger load than in 1939, I am not going to guess. I am sure nobody knows. Judging by the promptness with which today he is making his monthly payments, the consumer fellow is not as much concerned about it as the researcher in abstract statistics.

Bank personal credit, today and every day, is making a wholesome and vital contribution to the American economy. It offers millions a bright solution to their budgetary problems and their constructive ambitions, with self-respect and human dignity, the rights of individuals in your land and my land—*in our good country*.

A Forecast of 1950 Petroleum Demand

(Continued from page 3)

ly with the forecast we have made for the winter, which was a normal increase of 12%, including diesel oils without allowance for weather adjustments.

Runs to Stills

Runs to stills, which are now slightly below 4,300,000 barrels a day east of the Pacific Coast States, would have to be increased to 4,852,000 during the winter to provide products called for by these forecasts. This takes into consideration the present level of stocks, the probable minimum stocks for gasoline at the end of the summer season, the minimum for all fuel stocks at the end of the winter season, and all other items that go to balance out the demand. This increase would have to begin in August and step up rapidly in September to attain the runs to stills that we have shown in the third quarter of 4,467,000 barrels daily. This average is: July, 4,3000,000 barrels a day, August, 4,400,000, September, 4,700,000, for a total average of 4,467,000. Many might say that this rapid increase in the rate of runs to stills is unrealistic. If that is true (and it may well be so) it simply means that whatever runs are not accomplished in the third quarter, that much more would have to be handled during the following winter, because in our balancing operation all inventories of fuels were brought to the minimum by the end of next winter.

It might be possible to get a bit more from natural gas liquids, but the growth in this production has been slower than originally anticipated. Additional imports might offer an increased supply, if necessary. We have used residual fuel oil imports at the rate of 180,000 barrels daily for the first quarter of 1950.

Inventory Changes

It is interesting to note that during the third quarter of 1948 almost 400,000 barrels a day were put into inventory. If demands are near what we have forecast, and runs are raised to where we have placed them, the best that the industry can do would be to liquidate over 100,000 barrels daily during July, August and September of this year. If demands are not as high but runs are just as high, then it may be possible to store oil during this quarter.

Probably we have been too optimistic in thinking that large quantities of fuel oils would move into consumer channels during the third quarter. If consumers hold off buying, that would mean simply that demands in the winter would be higher and the added quantity in inventory would be used up during the winter. We do not anticipate a bottle-neck in storage capacity on the East and Gulf coasts.

Highest Crude Runs Forecast

The crude which would have to be run to stills during the coming winter, shown as 4,852,000 barrels a day, will be an all-time high. A recent study by the National Petroleum Council indicated that there will be enough refinery capacity to run these quantities. End of year capacity in the area showed 5,442,000 barrels daily, which at 95% operation equals 5,170,000 barrels a day.

There is also indicated that the Middle West will be able to take care of its own requirements through its own refineries to a much greater extent than heretofore. This seems to indicate that finished products which moved out of the Gulf Coast, Inland Texas or North Louisiana—Arkansas area into District No. 2, might not be required in the volumes previously taken. It seems essential that inland refineries run close to capacity to meet their market requirements, and that the products heretofore shipped into those areas be available for East Coast movement. If this were not done, a bottle-neck might develop in refinery capacities, which on an overall basis looks all right, but which might not be all right if there was a considerable amount of idle capacity in the interior while the Gulf Coast and East Coast refineries were running to full capacity.

Crude Production Required

Assuming no significant change in imports, then to balance out the requirements, production of crude oil would have to increase from the present production (July—3,850,000 barrels daily) to over 4,200,000 during the average for July, August and September and would have to go up to almost 4,600,000 barrels a day during the entire winter period. This means that there would be demand for between 700,000 and 750,000 barrels a day of extra crude oil as compared to today's production rate. It is true that some of this crude oil might well be taken from inventories which are fairly high and which could be 15 to 20 million barrels lower without creating serious conditions in the industry. If 15 million barrels were liquidated during the winter months, it would mean that production could be about 80,000 barrels daily less than the foregoing requirements. If this large reduction in inventories took place, it would means that in place of the production having to increase between 700,000 and 750,000 barrels a day from the present levels, it would have to increase only 650,000 barrels daily. The production required during next winter would be fairly close to last winter's production rate.

Yields Must Change Radically and Rapidly

Even with these increased volumes of crude run through the refineries, it is also apparent from these data, and as indicated by the Department of the Interior, that refiners will have to immediately start adjusting their yields. Gasoline percentage yields have increased steadily. During the first quarter of this year they were at 43.5%, during the second quarter at 47.7%, and we would guess the current rate is about 49.5%.

The outlook for the next nine months is that all the gasoline the industry needs can be made by yields of 46% for this quarter and 43% for the coming winter.

In the case of distillates, yields have been dropping rapidly. In the first quarter it was 18.3%, the second quarter 16.2% and now it is around 15.5%. Our outlook shows we would have to get a substantial increase in the yield of distillates—probably to a new all-time high. A somewhat similar reversal showed up in our calculations for kerosene.

If the yields are not changed soon the problem may become critical for this winter. That is because we would not have the distillate production to store in sufficient quantities and it would not be in storage to use during the winter when it is required. The only way to overcome such a situation if it happened would be to run even more crude oil than this schedule estimates would be necessary. We think the industry has the capacity to increase its runs somewhat above those indicated in this forecast.

Qualifications, Etc.

There should be kept in mind the qualifications behind these figures. They are middle-of-the-road, informed guesses. They are predicated upon certain assumptions, which we have indicated. They are forecast upon normal weather and they also have been predicated upon a sharp reversal in the petroleum industry operations.

Any number of other possibilities or presentations could be calculated, such as: suppose the industry did not change its operations quickly, then what would the situation be? We can say definitely that would be a lot worse and it may be difficult enough to get through this winter if it is real cold. We think that the industry is beginning to realize what is ahead.

Summary

An appraisal of the demand for petroleum products for the period ending March 31, 1950, indicates that there will be a need for substantially higher production of crude oil in the United States over the next several months.

A large increase in refinery operations is also indicated as well as the necessity for refiners to produce substantially more fuels out of the crude run.

Continued delayed buying by consumers or dealers will tend to aggrevate any conditions of tightness which might develop.

Sees No Letup in Low-Priced House Demand

Savings and Loan League, however, reports stiffening of buyer resistance in medium and high-priced field.

Sales of high and medium cost homes are down from the start of 1949, but there has been no letup in the "effective buying demand" for low-priced homes, nor is any in sight. According to a survey made by the Committee on Trends and Economic Policies of the United States Savings and Loan League.

"Price declines already have occurred in both high and medium cost homes, with the most pronounced cuts coming in the luxury type class," said the Committee. "However, prices continue to hold their own on low-cost homes."

As a result of the lag in real estate sales, the Committee said that prospective buyers today have an ever-growing number of homes from which to choose. Of the managers reporting in the survey, 80% said more houses are on the market for sale now than six months ago.

"A corollary to that situation," said the league group, "is that the average time that houses for sale generally remain on the market is somewhat longer than at the start of the year. This is particularly true for medium and high-priced houses, except in those instances where these homes have been built to order."

A further indication of stiffening buyer resistance was found in the Committee's statement that there is already an over-supply of high-cost new homes.

"However, this is the only area for which this condition has taken place," it said. "The supply of medium-cost homes is practically normal, but there is no excess. In some areas, the normal balance between supply and demand for new low-cost houses also has been reached, and by the close of 1949, this will be true for many more towns and cities."

The Committee based this optimistic opinion on what is called "an encouraging trend" toward increased production in the low-priced housing field. It is disclosed that three out of four savings association managers reported that this type of housing accounts for a higher proportion of total building today than a year ago.

"The principal factor behind the higher production of lower-priced homes has been the decline in building costs," said the Committee. "A majority of savings association managers report that the drop in construction costs has ranged from 5 to 10%, and more."

Walston, Hoffman Co. Adds Two in NYC

Walston, Hoffman & Goodwin, 35 Wall Street, New York City, members of the New York Stock Exchange, announced the association in their Sales Department of Charles B. Woram and Isaac Hessberg, both formerly of Dobbs & Co.

With Reynolds & Co.

Reynolds & Co., members of the New York Stock Exchange, announced that Morris Bernanke is now associated with the firm as a registered representative. He will be located in the firm's Empire State Building office in New York City.

U. S. Must Help "Free Nations"—Says Truman

(Continued from first page)

cations. I shall prize it highly, and try to live up to what it means to you and to me.

At the Legion convention last year, I talked to you about your government's efforts to achieve world peace based on freedom and justice. Today, I am going to talk to you again about peace, because I think that is the most important thing in the world, and I know you agree with me.

Last week at Miami, before another convention of veterans, I discussed our efforts to protect nations against aggression and to preserve the principles of the United Nations. I talked about our collective security agreements and the necessity of providing military aid to other countries to support those agreements.

Today, I would like to talk about another equally important aspect of our efforts to achieve a lasting peace—that is, our international economic policy.

I find that there is a good deal of misunderstanding and misinformation about our international economic policy. Some of this is deliberately stirred up by certain newspapers and politicians for political reasons. Some of it is due to the fact that the economic problems of the world seem to be distant from our daily lives and hard to understand.

World economic problems are undoubtedly complex. But their importance to us is very clear. World prosperity is necessary to world peace. Furthermore, world prosperity is necessary to our own prosperity in the United States. If these facts are kept in mind, it will be easier to understand what this country is trying to do.

Nations Face New Problems

In working for prosperity in the post-war world, the nations of the world face new problems —and greater ones than they have ever faced before. They are suffering from the terrible after-effects of the war, which caused an almost complete breakdown of European industry and of world trade. There is also the rising demand of men all over the world for independence, and for a greater share of the good things of life which only a restored and expanding economic system can bring. Added to these two problems there is a third. That is the attempt of organized Communism to achieve economic and political domination of the world through the misuse of the desires and aspiration of mankind.

These problems require the combined efforts of the free nations. Together, we must repair the damage of war, complete the restoration of the economy of Europe, and revive world trade. We must go forward to establish an expanding world economy in which men everywhere can work to satisfy their desire for freedom and a better life. We must demonstrate that the economic system of the free nations is better than the system of Communism.

The free nations are determined to avoid the mistakes of the past. The roots of the present economic problems go back to the first world war. After that war, the nations of the world made the mistake of following narrow and short-sighted policies of economic nationalism.

Each country, working for its own selfish interest, tried to get the best of the others. Each nation erected trade barriers to keep out the products of other nations. Each nation tried to dump its own products in foreign markets.

These policies were self-defeating. They achieved neither national nor international prosperity. Instead, they helped to bring on the worst depression the world has ever seen.

Factories closed down all over the world. Ships lay idle in harbors. Surplus crops rotted in the fields. Unemployment grew and hunger became widespread.

In every country there were hundreds of thousands of young men and women without jobs and without hope for the future. Many of these young people became the prey of unscrupulous demagogues. They joined the Black Shirts of Italy and the Storm Troopers of Germany. They were the tools of the Japanese militarists. In the end they marched to war under the bloody banners of those dictatorships.

Before the end of World War II we resolved that the international economic chaos which had led to war should not occur again. We knew that permanent peace could not exist if the nations of the world resumed the policy of dog eat dog.

U. S. Joins in Promoting Peaceful Economic World

Consequently, the United States joined with other nations to prepare for a peaceful economic world. The international monetary fund was set up to deal with exchange and monetary problems among nations. The International Bank was established to provide investment capital for reconstruction and development. In our proposals for a world trade organization the United States outlined a method for breaking down the trade barriers which had strangled world commerce in the period between the wars. As the war ended, we made billions of dollars available to relieve suffering and repair the damage of war.

These were good beginnings. Never before in history had nations made such careful, long-range plans for a better economic future.

Shortly after the war ended, however, it became apparent that the economic life of the world was more badly disrupted than anyone had expected.

Still further difficulties were created when it became clear that the Soviet Union would not join in working for world economic recovery. The Soviet Union was hostile to European economic cooperation. It refused to joint in the European Recovery Program, and prevented its satellites from joining. Its aggressive foreign policy created alarms and fears that hampered recovery. On every hand, there was evidence that the policy of the Soviet Union was aimed at prolonging the distress and suffering of the free nations.

If we had been discouraged by these difficulties and had abandoned our efforts, the results would have been disastrous. Once again the streets of Europe would have been filled with crowds of hungry and hopeless men and women. Once again, unscrupulous agitators would have used these angry millions to create tyranny and slavery.

But the free nations, did not let this happen. We went ahead with our recovery programs. As a result, production has risen greatly in Europe. Men and women there have jobs and food and a belief in the future. They know that the democratic way is the way of hope.

The free nations have overcome the danger of immediate postwar collapse, but we have not yet achieved the sound and expanding world economy that is necessary for lasting prosperity and peace. This larger task is the one that now confronts us.

The free nations have the resources and the means to accomplish this task. Together, they have most of the industrial capacity of the world. They have vast supplies of raw materials. They have industrious and skillful populations. The free nations together have all the elements necessary to provide a better way of life for mankind. What is needed is to draw these elements together into a continually expanding and productive international economy.

Our Own National Prosperity Involved

Such a world economy is vital, not only to the cause of world peace, but also to our own national prosperity and security. We in the United States depend upon foreign countries for many vital minerals and other raw materials. Without foreign trade, many of our industries would suffer. Without foreign trade, for example, it would be difficult, if not impossible, for us to develop atomic energy. Moreover, we need to sell many things abroad. Our cotton, our wheat, and our tobacco, for example, must have foreign markets. Our prosperity would be seriously damaged if the export of our products were cut off.

We cannot, therefore, fall back into economic isolationism. Instead, we must take every action we can to bring about more trade, expanding markets, and growth and development in other countries as well as our own.

One of the most serious difficulties we face is the fact that, at present, foreign nations need to buy more things from us than we need to buy from them. They have called upon us for food and raw materials in unprecedented amounts. Furthermore, many countries need equipment and machinery, which only we can supply, if they are to develop their own resources and raise their own standards of living.

The urgent demand which foreign countries have for these things far exceeds their present capacity to pay for them. As a result, world trade is now seriously out of balance.

We have both short-range and long-range plans for meeting these difficulties. We will continue the European Recovery Program as our principal means of meeting emergency needs for the next three years. At the same time, we are moving ahead with long-range measures.

Wants U. S. Investment Abroad

We are encouraging American business to make productive investments abroad in increasing volume. Through such investments, foreign countries, particularly under-developed areas, will be able to obtain the equipment they so desperately need.

We are also planning to help the people in under-developed areas learn modern industrial and agricultural methods. By this means, they will be able to make an increased contribution to an expanding world economy and a balanced world trade.

In addition, we must continue our well established policy of negotiating reciprocal trade agreements in order to reduce barriers to international trade. These agreements enable us to buy more from other nations at the same time that they help to maintain new markets abroad for our products. We must increase our buying abroad if we are to achieve a balanced world trade.

Furthermore, we are encouraging closer regional ties among nations in order to lower trade barriers and increase production.

Working Toward Economic Union

The nations of Europe, under the stimulus of our aid, are working toward closer ties of economic union. Already, through the organization for European economic cooperation, they have begun to make joint decisions that affect their basic economic policies. In the Council of Europe, now meeting at Strasbourg, more far-reaching measures of European unions are being considered.

Closer economic union means a difficult period of transition for the countries that enter into it, but it is essential for a better world. The United States will do what it can to aid the European nations to achieve greater unity.

As we go ahead with these long-range measures for a stable and growing world economy, we shall have to adjust our actions to changing conditions. We shall need to be alert to new developments, and turn to advantage every possible resource.

We shall be concerned in the months immediately ahead with certain special and urgent problems arising out of the present unbalanced state of world trade. Representatives of the United Kingdom and Canada will soon be here to discuss some of these problems. We look upon these talks as discussions among friends about problems which affect all of us, and in the solution of which we all have a common interest.

The people of this country are well aware of what the war meant to Great Britain and of the stresses and strains which have been laid upon the British people in recent years. The representatives of the United Kingdom will find here a warm personal welcome and may be assured that these mutual problems will be examined by us in a spirit of friendliness and helpfulness.

In our discussions with the representatives of the United Kingdom and Canada, as in our approach to problems with other nations, we must keep clearly in mind the basic underlying principles upon which the economic policy of free nations must be based.

The first principle which we should clearly understand is that a sound and expanding world economy is essential to world peace. International economic discussions revolve around such prosaic things as tobacco and rubber and rates of interest and the value of currencies. But, behind all these, lie the great objectives of satisfying the material and spiritual needs of mankind and preserving democratic freedom.

Not Engaged in Charitable Enterprise

The second principle which should be clearly understood is that we are trying to expand the exchange of goods and services among nations. Sound and prosperous relations among nations rest upon the exchange of goods and services on a business basis. We are not engaged in a charitable enterprise. We are not looking for trick solutions to deep-seated problems.

The third principle is that we cannot succeed in creating a sound and expanding world economy unless we keep everlastingly at it. There are times, no doubt, when we shall become impatient or annoyed by delays and obstacles. But we cannot throw in our hand and walk out of the game. Nor can any other nation afford to do so. The path of mutual adjustment and combined economic effort is not an easy one. The economic interests of nations are not easily reconciled. No group can get all it wants. But there is no other way to the solution of our difficulties than the way of mutual concession and co-operation.

No Interference in Foreign Internal Policy

The fourth principle is that the democratic nations are not proposing to interfere with one another's internal politics. We know very well how we would feel if some foreign nation tried to tell us how to vote. We recognize that each nation has its own political problems and that it uses different political labels and different slogans from those we use at home. In the same way, nations have different business practices and different governmental devices for achieving the same economic ends.

A community of democratic nations cannot insist on uniformity in matters of politics or business. The only uniformity on which they can insist—and this is what binds them together as free nations—is a firm adherence to democracy, coupled with a common desire to improve the standard of living of all their citizens.

On the basis of these four principles, the free nations of the world can solve the difficulties which confront them. On the basis of these principles, they can achieve their goal of a sound and expanding world economy.

There is one more thing for us, as Americans, to remember. Our country is the most important economic unit in the world today. The future of the world depends upon the continuation of our own economic growth and development. If we can continue to increase our national income, and to raise our standards of living, the solution of international economic problems will be far less difficult.

Every one of us has a responsibility in building a peaceful world. We can contribute to that cause in our daily lives in our jobs, in our thinking. We contribute to peace when we work for the prosperity and growth of the United States. We contribute to peace when we reject the claims of those selfish interests, here and abroad, that would turn us against the cause of international co-operation. We contribute to peace when we ask for divine guidance and help for the efforts of mankind to establish understanding and good will among the nations of the world.

July Savings Banks Deposits Show Rise Of $40 Million

During July deposits of the 530 mutual savings banks of the nation showed a rise of $40,000,000, to reach a total of $18,988,000,000 on Aug. 1, Henry S. Kingman, President, National Association of Mutual Savings Banks and President, Farmers and Mechanics Savings Bank, Minneapolis, reported on Aug. 25. The gain compares with a loss of $5,000,000 in July last year.

Henry S. Kingman

Deposit gains for the first seven months in 1949 far exceed those of a year ago, totaling $588,000,000, or 3.20%, as compared with $446,000,000, or 2.51%, in the same period last year. For each month starting with Nov., 1948 (except Feb., 1949) the increase has been greater than that for the same month the year before. The gain in regular deposits, however, both in July and this year to date, reflects lessened withdrawals rather than greater amounts deposited.

Portfolio policy during July was featured by a further net gain of $62,000,000 in mortgage loans, bringing total holdings to more than $6,000,000,000. As in June, but unlike the preceding eighteen months, the gain was again less than that for the same month of the preceding year. Holdings of corporate and municipal securities rose $44,000,000 but U. S. Government obligations fell $14,000,000 and cash $34,000,000.

The Growing Latin-American Dollar Shortage

(Continued from page 2)

already in a position to export ourselves. England, however, was a natural outlet for Argentina's surpluses, and in return, Great Britain will ship 5.7 million tons of oil, 300,000 tons of tinplate, 100,000 tons of iron and steel, as well as textiles, motor cars, films and other goods. All of these import items would just as well have been available here, but the lack of dollars in Argentina has lost us the business.

Aside from the restrictive and exclusive features of the trade convention to which the United States Government has rightfully objected, we must concede that it was a logical and complementary arrangement for both countries. How could we have provided the necessary coin for Argentina to pay unless we loaned her the funds or bought her products which we neither need nor want?

If pesos and pound sterling were freely convertible into U. S. dollars, we would have a chance to compete instead of watching our export trade slip away to England. At this point, we may incidentally take note that many Latin Americans are bitterly complaining about sharp practices of some of our exporters, about stiff payment conditions and frequently inferior merchandise, particularly during the recent period of shortages. Do we really think, they ask, that anything is good enough for them? Do we not realize that the standards of the consuming public are the same the world over and that we jeopardize our reputation and future business relationship? Altogether, North Americans are not popular in the southern countries. We are regarded as inconsiderate and arrogant and our good-neighbor-policy is suspected for ulterior motives.

British steel has been making inroads into our markets in Brazil where the dollar problem may even be a little less pressing than in other places because that country has a number of products which we can use, of course, foremost coffee. However, English steel mills have quoted more favorable credit terms than ours have and have thus taken orders away from us. The British Isles, although poor of natural resources, seem to have an edge on us because we are so self-sufficient.

Would Convertibility of Currencies Solve the Problem?

In the long run, free competition can only be restored in the world if all currencies become readily convertible externally and remain stable internally so that no sudden flights of capital need be feared nor could upset the equilibrium. In recent months, practically every currency of Latin America has fallen against the dollar in the free or black markets. These more or less unofficial rates are the true gauges of confidence in a country's money because they are not controlled as are the official exchange rates.

Even where the black markets are strictly prohibited, little is actually done to suppress or eliminate them. On one hand, numerous persons benefit directly or indirectly from their existence —up to highly placed individuals if rumors can be believed. On the other hand, the clandestine dealers constitute a necessary safety valve for the sudden shifting of funds which even the strictest controls could not prevent entirely. Uruguay has recognized this situation and tolerates the "free market" which is not so much influenced by local developments as by the switching of large funds from and into its big neighboring country, Argentina. Montevideo has become the haven for much refugee capital, similar to Switzerland's position in Europe, and it is difficult to find an empty safe deposit or post office box. There is a constant flow of traffic between Buenos Aires and Montevideo by air and boat.

At the same time, Uruguay is managing its official exchange rates very judiciously. Import licenses and currency allotments are made pro rata to the funds which are actually available abroad at the moment. If all countries adopt a similar program of husbanding their resources, the first step toward stability would have been taken. Instead, Brazil, for example, has been giving import licenses without having sufficient dollars on hand at that time, and payments for imports meet with delays of many months to more than a year, depending on the classification into which the imported merchandise falls. To cite another case, Chile had based its foreign exchange budget for 1949 on last year's copper price and tax revenue, and when that commodity dropped by about one-third, the entire economy was thrown out of balance because nobody had taken this eventuality into consideration.

Practically everywhere there is no confidence in the local money and people are all the time converting cash into tangible assets—real estate, cattle, gold, greenbacks—anything but bank deposits. In consequence, interest rates are high, varying from country to country more or less according to the availability of credit or the urgency of the flight of capital. In addition, most national budgets are unbalanced and the creeping inflations continue in their course.

Everybody is looking to Uncle Sam to cure the situation by loans or aid under some other name. Hardly a day passed by in the 12 weeks spent in Brazil, Uruguay, Argentina, Chile and Peru, without the writer being told again and again the same old story of the kids who were playing marbles until one of them had won them all and the rest could play no longer. Of course, the United States is compared to the villainous fellow who took all the marbles away and who ought to let the other children have them back so that the game could go on. And my obvious retort was that it would not take very long till we would have the same situation all over again.

It seems that the whole world—not only Latin America, but Europe, Africa and Asia as well—are waiting for the United States to pull the rabbit of world trade and prosperity out of the hat of chaos and confusion. But the hat is so full of holes that the rabbit has fallen through long ago . . . (Perhaps we should take the gun away from Uncle Joe.)

The solution must be found the hard way by each nation for itself —by buying no more than can be paid for out of exports, by selling at competitive prices in the world markets, by keeping foreign resources under control instead of squandering them as has frequently happened in the immediate postwar years. We have seen tanks and tractors rusting away uselessly for which (plus commission) good dollars had been wasted . . .

Once the local situation is brought into balance, regional interchange of trade must be promoted within the hemisphere. The best example for such a scheme has been set by the Benelux nations in Western Europe who are enjoying an enviable prosperity. To do a similar job in Latin America, it is urgently necessary to build roads and highways, improve railroads and ports, better sanitary conditions, and open up the interiors and their natural wealth to the flow of people and trade. The writer is reminded of the bitter words of a Brazilian manufacturer who remarked in resignation: "We used to say: Brazil is the country of the future. Now we say: Brazil is *and remains* the country of the future."

Developing the Backward Nations

The vast empty spaces of fertile lands are beckoning to the overpopulated European continent. The transfer of the surplus people would solve some of the problems of Europe and Latin America as well. It would help the underdeveloped areas and probably improve the native stock. Such projects call for huge expenditures which can only be provided for at the highest level, the United Nations. Yet, they could be made self-liquidating. Any halfway measures through loans, grants or private investments of American capital could not be big enough to solve the fundamental problems of Latin America, except for temporary relief.

There is no doubt that great opportunities exist today, probably similar to those which existed in the United States a century ago, and perhaps greater than can be found here today due to our restrictive and confiscatory taxation.

It sounds grand to plan for developing the backward nations and calculate the number of housing units, motor cars, refrigerators or radios they could use. But if any investors or industries set themselves up to fill the gaps, they will quickly find out that one cannot jump in one great leap from the oxcart stage to that of the airplane without passing through some intermediary developments. There are great social and cultural contrasts between the habits and ambitions of the various classes within each country, and among the various countries themselves whose ethnological compositions differ widely.

Investment Opportunity for American Venture Capital

Many American corporations have built plants and successfully produce and sell their output in Latin America. Coca Cola reigns supreme all over the southern continent, to cite one of the most catching examples of advertising magic. And you find a multitude of locally manufactured brands, such as Colgate's palmolive soap, Kolynos dental cream, Johnson & Johnson medical supplies, nylon stockings, famous names of canned goods, breakfast cereals, etc. The influence of our industry extends from skyscrapers to soda fountains and bathtubs, and many U. S. firms have profitable operating and manufacturing subsidiaries in Latin America. Opportunities for new ventures abound, particularly if local raw materials can be used in the process. However, under existing exchange regulations, it is necessary to make special arrangements in advance to insure the right to transfer income and part of the invested capital in annual instalments out of the respective countries. Such was the basis for Sears Roebuck & Co. to enter the Brazilian market with stores in Rio de Janeiro and Sao Paulo.

Measured by North American standards, the markets for all industrial goods are painfully small. When my Latin American friends would warn me that we were fast losing our export outlets, I had to cite some of our production figures to demonstrate that the current business setback is cutting a much bigger slice from our overall production than the total export trade to the rest of the globe could ever absorb. Of course, we realize that export markets for 8 to 12% of our national product are almost as essential to the United States as they are to our customers. But the latter have a tendency to overrate their importance to us because foreign trade for them constitutes a major portion of their national economy, and in many countries, export and import levies provide a sizable share of government revenues. Therefore, they are inclined to rely on us rather than on themselves to remedy the dollar shortage.

It has been pointed out that large hoards of private dollar and gold holdings could be mobilized to bridge the gap. However, experience in Europe has shown that refugee capital cannot be enticed or forced to come home in any worthwhile proportion, even in the face of great local money stringencies. It is only a matter of restoring confidence, and even then, if the attitude of the French peasant can be any guide, the bulk of the smaller hoards will never come out of hiding. Furthermore, the chances for a return of confidence in local currencies are tied in with balancing national budgets and rebuilding faith in the stability and integrity of governments. At present, we are further away from that point than in a long time.

Businessmen, bankers and government officials have everywhere professed their anxiety for meeting their foreign obligations—be they commercial credits, or new and old private loans. The sense of responsibility toward foreign creditors is high—much higher than our merchants, financiers and investors realize. For instance, in Brazil, foreign traders must deposit the full countervalue of their imports in local currency pending allocation of exchange, and frequently, they borrow dollars at high interest rates during the long waiting period to anticipate payment to the American exporters. In extending such credits, interest ranges up 12% per annum, and more. Lenders of such dollars have made satisfactory experiences as long as they used responsible local brokers and bankers as intermediaries. If properly handled, American capitalists can make very attractive financing deals, fully protected by adequate collateral. Many millions of dollars are already thus engaged.

A similar sense of responsibility has been observed with regard to external debt service, and up to now, the present payment plans have been faithfull observed. Unless conditions become much more serious, there seems to be little danger of default on the outstanding dollar bonds.

Says Business Must Educate Public on Deficit Financing Danger

Business management must help educate the American people to the dangers of governmental deficit financing, Wallace F. Bennett, President of the National Association of Manufacturers, told the 23rd Western Regional Trust Conference at Salt Lake City, Utah, on Aug. 19. The Conference is sponsored by the American Bankers Association.


Wallace F. Bennett

In his address, Mr. Bennett pointed out that materialistic philosophies from other parts of the world have invaded American thinking and can be combated only by education. "These philosophies," he added "have succeeded in confusing many persons so that there is evidence that many today are willing to turn from the American concept of free enterprise and to alter it or dilute it with foreign economic philosophy.

"There is great need today for teachers to understand and trust the traditional American philosophy," Mr. Bennett continued. "Here management has great and immediate responsibility.

"As individuals, we need to take more interest in our local school districts and give more personal service on school boards and in parent-teachers associations. As parents, we need to pay more attention to the textbooks our children are studying.

"The duty of business executives does not stop with the school's educational facilities. Managers of business enterprises need to develop definite programs in their own organizations to bring teachers into active contact with practical business through summer employment, through plant visits, and through other programs.

"All this, however, is to affect a future generation, and the decision before us now will be made by men and women of voting age. The fundamental problem is the problem of teaching the truth about the American economic system to the men and women who work for us."

Urging that plant supervisors be trained to explain the facts to small groups of employees, Mr. Bennett said: "After all, teaching can only be done in small groups, and its success must depend upon the ability of a single individual to receive and react to the subject matter taught.

"Business management is challenged today to stand as trustee for the consumer, the investor, and the employee in the preservation of the American system. Some forces in America want government to replace private management in this position as trustee, and one of the great challenges is this—can we in management demonstrate our ability to carry such a disinterested responsibility and therefore our right to be the trustee?

"In modern economic processes, management must occupy the unique position of a trustee of many vital factors in the production-consumption cycle, all of which seek a fair share of its benefits. To be successful, the manager must stand in a disinterested position to all these. For the consumer, he must operate his business to provide the best goods or service at the lowest price. As a trustee for the investor, he seeks to operate the business in such a way as to return a fair profit, commensurate with the investor's risk. Representing the employee, he has the responsibility for seeing that the business provides a fair compensation to the men and women who work for it.

"To me that phrase 'a balanced economy' indicates management operating at its best as such a trustee.

"How can we earn and demonstrate our right to spiritual leadership? I think we can do it if we can provide definite proof in the plants, in the businesses and factories under our management, that this is indeed a land of freedom where men can acquire spiritual satisfactions.

"After all, freedom cannot exist for our employees unless they find it in our plants. Freedom cannot be enjoyed selfishly. It must be shared."

As We See It

(Continued from first page)

dollars, or at the least to do most of the eliminating, can not fail to have very serious consequences in this country. We are not now referring to that ever recurring threat of "three worlds"—or, in plainer words, the desertion of Great Britain and possibly of other countries, leaving the United States of America to fight the good fight against Russian imperialism alone. We are too aware, as we are sure others are, of the fact that these other countries could not possibly avoid being swallowed up long before the Russian legions reached the shores of the Western Hemisphere.

Those "Surpluses"

But there is another argument which finds many attentive ears in this country. It concerns markets for our "surplus" production. The general tenor of the reasoning is to the effect that if we, the people of this country, are not generous in the distribution of our dollars throughout the world in one way or another or in one form or another, we ourselves can not hope to continue long to prosper. We make no reference at this point to tariff and other barriers which we of this country are often insistent upon erecting. There is a substantial weight of good sense in what is said against them in many if not most instances. We are now talking about that form of argument which, stripped to its bare essentials, asserts that unless we give the foreign buyer the funds (or lend them to him without much consideration as to whether he either can or will ever repay them) with which to buy our goods, we shall come to the end of our economic rope within a relatively short period of time.

This type of reasoning, of course, takes divers forms. It is heard abroad day after day, and many times a day in certain circles in this country. Someone has labeled it "the problem of our surpluses." Others have asserted in so many words that we must do whatever is necessary to create a world beyond our shores which is able to absorb the surplus of goods we are able to produce if we are to stay out of a collective poor house. Of course, the President's now well-publicized notion about lending technical assistance to "backward peoples" throughout the world is defended in this way and must be defended in this way if it is to be defended at all on economic grounds.

Perennial Bugaboo

It seems to us that we have here a recrudescence of the old fear of abundance—that is if we have really ever lost that fear. It was this attitude which led to the plowing under of cotton and slaying of little pigs during the early days of the New Deal. It was at bottom the philosophy of the NRA. It held that we had "reached maturity," or something of the sort, and henceforth equitable distribution of such goods as were produced was the paramount problem of the day and of the future. If goods were to be perennially produced at a greater rate than would or could be absorbed there was no way to prevent price cutting and wage reduction—which in those days were termed "chiselling." The solution was sought in forced curtailment of production.

Now again the talk of the day is turning to disposition of goods we produce which, so it is apparently believed, no one in this country wants. At the moment, at least, it is political heresy to suggest that the goods not be produced in such quantity that they can not be disposed of. Indeed in the case of agriculture, it is political heresy not to pay farmers to produce. Now the remedy is to be sought abroad, where it is hoped that people can be found who would like to have these goods and who can be put in funds to buy them by the taxpayer of the United States, or possibly the investor who can be convinced that the foreign purchaser will not only do us the favor of taking our surplus goods off our hands, but possibly at some time or other in the dim and distant future return the funds loaned him.

Why?

However, what happens after the potential foreign buyer is handed the funds is unimportant—except that he buy the goods which supposedly hang heavy on our hands. No one seems to have paused to inquire why we should take the trouble to produce these goods if we do not want them or want what foreigners are able and willing to deliver in exchange for them. From the words of some of those who argue in this way it might be supposed that work and the production of goods were ends and aims in themselves, that some special virtue resided in the process of bringing things no one wants into being day after day. Somehow it would appear that fate was driving us to produce, and that somehow it was incumbent upon us to find some escape from the consequence of this production.

What unutterable nonsense, both this new notion and the older idea of arbitrary restriction of production! It is economic absurdity to imply that any one is in any way serving himself or his fellowmen by producing goods or service no one wants or is able to pay for. It is foolish, however, to suppose that government fiat is necessary to prevent businessmen from committing this folly. It is about as silly to assert that we do or can produce more of everything under the sun than we have any use for. It is true, obviously, that we often overproduce this or that particular good or service, and hence can not sell all of it. It is clear enough that foreign markets are relatively limited as respect many of our goods—more often than not, except when war and the destruction of war has intervened, because the rest of the world either does not care too much for our products or has not, for one reason or another, reached a stage of productivity which would enable it to take these goods off our hands.

It is, of course, obvious that our production capacity exceeds immediate and compelling need, but let us be thankful, for only in such circumstances could we as a people put aside something for the proverbial rainy day. **Our salvation certainly does not lie in paying outsiders to buy our goods, but rather in producing and preparing to produce the things that are wanted.**

Trust Investment Problems And Common Stocks

(Continued from page 5)

investments, which is now limited more by opportunity than by anything else, a trend that should please the more captious critic.

Combining Investment Risks

The second major policy question is the proportion in which these types of investment risk should be combined in a trust fund, assuming that no provision requires a special disposition. The three fundamental categories in which investments fall by our classification, and from which we must select the risk components of a trust, are:

(1) Short-term obligations and bank deposits, carrying the purchasing power risk, but very little of the interest rate risk, and presumably no other risk.

(2) Long-term, fixed income assets, such as bonds, mortgages, and preferred stocks which add the interest rate risk and presumably some credit risk to the purchasing power risk.

(3) Equities, which carry the risks of business ownership plus some money rate risk and purchasing power risk.

There will always be a wide divergence of opinion among us as to what percentage of each to purchase in a trust fund, which is a healthy condition. It will be time to worry when we all think alike and act alike. We all know that equally good results have been obtained over a period of years by following widely divergent investment philosophies. With such mixed counsel, the temptation is to merely add a personal opinion as to what the proportion in each of these three classes should be, and then to pass along. Certain more general considerations, however, deserve your reflection first.

Some trustees have an unfortunate tendency to take a quite inflexible and unchanging stand as to this diversification by types of security. In applying policy they do not differentiate between their trusts as to objectives, or the respective quality as well as the type of assets held, or the respective stage in the business and security market cycles. Such a position might be justifiable if their ratios were the result of the application of scientific mathematical principles, but we know that they represent a mere convention backed at best by experience only, and experience clearly indicates that the relative attractiveness of these classes of investment changes. Certainly any policy that regards a relatively fixed percentage of common stocks as desirable, with no particular consideration of changing conditions and market levels, commands little confidence. While the trustee should not adopt a trading or speculative policy, it is not speculation to adapt policy to prevailing conditions rather than to follow mere theory.

Moreover, in determining these ratios it is proper to look beyond the label on the individual securities to intrinsic quality. There is a wider quality gap between the stock of Union Carbide and that of some enterprise facing greater business uncertainties than there is between Union Carbide stock and a bond of good quality. Therefore, it might well be reasonable and proper to hold a somewhat larger proportion of equities where the component items had exceptional quality than if they were of more cyclical types.

Such ratios should also reflect basic changes. If seasonal common stocks are a better form of investment than they were 30 or 40 years ago, and there is some evidence pointing that way, it is reasonable to raise our sights on the maximum proportion we are willing to include in our funds under favorable conditions. Briefly stated, the argument runs that the position of scores of our major enterprises is materially stronger than two or three decades ago. These companies are larger, financially stronger, and much more firmly entrenched in their various fields. For instance, compare the position of General Motors now with that of 30 years ago. The trend of the times, and even the policies of government, favor large and well-established enterprises which have the resources to cope with the obstacles and to absorb the risks of doing business today. There are offsetting factors, of course, such as higher taxes, higher break-even points by reason of greater raw material and wage costs, and the effects of government interference in economics, and of the trend toward a welfare state. On balance, however, it appears that established business enterprise has become so basic to the economic well-being of our nation as to justify a larger place for well selected common stocks, representing ownership, in conservative investment programs that was acceptable in the past.

Further, the information now available to us, both from published sources and for our own investment research, supplies us with a much better background for judgment than was true a decade or two ago. This detailed study does not change the risk in any particular stock an iota, of course, but it serves to reduce the general risk factor in the trust by providing the basis for sharper judgment in selection and timing. Thus the trustee who is in position to put in the necessary time on investment research may be justified in a larger common stock position than one not so situated.

No Stereotyped Policy

Finally, there should be no stereotyped application of policy to our trusts. Individual circumstances and needs differ quite materially and justify different treatment. In the case of our own trust department, our holdings of equities, fixed income securities and liquid investment vary quite materially among our trusts, based upon such diverse factors as the form of the initial assets, acquisition costs, tax considerations, the provisions of the trusts, the needs of the beneficiaries and the wishes of those at interest to the extent that they can be properly taken into account. We see nothing inconsistent in this. It merely reflects the application of our general policies to many sets of circumstances.

Summarizing, there is justification for increasing our common stock holdings over past practice when the time is right, but our policy should be flexible to allow for the nature of the trust itself and the average quality of its assets and for the general position of the security markets.

Question of Diversification

Our third investment policy question is as to diversification by industry and by security holdings, an accepted principle having the stamp of court approval. Our only reason for reviewing it here is that too many trustees, in mistaken zeal, tend to carry it too far. It is well to recall that diversification is not a rule for successful investment. On the contrary the great majority of our fortunes were created by concentration in very few risks, wirely or fortunately selected. Diversification is a defensive policy, and a wise one, based upon our desire to minimize the consequences of an error in judgment. Over-diversification invites a mediocre investment performance because it dulls discrimination in the selective process. Moreover, there are a few trustees who diversify quite mechanically in units of equal size, and tend also quite rigidly to include securities of companies and industries for the sake of mere balance, with less regard for whether they represent good current opportunity. It is, of course, far better to buy somewhat more of what is attractive and to defer buying securities that are ultimately desirable, but not currently favorably priced. In the long run, this will result in fewer errors of judgment and the choice will still be broad enough to make a satisfactory degree of diversification not at all difficult to achieve.

Let us consider next the policy of emphasizing marketability as a major attribute for a trust investment. A ready market is to be prized and for some purposes it is, of course, an essential, but for most of our trusts there is no need for a bank type of liquidity. It is enough that our trust holdings enjoy a reasonable market and that a sufficient proportion be readily salable to meet our cash needs. The reason this is worth bringing up is that too often trustees rule out sound investment securities on the score of a somewhat narrow or local market. This may be necessary where vast funds are being administered, but the rest of us penalize ourselves and our funds unduly by such a restrictive policy. Intrinsic worth in securities has a way of asserting itself in time, and in trust funds we would do well to put more reliance on this and less on the mechanical prop of an active market, which is a feature of first importance to traders and speculators, but not one which prevents in any degree sharp market declines in periods of adversity.

Perhaps not a matter of investment policy, but closely allied to it, is the growing use of provisions in trust instruments granting the trustee discretionary power to invade principal to provide for the current needs of beneficiaries. In these times when so few can accumulate sufficient principal so that families can live through the critical years from income alone such provisions provide a useful, if not essential, tool. Our concern here is that we should not construe them as absolving the trustee from diligence in the maximum productive employment of his funds, as a solution to our own investment difficulties rather than as an emergency medicine kit to be used sparingly when no other solution is possible. It is axiomatic that the more productively the trust assets are employed, the less we need to resort to such emergency powers and the greater the long-term protection afforded the beneficiaries. We must not substitute use of these powers for the exercise of our investment judgment.

Proposed Limit on Stocks as Investment

We may now progress to the present application of these policy matters which we have been discussing. My own view, under the conditions that seem likely to prevail for some time, is that common stocks might well be allowed to reach a maximum of 65% under the most favorable conditions in trusts of good size and with wide discretionary authority. The remaining 35% might be divided 15% in fixed income securities and 20% in liquid funds, classifying U. S. Savings Bonds in the latter category. The above must be qualified to this extent, that since the degree and duration of the present business set-back cannot be foretold with any assurance, some good portion of the common stock maximum, anywhere from 15% to 25%, should be withheld and temporarily added to liquid funds. Thus our trust fund today would be 40% to 50% in common stocks, 15% in fixed income securities and 35% to 45% in liquid assets, including U. S. Savings Bonds. All of this may strike you as rather strong meat, and particularly as somewhat inconsistent with some of the observations to follow. We are in a period of deflation and receding business, with business profits tending downward, with the dollar currently regaining a little of its lost value, and with shortages ended and normal competition returning. Is it not clearly, then, a time for investment caution? Of course that is exactly what the security markets have been reflecting. We can consider this best by looking at the investment opportunity, or the absence of it, in each of our three classifications.

(1) **Fixed Income Securities**—Opportunity is conspicuously lacking in all fields of fixed income investment. Superficially, the return to a government underwritten policy of easy money seems to offer assurance of a stable or rising bond market for the indefinite future. The administration has three political stakes in easy money. First, while easy money has failed to stem deflation in the past, and will not be the instrument which accomplishes it this time either, political money doctors have not lost faith in its effectiveness. Second, and importantly, it reduces the fixed charges on the public debt, particularly welcome when the debt itself is once more rising. Third, it eliminates the judgment of a free market as to the fiscal policies of the administration, a bloodless type of verdict which the politicians are right in fearing. There can be, therefore, no question that, misguided as an easy money policy has been, we are once more committed to it with all the support of the available instruments of control.

But our unwillingness to purchase such securities need not be based on any forecast of the money market future; such bonds simply provide no present return adequate for the longer term risks involved, as contrasted with the flexibility of liquid forms of investments or the income yield available from the bast common stocks. Not only has the bond market as a whole been governed by the artificial factors of market support for government securities and induced easy money, but the relationships within the market diverge from historic normal. Prime corporates sell at narrow spreads from comparable government issues, and lower grade corporates at relatively narrow spreads from prime corporates. Municipals appear more attractive, but this depends in good part on tax exemption which is itself artificial, and the municipal market faces larger market supply and some weakening of credit standings. We should not forget that the Treasury has the power, if deficit financing problems make it necessary, to make its own securities appear relatively more attractive in various ways than other bonds. Doubtless it would have no desire to upset other segments of the bond market, but the present spread relationship between classes of bonds is in itself a potential risk.

Since the fiscal policy of the government is the principal factor bearing on the long-term future of the bond market let us review it briefly. In his Farewell Address in 1796, George Washington said: "As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible." And what is the fiscal wisdom in these more enlightened times? In the past 18 years our Federal Government has spent more than it has received in all but the last two. This latter situation is by way of prompt remedy. We shall have a deficit this next year of not less than $5 billions, with more to follow. This Administration appears to have no remedy for any situation not based on more spending. In periods of prosperity, the necessity is to lift up the laggard elements and to spread social advances; in periods of poor business, the need is for pump priming; in periods of transition, as now, the need is to bridge and cushion the adjustment. The end result of following this road must inevitably be what it has been elsewhere, a weakening of the credit structure to the point where some day the public loses confidence in the ability of its government to carry out its undertakings. Certainly risks, responsibilities and potential liabilities are being transferred to the Federal Government on such a massive scale as to make it more and more a possibility that the next major depression in this country may crytallize around the inability of government to function successfully under such a burden.

Although the plight of Britain is far from an exact parallel, the "Wall Street Journal" of July 28 carried an interesting dispatch from its London Bureau from which these extracts offer at least food for thought:

"British Government bonds fell sharply yesterday, to their lowest points of the current slump—attributed to a lack of confidence in the government's ability to cope with the economic crisis facing the country. . . .

"There are increasing indications that an internal 'flight from the pound' is under way. British businessmen with idle funds in the bank are buying into all sorts of businesses. When hotels, taverns, theatres and similar small businesses are offered for sale, they are quickly snapped up. . . .

"Retail stores have little trouble finding private capital for expansion because investors prefer to own part of a business than to have pounds in the bank.

"Commenting on the slump in the government bonds, the 'Financial Times' says: "The 3½% basis may well become the measure of the government's credit all along the line in a matter of days. If the market continues to move at its recent pace, rates of even 4% and higher may be seen. A rise of this magnitude in government borrowing rates could not fail to produce adjustments in the interest rate structure of the country as a whole. . The cheap money policy now stands in jeopardy'."

Shall we dismiss this by saying "It can't happen here"? Or can it happen, if we do not act before it is too late?

We trustees should leave the 2.65% and 2.75% returns on long-term bonds to banks, insurance companies, and others who may be obliged to purchase them. If you feel that you must buy such bonds, then at least select the best. For our fixed income securities we should purchase bonds of medium term maturity, bonds with some but not an excessive amount of credit risk, such as are available particularly in the railroad field, and preferred stocks which can be justified on the score that the return is quite materially higher than can be obtained from bonds of the same relative statistical protection and sound real estate mortgages if obtainable.

(2) **Liquid Funds**—Under present conditions liquid funds should comprise a refuge for a considerable portion of trust assets that, under more favorable market circumstances would be invested in long-term bonds and in stocks. While the average rate of return will necessarily be materially less than we could obtain from long-term bonds, probably from ½% to a full 1% less, we should regard this as an insurance premium to provide this valuable degree of flexibility. The precise form that liquid funds may take depends somewhat on geography. In New England, for instance, savings deposits at 2% can be used to absorb a portion of our money. U. S. savings bonds are, of course, almost universally used for this purpose. There are other forms of short-term investment which produce a reasonable going rate such as railroad equipments, nine-months paper of finance companies and, where appropriate, short-term municipal issues. By shopping about, we can obtain a fair rate of return on short-term investments while avoiding the longer term risks.

(3) **Equities**—It is upon common stocks that we must place our main hope of deriving enough income to produce a satisfactory average result for our trusts. Do these offer us opportunity at current levels? I find myself coming more and more to the opinion that many do, if we will allow ourselves to think in terms of dependable dividend income and intrinsic value, and if we can find any basis for looking beyond the broadly adverse immediate economic and business facts.

Political and Business Factors

We do not have the time today for a detailed examination, even if we were competent to undertake it, of the many major political and business factors that bear on what our current policy in purchasing equities should be. We all have available to us, however, a wealth of analyses by qualified observers which provide the raw material from which we can draw our own policy conclusions. Perhaps these words of Lord Tennyson serve to describe the national scene as well as any:

"Chaos, cosmos; cosmos, chaos, once
again the sickening game,
Freedom, free to slay herself, and
dying while they shout her
name."

It might not be amiss to stress two points favorable to common stocks at this time which are sometimes overlooked. The first has to do with the vital role that active and profitable private business plays in any free spending welfare state. A large share of government revenue must continue to come from taxes on corporate profits and dividends, not to mention the corporate role in such matters as full employment. It is not too much to say that government credit today rests basically on its ability, without legal limitation, to levy taxes on productive private enterprise. Equities represent ownership of the goose that lays the golden eggs.

The other point is the considerable investment value to be found in a surprisingly long list of common stocks at prevailing prices. We are all familiar with the generous current dividend return that is available from stocks of corporations with demonstrated earning capacity and financial strength. This yield is high both in absolute terms and by comparison with yields from other securities. Stock yields are so high in relation to bond yields as to suggest the possibility that bonds are too high or stocks too low, or possibly a bit of both. While earnings are headed downward, and we have seen how swiftly they can decline on a moderate downturn of sales, companies of the type we are discussing have paid a relatively conservative part of earnings in dividends. Further, the rate of return on stocks could stand dividend cuts and still make favorable comparisons with available yields on other types of securities. A stock market boom never accompanied this postwar inflationary business boom, and market prices have been quick to reflect adverse developments, being influenced in this respect by the precedent of subsequent deflations in other postwar periods. The result has been a considerable degree of advance anticipation or discounting of any future business reverses.

Our point can best be made by a few illustrations. Consider General Motors common, which earned $9.72 per share in 1948 of which $4.50 was paid in dividends, now selling at 61 after just completing the best quarter in its history. Clearly the market is endeavoring to allow for the anticipated return of competitive conditions and of narrower profit margins in the automotive industry. As a result it can scarcely be argued that the stock has become dangerously inflated, although doubtless it would become available at a lower price in the event of a general depression. Numerous stocks of sound companies sell at less than the per share value of net working capital: Witness Montgomery Ward common, selling at 53 on a $3 dividend rate which is widely protected by average earning power, compared with $69 per share of net quick assets. Stocks of a myriad companies are selling at prices representing a total valuation of only a fraction of what it would cost to duplicate the facilities they represent, and these are not unprofitable enterprises but companies with established earning power and dividend records. Whole industries, such as steel, reflect such a condition. Many stocks sell at prices representing an aggregate value of less than funds reinvested in the business within a ten-year period. The important consideration in common stocks is future earning power and future dividends, but certainly these current facts cannot be dismissed as irrelevant to the future.

Substantial opportunities for minimizing equity risks also rest in the selective process. Except in periods of generally high prices, the market always offers stocks of substantial attraction if we can but sort them out. The relative popularity of stocks and of whole industries rises and falls and frequently for reasons that prove not well based. If we think for ourselves and are diligent in searching for the key facts, the rewards are great. No matter what the general outlook, it is a certainty that stocks are currently available with sound future prospects that will out-ride any recession that is likely. The job of the research man is to try to dig out the sound ones. In the view of many investors of long experience, the secret of managing conservative funds, the objective of which is dependable and adequate income, rests in this selective process rather than in over-concern with the imponderables of the future of general business.

Why not then do the best job of selection we can, and invest our equity funds in full if the market now offers such generous yields and such apparent long-term opportunity? The answer is that the current general risks are so many, and the stage of the business cycle is such, that it seems common prudence to follow a middle course which can be adapted to events. It is a premature stage of the cycle in which to burn all of our bridges behind us. Hence, a present reserve of liquid securities for further common stock purchases.

We do not have the opportunity to go into the detail that would be desirable, but any investment list that would result from applying the above policy should yield a present income of above 4%, and this while emphasizing short-term over long-term securities. Perhaps it is too lacking in dynamism to appeal to all of our critics, but it gives consideration to all of the risk elements that we have been discussing, and strikes a flexible balance that can be revised in bolder or in more conservative terms as the future may indicate. If we continue to apply it with industry and with courage we may well hope that the results obtained over a period of time will be satisfactory to our beneficiaries and measure up to high standards of prudent trusteeship.

To Acquire NYSE Membership

The New York Stock Exchange on Sept. 8 will consider the transfer of the Exchange membership of the late William F. Andrews to Gustav Wurzweiler. Mr. Wurzweiler will act as an individual floor broker, it is understood.

Now Sellwood & Stonehill

Effective Sept. 1 the firm name of Gimbernat & Sellwood, 111 Broadway, New York City, members of the New York Stock Exchange, will be changed to Sellwood & Stonehill. Jules R. Gimbernat, Jr. retired from the firm Aug. 31.

The Wage Earner and the Gold Standard

(Continued from page 4)

nothing, although there is only about 60 cents worth of metal in a silver dollar. Moreover, only about 1¼% of our paper money is payable in silver.

Sound monetary systems came into being by evolution of natural processes as occupations became diversified, and social organizations expanded—and not by the edict of rulers. "Managed currency" has always been bad for the common people. They are affected adversely in two ways today. The worker does not know with any degree of assurance the worth of his earnings and savings. Of what good are pensions, for example, if when the money comes due it will buy only one-half or perhaps one-fourth, of the amount it did when earned or saved? The worker is further affected by the fact that businessmen cannot plan ahead with certainty so that their industries will continue to provide gainful employment for their workers. The deteriorating dollar tends to stop the opportunities for new jobs in America.

Conditions will get progressively worse if deficit financing is continued, i.e., the issue of more and more irredeemable paper money.

Abuse of the public purse, with all its attendant ills can be halted by a return to sound money.

Removing the Safety Fuse

Abandonment of the gold standard in 1933 was like removing a safety fuse from an electrical circuit. Substitution of irredeemable paper money is analogous to the insertion of a copper penny or wire in the fuse box in place of the fuse. The system can become over-loaded without warning—causing serious irreparable damage.

Restoration of the gold standard makes it possible for the public to warn the Government that working people will not willingly provide more taxes, because they disapprove of the purposes, or perhaps because they fear further deterioration of their money if deficit financing is continued.

When paper money is redeemable, individuals may exchange their currency for gold or gold coin. Redemption of paper money by a large number of individuals will serve as a warning to the Government that the people disapprove of its fiscal policies, and put a brake on further dissipation of the nation's wealth. Being thus warned, the Government can then remedy its policies before serious and irreparable damage is done.

America has the opportunity now to reestablish the gold coin standard. Because of our country's effective production we have 24½ billion dollars in the Treasury, which is absolutely and relatively greater than ever before. It is there because foreigners and gold miners gave up their gold in exchange for dollars necessary to buy the goods which they wanted. That gold is there because of the work Americans did in making those goods.

Whose gold is it but that of people who earned it and took paper money in exchange? Why should foreign central banks be able to draw on it when Americans whose work caused it to be there cannot?

We can restore the power of the public purse to the people by enacting HR 3262, a bill introduced March 7 into the 81st Congress by Representative Daniel Reed of New York. This would repeal the laws of 1933 and 1934, which prohibit Americans from owning gold or gold coin; it would make paper money redeemable in gold at $35.00 an ounce, on demand of the bearer. Fundamentally enactment of this bill would restore the self-respect of every earner of wages and salaries. It would insure the values of pensions and savings which will otherwise deteriorate in the next ten years as much as they have done in the last decade, or probably faster. My conviction is that a return to the redeemable gold standard will restore confidence and real prosperity, because sound credit rests upon an example and custom of keeping promises and not upon repudiation. There will be no embarrassment to the Treasury because few people will actually want gold when the Treasury stands back of our paper money, always willing to redeem it.

If this reform is not made now, this year, it may become more difficult as time goes on, until a breakdown occurs as it always has in the history of irredeemable paper money. The American worker is entitled to good money; the best is the gold standard of money.

It is in the interest of all who work and save that they support HR 3262. The gold standard will not be reestablished until Congressmen can be made to realize that this is what Americans want. Every worker can write to his United States Representatives and Senators; he can discuss the subject with his friends, shop associates, civic groups, and labor unions. Only by concerted effort can the cherished liberties of free Americans be preserved.

Panic Under Super-Planning

(Continued from first page)

pocketing the high tariff protection and the open and concealed subsidies involved. It was capitalism itself that actually has helped the country slip down the drain of Socialism. Its war-time spokesman Winston Churchill, displayed an unprecedented demagoguery of reckless promises: cheap housing, womb-to-tomb security, free medicine, better diets, lower prices, higher wages, subsidies right and left, were poured out in oratory. This, in the face of all physical destruction, financial impoverishment, lost markets, increased obsolescence and reduced productivity. But to the masses, the gentlemen in tuxedos did not sound as genuine humanitarians as the rough-talking trade unionists with calloused hands. Churchill was ignominiously diselected.

During the four years of Labor's Neo-Welfare State, British capitalism traveled along the socialist line, if grudgingly. But it was not too unhappy, except for the extravagant taxation. It has learned quickly what the German and French industrialists and bankers found out long before, that in the "directed" economy, profits are available by the carload to those who are near the Welfare trough and have no inhibitions. Throughout all taxations, nationalizations, dollar shortages, domestic regimentations and foreign exchange restrictions, etc., the stock market in London flourished and government bonds were as welcome to the investing fraternity as they have been under gold standard, balanced budget, and soundest Victorian conditions.

The City of London, once the center of international finance, has been pressed into the role, which it accepted with conventional grace, of the policeman in the country's international transactions, to keep the capitalists from escaping into Dollarica through the foreign exchange barbed wires. The once powerful and independent Bank of England has been nationalized into a glorified agency of His Majesty's Exchequer. The world's best organized short-term money market and long-term capital market have been thoroughly disciplined to serve the financial needs and directives of the Laborite planned economy. The investor went along with all that without realizing that the pound sterling is losing its purchasing power and its credit, that deposits in the big banks—whose sole function now is buttressing the national debt—might be devalued any moment into virtual worthlessness, that the over-inflated national debt cannot be carried by an over-strained and undermined economy, and that the Welfare State has a dynamics of its own: the progressive expropriation of all capital ownership above the subsistence level.

II

At long last, the British financial worm turns. Curiously enough, the small worms turned first. For months, more savings certificates are being cashed in than new ones bought. By August, the combination of a dollar crisis and a totally irresponsible dockers' strike (dockers are as vital to England as railroaders to this country) together with deep-seated labor unrest in such vital industries as railroads, coal, cotton mills, engineering hopped by new austerities, the prospect of more taxes and the certainty of more regimentations — was too much even for the most sedate and least alert of English capitalists. The worst of it is the hopelessness of the outlook, the recognition that this is no longer a question of temporary emergency to be bridged over by another American shot-in-the-arm. Nor do the U. S. and Canada seem anxious to do much more of the same rescuing as hitherto. But even if the current dollar gap is filled by fresh American subsidies, and no more than half a billion dollars or so over and above the Marshall Plan money is at stake, the trouble lies too deep to be cured by anything short of a totally new turn in British—and American—policies.

Super-Planning on a European scale, led by the publicity-conscious Mr. Paul Hoffman, maneuvered Britain into a near-panic condition. Stock and bond markets in London broke. The crisis continues in spite of intermittent recoveries and open market operations. There is much talk in Europe of a New Dunkirk, and the similarity of the 1949 financial disaster to the 1940 military defeat is striking, indeed. But then, it was an orderly retreat. Britain still had her resources intact, with the trans-Atlantic world to back up her fight. And today?

Small wonder that Mr. Bevin speaks at one time of redistributing the gold reserve, and of an Anglo-American union of some sort at another time. Both concepts are very spmpathetic to the British financial ear, and most welcome, of course, to the Planners. The realization has been brought home to the British upper-crust (but not as yet to the rank and file) that their country stands at an historical crossroad. There are three possible ways out of the deadlock—three only.

A country that has bankrupted itself by socialistic and financial mismanagement, over-taxation, and artificially high standards of living for the new elite, can keep going on this same road by—disciplining labor. In other words, totalitarian control elimination of civic and economic freedoms, are one possible way to maintain a Welfare State in the face of the progressive deterioration of the financial machine.

The second alternative means the exact opposite: to change the course and to return to the free enterprise system, to unrestricted international exchanges. That implies some amount of lowering of living standards for the brackets that appropriated a greater slice of the national pie than what they are entitled to by reason of their own productivity. It implies, also, a scaling down of debts outstanding abroad, and a general readjustment of the financial structure. Of course, this would have a political consequence: Labor would lose face and, presumably, the coming elections.

The third way is to carry on as before and to blame Uncle Sam for the trouble, asking him to repair the damage. This is exactly the attitude, open or camouflaged, not only of British labor but also of its American fellow-travelers (who are anxious, for obvious reasons, to keep the Laborites in the saddle). The idea is that our "high" tariff cuts down our imports, and therefore, Europe's exports; that our policies in China and in the colonies generally reduce the dollar-earning assets of Britain, Holland and France; above all, that it is our "depression" which brought about Britain's current misery. The Neo-Liberal London "New Statesman" asks: When will the Americans learn at last to keep their own house in order? We are to be censured, while the British themselves are above reproach. If it were not for the American-made dollar shortage, they would be on top of the world, so one might believe.

Indeed the export deficit of Europe is an export surplus of America. Why make just the one side responsible and not the other? It was the adroit Lord Keynes who for the first time suggested, as far as I know, that responsibility for and worry about international deficits should be shifted onto the shoulders of those who produce the surpluses.

III

This is no emergency any longer that can be "bridged over." Britain's disease is of a chronic nature. And she is not asking for just another Christmas bonus, to be sure. She wants to be put on the regular payroll, using business language.

To balance its international accounts, the Sterling area would need now a 40% rise in its exports to the Dollar area, with no increase in imports! After the expiration of the Marshall Plan, a 100% net increase in exports would be needed. Both are out of the question. So is anything in the nature of a new super-boondoggling project. Congress is not in the mood to add more billions to the national tax-or-inflation bill—not unless the Russians do something so cantankerous as to arouse belligerent emotions.

But the prospects are that the Soviets keep off the war-path. They take Little Tito's slaps "on the chin." They tolerate that their next-door neighbor, Finland, subdues her communists. They are not ready for a fight, and not anxious to provoke world-wide armaments against themselves. They are back to the shrewd policy of Stalin between 1926 and 1941: to keep out of troubled international waters, and wait for the wicked "capitalists" to fight each other, as they did before.

If so, chances at this juncture of Congress becoming overly generous are infinitesimal. That determines the outcome of the top-level conference which begins after Labor Day, under the aegis of the Monetary Fund. The fact that the unimaginative but common-sense-minded Mr. Snyder will preside, not the effervescent and "naive" Mr. Acheson, may be an omen.

Presumably, the British slice of the current Marshall Plan installment will be increased, but most probably not the $1.5 billion for which they are asking. They will propose lowering American tariffs (which are at the lowest in 25 years), and relaxing on our administrative chicaneries which make the tariff "effective." They may draw some dollars, possibly, out of the Bretton Woods institutions. But all told, they will get minor consolation only, even if we agree to restore the Senate's $275 million cut in stockpiling of foreign raw materials, and to open up more ocean lanes for British ships by reducing our maritime subsidies.

Briefly, **the crisis will be put on ice.** The British will muddle further with some, but too little economy to be self-imposed on them (5% cut in a national budget of $13.2 billion). Both sides will wait to see what the American "cycle" does. One reason for the Sterling area's intensified trouble is the fact that American demand for such raw materials as tin, rubber, cocoa, wool, etc., has fallen off sharply, precipitating equally sharp price cuts. But colonial raw materials are a mainstay of the British balance of payments.

Above all, the Labor Regime will keep tightening its restrictionist austerity policies—austerity for the upper two-thirds, with unprecedentedly high standards for the lower one-third—as well as its bilateralist trade program. The latter presupposes that we relax the non-discriminatory provision of the Anglo-U. S. Loan of 1946. There is little doubt that we shall concede that much, letting the world be broken up into mutually discriminating trading groups. Also, Washington might undertake further commitments to protect the Empire (Hongkong!) and to reduce the Exchequer's dollar drain on that score.

IV

This much **seems certain:** that there will be **no devaluation of the pound,** not as yet (to say nothing about the British propagated dollar devaluation, so as to produce "painlessly" the billions they would like to collect). Since we made the mistake of suggesting British devaluation, instead of demanding the reorganization of Britain, they consider such a move as a favor to us which they are willing to extend—at a price.

I do not recollect ever having witnessed such a consensus of opinion of the monetary experts and inexperts on both sides of the Atlantic, partly even in Britain, as on this point. Dyed-in-the-wool Sound Money people clamor for the devaluation of the pound, people who not so long ago blamed our monetary upheavals on the British coup of 1931, and who were opposed to the Bretton Woods program because of its hidden possibility of promoting pound depreciation. Now, it almost seems that that one step is all that separates the Socialist Hell from the Conservative Heaven.

Truthfully, for once, Sir Stafford Cripps is right. That currency amputation, *per se*, is a dishonest procedure, scarcely would inhibit any European statesman of this generation. But such a horse cure makes sense only if it goes hand-in-hand with a domestic house-cleaning.

What is the use of realigning the pound if it is to be kept behind the barbed wires of currency restrictions, and if artificial real wages are to be maintained? As long as the domestic full employment policy prevails, and it prevails 100%, labor is in the bargaining saddle and will drive for higher wages if the purchasing power of the pound declines (as it must under devaluation). The commercial advantage would not last more than a matter of months, and the internal unrest it might engender would not be worth the candle.

V

Of course, devaluation would diminish the purchasing power of Britain's foreign debts, the so-called war-time balances, which still must amount (nominally) to $14 billion at least. But if a scaling down of those debts were what was wanted, this could be accomplished through individual arrangements. Nothing of the kind is intended. No people ever have enjoyed more being in debt than do the British at present, paradoxical as that may sound. The fact is, however, that since they have balanced their budget, a new inflationary source is needed to sustain full employment. It is being provided by these same debts.

Here is how the trick works: His Majesty's Government makes deals with each creditor country, be it Hindustan, Pakistan, Ceylon, Israel, or what have you, permitting them to draw down specified amounts of their claims through purchasing specified quantities of British goods. The balances which are being mobilized through this process turn into active purchasing power to support the British domestic market—in those export industries which happen to be threatened with a slump. So, ever one is happy: the Sterling area partners enjoy receiving British goods at no cost (against frozen balances which otherwise they would have had to write off), and therefore do not mind the higher price or lower quality; industries and workers are being kept employed in Britain; and Labor's budget is not affected.

But profitable exports are affected. The resources used to sustain faked exports are not available for the production of goods to be sold against dollars. The inflated full employment keeps wages high and rising, to the detriment of Britain's capacity to compete on the open markets of the world. Her crisis will continue accordingly.

$163,500,000 Notes Offered by Federal Home Loan Bank

Public offering of $163,500,000 Federal Home Loan Banks consolidated notes was made on Aug. 30, by the Federal Home Loan Banks through Everett Smith, Fiscal Agent. The offering consists of $88,500,000 non-callable 1.25% consolidated notes, series B-1950, and $75,000,000 non-callable 1.35% consolidated notes, series C-1950. The series B-1950 notes are dated Sept. 15, 1949 and will mature Feb. 15, 1950, while the series C-1950 notes are dated Sept. 15, 1949 and will mature Sept. 15, 1950. A nationwide selling group of securities dealers will participate in the offering. The notes are priced at par. The purpose of the offering is to provide funds for the payment at maturity on Sept. 15, 1949, of $120,000,000 principal amount of 1¾% series D-1949 and $51,500,000 principal amount of 1¼% series E-1949 consolidated notes, and to provide funds for making available credit by the Federal Home Loan Banks to their member institutions. The notes are the joint and several obligations of the 11 Federal Home Loan Banks.

Hoy Opens Branch In Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—E. W. Hoy has opened a branch office in the Empire Building. Associated with the new office will be Etienne A. Ritter.

The State of Trade and Industry

(Continued from page 5)

However, railroad steel went through an open switch and it will be some time before the wreckage can be cleared.

Allocations are due if cold-rolled sheets, now on at least a two-month delivery basis, get any tighter. Galvanized sheets are still on this basis and are getting tighter due in part to the Federal Corn Storage Program. A lot of corn cribs, scheduled for completion before the Fall harvest, will not be ready in time, since major mills are now just about booked through December on galvanized sheets.

Steelmaking scrap prices shot up again this week although steel mills have not yet come into the open market for big tonnages. However, their bids on industrial lists are up sharply and many a broker is losing several dollars a ton to cover old lower priced orders and, concludes "The Iron Age," its steel scrap composite moved up again this week to $23.33 per gross ton, $1.41 above last week's figure, for the biggest jump of the year.

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 86.3% of capacity for the week beginning Aug. 29, 1949, as against 84.8% in the preceding week, or an increase of 1.8% or 1.5 points. The current rate is the highest since the week of June 13, 1949 when operations were set at 86.7%.

This week's operating rate is equivalent to 1,591,000 tons of steel ingots and castings for the entire industry, compared to 1,563,300 tons a week ago, 1,498,800 tons, or 81.3% a month ago, and 1,716,000 tons, or 95.2% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS AGAIN SHOW A MODEST ADVANCE IN LATEST WEEK

Loadings of revenue freight for the week ended Aug. 20, 1949, totaled 731,215 cars, according to the Association of American Railroads. This was an increase of 3,186 cars, or 0.4% above the preceding week. It, however, represents a decrease of 169,448 cars, or 18.8% below the corresponding week in 1948, and a decrease of 169,680 cars or 18.8% under the similar period in 1947.

ELECTRIC OUTPUT LOWER IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 27, was estimated at 5,523,316,000 kwh. according to the Edison Electric Institute. This represented a decline of 55,484,000 kwh. below the preceding week, 45,575,000 kwh. or 0.8% higher than the figure reported for the week ended Aug. 28, 1948, and 583,515,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE OUTPUT IN AUGUST EXPECTED TO SURPASS PREVIOUS MONTHLY HIGH RECORD ESTABLISHED IN APRIL, 1929

According to "Ward's Automotive Reports" for the past week, motor vehicle production for the United States and Canada rose to an estimated 152,312 units from 149,359 units (revised) in the previous period.

Shutdowns by Nash, Kaiser-Frazer and Willys-Overland prevented higher output, the agency stated.

The total output for the current week was made up of 124,143 cars and 21,182 trucks built in the U. S. and 4,612 cars and 2,375 trucks in Canada.

Output a year ago was 100,699 units and, in the like week of 1941, it was held down to 39,965 units due to model changeovers.

A record high of 554,950 passenger cars is predicted by "Ward's" for the U. S. this month and a combined car and truck total of 655,-650. The best previous records were 537,564 cars and 621,910 cars and trucks in April, 1929.

BUSINESS FAILURES DECLINE IN LATEST WEEK

Commercial and industrial failures fell to 176 in the week ended Aug. 25 from 193 in the previous week, according to Dun & Bradstreet, Inc. Casualties were considerably more numerous than in comparable weeks of 1948 and 1947 when 96 and 59 occurred respectively, but they remained noticeably below the prewar level of 264 in the corresponding week of 1939.

Failures involving liabilities of $5,000 or more declined to 149 from 164; they were almost twice as numerous, however, as a year ago when 79 occurred. A slight dip was reported in small casualties, those with liabilities under $5,000, which were down to 27 from 29, but above the 17 of a year ago.

Manufacturing accounted for most of the week's decline. Retail casualties increased while construction, wholesaling and commercial service failures decline. Failures were more numerous than a year ago in all industry and trade groups with the sharpest relative rises occurring in retailing and wholesaling.

The New England States reported a decrease for the week with casualties lower or unchanged in most other areas. Nearly all areas reported more casualties than in the similar week last year.

BUSINESS FAILURES DECLINE BY 13% IN JULY

There were 719 commercial and industrial failures in July, a decline of 13% from the previous month. While they were more numerous than in any July since 1942, there were three-fifths as many failures as in the same month in 1940.

The rate of failure per 10,000 businesses in operation, as indicated by Dun's Failure Index, dropped to 34 from 36 in June. This index projects monthly failures to an annual basis and is adjusted for seasonal variations.

Liabilities, totaling $21,804,000, were at the lowest level since January. They exceeded the volume of losses in any other July since 1935 except July, 1947.

Three-fourths of the July failures were postwar businesses, with one-sixth of them in their first year of operation. Concerns started during the war years comprised 15% of the total, while 12% consisted of prewar businesses.

Noticeable increases in failures from the 1948 level appeared in the textile and lumber industries, apparel and furniture retailers, eating and drinking places, and business and repair services.

The rise in the number of failures from last year was sharpest, among individual States, in Ohio, Wisconsin, and Maryland.

WHOLESALE FOOD PRICE INDEX SHOWS FIRST DECLINE IN SEVEN WEEKS

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned downward last week following the leveling off movement of the week preceding. The index dropped to $5.86 on Aug. 23, from $5.89 on Aug. 16, and compared with $6.94 on the corresponding date of last year. Due to the sharply declining trend a year ago, the year-to-year rise has been narrowed to 15.6%.

WHOLESALE COMMODITY PRICE INDEX EDGED SLIGHTLY UPWARD IN THE LATEST WEEK

The Dun & Bradstreet daily wholesale commodity price index moved in a narrow range during the past week. The trend was slightly upward toward the close and the index finished at 238.5 on Aug. 23, compared with 236.41 a week earlier, and with 274.6 on the corresponding date a year ago.

Grains were irregular and prices moved in a narrow range. Reflecting the prospects of bountiful yields, prices of wheat, corn and oats continued to hold below the government loan levels.

Harvesting of the wheat crop is practically completed in the United States and is reported well under way in Canada. Weather conditions were more favorable for the corn crop, harvesting of which is expected to get under way in mid-October. Demand for cash corn was rather slow. Many farmers showed a disposition to hold their surplus corn despite the near approach of the harvest season. Domestic flour business remained small although prices continued firm. Export demand for flour continued dull.

Cotton markets continued to show weakness in the face of the approaching new crop.

Although futures displayed a slightly firmer trend at the close, spot prices moved irregularly downward to reach new low ground for the season. Strength in futures stemmed from the reported low position of stocks of cotton in the hands of manufacturers, continued favorable advices from the cotton gray goods market and reports of increasing weevil damage in parts of the belt. A depressing influence was the fact that export sales have been running considerably below the levels of a year ago. Domestic mill demand showed some improvement last week but lack of offerings at current prices tended to retard spot sales. Some increase was noted in export inquiries.

Sales in the 10 spot markets during the latest week increased to 95,800 bales, from 69,900 bales the previous week, and 92,500 in the corresponding week a year ago.

RETAIL AND WHOLESALE TRADE VOLUME LIFTED SLIGHTLY IN WEEK BY COOLER WEATHER, SPECIAL PROMOTIONS AND APPROACH OF FALL SEASON

Aided by cooler weather and many special promotions, the dollar volume of retail sales rose slighting in the period ended on Wednesday of last week. It continued, however, to be very moderately below the high level of a year ago, according to Dun & Bradstreet, Inc. in its current summary of trade. Many retailers continued to shift their promotional efforts to fall merchandise.

Shoppers bought more apparel than in the preceding week. As a consequence aggregate unit volume was slightly below that of a year ago.

There continued to be a moderate demand for summer clothing in some sections. Consumers generally responded favorably to promotions of fall apparel. Back-to-school sales drew increased attention. Women's dresses, sportswear and shoes were purchased in a larger volume than in recent weeks. Stores offering men's wear sold slightly more than in the previous week.

The demand for food increased moderately last week with total unit volume holding very close to that of a year ago. There was a slight rise in total meat purchases; hams and cold cuts continued to be very popular. The interest in fresh fruit and vegetables increased slightly and bakery goods and confectionery were in increased demand.

The retail volume of furniture and household goods was practically unchanged from that of the preceding week and continued to be moderately below that of a year ago.

There continued to be substantial demand for incidental furniture, bedding and household soft goods. The sales volume of television sets, washers and refrigerators rose slightly in some areas.

Total retail volume in the period ended on Wednesday of the past week was estimated to be from 4 to 8% below a year ago.

Regional estimates varied from the levels of a year ago by the following percentages: New England, South and Pacific Coast—3 to —7; East —2 to —6; Midwest and Northwest —6 to —10, and Southwest —5 to —9.

In anticipation of the Fall season, wholesale buyers increased their commitments last week. The total dollar volume of all wholesale orders continued to be slightly below that of the comparable week in 1948. The number of buyers attending many wholesale markets rose noticeably in the week and moderately surpassed that of a year ago.

DEPARTMENT STORE SALES DECLINES CUT SHARPLY IN LATEST WEEK

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 20, 1949, decreased by 7% from the like period of last year and compared with a decrease of 15% (revised) in the preceding week. For the four weeks ended Aug. 20, 1949, sales registered a decrease of 12% from the corresponding period a year ago and for the year to date a decline of 5%.

Here in New York the past week consumer demand was stimulated by cooler temperatures and promotion sales, but notwithstanding this, department store sales volume for the week was placed at about 10% below that of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 20, 1949, declined by 10% from the same period last year. In the preceding week a decrease of 20% (revised) was registered below the similar week of 1948. For the four weeks ended Aug. 20, 1949, a decrease of 14% 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."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Expect decline to halt after few more average points down. No sharp up move expected for time being.

There's little point in saying I told you so, or in drawing morals from what now, in retrospect, seems an obvious situation. The resistance around the 180 figure was apparent to anybody who watched the ticker tapes. There was also the inability, or the refusal, of the rails to confirm the action of the industrials. Yet, despite these market signals, the news in recent weeks was better and served to whet the public appetite for the bull side of the market.

* * *

All the foregoing, however, won't answer the all-important question: what will happen from here on? I'll try to give the answer, though it will be one based on market action and not on so-called inside information. The reason I say this, is I have no inside information not available to others who want to read.

* * *

Anyway, here's the answer. I think stocks are now about two to four points away from making a bottom. Whether or not such a bottom will stand for some time, or be a minor resistance point to decline, doesn't concern me as yet. Long-term implications are something I leave for somebody else to puzzle out. I'm concerned with the immediate future.

* * *

It is possible that before the next issue of this column appears the rally will be in full swing. I feel, however, that we will see another week of slowly drifting prices before any firmness will be seen. Incidentally, I don't think a rally will be sudden and sharp. One reason is that there are too many longs locked in at higher prices for any excited public buying to come in.

* * *

What to buy is obviously an important question. Seeing the market go up is quite nice, but unless you have stocks which go up at least as far as the market, not to mention those which act better than the market, a rise is meaningless.

* * *

In going over the markets of the past few days, I was impressed with the action of the liquor stocks. They have held up well, show a resistance to declines, and probably can stand a study of their earnings statements. I threw in the latter merely to complete a sentence. Actually I'm not concerned with earnings or balance sheets. I prefer buying a stock at one price and selling it to somebody else at a higher price. I leave the juggling of figures to those who like it.

* * *

So, wrap it up. I think the market's within a couple of points of making a bottom and I believe the liquor stocks are the ones to buy.

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.]

Steel Wages and the National Economy

(Continued from page 6)

cluded for the benefit of all parties concerned and not any one party.

This fact-finding board has had submitted to it a voluminous quantity of data for the purpose of helping it find what the real facts are in this industry. Similar or even remotely related data for other industries have not been submitted. The job of appraising this particular industry is not an easy one. It would be impossible to concern yourselves with each and every additional industry in the economy, which is the implication of what the companies' spokesmen are asking when they bring up the matter of wage patterns and rounds of wage increases.

The companies on the one hand are against adopting the criterion of ability to pay under any and all circumstances. They have not said in so many words that they are against wages ever being increased, but if they ever do increase wages, they must believe that such increases should take place without any consideration of ability to pay. Logically, they cannot argue against ability to pay as a criterion on the one hand and then argue against general wage increases because some companies are not in a position to increase wages.

In returning to peacetime circumstances this country will likely return to peacetime characteristics of varying wage adjustments in different sectors of the economy.

Dr. Backman goes back to the 1930's in an effort to demonstrate that wage changes in that period did not help bring about recovery and that a comparison between 1939 and 1929 demonstrates his position.

If we break down the period 1929 to 1939 into the years from 1929 to 1933 and the years from 1933 to 1939, the results are more revealing. We find that total employment in the country dropped by 9,000,000 in the four years from 1929 to 1933, and hourly earnings in all manufacturing industries dropped from 56.6 cents per hour in 1929 to 44.2 cents per hour in 1933. On the other hand, total employment in this country increased from 1933 to 1939 by 7,000,000 and hourly earnings rose from 44.2 cents per hour in 1933 to 63.3 cents per hour in 1939. I certainly do not argue that higher wages were the only factor in bringing about the substantial but inadequate recovery from 1933 to 1939.

We do not contend that higher wage rates are the only factor which influence business activities and that higher wages provide the only answer to avoiding depressions and achieving sustained full employment in this country. However, we believe that higher wages are an important factor in achieving this objective and the figures for the '30's demonstrate this with considerable emphasis.

A substantial part of Dr. Backman's arguments in Companies Exhibit 5 goes back to the fact that higher wages, which represent a diversion from profits, means that there will be less funds available for investment and less incentive for investment. Logically, according to his views, wage cuts at this time should increase profits, providing more funds for investment and more incentive for investment. Does he really believe investment would increase if wages were cut and buying power were thus reduced? That should be the consequence of his argument.

Our differences of views on this point have been aired again and again before this board. I merely want to reiterate that the demand for the products of industry is by far the most important single element which will determine whether or not there will be investment on the part of industry. I don't care how high profits are at any given period of time; business will not continue to expand its productive facilities and increase its inventories if consumer demand does not keep pace with the level of inventories and with productive capacity. Obviously, profits are necessary for the whole investment process, but excessive profits lead to less rather than more investment because they restrict consumption which is the most basic determinant of investment decisions.

Restoring Balance by Increasing Purchasing Powers

Dr. Backman states that we are aiming to restore balance through increasing purchasing power. He is quite right. However, he finds that we have ample purchasing power, and we have in addition a huge accumulation of wartime and postwar savings. If we have such ample purchasing power, why is the steel industry operating at less than 85% of capacity? If we have ample purchasing power, why is production in the textile industry almost one-third lower than is was a year ago? Why is production in the furniture industry down to one-eighth from what it was a year ago? Consumption is still high, but the point I want to emphasize is that it is not high enough to consume what American industry can produce.

What comfort can we get from the huge liquid savings which the American consumers have when these savings are so highly concentrated in the hands of a limited proportion of the American people? I have already presented information to show that large portions of our people have no liquid savings and others have very small amounts. Of all liquid savings held by people in the United States early in 1949, 44% was held by the spending units who fell in the highest 10% of income brackets. Only 10% of all liquid savings were held by the 30% of spending units who received the lowest levels of income. These figures speak for themselves.

The proper environment for the stimulation of investment would be a combination of an enlarged buying power on the part of the masses of the American people and prospects for reasonable profits. If most American consumers could afford to buy decent housing, could afford to buy new cars at reasonable intervals, could afford to more fully satisfy their needs, there would be a truly bright environment for the stimulation of investment. Dr. Backman refers primarily to tax adjustments as providing the proper environment for stimulation. Certainly taxes are always oppressive and no one likes to pay taxes. There is no convincing evidence of our present tax structure being an important deterrent to investment. When our taxes were higher prior to the untimely tax cut in the Spring of 1938 by the Congress in the face of Presidential opposition, there was no evidence of hesitancy on the part of business to undertake new investment. The recession came after the cut in taxes, a cut which primarily benefited the higher income groups because of the universal introduction of the community property principle.

Question of Expanding Investment

Dr. Backman says on page 9 of Companies Exhibit 5 that, "New investments in turn require a combination of availability of funds and proper incentives." Of course that is so, but he ignored the most important inducement of all, namely, the market for the products to be produced by the new facilities.

I was particularly interested in Dr. Backman's concern about the impact on government revenues of wage increases. The greatest threat to government revenues lies in depressions and in the types of decline in economic activity which have occurred in recent months. The government is faced with a deficit for the current fiscal year. Unless the tide of business activity turns, the deficit will be much bigger than has been estimated by anyone to date. As a result of increased buying power through higher wages and as a result of intelligent governmental policies of the nature proposed in Union Exhibit 5, we are confident that prosperity and full employment can be restored and this will be by far the most important single factor in the increasing of government revenues to a point where the budget can be balanced and some debt retirement can take place. Any transfer of income from the corporate sector to the wage sector would not have nearly as much of a depressing effect on government revenues as does a depression or a recession.

Dr. Backman says on page 13 of Companies Exhibit 5, "A general wage increase at this time is not in the national interest." We are not proposing a general wage increase for all workers but we do hold that now is the right time for wage increases. Would he ever agree that wage increases were in the national interest? I can think of no better time when wage increases are in the national interest than at the present time primarily because of the fact that industry could not do what it did repeatedly after the war, namely, increase prices more than enough to offset wage increases with the result that industry put the workers further into the hole. By the way, this tendency of business after the war is interestingly indicative of how unjustified are the contentions of the companies that labor is a monopoly and enjoys monopolistic powers.

At this time because of the economic situation, industry will find it much more difficult to pass on the wage increases and therefore the wages will come out of profits, which is desirable from the point of view of the national interest. Dr. Backman recognizes probable business absorption of wage increases this time when he says on page 13 of Companies Exhibit 5, "It would be difficult, if not impossible, to convert cost increases into higher prices for many products." He continues, "Higher wage costs would act, however, to prevent, the downward price adjustments which are slowly but surely taking place throughout the economy." Lower prices are fine but they are slowly taking place far behind the drop in production and the increase in unemployment.

At the bottom of page 13 of Companies Exhibit 5, Dr. Backman almost comes up to the conclusion that wages certainly should be reduced at this time. He states, "When there is a surplus of any product available, it cannot be eliminated by raising the price. I do not believe that unemployment can be eliminated by raising the price of labor." In all of his earlier testimony Dr. Backman implied that the way to dispose of a surplus is to cut prices. He does not quite say here that wages ought to be cut, but the members of this Board can draw their own conclusions of the policy implications of Dr. Backman's argument.

After all, if the logic of his argument points toward wage decreases, why doesn't he propose them? We had them in the early thirties and we saw what happened from 1929 to 1933. Labor was a surplus product, if one wants to call labor a commodity. The way to dispose of this surplus was to cut its price. I ask the members of this Board to recall whether the cut in wage rates after 1929 did serve to increase the demand for labor. Did the cut in wage rates serve to bring about an increase in employment? Actually the cut in wages from 1929 to 1933 was accompanied, as I have shown, by a tremendous decrease in employment, by a substantial shift from full time to part-time work, and by a depression which shook the very foundations of this country and the recurrence of which might strike a fatal blow to the free economy which we wish to preserve.

I should like now briefly to summarize our position. In the first place, the Union persistently supports policies designed to bring about prosperity and full employment in this country for the benefit of business as well as the worker and for the benefit of all consumers and all citizens. We have analyzed what has occurred in the past 10 months, and we do not believe that the changes which have taken place are characteristic of a healthy adjustment in the economy. The drop in employment and in production has fully offset any increased benefit which has accrued from the creeping and token decline in prices. We believe it is by no means in the interests of the country and of all groups in the country to resign ourselves to a do-nothing approach which may precipitate lower levels of economic activity and decreasing standards of living.

The type of economic thinking presented here before this Board by the company spokesmen asks that we follow the same kind of a let-nature-take-its-course approach which was followed after the war and which brought on this recession. It is time for a change. It is time for the American people to realize that the full benefits of the tremendous productive capacity and resources of this country can only be enjoyed fully if these resources are utilized, and these resources include our total labor force, our productive plant and equipment, our raw materials and every other facility with which this country is so richly blessed.

To follow the proposals of the Companies, there is no doubt that we would suffer depressions again and again. What they have said here is no different from what they said two years ago or 20 years ago. In August of 1949 we can look back over a 20-year span to August of 1929 and see that very little progress and thinking has taken place on the part of those who have such a material stake in the preservation of this economy, but who are oblivious of their own interests. They full well know that a depression will mean not only unemployment and lower standards of living for workers but will also do away with profits and bring about widespread bankruptcy among business enterprises. Of course it is the little business man who will suffer most.

Unions Concerned About Business Welfare

The unions are concerned about the welfare of business; the unions recognize the importance of profitability; the unions want business to be prosperous because they know that means employment. However, the unions have not forgotten the history of American booms and busts and the hardships suffered when depressions have struck this country. There is no justification in this kind of defeatism, this kind of negative thinking, this kind of do-nothing attitude which not only is reflected in the companies' position with respect to wage increases but with respect to each and every proposal ever submitted of a constructive nature designed to achieve stable prosperity.

We believe that the workers of the steel industry need a wage increase. They need a wage increase in order to more fully participate in the standard of living which our productive facilities can provide. A wage increase for the steel workers will be beneficial to the country because the added buying power will help industry dispose of its products and will in turn mean more employment and more buying power again. What happens to wages in other industries depends upon bargaining and facts in those industries. Where wages can be and are increased, the overall benefits to the economy will be further enhanced and profits will be increased in those industries where the impact of the recession has been greatest.

Can Pay Higher Wages

We believe that this board has ample facts of the ample capacity of the steel industry to pay higher wages. Their ability to pay higher wages is predicated on the huge profits which they enjoyed in 1948 and in the first half of 1949 and which will be further supplemented by the large decreases in the costs of materials used by the industry. As we have shown, the savings in material costs alone can take care of the total package demanded by the union. To the extent that full prosperity is restored and some of these raw material costs increase, the companies will still have ample capacity to pay higher wages because their levels of production will return to points well above those now prevailing, and increased profits will result from this increased production. Profits were excessive in the postwar years and became increasingly so in each year. Our figures demonstrate that profits under current conditions are, at any given level of output, higher than at any time ever before recorded for the same level of production. The whittling tendencies of the companies and their spokesmen in attacking our profits figures have given us even greater confidence in the magnitudes of the profit data we have presented to this board.

We have demonstrated that real hourly earnings have risen substantially less than real return on investment both in the postwar period and as compared with the prewar years. From 1939 to the first quarter of 1949 the real rate of return on investment increase was almost 12 times the increase in real hourly earnings. From 1946 to the first quarter of 1949 the increase was in the ratio of 25 to 1 between these series. Using the war years as a base, the relationship of the increases was 8 to 1 and from 1947 to the first quarter of 1949 it was over 5 to 1. Irrespective of what factors are considered as important contributors to this development, the degree of the profit increase in the steel industry in the war and postwar years, especially the latter, reveals a refusal of the industry to share significantly its profitability with its workers or its customers.

The steel industry has fared relatively better in the postwar rise in profits than did all manufacturing industries. Our adjusted profit figures show a rise from 3.2% of all manufacturing profits in 1946 to 3.8% in 1947 to 7% in the first quarter of 1949. Reported profits of the steel companies rose from 3.5% of all manufacturing profits in 1946 to 6.2% in the first quarter of 1949.

Profits in relation to investment average 7.5% in the war years and after the war rose from 5.6% in 1946 to 12.1% in 1948 and an annual rate of 15.4% in the first quarter of 1949.

Of further significance is the sharp reduction in material costs in 1949. The savings arising out of these price declines have been questioned by company spokesmen in such manner as to cast doubts on them, but no significant data have been presented to challenge their validity. They are too obviously apparent to be invalidated. Again, the steel industry shows no sign of readiness to share even part of this windfall with workers or customers.

There just isn't any doubt about this industry's ability to meet the union demands. The workers need the wage increase and the pension and insurance coverage. The granting of the union demands is in the national interest. The facts overwhelmingly support a recommendation by this board in favor of the union's proposals.

Basically, the union is proposing steps and thinking in terms of policies which look forward. The completely negative attitude and position of the companies constantly look backward. I cannot help but feel that this board will recognize this fundamental difference and, in the interests of the American people and in the interests of our free economy, will adopt a constructive and positive point of view which calls for granting the full demands of this union.

Parcells Chi. Exch. Member

CHICAGO, ILL.—The Executive Committee of the Chicago Stock Exchange has elected to membership Charles A. Parcells of Charles A. Parcells & Co., Detroit, Mich.

Economic Power of Labor Organizations

(Continued from page 7)

it must be as a result of legislation.

Realism requires that we modify our claim that we have a free economy whose course is determined by competitive forces. Prices, quality, production and plant improvements are, in many instances, significantly affected by the degree of wisdom, integrity and concern for the public interest exercised by potent labor leaders. The ability to materially affect conditions in strategic industries, such, for example, as transportation, steel and coal, places some union leaders in positions of strategic importance with respect to the course of our whole economy.

Not Responsible to Public

The concentration of economic power in the hands of labor leaders who are not responsible to the public and who are subject to little restraint by law is an extremely important development in our industrial life. I believe that we cannot safely accept this modification of our free economy in the hope that with the passage of time, the accumulation of experience, and the sobering effect of responsibility, this power will be tempered by benevolence and wisdom. All human experience discourages such belief. It teaches us that power is corrosive. Union organizations seem to pass through three stages — (1) the chaotic period of organization; (2) the period of stabilization and cooperation with management; and (3) the period of entrenchment and self-perpetuation by a powerful leadership. It is in this last stage that the corrosive effect of power makes itself felt. If this country is to have a controlled economy in spite of the many disastrous examples which should steer us away from that course, let our economy be controlled at least by leaders who are responsible to all of us, and not by those who represent special interests and who are responsible only to a small segment of the people.

As a result of their ability to shut down strategic industries and to impose uniform conditions upon an entire competitive field, labor leaders can exert compelling economic pressure on all of the public, as well as on individual employers. The pressure brought to bear on the public is often more effective in gaining labor's objectives than would be the case if it were applied only to specific employers. The force of public opinion here comes into play. Alert labor leaders are thoroughly aware of this and they play the game accordingly. If the effects of a threatened steel strike could be confined only to the steel industry, many persons—workers and stockholders—would be injured; but their percentage of the whole public would not be great. But the effects of a steel strike cannot be so confined and, in fact, the effects will be felt by practically everyone. Individually, and collectively as a nation, such a result cannot be ignored.

It follows, therefore, that most labor demands and the frequent result of unsatisfied demands—strikes—are, in effect, imposed on the public. The demands of organized labor, which have been mounting each year, are buttressed by so much economic power that employers have seldom refused some concessions. Each year, wages, costs and prices have gone up. A depression might curb this progression, but a depression is an exorbitant price to pay for something which intelligence and courage should enable us to avert. Furthermore, the power of organized labor will be exerted to maintain monetary wage rates even, when prices are falling and, as a result, real wages are rising. This will accentuate unemployment and retard recovery from the depression.

In the process described above, smaller enterprises have usually been injured competitively more than the large companies because the demands of labor have been geared to the paying abilities of the large mass producers who operate with greater efficiency and at lower unit cost. It would be difficult for industry-wide unions to proceed in any other manner. Industrial competition is thus restrained to the detriment of the public interest, and more especially of those localities where smaller industries may be located.

Plant improvement and increased mechanization have sometimes been directly prevented by union mandate, but more frequently they have been prevented indirectly because increased labor costs have consumed financial resources which would otherwise have been spent for improved equipment. Thus increased labor costs have in many cases prevented the very thing which would justify them, i.e., increased production. The incurring of debt by many companies, particularly since the almost complete drying up of the equity market, thus becomes mandatory to achieve increased efficiency as a counterbalance to larger labor costs. Furthermore, because union contracts are of relatively short duration and prospective labor cost increases are unknown, production stability over a long term is extremely difficult.

For many years the national economy has been under severe pressure to return to labor a steadily increasing share of the national production. This process has had some beneficial effect on the economy. Employers have been stimulated to devise more productive procedures and labor expanding devices. But I believe that we are approaching the point of diminishing returns, if we have not already reached it. It becomes more and more difficult to compensate for increases in the cost of labor by means of technological improvements and managerial skill, so that additional rewards to labor will have to be met in whole or in large part through increased prices or a decreased return on investments, measures which are frequently impossible.

The extent to which we can continue to yield to demands for higher labor costs without material injury to the nation cannot be foretold. But it is important to note that there is now no law or other governmental or industrial authority upon which we can rely to insure that the power in the hands of labor organizations will be kept within the bounds of economic health.

Through the period of increasing labor power, organized labor has obtained short-range benefits. Monetary wages are at a new high, as are real wages. It is important to note that industry-wide unions operating over large areas of the country are generally more concerned with monetary wages than with real wages. In the many instances where price rises have absorbed much of the labor gains, the bill has largely been paid by unorganized labor and the general public. Whether there has been a fair division of benefits and burdens could only be determined by a more comprehensive study than any I have seen.

Competition Reduced

Certainly it is true that since industry-wide wages and working conditions have changed uniformly, this element of competition among industrial concerns has been eliminated. That is an apparent benefit to the larger industries and to the labor unions concerned. Its contribution to the public welfare is doubtful. In some cases, small groups of workmen in small plants by alliance with employees in other plants have undoubtedly been strengthened in their bargaining power with strongly financed and ruthless managements.

We must bear in mind, however, that "labor's gains" can be properly appraised only when we consider their long-term effects. In the ultimate analysis, permanent gains for labor depend entirely on the stability of industry. Labor can be paid only out of the proceeds of production. I believe that while production per man-hour has increased, by far the larger part of this increase is due to improved equipment, rather than to increases in effort or skill of the workers. We then face the question — can industry continue to devise new tools, machinery and processes and find the capital necessary to finance them in order to offset the rising costs of labor by increasing production? If not, labor will have been short-sighted—and we will all suffer.

A number of other dangers have been created. In some industries, a uniform scale of wages has been established across the country. The differing conditions in plants and localities which have a distinct bearing on real wages have been ignored. Some plants have been forced to close and others have not been built because allowances have not been made or have been inadequately made for such differences. Raises in one strategic industry have been followed by similar raises in another and then by equivalent raises "across the board." Our price level has been on an upward spiral dictated in large measure by labor leaders. This sequence of wage cost increases is now described as a series of "rounds" — first, second and third. The present steel demands are recognized as starting a "fourth round" drive. Every person and every industry now has a stake in each opening negotiation. If we can still describe our economy as "free," the definition of the word has been changed.

Competition within industries has also been reduced. Uniform wage levels have been stabilized for the efficient, the inefficient, the large and the small. Wages are based less on skill and productivity and more on seniority and mass bargaining power. Industrial management is comforted by the assurance that competitors must pay the same labor rates. This has two undesirable effects: first, there is no collective bargaining except between a few labor leaders and one or a few leaders in the industry, and second, it stifles competition in a most important field of costs. I believe that these conditions heralded the start many years ago of the British industrial decline. That was not noted in England until it was too late. Or, if noted, it seemed to give no cause for alarm. I trust that we will be more alert here. The lessening of competition for any reason seems to bring decay.

The best time to arrest decay is at the beginning. We must not drift into a static economy with a growing population. If we should permit this, it must result in a lowering of our standards of living. With no larger pie to share, and more with whom to share it, this is inevitable. We have already met the challenge of concentrations of financial and industrial power. It would be a pity to default to a concentration of similar economic power in the hands of labor leaders. New legislation is needed now.

The character of such legislation is a more difficult problem. The objective is clear—to avoid injury to the public interest from exces-

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Economic Power of Labor Organizations

(Continued from page 27)

sive concentrations of economic power in the hands of labor leaders. At the same time, we must preserve the important social gains of collective bargaining. Only the evils must be eradicated.

Three Courses Open

As I see it, there are three courses open to us—first, we could so define the legitimate objectives of labor unions as to prohibit them from controlling production, preventing improvements, imposing any form of featherbedding (including "made work"), fixing prices, excluding prefabricated articles and items manufactured in other cities or by other groups of labor, limiting the use of labor-saving machines and similar unjustifiable practices which still exist and for which we pay dearly; second, we could restrict the power of unions by limiting the size of unions, subjecting them generally to the antitrust laws, and forbidding industry-wide bargaining; or, third, we could proceed along a combination of both lines of legislative restrictions.

The first step can and should be taken immediately. I can see no justification for restrictive labor practices which seek to control prices or production. I have a strong feeling of resentment when I learn that my clothes cost more because a union leader has limited the use of the most efficient cutting machines, fixed the cost of labor to be included (irrespective of actual cost) in the price of each grade of suits, and prevented the introduction of new and cheaper methods of manufacture. No American should be permitted to exact that tribute from another American. Economically, it is unwise for all. I can see disaster ahead if we permit one man to restrict by personal edict the coal production of the nation. I know that building costs could be reduced in many sections if restrictive building trade practices were stopped. These evils are violations of our social and economic codes. They are seriously detrimental to the public interest. They should be eliminated forthwith.

The legislative prohibition of specific restrictive and uneconomical labor practices is relatively easy to draft and will not interfere with labor's legitimate aiams. It will free many industries to make available to the public the full benefit of technological improvements. Many costs, now sustained artificially by enforced waste, will fall. Many prices will be reduced. Some new industries will become practicable.

Some students of this problem think this obvious step will cure many of the evils which we now face. Although I believe such legislation is vital in the public interest, I am sure it is not the complete answer. While it will contain labor's great economic power within the bounds of legitimacy, it will have no effect on the present concentration and further growth of that power.

The second measure, the curbing of labor's power by restricting that power itself, is a more difficult problem. The principal suggestions for such legislation have been along the lines of strengthening and expanding our antitrust laws to treat labor unions and industry alike. There is, I think, a solid historical basis for trying to solve the problem along antitrust lines. I have been told by my counsel that the common law antitrust principles which really sired the English Statute of Monopolies and our Antitrust Laws were directed primarily at craft organizations. These common law and statutory principles broke up the ancient craftsmen guilds which in the 15th Century dominated and restricted trade and competition. At that time, however, the artisan was an individual enterpriser and the restrictive regulations of the guilds had the color of labor and enterprise combinations in restraint of trade. I am told also that the inclusion of labor within the scope of our antitrust laws has been a subject of legislative discussion in the United States since the passage of the Sherman Antitrust Act in 1890.

The extension of the antitrust laws to industry and labor alike has an appeal to logic. It seems only fair and proper to treat all types of economic concentrations alike. We have learned from the experience of England that labor restrictions on competition can do just as much injury to the public as industry restrictions. At the same time, I believe in collective bargaining. Every union engaged in that activity restrains and, in fact, eliminates competition among some individual workers. A return to complete freedom of competition among workmen would destroy all unions. Such a backward step should not be considered. While we seem to have made some exceptions for labor in our thinking about restraints of competition, today competition on the labor side of our economic table is non-existent. About the only labor competition we now have is the struggle of unions for extensions of their jurisdictions and the competition among leaders for prestige.

If we use the antitrust approach, the problem is to draw a satisfactory definition of the extent to which labor, as a whole, shall be permitted to restrain competition within its ranks. Frankly, I am not yet clear as to whether the antitrust approach is best and, if so, where the line is to be drawn. There are many facets of the problem which need further study. I am convinced that some legislative curbs on union power itself —in addition to outlawing the type of restrictive practices mentioned—are necessary, but I am not yet ready to advocate precisely what curbs will be most beneficial.

Any reasonable inclusion of labor unions within the scope of the antitrust laws will destroy industry-wide bargaining and will, at least, reduce the authority of the large international industrial unions. Those will be desirable results if industrial and labor power are to be fairly balanced and a reasonably free play of economic forces assured.

I realize that many industrial executives and all leaders of industry-wide unions claim that there are benefits to the public, to labor and to industry in industry-wide bargaining. Some industrial stability is assured, even though for relatively short periods and at the expense of competition. It is, of course, easier for an industrial company to negotiate with one union than many and to know that its competitors will be subjected to the same wages and conditions of labor. It is claimed that industry-wide unions have reduced wildcat strikes and introduced some discipline in the labor ranks. Union leaders find that industry-wide bargaining augments their economic power, facilitates their political appeal to government and the public, and permits them to use general criteria for a single industry instead of being forced to consider individual situations on their own merits.

Compulsory Arbitration Coming

Nevertheless, in my opinion, industry-wide unions and industry-wide bargaining will inevitably lead to compulsory arbitration. We may struggle against that undesired result. We may delay its coming, but if we cling to industry-wide bargaining, compulsory arbitration will come. Labor's compelling force in industry-wide bargaining is an industry-wide strike. Our present economic and social structures are so interwoven that industry-wide strikes of appreciable duration cannot be permitted, except in a few industries of the luxury type. Therefore, in all threats of industry-wide strikes the public must intervene and decide the issue. Compulsory arbitration is the only effective way for the public to act.

This is not personal speculation. The trend is already apparent in the so-called fact-finding boards. These started in the railroad field, spread to coal, oil, automobiles and others, and one is now sitting in the steel industry. To date the findings of these boards, if unsatisfactory to labor, have been subject to political appeals to the President. At first such appeals were powerful enough to secure a modification of the unsatisfactory findings. In 1943 the railroad unions forced the appointment of a second fact-finding board. In 1946 the President deemed it necessary to stand behind such a board and a strike of the trainmen and engineers was broken only by threats of drastic Presidential action. It may take time, but it will soon become apparent that, irrespective of politics, the findings of these boards must be enforced. The adoption of a regular system of compulsory arbitration is then only a short step away. One important foundation stone of a free economy will then be gone.

Labor, management and the public should all resist compulsory arbitration because all will suffer from its effects. It substitutes the judgment of outsiders—so-called experts — for the free play of economic forces. One reason for our adherence to the theory of a free economy is that no expert or group of experts is capable of planning and controlling our complex economy. Decisions by experts on the fair reward for the efforts of labor will not only ignore the capacities of individuals and diminish freedom, but also will impede the development of the individual. The principle of advancement of the individual in accordance with his ability will be superseded by rigid criteria applicable only to workers in the mass. Mistakes will be made with grievous consequences. Corrections will be difficult, if not impossible. Compulsory arbitration of wages will lead to control of prices—then of production—and then to the controlled — and weak — economy. As the system progresses, it is inevitable that the political power of labor will be displaced by an accumulation of precedents leading to rigid and uniform rules.

Those are the clear consequences of compulsory arbitration of economic issues on any basis—company, plant or industry-wide. All evils are accentuated and all disasters accelerated if we embark on that vehicle on an industry-wide basis. You will remember how boards decided after the war that steel and automobile wages could be increased without raising prices. Those were two bad guesses. Another board soon had to raise steel and automobile prices.

Free Enterprise Threatened

I believe in free enterprise for the individual, the partnership and the corporation. If it is to be preserved, industry-wide bargaining must be ended. The problem is how to accomplish that result in an orderly fashion when for various reasons we now have industry-wide bargaining in so many industries. Our task would be much easier if we had never allowed the system to develop.

We must now stop its spread and find another method of bargaining which will not contain the threats to our economy inherent in industry-wide bargaining. To accomplish that result without injury to labor requires consideration of three factors—(a) the preservation of labor's bargaining power, particularly in the smaller companies, (b) the future role of international industrial unions, and (c) the future of the craft union which cuts across various industries.

The preservation of labor's bargaining power at a level at least equal to that of industrial management is, of course, most important. I have already expressed myself on that subject. In enterprises employing large numbers of employees, I have no doubt that an enterprise-wide union would preserve labor's bargaining power. For example, a union representing the approximately 36,000 J&L wage-earners would have a bargaining power well able to cope with the J&L management. If that were done, I think production and wages in the J&L plants would improve. Much as my softer nature is tempted by the ease of knowing that my competitors and I will have the same labor rates and conditions, I believe that the competitive incentive of standing on our own feet would spur me and other J&L employees to more dynamic efforts. That would bring about more production, more pay and more earnings — and a greater contribution to the national welfare. If unions would compete with each other for higher wages by increasing efficiency and productivity, it would greatly stimulate our national economic health. I believe also that in the large company adequate protection could be easily found to prevent company domination of any union. In fact, I think such protection already exists in our present labor statutes.

My greatest concern with this proposal is with respect to small companies with small groups of employees. I am not sure whether the proportionately reduced size of both management and labor will provide a balance. I have some concern, also, with some few industries like oil refineries and hydroelectric power where there are large aggregations of capital and relatively few employees. I have not been able to make an adequate study of that phase of the problem. I know that size limitations for unions representing the labor of two or more employers have been suggested. That might be satisfactory provided balanced barging strength can be obtained. I am quite certain that if we devote ourselves to an impartial investigation of this part of the problem in the light of the principles outlined, a satisfactory solution should not be too difficult.

Industrial Unions Should Be Restricted

One curb, however, could be immediately imposed on industrial unions. Industrial unions should, by legislation, be confined to a single industry. There is no economic or social justification for permitting the power of a single union leader to cover several industries. There is already an excessive concentration of power in the practical monopoly of coal mining labor by the United Mine Workers. It is clearly harmful for that union to extend into other industries as it now does through its District 50. The automobile field is enough for the United Automobile Workers, which now is in agricultural implements and other industries. The curb suggested, although directed at the scope of unions and thus at their economic power, cannot weaken the bargaining power needed to protect the workers. This is admittedly not a solution of the problem but it will help to prevent the situation from getting worse while the necessary studies are in progress.

Defining the role of the international industrial union in the future, if company-wide unions become the bargaining unit, also has its difficulties. The international industrial union, like every other economic instrumentality, must face the test of national welfare. If deemed desirable, such international unions might well perform functions in the labor field similar to those performed by industrial and trade associations. That would not be an inconsequential role to play. Its leaders would then operate on the policy level only.

The role of the craft union is even more of a problem. Some of our greatest national losses in waste and idleness have resulted from conflicts between the craft and industrial unions. This is another promising field for study. Should the craft unions be permitted in established companies whose emloyees can be adequately represented by industrial unions? Should craft unions be confined to the intermittent industries like the building trades? Should craft unions even in the intermittent fields be subjected to the antitrust laws? We know that their power to make work, control prices and limit efficiency and production must be ended. How much farther should we go? Here again I must confess that my studies and experiences have not progressed sufficiently for me to be specific.

Summary

To summarize briefly, the national economy is now subject, without any effective restraints, to the undue concentration of power in the hands of a comparatively few labor leaders. If our free economy is to be preserved, such labor power must be curbed. Power tends to corrupt and subjecting labor power to proper restraints is just as desirable as was the curbing of governmental financial and industrial power.

Two necessary steps are clear. Labor leaders must be shorn immediately of their power to impose undesirable restrictions on industry — restrictions which directly control production, materials, prices and quality. Industrial unions should forthwith be confined to single industries and not allowed to cover several different industries. We must start on the elimination of industry-wide bargaining. Whether we should accomplish that by restricting the size of unions or by including unions within the scope of the antitrust laws or by some other means requires further study. Such study should be started promptly on a comprehensive and thorough basis if the basic structure of our incentive system of free enterprise is to be preserved.

Monetary Fund Assets

The International Monetary Fund reported its total assets as of July 31 at the equivalent of U. S. $8,044,092,509 in a quarterly statement for the period from May 1 through July 31.

The Fund's balance sheet for July 31 listed assets in the form of $1,448 million in gold, $5,525 million in currencies and securities and $1,070 million in subscriptions receivable.

The statement showed that a repurchase of Costa Rican colones 4,907,510 by Costa Rica against U.S. $855,000 and 542.857 ounces of fine gold (equivalent to $19,000) was the only transaction during the quarter.

Currency purchases by member governments have totaled $725 million since the Fund began exchange operations in March, 1947.

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):

	Date	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 4	86.3	84.8	81.3	95.2
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 4	1,591,000	1,563,300	1.498,800	1,716,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 20	4,722,900	4,722,900	4,684,700	5,521,300
Crude runs to stills—daily average (bbls.)	Aug. 20	¶5,241,000	5,227,000	5,148,000	5,648,000
Gasoline output (bbls.)	Aug. 20	18,195,000	18,383,000	18,301,000	17,742,000
Kerosene output (bbls.)	Aug. 20	1,634,000	1,383,000	1,491,000	1,988,000
Gas, oil, and distillate fuel oil output (bbls.)	Aug. 20	6,042,000	5,724,000	5,807,000	7,269,000
Residual fuel oil output (bbls.)	Aug. 20	7,496,000	7,282,000	7,489,000	9,020,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 20	107,612,000	108,174,000	110,569,000	95,132,000
Kerosene (bbls.) at	Aug. 20	25,822,000	25,329,000	24,544,000	22,382,000
Gas, oil, and distillate fuel oil (bbls.) at	Aug. 20	75,312,000	73,815,000	69,365,000	59,086,000
Residual fuel oil (bbls.) at	Aug. 20	68,157,000	67,818,000	68,517,000	52,172,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 20	731,215	728,029	718,516	900,663
Revenue freight received from connections (number of cars)	Aug. 20	571,474	566,163	558,004	699,252
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 25	$147,684,000	$137,173,000	$131,819,000	$95,191,000
Private construction	Aug. 25	79,788,000	55,657,000	51,921,000	39,974,000
Public construction	Aug. 25	67,896,000	81,516,000	79,898,000	55,217,000
State and municipal	Aug. 25	48,024,000	69,140,000	61,870,000	48,458,000
Federal	Aug. 25	19,872,000	12,376,000	18,028,000	6,759,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 20	7,550,000	8,000,000	6,995,000	12,387,000
Pennsylvania anthracite (tons)	Aug. 20	794,000	696,000	1,059,000	1,172,000
Beehive coke (tons)	Aug. 20	10,700	*9,800	5,900	149,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 20	251	*218	207	271
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 27	5,523,316	5,578,800	5,518,485	5,477,741
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 25	176	193	168	96
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 23	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Aug. 23	$45.91	$45.91	$45.91	$44.52
Scrap steel (per gross ton)	Aug. 23	$21.92	$21.17	$19.33	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 24	17.325c	17.325c	17.325c	23.200c
Export refinery at	Aug. 24	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Aug. 24	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Aug. 24	15.125c	15.125c	14.000c	19.500c
Lead (St. Louis) at	Aug. 24	14.925c	14.800c	13.800c	19.300c
Zinc (East St. Louis) at	Aug. 24	10.000c	10.000c	9.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 30	103.75	103.70	103.19	100.71
Average corporate	Aug. 30	114.85	114.85	113.89	111.44
Aaa	Aug. 30	120.84	120.84	120.22	116.22
Aa	Aug. 30	119.00	119.00	118.40	114.46
A	Aug. 30	114.08	114.08	112.93	110.34
Baa	Aug. 30	106.21	106.21	105.17	105.00
Railroad Group	Aug. 30	109.42	109.60	108.34	107.09
Public Utilities Group	Aug. 30	115.82	115.82	115.43	111.81
Industrials Group	Aug. 30	119.41	119.20	118.40	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 30	2.23	2.24	2.27	2.45
Average corporate	Aug. 30	2.91	2.91	2.96	3.09
Aaa	Aug. 30	2.61	2.61	2.64	2.84
Aa	Aug. 30	2.70	2.70	2.73	2.93
A	Aug. 30	2.95	2.95	3.01	3.15
Baa	Aug. 30	3.38	3.38	3.44	3.45
Railroad Group	Aug. 30	3.20	3.19	3.26	3.33
Public Utilities Group	Aug. 30	2.86	2.86	2.88	3.07
Industrials Group	Aug. 30	2.68	2.69	2.73	2.89
MOODY'S COMMODITY INDEX	Aug. 30	339.0	338.9	342.1	424.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 20	186,039	169,424	152,210	175,762
Production (tons)	Aug. 20	188,028	181,138	158,764	185,537
Percentage of activity	Aug. 20	87	84	76	93
Unfilled orders (tons) at	Aug. 20	310,125	311,124	274,741	362,761
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Aug. 26	129.3	129.2	128.5	144.3
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	Aug. 13	19,296	16,382	16,205	19.117
Number of shares	Aug. 13	567,437	473,645	471,820	545,052
Dollar value	Aug. 13	$21,453,998	$18,090,645	$17,508,389	$22,062,222
Odd-lot purchases by dealers (customers' sales).					
Number of orders—Customers' total sales	Aug. 13	19,279	16,061	15,991	16,440
Customers' short sales	Aug. 13	198	145	252	113
Customers' other sales	Aug. 13	19,081	15,916	15,739	16,327
Number of shares—Customers' total sales	Aug. 13	544,392	446,864	447,882	457,449
Customers' short sales	Aug. 13	7,537	5,456	9,645	4,152
Customers' other sales	Aug. 13	536,855	441,408	438,237	453,297
Dollar value	Aug. 13	$17,485,755	$14,571,925	$14,148,078	$16,821,401
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 13	191,590	166,940	158,020	133,820
Short sales	Aug. 13	------	------	------	------
Other sales	Aug. 13	191,590	166,940	158,020	133,820
Round-lot purchases by dealers—					
Number of shares	Aug. 13	206,550	203,460	178,870	202,480
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 23	151.9	151.9	152.8	169.8
Farm products	Aug. 23	159.8	160.1	164.3	191.2
Foods	Aug. 23	161.3	161.0	161.2	189.8
All commodities other than farm and foods	Aug. 23	144.9	144.9	145.1	153.4
Textile products	Aug. 23	139.7	139.0	139.1	148.8
Fuel and lighting materials	Aug. 23	130.0	130.0	130.6	136.4
Metals and metal products	Aug. 23	167.9	167.9	167.9	172.0
Building materials	Aug. 23	189.6	190.1	190.4	204.1
All other	Aug. 23	124.0	124.1	124.2	135.4
Special indexes—					
Grains	Aug. 23	149.1	146.1	152.8	173.7
Livestock	Aug. 23	203.4	204.6	207.8	276.1
Meats	Aug. 23	224.8	224.4	225.4	282.4
Hides and skins	Aug. 23	191.0	189.5	183.4	211.0

*Revised figure. ¶Includes 469,000 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
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 30:			
Imports	$116,656,000	$121,154,000	$150,910,000
Exports	44,179,000	46,768,000	46,693,000
Domestic shipments	9,650,000	9,845,000	9,374,000
Domestic warehouse credits	9,289,000	7,029,000	9,937,000
Dollar exchange	456,000	68,000	674,000
Based on goods stored and shipped between foreign countries	13,429,000	13,066,000	17,762,000
Total	$193,659,000	$197,930,000	$235,350,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES			
Lint—Consumed month of July	455,106	500,495	627,462
In consuming establishment as of July 31	884,175	1,058,697	1,471,906
In public storage as of July 31	4,143,183	4,406,538	1,333,942
Linters—Consumed month of July	103,143	121,992	86,414
In consuming establishments as of July 31	237,131	254,106	190,267
In public storage as of July 31	76,661	68,138	71,240
Cotton spindles active as of July 31	19,012,000	19,464,000	21,327,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters to Aug. 16	550,606	------	559,176
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on July 31	23,500,000	23,648,000	23,798,000
Spinning spindles active on July 31	19,012,000	19,464,000	21,328,000
Active spindle hours (000's omitted) July	5,637,000	7,506,000	7,923,000
Active spindle hours per spindle in place, July	255	337	356
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE — As of Aug. 1 (in thousands):			
Corn, all (bushels)	3,538,257	3,530,185	3,650,548
Wheat, all (bushels)	1,131,830	1,188,690	1,288,406
Winter (bushels)	894,874	932,095	990,096
All spring ((bushels)	236,956	256,595	298,306
Durum (bushels)	42,278	48,766	44,742
Other spring (bushels)	194,678	207,829	253,564
Oats (bushels)	1,308,608	1,379,672	1,491,752
Barley (bushels)	232,787	244,104	317,037
Rye (bushels)	18,831	19,735	26,388
Buckwheat (bushels)	4,810	------	6,324
Flaxseed (bushels)	41,924	45,558	52,533
Rice (bushels)	88,165	86,032	91,174
Sorghums for grain (bushels)	113,780	------	131,644
Hay, all (tons)	97,952	97,671	99,844
Hay, wild (tons)	12,682	12,976	12,848
Hay, alfalfa (tons)	36,906	37,057	34,083
Hay, clover and timothy (tons)	25,224	24,873	29,30[illegible]
Hay lespedeza (tons)	7,927	7,532	7,627
Beans, dry edible (100 lb. bags)	19,756	19,149	20,837
Peas, dry field (100 lb. bags)	3,256	3,104	3,564
Soybeans for beans (bushels)	202,386	------	220,207
Peanuts (pounds)	1,776,910	------	2,338,476
Potatoes (bushels)	362,534	368,696	445,886
Sweet potatoes (bushels)	51,924	51,938	49,807
Tobacco (pounds)	2,018,597	2,025,429	1,981,736
Sugar cane for sugar and seed (tons)	8,032	8,032	6,847
Sugar beets (tons)	9,758	9,585	9,422
Broom corn (tons)	43	------	3[illegible]
Hops (pounds)	48,865	49,050	49,819
Apples, commercial crop (bushels)	127,823	121,081	88,407
Peaches (bushels)	75,063	76,250	65,352
Pears (bushels)	34,208	33,685	26,334
Grapes (tons)	3,051	2,995	3,044
Cherries (12 States) (tons)	230	225	214
Apricots (3 States) (tons)	216	218	247
Pecans (pounds)	139,238	------	177,667
FAIRCHILD PUBLICATION RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED) AS OF JULY 1: ? Aug 1 ?			
Composite index	137.7	138.2	141.5
Piece goods	130.5	131.3	144.2
Men's apparel	139.4	139.5	140.3
Women's apparel	131.2	131.7	137.2
Infants' and children's wear	130.1	130.3	130.7
Home furnishings	145.5	146.2	148.5
Piece goods—			
Rayons and silks	117.8	118.7	137.2
Woolens	140.2	140.2	139.[illegible]
Cotton wash goods	147.4	148.6	166.3
Domestics—			
Sheets	165.7	167.4	182.5
Blankets and comfortables	141.4	141.9	140.5
Women's apparel—			
Hosiery	103.3	104.2	108.0
Aprons and housedresses	142.4	142.4	146.8
Corsets and brassieres	131.9	132.4	133.0
Furs	139.2	140.7	162.7
Underwear	134.4	134.8	138.6
Shoes	140.5	140.7	140.8
Men's apparel—			
Hosiery	139.7	139.7	140.4
Underwear	153.9	154.1	156.7
Shirts and neckwear	129.6	129.7	132.8
Hats and caps	127.9	127.9	127.3
Clothing, including overalls	131.8	132.0	131.5
Shoes	168.5	168.5	169.1
Infants' and children's wear—			
Socks	131.1	131.5	131.5
Underwear	119.8	119.9	121.1
Shoes	144.6	144.6	144.5
Furniture	146.7	147.7	150.4
Floor coverings	154.1	154.6	155.6
Radios	118.7	118.9	123.5
Luggage	130.1	130.1	130.9
Electrical household appliances	139.9	140.4	140.6
China	134.9	135.7	133.1
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of June:			
Death Benefits	$124,888,000	$119,043,000	$124,695,000
Matured endowments	42,636,000	37,318,000	37,117,000
Disability payments	8,347,000	7,385,000	8,114,000
Annuity payments	20,868,000	19,998,000	19,512,000
Surrender values	51,571,000	48,593,000	43,032,000
Policy dividends	56,118,000	42,061,000	52,497,000
Total	$304,428,000	$274,398,000	$284,967,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of July (000's omitted):			
Ordinary	$1,122,000	$1,252,000	$1,184,000
Industrial	356,000	396,000	339,000
Group	179,000	242,000	380,000
Total	$1,657,000	$1,890,000	$1,903,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	$60,700	$88,353,050	------
Net purchases	------	------	$5,436,350

*Revised figure.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Treasury obligations continue buoyant with the longer eligibles hanging close to or edging through previous highs. . . . Volume has not been too heavy although spirited activity has been in evidence in the shorter-term issues. . . . Investors, have been doing spot buying in the bank obligations, with the 2½s due 9/15/67-72 apparently getting more attention than the other longer eligibles. . . . There seems to be differences of opinion over the most distant eligible bond, with some looking for higher prices in the not distant future. . . . Others believe quotations for the longest 2½s are about as high as they are going to go. . . .

Savings banks continue to be the leading buyers of the restricted bonds, although fire and casualty companies are also making good sized purchases of these securities. . . . Sales of short governments and a few of the longs are still being made by life insurance companies, to make way for other investments. . . . The longer World Banks continue to be in good demand, this time from out-of-town institutions. . . .

CHANGES IN INVESTOR HOLDINGS

Ownership of government securities on May 31, 1949, recently published in the Treasury Bulletin, showed some interesting changes from the positions reported at the end of the previous month. . . . May was the first month following the announcement (in late April) by the Federal Reserve Board, of lower reserve requirements, in which to observe the action of the forces operating in the money markets. . . .

In the bank eligible issues, as was to be expected the deposit institutions were the main buyers, and Federal the largest seller. . . . The most favored obligation among the eligibles during May, was the 2¼% due 1956-59, which were purchased in the amount of $155 million with Federal, the savings banks and other investors, including dealers, supplying these securities. . . . The next most popular issue was the 2% due 12/15/52-54, which was acquired to the extent of $138 million and again Federal, the savings banks and other investors were the principal sellers. . . . Then came the 2½% due 9/15/67-72 and this bond was taken on in the amount of $82 million with savings banks, Federal and other investors the sellers in that order. . . .

The 2s due June 1952-54 followed, and $71 million were bought by the deposit institutions with other investors, and Federal the principal liquidators. . . . The 2s due 9/51-53 and the 2¼s due 6/52-55 were next in line. . . . Federal and the savings banks sold the former, while the latter issue was supplied by other investors and savings banks. . . . In the partially exempts, the largest purchase was made in the 2½s due 12/49-53, and Federal was the main seller. . . . Then came the 2⅞% due 3/55-60, with fire insurance and casualty companies the principal liquidators. . . . The 2¾% due 12/60-65 and 9/56-59 were let out by the commercial banks. . . .

SAVINGS BANKS ACQUIRE RESTRICTEDS

In the restricted bonds during May, savings banks were the largest buyers, with the 2½% due 12/64-69 in the number one spot followed by the 2½s due 12/63-68. . . . These acquisitions were $56 million and $50 million respectively. . . . Then came the 2½s due 6/64-69 with $41 million, the 2½s due 6/62-67 with $34 million and smaller amounts of the other issues, except for the 2¼s due 12/59-62 which were sold as were the 2½s due 6/67-72. . . . Federal and the life insurance companies were the principal sellers of the ineligible issues with the former the only liquidator of the 2¼s due 6/59-62, and the 2½s due 6/62-67. . . . The 2½s due 12/63-68 and the 2½s due 6/64-69 were also sold in the largest volume by Federal. . . . Life insurance companies were the principal suppliers of the 2½s due 12/64-69, the 2½s due 3/65-70, and the 2½s due 6/67-72 and 12/67-72. . . .

Fire and casualty companies were fairly sizable buyers of the top issues during May, with the largest acquisition being made in 2½s due 6/67-72. . . . Other investors were likewise prominent in this picture, being the largest buyers of the 2½s due 6/67-72. . . . They were also the largest takers of the 2¼s due 1959/62. . . .

MARKET AT STANDSTILL

Although there was considerable activity in the government market during May, and this is borne out by some of the aforementioned transactions, prices made practically no progress in either direction. . . . Switches and Federal's supplying of the market with needed issues kept quotations on an even keel. . . .

Although considerable demand still exists for the 2½s due 1962-67 and 1963-68 through new funds and by switches from other issues, mainly the bank obligations, non-bank investors are now inclined to look more at the 1953 eligible taps, because of the lower prices for these securities compared with the 1952 eligible restricted obligations. . . . Investors that can acquire the restricted bonds and still hold the longer eligibles are evidently of the opinion the 2½s due 6/15/64-69 are more attractive at current levels than the earlier eligible taps. . . .

Since many of these switches are from the 2½s due 9/15/67-72, the more than two points spread in favor of the 6/15/64-69 restricted obligation is helping to consummate these transactions. . . . The slightly longer time before the 2½s due 6/15/64-69 become eligible does not seem to have any appreciable effect upon these swops. . . .

Out of town commercial banks have been somewhat more aggressive in the longer end of the list. . . . Nonetheless substantial funds are still being put into the shorts by these institutions.

What's Ahead for Banking?

(Continued from first page)

ments were lowered, prices of government securities were permitted to rise, bank holdings of government securities began to increase, while the volume of bank loans showed a sharp decrease.

What about the future? As in the past, so in the future, the activities of the banks will continue to be influenced by business activity and by the fiscal position of the Treasury. In spite of the high level of business activity the Treasury ended the fiscal year 1948-49 with a deficit of $1,800 million, while the deficit for the fiscal year 1949-50 will probably be much larger. Whether or not the budget deficit will result in a cash deficit is as yet impossible to state. It is fairly certain, however, that the Treasury will not be in a position to reduce the public debt. On the contrary, the debt is bound to increase.

The refunding operations of the Treasury will likewise undergo a considerable change. During the coming years the Treasury will be confronted with the task of refunding a large volume of maturing and called obligations. Hitherto, it has been the policy of the Treasury to convert maturing and called obligations primarily into certificates. From now on one may expect that the Treasury will offer medium-term obligations, which will be suitable for the commercial banks. A change in the refunding policy of the Treasury is therefore bound to lead to an increase in the holdings of government obligations by the banks, thus causing an increase in the volume of bank deposits.

The economy of the country is still in the midst of a readjustment. It is unlikely, however, that the readjustment will go very far. In all probability, before many months have passed the downward swing will come to an end and the economy will eventually stabilize itself at a level somewhat higher than at present but probably lower than prevailed toward the end of 1948.

Economic Forces and Government Action

The end of the readjustment will be brought about in part by the strong economic forces operating in the country. In part, however, it will be due to intervention by the Government and Congress in utilizing their vast powers to prevent a sharp decline in business activity and commodity prices.

The government deficit is not large when compared with the public debt or the national income. Yet the mere shift to deficit financing is bound to have an effect on the attitude of many people and change their psychology from one of deflation to inflation. The Housing Law will set in motion the construction of a large number of homes all over the country. Coupled with the large expenditures for public works by the various political subdivisions, this program promises to maintain building activity at a high level. The Aiken Bill will probably be changed, and, with certain exceptions, the support prices of farm commodities will not be permitted to go as low as 60% of parity. This in turn will assure high income to farmers. Whether or not a fourth round of wage increases will take place is still a moot question. It is fairly certain, however, that there will be no reduction in money wages, and since the cost of living has already declined, this has resulted in an increase of real income of persons whose money income has remained unchanged. If to these factors one adds the large expenditures of the Government for military purposes and for the European Recovery Program and the huge savings in the hands of individuals, one must reach the conclusion that the economy is not headed for a depression or a serious recession. In fact, it would be regrettable if the readjustment, which has brought in its wake a minor decline in commodity prices and a moderate reduction in production costs, were stopped in its tracks and kept from drifting farther from the present level.

So long as the readjustment continues downward the volume of loans of the commercial banks will continue to decline. Later on in the year, however, when the trend turns and the accumulation of inventories again sets in, accompanied by an increase in business activity, a moderate increase in the volume of loans is to be expected. The increase in the holdings of government securities, accompanied by a moderate increase in the volume of loans as well as by an inflow of gold and a return flow of currency from circulation, will bring about an increase in the volume of bank deposits.

Operating Costs of Banks

Just as industry today is confronted with the problem of lowering costs of production and operation, the banks throughout the country find themselves faced with the same problem. The need for earnings is great and the recent decline in money rates has further intensified this problem. It would be inadvisable to lower interest rates further from the present level, because such a movement might force some of the banks to seek an outlet for their funds in assets which may not be considered particularly suitable for commercial banks. It is quite possible that if the rate of return on medium- and long-term government obligations continues downward, many banks, finding the return unsatisfactory, will endeavor to increase their earnings through the acquisition of other securities which not only are inherently more risky than government obligations but whose marketability also leaves a great deal to be desired. Banks may also be forced to buy mortgages of a type which later on may cause them considerable trouble, particularly when the cost of construction decreases and more good homes are available for sale.

Conclusion

The problem confronting the banks is the same as that confronting industry and trade in general. The activities of the banks will be greatly under the influence of economic conditions prevailing in the country. Since the readjustment through which the economy is now passing is not likely to go too far, one may assume that the liquidation of loans has passed the peak and that later on in the year an increase in the volume of loans is likely to take place. The volume of bank deposits, in all probability, will increase and should be higher at the end of the year than at present. The problem of earnings will continue to be a pressing one and may lead to further bank mergers throughout the country.

Problem of Farm Abundance

(Continued from page 9)

dance of grain is here to stay. Let's be realistic about that. We simply cannot expect our normal corn crops in the future to drop back to a level of approximately two and one-half billion bushels. We have had an agricultural revolution in this country—a revolution of new varieties, new procedures, and the advance of the machine. An agricultural revolution of this nature can no more be turned back than industry can return to the gas lamp and the 14-hour day.

If the capacity for abundance is here to stay, we must make our plans on that basis. Moreover, we must look not only at one particular phase of agricultural abundance, but at the picture in its entirety. We dare not stop in our thinking with the corn farmer, or with the hog farmer, or even with all farmers. Our thinking must go all the way to the final consumer—the housewife and her family gathered around the kitchen table.

In our economy today it is suicide to think only of ourselves. I have indicated in other talks recently that at the present level of income and wages every three billion dollars of farm income adds up to about one million jobs. In other words, farm spending provides jobs for about 10 million industrial workers. That is a good thing for city folks to think about. But it seems to me to be equally good for farmers to understand that there is also a definite relationship between the number of people employed in industry and the level of farm income.

When I asked you a little while ago to put yourself in my place and to think very seriously what you would do if you were Secretary, I was trying to convey to you a little of the feeling of responsibility that I must have toward farmers—all farmers—and toward people—toward all the people of the United States of America.

What Program?

It is not hard to devise a program—just any kind of program. But it is really an exacting task to devise a good program for all the people. I am reminded of a story about the English writer, Thomas Huxley, who dashed from a railroad station and jumped into a cab. The startled cabbie, who probably had been quietly dozing, jerked to attention, whipped up his horses, and off they went at top speed. Huxley poked his head out of the window, "Where are we going?"

"I don't know," yelled the cabbie, "but I thought your honor was in a hurry."

It may be all right for some folks to gallop off in any direction, but that is not the way to work out a well-rounded farm program.

If you were recommending a farm program to serve all the people of the nation, what principles would you set up as guide posts? I know it isn't quite fair to ask you such a question point-blank. But I don't expect you to answer right off. I would like you to think about it—and answer it for yourselves—or for your wives or your children—after you've mulled it over a while.

One of the guide posts in our thinking, ever since the 1930's, has been this principle: The country has a right to expect a farm stabilization program to make a contribution to national economic stability.

In the past 18 months we have witnessed a decline in the purchasing power of agricultural products. If allowed to continue, this trend might be a source of danger to the entire country. I have cited this fact on numerous occasions. I am going to keep on citing it until the country is aroused to the threat implicit in this trend.

Last year net farm income declined—the first drop in 10 years. In the first half of this year the decline has continued, and net income for farmers has run at least 10% below the first half of 1948.

The farmer's share of the consumer's food dollar is less now than at any time in several years. The buying power of farm products is lower than at any point in the last seven years.

Mind you, I did not say that we are already at the point of danger. But how much farther dare we permit this decline to go? When are we going to put on the brakes?

After months of consultation and study with various experts in and out of the department, we have come to the conclusion that there is a level below which we should not permit farm purchasing power to fall. We have urged adoption of a minimum income standard which would give agriculture the same average purchasing power it has had, not in a period 35 or 40 years ago, but in a comparatively recent period. We have proposed a movable base period—one that will always be recent—the first 10 years out of the past 12. Thus, in 1950 prices would be supported at a level which would give farmers as much buying power as they averaged from 1939 through 1948.

The income floor for 1950 would be a goal of slightly more than $26 billion. That is about 15% less than last year's total income. It is about equal to the purchasing power agriculture had in 1942.

That may seem high to some folks, but actually it is about the same as 90% of parity. I know that Illinois farmers are better off than the national average. But in our legislation we have to think of the whole farm population. And the fact is that last year, with farm cash income at its all-time high, per capita income of persons on farms was less than three-fifths as much as per capita income of those who did not live on farms.

Now we have heard the contention that all that government ought to do for farmers—and for the nation—in the way of price supports is to set up a "stop-loss" program. This means, apparently, that government ought to do no more than cover the cash costs of producing any given commodity.

But this would allow nothing for wages or farm living expenses. It would mean that the average farmer could face the kind of situation that confronted him in 1932, and so long as he made enough on a crop to pay the cash cost of producing it, his income would be at the "stop-loss" level—even though his family had nothing to eat and no clothing or shoes to cover themselves.

In 1932 it took 80% of all the money farmers received just to pay the cash costs of production. Even in good times, it takes more than 50%. Mind you, I'm not talking about debt repayment or maintaining investments in buildings and machinery or about family living—only about cash costs of producing a crop.

So the question becomes: How high does a "stop-loss" program have to go before it really stops losses? Just what is the "stop-loss" level? I'd like to have the "stop-loss" experts declare themselves in plain, unvarnished American language.

"We Must Be Realistic"

For my part, I believe we must be realistic—and that means recognizing that if we subject farmers to a starving-out process—as this vague "stop-loss" concept seemingly implies—we will be endangering the economic welfare of the whole nation, and beyond that of the whole Western World.

And while we are setting things straight, let me point out that my proposal does not, as some opponents have said, guarantee farm income. Our program is designed to serve one principal purpose—that is to give the American farmer a better opportunity to earn a reasonable return on his abundant production.

If we are to have a minimum income standard below which it is not in the interest of the nation to fall, we must obviously provide support on those commodities which make up the greater portion of agricultural income. We have urged, therefore, that support be assured on commodities which bring in approximately three-fourths of all farm income. In addition to the crops assured of support under the Act of 1948, we would provide assured support on meat, milk, and eggs.

A second guide post in our thinking about a farm income program is that the nation has a right to expect to help provide a more adequate diet for the whole people. Over and over again, we have seen conclusive evidence that the American people want more meat, milk, eggs, and certain fruits and vegetables. As the level of income rises, families spend more on these foods. But more adequate diets obviously require larger production, together with prices that are fair to consumers, while at the same time returning an adequate income to producers.

In order to step up production, producers need to be assured of a steady supply of grain. They have a right to expect adequate reserves close at hand—and this implies the kind of storage that I spoke about in the early part of this talk.

Many of you recall vividly the autumn of 1946 when the average price of corn was about $1.25. Many of you probably bred sows on that basis with the expectation of another good-sized crop coming up. But in 1947 the corn crop was bad. By late summer of 1947 corn prices climbed very high. And I have no doubt that some of you finally paid as high as $2.75 a bushel. As one farmer so eloquently told me, he dropped tears with every scoop of $2.75 corn he threw to the hogs. He was not surprised to find that he didn't owe Uncle Sam much in taxes at the year's end.

That situation was bad for farmers. It was bad for the country. The supply of meat was short, and the price was high. Then in 1948, with an all-time record corn crop, the situation was quickly reversed. If the production of corn in 1947 and 1948 had just been turned around, we would not have a storage problem at this time. This is an object lesson in the national need for big grain reserves.

But what I have been trying to point out is the simple fact that in addition to ample grain reserves, hog and milk producers need a positive program of realistic, adequate, and efficient income protection. They need a program that encourages more consumption of pork, milk, and eggs. That is why I have urged that these perishable products be supported not by the loan and purchase method, but by means of payments directly to the producers.

When we support prices of perishables through loans and purchases, in most cases, we have no place to go with the surplus. We can't throw it on the market. That would be the same as holding up prices with one hand and pushing them down with the other. So the only alternatives are to take the commodities off the market and put them in storage—which, of course, is impracticable in the case of perishables—or give them away to the people of foreign lands. When we are striving to prevent widespread starvation in foreign lands, this procedure makes sense. But in all normal situations, it seems to me that our first aim should be to make sure that our people at home are well fed.

Advantages of Brannan Plan

The production payment method would permit the prices of such perishables as meat, milk, and eggs to fall to their normal supply-and-demand level. It would make it possible for consumers to eat the surplus and thus have the benefits of abundance. I should like to point out, moreover, that this procedure is much cheaper than any form of stamp plan, and that it also eliminates the difficulty of class legislation.

A third guide post in developing a farm program is that it should be the kind of program the country understands and can honestly endorse. I should like to point out to you that ever since 1933, the farm programs enacted into legislation have been supported in Congress by many Congressmen who do not have any farmer constituents whatever. Without the support of these far-sighted representatives, and in the face of a constant corps of opposition, hardly one of our present farm programs would have been written into law. I am talking about the whole list: the Commodity Credit Corporation, conservation, the school lunch, Farmers Home, crop insurance, rural electrification, and so on. And I say to you very plainly that if we are going to keep the support of these Congressmen, we must make sure that our farm policies combine fair prices to the city consumer and efficient operation by government.

The country has a right to expect, also, that a program of farm price and income stability be tied up with conservation and that it minimize the opportunity for non-cooperators to share the benefits of a program created and made workable by cooperators. To both these ends, the production payment method of support is extremely applicable.

If you were Secretary of Agriculture, you would try to keep all these facets of the problem in mind. You would strive for a program that meets all those conditions. I say to you very frankly that I am going to continue working to the best of my ability to improve our farm program along these lines.

I am not at all disheartened by the opposition to my proposals both in and outside of the Congress. We in the department have no pride of authorship in this matter. Our only aim is to present to the American people proposals which we believe will strengthen present farm legislation. The very fact that you have invited me to speak today indicates that you expect me to play this kind of role.

It is a healthy sign when proposals for a program of farm income and price support make the headlines and arouse debate as they do today. It indicates that farmers and city people alike are thinking about our greatest domestic problem—the problem of living happily with abundance.

So I urge you, all of you, to think not only about my proposals but about each and every program which has been offered for consideration. I urge you also to be vigilant in defense of all the farm programs you already have. The opponents of progressive farm legislation never seem to rest. As you perhaps know, the old issue of subjecting farmer cooperatives to income taxes has been raised again in the present session of Congress—and by an Illinois Congressman at that. It doesn't stand much chance of getting anywhere in this 81st Congress. But it is an object lesson in the necessity of eternal vigilance.

If you are open-minded and vigilant, in conjunction with other farm and city people in all the 48 States of the Union, I have no doubt but that eventually there will come forth the most adequate, realistic, and efficient farm program that can be devised.

It will be the kind of program you would like to see—if you were Secretary.

It will be a program that will wed this nation firmly to agricultural abundance—to have and to hold—for the betterment of all the people's economic life.

With J. Earle May & Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, CALIF. — John V. Petermann has become associated with J. Earle May & Co., 601 Bryant Street. Mr. Peterman was formerly with First California Co.

A Defense of Direct Insurance Investment

(Continued from page 8)

batted inflation. And by putting to work the accumulated savings of our policyholders, we have assisted in enlarging the real national income to a scale never before known. This is because real national income follows national productivity, and increased productivity is the real and permanent fruit of capital investment.

This is important to you as citizens. It is equally important to you as life insurance salesmen, because you are selling a product which depends upon income. Can there be any doubt that with national income in 1949 in the neighborhood of $220 billion—as contrasted with national income in 1940 of $81 billion — you are selling in quite a different environment and to a far more receptive customer than ever before?

Nor is this temporary. The basis of the increased national income is fixed and permanent, because it is the necessary and continuing result of a nationally enlarged productive plant. In short, as a nation, we are on a new and vastly higher level of production and consumption. Whatever the short range economic variations may be, and it is probable that we will have our booms and recessions, the beneficial effects of such enlarged plant will be felt for years to come.

Question of More Federal Regulation

Some have asked whether the existence of these problems has increased the likelihood of Federal regulation of our business. Federal regulation, if it were ever to come, would not be a mere substitute for State regulation. It would, of course, be superimposed on — not substituted for — State regulation. If wise regulation is good, and I believe State regulation of life insurance by and large has been both wise and good, a doubling of the dose, as many a doctor knows, does not always improve the prescription. Indeed it may kill the patient.

All regulation tends to rigidify the operations of the life insurance companies, or of any regulated industry, and to decrease the opportunity for experimentation. Freedom of experimentation by individuals and by companies has been the very heart of our American system, and too much regulation, which tends to restrict such experimentation and develop a uniform pattern for everyone in the industry, is very dangerous. If carried to extremes, it could bring our growth and development to an end. Even State regulation has this disadvantage but, because the pattern of regulation does not tend to be the same over such wide areas, the possibility of experimentation is largely preserved.

The creative urge, the possibility of developing and realizing new ideas, is one of the strongest in human nature. It induces the expenditure of energy and the exercise of ingenuity in individuals and organizations. It is, even more than the profit motive, one of the things that has made this country great. There is perhaps nothing that stifles this creative power, this energy and ingenuity, as much as bureaucratic controls. Once we are told exactly what we can and can't do, once we are bound by the rigid controls which bureaucracy tends to impose, the creative spirit, the spirit of experimentation, dies — and when that dies, progress dies along with it. We have only to look at some too-closely controlled industries today. Let no one fool us, America is great because of the kind of people we are, and because we have exercised a free economy where individual genius and energy have been permitted to flourish.

No less important to the dignity of the individual is the right to develop individual security through individual effort. This means the right to create by man's own labor more than enough to satisfy his present needs and to draw on such store in time of need or even at will either for himself or his loved ones. For there can be no real human dignity or real security where the satisfaction of wants depends upon the largess and limitations of the State. Man as a free individual passionately wants to feel that he is the provider of his family, the master of his fate, beholden to no one and free from the servility that goes with economic dependence. This is known as the system of American opportunity.

This is the system which made life insurance possible and in its turn life insurance, by furnishing a modern mechanism for individual security, has supplied the sinews of life to that system.

Both the field forces and the Home Office management of life insurance companies are given a trust. The successful discharge of that trust means more than a successful life insurance company. It means the very continuance of our system of individual freedom and opportunity.

Most people — especially those outside the United States — live today in an insecure world. After 20 years of depression and war, they desire security above all else. This demand for security is a great ground-swell that is sweeping the earth. Politicians, alive to the danger, promise the people the security they want. But their kind of security—based on socialism or the so-called Welfare State—can be obtained only by relinquishing freedom and killing the system of individual initiative.

Freedom vs. Security

What many people fail to perceive is that without freedom, no security worthy of the name is possible. For freedom and private initiative are necessary for the high rate of production out of which real security for all is fashioned. So those who give up their freedom, lose their security too.

Freedom and security can go hand in hand. Life insurance is the living proof of that. Under the free enterprise system in America, the people create their own security through life insurance and at the same time provide the capital that nurtures private enterprise, and raises the standard of living so that everyone can live better and be more secure. Thus, while achieving security, they maintain complete freedom, and enhance their own economic opportunities. The distinction between false security under the dead hand of bureaucracy, and real security created by a dynamic economic system, is one that we, as life insurance people, must make clear to the people of America.

Two With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.— Vincent B. Hackett and Laurence J. McNamara have become affiliated with First California Co., 300 Montgomery Street. Mr. Hackett was formerly with Bacon & Co. and in the past was with Barbour, Smith & Co.

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● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● American Consumers Expositions, Inc., New York City
Aug. 26 (letter of notification) 500 shares of 6% cumulative preferred stock (par $100) and 500 shares of common stock (no par value). **Price**—$100 per unit of one share of preferred and one common. **Underwriter**—None. **Proceeds**—To promote and stage an exposition to be known as the Harlem Trade Fair, and such other expositions as the director may approve. **Office**—1674 Broadway, New York, N. Y.

Anchor Steel & Conveyor Co., Dearborn, Mich.
July 21 (letter of notification) 10,000 shares ($1 par) common stock. To be sold by Francis I. LeVeque, Dearborn. **Underwriter**—Bradley Higbie & Co., Detroit.

● Axe-Houghton Fund, Inc., N. Y. City
Aug. 29 filed 981,301 shares of common stock, par $1. **Underwriter**—Leffler Corp., New York City. **Business**—An open-end diversified management investment company.

● Blue Bird Extracting Corp., Minden, Neb.
Aug. 25 (letter of notification) 250 shares of common stock. Price, at par ($100 per share). **Underwriter**—None. **Proceeds**—To buy and install machinery.

● Bonanza Mining Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 200,000 shares of nonassessable common capital stock (par five cents). **Price**—At market price of about eight cents per share. **Underwriter**—None. **Proceeds**—To develop oil and gas holdings. Office—209 Atlas Bldg., Salt Lake City, Utah.

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.

● Builders Iron Foundry, Providence, R. I.
Aug. 22 (letter of notification) 2,400 shares of common stock, no par value. **Price**—$15 per share. **Proceeds**—To selling stockholder. **Underwriter**—Brown, Lisle & Marshall of Providence. **Office**—9 Codding St., Providence, R. I.

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.

● Canam Mining Corp., Ltd., Vancouver, B. C., Canada
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Israel and Co., New York, N. Y. **Proceeds**—To develop mineral resources.

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. Expected this month.

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, Inc.; Straus & Blosser; Mason, Moran & Co.; and The Marshall Co. **Proceeds**—For expansion and working capital. **Office**—208 So. La Salle St., Chicago.

● Consolidated Drug Co., Inc., Wilmington, Del.
Aug. 23 (letter of notification) 2,000 shares of common stock (with no par value indicated). **Price**—$10 per share. **Underwriter** — None. **Proceeds** — To finance the business. **Office**—900 Market St., Wilmington, Del.

● Consolidated Engineering Corp., Pasadena
Aug. 25 (letter of notification) 400 shares of common stock (par $1) to be sold to Clifford E. Berry, Pasadena, at $13.75 per share, who, in turn, will sell these shares through Hopkins, Harbach & Co. for public offering. **Proceeds**—For working capital.

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
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. Expected Sept. 12.

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. Statement effective Aug. 19.

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. Statement effective Aug. 19.

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.

● Fair Finance Co., Akron, Ohio
Aug. 22 (letter of notification) $250,000 of 5% series A debenture notes. **Price**—At par, plus accrued interest. **Underwriter**—None. **Proceeds**—To increase capital for expansion purposes.

Gas Service Co., Kansas City, Mo. (9/19)
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.

● Great Lakes Towing Co., Cleveland, O.
Aug. 26 (letter of notification) 44 shares of $100 par value common capital stock to be offered in exchange for outstanding fractional shares. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Haimes Litho Laboratories, Inc., Wash., D. C.
Aug. 3 (letter of notification) 2,950 shares ($5 par) class A common stock; 6,950 shares ($5 par) class B non-convertible (preferred at 5% accumulative) and 1,749 shares of class A "voting stock." The latter is to be offered by Sidney S. Haimes, President and Treasurer. **Price**, all classes, $5 a share. **Underwriter**—Edward A. Jacobs, Washington, D. C. For additional equipment and working capital.

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.

● Hartford Electric Light Co.
Aug. 25 filed 160,000 shares of cumulative preferred stock (par $50). **Price**—By amendment. **Underwriter**—Putnam & Co., Hartford, Conn., and others to be named by amendment. Will probably include, among others, Morgan, Stanley & Co., Blyth & Co., Inc., Drexel & Co., Chas. W. Scranton and Estabrook & Co. **Proceeds**—For new construction.

● Haskelite Manufacturing Corp., Grand Rapids, Michigan
Aug. 25 (letter of notification) 1,000 shares of $5 par value common stock. **Price**—$2.62½ per share. **Underwriter**—F. S. Yantis & Co., Inc., Chicago. **Proceeds**—To go to James T. Wilson, the selling stockholder.

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 20,200 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 wood pulp mill at Polson, Mont. Statement effective Aug. 23.

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.

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.

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. Expected Sept. 13.

● Liberty Loan Corp. (9/21)
Aug. 31 filed 100,000 shares of cumulative convertible preferred stock. **Price**—At not more than $15 per share. **Underwriter**—Riter & Co., New York. **Price**—By amend-

NEW ISSUE CALENDAR

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

Utah Power & Light Co. --------------- Common

September 14, 1949

Indiana Harbor Belt RR., Noon (EDST) - Eq. Tr. Ctfs.

September 19, 1949

Gas Service Co. ---------------------------- Bonds

September 20, 1949

West Penn Electric Co. ------------------- Bonds
Wisconsin Public Service Corp. ---------- Bonds

September 21, 1949

Liberty Loan Corp. ------------------- Preferred
New York Central RR. ------------ Equip. Trust Ctfs.

October 4, 1949

New York, Chicago & St. Louis RR. ---- Eq. 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.

ment. **Proceeds**—For general funds and working capital, as well as reduction of outstanding bank loans.

Louisville Gas & Electric Co. (Ky.) (9/12)
Aug. 4 filed 250,000 shares (no par) common stock, to be sold by Standard Gas & Electric Co. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Otis & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—To be applied toward Standard's corporate indebtedness.

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.

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.

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.

● **Mutual Plywood Corp., Eureka, Calif.**
Aug. 22 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To construct a plant.

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, with holders allowed an oversubscription privilege on a share-for-share basis. Offering price to be filed by amendment. **Underwriter**—A dealer managers group headed by A. C. Allyn & Co., Inc. **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.

● **New York Telecoin Corp., N. Y. City**
Aug. 26 (letter of notification) 1,100,000 shares of class B stock. **Price**—At par (5¢) to Telecoin Corp. stockholders of record Sept. 1, 1949, on a pro rata share-for-share basis. Rights expire Sept. 30. **Underwriter**—None. **Proceeds**—To be added to working capital. **Office**—12 East 44th Street, New York, N. Y.

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. (jointly); 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.

● **Piedmont Aviation, Inc., Winston-Salem, N. C.**
Aug. 24 (letter of notification) 75,000 shares of common stock, to be offered to from 200 to 300 employees of the company. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — Smith Reynolds Airport, Winston-Salem, N. C.

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.

● **Pine Street Fund, Inc., N. Y. City**
Aug. 29 filed 1,000,000 shares of common stock, par $1. **Underwriter** — Wood, Struthers & Co. **Business** — An open-end management investment company.

● **Pittsburgh Silver Mining Co., Kellogg, Idaho**
Aug. 16 (lettter of notification) 300,000 shares of capital stock. **Underwriter**—None. **Proceeds**—For repair work, re-timbering tunnel and further developments.

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.

● **Pufahl Foundry, Inc., Minneapolis**
Aug. 24 (letter of notification) 500 units of 10-year 5½% convertible debentures (convertible into 5% cumulative class A common stock, par $100, par for par, until July 1, 1954). **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—For working capital.

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 this month.

● **Ridge Citrus Concentrates, Inc., Davenport, Florida**
Aug. 24 (letter of notification) $298,000 first mortgage bonds. **Price**—At par ($100). **Underwriter**—None. **Proceeds**—To erect buildings, purchase equipment and buy the real property of Holly Hill Fruit Products, Inc.

Rochester (N. Y.) Gas & Electric Corp.
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**—GPU will increase its capital investment in its subsidiary, Associated Electric Co., and in other subsidiaries, and to retire bank loans.

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.

● **Skiatron Corp., New York City**
Aug. 23 (letter of notification) 25,000 shares of common stock, par 10 cents. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To build a pilot model of a theatre television projector. **Office**—527 Fifth Ave., New York, N. Y.

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.

● **Texas Fund, Inc., Houston, Texas**
Aug. 29 filed 200,000 shares of common stock, par $1. **Underwriter**—Bradschamp & Co., Houston. **Business**—An open-end diversified management investment company.

● **Transportation Lease Co., San Francisco, Calif.**
Aug. 24 (letter of notification) 60,000 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To acquire outstanding stock of Trans Lease Co. at $103 per share, and to provide working capital. Office—350 Folsom St., San Francisco, Calif.

Trion, Inc., McKees Rocks, Pa.
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. Expected Sept. 12.

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. (9/13)
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. Rights will expire Oct. 5. 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); Carl M. Loeb, Rhodes & Co., and E. H. Rollins & Sons (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.

● **West Penn Electric Co. (9/20)**
Aug. 25 filed $31,000,000 of sinking fund collateral trust bonds, due 1974, and 856,895 shares of no par value common stock. **Underwriters**—Bonds to be offered under competitive bidding; 468,621 shares to be offered present common stockholders at the rate of one new share for each five held, and the remainder (388,274 shares) will be offered in exchange for outstanding 6% and 7% cumulative preferred stocks and class A stock, on terms to be supplied in an amendment. 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). Public offering expected around Sept. 20. **Proceeds**—To redeem $5,000,000 of 5% gold debentures, due 2030, at 105%; to buy 583,999 23/25 shares of common stock of Monongahela Power Co. from

(Continued on page 34)

(Continued from page 33)

West Penn Power Co., and to redeem outstanding preferred stocks and class A stock not offered under the exchange.

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., and Wisconsin Co. (jointly); Union Securities Corp.; 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. and Central Republic Co. (jointly); Union Securities Corp.

● **Carolina Power & Light Co.**
Aug. 25 reported company expects to raise another $20,000,000 through the sale in 1950 or 1951 of securities, principally bonds in addition to 30,000 shares of $5 preferred stock and 200,000 shares of common stock expected to be offered this month. Proceeds will be used to complete the company's scheduled $45,000,000 construction program.

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. and Stroud & Co. (jointly); White Weld & Co. and Stone & Webster Securities Corp. (jointly); W. C. Langley & Co.; Harriman, Ripley & Co.; Shields & Co. **Proceeds**—For retirement of short-term loans incurred for plant construction. Expected in November.

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.

● **Central & South West Corp.**
Aug. 31, John S. Osborne, President, said: "If market conditions are favorable, this corporation is planning to make an offering of common stock to its stockholders prior to the end of the year, on the basis of not more than one share for each ten shares presently outstanding." The net proceeds will be invested in the equity of certain of the subsidiary operating companies for the purpose of furnishing additional funds to meet future construction requirements. The number of additional shares to be sold, the date of offering and other details of this financing will be announced at a later date.

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.

● **Eastern Natural Gas Co. of Richmond, Va.**
Aug. 24 announced company proposes to sell debt securities and common stock to finance the construction of a 165-mile natural gas transmission line. The estimated overall cost of the project is $5,940,000.

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. Of this total, 65,000 shares will be issued as $4.25 convertible second preferred stock. 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; Kidder, Peabody & Co. and White Weld & Co. (jointly); Stone & Webster Securities Corp.; First Boston Corp.

Indiana Harbor Belt RR. (9/14)
The company will receive bids up to noon (E. D. S. T.) on Sept. 14 at its New York office (466 Lexington Ave.) for $2,970,000 equipment trust certificates, second series of 1949, to be dated Sept. 15, 1949 and to mature $198,000 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 Lehman 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.

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 Haven Pulp & Board Co.**
Stockholders of record Aug. 1, 1949 have been given the right to subscribe on or before Oct. 17 for 4,946 shares of additional capital stock (par $25) at $40 per share on the basis of one new share for each six shares held. Proceeds will be used to increase working capital, etc.

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).

● **New York Water Service Corp.**
Aug. 24 the company was reported contemplating the possibility of refinancing its $12,106,000 of 5% first mortgage bonds which mature Nov. 1, 1950.

● **Northeastern Gas Transmission Co.**
Aug. 24, Alexander Macomber, Chairman, announced that New England capital will be given an opportunity to participate in providing the permanent financing needs. Tennessee Gas Transmission Co. will provide the initial capital required for the building of a natural gas transmission system in New England at an estimated cost of $17,000,000. Traditional underwriters for Tennessee Gas Transmission Co.: White, Weld & Co.; Stone & Webster Securities Corp.

Northern States Power Co. (Minn.)
Aug. 10 company requested SEC authorization to sell from 1,357,918 to 1,584,238 shares of its common stock, no par value. It is intended to make the initial pro rata offering to present common stockholders. Probable underwriters: Smith, Barney & Co.; White Weld & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers and Riter & Co. (jointly). **Proceeds**—To be used to retire $15,000,000 of 2% promissory notes due on or before Dec. 30, 1949.

Pacific Power & Light Co.
June 28 company contemplates the issuance by Nov. 15, next, of approximately $7,000,000 additional first mortgage bonds to retire outstanding notes and to finance its construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp., Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly).

● **Rochester Gas & Electric Co.**
Aug. 25 company indicated that it will sell approximately 110,000 additional shares of common stock prior to 1950 to provide a portion of the funds needed for its construction program. It estimates that $17,000,000 will be needed to complete this program.

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).

● **Utility Appliance Corp.**
In August, H. A. Goldman, Chairman and Treasurer, reports that the management has been endeavoring to secure long-term financing so as to provide needed additional working capital.

● **Vacuum Foods Corp.**
Aug. 22 reported company contemplating public offering of an issue of convertible preferred stock. Underwriter—Paine, Webber, Jackson & Curtis.

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.

News About Banks and Bankers

(Continued from page 16)

mittee with Mr. Mattison as its Chairman. Mr. Giannini also named two other officials to new posts. Slated to succeed Mr. Mattison as head of the instalment credit loan department is Lloyd Mazzera, presently Vice-President and Manager of the bank's Oakland Main Office. Mr. Mazzera in turn will be succeeded by Julius R. Davis, Vice-President and Manager of the bank's Long Beach main office. Mr. Mattison started with Bank of America in 1925 as Manager of its then instalment finance division; he was appointed a Vice-President in 1936 and named assistant to the President in 1941. Mr. Mazzera, Manager of the Oakland Main Office since 1946, started with the bank in 1917. Since that time he has served as Assistant Vice-President, and as Vice-President and Manager. Mr. Davis started with the bank in 1921. Elevated to Vice-President in 1927, he later became Vice-President and District Supervisor of the Los Angeles Suburban District. He returned to the Long Beach Main Office as Vice-President and Manager in 1931, the post he now relinquishes to assume his new Oakland duties.

* * *

F. K. Pollitt, Assistant Trust Officer in charge of the corporate department of the **California Trust Company of Los Angeles, Calif.**, completed 20 years' service with the company on Aug. 19. Mr. Pollitt began his banking career 34 years ago as a junior clerk in a Los Angeles bank. He joined the trust company's staff in 1929 and was elected Assistant Secretary in 1931, Treasurer in 1936, and to his present post a year later. He is a member of the Stock Exchange Club and Bond Club of Los Angeles.

* * *

A charter for the **National City Bank of Long Beach, Calif.** (capital $400,000) was issued by the Comptroller of the Currency on Aug. 17. In the primary organization H. G. Markworth is named as President, and Fonda Cook as Cashier.

* * *

Announcement of the promotion of three executives of the **First National Bank of Portland, Ore.**, was announced on Aug. 25 by Frank N. Belgrano, Jr., President, effective Sept. 1

The Portland "Oregonian" states that in the advancements, C. F. Snider, present Manager of the bank's Lakeview branch, has been made an Assistant Vice-President and continued as the branch's senior administrative officer. W. H. (John) Buell, Assistant Manager of the Klamath Falls branch, was named Manager of the Lakeview branch. Lewis Wiltshire, Ex-Manager of the Coquille branch, becomes Manager of the bank's Southeast Portland branch.

* * *

The **United States National Bank of Portland, Oregon**, has recently established two new branches, according to an announcement by E. C. Sammons, President. The opening of a banking office at Monmouth, Ore., on Aug. 1, following purchase of the First National Bank of Monmouth, marks the 40th branch. The latter, it is said, had deposits in excess of $1,100,000 at the time of the purchase. On July 11, The United States National opened a new branch in West Salem, Ore. Rex Gibson, formerly an Assistant Manager at the United States National's Ladd & Bush-Salem Branch, was named Manager of the West Salem operation. With deposits totaling more than $505,000,000 at the time of the June 30 statement call, The United States National Bank is Oregon's largest financial institution.

Plans to increase the capital of the **Peoples National Bank of Washington, at Seattle, Wash.**, from $1,500,000 to $3,000,000 will be acted upon by the stockholders on Sept. 6, it is learned from the Seattle "Times" of Aug. 24, which stated that Joshua Green Chairman of the Board, and P. A. Strack, President, said the proposed plan involves transfer of $1,000,000 from undivided profits account and the declaration of a stock dividend of that amount equal to two shares for each three shares now held. The "Times" went on to say: In addition each stockholder will be given the right to purchase one share of new stock for each three shares now owned, at a price of $20 a share. This will produce $500,000 of new capital for the bank, the officers said. After recapitalization, the outstanding stock of the bank will consist of 150,000 shares with a par value of $20, or $3,000,000; surplus at $2,500,000, and undivided profits at $1,300,000—or total available capital funds at $6,800,000.

* * *

George Smith has been appointed President of the **Canadian Bank of Commerce**, head office **Toronto**, succeeding W. A. Finley, who will become Chairman of the Board. Mr. Smith who will take office on Sept. 1 comes from Kingston, Jamaica branch of the bank of which he has been Manager for the past four years.

Robert Strauss Joins Daniel F. Rice & Co.

CHICAGO, ILL. — Robert Strauss has become associated with Daniel F. Rice and Company, members of the New York and Chicago Stock Exchanges, as manager of their Chicago and New York security trading departments with headquarters in the firm's main office in Chicago, Board of Trade Building. Until recently, he was President of his own firm in Chicago, Robert Strauss & Co. Associated with the firm in the New York Office, 1 Wall Street, will be Arthur J. Burian, for 10 years associated with Strauss Bros. in New York. Joseph M. Lee and John F. Schmitz, formerly of Robert Strauss & Co., will join the Rice trading department in Chicago. Timothy A. Collins, who formerly headed the firm's Chicago trading department, will become associated with its grain department as special representative. The firm also announced that private wire connections have been opened with White & Company in St. Louis and George K. Baum & Company in Kansas City.

Robert Strauss

Mr. Strauss entered the investment field in 1920 with Logan & Bryan in New York and later was in charge of their unlisted and institutional department. In 1933 he joined with his brother in forming Strauss Bros., Inc., and in 1942 came to Chicago to open its office. He is a past member of the board of governors of the Illinois Securities Dealers Association and at the present time is a national committeeman of the Bond Traders Club of Chicago. He is also a past member of the board of governors of the New York Security Dealers Association.

Illoway Partner in Aspden, Robinson

PHILADELPHIA, PA. — Lawrence B. Illoway has been admitted as a general partner to Aspden, Robinson & Co., Philadelphia, 1421 Chestnut Street, members of the Philadelphia-Baltimore Stock Exchange.

Two With G. Brashears

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Paul Keller and Jack B. Lowry have become associated with G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Keller was previously with Samuel B. Franklin & Co.

Nolan With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert R. Nolan has been added to the staff of Marache Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Nolan was formerly with First California Co. and Nelson Douglass & Co.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frank E. Gillette and Morris F. Sullivan have been added to the Staff of Dempsey-Tegeler & Co., 210 West Seventh Street. Both were previously with G. Brashears & Co.

Three With J. A. Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that C. Laurence McDonald, Joseph J. Salvas and Joseph J. Salvas, Jr., have become associated with them in their sales department. The Messrs. Salvas were formerly connected with Swan, Stickley & Co. of Boston.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Joseph R. Prezorski has joined the staff of Central Republic Company, 209 South La Salle Street, members of the Chicago Stock Exchange. He was in the past with Paul H. Davis & Co.

With Shillinglaw, Bolger & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edgar S. Riedel has become connected with Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Chicago Stock Exchange.

Frank Godfrey Opens

(Special to THE FINANCIAL CHRONICLE)

EDWARDSVILLE, ILL.—Frank Godfrey is opening offices to act as a dealer in investment securities. Mr. Godfrey formerly was President of the Illinois Midwest Joint Stock Land Bank of Edwardsville.

With William S. Beeken

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Joseph S. Stewart, Jr., has become affiliated with William S. Beeken Co., Harvey Building.

DIVIDEND NOTICES

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., August 25, 1949.
DIVIDEND No. 165

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share on its Capital Stock of the par value of $50 per share, payable September 29, 1949, to holders of such shares of record at the close of business at 3 o'clock P. M., on September 6, 1949.

C. EARLE MORAN, Secretary & Treasurer.

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, August 18, 1949, a dividend of one dollar twelve and one-half cents ($1.12½) per share was declared on the $4.50 Cumulative Preferred Stock of the Corporation, payable September 15, 1949, to Preferred Stockholders of record at the close of business on September 1, 1949.

S. A. McCASKEY, JR. Secretary.

AMERICAN GAS AND ELECTRIC COMPANY

The Common Stock of this Company has been admitted to dealings on the New York Stock Exchange

September 1, 1949

COMMERCIAL SOLVENTS Corporation
DIVIDEND No. 59

A dividend of thirty-seven and one-half cents (37½¢) per share has today been declared on the outstanding common stock of this Corporation, payable on September 30, 1949, to stockholders of record at the close of business on September 12, 1949.

A. R. BERGEN, Secretary.

August 31, 1949.

DIVIDEND NOTICES

Allied Chemical & Dye Corporation
61 Broadway, New York
August 30, 1949

Allied Chemical & Dye Corporation has declared quarterly dividend No. 114 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable September 20, 1949, to common stockholders of record at the close of business September 9, 1949.

W. C. KING, Secretary

HOMESTAKE MINING COMPANY
DIVIDEND No. 873

The Board of Directors has declared dividend No. 873 of fifty cents ($.50) per share on $12.50 par value Capital Stock, payable September 16, 1949 to stockholders of record September 6, 1949.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

August 16, 1949

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22
The 138th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable September 10, 1949, to stockholders of record at the close of business on August 22, 1949. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Treasurer

June 21, 1949

C.I.T. FINANCIAL CORPORATION
Dividend on Common Stock

A quarterly dividend of 75 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1949, to stockholders of record at the close of business September 10, 1949. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*

August 25, 1949.

CANADA DRY
DIVIDEND NOTICE

The Board of Directors of Canada Dry Ginger Ale, Incorporated, at a meeting thereof held on August 23, 1949 declared the regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock and a dividend of $0.15 per share on the Common Stock; both payable October 1, 1949 to stockholders of record at the close of business on September 15, 1949. Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS, *V. Pres. & Secretary*

DIVIDEND NOTICES

IRVING TRUST COMPANY
One Wall Street, New York
August 25, 1949

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable October 1, 1949, to stockholders of record at the close of business September 6, 1949.

STEPHEN G. KENT, *Secretary*

OTIS ELEVATOR COMPANY

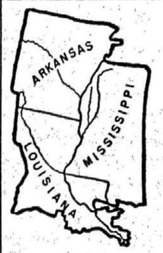
PREFERRED DIVIDEND No. 203

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable September 20, 1949, to stockholders of record at the close of business on September 7, 1949.

Checks will be mailed.

BRUCE H. WALLACE, *Treasurer*

New York, August 24, 1949.



MIDDLE SOUTH UTILITIES, Inc.
DIVIDEND

The Board of Directors has this day declared a dividend of 27½¢ per share on the Common Stock, payable October 1, 1949, to stockholders of record at the close of business September 9, 1949.

H. F. SANDERS, *Treasurer*

New York 6, N. Y.
August 26, 1949

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending October 31, 1949, has been declared payable October 15, 1949 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on October 5, 1949.

A dividend of 50¢ per share has been declared payable October 15, 1949, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on October 5, 1949.

August 31, 1949

H. A. WAY, *Secretary*

ROYAL

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is surprising unanimity to the reports circulated in Washington to the effect that "not much" will come out of the conferences this month on Britain's dollar exchange problem. Appointment of a continuing committee or council to study the Sterling area's balance of payments problem is about all that these reports suggest will develop out of the meetings.

There is no possibility of the United States making any unilateral contribution to Britain's economic problem in the foreseeable future—any additional contribution, that is. A loan is entirely out of the question. Congress is cutting rather than increasing the ECA appropriation. Purchase of any large supplies of strategic materials from the British Empire for the defense stockpile is restricted by the availability of Congressional appropriations. Any big shift to natural from synthetic rubber to provide dollars for Britain, is regarded as unlikely.

On the other hand, the British are bound to resist devaluation of the pound because devaluation would put a terrific damper upon the Labor party's reelection prospects. Britain would only devalue the pound in return for a very hefty quid pro quo, such as another big loan or gift, which would offset the political liability to the Laborites of devaluation. Even the State Department is said to be convinced that trying to sell Congress any additional special aid of any magnitude to Britain is out of the question.

Reduction of U. S. tariffs on British goods is desired by the United Kingdom. This, however, is a long range rather than a short range solution, and for the moment is regarded with considerable skepticism because the Senate has yet to adopt an extension of the life of the Trade Agreements Act. Any further tariff reductions in favor of the British at this time would jeopardize dangerously the extension of the act. The same would be true of an easing of administrative impediments to imports, a subject within the competence of the Treasury alone, without resort to Congress.

Britain is said to be reconciled, since their discussions of the summer with Treasury-Secretary Snyder, and since the hostile U. S. press toward the idea of further aid, to "getting little" of immediate benefit out of the discussions.

On the other hand, these reports do not deal with possible methods of aid that might be worked out on a limited scale through the many powers of the government, the Monetary Fund, or possibly the World Bank. There may be "a trick or two" whereby some substantial if unspectacular relief is possible. On this point official guidance is obviously not available, for the round of negotiations is already under way and the official lip is buttoned up.

* * *

It is as yet only in the rumor stage, but there is some talk that maybe the Laborites could profit politically by a turn-down of their request for further aid. They could say that they refused to have important matters of their own economic independence, like the value of the pound, "dictated by capitalist America," then go in for cutting social services and other expenses, and go in further for preclusive trade bargains like the recent Anglo-Argentine trade deal.

Simultaneously with additional preclusive trade deals, the British would drastically cut dollar purchases, sell the social service reduction accompanying it on a reelection campaign of "preserving British independence." Then the election could be precipitated sooner than 1950.

* * *

Plans for the proposed study of investments by the Congressional Joint Economic Committee, after being initially completed, were hauled back into the shop and redesigned to pitch the inquiry more sharply at the equity capital problems of small business.

Original agenda for the inquiry was drafted by the JEC staff. It would have encompassed the broad problem of why equity money is timid, regardless of the size or class of business. The JEC would have gone into the several facets to the subject outlined in their recent analysis of the subject, by President Schram of the New York Stock Exchange and Chairman Thomas B. McCabe of the Federal Reserve Board.

When Chairman Joseph C. O'Mahoney of the JEC saw this agenda, he demanded a revision. It has got to go more fully into the equity money problems of small business, he said. There will be preliminary public hearings around the middle of this month, it is planned. These hearings are to ask advice on establishing the framework for the JEC investment study, Senator O'Mahoney explained.

That framework, however, will sharply delineate the special problems of small business. Equity financing problems of all business, however, will get incidental monetary study.

* * *

There is little surprise to any one in the subject matter outlined for another JEC study on a different project — the proposed monetary study.

In sending around a questionnaire to 500 leading banks, insurance companies, and businessmen, the subcommittee revealed the scope of its proposed study. The scope is about what might be expected. Questions were asked designed to bring out what the feeling is about the Federal Reserve Board's standard position of requesting larger powers to deal with reserves in an inflationary era and with reserves of present non-members.

Questions were designed to get business and banking thinking about the effectiveness of Reserve policy generally, about the relationship of Treasury financing to Reserve policy, about deficit financing and its relationship to monetary management. Finally, the questionnaire also solicits opinions pitched at the advisability of returning to a gold convertible monetary standard.

* * *

Occasionally in politics the Rube Goldberg technique of going the longest way around, is the shortest way to reach a particular legislative point. This, the Senate "liberals" have learned to the point of sputtering frustration, is currently true of the latest housing legislation.

With covert but not open Administration blessing, the newest subsidized housing finance bill was plumped into the Senate. Besides "non-controversial" amendments to FHA, it proposes direct government loans for financing housing at colleges, for GI's, and for rental cooperatives, and other dubious things.

In the House, the Banking Committee reported out a bill with a few of the funny financing provisions left out, a few in. The conservative coalition, through the Rules Committee, served notice on the Banking Committee (now "liberal" dominated) that the balance of the more extreme schemes remaining in the bill must be dropped.

This the Committee agreed to do. Immediately thereafter, however, the Committee set out unofficially to run out on the agreement. Individual Committee members, White House favorites, offered motions on the floor to restore such things as direct government loans to GI's, but in the "Committee of the Whole," where a record roll call vote is not taken.

Then along came Rep. Marcantonio of New York, who has much more of a sense of humor than would be supposed from his dour sponsorship of the extreme Left, and offered a "non-discrimination" amendment to the bill. By that time Republicans gleefully went along on this additional nonrecord vote, and put it over.

This left the "liberals" in a queer position. They thought that they had put over some of their pet schemes, in particular the American Legion's direct GI loans, against which the Republicans and other conservatives would not dare to vote when the bill passed from the "Committee of the Whole" to the House, where there are record roll call votes.

On the other hand, only a handful of "liberals" have any stomach for a roll call vote on "non-discrimination." Cheerfully loading the bill, they never expected that they, themselves, later would be confronted with an unpleasant roll call.

So the next day they worked out a legally doubtful procedure of substituting for the bill loaded with civil rights and all other amendments, the original committee bill as stripped of its extreme funny finance amendments at the behest of the Rules Committee.

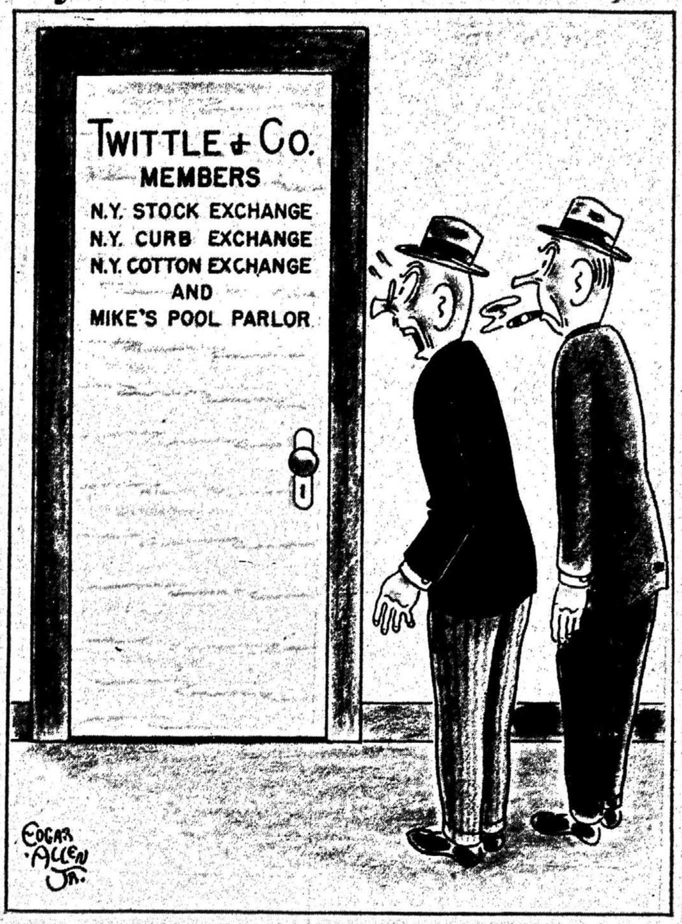
This avoided a separate record, roll call vote on the amendments adopted the day before, including "non-discrimination." The "liberals" made again the perfunctory gesture of offering the same GI and other amendments of the day before, but saw to it they weren't adopted, for if they were, at the end of the road was the adoption of the "non-discrimination" amendment which obviously would have killed the bill.

The roll call votes were avoided and everybody was happy, except the "liberals," who failed with their "double cross" of the Rules Committee.

In the Senate the New Dealers are furious. They had hoped to make continuation of private housing finance aids the can on to which to tie the radical amendments. Now they are confronted in advance of House action stripping the bill. The Senate New Dealers are threatening to let the various expiring FHA titles die. The House anticipated the challenge and in effect said, "so what?" and began its unofficial vacation.

(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



"Some day that Smart-Alec sign painter will go a bit too far!"

Harry D. Brown, Jr. With Coffin, Betz Co.

PHILADELPHIA, PA.—Coffin, Betz & Co., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announces that Harry D. Brown, Jr., has become associated with their firm. Mr. Brown was formerly a Vice-President of Stroud & Co., Inc., and prior to that, President of Chandler & Co., Inc. He is a director of Roberts & Mander Corporation, Kent-Moore Organization, Inc., and President of Silver Suds Co., Philadelphia.

Edward McNicol Honored On Retirement After 50 Years With J. P. Morgan

Edward L. McNicol, Vice-President of J. P. Morgan & Co. Incorporated, was the guest of honor yesterday at a farewell ceremony held in the company's offices and attended by officers and employees on the occasion of his retirement after completing 50 years of service.

Mr. McNicol, who was engaged in fiscal agency work during most of his career, entered the employ of J. P. Morgan & Co. in 1899 at the age of 15 as a messenger boy and eventually became Manager of the dividend department. After the firm was incorporated in 1940, Mr. McNicol served successively as an Assistant Secretary and as an Assistant Vice-President of the present company before being appointed Vice-President in 1947.