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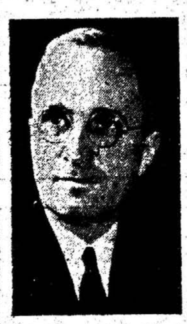
Truman Again Assails "Selfish Interests"

In Labor Day addresses at Pittsburgh and Des Moines, President calls for adoption of his "Fair Deal" policy. Says he will fight for repeal of Taft-Hartley Act, and urges adoption of Brannan Plan of farm price support. Renews attack on Eightieth Congress and contends farmers and workers have common interest.

President Harry S. Truman on Labor Day delivered two major addresses. In the morning he spoke at Pittsburgh, Pa., at the Allegheny County Free Fair and devoted his remarks largely to an attack on the "selfish interests" which oppose his "Fair Deal" program, while at Des Moines he devoted his remarks largely to support of the new "Brannan Plan" for support of farm income.



President Truman

The text of the President's Pittsburgh address follows:

I am very happy to be here today at the Allegheny County Free Fair.

I notice that this is called "the world's largest county fair." I have attended county fairs for 60 years, and I'm glad to be a guest at the biggest one of all.

I am particularly impressed by this fair, because it is both a farm

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The Function of Bank Reserves

By M. S. SZYMCZAK*

Member, Board of Governors, Federal Reserve System

Federal Reserve Governor reviews recent open market and reserve requirement changes, and contends more liberal policy has helped promote availability of credit by expanding banks' liquid holdings by about $2,600 million. Sees in recent decline of government bond yields an impetus for larger investment in corporate and municipal bonds and an influence in making current economic situation more favorable.

The term "bank reserves" is one that may have several meanings. It may be used to refer to the total amount of reserves which qualify for meeting legal requirements of commercial banks or it may be used to include quick assets that banks hold as secondary reserves. Both commercial banks and the Federal Reserve Banks hold reserves but these are quite different in form. In our discussion today, when I refer to bank reserves I shall in general be referring to the reserves that member banks hold on deposit with the Federal Reserve Banks, of which a part are legally required reserves and a part may be excess reserves. Nonmember bank reserves take several forms in accordance with various state laws, but the bulk of them are held in vault cash and on deposit with correspondent banks. Reserves of the Federal Reserve Banks consist of gold certificates held in their vaults.

M. S. Szymczak

For more than a century, it has been an accepted feature of the nation's banking system that commercial banks should be required

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*Lecture by Mr. Szymczak at the School of Banking, University of Wisconsin, Madison, Wis., Aug. 31, 1949.

Economic and Inflation Outlook

By WILLIAM A. IRWIN*

Economist, American Bankers Association

Dr. Irwin sees as principal uncertainties in economic outlook: (1) threat of fourth round of wage increases, and (2) the British crisis. Says Administration apparently favors higher wages and more inflations, and urges bankers fight this policy. Holds agricultural surpluses under farm price support program is serious financial burden and predicts lower farm commodity prices.

The year 1949 has up to now been a year of very considerable economic uncertainty. True, business has been good; not quite so good as in 1948, of course, but good by almost any other annual standard of comparison. There has been some decline in the production of industrial commodities, some decline in employment, some decline in the profits of some lines of business. Farmers have not received quite the enormous income they got last year. But, by and large, the first eight months of the year have been prosperous months. For it must be remembered that industrial production—in volume, mark you, though not in dollar value—has averaged about 177% of prewar volume; that employment still hovers close to 59,000,000; and that profits, generally speaking, are still far and away beyond

William A. Irwin

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*An address by Dr. Irwin at the Sixth Tennessee Bankers Conference, University of Tennessee, Knoxville, Tenn., Sept. 7, 1949.

EDITORIAL

As We See It

Some Observations on British-American Relations

Popular understanding of subjects such as are under discussion between British and American officials is, of course, never perfect. The technicians closely associated with the work that is going on are, naturally, not free to speak out, and the politicians may or may not have anything approaching a full and fundamental understanding of the forces and the problems with which they are dealing. Not infrequently, at least, some of the leaders in negotiations of this sort have good reason to keep the real issues beclouded.

The public confusion which exists today about the "dollar shortage" and the related questions which are actively under study in the national capital is, therefore, not surprising. But whatever the causes, it appears to us to be unfortunate that so much misunderstanding prevails, and that so much nonsense is being fed the rank and file of both countries at this critical time. The subject matter is complex and "difficult," of course, and no one could reasonably expect the rank and file to acquire a mastery of it all overnight. It seems to us, however, that some of the major points of controversy and confusion should not give a great

(Continued on page 31)

Union's Rebuttal In Steel Wage Case

An Analysis and Appraisal of the Arguments

By ELISHA M. FRIEDMAN
Consulting Economist
Chairman, Econometric Institute, Inc.

Mr. Friedman contends that the union's rebuttal arguments do not justify a wage increase because wage increases exceeded rise in living costs, profits declined relative to wages and are falling rapidly now and productivity rose less than wages. Holds increasing wages of steel workers will not check business decline. Exposes Mr. Nathan's gravest error of over-estimating profits and under-estimating net worth during inflation, also in shifting base years and disregarding down-trend of living costs and in profits. Charges stockholder is ignored. Holds union wage policy is menace to free enterprise and free government. Advocates union rescind strike threat while judges deliberate.

The decision in the steel wage case, due soon, will set the pattern for other industries, as automobiles, rubber, electrical industries, shipbuilding and coal mining. These union leaders are waiting and the country is tense. Whether we shall have a series of strikes involving millions of workers hangs upon the Steel Board's decision.

Elisha M. Friedman

The presentation in summary of both sides of the case has some news value. But how is the public to judge, having neither the basic statistics nor the professional competence to form an opinion. Therefore, it is necessary to analyze the statistics and appraise the conclusions on which the union's case rests.

There may be some common ground even now. The companies are willing to bargain individually on insurance now, and on pensions in six months, when the contracts expire. The differences concern the wage increases. **No wage increase is justified as an analysis of the union data proves.**

(1) Selling Prices—Mr. Nathan charges that steel prices are high. But these rose less than the BLS price index and less than other metals. But steel wages are the highest in history and close to the highest for any industry.

A wage increase now will have the following consequences—higher costs, higher selling prices, lower consumption and lower employment. Or if prices are not raised, then lower profits, fear of a deficit and less employment. Look at the record. In 1937, wage rates were increased in March by 19%, on the last day of the stock market boom. Business declined and the results were deficits in earnings and substantial unemployment. Again, the prosperous decade of the 1920s was due to stable wage rates, gradual but continual price declines, and thus increase in "real" wages for all and full employment.

If each steel worker had his own shop, then when selling prices declined he could keep working at lower earnings or be idle. But under the corporate form, the employees want a wage increase, when selling prices are declining. **But if the workers themselves owned the plants, then when selling prices declined, their earnings would have to decline.** Mr. Nathan wishes selling prices to be flexible and declining, but wages to be rigid and rising. **How can any economy function under competitive selling prices and monopolistic costs?** This condition will work only so long as there are stockholders to be exploited.

Labor's monopoly was built up out of restriction of immigration, limitation on membership, high initiation fees and the pressure for a closed shop, etc. **This labor monopoly coupled with the exercise of political pressure is threatening not merely our economic stability but our political freedom.**

Formerly industry exploited labor to get costs lower and benefited the consumer. Today labor exploits industry, makes costs higher and harms the consumer.

(2) Cost of Living—**The rise in steel wage rates per hour and in wages per week far outstripped the rise in the cost of living since 1939.** This favorable spread has been increasing since September, 1948 because the cost of living has been declining. The union demand that weekly wages be increased to match the peak of wartime overtime is too preposterous for consideration.

(3) Company Profits — Total corporate profits reached a peak in the fourth quarter of 1948 and have been declining since. **In the steel industry the decline in profits is quite marked.** The decline of profits from the first to the second quarter of 1949 ranged from about 12% for U. S. Steel, 19% for Bethlehem, 25% for Youngstown and National, 33% for Republic, 82% for Sharon, 86% for Crucible Steel, 144% for Follansbee Steel and 810% for Midvale, the last two having incurred sizable deficits.

Mr. Nathan seems unversed in cost accounting and makes fantastic charges about the size of profits. But W. A. Paton, Professor Accounting and Economics at the University of Michigan, shows that Mr. Nathan overestimated earnings and underestimated net assets. Similarly, Professor R. C. Jones, of Yale, quoted by Prof. Paton, analyzing a group of steel companies in the "Journal of Accountancy," January, 1949, shows that owing to depreciating dollars, these companies not only had no high "real" earnings but were paying dividends out of capital. The sharp depreciation of the French franc made this distortion even more striking, as shown by John Kennedy in "The Accountant" of Dec. 11, 1948.

Mr. Nathan commits several errors in estimating profits. First he usurps the function of the manager and cancels reserves for declining prices of inventory and for higher depreciation charges needed to replace machinery at present higher prices. Then he usurps the function of the Congress and "repeals" the wartime amortization law. This was a contract between the government and the companies to induce them to increase war production by means of an incentive of peacetime use. **Little wonder that George O. May and the late Leon Fraser induced Columbia University to make accounting a prerequisite for a PhD in economics.**

Mr. Nathan tries to prove that profits rose faster than wages. To do so he uses 1939 as his base, when steel wage rates were practically at the highest in history and steel profits were one-half of 1937 and one-fifth of 1929. But even on this defective base, wages per ton rose more rapidly than profits per ton and profits per ton in depreciated dollars were substantially less than in prewar years in undepreciated dollars. But comparing two years of similar operations (72%) like 1937 and 1946, weekly earnings rose substantially but profits declined.

Mr. Nathan in his gravest error repeats in rebuttal the grossly misleading statement concerning "real" hourly earnings and "real" return on the investment. On his figures the former rose to 114% and the latter rose to 265% or about 2.3 times as much. But Mr. Nathan says that the hourly earnings increased 14% and the return on the investment 165%, or 12 times—a tricky way of exaggerating an untruth.

But his comparison is full of faulty assumptions, fallacies of reasoning and errors of method. A simple comparison of wages per ton and profits per ton shows

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Near-Term Market Probabilities

By EDMUND W. TABELL

Partner, Walston, Hoffman & Goodwin
Members of the New York Stock Exchange

Mr. Tabell holds most likely pattern of stock market over next month is a decline in Dow-Jones average ranging between 175 to 171. Says this action would improve longer-term pattern of market, which has strong technical foundation.

It would appear that the first phase of the advance from the June low—a rise of approximately 22 points from 160.62 to 182.67 in two months—has been completed. Just how far a declining phase will carry is problematical. A normal technical correction of one-third to one-half of the 22 point advance would bring the industrial average back to the 175-171 area.

Edmund W. Tabell

A study of the technical formations and the various volume and breadth of the market studies points to the conclusion that the correctional phase will be more in the nature of a consolidation than a reaction. I believe that the most likely pattern over the next month is a decline to about 175-174 with only an outside possibility of a decline to as low as 171. From a timing viewpoint, I would expect the lows to be reached sometime between Sept. 15 and 30 with the probabilities favoring the latter date. Obviously, this slight down trend will be interrupted by occasional rallies. However, it would be better technical action if most of the work were concentrated in the lower area of the contemplated 182-174 trading range rather than around the top. The latter action might possibly build up a broader distribution area and indicate a decline of greater magnitude than now indicated.

I favor the 175-174 level as a stopping point because the average price on the Dow-Jones Industrial Averages for the last 200 training days is approximately 175. It will most likely remain at about that point for the next three or four weeks. You may recall that I mentioned early in July, prior to the time that the market crossed the 200-day moving average line on the upside, that the usual sequence of a broad upmove was for the market to cross the average line and then rally six or seven points above it and then to react back to the line again prior to the resumption of the major advance to new highs. I believe that there is a good chance that this procedure will be followed in the present case. The rally has carried to a high of a bit more than seven points above the line. The declining phase may carry down through middle or late September, interrupted by sporadic rally attempts to the lower 180 level. Such a reaction, or rather broad consolidation, would improve the longer-term technical pattern considerably. While many issues have already built strong base patterns, there are a great many other issues that have not yet built up a broad enough potential to sustain a strong upward move. Most issues of this type are in the groups that have shown most unfavorable action over the past few months, such as the steels and the rails. While these issues most likely reached their lows in June, their potential accumulation patterns appear incomplete. A month or so of reaction or consolidation may complete the formation. If this happens, these issues should be watched closely as they may be the leaders of the next and more dynamic phase of the advance and take the place of the more defensive type of issues that have been the leaders of the first phase.

Also, a decline to about 175-174 or moderately lower, by late September would correct the intermediate trend indicator which gave warning of an overbought condition almost a month ago. From a timing viewpoint, this would be perfect action and would place the indicator below normal fully corrected and in a position to rally substantially. Also a decline of such scope would build up the right shoulder of a potential 170-160-? head and shoulders bottom. Such a potential right shoulder would be much narrower than the left shoulder of six months' duration built up in 170-182 range between December and May. Nevertheless, such action would form one of the strongest possible technical formations. A further extension of the right shoulder into October or November would build up an even stronger pattern.

If the advice of the past few weeks has been followed, groups and issues marked as showing relatively unfavorable action have been sold on strength into the 180-183 area. Retention of issues showing favorable action has been advised as I doubt these issues will have more than a nominal correction even in the event of a decline into the lower 170's in the next few weeks. Would not advise repurchases until the industrial average declines to the 175-174 level or until a clearer indication of the extent of the decline is given.

It must be stressed at this point that the signs of a weakened technical condition in no way applies to the longer-term pattern. The pattern of the market since November, 1948, is showing increasing indications of a very constructive technical formation. It is becoming more and more evident that the sharp May-June downside break-out of the 183-170 range to a low of 160 was in the nature of a final shake-out and that the probabilities are that my 160-170 buying range will not again be entered before much higher prices are seen.

A New Farm Stabilization Program Needed

By HON. CHARLES F. BRANNAN*
Secretary of Agriculture

Secretary Brannan, pointing out problems arising from recent abundant crops, contends nation needs a new farm stabilization program. Says neither farmer nor worker can long expect to sell dear and buy cheap at the expense of one another and defends his plan to replace farm price support by a method of allowing prices to reach natural level and compensate farmers for loss of income. Holds taxpayers are justifiably alarmed at high cost of taking perishables off market.

No one can travel back and forth through the cities and the farm lands of this Nation without being impressed with two outstanding facts. First, that the people are more interested in good government now than ever before. And, second, that when Americans from all walks of life get together — face facts together—and work together—they can do just about anything they set their minds to do.


Charles F. Brannan

That's an old American custom.

A few years ago the American people made up their minds that they had to fight a global war. When the war was over, they made up their minds that they had to feed hungry people at opposite ends of the earth to preserve global peace. They succeeded in the first endeavor, and they are succeeding in the second.

They saw the need, and they acted accordingly.

I conceive it to be part of my job to show the need to improve our farm programs—not in the remote future—but now. I conceive it to be part of my job to show that need not only to farmers, but to all segments of our economy—to labor, to business, to all taxpayers, and consumers.

There's a tendency to believe that national and world events move slowly. We are a confident people. We believe that there is plenty of time—that if we make a blunder today we can fix it up tomorrow.

Have you ever traveled in a car at 60 or 70 miles an hour along a smooth, straight highway, and after a time had the feeling that you were not moving rapidly at all? Any experienced traveler knows that this frame of mind is conducive to crackups. I believe that there is danger that we may develop something like that frame of mind today with respect to our domestic economy.

Think for a moment about the transformation of the world in the past decade.

In just two days it will be exactly ten years since Hitler's armies invaded Poland and the shadow of the Austrian paper hanger darkened the whole of Europe. Today Hitler is dead. His armies are crushed. Germany is divided and occupied, hardly a nation at all.

Look at our own Nation. After World War One, we refused the mantle of world leadership. But today we stand before the world as the foremost leader and defender of democratic freedom. Everywhere the free spirit looks to us to lead it out of the dark night of enveloping insecurity into the bright day of peace.

The farmers of New York know a great deal from their own experience about the speed of events. An Aug. 10, I signed the latest general crop report of the Department of Agriculture. It was a report which told a dramatic story of productive abundance. It reported that the tremendous farm production of recent years was again assured—the second largest farm output of all time. We estimate that our production of cotton this year will be three million bales larger than the recent ten-year average. We have forecast the fourth largest wheat crop and the second largest corn crop in our history.

Any Secretary of Agriculture could take pride in that crop report, and I do. But my pride was mingled with caution.

Effects of Abundance

We have now the biggest feed supplies in history. The new corn crop on top of last year's carryover will give us a tremendous supply of four billion bushels. We have had to ask corn growers to build new bins and store all that they can on their own farms. We have asked elevator men to do what they can to increase storage capacity. An on top of that the Government will buy, if necessary, up to 500 million bushels of storage capacity, if it can be made available at the right price and within the time limit of the situation.

Note how rapidly the scene has changed. In 1947 we had a short corn crop. The result of that was a meat shortage accompanied by high meat prices. Today we have a tremendous storage problem and American farmers, it is estimated, will produce for use in 1950 two hogs for every family in the United States.

These comparisons warn us that supplies of farm commodities, in the absence of unforeseeable circumstances, will soon become one of our major national problems.

The reasons for this are plainly evident. The agricultural revolution has not yet run its full course. Our farms will become even more mechanized. We will develop more productive plants and animals. We already have better insect and weed killers, and more coming.

There is no turning back from the agricultural revolution. We must not be ostriches with our heads buried in the sands, hoping the problem will go away.

To turn back the clock of our agricultural revolution is almost as impossible as turning back time itself. But even if we could, who would want to turn back the clock? The farmer? Shall he allow his tractors, combines, cornpickers, and other modern machinery to rust while he goes back to horse and mule power? There no longer are enough horses and mules to supply his needs.

Shall he breed out of his plants and animals the productive characteristics it has taken so many years to acquire?

Shall he stop using DDT, 2, 4-D, and the other new insecticides and weed killers?

Shall he forget what he has learned about lime and fertilizer, cover crops, rotations, and erosion control?

What farmer would answer, yes, to such questions?

What about the consumer? Does he want to take the road back?

Last year consumption per person in the United States was more than a tenth higher than in the five years just before the war, a period many people like to call normal. It was a more nutritious diet, richer in meat, dairy products, poultry products, fruits and vegetables.

But last year's diet is not the end. The Department of Agriculture has estimated that the people in the decade from 1955 to 1965, assuming high level employment, will consume 10% more food per capita than in 1948. The biggest increases will come in the more nutritious foods—10 to 15 pounds more meat per person, 30 pounds more fresh fruits, 20 pounds more fresh vegetables, 135 pounds more milk. These are not estimates of an ideal diet, but only of what our people would eat if consumption trends of recent years continue.

The American people do not intend to retreat from abundance. We want to use abundance the way it should be used—to improve

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*An address by Secretary Brannan at the Farm-Labor Conference, Syracuse, N.Y., Aug. 30, 1949.

Is a Constructive Approach To the Gold Problem Possible?

By ERNEST H. WEINWURM

Mr. Weinwurm, asserting status quo policies of the International Monetary Fund are sterile, maintains proposals to use gold price appreciation for short-term assistance are dangerous. Holds appreciation should be part of a long-term currency stabilization program to be administered by a reinvigorated International Monetary Fund. Claims this should facilitate a solution of the sterling area problems.

The eternal gold problem, once again, is making the headlines. European and particularly British experts are strongly recommending appreciation of the gold price as a remedy for the continuing "dollar shortage." Thus it may be timely to ask the question whether changes in gold policies could really make useful contribution toward a settlement of existing economic troubles.


Ernest H. Weinwurm

The principal problem is that of the gold price and of the international distribution of gold. Changes in both are advocated as a preliminary of currency reconstruction.

If gold were a product like others, there would not be any specific problem of price-market relations in a free economic system. Those wishing to buy a product would have to offer a price based on the costs of marginal producers whose output is needed for the satisfaction of effective consumers' demand. The market price would reflect those cost-demand relations.

However, the gold price was hardly ever a truly free price; certainly it is not a free price today when it is dependent upon the decisions of the United States Government. It is rigidly tied to the dollar and reflects fully the fluctuations of its purchasing power.

The gold producers have been strongly affected by the dollar's loss of purchasing power during the last decade. Therefore, it is not surprising that they have been clamoring for a higher gold price. Indeed, they have a point in asserting that they have been subject to a part-confiscation of their properties in being denied the true market price for their product.

Moreover, those demands have been given additional support by the premium prices quoted on the "free" gold markets of the world although only a fraction of the gold production is traded there. Efforts to take advantage of those premium prices have been numerous and could never be completely stopped.

When the United States in 1933 adopted a policy of increasing the gold price and finally in 1934 stabilized it at the purely arbitrary level of $35 for an ounce of fine gold, producers made very large windfall profits. Their receipts were increased automatically by two-thirds while their costs changed little or not at all. The results were not unexpected: gold production increased substantially when it became profitable to work lower grade mines.

Gold Production

During the last ten years, however, production costs increased greatly with rising expenses for labor and materials. The gains made in 1933-34 have been wiped out and production could not help falling in spite of various relief measures to support the mining companies.

Thus gold has become almost the only raw product (with crude rubber another notable case) whose price has remained unchanged since pre-war. There is a great deal of confusion about the gold price. Clarification of the principal aspects seems indispensable as a preliminary of a practical and sensible future policy.

The classical (pre-1914) gold (Sterling) standard rested on the assumption that the gold price as expressed in the various national currencies would remain stable. But this is feasible only if the domestic price levels in all countries adhering to the "gold standard club" would be adjusted to one another and to the gold price in such a way as to make profitable an expanding gold production.

Increasing world production and world trade required a larger volume of money. But this volume was tied to the visible gold stocks and the current gold production. Unless it was expanding constantly, there was always the threat of a deflationary pressure with all its dreaded results of crisis and recession.

No similar machinery is in existence today. No country is willing to adjust its domestic price level and production to the exigencies of the "automatic" gold standard. There is no tie-in between national price levels, foreign exchange rates and gold prices such as existed under the gold standard.

The Decisive Issue of Gold Policies

Policies as practiced during the last few years have led to a decrease of gold production on the one hand and to many attempts to circumvent the official gold price on the other. The principal question is now whether these policies should be modified in order to bring about an increase in gold production. This leads to the fundamental question whether the world needs gold production in the first place.

Answering the question in the affirmative would mean that policies should be adopted that would lead to an expansion of gold production. If it is decided, on the other hand, that there is no need for large scale gold mining beyond the limited requirements of the arts and industry, then the declining rate of production might be looked upon with equanimity.

World gold production (exclusive of the Soviet Union) amounted to approximately $800 million in the last few years. This was a decline of more than 50% in comparison with 1941 when costs were still close to the prewar level. Almost half of the production comes from the Union of South Africa; this explains the peculiar interest of that country in the gold price issue.

The bulk of newly mined gold flows into the United States, which holds already three-fourths of the visible gold stocks, to be exchanged for dollar balances and used for the purchase of American products. Thus procurement of dollars has become the principal purpose of gold production. Yet the dollars acquired in this way represent but a fraction of the funds allotted by the United States for the support of nations

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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

In keeping with the upward trend of recent weeks, total industrial output in the past week continued to show some slight progress, but remained somewhat under the high point of 1948.

During the week the steel industry attained its highest level in 11 weeks, being the fourth successive rise in steel production. Automotive output and carloadings were moderately higher, while electric consumption registered a modest decline.

Civil engineering construction rose 5% last week to $155,000,000 with 1949 cumulative total of such construction surpassing that of 1948 by 19%. Lumber production increased almost 5% in the week ended Aug. 20 and was nearly 3% below that of the comparable 1948 level. Shipments of lumber were 7% below production and new orders were approximately equal to production.

Total claims for unemployment insurance dipped 1% in the week ended Aug. 20, but continued to be noticeably above the low level of a year ago. In the same week initial claims fell about 21%.

Wholesale purchasing of apparel continued to increase last week. Many merchants who had placed small initial orders encountered difficulty in obtaining additional goods. The total unit volume of reorders for women's apparel was slightly above that of the similar week last year.

The re-order volume for goods for back-to-school promotions was substantial. Commitments for men's wear became more numerous during the week, but continued to be moderately below those of a year ago.

The buyer demand for food rose slightly in the past week with aggregate unit volume slightly above the corresponding 1948 level.

The volume of textile orders placed during the week was slightly less than in the previous week. Although the buyer interest remained high in the cotton gray goods market, offerings were somewhat less than in recent weeks.

* * * *

GAS SALES AND REVENUES HIGHER IN SECOND QUARTER OF 1949

Total revenues from sales of gas by utilities for the second quarter of 1949 were $391,000,000, an increase of 9.2% over the like quarter of 1948, the American Gas Association reported today. Revenues from commercial sales represented the highest percentage gain, rising 18.5% while residential gas revenues advanced 7.7% and industrial gas revenues gained 8.3% over a year earlier.

In the 12 month period ending June 30, 1949, total revenues from utility sales of gas were $1,620,000,000 an increase of 9.8% over revenues of $1,476,000,000 in the previous 12-month period.

The gas utility industry was serving 22,900,000 customers at the end of June, 1949, an increase of 4.6% over 1948. Residential customers totaled 21,100,000, an increase of 3.8% over the 20,400,000 served in the previous year. Commercial and industrial customers gained 16.2% and 6.8% respectively.

Total revenues from natural gas sales during the second quarter of 1949 were $246,000,000, a rise of 11.4% over the comparable quarter of 1948. For the 12 months ending June 30, 1949, revenues from natural gas sales were $1,044,000,000, an increase of 13.5% over 1948 when natural gas revenues were $920,000,000.

Revenues from manufactured gas sales in the second quarter of 1949 totaled about $120,000,000, an increase of 6.1% over $113,000,000, in the like period in 1948. For 12 months ending June 30, 1949, manufactured gas revenues were $477,000,000, a gain of 7.4% over a year earlier.

Revenues from mixed gas sales in the second quarter of 1949 were about $24,000,000, an increase of 4.0% over the comparable quarter in 1948. For the 12 months ending June 30, 1949, mixed gas revenues totaled $98,000,000, a drop of 11.5% under a year earlier.

* * *

On Monday, Labor Day of the current week, Philip Murray, President of the CIO and of the United Steelworkers in an address given in Pittsburgh, Pa., stated that the quickest and easiest way to replenish the buying power of our people is through the medium of wage increases and promised that the CIO intends to fight for continued increases in our standard of living in the future.

In an address at Boston on the same day, Secretary Tobin of the U. S. Department of Labor gave some endorsement to Mr. Murray's aims by saying: "I am pleased to report that I find it commonly accepted that, as the status of wage earners is improved, our economic and social institutions are strengthened.

"Higher wages make for greater purchasing power . . . it was President Truman's awareness of this fact which is at the bottom of our government's insistence that the nation has a stake in good wages. . . ."

Meanwhile no one knows what the Presidential fact-finding board will propose to bring about a settlement in the steel wage controversy between management and labor, but according to a report, experts in Washington who have followed the board's hearings offer this forecast:

"The board will recommend some pay boost, but it won't measure up to the 12½ cents an hour Mr. Murray is demanding. He may get little or none of the other benefits—insurance and pensions—estimated to cost about another 17½ cents an hour. Chances are these findings won't please either the union or the companies much."

STEEL OUTPUT SCHEDULED AT LOWEST RATE DUE TO LABOR DAY HOLIDAY

The steelmaking scrap market has turned hectic. Although most mills have not come into the open market for big tonnages the market is more disorganized this week than it has been since 1948, according to "The Iron Age," national metalworking weekly, in its current survey of the steel trade. Mills are reaching out of their own

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How to Make the "Point IV" Program Work

By MILO PERKINS*
Foreign Trade Consultant
Former Director, Bureau of Markets, Department of Agriculture

Asserting U. S. cannot buy world recovery with check book, former government economist sees more production as remedy for world economic problems. Supports President Truman's Point IV Program, and urges private American investment abroad in place of government-to-government credits. Says so-called "dollar shortage" is "phony" in terms of semantics, and what is needed is more goods produced abroad at lower costs. Lists among key elements in Point IV Program: (1) support of competitive system; (2) treaties of fair treatment of U. S. capital; (3) technical assistance; (4) bold program of obtaining foreign materials; and (5) foreign investment insurance.

The disposition everywhere today is to back up and review the efforts which we have made in the last four years to promote world recovery. We have put some $25 billion into various foreign aid programs since the end of the war and are committed for nearly $10 billion more. We have put over $50 billion into our own military effort, which is of vital consequence to the non-communist world. We have averted catastrophes at terrific cost, but economic recovery on a self-sustaining basis in most of the world is not yet in sight.


Milo Perkins

The tide of police state imperialism seems to have been rolled back in Western Europe, but it is rolling southward and forward in Asia. One of the great challenges with which we must soon come to grips is what to do about southeast Asia. Further delay can be very costly. Problems there and in the Middle East with its dark hatreds, to say nothing of those in the rest of the world, are of a magnitude to depress all but the hardiest souls.

It is slowly dawning on us as a people here in the United States that we are not going to be able to buy world-wide recovery with a check book. If recovery is to be had at all, we must give of ourselves as well as our money. We must face up to the job for the century-long job that it is. We must speak frankly to our friends in other lands. We must not be ashamed to state our own self-interests openly before the court of world opinion. As bankers for half the world, perhaps we can't be loved. Maybe all we can hope for is a reputation of trying to be fair. This is a solemn time of decision for the American people.

Cutting through the infinite complexity in this poswar world of 1949, two economic facts stand out like lanterns in a dark night. The United States, with only 7% of the world's population, has roughly half of its manufacturing capacity and a highly mechanized agriculture. It is growing at a faster relative rate than any other country. In the early 'forties we spent tens of billions of dollars on plant and equipment for wartime purposes. Most of these facilities are now turning out goods for peacetime use. As though this were not enough, we have invested another $60 billion in plant and equipment since 1945—and are still going strong. There is no reason to believe that we shall put less than another $15 billion a year into industrial modernization programs during the decade of the 'fifties.

I suggest, in all humility, that the climate within which an achievement of this sort is possible—by free men—is worth examination by all peoples who want to raise their own living standards. We have accomplished all this at home by being ourselves—by counting primarily on competitive enterprises and by using the powers of government to buttress our economy rather than to control it.

By contrast, our efforts to promote recovery in the rest of the world rave been based largely on government - to - government credits. These have averted catastrophes in many areas, but they

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*An address by Mr. Perkins at the Tea Association of the United States of America Convention, White Sulphur Springs, W. Va., Aug. 29, 1949.

The Challenge to Labor

By PHILIP MURRAY*
President, Congress of Industrial Organizations

CIO head, in radio Labor Day address, calls for further wage increases to block the "man-made, corporation-made recession." Says current business recession is work of group of greedy men, who direct our industrial machine, and renews attack on Taft-Hartley Act. Accuses big business of lack of interest in reaching agreements with workers on economic policies to help country. Explains steel workers' demands.

I bring you, on this Labor Day, the neighborly greetings of the men and women of the Congress of Industrial Organizations. The members of the CIO, with their wives and children, form a big segment of the American people. In every city, in every state, they are employed in the basic industries that have made our country great and powerful. Banded together in their labor unions, they seek to improve their living standards and the conditions under which they are employed.

Philip Murray

We in the CIO have made very considerable progress towards the achievement of our goals. But our victories have not been victories for union members alone. Every community, and all America, have received the wholesome benefits of labor's constant struggle for a better life. It is clear and evident that what is good for labor is good for all the people. It is likewise true that what hurts labor hurts our nation.

During the past 14 years, the members of the CIO have won substantial advances in their wages. These improvements have provided decent living for workers who once were exploited and completely insecure. Workers gained from these wage advances; their wives, their children were provided with more food and better clothing. Through the advances of labor, millions of families were permitted to share more equitably in the American standard of living.

Nevertheless, there still remains an urgent need for further improvement in our standards of living. Far too many millions of our citizens are ill-housed, ill-fed, ill-clothed.

The gains won by labor in the past have been well distributed throughout every community. It will be so in the future as in the past.

The storekeeper, the corner druggist, the doctor and dentist, the movie house manager—all of them know from long experience that high wage standards are the fountainhead of their own business prosperity. This country has grown and prospered on a high-wage philosophy.

We in the CIO intend to fight for continued increases in our standard of living in the future. We want full production, we want full employment, we want full pay envelopes. When the dollars in the pay envelope are cut, production falls and jobs decline. Likewise, when the buying power of wages is sliced, the effects are soon felt on both production and on jobs.

Feeling Blight of Recession

On this Labor Day, we are feeling the blight of recession. It is a man-made recession, a corporation-made recession. It has been delivered to the American people by the small but greedy group of men who direct the destinies of our vast industrial machine. The recession has been delivered to the American people f. o. b.—f. o. b. Pittsburgh, Detroit, Chicago, San Francisco — and Wall Street. This corporation-made recession, with its end-product of human misery and distress, must speedily be halted. We in labor intend to stop it—before it is too late.

This Labor Day of 1949 should be a day of relaxation, of untroubled rest, for every American worker. But the shadow of recession and unemployment hangs over the home of every working family. In New England, in Ohio, in Indiana and Illinois, along the West Coast, in my own State of Pennsylvania, fear and insecurity are rising. Today the government acknowledges that unemployment has passed the 4-million mark.

In Dayton, Ohio, and Lawrence, Massachusetts, to name a few of many hard-hit cities, unemployment is still mounting. Thousands of families are almost at the end of their economic rope. Soon their scanty unemployment insurance benefits will be exhausted. What then? Relief — miserable, insufficient handouts — on which no American family can be expected to live.

Thousands upon thousands of other families, in almost every industrial center, wonder whether today's job will still be available tomorrow, or next week, or next month.

I say unemployment and insecurity must be banished from our land. The quickest and easiest way is through wage increases to replenish the buying power of our people.

We had full employment and full production in time of war. We can have jobs for every worker, at high American-standard wages, in time of peace. And I serve notice upon profit-gorged industrialists, and upon complacent or reactionary politicians: organized labor will not sit idly by and watch this nation drift slowly into depression and despair.

American can take many steps to improve our economic well-being. If we act now with resolution, we shall be spared more drastic actions.

We can halt the trend of recession through good-faith collective bargaining, and through thoughtful legislation. Both are necessary now—not at some remote day in the future.

Big Business at Fault

Unfortunately, big business has shown little interest in reaching good-faith agreement with their employees on economic policies to help our country. In industry after industry, management has arrogantly said "no" to the legitimate economic demands of the unions. The steel industry has taken the lead in saying "no." I know a little something about the arrogance of the steel industry, for my own union—the United Steelworkers of America — has tried to bargain in good faith with that industry.

We asked for wage increases, to restore the buying power of the pay envelopes of a million members of my union. We buttressed our requests with a solid wall of economic facts. But the steel industry said "no."

We asked for creation of a health and welfare fund, to help the employees of those great corporations when they are disabled or sick. But the steel industry said "no."

We asked for a pension fund, so that the steelworkers — who have given the best years of their lives to back-breaking toil—might have a few dollars in their pockets after retirement from their jobs. But the steel industry said "no."

Then, the President of the United States, anxious to avoid industrial conflict, suggested the appointment of a Fact-Finding Board—to find out the true situation in the steel industry. Again the industry, with the exception of a few companies, said "no." But, on second thought, the barons of the steel industry changed their minds. They consented, though with ill grace, to appear before the Fact-Finding Board of the President of the United States.

I wish that every worker, every American, could have attended the hearings of the Fact-Finding Board held at the Federal Court House in the City of New York. Never in all my experience have I heard such a continuous stream of absurdities, of ill-founded charges, of vicious allegations and malicious defiance of the government of the United States.

The steel industry, whose profits hover close to one billion dollars a year after taxes, would have you believe that it cannot afford wage increases or a welfare fund or a pension plan. The steel industry, which fought against OPA and price control and price stabilization, would have you believe that today it is fighting inflation!

Attacks Steel Industry

The steel industry has continuously lobbied against President Roosevelt's New Deal and President Truman's Fair Deal — but it has stood with outstretched hands to get every possible aid to business from our government. Yet today the steel industry wants you to believe that the appointment of a Fact-Finding Board is a form of industrial revolution; that payment of decent wages would somehow constitute a loss of liberty to the owners of that rich industry; that $70,000 pensions for corporation executives are right and just, but that $125 a month pensions for decent working people are unnecessary and will only encourage "incurable spend-thrifts."

What a display of arrogant nonsense—what a distortion of social justice— what a dislay of misguided enmity to the institutions of honest trade unionism and democratic government.

The steelworkers of the CIO do not intend to knuckle down to the power and defiance of entrenched corporate wealth. Other unions of the CIO, seeking to attain solution of the problems that beset their own respective industries, are similarly determined to carry on their own struggle for economic justice.

We are not seeking to fix an automatic wage pattern on all industry. Collective bargaining negotiations have been based on the particular abilities and the peculiar problems of each separate industry. Indeed, if any patterns are being set, they are being made by big business itself. Industry set a pattern of raising prices and encouraging inflation. Industry

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*Address by Mr. Murray delivered over the network of the American Broadcasting Company, Sept. 5, 1949.

The Living Wage For Steel Investment

By THOMAS D. HARRY
Independent Economist

Stating objective of Steel Workers' wage demands is to lower profits of industry, writer points out rate of return on investment below 5% would not be living wage to investor and therefore additional capital could not be obtained. Formulates dividing line between adequate and inadequate profits, and stresses difficulties in estimating long-range net earnings in steel industry. Criticizes Nathan Report on steel companies' profits.

I

A badly defined but wide difference of ideas about an obscure but vitally important point of economics seems to be the basic issue in the 12-year running battle between the United Steel Workers of America and the steel companies. Now erupting for the fourth time since the war, the dispute will lead to another steel strike on Sept. 14 unless some last-minute compromise is reached. The underlying conflict, however, is almost certain to crop out again later, for it seems to be receiving almost no recognition or direct consideration.

That basic issue is the rate of earnings which can be considered adequate on the owners' investment in American industries such as steel. Neither side seems willing to state its assumptions about what a living wage for owners' investment is, but both are maneuvering around positions based on sharply differing ideas regarding it.

The CIO and the Steel Workers union in particular seem to have a fairly definite goal to "redistribute the income of the steel industry" through higher wage rates and other labor benefits whenever the rate of earnings gets above 5%. This figure and this long-run objective can be discerned in a number of the articles and speeches by CIO and Steel Worker officials which have criticized business profits in general and steel profits in particular over the last 12 years.

This goal involves at least one important difference from the traditional tug-of-war between labor and capital over higher wages. The union is putting its main stress on seeing that the demanded increases are paid out of company profits and not by passing the higher costs on to consumers through higher prices of steel products.

In the present, fourth annual round of demands for wage and other increases, the union has rested virtually its entire case on the ability of the industry to pay them without raising steel prices and without reducing profits to an unreasonable level. Late in the hearings before the President's Steel Industry Board, Mr. Philip Murray said, "The workers in the steel industry do not want higher wages with higher prices, but they want higher wages with no increases in prices or even lower prices. They want their wage increases to come out of the tremendously inflated profits of the industry."

Should the Investor Object to Lower Return?

In this article we shall not attempt to set the question of investors' earnings into its proper place in determining wage rates. But it should clarify the steel dispute and hasten a workable and lasting solution if we answer the question: Is there anything for fair-minded investors to object to in the CIO-Steel Workers Union idea of demanding higher wages or other benefits when the industry's earnings exceed 5%?

The first major conclusion of this article is that such a rate is less than a living wage for investment in the steel industry. It is too low for at least three reasons:

First, a 5% ceiling on successful companies in good years makes too little allowance for the bad years and also for the other, less successful companies which investors' savings must also finance. The average of earnings over a fair sample of good and bad years and over a fair cross-section of American industry would work out too low to motivate investors to risk their savings in supplying equity capital for industry. Very possibly the net result would be a sizable loss.

Second, at best, an earnings ceiling of 5% would generally permit a rate of cash dividends little or no higher than the interest rate on much safer forms of investment. It would not compensate for the greater risks of common stocks in comparison with good bonds, mortgages, insured building and loan shares, some forms of insurance, etc.

Third, and extremely important, such a rate of earnings makes it a virtual certainty that the investors as a group will suffer a major loss of principal—probably more than half—whenever they individually have to sell some or all of their stocks to recover their savings in cash. The union is apparently thinking in good faith of a net return of 5%, including preservation of the original principal for the investors. But such a rate of earnings turns out in fact to be a heavy net loss for them.

If investors have put $100 of savings per share into the common stock of a steel company and the union allows it to earn only 5%, or $5 a share, that stock would not sell in the securities markets for $100. Even under the best stock market conditions it would probably not sell for more than $50 or so. In the very discouraged stock markets of 1946-49, it would sell nearer $25, and in some cases even less than $10.

As anyone familiar with common stocks knows, a steel company stock with peak earnings of $5 will not sell at $100 or anywhere near it, because at no time have steel stocks ever sold at 20 times earnings of prosperous years. One need not insist on using the low times-earnings rates prevailing in 1946-49, when steel stocks have been selling at six to less than two times their 1948 earnings. But the record of good years in the stock market points to a rate of 10 times earnings as probably the highest that one should expect until the market itself proves otherwise.

Unfortunately, a measurement of how savers make out on their investments in the ownership of American industry cannot avoid getting slightly into the mysteries and machinations of the stock market. To those to whom the mere touch of Wall Street is sufficient damnation of anything, a practical analysis of the economic dividing line between adequate and inadequate earnings on owners' investment in the steel industry will be unconvincing. There seems no alternative, however, since common stocks of big companies are sold through security markets typified by Wall

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From Washington Ahead of the News

By CARLISLE BARGERON

Once again the New Dealers or the Fair Dealers or the Welfare Staters are getting ready to pump their stock question to the "common" man—What freedom has been taken away from you?

Roosevelt the Great had a way every election time, of getting on the radio and suavely putting this question. It was effective, a complete denial of Republican claims that we were moving into statism. The "common" man would scratch his head and allow that no Cossacks were running him down; it must be that Roosevelt was right and the Republicans were giving him the bunk.

Carlisle Bargeron

The current crop of New Dealers have revived the theme. Senator Clinton Anderson of New Mexico uttered it a couple of weeks ago out in Ohio. There is no doubt that it presents a poser to the Republicans. It is difficult to explain to people that they have lost any freedom when they can still sound off in a saloon, when they go about referring to the President as Harry after the fashion of the headline writers. By the same token if you tell the people of the Eastern European countries that they have no freedom they would look at you as if you were nuts. If they stay out of politics they are permitted to go about as they please, just as is the "common" man in this country. You would certainly have difficulty in convincing the "common" man of Russia that he doesn't enjoy as much "freedom" as we do.

It strikes me, though, that the Republicans with a little hard work could show the "common" man in this country that under the guise of getting handouts he has lost considerable of his freedom, and to my mind, more important than that of still being permitted to shoot off his mouth in a saloon.

First and foremost, he has lost the knowledge of what his government is doing. He has no way of knowing whether it is getting ready to plunge him into another war. The Senators and Congressmen whom he elects to keep a watch on the executive branch of the government know very little more what is going on than he. This "common" man, and he has gotten plenty commoner in recent years, takes his little handout without the slightest conception of whether he is getting a fair shake. The largess is not being distributed evenly but the "common" man has no way of knowing this. He lives from hand to mouth with a promise of an unemployment and social security pittance while the Bureaucrats ride in Cadillacs and on private yachts and planes. He has lost the freedom to deal with this.

He has lost the freedom to use the money he earns as he sees fit. A third of it is taken for the support of the Bureaucracy which has convinced him it is doing something for him. He is told that only the rich pay the taxes and he has lost the intellectual freedom to challenge this. Yet he gives up his earnings in every loaf of bread he buys, every can of peas.

It is not being done at present but at the government's whim, his savings can be taken from him just because the Bureaucrats think he may spend us into inflation. "Siphoning off" his savings was the term used when this was being done. Similarly, he can now get certain household necessities or luxuries by paying 25% down, the government, in its wisdom having relented from requiring a third down payment a relatively short while ago. But maybe tomorrow or next week it may decide this "common" man is getting too lenient credit terms.

There was a time when this "common" man who owned his own home was looked upon as sitting pretty, nobody could throw him and his wife in their declining years, into the streets. He finds now that he has a perpetual rental on this home in the form of steadily increasing local taxes. And if he doesn't pay them he can certainly be thrown into the streets.

The greatest tragedy of the "common" man, I think, is that he has lost the freedom to get out of the groove and cease being a "common" man. He is now assigned to various blocs and a boss placed over him. He is a statistic. It isn't a case of his having a right to bargain collectively with his employer. He has to do this. He has been classified as a "common" man and for purposes of administration on the part of an all wise government, he must be grouped with the other "common" men.

An unusually good mechanic cannot catch the eye of his foreman and get a raise in pay or a promotion. The union prescribes his rate of pay and his only outlook for betterment is through the union. If he has unusual talents for leadership he may develop in the union to be a leader but the chances are he will get his skull cracked or lose his job in the process.

If he becomes dissatisfied with his job he can't quit and go to work for the employer across the street. The union seldom permits this because he then becomes a member of another local, his old union loses a dues paying member. Perhaps, a member of his family comes down with poor health and a change of climate is desirable. This "common" man cannot change to another community without the approval of the union he leaves and the one to which he wants to go.

This "common" man finds that when he gets a raise it has been a general raise for all the "common" men so there is really no raise at all.

Very probably the middle aged "common" man, having never gotten anywhere in life's buffetings, is content with this "stability" and a guaranteed pittance. But he has lost that freedom by which he used to entertain greater hopes for his offspring. In permitting himself to be frozen he has frozen them.

We have been talking about just the "common" man. There can be no question that men in higher walks of life, our community leaders, have lost their freedom of independence in leading. All too many of them, seeing the handwriting on the wall, are afraid to do anything but play ball.

Communism and Toryism: Twin Evils

By WILLIAM GREEN*

President, American Federation of Labor

Prominent labor leader, in Labor Day address, scores world Communism as seeking to enslave labor, and upholds President Truman's foreign policy. Extols trade union help in fighting cold war against Russia, and attacks "Toryism" as twin evil, opposing interests of labor. Defends "Welfare State" as goal of democracy, but denounces "Statism." Will fight for Taft-Hartley repeal.

In the time-honored tradition of Labor Day, we are gathered here to salute the workers of America, to pay tribute to their magnificent accomplishments and to give sympathetic consideration to their hopes and aspirations for the future. Throughout the ages, poets have sung the praises of honest toilers—and with good reason—for labor builds. It is truly constructive. Everywhere we look in our modern civilization, in our great cities and thriving farms, we see the monumental results of the labor of human hands, building, producing, growing, creating.

William Green

But there are destructive forces operating throughout the world forces which are animated by greed and lust for power, and which are constantly trying to seize all the benefit or to tear down all the good that labor creates.

It is time that the working men and women of the nation should be able to recognize these evil forces, at home and abroad, for what they are and to checkmate once and for all their destructive influences.

First and foremost among the hateful, corroding and inhuman influences of our age, I place World Communism.

I accuse World Communism of seeking power at any price, of keeping alive the threat of war, at a time when the human race recognizes that war is the greatest curse and destroyer of mankind, and of exterminating human freedom and liberty over vast areas of the earth by the most cruel and forceful methods imaginable.

Finally, I accuse World Communism of reviving slave labor on a mass basis, thereby destroying the dignity of the individual and reducing him to the status of a prisoner of the State, without a soul, without a mind of his own, without a reason for existence.

These charges are fully borne out by the disgraceful record which has been made—a record so shameful, so sinister and so inexcusable, and even those who manifested a tolerant and sympathetic attitued toward the Communist philosophy have now become thoroughly disillusioned.

The aggressive cold war carried on by Soviet Russia following World War II among the nations throughout the world, constitutes a challenge to those who are devoted to the preservation of individual and collective freedom and liberty. They are united in their opposition to the substitution of the totalitarian form of government for democracy and government for the people and by the people.

Events which have taken place have aroused within the hearts of freedom-loving people, feelings of grave concern and apprehension. They yearn for the realization of international peace and security. They are disappointed over the fact that an agreement providing for these benefits and blessings has not yet been reached. They have noted carefully through press reports and an examination of the record made thus far that one nation, Soviet Russia, has consistently blocked all efforts toward the negotiation of an international agreement which provides for international peace and security.

A number of free democratic nations have been brought under and within the Iron Curtain. The invasion of Asia by the Communist forces and the threatened reduction of China to a Communist State, make clear the policy of Soviet Russia to establish Communism and Communist control throughout the world. As the picture unfolds on international affairs, it becomes increasingly clear that the people of the United States and in most of the free democratic nations throughout Europe, concentrated their thoughts and efforts following the conclusion of World War II to bringing about the realization of international peace and security. This fact is reflected in the organization of the United States, in the peace conferences which have been held and in the valuable contributions which have been made by free nations toward the development of understanding, goodwill and peaceful cooperation between all nations throughout the world.

Now, we clearly see and understand that while we were engaged in this commendable work that the Soviet Government was capitalizing on hunger, discontent and human suffering which was the inevitable result of the war and through infiltration among the labor groups and others who were moved by feelings of discontent, influenced them to promote revolution, overthrow their free democratic governments and establish Communism and the totalitarian form of government.

The purpose of the Soviet Government in the Balkan States, in the campaign it carried on in Italy, France, Greece and other European countries in Asia and elsewhere, makes it clear that its objective was the establishment of Communism and the Communist philosophy throughout the world rather than the consummation of a peace treaty among the allied nations of the world which would provide for international peace and security, but the United States, Great Britain and other free democratic nations in Europe quickly grasped the facts and as a result took action having for its purpose the preservation of the free democratic form of government in the free democratic nations of Europe and the prevention of the extension and growth of Communism.

This action taken by the free democratic nations of the world served to prevent immediate war and, in addition, to block and stop the growth and extension of Communism in the starving nations of Europe.

Upholds Administration's Foreign Policy

Great credit must be extended to President Truman and to the leaders of our country whose courageous foreign policy, backed up by bi-partisan support from Congress, helped to stiffen world resistance against intimidation from Moscow. First, the European Recovery Program and now the Atlantic Pact have demonstrated to the people and to the free governments of Europe that America means what it says. Our insistence that peace and freedom must be preserved, our willingness to pay vast sums to help preserve them and our pledge to fight if necessary to defend other free and peaceful peoples from aggression, have been proven in a decisive and convincing way.

While extending full credit to the leaders of our government and to those of the nations of Europe who have collaborated faithfully with us, I feel that in all fairness the trade union movement of America should also be accorded recognition for the remarkable success of its efforts to win the cold war.

This story has not been emblazoned in the headlines by the radio commentators—so it must be news to most Americans.

When the last war ended, the American Federation of Labor foresaw the strategy of the Communists. We anticipated what would happen—and did happen in Czechoslovakia — if the Soviet forces were able to capture control of organized labor in Europe. We, therefore, begged and pleaded with the occupation authorities of our own country to help and encourage the prompt revival of free trade unions in Germany. We sent some of our ablest men across the ocean to see that the job was done right. We gave money, equipment and moral support to the rebuilding of the free trade union movements of Italy and France and other nations. Against fearful odds, we combatted Soviet attempts to enlist European work-

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*An address by Mr. Green at Labor Day celebration, San Diego, Cal., Sept. 5, 1949.

Monetary Management—No Substitute For Sound Fiscal Policy!

By RENO P. ODLIN*
President, Puget Sound National Bank, Tacoma, Wash.

Pacific Northwest banker traces origin and development of Federal Reserve System, and analyzes recent statement on credit policy by Federal Reserve Board. Points out original purpose of Federal Reserve System has been neglected, and contends additional monetary or credit powers of Board are not needed. Stresses importance of sane fiscal policy, with sound taxation, debt management and budget policy as basis for sustained economic advancement.

About two months ago, to be exact on June 24, my associate on the Federal Advisory Council, Dr. W. Randolph Burgess of New York, delivered a lecture to the student body of the Graduate School of Banking of New Brunswick. The lecture was titled "The Future of the Federal Reserve System".[1] It is available in pamphlet form from the American Bankers Association. I suggest that you who are interested in a very clear and learned study of the Federal Reserve System send for a copy of the pamphlet.

Reno P. Odlin

Dr. Burgess, whose intimate knowledge of the Federal Reserve System and whose rank as an authority is well known to you, discusses in his lecture the critical questions of the relation of the System to the Treasury, the balance of power within the System, and the trend toward control of banking by the System. As his conclusion he warns of the drift toward concentration of power in Washington through unjustifiable additions of controls and power of regulation in the Federal Reserve.

He believes that the traditional powers of the Federal Reserve System to influence the cost and volume of credit are sufficiently powerful instruments for moderating business fluctuations and provide an adequate degree of monetary management.

And he warns that everyone should recognize that the Reserve System is only one of many influences on business fluctuations. He says:

"The final result reflects many causes: the wisdom or unwisdom of businessmen in accumulating inventories, in starting new ventures, in keeping production costs and selling prices down; the soundness of labor union policies; the international situation; the thousands of ways government stimulates or retards activity; the spending or saving habits of the individual, etc. The Reserve System is no substitute for sound policies in all these areas, nor can it wholly offset unsound policies. In the long run, the economic trend reflects the stresses and the strains from all these fields."

I commend this lecture to your attention.

New Central Bank Policy

I thought it proper to devote my attention tonight first to the so-called new phase of central bank policy which was inaugurated on June 28 when the Open Market Committee issued the following statement:

"The Federal Open Market Committee, after consultation with the Treasury, announced today (June 28) that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business and agriculture it will be the policy of the committee to direct purchases, sales and exchanges of government securities by the Federal Reserve Banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the government security market and the confidence of investors in government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased."

There has been elaborate interpretation of this announcement and speculation as to its meaning.

For example, the July 27 issue of the "Guaranty Survey" of the Guaranty Trust Company of New York has this to say:

"The committee's statement indicated that its primary endeavor henceforth would be to increase the supply of funds available to meet the needs of business, rather than continue to maintain a relatively fixed pattern of interest rates on government obligations through the sale of such securities, a policy which had the effect of withdrawing funds from the money market. . . . The exact nature of the new policy, especially in its longer-term aspects, has been a subject of considerable discussion in financial circles since the statement was issued. For the immediate future, the change seems to point clearly in the direction of 'easier' money. The main question is whether this supposedly expansionary influence will be followed by correspondingly greater credit restraint when the economic balance swings again toward the infaltionary side.

"On its face, the committee's statement leaves room for the inference that such restraint will be attempted — in other words, that the wartime policy of maintaining rigid stability in the government bond market will be relaxed in favor of a policy aimed at greater stability in commodity prices and business in general. If this is the case, and if the experiment proves successful, a significant step toward healthier economic conditions will have been taken.

"The wording of the statement has been criticized in some quarters as ambiguous. Certainly different implications can be read into different parts, and the committee has left itself (as it probably intended to do) considerable latitude in the choice of specific courses of action under varying conditions. Read as a whole, however, the announcement must in fairness be interpreted as indicating at least a temporary and perhaps a permanent shift of emphasis toward greater flexibility and a broader objective of central-bank policy."

Monetary Developments

In analyzing the significance of this new statement of policy, it would perhaps be advisable to review the monetary circumstances of the last few years and to bear in mind the developments in that field since, say 1935.

In 1935 the banking system of the United States began piling up excess reserves to an extent never dreamed of before. These reserves in considerable part developed from a flow of capital and gold from Europe into this country on a tremendous scale. The gold, it will be recalled was valued at $35.00 an ounce in comparison with the former long-standing rate of $20.67 an ounce. Reserves mounted steadily and simultaneously short-term money rates drifted steadily downward until at one stage there was actually a minus yield on United States Treasury bills. Even the demands of the Federal Government for deficit financing did not result in contraction of excess reserves or in firming of interest rates. In 1936-37 bank reserve requirements were increased and the problem of excess reserves became the principal concern of the banking system and of the monetary authorities. There was a brief slump in 1938, and reserve requirements were reduced somewhat from the 1937 level.

In November, 1941, bank reserve requirements were substantially raised to attack the inflation problem, and this action cut excess reserves substantially, but still left them at a figure near four billion.

We then entered the war and in the light of probable financing requirements of the government, rates began to stiffen. There developed at this point the so-called "pattern" of interest rates which prevailed throughout the whole war period — $\frac{3}{8}$% on Treasury bills, $2\frac{1}{2}$% on the long-term bonds, and a curve in between the two reflecting the yields for intermediate maturities. In other words, an arbitrary "pattern" was adopted, and the classical relationship between excess reserves and money rates disapeared.

The war-time "pattern" of rates was slowly modified after the war had ended. But in the process of maintaining the rate "pattern" the reserve banks had increased their holdings of government securities from around two billion dollars at the start to some $24 billion at the end of the war; and on this reserve base the banking system absorbed a tremendous amount of government securities.

In July, 1947, the repurchase option on Treasury bills, which had the effect of making them almost the equivalent of cash, was terminated by the Federal and the rate on bills rose sharply and continued to rise to around $1\frac{1}{8}$%. The rate on certificates rose in a parallel "pattern." Late in 1947 the longer-term government securities began to show the effect of increasing demand for credit and were bought by the Federal Reserve in considerable amounts in order to maintain the long-term $2\frac{1}{2}$% rate.

On Dec. 24, 1947, the Open Market Committee reduced its buying prices for bonds, and yields on some maturities rose very sharply; but to support this policy the Reserve System was obliged to buy large quantities of bonds. The holdings of bonds rose from one billion in late 1947 to over 11 billion in the latter part of 1948. Short-term holdings declined in somewhat the same amount so that the total holdings of the System did not increase materially.

During this era it was argued rather strongly in many quarters that the Reserve System should turn loose the pegs and permit its holdings of governments to decline in order to eliminate excess reserves, stop the expansion of bank credit and thereby brake the inflationary trend. This, however, would have involved the abandonment of the support of the government bond market, which the Federal Reserve was not willing to do. There were strong arguments on both sides of that particular question; many people believed the cost in inflationary price rises was greater than the value of maintenance of the pegs and that they should, therefore, be dropped; others feared that a withdrawal of the supports would have a disastrous effect and that the supposed cure would be worse than the disease. Every thinking person recognized that the Federal Reserve authorities were faced with a very difficult dilemma and that either course of action—abandonment or support of the bond price level—carried with it very serious risks and potentialities.

Around the latter part of 1948, however, the question seemed to solve itself to some extent. Bank loans turned downward and the expansion of bank credit became a contraction. The problem of restraining inflation disappeared and became rather a problem of cushioning a deflation.

This very sketchy background will perhaps serve to set the new policy pronouncement in the right scenery and clarify its meaning. The Federal Reserve is no longer withdrawing funds from the money market to restrain inflation; it has turned to an affirmative policy of providing funds to increase the availability of credit.

No Credit Shortage

It seems proper to comment that the Open Market Committee probably did not mean to suggest that there was a credit shortage. There is certainly no such thing at the moment. Commercial bank loans have gone down substantially during the past seven months, not because of lack of availability of credit but because of a let-down in the demand for credit. There have been in the history of the country many shortages of credit, but that is a situation which most certainly does not present itself today.

We have had exceptionally "easy money" conditions in this country for many years past. The addition of funds into the money market today can hardly be expected to have much effect other than psychological. Bank loans will expand when the demand for loans increases and lower rates

(Continued on page 33)

[1] Published in the "Commercial and Financial Chronicle" June 30, 1949 (p. 2) under title "The Federal Reserve System Emasculated."

*An address by Mr. Odlin at the Pacific Coast Banking School, University of Washington, Seattle, Wash., 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 — Monthly commercial letter — The Canadian Bank of Commerce, Toronto, Ont., Canada.

Dow Theory Barometer—Weekly stock market advisory service—$45 per year; $25 for six months; $12.50 for three months: $5 for one month — Gaylord Wood, 212-F North Andrews Avenue, Ft. Lauderdale, Fla.

Eight Ways to Invest $10,000 in common stocks—In the September issue of "Monthly Stock Digest"—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is a circular on **Iowa Southern Utilities Co.**

Guaranteed Railroad Stocks—Discussion in current issue of "Railroad and Other Quotations"—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

In the same issue is data on **New Orleans Great Northern Railway.**

New Market Letter—New type of market letter, prepared by Edmund Tabell, based on technical market studies and especially designed for institutions and dealers, discussing short-term, inter-mediate and long-term trend of the stock market and reviewing industry groups according to their favorable, unfavorable or neutral market action—sample copy from Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N.Y.

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

Point and Figure Trend Chart Service—Any 50 New York Stock Exchange issues of subscribers selection posted to date twice monthly—also **Special Opportunities**—a group of up-to-date charts with technical analyses and Owen K. Taylor's Buy and Sell Recommendations — both services together $50 quarterly; "Special Opportunities" alone, $50 semi-annually.

Special offer F-1—$5 for samples any three trend charts posted up-to-date of mailing and sample of current "Special Opportunity" ready to move—mention offer F-1—Owen K. Taylor, 37 Wall Street, New York 5, N. Y.

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

Commercial Credit Company—Detailed memorandum — Stein Bros. & Boyce, 6 South Calvert Street, Baltimore 2, Md.

Consolidated Gas Light & Power Co. of Baltimore — Circular — Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available are circulars on **Manufacturers Trust Co., Owens-Illinois Glass Co.,** and **Rockwell Manufacturing Co.**

Food Fair Stores — Circular — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Gimbel Brothers, Inc.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Hermosa Beach City School District — Analysis — Wagenseller & Durst, Inc., 626 South Spring Street, Los Angeles 14, Calif.

National Motor Bearing Co.—Circular — Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Also available is a circular on **Philip Carey Manufacturing Co.**

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

Rayonier, Inc. — Circular — DeHaven & Townsend, Crouter & Bodine, Packard Building, Philadelphia 2, Pa.

Servel, Inc.—Memorandum—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Unions Should Be Subject To Anti-Trust Laws

By ROGER W. BABSON

Mr. Babson, pointing out political and economic changes in last half-century have given labor organizations an upper hand in industry and have made them a dangerous monopoly, advocates Anti-Trust laws be amended to prohibit labor unions from fixing prices, wages or output.

I am a good friend of every wage-worker, having long been one myself. During World War I, I was appointed by President Wilson at the request of Samuel Gompers, the then President of the American Federation of Labor, to be an Assistant Secretary of Labor. I worked closely with the leading labor leaders for some time and became fond of them. I think they also respected me.

Roger W. Babson

When the Clayton Anti-Trust legislation was enacted, I strongly favored the exemption of labor unions from the Act. Management then was very strong; it fought both collective bargaining and manipulated prices. In 80% of conflicting cases the courts ruled against labor when labor was only honestly endeavoring to improve conditions. The membership of all labor unions was then only about 1,000,000. Prices were being fixed; but wages and output were left to "supply and demand."

Today, the situation is wholly reversed. The labor unions number about 15,000,000. The courts are now more friendly to labor than to management. Collective bargaining is enforced by law. The fixing of prices or output by management is criminal; while the fixing of wages or output by labor is upheld by the courts. Therefore, today management instead of being top dog is the under dog. Consumers today suffer by fixed wages and output even more than they did by fixed prices.

Political Changes

Fifty years ago the political situation was vastly different. Senators then were not elected by the people, but were appointed by the Governors. Hence, most of the Senators were either officials of big corporations or wealthy men. The Supreme Court was then made up of great lawyers most of whom had previously served large corporations. There was no income tax in those days. All these things gave management an advantage over labor and explains why I felt labor unions should be exempt from the Anti-Trust law.

Today the Senators are elected by popular vote. The Supreme Court consists mostly of men who were never officials of large corporations but mostly men in humble circumstances. In those days wage workers usually voted with their employers; while today most of them think it's smart to vote directly contrary to what their employers recommend. Labor unions have much more power today than management had 50 years ago.

Small Businessmen

Those were days when every small businessman had a chance to become a big businessman. Today under the present income taxes it is very difficult for any small businessman to compete both against big business and big labor unions. Today the big corporations are "frozen" big; while the little businessmen are "frozen" little. If you have any doubts about this, write my friend Ernest H. Gaunt of Haverhill, Massachusetts, who has made an intimate study of this situation.

Fifty years ago national advertising was unknown except in the case of patent medicines and there were only a few national weeklies, and they had small circulations. The "Saturday Evening Post" then had only a 100,000. As a result, advertising rates were so low that the small businessman could afford to advertise as well as the large corporation. Today advertising rates are 25 times what they were then. The small businessman cannot now afford national advertising as he is obliged to pay the same rates per page as the big operators.

What The Nation Needs

Today labor unions have a greater and more dangerous monopoly by fixing prices and output than management ever had. Hence, the Anti-Trust laws should now be amended to include labor unions and forbid the fixing of prices, wages or output. If the people, through their legal representatives, want to "fix minimums" this should be permissible, but only through proper legislation. Furthermore, if there need be any exemptions to the Anti-Trust laws, these should be in favor of the small businessman. He today, is really in the same unfortunate position that labor unions were 50 years ago.

Business Man's Bookshelf

Book Industry, The—William Miller — Columbia University Press, Morningside Heights, New York 27, N. Y.—cloth—$2.75.

Cases in Credits and Collections — Theodore N. Beckman and Schuyler F. Otteson — McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 18, N. Y.—cloth—$4.50.

TVA Idea, The—Dean Russell—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—75¢ per copy (lower rates on quantity orders).

M. E. Herndon With Jackson & Smith

CHARLOTTE, N. C.—Marion E. Herndon has become associated with Jackson & Smith of Gastonia, N. C. Mr. Herndon was formerly with Louis G. Rogers & Co. and prior thereto conducted his own investment business in Charlotte.

With Barrett Herrick Co.

ST. LOUIS, Mo.—Nick K. Kiriakos, Jr. has become affiliated with Barrett Herrick & Co., Inc., 418 Locust Street.

Illinois Brevities

Municipal bond dealers in Illinois and elsewhere throughout the country are giving increasing attention to the highly controversial Housing Act of 1949 which became law on July15. The interest of dealers is quite understandable as the bill is expected to result in the issuance of about $7 billion of local housing authority tax-exempt bonds during the next six years. This figure is approximately 30% of the estimated total of $19.5 billion of State and municipal bonds currently outstanding. Referring to the nature of the proposed obligations, the August bulletin of the Federal Reserve Bank of Chicago commented as follows:

"The bonds will be issued serially with maturities running from one to 40 years. Since the longer maturities — above 20 years — will exceed those of most outstanding tax-exempts, there is some reason to believe that an additional market must be forthcoming, or else the yields of these tax-exempted bonds may tend to equate the yields of long-term governments on an "offer taxes" basis. It is commonly held that maturities under 20 years may prove attractive to investors interested in the tax-exemption feature. Moreover, these shorter issues may sell at net yields considerably under even the higher grade state and municipal issues."

Says Crisis Approaches in U. S. World Trade

In the current issue of "Business Comment," a bulletin issued each month by the Northern Trust Company of Chicago, there is an analysis of the crisis in our international trade. According to the article:

"Trade and balance of payments problems between the United States and important areas of the world seem to be approaching a crisis. The difficulty arises out of the very large excess of our exports over our imports—the fact that many other countries need or wish to buy from us much more than we are willing or able to buy from them. Large loans and grants by this country since the war were intended to fill the gap until necessary solutions were found to the balance of payments problems of other countries arising out of the war. The return of buyers' markets and basic differences in costs and price levels between countries, together with the disposition in this country to put a limit to our aid, have accelerated the necessity for finding other means of narrowing the gap.

"In considering this problem, we are prone to think primarily of the corrective measures that other countries must adopt and only secondarily of the impact of such corrective measures on us or of the steps that it may be desirable or necessary for us to take in contributing to a solution of these difficulties. Trade is a two-sided affair, and some of the corrective measures now being suggested may have an adverse impact on business in this country. In an effort to forestall this impact, we may do things here that nullify the corrective effect of foreign action. On the other hand, this country could, by its own action, facilitate the readjustments that are required to put international trade on a firm foundation and to make unnecessary continuous large grants in aid or questionable loans by our Government.

"The excess of our merchandise exports over imports was $6.7 billion in 1946, $10 billion in 1947, and $5.7 billion in 1948. In the first six months of 1949, the excess was $3.2 billion, compared with $3 billion in the same period a year ago. The narrowing of the gap in 1948 as compared with 1947 was caused by a $2.6 billion, or 16% fall in our exports and a $1.6 billion, or 26% rise in our imports. Thus far in 1949, our exports have been above a year ago, while imports have declined slightly.

How Imports Can Be Increased

"The gap between our exports and imports can be narrowed or financed in three ways other than by continuing aid on a large scale. One way is to increase our imports and, if that could be accomplished, it would be the preferred solution because it would give us tangible and immediate returns for our exports, which subtract from the supply of goods in this country and are a national waste of effort and resources unless we get something useful in exchange for them. In the postwar period, imports have been slow in recovering prewar relationships to our national income, partly because of reduced need for foreign materials as a result of scientific developents — such as synthetic fibers and rubber in place of silk and crude rubber—and partly because of slow recovery of production abroad. Chiefly, however, foreign sellers cannot match our goods in quality or price.

"A partial solution to the problem of relative prices is the devaluation of foreign currencies that appear to be overvalued in relation to the United States dollar. Devaluation of the British pound, for example, would make British goods cheaper in terms of dollars unless prices rose there. The American manufacturer of wool cloth or leather products might be adversely affected by cheaper British goods. If this country should increase tariffs on those products, or otherwise limit imports of them, then the balance of payments problem would remain as acute as ever, and might be worsened as a result of the disruption caused by devaluation. Similarly, we impress upon foreign countries the necessity of cutting costs by working harder and restoring the incentives to enterprise that would make for efficient production. But are we willing to face, in an open market, the intensified competition that may result from such measures in foreign countries? Will we react by increasing tariffs or taking other steps that will 'protect' us from such competition, particularly if unemployment should increase here? Undoubtedly, uncertainty with respect to the reaction of this country to certain corrective measures is holding up action, although there are other deterrents also.

"Equally difficult questions arise if the gap is to be narrowed by reducing our exports. Over a long period of years the agricultural exports of this country have diminished in volume and in relation to our total exports. During and since the war, however, our agricultural exports expanded tremendously. A part of the readjustment of international trade and balance of payments to more 'normal' patterns, or at least to prewar patterns, may involve a considerable reduction in export prices or in the volume of our agricultural exports as foreign production expands and as other exporting countries resume their traditional share of the world market. But what then is to be done with the surpluses of agricultural commodities that may pile up in this country as a result of reduced exports? Time, in the form of increased populations and shifts in dietary habits, may solve this problem, but the immediate solutions are more difficult. Many other industries in this country are dependent on foreign markets for the sale of an important part of their production. Certainly an enlargement of export opportunities, rather than a restriction of them, is the desired outcome.

"The gap between exports and imports is now being filled in part through travel expenditures and private investments abroad. Travel of American citizens in foreign countries involved the expenditure of over $600 million in 1948. Foreign nationals traveling in this country spent about half that much here, being held down by restrictions limiting the amount of dollars that could be spent for that purpose. Because of higher incomes here, the excess of our spending on travel abroad over foreign spending here should increase, particularly if foreign currencies are revalued, though the net amount may remain small in relation to the present gap between our exports and imports. Similarly, expanded use of foreign vessels and other services could help fill the gap.

Increasing Private Investments Abroad

"Our private investments abroad could increase greatly. At the end of 1947, our total private foreign investments amounted to $16.7 billion, of which $9.4 billion consisted of direct investments by American business in foreign enterprises and $5.7 billion consisted of private holdings of foreign securities. The latter so-called 'portfolio' investments have been declining since the late 1920's as a result of unfavorable experience with such investments since then. But our direct investments are increasing. In 1948 new direct investments abroad amounted to $1.3 billion, an important part of which represented the development of foreign oil resources. It has been estimated that this country could average at least $2 billion a year in private investment abroad. Foreign investment is hindered by political instability or by obstacles which have been placed by foreign countries in the way of American investments. The Point Four program of the Truman administration is designed to enlarge our participation in the development of foreign resources, as is the limited guarantee by the Export-Import Bank of the availability of exchange to recoup dollars invested abroad.

"Forthcoming conferences in Washington, particularly between British, Canadian and American representatives, will deal with the problems arising out of inability of the sterling area to earn sufficient dollar exchange to make the pound convertible. Britain's problem is the reverse of ours—finding ways to reduce imports, increase exports, or other means of paying for her excess of imports over exports. A part of the solution may involve an acceleration of our stockpiling program, requiring the purchase of larger amounts of rubber and metals abroad. But this is only a partial and temporary solution. The conclusions of the conference may well decide whether, during the next few years, international trade is to be diminished by further restrictions on trade between the dollar and sterling areas, or whether the solution is to come through expansion of trade and investments. In either event, individual business enterprises in this country may be harmed—by a restriction of our exports on the one hand, or an increase in foreign competition in our markets, on the other. We face the problem of having the cost of readjustment fall on the individual lines affected by these developments or on the country, collectively, by higher tariffs or continuing foreign aid."

Benjamin F. Musser With Bache & Co. in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Benjamin F. Musser has become associated with Bache & Co., 135 South La Salle Street. He was formerly with Union Security Co. and in the past was with Brailsford & Co.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, COLO. —Joseph L. Hovland has become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue, Kansas City, Mo.

With Norman Dacey Assoc.

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, CONN.—Henry C. Olive, Jr. is now with Norman F. Dacey & Associates, 322 Main Street. Mr. Olive was formerly with Trusteed Funds, Inc.

Cruttenden & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Vincent J. Bolger is with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Madelon L. Matthews and Kenneth E. Rebstock are with King Merritt & Co., Inc., 1211 First Street, North.

Aubrey G. Lanston Co. Formed in N. Y.

Aubrey G. Lanston announces that he has formed the investment firm of Aubrey G. Lanston & Co. Inc. to deal primarily in United


Aubrey G. Lanston


Leonard M. Horton


Philip D. Holden


Le Roy M. Piser


John D. C. Towne, Jr.

States Government, state and municipal securities. The company will open offices at 15 Broad Street, New York City, on Tuesday, Sept. 20.

Mr. Lanston, formerly executive Vice-President and a Director of The First Boston Corporation, will be President of the new firm. He has had more than 20 years experience in the security business, having been continuously associated with The First Boston Corporation since March, 1929, except for a leave of absence in 1934 when he was loaned to the Treasury to be Technical Assistant to the Secretary in connection with the Treasury deficit financings of that period. Mr. Lanston is widely recognized as an outstanding authority of Treasury security and money markets.

Mr. Lanston disclosed that the company will have a starting capital of $1,400,000 and that the principal stockholders, other than himself, will be Archibald R. Graustein, formerly President of the International Paper Company, and William Rosenwald, son of the late Julius Rosenwald, who was President and Chairman of the board of Sears, Roebuck & Co. He stated that the company hopes to transact its business on a nationwide basis from its New York office, and that although it will specialize in handling U. S. Government and municipal securities it will not confine itself exclusively to these fields.

Other officers of the firm include Leonard M. Horton, Vice-President and a Director, John D. C. Towne, Jr., Philip D. Holden, and Leroy M. Piser, Vice-Presidents. Mr. Horton recently recently resigned as Vice-President in charge of the Wall Street Division of the Chemical Bank & Trust Company to assume his present post. He was connected for many years with the securities activities of the bank. Mr. Towne, a former officer of The Guaranty Trust Company of New York, more recently was in charge of the Government (securities) Department of Blair & Co., Inc. Mr. Holden left the commercial banking department of the Chemical Bank & Trust Company to enter the naval service during the last war and became Commanding Officer of a destroyer escort unit. After the war he returned to the Chemical as an assistant Vice-President in its Wall Street Division. Mr. Piser, who will direct the company's research into business conditions, the money and security markets, was chief of the Government Securities Division of the Federal Reserve Board before he became an assistant Vice-President of The First Boston Corporation.

Statism—A Disease To Be Conquered

By YOUNG B. SMITH*

Dean, School of Law, Columbia University

Asserting durability and desirability of a free society is being challenged by advocates of statism, Columbia University Law Dean urges stronger educational efforts to impress masses of danger of loss of their individual freedoms. Says responsibility for this action lies with teachers in grade and high schools as well as instructors in higher institutions. Says we stand on threshold of critical period in our history.

The free society in which we live is comparatively new in the long history of mankind. From the times of the Caesars and the feudal lords and princes of the middle ages, until the revolts in England, in France and in America, the ordinary man was little more than a slave or serf who knew nothing of the rights, privileges and immunities which we enjoy today. These freedoms, which we more or less take for granted like the air we breathe, were not easily won. They are the result of centuries of struggle by courageous men and women, like the settlers of these mountains, who were determined to rid themselves of despotism and oppression. Kings were beheaded or dethroned, but new forms of oppression arose to take their place.

Young B. Smith

Following the industrial revolution and the rise of the machine age, men found themselves as much oppressed by economic forces as they had been by the political tyrants two centuries before. The struggle during the last hundred years has been directed largely toward controlling these economic forces so as to prevent them from destroying the rights, privileges and immunities that had been wrested from the political tyrants. That battle has been largely won, although adjustments must be made in the organization and operation of our economic life in order to strengthen the free society in which we live and assure its benefits to all of its members.

A Challenge to Free Society

If the victories won are not to be lost, the struggle must go on. Today the belief in the durability or desirability of a free society is being challenged by the advocates of some form of statism, whether it be fascism or communism. Already a large part of the world is enslaved by this new form of despotism. We must be alert to recognize this threat to our way of life whenever and wherever it appears and to combat it at every stage. Statism, whatever the form, is an insidious social disease because it thrives on human misery and fears. It promises security and happiness to those whom it would enslave, but in the end, destroys first the freedom, then the happiness and finally the security of its victims.

Unfortunately, there are well meaning but misguided individuals who have been fooled by clever arguments into believing that a collectivist society is the only means of solving present-day problems; that due to the specialization in labor and the resulting inter-dependence of groups, the individual is no longer capable of taking care of himself; that only the State can protect him from exploitation and provide him with the necessaries of life.

It is true that our present social and economic organization has produced powerful monopolies, due to the concentration of ownership and control of raw materials and the instruments of production, and to the organization of labor unions which, if not controlled by law, could destroy the freedom and security of the individual. But the elimination of this evil does not require that the State take over and conduct our economic affairs. This inevitably would reduce the individual to the status of a slave of the State and human freedom as we know it would be gone.

There is a vast difference between the prevention by law of abuses of power which threaten the welfare of the people as a whole and complete domination by the State of the conduct of economic affairs. Prevention by law of abuse of power does not destroy individual initiative within legitimate areas of activity, whereas State ownership and operation of the instruments of production and service would eliminate individual initiative in our economic life. In areas where individual initiative has failed there may be justification for State intervention, but intervention should be limited to such areas and watched with a jealous eye lest we find ourselves completey dominated by an all-powerful state.

Individual—Mainspring in American Life

It should be remembered that individual initiative has been the mainspring in American life and has provided for us in this country the highest standards of living to be found in the world. The contention that individual initiative can no longer be relied upon to get things done is completely refuted by the almost miraculous performance of the free men and women of America in the last war. This and our superior performance to that of so-called socialized nations during the period of readjustment following the war should make us hesitate before abandoning a way of life that has kept us strong.

In a recent address by President Eisenhower, of Columbia University, he pointed this out in eloquent words. I shall read to you what he said.

"More than ever before, in our country, this is the age of the individual. Endowed with the accumulated knowledge of centuries, armed with all the instruments of modern science, he is still assured personal freedom and wide avenues of expression so that he may win for himself, his family and his country greater material comfort, ease and happiness; greater spiritual satisfaction and contentment.

"When even the rudiments of knowledge were possessed by only a privileged few, when man's appalling ignorance handicapped his participation in government, there was ground to believe that an all-powerful state had to rule each subject's life from the cradle to the grave. That ground has diminished with each year of our Republic's existence. None remains today. The free individual has been justified as his own master; the state as his servant.

"In World War II, we Americans welded into a cooperative unit the enterprise, initiative, spirit and will of many million free men and women; we crossed the oceans, joined with our allies, crushed two regimented tyrannies whose power was frightening; at the same time, we rescued from industrial disaster an ally whose communist economy, we are now told, is the only means to a world of plenty.

"If in the tragic waste of war, we could so magnificently prove the strength of our system, founded on human freedom, what challenge is there in the future that we cannot meet?"

The defeatists who can see no hope for us without a collectivist society are unconsciously the carriers of the germ of statism. Like the mosquito and the fly, which appear harmless on the surface, their bite may innoculate us with a death dealing germ.

President Conant, of Harvard University, stated recently that a university should study Communism for the same reasons it studies cancer; that is, to ascertain its causes, its effects, its prevention and its cure. With this I agree, but that is not enough. A university also should examine with the same critical and objective attitudes our own political and economic structures, with a view to discovering their defects and to devising ways and means of removing them. The breakdowns in our own system weakens our resistance to paternalistic measures of government, which, if carried too far, eventually leads to statism.

Public Must Be Made to Feel Danger

To combat successfully this enemy of human liberty and human dignity, it is not enough that the more fortunate members of our free society who, because of superior intelligence, education or position, are aware of the danger. The great mass of people must understand the nature of the threat and appreciate the inevitable consequences if some form of statism is fastened upon them.

It is not enough merely to profess a belief in American institutions or to decry alien ideologies. Our people must understand why our free institutions are worth preserving and why these alien ideologies are a delusion and a snare. To accomplish this our people must be acquainted with the basic facts concerning the history, the structure, the operation and the consequences of both, in order that they may evaluate them accurately. This will not only immunize them against false propaganda, but will also give them a truer appreciation of the meaning of liberty and greater confidence in our free institutions In the performance of this task the teachers in the grade schools and in the high schools must take an important part because it is in these schools that most of our people obtain their formal education.

You who are to become teachers in these schools not only bear a heavy responsibility, but you will have the opportunity to strike a telling blow in the present struggle between those who would preserve individual freedom and initiative and those who would subordinate the individual to the state.

We stand on the threshold of a most critical period in our national history. America finds herself in command of enormous wealth and power. The free nations of the world are looking to her for leadership. Whether this wealth and power shall be used for good or evil; whether we shall maintain this position of leadership; will depend upon the capacity of our people to make wise decisions and to discharge effectively the responsibilities that have fallen upon them. Never has there been greater need for men of intelligence, of wisdom, and of courage. Never has it been so important that public opinion should be shaped by straight thinking and sound judgment. Whether we are successful, or whether we break under the strain, will depend largely upon the ability of our educational institutions to equip our people to recognize the truth and to extend the boundaries of freedom to new horizons.

*An address by Dean Smith delivered at the Appalachian State Teachers College, Boone, N. C., Aug. 25, 1949.

Securities Salesman's Corner

By JOHN DUTTON

Too often, when declining markets come along, many securities salesmen fall into a rut of their own pessimism. It is so easy to follow the lines of least resistance—to follow the crowd. The power of suggestion is great—falling markets day after day, slow business, complaining customers, gloom peddlers in every office, all add up to a cumulative effect wherein many salesmen unsell themselves. Yet time after time these periods pass away. Markets recover. Markets have always recovered. Pessimism has changed to optimism time and again. A few who have recently bucked the trend have once more bought good values, obtained higher yields, and now have substantial profits. The rest have done the same old thing over again—they have missed the boat.

Bill Healey of Comstock & Co., Chicago, who writes us some interesting views every once in a while, has done it again. Here is what he has to say:

"Horses, Jackasses, and Mules have apparently been in supply in the investors' field during the past two months, or since the Dow-Jones averages hit their lows on June 13.

"Some of the horses were smart and, as good thoroughbreds, were quick to realize the opportunities and get into the lead. The Jackasses couldn't see the opportunities and either sold out at the lows, or because of their pessimism, sold short. The Mules were too stubborn to recognize anything and continued to stand on the sidelines, because they believed if they went forward, they would be hurt, and if they went backward, disaster would overtake them.

"I've never believed, nor will I ever believe, that this nation of ours is on the down grade when even in a so-called magnified recession we still have a $256 billion national income on an annual basis.

"Sure, we have problems which must be solved, such as the steel, automobile and coal industries are now undergoing with labor, but a casual study of this country's history will easily convince even the headline reader that we have always had problems and, no doubt, will continue to have more of them.

"However, at no time in the past was this nation, or its average citizen, in the sound financial position it is today. Billions in savings, billions in U. S. Government bonds, and billions in life insurance, in addition to billions in ownership of homes, farms, bonds, and stocks of various corporations make this very great majority of the people capitalists in the truest sense of the word.

"So why worry about the Jackasses and the Mules when there are so many Thoroughbreds available?"

We agree with Mr. Healey on everything except his opinion that this nation is in the soundest position in its history—but that is open to argument and besides if he believes it, and if it helps him to sell securities, then most heartily we say, AMEN TO THAT, TOO!

Mutual Funds

By HENRY HUNT

Mr. Gould Again

Once again the author of this column rises to defend mutual funds against recent comments of Leslie Gould, well-known Financial Editor of the New York "Journal-American."

Mr. Gould stated in a recent column, "The object [of mutual funds] is to give the investor diversification, plus—in theory, anyway—professional management of the investor's savings." As a matter of fact, each of the larger mutual funds spends hundreds of thousands of dollars annually on its research and investment management activities. If that doesn't provide professional management, this writer doesn't know what will.

Mr. Gould comments on the fact that during the past eight years mutual funds have been growing in size at the rate of nearly $150 million a year. He then says, "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 thinner than it is now." For one thing, it seems to this writer, it should be borne in mind that not all of that money went into stocks. Furthermore, $150 million represents less than 1/15 of 1% of the total value of all stocks and bonds listed on the New York Stock Exchange alone. I regard the buying of mutual funds as a supporting influence in the market rather than a drain on the floating supply. Also many buyers of mutual funds would be putting away stocks and bonds directly instead of indirectly were mutual funds non-existent.

In conclusion, Mr. Gould states that instead of making business for the Stock Exchange and the other exchanges, the growth in mutual funds may be diverting business away from these market places. Frankly, this statement is contrary to the facts, it seems to me, since every $1,000 invested by a mutual fund provides a commission for some broker as well as the dealer who found the mutual fund buyer.

Strength Replaces Weakness

"The sharp decline in industrial production that has occurred this year—with no consequential decline in personal income payments—is very significant. It is a distinguishing feature of this readjustment, in comparison with previous business readjustments.

"This maintenance of public spending power is making it possible for businessmen to reduce inventories rapidly and without causing serious trouble. All along the line from manufacturers to wholesalers through retailers, the stocks of goods on hand are being 'tightened up.' The recent decline in bank loans to business, one of the steepest on record, reflects the efforts of business to put its financial house in order.

"Had the cut-back in production been accompanied by an important reduction in personal incomes, the readjustment would have gained 'snowball' momentum. The falling off of sales that has been witnessed in the weaker industries would have become more serious. Lower consumer incomes would also have been felt by many industries that now continue to operate near capacity. But with consumer incomes maintained, customers are 'there' to buy, when they are convinced that quality and price make goods attractive. This has meant that the merchant must reorder goods once his inventories are reduced to a minimum, because he still has good business even though at a somewhat lower level than in recent past years. By the same token, people still have current savings to invest.

"None of this is final evidence that the business decline is completed. The increased buying of textiles and other goods recently, following a major contraction in sales, may provide only temporary stabilization for general business. Several of the industries that usually dominate the direction in which the economy moves, have ahead of them all or most of their own readjustments. Serious strikes, or widespread fourth-round wage increases would likely add to the business deflation now in evidence.

"Nevertheless, the smaller decline in personal incomes than in production is permitting rapid correction of the worst problems with which many industries were faced. To this extent, strength in business is replacing weakness. The risk that the business readjustment will degenerate into a prolonged and severe depression is reduced if not almost eliminated."—From **Hugh W. Long's** "New York Letter."

Wiesenberger's View

"The most disturbing danger facing the economy arises from the likelihood that steel and auto labor will spin the inflationary spiral into its fourth whirl. For the economy this 1950 danger threatens to be disruptive, but for the stock market it promises to be dynamic. 'Twas ever thus—the Sinn Feiners' battle cry, 'England's crisis is Ireland's opportunity,' has always applied to the duel of its wits between the economy and the people trying to make money out of it: its long-term problems create their opportunities. Money is made by the few with the flair and the fortitude to gamble when everyone else is worrying, and to worry when everyone else is gambling.

"What the economy needs now is not higher steel and auto wages but lower steel and auto prices. Such deflation is long overdue, which by no means guarantees that it is about to begin. On the contrary, corrective deflation—like Mr. Hoover's prosperity—may be doomed to remain just around the corner for a long, long time.

"Many people are taking a bullish view of the stock market because they have concluded that the economy has finished correcting its postwar inflationary excesses, and that sound prosperity is at hand. (Lower steel and auto prices would certainly bring sound prosperity closer.) By the same token, those taking a bearish view of stocks base their judgment on their conviction that sound prosperity is not at hand. We confess that our view is highly individualistic—we agree with the bears that sound prosperity is not at hand; and, therefore, we agree with the bulls that stock prices should rise. On the facts about the 1949-50 economy, we vote with the bears and against the bulls. But we disagree with both the bulls and the bears as to the impact the economy is about to have upon the stock market. Specifically, we expect this autumn's labor troubles to hurt the economy and to help stock prices (and, indeed, all prices). And so, on the market we vote with the bulls (disagreeing with their arguments) and against the bears (agreeing with their arguments). Ours is a highly individualistic view, we repeat, but that's what makes horse races."—From **Arthur Wiesenberger's** "Investment Company News."

The Challenge to Labor

(Continued from page 6)

set a pattern of fighting the legitimate demands of organized labor. And in the city of Washington, industry has maintained a constant pattern of resisting all Fair Deal legislation to improve our economy and strengthen our democratic rights.

This industrial pattern is clear and obvious. The corporation lobbies have fought repeal of the vicious Taft-Hartley Law. The corporations have unitedly fought an improved minimum wage law. They have banded together against any strengthening of our shabby social security system. They have firmly resisted the improvement of the unemployment compensation laws to meet the needs of our times.

Unfortunately, the coalition of northern Republicans and southern Dixiecrats in the 81st Congress has listened to the corporation lobbies rather than to the people. Their record of obstructionism will be remembered by the American people in the elections of 1950. The voters will cast their verdict on the misguided policies of these reactionary Republicans and similarly reactionary Dixiecrats.

Meanwhile, we will press for enactment of necessary laws to cope with our economic problems, our social welfare needs, our desire for stronger civil rights.

American labor and the American people do not intend to move backwards. With the help of our democratic government institutions, we can conquer fear and poverty and insecurity. We have the will to do it. And we have the skills, the resources and the power to lift our standards of living far above the levels of today.

We can move forward—and we will move forward. That is the pledge which American workers make on this Labor Day of 1949.

With Taussig, Day Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Charles Dohanich has joined the staff of Taussig, Day & Co., Inc., 316 North Eighth Street, members of the St. Louis Stock Exchange. He was previously with King Merritt & Co.

With Crouse & Company

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Robert D. Savage is now associated with Crouse & Company, Penobscot Building, members of the Detroit Stock Exchange. Mr. Savage was formerly with Watling, Lerchen & Co.

Slayton & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Herbert I. Burgess has been added to the staff of Slayton & Company, Inc., 408 Olive Street.

Holds Sterling Devaluation Alone Will Not Solve British Crisis

National City Bank of New York, in September "Monthly Bank Letter" points out devaluation, to be effective, must be accompanied by cost cuts, increased efficiency, and expansion of production.

Analyzing the sterling-dollar problem in the September issue of its monthly publication, "Monthly Bank Letter," the National City Bank of New York concludes that solution of the crisis "comes back largely to the British themselves" and a devaluation of sterling will be ineffective unless accompanied by other measures, such as reduced production cost, expansion of the output of goods and services and increased production efficiency.

The following is taken from the "Monthly Bank Letter":

The balancing of payments between the United States and Great Britain has been one of the most intractable postwar problems, and it is highly questionable that this month's discussions will provide a quick and easy answer. The problem involves achieving equilibrium between the whole of the "dollar area" and the whole of the "sterling area",[1] of which Great Britain is the central banker. It includes adjustment of a complicated industrial economy like Britain's to changing world markets in the fact of social and political pressures at home. Involved also is the problem of the restoration of internationl currency convertibility; for as long as the British are unable to use their earnings derived from trade with "soft currency" areas to settle their deficit with the dollar area countries, the "dollar shortage" is likely to persist.

It was "agreed" at the three-power talks in London last July, according to the official communique, to explore remedies "other than financial assistance such as that provided by the United States and Canada." Just what this means was not elaborated upon beyond the statement that "no suggestion was made that sterling be devalued." To Americans this would seem to imply recognition by the British of the need for becoming adjusted to a more competitive world, with greater stress upon measures and policies calculated to increase efficiency, cut costs, and reduce dependence upon foreign aid.

By contrast, British thinking tends to view the crisis more as a "dollar shortage" than a sterling problem, and appears to be veering toward such proposals as American support of prices of British area primary commodities through stockpiling purchases or participation in international "stabilization" agreements, implementation of the President's "Point 4" program of expanding American investments in undeveloped areas abroad, simplication and reduction of American tariffs, and even from some quarters the suggestion of an all-round increase in the price of gold in order to add to the dollar earnings of gold-producing countries, primarily South Africa.

Extent of British Recovery

In any analysis of the British problem it is important to recognize the very substantial recovery which Britain achieved during 1948. Table 1, based on the British Government's Economic Survey for 1949, issued last March, indicates that in 1948 she reduced her overall current account deficit (trade, shipping tourist and interest, as distinct from capital movements) by about £500 million compared with 1947. There was a small surplus of £30 million during the second half of 1948.

This marked improvement in the overall balance of payments was accomplished by a great expansion of production and exports since the Fall of 1947. As Sir Stafford Cripps stressed in his July 6 speech in the House of Commons, Britain's production is at a record level in the whole of her history. Overall industrial output in the last few months was at least 30% above 1938.

The "Achilles Heel"—The Dollar Deficit

But as shown in table (No. 1) the overall figures on Britain's balance of payments conceal the "Achilles heel" — the continuing deficit with dollar area countries. Nor is this the whole story. For besides responsibilities for her own deficit with the dollar area, Britain had (1) her responsibility for the dollar deficit of the rest of the sterling area, and (2) the obligation to settle in gold or dollars part of her balance of payments deficits with third countries, such as Belgium and Switzerland. Other sterling area countries are running dollar deficits, partly because of their heavy requirements for American capital goods, and partly because the inflationary expansion of their purchasing power has encouraged imports and discouraged exports.

Table 2 shows the net gold and dollar deficit of the entire sterling area, together with figures indicating how it was financed. Through 1948 this deficit was being successfully reduced. By the end of the year it had been brought down to where it was covered by U. S. European Recovery Program grants, plus small drawings on the International Monetary Fund and the sterling area gold and dollar pool.

Strengthening of External Capital Position

Still another aspect of the improvement in the British position emerging from the complicated tangle of exchange transactions has been a substantial reduction over the past two years in Britain's huge sterling liabilities incurred during and immediately after the war, and a building up of new external capital assets.

As seen in Table 1, Britain's deficit with the dollar area has been accompanied by the accumulation of important surpluses in other areas. These surpluses, however, consist largely of exports paid for by releases of blocked sterling and exports representing British capital investments overseas, chiefly in Commonwealth countries. Thus in the two years 1947 and 1948, Britain paid off some £350 million of sterling indebtedness, reducing the total to £3,362 million, while at the same time increasing external capital assets by £344 million. This is shown in table 3.

The increase in external capital assets, representing mainly investments in Commonwealth food and raw material production, was described in the Economic Survey for 1949 as an "indispensable element in the program for developing new sources of supply upon which our ultimate hope of solving the dollar problem is largely based."

Thus Britain has been paying off debt, adding to overseas investment and improving her position for the long run. It is only fair to point out, however, that there is another side to the matter. As the Federation of British Industries has indicated, "a large part" of the exports with which Britain balanced her accounts last year was in payment of wartime debts — what the British call "unrequited exports": that is, exports for which no imports were received in return. These releases of blocked sterling are continuing, and are causing some further expressions of misgiving. Of releases recently granted India, the London "Economist" observed that they were "inspired mainly by a desire to do nothing which might disturb employment in the export industries

(Continued on page 28)

TABLE 1

Britain's Balance of Payments (Current Account Only), Deficits and Surpluses, by Areas

(In Millions of £)

	1947 12 mos.	1948 12 mos.	1948 July-Dec.	1949 Jan.-June
Dollar area	—655	—311	—125	—160
Sterling area	+ 55	+225	+160	---
Western Europe	— 25	+ 80	+ 45	---
All other areas	— 5	—114	— 50	---
All countries	—630	—120	+ 30	---

TABLE 2

Origin and Settlement of the Sterling Area's Gold and Dollar Deficit

(In Millions of £)

	1947 12 mos.	1948 12 mos.	1948 July-Dec.	1949 Jan.-June
Origin of the Deficit:				
U. K. deficit with dollar area	655	311	125	160
Deficit of rest of sterling area with dollar area	202	26	9	37
Net gold and dollar payments to non-dollar countries	167	86	35	42
Total gold and dollar deficit	1,024	423	169	239
Settlement of the Deficit:				
Drawings on—				
U. S. loan	707	74	---	---
Canadian loan	105	13	---	14
South African gold loan	---	80	---	---
International Monetary Fund	60	32	6	8
E. R. P. grants	---	169	147	166
Decrease in gold and dollar holdings of the sterling area	152	55	16	51
Total settlement of deficit	1,024	423	169	239

Source—British Information Services.

1 *The sterling area* is an association of countries within which, generally speaking, the pound sterling arising from current trade and service transactions is freely convertible. At the present time the sterling area consists of the British Commonwealth countries, Canada excepted, together with Eire, Iraq, Iceland, and Burma. With the exception of South Africa, which is responsible for its own gold and dollar expenditure, these countries are also members of the London gold and dollar pool.

The British regard as *the dollar area* the "dollar account" countries with which they have to settle in dollars: the United States, Cuba, Mexico, Colombia, Ecuador, Bolivia, Venezuela, the Caribbean and Central American Republics, and the Philippines. Canada, while technically not a "dollar account" country, is usually considered as in the dollar area.

Millions of Michigan School Bonds Taken By Investors

By HAROLD R. CHAPEL

Partner, McDonald-Moore & Co., Detroit

Investment dealer points out benefit of new Michigan law which has extended maximum maturity of school building bonds from five to 20 years. Cites sale of 107 issues of Michigan school bonds during current year.

Since the change in the law last November allowing the issuance of school building bonds for a longer than five-year period, many school districts throughout the state have authorized and sold bonds for school building purposes. The electors of the state at the 1948 November election changed the law so that school bonds may now be issued by a majority of the electors for not exceeding 20 years. Previous to November it took a two-thirds majority of the voters to authorize bonds and then for a five-year period only. Five years was altogether too short a period to pay for new school building on account of high construction costs which in most cases entailed an excessive tax rate. The tax can now be spread over a longer period.

Harold R. Chapel

Since the first of the year, 107 School Districts have marketed bonds in the gross amount exceeding $21,000,000. While the law under which School District bonds are issued could be improved, still with the safeguards most School Districts are incorporating in the Bond Proceedings, their bonds are finding a ready market at attractive interest rates. The standard safeguards built into the Bond Proceedings now for the protection of the investors in the bonds include: (1) voting a special tax for the sole purpose of the payment of the bonds; (2) voting the tax for one to five years beyond the last maturity of the bond issue; (3) providing for a reserve equal to about one year's principal and interest requirements; (4) allowing sufficient leeway between tax collections as they now are, and the amount necessary to service the bonds so that there would still be enough tax returns even in a period of poor business; (5) keeping the Bond Issue down to an amount within the capacity of the School District to pay even in poor times.

That Michigan School District bonds are being accepted and sought after by investors throughout the United States is shown by the fact that of the approximately 107 issues sold so far this year, about 25 issues in the amount of about $2,000,000 have been purchased direct from the municipality by local banks the balance of around $19,000,000 sold to investment dealers in Detroit, Grand Rapids, Toledo, Cincinnati, Chicago and elsewhere. These dealers in turn have found a ready market for the bonds among banks, trust funds, insurance companies, fraternal organizations, individuals and others. During 1949 to date approximately 62 investment dealers have submitted bids at public sale for Michigan School District bonds. One large issue in its entirety was resold to a life insurance company of national importance. The interest rates paid by the School District for their loans have ranged from 1% to 4%, depending upon various factors such as location of the School District, the amount of bonds to be sold and outstanding, tax collection record and prospects, debt record, population growth and the various safeguards incorporated in the Bond Proceedings. With the overcrowded conditions in many School Districts throughout the State, with the cost of construction declining, with the favorable interest rates and with the eagerness of investors to purchase the tax-free bonds, it is expected that many more School Districts will authorize new school constructions.

Royal Bank of Canada Appoints C. B. Clark

Appointment of C. B. Clark as supervisor of banking arrangements for the Royal Bank of Canada is announced. He succeeds J. L. Lawson who has been supervisor of the department since 1926. Mr. Clark has had a wide and varied experience in the field of international banking and, during the past three years, has travelled widely on special assignment for the bank through all parts of the United States, and to Britain, Europe, Africa, the Antipodes and China. Mr. Lawson is widely-known in banking circles in the United States and Europe. He has been a member of the Association of Reserve City Bankers since 1931 and active in the affairs of the Bankers' Association for Foreign Trade.

Walter J. Scott With Charles E. Bailey Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Walter J. Scott has become associated with Charles E. Bailey & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Scott was formerly a partner in Davis, Hunter, Scott, & Co. and prior thereto was a partner in Chapin & Co.

J. A. Warner Co. Adds Bender, Ward & Lasker

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Edward Bender, George Ward and Gerson Lasker have become associated with the firm in its sales department.

Mr. Lasker was formerly Englewood, N. J. manager for Morris Cohon & Co.

John M. Saunders Joins Allan Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John M. Saunders has become associated with Allan Blair & Co., 39 South La Salle Street. Mr. Saunders was formerly with Reynolds & Co. and Blair & Co., Inc.

With Berwyn T. Moore & Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, KY.—William A. Deane has become affiliated with Berwyn T. Moore & Co., Inc., Marion E. Taylor Building.

With M. H. Bishop & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Daniel L. Needham is now with M. H. Bishop & Co., Thorpe Building. He was formerly with Harris, Upham & Co.

Canadian Securities

By WILLIAM J. McKAY

To judge from surface appearances there is little to indicate that any constructive plan for the solution of Britain's grievous economic problems will be forthcoming as a result of the U. S.-United Kingdom-Canadian discussions in Washington. According to the Canadian Minister of Finance the primary responsibility for offering suggestions for the improvement of Britain's dollar position rests with the United Kingdom. Similarly in U. S. official quarters emphasis is placed on the necessity to suggest nothing that might be construed as interference in the domestic affairs of the United Kingdom. Consequently unless the British viewpoint has fundamentally changed there would appear to be only the slightest hope of an acceptable solution if the initiative is left to the representatives of the United Kingdom.

It would appear that Britain still clings to the belief that the $4.03 pound can be maintained with additional support from this country notably in the shape of stepped-up stockpiling purchases within the sterling area, drastic reduction of U. S. tariffs, the establishment of price-floors for raw materials such as tin and rubber, and U. S. loans for the development of British colonial areas. Even in the event of U. S. agreement in principle on these points it is highly unlikely under the present circumstances that any proposals of this kind would be generally approved by Congress.

Similarly the Canadian suggestion that Britain be permitted a free hand in deciding where to spend her allotment of ECA dollars would likewise appear to have only the remotest chance of favorable Congressional action. As far as this country is concerned the satisfactory disposal of this year's bumper crops in addition to the existing farm surpluses already constitutes a major U. S. problem.

It is to be hoped therefore that before the termination of the present discussions the British and Canadian representatives will bring attention to bear on long-range planning to remedy the basic causes of British and Canadian economic ills. The continued employment of mere palliatives serve only to aggravate the deep-seated disorders that are urgently in need of drastic treatment. It should now be clearly recognized that the chronic imbalance of trade with this country of both Britain and Canada can never be remedied by continued resort to trade restrictions and exchange controls.

Never will there be a better opportunity to resolve in a friendly and practical fashion the basic U. S.-British differences that now confuse the approach towards the attainment of what is actually a common and mutually beneficial objective—the freer movement of an expanded volume of world trade. There is little doubt that Congress would overwhelmingly approve any measure designed to restore the normal functioning of international commerce. Adequate assistance would be forthcoming provided that there was reasonable assurance that any additional aid would ensure the abolition of artificial exchange rates and the removal of restraints on international trade. On the other hand it is not logical to suppose that assistance will be indefinitely extended to perpetuate not only palpably overvalued currency levels but also economic systems based on principles that are entirely opposed to those of this country.

During the week both the external and internal sections of the bond market remained in the doldrums; this state of suspended animation is likely to continue while the current discussions are being held that might vitally change the immediate course of the British and Canadian economies. Free funds after an initial relapse held steady in the neighborhood of 5% but activity and interest remained at a low ebb. The corporate-arbitrage rate was virtually unchanged around 15%. Stocks on the other hand were active and stronger with investor interest mainly centered on the base-metal and Western oil issues. Canadian Pacific was also a strong feature following heavy New York demand based on the railroad's extensive interest in Alberta oil lands. Despite heavy profit-taking in Upper Canada Mines, a recent speculative favorite, other gold issues continued to forge ahead.

Colonial Management Admits J. Hunsaker; Merritt Appointed

BOSTON, MASS. — Colonial Management Associates announces the admission of Jerome C. Hunsaker, Jr., as a general partner and the appointment of Earle P. Merritt to the firm's investment research staff. Mr. Hunsaker, who has been a security analyst with the firm for the past four years, is a Vice-President of Gas Industries Fund, Inc., while Mr. Merritt formerly was with Francis I. duPont Co. and previously was Vice-President of General American Investors Company, Inc.

Colonial Management Associates is investment advisor to Railway and Light Securities Company, the Bond Investment Trust of America and Gas Industries Fund, Inc. James H. Orr, the managing partner, is President of the three investment companies.

Glen Winship Joins Albert Frank Agency

Glen B. Winship, a specialist in trust service advertising, has become associated with Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City.

Will the Washington Conference Result In Universal Devaluation?

By PAUL EINZIG

Commenting on the forthcoming conference in Washington between British and American representatives on the dollar shortage, Dr. Einzig points out enforcement of sterling devaluation is likely to repeat experience of 1933 by leading to general devaluation of all currencies. Holds it is not in interest of U. S. to hold aloof from world-wide currency trend and recalls unilateral devaluation of dollar in 1933 led to disastrous deflation spiral.

LONDON, ENGLAND—On the eve of the Washington discussions on Britain's dollar crisis, American pressure in favor of a devaluation of sterling has become considerably intensified. Viewed from London it appears that the British negotiators have no chance of securing any concessions unless they are prepared to agree to a devaluation of sterling. In the circumstances it now appears probable that, much against the wishes of Sir Stafford Cripps, the British Government would now be prepared to devalue on certain conditions. Should this be done, it may be taken for granted that all Sterling Area currencies would follow the pound, and that a large number of European and Latin American countries will also devalue. We may witness a wholesale devaluation of currencies that is entirely without precedent, for while in the 'thirties the devaluations were spread over a period of years this time they would be either simultaneous or within a few weeks from each other.

Dr. Paul Einzig

The dollar is likely to be the only important currency to stand aloof from this world-wide change. Suggestions that the opportunity of this all-round devaluation should be taken for an increase of the dollar price of gold have met with an emphatically negative reception in Washington. Owing to their strong bargaining position, the American negotiators will be able to refuse even to discuss the matter. Technically the United States Government is well in a position to maintain the present gold value of the dollar, and political pressure in favor of its devaluation is quite negligible.

Yet it is permissible to ask whether it is in accordance with the best interests of the United States to press the rest of the world to devalue, while keeping the dollar aloof from the world-wide currency trend. Human memory is short, but the contrast between the stability of the dollar and the depreciation of a large number of currencies recalls conditions prevailing during the early 'thirties. Then, as now, the dollar was maintained at its old gold parity while sterling and many other currencies depreciated. Indeed the isolation of the dollar would now be even more pronounced than it was in the early 'thirties; at that time the French franc, the German reichsmark, and many other more or less important currencies remained also stable, whereas now the Swiss franc would probably be the only currency that would keep the dollar company in its stability; all the rest would devalue in sympathy with sterling.

In 1931-33 it was mainly the unilateral depreciation of sterling that forced the United States into a disastrous deflationary spiral. There were, of course, many contributory causes which at present do not operate. But the importance of the sterling factor should not be underrated. It was duly realized by the United States Government a few years ago, for the entire Bretton Woods scheme was designed with the main object of preventing a repetition of the experience of a unilateral depreciation of sterling that would force the United States into deflation. It was with that object that Britain was made to give a solemn undertaking in the Loan Agreement of 1945 not to devalue sterling beyond 10% without the consent of the International Monetary Fund, an institution on which the United States can always command a majority. And yet in 1949 the United States Government is deliberately bringing about a repetition of the currency situation of 1933, only to an even more pronounced extent than it operated 16 years ago.

Devaluation is urged upon Britain, and to a less extent upon other countries, as a means for balancing their dollar deficits. This would mean that, instead of being unable to buy American goods for lack of dollars, Britain and Europe would be unwilling to buy them because they would be too expensive. For it would be impossible to cut devaluation so fine as to establish the precise "equilibrium rate" at which prices in Britain and the United States would be on the same level. That rate could only be calculated within a margin of error of 10 or 15%, or even more, on either side. And since it is of the utmost importance that sterling should command confidence at its devalued level, in order to avoid a repetition of the painful operation, it is advisable to err on the safe side by devaluing it too much rather than too little. As a result, after an all-round devaluation of currencies the dollar would become grossly overvalued, in the same way as it was in 1933, only this time it would become overvalued in relation to a much larger number of currencies.

This in itself would be no disaster. If the overvaluation of the dollar should reduce the excessive American export surplus to within normal proportions it would serve a very useful purpose. The trouble is that American exporters would not give up their foreign markets without a fight, and they would make a supreme effort to cut their costs and prices. There would be a sweeping deflationary drive. In so far as it would be successful, it would nullify the effects of the all-round devaluation, and before very long the world would revert to the pre-devaluation status quo. The all-round devaluation would then have to be repeated, and American prices would be squeezed down further in consequence. American domestic trade would inevitably suffer by such prolonged deflation, as falling prices would mean contraction of demand.

This vicious spiral could be avoided if, simultaneously with the devaluation of sterling and other currencies in terms of dollars, the American buying price of gold would be raised substantially. Even in the absence of an actual credit expansion, the psychological influence of such an expansion of the basis of credit would necessarily produce a stimulating effect on American domestic demand and on American production. This would mean that American producers in general would find compensation for the loss of some of their overseas markets in an expansion of their domestic markets. They would not have to embark on a price-cutting competition which would only result in a repetition of devaluation abroad and a deflationary depression at home.

An increase of the American buying price of gold would offset, and more than offset, the contractionary effect of an all-round devaluation of the other currencies on American business. In the absence of such an increase, it is to be feared that the experience of 1931-33 would repeat itself. And this time it would not be the fault of Britain if a devaluation of the pound forced the United States into a deflationary spiral. The remedy lies in the hands of the Washington Administration.

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, 1949 (Philadelphia, Pa.)
Municipal Bond Club of Philadelphia annual field day and outing at the Manufacturers Golf & Country Club.

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. 21, 1949 (New York, N. Y.)
Association of Customers' Brokers election, 4 p.m., at Delmon's Restaurant, 16 Liberty Street.

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.

With Equitable Securities

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—Ellis M. Woodward is with Equitable Securities Corporation, Whitney Building.

Railroad Securities

Denver & Rio Grande Western

Despite the very sharp contraction in published earnings in recent periods, and cumulatively for the first seven months of the year, the various securities of Denver & Rio Grande Western have continued to give a fairly good account of themselves. They have not displayed any notable independent strength in the face of generally desultory markets. They have, however, shown considerable resistance to selling pressure and have participated in the periodic abortive rallies that have characterized the railroad list for many months. This performance holds promise of fairly sharp price recoveries when, and if, public psychology toward the industry changes.

Percentagewise, there are few railroads that have been reporting any wider year-to-year earnings declines than has Denver & Rio Grande Western in the past few months. For the month of July alone net income after fixed charges and contingent interest, but before sinking funds, amounted to only $114,377 compared with $411,664 for the like 1948 month. This represented a drop of some 73%. For the full seven months net income, similarly computed, declined approximately 54% to $1,921,242. Even though more favorable comparisons appear assured in the closing months of the year, it is obvious that 1949 earnings on the common are going to fall well below the $16.22 realized in 1948.

Actually, the road's operating results have not been so poor in comparison with a year ago as would be indicated from a mere reading of the published net figures. There are a number of distortions and special considerations. It is a recognition of these unusual factors by railroad analysts and followers of railroad securities that has presumably resulted in the market more or less ignoring the figures. One important distortion is caused by credits for deferred maintenance accrued during the war period when it was difficult, if not impossible, to get the necessary materials. In the seven months through July 1948 such maintenance credits amounted to $1,923,043. In the current year they amounted to only $337,486. These are merely bookkeeping items. Eliminating them from both years would leave net income of $1,583,756 for the 1949 period compared with $2,258,358 a year ago, a decline of $674,602. This is very materially less than the $2,260,159 dip shown in the published reports.

Another consideration is that Denver & Rio Grande Western, along with a majority of railroads, has apparently been spending unusually heavily on its properties in anticipation of the 40-hour week for non-operating employees that went into effect on Sept. 1. Even eliminating the bookkeeping maintenance credits, the road's maintenance outlays have been well above a year ago in the face of declining traffic and revenues. There is little question but that these could be curtailed in line with the present business volume, and it seems probable that they will be cut in the last four months of the year.

For the seven months through July 1949 earnings on the common stock, as reported, amounted to $2.75 a share compared with approximately $9.20 earned a year earlier. Normally the company gets a seasonal bulge in the fall months and it is logical to look for at least some improvement this year. This, and expectations of lower maintenance outlays, indicate the likelihood of earnings of between $8 and $9 a share for the full year 1949. While this would be a far cry from the $16.22 earned last year, it would certainly provide more than adequate coverage of the $2 a share dividends that have been paid in 1948 and 1949. Also, the earnings would be unusually high in relation to the selling price of the shares. Surely, in this writer's opinion, even a railroad stock is entitled to some speculative following when it sells for less than three times indicated current year's earnings. There have been rumors from time to time of a possible stock dividend on the common. This is not considered at all likely by most railroad analysts and it is doubtful if any such action would find favor with the Interstate Commerce Commission, whose authority would be required.

Communism and Toryism: Twin Evils

(Continued from page 7)

ers in opposition to the Marshall Plan. We exposed the hypocritical propaganda of the Communist leaders, we upheld the honor and integrity of America's policies and we won the fight.

Without the support of labor, the European Recovery Program could never have succeeded. The Communists sought to undermine that support through the so-called World Federation of Trade Unions. The American Federation of Labor consistently refused to join that organization because we recognized it as a Communist front. In time, other free trade union organizations which had been hoodwinked into associating themselves with the World Federation of Trade Unions, began to realize how they had been duped. Less than a year ago they quit in a body. Now the World Federation of Trade Unions has fallen apart, thoroughly discredited and almost completely isolated as a Communist Fifth Column Movement. And the free trade unions of 50 nations, with the enthusiastic support and encouragement of the American Federation of Labor, are banding together and will form a new international organization in defense of peace and democracy next November at a conference in London.

It is no coincidence that as Communist influence among European workers waned, the Kremlin's hopes of winning the cold war also diminished. Nor is it a coincidence that as European workers began to lose faith in Communism, American workers also woke up to the danger of growing Communist influence over their unions. The American Federation of Labor, which has never harbored or tolerated Communism within its own ranks, hails the new determination of the CIO to purge itself of Communist leadership. It is a healthy trend, one which I venture to predict will promote the eventual unification of all organized labor in this country. May God speed the day!

Toryism—Another Evil

But Communism is only one of the twin evils which beset our times. The other is Toryism, promoted by a reactionary combination in Congress.

These Tories profess to hate Communism, but consciously or unconsciously, they are through legislative action drawing working people into the ranks of the Communist Party.

The Tories profess to love freedom, but only for themselves, not for labor.

To my mind, the basic crime of the Tories is that they seek to suppress and prohibit the natural instincts and desires of all free Americans to improve their conditions in life and to provide security for their childen. This is a crime against the basic principles of natural law and the democratic way of life.

Promotion of the welfare of the American people, which is explicitly set forth in the Constitution as one of the primary objectives of our government, is considered by the Tory combination and the interests they represent as a dangerous and revolutionary idea. They berate the "welfare state" as a form of totalitarianism, when it is really the true goal of democracy.

When the results of the 1948 election were counted, it was obvious to the entire nation that the American people had registered a resounding mandate in favor of progress and social justice. But when President Truman called upon the new Congress to enact the liberal program on which he had been triumphantly re-elected, and which organized labor endorsed, he got scarcely any further than he had in the repudiated 80th Congress.

How did this come about? Why were the wishes of the American people rejected by the 81st Congress? We all know the answer. The leaders of Toryism welded the surviving remnants of the reactionary Republican forces into a tight coalition with the Southern Dixiecrats and together these obstructionists were able to deny a fair deal to the American people.

As a result, Congress failed for the time being to repeal the treacherous Taft-Hartley Act; it failed to bring about the sorely needed revitalization of our Social Security system and it failed to make any substantial progress toward the establishment of a health insurance program. To its everlasting shame, Congress also failed to enact a civil rights program.

These rebuffs from Congress do not represent a defeat for organized labor and its millions of followers, but a challenge to renewed efforts to rid the legislative branch of our government of these Tory obstructionists.

Sights Trained on 1950 Election

Thus, we have already trained our sights on the 1950 Congressional election campaign and we are determined to roll up an even bigger vote than in 1948 against Tory candidates.

If every working man and woman in America and their families and friends make certain to register and vote in the 1950 elections, we are certain to achieve this great goal.

I am confident of the outcome because I have faith in the good sense and intelligence of American voters. They know full well that the Tory program has nothing constructive to offer them, that it is based almost entirely on a policy of do-nothingism.

The reactionaries and their political strategists are relying on the customary apathy and indifference of American voters in non-Presidential elections to sweep them back into power. It is your job and mine to see to it that they don't get elected by default.

So far, the keynote for the Tory campaign is the empty, barren, sterile charge that the progressive legislative program favored by labor and espoused by President Truman would change the American way of life and lead us to Statism.

Here and now I brand that charge as utterly false. It is unadulterated propaganda designed to mislead the American people and to dodge the real issues.

The American Federation of Labor is opposed to Statism because we oppose both a dictatorship of the right and of the left. We have never and we will never advocate a program which would undermine the American way of life. On the contrary, we are firmly convinced that our progressive program is a sound middle-of-the-road policy, which will strengthen the free enterprise system, reinforce the economy of our country and make American freedom and democracy more secure and more meaningful to the American people.

Today the American Federation of Labor stands, as always, as a bulwark against Communist infiltration on the one hand and as a guard against monopolistic big-business control on the other.

Those who want to keep America free and strong must realize that to do so American labor must be kept free and strong. For that reason, we are fighting with all our power and we will continue to fight until the obnoxious Taft-Hartley Act is repealed.

Those who believe in the American ideal, must realize that it can triumph and survive only if the American people are given full and free opportunity to improve their standard of living and to secure their future against the social handicaps and economic catastrophes which cause heartaches, discontent and eventually can lead to revolution.

If we allow the Tafts and Byrds to run our country—and to run it on a policy of doing nothing—we will get nowhere. We believe in doing **something** and getting **somewhere.** And we invite the progressive farmers, the small businessman, the merchants and the professional workers to join with labor in the truly American pioneering spirit in that noble adventure.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The Nominating Committee of the National Security Traders Association announce the following slate to be voted on by the delegates at the Annual Convention to be held at the Broadmoor at Colorado Springs Oct. 5 through Oct. 9.


H. Frank Burkholder


Donald C. Sloan


John Latshaw


Harry L. Arnold


Morton A. Cayne

For President: H. Frank Burkholder, Equitable Securities Corp., Nashville, Tenn.

For First Vice-President: Donald C. Sloan, Sloan & Wilcox, Portland, Ore.

For Second Vice-President: John Latshaw, Uhlmann & Latshaw, Kansas City, Mo.

For Treasurer: Harry L. Arnold, Paine, Webber, Jackson & Curtis, New York.

For Secretary: Morton A. Cayne, Cayne & Co., Cleveland, O.

The members of the Nominating Committee are: R. Victor Mosley, Stroud & Co., Philadelphia, Chairman; John F. Egan, First California Co., San Francisco, Calif.; Jay L. Quigley, Quigley & Co., Cleveland, O.; Robert Strauss, Daniel F. Rice & Co., Chicago, Ill.; Stanley L. Roggenburg, Roggenburg & Co., New York; James F. Jacques, First Southwest Co., Dallas, Texas; and Mrs. Ora M. Ferguson, Merrill Lynch, Pierce, Fenner & Beane, Louisville, Ky.

Minneapolis Associates, Inc.

MINNEAPOLIS, Minn.—Minneapolis Associates, Inc. has been formed with offices in the Rand Tower. Officers are Albert M. Sheldon, Jr., Edna T. Stevens; John P. Robinson; Richard S. Hanson; and Leonard V. Dayton.

J. W. Goldsbury Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Theo. A. Nadeau is now with J. W. Goldsbury & Co., 807 Marquette Avenue. He was previously with King Merritt & Co., Inc.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the directors of **City Bank Farmers Trust Company of New York**, held on Sept. 6 L. M. Giannini, President of the **Bank of America National Trust & Savings Association of San Francisco, Calif.**, was elected a Director to succeed his father, the late A. P. Giannini, who died June 3.

* * *

At a meeting of the Executive Committee of the board of directors of the **National City Bank of New York** on Aug. 30, John T. Dimon was appointed an Assistant Cashier in the Caribbean District of the overseas division of the head office of the bank. During World War II Mr. Dimon served as a Captain in the United States Navy.

* * *

James B. Birmingham has been elected a Director of the **Hellenic Bank Trust Company, 139 William Street, New York, N. Y.**, and also a member of the Executive Committee of its board of directors. Mr. Birmingham is a lately retired Vice-President of the **National City Bank of New York**, with a distinguished service record of 32 years during which he was also actively associated with the American Institute of Banking.

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Announcement is made that William Pfaffle, formerly an officer of **Chemical Bank and Trust Co. of New York** has joined the **Empire Trust Co. of New York** as Assistant Vice-President.

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The New York State Banking Department announced on Sept. 1 a license had been issued to the **Banco Di Napoli of Naples, Italy** to maintain an agency in New York State at 37 Wall Street, New York City.

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John A. Stevenson, President of the Penn Mutual Life Insurance Co. and a member of the Board of Managers of the **Girard Trust Company of Philadelphia**, died at University Hospital in that City on Aug. 31. He was 63 years of age. President of the Penn Mutual for the past 10 years, he recently celebrated his 21st anniversary with the company according to the Philadelphia "Evening Bulletin." Mr. Stevenson, who was born in Illinois, served as a high school principal in that state, and before he was 23 became Superintendent of a city school system, it is learned from the "Bulletin," which also said in part:

"He was invited by the Carnegie Institute of Technology to become director of the first school of life insurance salesmanship in a higher institution of learning. This led to his association with the Equitable Life Assurance Society of New York, where he served as Second Vice-President in charge of that company's training program.

"He came to Philadelphia in 1928 to take over the direction of Penn Mutual's home office agency. He was elected Agency Vice-President in 1931, Executive Vice-President of the company in 1936 and has served as President since 1939."

* * *

The directors of the **Liberty Trust Company of Cumberland, Md.**, announced on Sept. 1 the retirement of John R. Hamilton as Manager of its Lonaconing, Md. branch office. Mr. Hamilton will continue as Chairman of the Advisory Committee of the Lonaconing Branch. James G. McElvie has been promoted from Assistant Manager to Manager of the Lonaconing Branch succeeding Mr. Hamilton.

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After a period of 47 years' service with the **Central National Bank of Cleveland, Ohio**, Frank M. Horton, a Vice-President of the institution has announced his retirement effective Sept. 1, it is learned from the Cleveland "Plain Dealer." Shortly after his graduation from high school in 1902 Mr. Horton joined the Central National as a Messenger, advancing by progressive steps to other posts, until he was named as head of the foreign department, becoming a Vice-President in 1921. In the '20s says the "Plain Dealer" he traveled in Europe for the bank. The same advices state that Mr. Horton, one of the founders and an early President of the **Bankers Association for Foreign Trade**, has also served as President of the Cleveland chapter of the American Institute of Banking.

* * *

In noting in our issue of July 14, page 172, the consolidation of the **Community Bank of Warren, Mich.** with the **Bank of Commerce of Hamtramck, Mich**, the designation of the state in which the banks are located was inadvertently given as **Ohio** instead of **Michigan**, and we accordingly make this correction.

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The Mercantile Home Bank & Trust Co. of Kansas City, Mo., changed its title to the Mercantile Bank and Trust Company, effective June 17. The plans to change the name of the institution were noted in these columns April 21, page 1740.

* * *

Wallace M. Davis was elected President and Director of the **Hibernia National Bank in New Orleans** at a meeting of the board of directors of the bank on Aug. 31, according to an announcement by A. B. Paterson, Chairman of the board. In making the announcement Mr. Paterson said: "Mr. Davis has devoted his entire life to banking. In fact for the past 30 years he has worked in one bank—the **Citizens Fidelity Bank and Trust Company of Louisville, Ky.** He has grown with that bank until today he is not only widely known and highly regarded in Louisville, but also by the banking fraternity throughout the entire United States. We feel very happy in having Mr. Davis join us here at the Hibernia National Bank."

Mr. Davis has resigned as Executive Vice-President of the Louisville Bank to assume the Presidency of the Hibernia National Bank about Oct. 1. He succeeds the late A. P. Imahorn who died last May.

A graduate of the Jefferson School of Law at Louisville, Mr. Davis started with the Citizens Fidelity Bank, working his way up to become successively Assistant Cashier, Assistant Vice-President, Vice-President and Executive Vice-President. Mr. Davis is a Director of the Louisville Branch of the Federal Reserve Bank of St. Louis. He is a member and former director of the Association of Reserve City Bankers, and served as its Treasurer for two years. He is a Director of Louisville Textiles, Inc. and a Trustee of the Louisville Credit Men's Association. He is also presently a member of the Eastern Area Council of the American Red Cross and Chairman of its Louisville chapter. Mr. Davis served as Captain of Field Artillery in World War I and recently served as Chairman of the Louisville Army Advisory Committee, Universal Military Training.

* * *

The **Citizens National Bank & Trust Company of Baytown, Texas**, has increased its capital from $100,000 to $200,000, effective Aug. 19. Of the increase $50,000 represented a stock dividend, while the further $50,000 came through the sale of new stock.

* * *

The **National City Bank of Long Beach, Southern California's** newest banking institution, formally opened for business on Aug. 29, in its own modern bank building just completed at Third and Locust Avenues. Special souvenirs were handed to each of the opening day depositors. An invitational preview of the bank's quarters on Saturday, Aug. 27, was attended by numerous friends and well wishers, including representatives from banks and other financial institutions throughout California. The charter for the National City Bank was issued on Aug. 17, as reported in our Sept. 6 issue, page 875. The bank starts with a capital and surplus of $600,000 fully subscribed by over 200 business, professional and community residents of Long Beach. The Organizer and Chairman of the board of the bank is Nelson McCook, pioneer Southern California banker and first President of the **Independent Bankers' Association of Southern California**. The Bank's President, H. G. Markworth, for many years Executive Vice-President of the Santa Monica Commercial & Savings Bank, Santa Monica, Calif., which post he resigned several months ago to head the new institution. He is a member of the Executive Council of the Independent Bankers Association of the San Francisco Federal Reserve District and a former President of the Southern California Independent Bankers Association. Other officers of the new bank are: Fonda McCook, Executive Vice-President and Cashier; Clyde Doyle, Vice-President; Kurtz B. Ballou, Assistant Cashier and Auditor; and Walter Niemann, Assistant Cashier. The bank's Board of Directors comprising a group of Long Beach business men and financiers, includes Nelson McCook, Mr. Markworth, Fonda McCook, Clyde Doyle, P. H. Boyson, T. W. Burnam, Glen L. Clark, Keith Enloe and Nelson McCook, Jr.

* * *

Marking what is termed the end of one of the biggest office-building projects in **Toronto** in recent years, Toronto press representatives on Aug. 31 previewed the **Bank of Montreal's** newly-completed, 16-story Ontario headquarters building in Toronto's financial district. The Toronto main office commenced business in its new quarters after Labor Day. Rising 224 feet, this bank and office building is the maximum size allowed under building regulations for the ground area covered. New home for the bank's Ontario headquarters and its Toronto main office, it also has office space for some 35 tenants with staffs numbering more than a thousand. The bank's main office occupies the banking room on the ground floor. Various bank departments occupy the 2nd, 3rd and 4th floors, while there are vaults and a large securities department on the sub-ground levels. Office space in the upper 12 floors is for tenants. The bank's new Toronto headquarters stands on the spot where its first Toronto office was located, more than a century ago.

Douglas Macpherson Dead

Douglas V. Macpherson died at the age of 65 after a brief illness. Prior to his retirement in 1932 he was a Vice-President of Blair & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The market action of insurance stocks during the past year has been among the best for any group of equities.

Around the middle of 1948 the industry began to emerge from a period of impaired earning power. Rising costs and increasing losses had severely affected the statutory underwriting earnings of the various companies. About this time, however, fire losses began to level off, adjustments in rates brought a better balance between the increased values and risks and premium volume although still rising was doing so at a slower rate.

Thus for the first time in several years the statutory underwriting results of the industry became profitable and in contrast to the previous periods of losses, substantial earnings were reported for the final half of 1948.

As usual the market for insurance shares anticipated the favorable results and advanced sharply in the fall of the year to the best level it had reached in over two years. Most of the advance was retained at the year-end despite a generally declining stock market as a result of the unexpected turn of the national election.

In order to measure the market performance of insurance shares during the final months of last year a comparison of the Dow-Jones Industrial Averages with Standard & Poor's weekly index of 18 fire insurance stocks has been made.

At the end of the second week in August 1948 the Dow-Jones Averages stood at 179.63. At the same time Standard & Poor's index of insurance stocks was 121.7. Between that time and the end of the year both indexes reached new highs, the Dow-Jones the first week in November 193.16 and the insurance index 138.8. The respective gain in points was 13.53 and 17.1.

Between November and the end of the year, the relative performance of insurance shares was even more impressive. By Dec. 31, 1948 the Dow-Jones had declined to 177.30 for a loss of 15.86 points from the high. The Standard & Poor's index of insurance stocks stood at 138.3 for the week ended Dec. 29 for a loss of only ½ point.

In other words for the five-month period the Dow-Jones had lost approximately 2.33 points and the insurance stocks had shown a gain of 16.6 points.

So far this year the insurance group has continued to move ahead although at not the rate that was exhibited in the last half of 1948. Nevertheless, as illustrated in the following table a number of issues show substantial appreciation since Dec. 31 of last year and are now selling at or near their highs. Others show only modest gains and a few are selling lower than at the end of the year.

	1949 Price Range		Price 12/31/48	Current Price	Points Change
	$	$	$	$	$
Aetna Fire	56½	48½	49	55¾	+ 6¾
Agricultural Insurance	65½	58	61	64	+ 3
American Ins. (Newark)	19¾	15½	17¾	18¾	+ 1
Boston Insurance	68½	60	65½	64½	— 1
Continental Insurance	64	56¾	63⅞	63½	— ⅛
Federal Insurance	62	54	59½	61½	+ 2
Fidelity-Phenix	70	63½	68½	67¼	— 1¼
Fire Association	66	56	60	66	+ 6
Fireman's Fund	83	76½	82½	83	+ ½
Fireman's Ins. (Newark)	17¾	14⅞	15¼	17¾	+ 2½
Glens Falls	50	47¼	48½	50	+ 1½
Great American	34¼	30¾	31½	34	+ 2½
Hanover Fire	33¾	30	31¾	33	+ 1¼
Hartford Fire	133¼	117½	121	132	+11
Home Insurance	31	27	29	30¼	+ 1¼
Insurance Co. of N. A.	110¼	97½	106	108½	+ 2½
National Fire	56½	48	49	56½	+ 7½
National Union	37½	30¾	36½	35	— 1½
Phoenix Insurance	89½	79	87	85	— 2
Providence-Washington	35¼	30¾	33½	33¾	+ ¼
St. Paul Fire & Marine	89	75½	76	88½	+12½
Security Insurance	35½	31¼	31½	34	+ 2½
Springfield Fire & Marine	46½	41	44	45¼	+ 1¼
United States Fire	62½	56½	60½	62½	+ 2

In terms of the indexes, the Dow-Jones Averages at the end of August stood at 178.66 and showed a gain for the year to date of 1.36 points. At the same time the insurance index was 145.3 and was 7.0 points higher than at the end of the year.

As the same fundamental factors are still present which contributed to this excellent performance, the insurance stock group should continue to show a better-than-average market performance. One of the most important factors in this connection is the prospect for dividends. The leveling off of premium volume has improved the capital position of most companies and as investment income is showing some further gains this year, the outlook for additional increases in dividends is promising.

Thus, although insurance stocks will be affected by trends within the general equity market, it is believed that the group should continue to give a relatively favorable performance.

Robert M. Tanney Opens

Robert M. Tanney is engaging in a securities business from offices at 140 Cedar Street. He was formerly with Richard K. Kaufman, Alsberg & Co., Edward A. Viner & Co., and Herzfeld & Stern.

With the Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — John R. Curtis has become associated with The Marshall Company, 762 North Water Street.

Fred E. Linder Dies

Fred E. Linder died Sept. 5 at the age of 61 after a long illness. Mr. Linder, a director of the Ferro-Enamel Corporation in the past was associated with Van Alstyne, Noel & Co. and had been a partner in Love, Macomber & Co. and Edmund Seymour & Co.

David W. Smyth Dead

David W. Smyth, partner in Filor, Bullard and Smyth, New York City, died at the age of 69 after a brief illness.

Reports Assets of National Banks Moderately Increased

Preston Delano, Currency Comptroller, in condition report as of June 30, reveals, however, an increase of more than a billion dollars in bank holdings of U. S. obligations.

The total assets of national banks as of June 30, 1949 amounted to more than $85,000,000,000, according to Comptroller of the Currency Preston Delano. The returns covered the 4,993 active national banks in the United States and possessions. The assets were $334,000,000 more than reported by the 4,996 national banks as of April 11, 1949, the date of the previous call, but $242,000,000 less than reported by the 5,004 active banks as of June 30, 1948.

Preston Delano

The deposits of the banks on June 30, 1949 were more than $78,000,000,000, an increase of $340,000,000 since April, but a decrease of $549,000,000, in the year. Included in the recent deposit figures are demand deposits of individuals, partnerships and corporations of $44,471,000,000, which increased $153,000,000 since April, and time deposits of individuals, partnerships and corporations of $19,009,000,000, which increased $102,000,000. Deposits of the United States Government of $1,448,000,000 were $365,000,000 less than in April; deposits of States and political subdivisions of $5,399,000,000 showed an increase of $104,000,000; and deposits of banks of $6,946,000,000 were $59,000,000 more than in April. Postal savings deposits exceeded $3,000,000 and certified and cashier's checks were $1,175,000,000.

Loans and discounts at the end of June, 1949 were $22,578,000,000 after deducting reserves of $261,000,000 for possible future losses. The net loans were $363,000,000, or about 1½%, less than the amount reported as of April 11 this year, but $275,000,000, or more than 1%, over the net amount reported as of the end of June, 1948. Commercial and industrial loans as of the recent call date totaled $10,009,000,000 and were nearly 9% less than the amount reported in June of last year, loans on real estate of $5,710,000,000 were up more than 8% and consumer loans to individuals at $3,988,000,000 were up nearly 13%, while all other loans of $3,132,000,000, which included loans to farmers, advances to brokers and dealers and others for the purpose of purchasing or carrying securities, and loans to banks, etc., increased nearly 15% in the year. The percentage of loans and discounts to total assets on June 30, 1949 was 26.53, in comparison with 27.06 on April 11 and 26.13 on June 30, 1948.

Investments of banks in United States Government obligations (including $2,000,000 guaranteed obligations) on June 30, 1949 aggregated $35,598,000,000, which was an increase of $1,015,000,000, or nearly 3%, since April this year, but a decrease of $633,000,000, or nearly 2% in the year. These investments were 41.83% of total assets, compared to 42.45% in June, 1948. Other bonds, stocks and securities of $5,532,000,000 which included obligations of States and political subdivisions of $3,410,000,000, were $222,000,000 more than in June last year.

Cash of $1,093,000,000 reserves with Federal Reserve banks of $11,727,000,000 and balances with other banks (including cash items in process of collection) of $7,556,000,000, a total of $20,376,000,000, showed a decrease of $89,000,000 in the year.

The unimpaired capital stock of the banks at the end of June, 1949 was $1,908,000,000 including $22,000,000 of preferred stock. Surplus was $2,507,000,000. undivided profits $1,084,000,000 and reserves $329,000,000 or a total of $3,920,000,000. Total capital accounts of $5,828,000,000, which were 7.43% of total deposits, were $282,000,000 more than in June last year when they were 7.02% of total deposits.

Federal Power Commission Reports Earnings of Natural Gas and Electric Utilities

Estimates in first-half of 1949, privately owned electric companies had net earnings of $385,309,000 or 14% above same period of previous year. Natural gas companies net earnings also rise.

Net income of the larger privately owned electric utilities in the first six months of 1949 amounted to $385,309,000, 14% higher than in the same periods in 1948 according to comparative statements of revenues and income for the period issued by the Federal Power Commission. An important factor contributing to the improved earnings in the first half of the year, says the FPC, was the continued increase in sales in the profitable residential and commercial customer classifications at a time when the high volume, low profit industrial sales were easing off. Additional revenues also resulted from rate increases granted during the period. In consequence, in June of this year, some companies, while delivering less energy than in the same month last year, nevertheless received higher revenues.

Of equal importance was the reduction in fuel costs. Although generation in the first six months of 1949 was 4.5% higher than last year, fuel costs were reduced by 3.2%. The savings in this important item of expense reflect some lowering of coal and oil prices, as well as greater efficiency of the new generating stations placed in service.

Electric operating revenues of the companies amounted to $2,167,080,000, up 7.1% over the first six months in 1948. Increases in revenues received from sales in the several classifications were led by the residential group with a 10.7% increase followed by increases of 8.4% and 5.0% in the commercial and industrial groups, respectively. The increases shown for the residential and commercial groups for the six months period closely approximate those for the individual months during the period. With respect to revenues from industrial sales, however, while January 1949 showed an increase of 10.2% over January 1948, the monthly rate of increase steadily declined thereafter until in June 1949 revenues were 0.1% less than in June 1948.

Electric operating revenue deductions, including operating expenses, provision for depreciation, and tax accruals, during the first six month of 1949 totaled $1,727,394,000, or an increase of 5.6% over the like period in 1948. Without the savings in fuel costs referred to above the percentage increase in revenue deductions would have been approximately equal to the 7.1% increase shown for revenues. Fuel costs were down 3.2% from the previous period while salaries and wages were up 7.9% and other operating expenses up 3.6%. Provision for depreciation, and tax accruals increased 6.9% and 13.2%, respectively. After the above deductions electric utility operating income, including income from plant leased to others, amounted to $442,196,000 for the period.

Gross income of the companies, including operating and non-operating income, aggregated $515,198,000, for the first six months, 12.9% higher than in the like period in 1948. Net income, after income deductions of $129,889,000, was $385,309,000, or 14% higher.

The FPC also reported operating revenues of natural gas companies totaled $65,509,693 in June, an increase of 8.6% over the $60,341,881 reported for the same month a year ago.

Gas utility operating income for June, 1949 amounted to $8,456,516, down 1.6% from the $8,592,784 reported for June, 1948. Net income for the month was $7,765,553 compared to $8,650,859 reported in June, 1948.

Gas operating revenue deductions amounted to $57,072,381, an increase of 10.2%. Of this total, operating expenses accounted for $43,997,962, up 14.2%; depreciation for $7,009 810, a gain of 13.2%; and taxes for $6,064,609, a decrease of 13.8%.

Gas sales to ultimate consumers in June, 1949 were 115,883,000,000 cubic feet, an increase of 3.3% over June, 1948. Sales to residential consumers decreased 0.8% while sales to commercial and industrial consumers increased 3.1% and 3.6%, respectively. Revenues from sales to ultimate consumers increased 4.0% and amounted to $31,447,528. Revenues from the three classes of service, residential, commercial, and industrial increased 1.6%, 4.1%, and 5.9%, respectively.

For the 12 months ended June 30, 1949, gas operating revenues aggregated $941,789,909, an increase of 16.8% over the total of $806,420,265 reported for the 12 months ended June 30, 1948. Net income for the period amounted to $165 782,743, compared to $149,327,161 for the previous 12 months, or an increase of 11.0%.

Net gas utility plant of the reporting companies aggregated $2,270,354,506 on June 30, 1949, compared to the $1,929,560,210 reported a year earlier.

Shader-Winckler Co. Celebrates 28 Years

DETROIT, MICH. — Shader, Winckler Co., Penobscot Bldg., Detroit stock brokers, are celebrating their 28th anniversary. Frank J. Shader and Frederick J. Winckler became partners and organized the firm bearing their name in 1921. They were elected to membership in the Detroit Stock Exchange on Sept. 6, 1921, shortly after they were licensed by the State and have operated continuously since that time. Mr. Winckler is a former Exchange President and Mr. Shader is presently serving on the Exchange's Board of Governors.

Chicago Exch. Members

CHICAGO, ILL.—The Executive Committee of the Chicago Stock Exchange has elected to membership Arthur C. Waters, partner of Waters & Alcus, and G. Shelby Friedrichs, partner of Howard, Labouisse, Friedrichs & Co., both of New Orleans, La.

Claiborne With R. L. Day

John H. Claiborne is with R. L. Day & Co., 14 Wall Street, New York City.

Public Utility Securities

By OWEN ELY

Rochester Gas & Electric

General Public Utilities, in connection with its program to conform with the Public Utility Holding Company Act, is disposing of its New York subsidiaries. The stock of New York State Electric & Gas was offered to GPU stockholders at 41 some time ago and the stock later advanced to 50 and is now close to that figure. GPU has partially disposed of its interest in Staten Island Edison (in which it formerly held the entire capitalization) by selling bonds and preferred stock, but still retains the common stock.

The company now proposes to offer the entire 835,000 shares of common stock of Rochester Gas & Electric to GPU stockholders of record Sept. 8, in the ratio of 1-for-10; rights will expire Sept. 30. A nation-wide group of dealers will solicit subscriptions on a fee basis; heading the group will be First Boston Corp., Lehman Bros., Wertheim & Co., and Merrill Lynch, Pierce, Fenner & Beane.

The subscription price for the new stock being introduced to the public will probably not be announced until shortly before Sept. 8, when the usual registration "amendment" will be filed with the SEC. The stock is currently paying $2.24 and if it were to sell on the same yield basis (after market seasoning) as does New York State Electric & Gas, the price would work out around 32½. As a new and non-seasoned issue it might be expected to open somewhere around 30, with a yield of about 7½%. Recent share earnings were only $2.57 per share, and while this figure seems abnormally low (reflecting earnings of only about 4% on the estimated rate base) it would make the current price-earnings ratio 11.6 with an estimated price of 30. The subscription price would of course be somewhat below the market price; in the case of New York State Electric & Gas the stock opened several points above the subscription price. In any event, by the time this article is published both subscription and market prices will probably be available.

With revenues of about $29 million, the company serves an area in and adjacent to Rochester with a population of over 515,000. About 95% of electric revenues are obtained from the Rochester district and 5% from the Genesee district. Rochester is the third largest city in the state and an important industrial center with about 700 diversified manufacturing establishments, including the famous Eastman Kodak factories.

About 65% of revenues were obtained from electricity in 1948, 28% from gas and 7% from steam. Of the electric revenues 36% were residential, 27% commercial and 25% industrial. The company produces almost all of its own power, principally from steam plants.

Capitalization is 52% debt, 17% preferred stock and 31% common stock equity. The company plans a $33 million construction program during the period 1949-51 and it is estimated that about $17 million funds may have to be raised. Stock financing on about a 1-for-7 basis appears likely some time before next March.

Earnings per share of common stock (after providing for preferred stock dividends) would have been as follows, assuming that the present shares of common had been outstanding during the entire period, that the net income of Canadea Power Corporation had been paid to the company, and that Federal income taxes had been provided for on a separate return basis:

	Calendar Years 1944	1945	1946	1947	1948	12 Months Ended June 30, '49
Share Earnings	$1.06	$1.18	$2.24	$2.76	$2.85	$2.57

Earnings in 1946 and subsequent years were substantially larger than in prior years because dividends on preferred stock were decreased by a re-classification of 6% and 5% preferred stocks on Dec. 28, 1945 and by retirement of $8 million preferred stock in 1944 and 1946.

The average residential revenues per kwh. in the 12 months ended June 30, 1949 were 3.37c; the residential usage per annum 1,445 kwh. The company has received two adjustments of gas rates during the past year and has asked the PSC for about $800,000 additional increase. No increase in electric rates has been requested.

Hear! Hear!

"The biggest gap in this island (Britain) is not the dollar gap but the gap between the condition of the British Treasury and the condition of the worker's personal treasury. There is another gap equally large, if not larger, between the condition of the British Treasury and the condition of the large British employer's treasury.

"The British Treasury is running out of dollars but the British employer's treasury is so full of pounds that he is not particularly interested in earning dollars in a tougher market. Like the employer, the worker feels more secure, too, and, since not one in ten thousand has ever seen a dollar bill, he does not quite see what all the fuss is about.

"In short, while Sir Stafford Cripps, Chancellor of the Exchequer, is worried about earning more dollars the average employer and the average employee are not—and until that gap between official and unofficial thinking is filled the dollar gap will not be filled either."—James Reston in a London dispatch to the New York "Times."

What an accurate observation—and what a basic criticism of "socialism" or any other form of statism, including the "managed economy" systems!

In a really free economy no such anomaly could exist. Nature would automatically provide the incentives and exact the penalties!

Purchasing Agents Report Uptrend in Business

Composite opinion of Business Survey Committee, headed by Robert C. Swanton, is that both production and new orders in August overbalanced declines by three to one.

The composite opinion, covering the month of August, of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corp., Division of Olin Industries, Inc., New Haven, Conn., is that the business curve has reached bottom and is turning up. Production and new orders both have increased, overbalancing those reporting declines, by 3 to 1. While these statistics are very encouraging, Purchasing Agents point out that heavier ordering is for seasonal and short-range commitments; consequently, production schedules and buying policies are geared to this current close view of future business. Industrial price trends have firmed in August, the "ups" equalizing the "downs." Purchased inventories continue to be reduced. Except for stock pile buying in anticipation of coal and steel labor difficulties, industrial inventories would be lower than in July. Employment has increased, though not in proportion to the production increase. Buying policy, which has been predominantly on a "hand-to-mouth to 30-day" basis, shows a slight swing toward the 60-day position.

Robert C. Swanton

The consensus of purchasing executives on future manufacturing activities is that only hesitant, short-term programs may be developed while major labor costs remain unsettled.

Commodity Prices

The tendency of prices in August was to stabilize. 64%, the highest number since January, report no change in their materials cost structure during the month. Those reporting price increases are offset by those reporting further declines. Purchasing Agents comment that the current trend may be temporary, as many anticipated price adjustments have been held up awaiting recommendations of the steel Fact-Finding Committee and settlement of pending wage negotiations in other industries. Fabricated items, where labor is not the major cost, are continuing to become more competitive.

Inventories

Industrial purchased inventories show further declines in August. The rate of decline would have been sharper if some additions to stock pile had not been made as a hedge against possible interruption of steel and coal production. Many who have been out of the market during a period of inventory liquidation are now purchasing to cover immediate production needs. There is no incentive to stock up, as most industrial materials are available to meet requirement schedules.

Buying Policy

The prevailing "hand to-mouth to 30-day" commitment range dropped from 70% to 64% this month, the decrease representing an increase in the 60-day forward position. The change is not sufficient to indicate a trend, but does emphasize that short delivery schedules are available for the increase of new orders. Local warehouse stocks are being drawn on, in many instances, in place of mill deliveries. These warehouse inventories are generally reported to be in good condition for such prompt service.

Employment

There is a strong indication in August that declining pay rolls have about reached bottom. Only 27% reported further layoffs, which compares with an average of 50% for the previous six months and with 26% in November, when employment really started to decline. While re-employment is listed by 21% of the reports, the highest since last October, it is noted that production increases for the month were reported by 42%.

Specific Commodity Prices

Few important price changes are reported this month. In the number of items changing price, the increases balance out the decreases.

In the "up" column were: Alcohol, brass and copper products, building materials, burlap, cable, cottonseed products, detergents, fats, food products except grain, fuel oil, lead products, menthol, some papers, soap, textiles, zinc oxides.

Moving "down": Ammonia, asbestos, asphalt, bakelite, castings, cement, some chemicals, starch, dyestuffs, electrical supplies, grains, cast iron, leather, some lumber, mercury, paint, phosphates, platinum, synthetic resins, rubber, solvents.

Harder to get: Aluminum, brass scrap, steel sheets, tile, galvanized and black pipe.

Canada

Business in Canada has leveled off. Production has shown no increase as in the United States, but a very high percentage are reported holding to July schedules. Order books remain about the same, with a tendency to hold even. Prices are advancing; inventories declining. Employment is steadier. Declining exports, if continued, will forecast an industrial decline.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John A. MacFarlane and Roy J. Sheldon have been added to the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

Davies & Mejia Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Fenwick Smith has joined the staff of Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

William Hays Dies

William H. Hays, member of the New York Stock Exchange, died at his home at the age of 73.

With Paul C. Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—William E. Drew has become associated with Paul C. Rudolph & Co., 40-D South First Street.

Westheimer & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — William Earle Adams has been added to the staff of Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Is a Constructive Approach To the Gold Problem Possible?

(Continued from page 4)

suffering from "dollar shortage."

Thus complete abandonment of gold production would increase the burden of the United States for foreign assistance but not to any decisive extent. As a matter of fact, the nations most urgently in need of American assistance are not necessarily the ones with the largest gold production.

From a theoretical and purely objective point of view, the problem of gold production as a whole is not one of major significance. It cannot by itself make any major contribution to the problem of economic and monetary world rehabilitation. It may be useful to put this fact on record.

But as a practical matter there will certainly be no end of gold mining. Too powerful interests are involved, the effects on certain parts of the world would be very grave; last not least, there are the psychological aspects of gold as a storehouse and refuge of value.

However, once a decision has been made that gold production shall not be discontinued but rather expanded, there is hardly a point in continuing policies which actually harm the aims to be attained.

This brings up immediately the question of a higher gold price. The present situation is quite unsatisfactory to all concerned parties. Various devices and subsidies are used by producing countries to prevent a decrease of gold production. Nobody would advocate an expansion of those methods to increase gold production. This makes a decision on the gold price unavoidable. Sidestepping the issue to avoid taking any definite position will lead nowhere but would merely increase present uncertainties and confusions.

But first the question has to be answered about the reasons which have prevented any realistic policies up to this date. Are they based on convincing facts or merely a continuation of rules laid down in the past when conditions were different.

International Monetary Fund and Gold Price

The principal complaint against the policies of the Fund has dealt with a lack of leadership and vision. The Fund has acted as a policeman bent to maintain and support the status quo rather than a forward looking statesman who is taking a constructive attitude toward changing conditions and is aware of the need to keep rules flexible and adjustable.

The Fund has taken vigorous objection to such characterization of its policies and has called attention to a number of minor achievements where it helped in bringing about necessary changes.

Yet its handling of the gold problem, perhaps the most important problem it had to deal with up to now, provides an outstanding example in support of its critics.

When the Fund, at the beginning of its operations, decided upon the par values of the currencies of its more important members those par values, which were expressed in U. S. dollars in accordance with the charter, were supposed to reflect the gold price in the respective countries. In fact, however, these official gold prices were purely nominal in many member countries and the "free" markets quoted high premiums for gold transactions. Quite naturally, these free markets attracted substantial supplies from the producing countries.

The Fund felt an obligation to support the par values regardless of the "facts of life." In view of the rigid relationship between par values and gold this meant also defense of the official gold prices in both producing and consuming countries.

A special study would be required to describe in detail the cat-and-mouse game between the Fund and its members, the various maneuvers and legal hair-splitting that led to acceptance of particular methods of subsidizing producers by their governments as well as giving them access to outlets where they could get higher prices for their product. This most fascinating story culminated recently in the managing directors' trip to South Africa after that country had begun selling gold in London at premium prices. A face-saving solution was worked out which satisfied nobody.

The Fund is understood to feel that the claims of the gold producers for a higher gold price have little merit on the basis of statistical evidence. For the increase in costs has not gone beyond the increase in gold prices as resulted from the devaluation of the dollar in 1933-34. The dispute may eventually turn into an argument among experts on the merits of various index numbers of wholesale prices and living costs.

However, more important from a practical standpoint seems to be the undeniable fact that virtually all the gold producing nations (except the United States) have been compelled to subsidize their gold producers in one way or another to avoid a decline of gold mining which in turn would deprive them of valuable dollar earnings. Since those subsidies have to be paid out of taxes, no government would grant them unless it had been satisfied that the situation of gold producers was actually unfavorable.

There is no need to discuss the unfavorable distribution of gold reserves throughout the world. The table shows that the Marshall Plan countries have lost some 60% of their reported gold reserves during the last decade. On the other hand, the reserves held by the United States increased from $14,500 million to $24,200 million, those of Switzerland from $700 million to $1,387 million. The reserves of all countries except the U. S. and Switzerland fell from $10,500 million to $6,900 million, or more than 30%.

Gold Reserves of Central Banks and Governments[1]
(million U. S. dollars)

Country—	1938	1948	Difference
Austria	$88	$5	— $83
Belgium	728	624	— 104
Denmark	53	32	— 21
France	2,430	548	— 1,882
Great Britain	2,690	1,610	— 1,080
Italy	193	66	— 127
Netherlands	998	167	— 831
Norway	84	53	— 31
Sweden	321	81	— 240
Turkey	29	162	+ 133
Marshall Plan Countries	7,614	3,348	— 4,266
Spain	525	111	— 414
Total	8,139	3,459	— 4,680

1 The data are taken from the 1948 report of the Bank for International Settlement. These reports present an excellent summary of developments regarding monetary gold.

In most countries the ratio between outstanding currency and metallic reserves has been reduced to an insignificant amount although it is clear that following severe attacks of inflation and overissues of paper money, more adequate gold reserves would go a long way to restore public confidence in the domestic currency systems. Yet there is hardly anything in sight whereby those countries might be able to acquire sufficient gold for such purposes.

The question of a change in the gold price has been especially provided for in the Fund Charter. Section 7 of Article IV defines the rules for "uniform proportionate changes in the par values of the currencies of all members." A majority of the total voting power is needed plus the express consent of members having 10% or more of the total quotas (only the U. S. and Great Britain have more than 10%). A member has the right to refuse participation in the change.

Obviously, such uniform change would have no immediate effect upon the over- or under-valuation of individual currencies with respect to gold; for the relations among the member currencies would remain unchanged and there would be no change in the accepted par values which are expressed in U. S. dollars. Beneficiaries would be the gold producers who would get more dollars from the U. S. Treasury.

In view of the fact that the charter makes a special provision for changing the gold price, why has the Fund been unwilling to propose the use of this section in order to be relieved from the present embarrassing situation? One reason, of course, is the often expressed preference of the Fund for the status quo. But this is probably not the decisive motive.

It is well known that the U. S. Treasury has been the principal opponent. Consent of the U. S. Government is required under the charter provision, but even if this provision did not exist no change could be made against an unfavorable vote of the U. S. under present conditions.

It is well known that the U. S. Treasury has been fearful that an increase in the gold price, which would be tantamount to a broadening of the monetary circulation, would add more heat to the inflationary situation which has prevailed not only in the United States but throughout the world since the end of the war. Certainly, this was an important consideration until a few months ago, but since then inflation has become a matter of the past and measures have been taken to prevent a spread of deflation.

Moreover, it is possible to devise methods to check or offset whatever inflationary effects may be the result of an increase of the gold price. Therefore the bogy of inflation cannot serve any longer as a satisfactory motive for vetoing a progressive gold policy.

Short-Term or Long-Term Solution

Europeans are recommending an increase of the gold price as a short-run device to increase their dollar holdings. In addition to the higher proceeds they would receive from the sale of newly mined gold, they expect the United States to distribute the "profit" that would accrue from a revaluation of the gold already held in the United States.

The U. S. Government is understood to oppose those recommendations for a relief of the "dollar shortage." This position deserves widest approval both in this country and abroad among all those who are getting tired of superficial remedies as substitutes for deep-seated ills. It would be dangerous in the extreme to have an adjustment of the gold price every few years as a convenient and painless method to create more dollars.

However, this does not imply support for those who are satisfied with continuing an unhappy status quo. There is need for a constructive approach which accepts possibilities of changes if they can be expected to lead toward relaxation of tensions and ultimate elimination of difficulties.

As far as the gold problem is concerned, the weight of evidence seems to be favoring changes in the present set up rather than continuation of present policies which do not hold any hope for the better.

But any "uniform proportionate change" of par value, or, stated simpler, a change in the dollar purchase price of gold, should be made only as a part of a broad and long-range program of economic and monetary improvement and stabilization. It ought to represent an important and perhaps decisive step toward that goal. This would be its only but real justification.

A Constructive Program

The proposal to be outlined below appears to be in accordance with the principles laid down before. It does represent part of a long range program. It will have to be carried through in such a way as to encourage efforts toward permanent monetary, financial and economic stability. It shall be applied as a final and crowning move in such a program. It is not concerned with short-term assistance but it may be important in providing a psychological stimulant and thus may be helpful in connection with the unavoidable adoption of burdensome and often unpopular measures.

But it offers an immediate solution of the vexing gold price problem. This should lead to an expansion of gold production and higher dollar proceeds for the gold producing countries. For the U. S. the result may be some relief from the heavy burden of foreign support but without any appreciable danger of any increasing trend toward inflation.

The following are the principal features of the proposal:

(1) The U. S. Government will consent to a decision of the International Monetary Fund in accordance with Sec. 7 of Article IV resulting in an increase of the purchase price of gold from $35 to $47 (approximately one-third).

(2) Such a move would increase the value of the existing gold stock of the United States by approximately $8 billion. This amount of gold would be set aside for purposes of world monetary stabilization. As a result the monetary gold stock of the U. S. would remain unchanged at $24 billion (at the new rate of $47 for a fine ounce of gold). The U. S. Treasury would purchase new gold at the new price of $47.

(3) Administration and distribution of the earmarked gold would be handled by the International Monetary Fund in accordance with the terms of an agreement to be negotiated between the Fund and the U. S. Government.

These terms would provide for allocation of an appropriate share of the gold to member countries which, in the opinion of the Fund, have taken all the necessary steps toward the stabilization of their currency and economy. The gold would have to serve exclusively as a backing for the domestic currency of the member. No more than 10% of that gold could be sold or pledged without the express consent of the Fund.

Adoption of the proposals by the U. S. Government and the members of the International Monetary Fund would have the following principal effects:

(1) The difficulties of the gold mining industry would be relieved and an expansion of profitable production made possible. Present subsidies and other roundabout methods of getting higher prices would become unnecessary and could be eliminated. Another of the post-war black market organizations would largely disappear.

(2) Based on the present production rate the dollar proceeds of the gold mining industry would increase by about $260 million.

If production could be brought again up to the 1941 level (this should not be impossible), those proceeds would increase to $1,600 million or twice the present income. Actual proceeds will be less particularly during the first period after adoption of the new prices.

In any event, the increase will be substantial and bring considerable relief to the producing countries, particularly to the Sterling block area.

(3) One of the main obstacles to monetary stability and re-establishment of public confidence would be removed. Whatever the theoretical aspects of the needs for a gold backing, the shattering effects of ten disturbed years have to be offset by something in which the people puts its trust. Surely, the time required to re-establish normal conditions would be shortened substantially.

After the First World War, foreign loans provided the basis for re-establishing gold stocks and monetary systems. There is no hope to repeat this method particularly since the needs are so much vaster. No other way of achieving this vital prerequisite has been presented so far.

The domestic gold stocks of the member countries, small as they may be, will be increased by the appreciation of the gold price. This again will help those countries either to increase the backing of their currency or use the additional gold for purchases abroad of needed materials and equipment.

Experience has shown that an increase in the gold price tends to bring hoarded gold into the open and into the coffers of the central banks. There is good hope to see this happen once again.

(4) Among the most significant effects would be the impetus and stimulus for the "soft currency" countries to make a determined effort toward monetary stabilization. There are great difficulties to get democratic governments to take the risks unavoidably involved in such measures. If those governments could point to the large benefits to be derived from the distribution of gold, it should be easier for them to convince voters about the necessity for making new sacrifices.

(5) As far as the United States is concerned, the often emphasized and perhaps overemphasized inflationary dangers should not materialize to any substantial degree. There would be no inflationary dangers from the existing gold stocks under the proposed set up. The tendency toward expanding the money supply would be restricted to the purchases of new gold by the U. S. Treasury.

Obviously, any inflow of gold starts an inflationary trend under the present monetary legislation. It is to be expected that the annual gold production will be offered for sale to the U. S. Treasury. This amount plus some gold from other sources is now more than one billion dollars. Appreciation of the gold price and expansion of gold mining may boost this by another $500 million-$1,000 million annually.

Surely this is not a negligible amount but it is not an unmanageable one. The problem should be seen in its proper proportion. After all, there will be a tendency toward increase of the money supply as long as population and production are expanding. Yet a 1% change in reserve requirements of commercial banks increases or decreases the money supply by almost $1 billion. The monetary authorities have ample means to handle any situation which may develop from an inflow of gold in accordance with their overall monetary policies.

On the other hand, the difficulties of closing the gap between American imports and exports would be somewhat relieved by larger gold inflow. It would be just one step toward a solution of this problem but not a negligible one.

(6) The organization most strongly affected by the proposals would be the International Monetary Fund. A completely new era may be opened up for its activities. Its position and influence upon world monetary events would be strengthened enormously provided the officers should be willing to assume appropriate responsibilities, something they have been somewhat reluctant to do up to now.

In the first place, there would be a trend to join the Fund by the nations still keeping on the fence (perhaps with the only exception of Switzerland). Few would be willing to forego the chance of getting a piece of the valuable pie.

Then there would be a very great opportunity for the Fund to influence the economic policies of the member countries by determining the principles which would make members eligible for their shares. It is well known that there is a widespread opinion among members that they have a legal right in their quota allotments and the Fund has no right to impose conditions when selling dollars. Whatever the legal position in this case, there could be no doubt about the Fund's right to impose conditions before allocating gold. Indeed, this would be the very essence of the plan.

Therefore, it will be of utmost importance for the Fund to set down those principles clearly and distinctly and to make sure that they are not only accepted but actually carried out regardless of the usual cries about infringement upon national sovereignties.

Here is an opportunity for the Fund to break with its not too successful "trial and error period" and make a new start toward the aim for which it was organized, namely to furnish that guidance and leadership that had been provided by the City of London during the nineteenth century and by the Presidents of the leading central banks during the inter-war period.

As pointed out before, there has been a certain reluctance of the Fund to assume far-reaching responsibilities and a tendency of restricting itself to more formal activities such as collecting statistics, where it has done an excellent job indeed.

Important as all this may be, it is just a first step. There is need for courageous leadership and it will have to be provided for by some organization. This may be the Fund's last chance. If it should fail, it can be safely predicted that some other organization will be set up to fill the gap leaving the Fund to its purely technical activities.

The fact has been stressed repeatedly that this is a long-range program. But its adoption would strengthen immensely all the efforts that will have to be made to provide stop gap and temporary solutions. Thus it is not a substitute for those short-term measures. But it is essential to work on both types of projects at the same time. Otherwise the short-term help is dissipated and loses its true meaning as a step toward permanent solutions.

Whether or not the consent of Congress would be required to adopt the plan, every effort should be made to explain it to the American people as fully as can be done with such a highly technical problem. The people should be made to understand that here is an important part of a long-term stabilization program, not merely a juggling around of bookkeeping figures. Incidentally, the fact that some of the countries behind the iron curtain are members of the Fund might open far-reaching possibilities at the right time to narrow the gap that now exists between Western and Eastern Europe. In this way, the plan could make a substantial contribution toward peace in the political and economic sphere.

Sees Tax Structure Strangling American Economy

First National Bank of Boston, in current "New England Letter" says venture capital is siphoned off by heavy tax payments.

"The fate of private enterprise and our democratic form of government hangs in the balance, as our economy is being strangulated by crushing taxation that is dangerously siphoning our supply of venture capital," says The First National Bank of Boston in its current "New England Letter." Continuing, the bank says: "Our foremost task is to overhaul the tax structure by revising provisions creating a malignant growth that is obstructing the creation and flow of the 'lifeblood of business.'

"Venture capital is the 'seed money' that provides the dynamic force to our economy. When there is a constant and an ample flow of capital the economy is healthy and expanding, but when sluggish, progress is halted and stagnation follows, as was the case in the 1930s when the flow of this money was reduced to a trickle, with the consequence that unemployment mounted to the highest levels in our history.

"Over the decades the major sources of capital savings were the money ploughed back into business and the savings of those in the higher income brackets. Taxes absorb such a large proportion of the income of this group that the individuals work in reality from six to nine days out of 10 for Federal, state, and local governments. The aggregate amount of income after taxes of those receiving $25,000 and over a year in 1946, the latest year for which such data are available, was 26% below that of 1929, while total national income during this period showed a gain of around 105%. In consequence the proportion of national income held by this group declined from over 8% of the total in 1929 to 3% in 1946.

"Not only has there been a sharp decline in the upper group income after taxes, but a much smaller proportion of this income is being invested in risk ventures because the net return on such investment, even under the most favorable circumstances, would be little if any more than that obtained from tax-exempt securities. The government takes the lion's share of the winnings, while the investor absorbs all the losses. This system of 'tails I win, heads you lose' conforms to the Karl Marx platform of a century ago of destroying the private enterprise system by imposing a heavy progressive or graduated income tax.

"By following the tax policies of the Communist platform, Great Britain is scraping the barrel for new venture capital and her economy is bogged down. The United States is rapidly moving in the same direction. As the distinguished economist, Willford King, has said: "We are apparently doing our best to imitate the British, dry up the sources of capital, and thus reduce our industry to impotence and our nation to poverty.'

"Not only is our economy suffering from a lack of fresh capital, which is the lifeblood of business, but the shrinkage in income after taxes of the two percent of our population who are the business leaders is destroying the incentive to assume the heavy responsibilities of directing our economic activities. Many firms are finding it increasingly difficult, in view of taxes, to provide rewards sufficient to compensate top executives for the worry, strain, and energy expended in the arduous task of management. In a questionnaire conducted by "Fortune" magazine among American business executives, 70% replied in the negative to the question, 'If you could double your income by working two or three more hours a day, would you do so?' And this response should cause no surprise in view of the tax schedule. In the case, for instance, of a person whose salary is doubled from $50,000 to $100,000 a year, he retains only $12,000 of the additional $50,000, while the Government takes $38,000. It is obvious then that our tax policies not only destroy 'seed money' but also deprive the nation of valuable talent that could make a great contribution to our material well-being.

"The course is clear. Our foremost task is to save the American system from destruction from within by restoring its vitality through a constant and large flow of fresh capital. To do this there must be a change in our national economic philosophy and an overhauling of the tax structure.

"While the tax system needs a complete overhauling, those provisions that prevent the accumulation of and retard the flow of venture capital should be given first consideration. The release of this additional capital from taxation would provide the most effective means of attaining the national objective of a high level of production and employment."

New York Stock Exchange Weekly Firm Changes

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

Transfer of the exchange membership of the late Eugene Ballard to John D. Britton will be considered by the Exchange on Sept. 15. Mr. Britton will continue as a partner in Conning & Co. and Ballard.

Interest of the late Robert D. Hartshorne in Abbott, Proctor & Paine ceased Aug. 31.

Interest of Lucius Wilmerding, limited partner, in Harris, Upham & Co. ceased Aug. 31.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, MINN.—N. H. Peterson and Mike J. Thelen are now associated with King Merritt & Co., Inc., 1211 First Street, North.

With W. M. Zuber & Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Arthur J. Prendergast has become affiliated with W. M. Zuber & Co., 16 East Broad Street. In the past he was with Vercoe & Co. and the Guaranty Trust Co. of New York.

The Function of Bank Reserves

(Continued from first page)

to hold a certain fraction of their deposit or note liabilities in reserves. As our monetary and banking institutions have developed, however, our conception of the primary function of legal reserves of banks has undergone significant change. Originally the principal purpose of legally required reserves was to assure the ability of individual banks to meet liabilities on demand during a period of strain. That is to say, it was to provide for the convertibility of bank notes and bank deposits into cash. With the establishment of the Federal Reserve System, the role of bank required reserves was greatly modified, and today they serve mainly to set a limit on the total volume of bank credit and the money supply.

Reserve requirements against circulating bank notes became a part of American banking law a century ago, and requirements against bank deposits were introduced by the National Bank Act in 1863 and by two states even earlier. At first each bank's reserves comprised the specie in its own vaults. Later these reserves came to include funds which a bank might have on deposit with another bank in a financial center.

In the course of time it became evident that reserves alone were not an adequate protection to banks and their depositors. The reserves which a bank was legally required to maintain were not reserves which the bank could pay out. In other words, required reserves did not assure the ability of a bank to honor its obligations on demand. Moreover, since part of these reserves was held on deposit with correspondent banks, their recall for meeting the demands of local depositors only transferred to the correspondent banks the problem of raising cash to liquidate banking system liabilities. In fact, in deposit withdrawal emergencies, outlying banks tended to rely on borrowing from their correspondent banks with whom they maintained deposits. But these banks could use only their excess reserves for such lending, and the scattered excess reserves of the entire banking system were inadequate when a large number of banks were facing unusually heavy depositor withdrawals.

Gradually it became more clearly understood that the ultimate safety of bank deposits depended much more upon the availability of a reservoir of reserve funds, to be drawn upon in case of need, than upon legal reserves. That is, what was needed was an institution to provide additional money and reserves in emergencies; and, more important, to provide additional means of payment, under appropriate regulatory safeguards in accordance with the growth of agriculture, industry and commerce.

The Federal Reserve System was established primarily to meet these needs. The Reserve authorities were empowered to issue money. They were also empowered to lend to member banks or to buy United States Government securities or certain kinds of commercial paper in the open market, a process that creates member bank reserves in the form of member bank deposits at the Reserve Banks. It was provided that member banks could not legally reduce their reserves below the statutory minimum and since excess reserves do not produce income, it was expected that member banks would not ordinarily keep excess reserves. The Federal Reserve System, through its discount and open market instruments, was given authority to exercise a regulatory influence over the volume of deposits which member bank lending and investing activities could create.

These facts gave bank reserves and reserve requirements a new significance. Instead of serving largely as an individual bank's main guaranty of readiness to honor its obligations, they became the means by which the central banking authorities exert a restrictive or expansionary influence, as public economic interest directs, on the ability of banks to extend credit and expand deposits.

Relationship of Reserve Requirements to the Volume of Deposits

The two factors I have just mentioned—the volume of bank reserves and legal reserve requirements—serve as a team to set a limit to the total volume of deposits at any time. I shall have more to say later about the volume of bank reserves. First, I should like to examine with you, as I have before, the present-day role and significance of bank reserve requirements—that is, the percentages of demand and time deposits that banks are required to hold as reserves.

At existing levels of reserve requirements, one dollar of reserves will support over six dollars of bank deposits. Stated in another way, a given addition to bank reserves makes possible about a six-fold increase in bank deposits. A contraction in reserves of a given amount tends to produce a six-fold contraction of deposits.

The basic principle underlying this possible expansion and contraction is that bank deposits have their principal source in bank lending and investing. If there were only one bank in the country and if we can assume that people hold their money in the form of bank deposits, the bank could expand its deposits indefinitely by making loans to its customers and crediting the proceeds of the loans to its customer checking accounts. Being the only bank, it would not need to fear loss of deposits to other banks. Those who receive checks drawn on the bank would deposit them at the bank; the effect would be merely a transfer of deposit ownership on the books. The only limitation on the expansion in deposits would arise out of the amount of reserves in proportion to its deposits which the bank maintained, either because of its own rules or because of legal reserve requirements. At the present time member bank reserve requirements average about 15% of total deposits. Fifteen per cent reserves permit deposits to expand about six and two-third times. Thus, if there were but one large commercial bank serving the entire country and holding all the deposits of the people, its deposits could expand to $666 for each additional $100 of reserves.

But we have not one bank but approximately 14,000 commercial banks. Therefore, in the actual competitive situation that exists no bank can expand its deposits by making by itself new loans and investments of six times the amount of any newly acquired reserves. It can not do so because bank customers do not borrow with the expectation of leaving the borrowed funds on deposit; they borrow in order to spend, and the funds they borrow are more apt to be checked out to another bank than to remain with the bank which lent them. Consider an illustration of how credit and deposit expansion tends to occur, using an average reserve requirement for all banks of 15%. When a bank receives a deposit of $100, it must put aside $15 as a reserve against the deposit and it can lend $85. When it has done this it has both the $100 deposit and the $85 deposit put to the account of the borrower. But this $85 will probably be transferred by a payment to a depositor of a second bank. The second bank receiving the $85 deposit must increase its reserves by 15% of the deposits; that is $12.75. It then has $72.25 left which it can lend and which will probably find its way through a payment to a third bank.

This process may continue through a succession of banks, assuming a demand for bank credit, until taking all the banks together a result is reached which is the same as would be reached if there were only one bank. That is, all banks taken together constitute a system comparable to a single bank performing all the banking business. Deposits may shift from bank to bank, but, as a general thing, they do not leave the banking system. So, the the process of lending and moving funds from bank to bank with resulting increases in deposits and in required reserves can continue through a succession of banks until the total of the new deposits, counting the original deposit of $100 at the first bank and the deposits created through the successive loans and investments, will amount to $666. The reserves set aside by the banks involved will total $100, which is the 15% required against the aggregate deposit of $666.

From this illustration we may draw two important generalizations. First, the lower the percentage reserve requirements of banks are, the greater the volume of credit and deposit expansion a given volume of additional reserves will support and the greater the volume of credit and deposit contraction a given loss of reserves will tend to require. Second, with our system of 14,000 independent banks, legal reserve requirements at some level are an essential element in the mechanism through which the total volume of bank credit and deposits may be brought under some overall control.

Reserve Requirements of the Federal Reserve Banks

I believe it is helpful for a fuller understanding of the modern role of commercial bank reserves to contrast the significance of commercial bank reserve requirements and the requirements in gold certificate reserves applicable to the Federal Reserve Banks. It needs to be recognized that as far as reserve requirements are concerned, as in other respects, there are important differences between commercial banks and Federal Reserve Banks. As we have seen, the principal present-day function of commercial bank reserves is as a mechanism through which the total amount of money in the country may be influenced. What is the purpose or role of the reserve requirements imposed by law on the Federal Reserve Banks?

The reserve of 25% against deposit and note liabilities that the Federal Reserve Banks are required to hold in gold certificates has importance in connection with two major kinds of functions performed by the Federal Reserve System. Such reserve requirements could, in a period of vast credit expansion, restrain the System from expanding Reserve Bank credit beyond a certain point. This would then tend to put an automatic limit, although sometimes a high one, on the total monetary and credit expansion that could take place. The System, however, does not expand its credit irresponsibly; substantial increases in Reserve Bank credit have been made only to meet national emergencies of depression and war. Moreover, if the System were disposed to act in an irresponsible way to expand credit in a period of inflation, it has now more than enough leeway of excess reserves to cause very serious damage before its reserve limits would even begin to be effective.

While the limit on the expansion of Federal Reserve credit which is set by the gold reserve requirement is not an effective or necessary device for curbing monetary expansion, it may at some stage hinder the Federal Reserve in meeting a financial emergency. The System is the agency responsible for assuring the convertibility of bank deposits (and today perhaps I should also add Savings Bonds) into currency, should anything cause the people to want to hold currency rather than bank deposits or these other liquid assets. The System also is responsible for providing needed elasticity in the supply of available bank reserves. The reserve requirements on the Reserve Banks serve to limit their capacity to perform these functions. It seems to me that under the kind of a monetary and banking system we now have, there is no reason for any mechanical limitation on the capacity of the Federal Reserve to insure the convertibility of bank deposits into currency or to extend needed credit to member banks.

Federal Reserve Influence Over the Volume of Bank Reserves

As I pointed out earlier, two factors limit the volume of deposits that banks may create and hold: the volume of bank reserves, and the reserve requirements of banks. When the volume of bank reserves increases, banks as a group may expand their deposits by a multiple amount; conversely, a loss of reserves tends to induce a multiple contraction of deposits. Thus if the Federal Reserve can influence the volume of bank reserves it can restrain or promote the expansion of bank deposits and help to bring about their proper adjustment to the needs of the economy.

There are three principal instruments which the Federal Reserve System may employ to alter the volume of bank reserves. One means of control has been through changes in Reserve Bank rediscount rates. When a member bank has lent or invested all of its available funds, it may obtain additional reserves by rediscounting or borrowing at its Federal Reserve Bank. Although when a member bank applies for such accommodation the Reserve Bank is under no obligation to grant credit, a member bank with satisfactory collateral can usually obtain it. Federal Reserve policy of encouraging or discouraging borrowing by member banks is expressed principally not in the granting or refusing of loans but in the rate charged for rediscounts and advances. When the Federal Reserve believes that it is in the public interest to encourage credit expansion, it traditionally sets its rediscount rate low in relation to prevailing market rates. When it wishes to discourage credit expansion, it raises the rediscount rate.

Banks, and the entire money market as well, also have access to Reserve Bank credit through Federal Reserve buying of bills. These may be either Treasury bills or banker's acceptances, but the latter while of great importance in the 'twenties are not widely used today. The influence of the System over the extent of such access to Reserve Bank credit is traditionally made effective by raising or lowering interest yields or rates at which the Federal Reserve will purchase these market instruments. Relatively low Federal Reserve buying rates encourage the money market to sell these to the System; high rates discourage such sales. The bill avenue has been traditionally the cheapest way to Federal Reserve credit, and today the Treasury bill is playing an inportant role in the adjustments in reserve positions made by banks, particularly the money market banks. Recent actions taken by the System to increase the flexibility of market interest rates to adjust to changing credit situations may tend to give the bill instrument an even more pivotal role in the credit mechanism.

With both the rediscount instrument and the bill buying mechanism the Federal Reserve operates essentially passively to influence the volume of bank reserves. That is, having set for the time its rediscount and bill buying rates, the System traditionally awaits the action of banks and the money market in general to seek out Federal Reserve credit. The Federal Reserve has an active instrument of control over the volume of bank reserves in its open market policy. That is, it can enter the market at its own initiative to sell government securities to contract Reserve Bank credit and to buy government securities to expand that credit. Bank reserves may thus be contracted or expanded by the System as it seems in the public interest to do so.

Federal Reserve Authority to Change Member Bank Reserve Requirements

As you know, the Board of Governors has the power to vary the reserve requirements of member banks. The basic requirements established by law against demand deposits are 13%, 10% and 7% for central reserve city, reserve city, and country banks, respectively. These may be raised by the Board to a maximum of 26%, 20% and 14%, respectively. Reserve requirements on time deposits at all member banks may range from 3% to 6%. In August, last year, Congress, as an anti-inflation measure, gave the Board temporary authority to impose additional reserve requirements on member banks up to 4% on demand deposits and 1½% on time deposits. Under this authority, which expired at the end of June, the Board raised reserve requirements last September, and lowered them in May and June.

The instrument of changes in reserve requirements is not one that is well adapted to frequent use for influencing the total volume of bank credit and bank deposits. It is instead a measure to be used from time to time as needed for contracting or expanding the liquidity position of the banking system and for bringing the other credit control instruments of the Federal Reserve into broad contact with the credit situation. In the period of financial reconversion from war through which we have now largely passed, however, changes in bank reserve requirements assumed exceptional importance as an instrument for credit and inflation control. This was the case because the System's other instruments for influencing the total volume of money and credit were severely limited in use by special circumstances arising out of the financing of the war and the absence of real peace after the war. Recent developments, which I shall discuss shortly, indicate that perhaps greater emphasis may now safely be placed on other monetary instruments and that the instrument of changes in reserve requirements may play a more balanced role in the future.

Recent Federal Reserve Credit Action

A year ago, when I discussed the subject of bank reserves at a seminar session of this School of Banking, circumstances were such that these Federal Reserve instruments for affecting the volume of bank reserves were very severely limited in their usefulness. At that time, with financial transition to peace-time conditions only partially accomplished and with the international situation as it was, stability in the government securities market was an overriding consideration. Open market operations, therefore, were not then usable for the purpose of affecting aggressively the volume of bank reserves. For exercising some measure of restraint on monetary expansion over the period of postwar inflation, monetary authorities were obliged to rely on use of the then substantial Treasury cash surplus, on a modest rise in short-term rates, and on increases in reserve requirements.

By the end of last June circumstances were such that the Federal Open Market Committee was able to announce a change in policy which should help to restore the effectiveness of certain traditional instruments for influencing the volume of bank reserves. Purchases, sales, and exchanges of government securities are now made with primary regard to the general business and credit situation. The policy of maintenance of a relatively fixed pattern of rates has been discontinued, although it will continue to be the System's policy to maintain orderly conditions in the government security market, and the confidence of investors in government bonds.

About the time the change in open market policy was announced, excess reserves of member banks were expanded approximately $800 million by the expiration of the special reserve requirement authority that Congress granted to the Board a year ago. These free funds, seeking investment pressed down the market yields on all government securities, but particularly short-term interest rates. After the short-term yields had declined about ¼ of 1% it became clear that these rates were under such pressure that further precipitous declines were likely, and the System made short-term government securities, largely bills, available from its portfolio in order to avoid a disorderly market situation.

In early August the Board announced further reductions in reserve requirements, and over August and early September these reductions are making available to member banks an additional $1,800 million of excess reserves. Short-term government securities, again primarily bills, are being supplied in the market from the System portfolio so that banks may find at least temporary investment for these funds without pressing down short-term yields to an undue extent.

Generally speaking, the Board's reserve requirement actions coupled with the change in open market policy of the System have had two major effects that should help to promote the availability of bank credit at this time. Member bank liquidity positions—that is, their holdings of cash, excess reserves, and short-term government securities—have been expanded by about 2,600 million dollars. At the same time the yields on short-term government securities are down considerably from what they were in the early Summer, and accordingly the attractiveness of these investments is much reduced as compared with say a loan to a business concern or to a farmer. I should also mention the fact that the Reserve System is no longer freely selling government bonds to keep their yields from declining. With the adoption of this policy by the System, pressure of market forces brought about a decline in yields on medium, and long-term government securities, with an accompanying tendency for investors to seek corporate and municipal securities as outlets for the funds they have available for investment. I believe that these credit actions by the Federal Reserve have had some influence in making the current economic situation somewhat more favorable than in general it promised to be a few months ago.

How Should the Burden of Holding Reserves Be Distributed Among Banks?

In order to keep the volume of money in the country at a level which is appropriate to economic conditions, we have seen that under our banking system it is essential that banks be required to hold reserves, and that the Federal Reserve be able to influence the volume of reserves available to banks. At any given time, there is an appropriate volume of total reserves that banks as a group need to hold to promote monetary stability. But bank reserves are immobilized assets that cannot be loaned or invested to earn an income. The required reserves which an individual bank holds represent therefore, a contribution which the bank makes to effective national monetary policy. The basis or principle for allocating the total burden of holding required reserves as among different banks thus becomes extremely important.

The Federal Reserve System has studied the problem of allocating the reserve burden among banks for a long time. As you all doubtless know, the existing statutory basis for member bank reserve requirements dates back to the establishment of the National Banking System over 85 years ago. The requirements are related to the geographic location of the bank. That is, a bank's classification for reserve requirement purposes depends on whether it is located in a central reserve city or in a reserve city, or whether it is outside of these cities—a so-called country bank. A member bank located for example in a reserve city must under this scheme hold reserves at the higher percentages designated for such a center whether or not it is doing a reserve banking type of business. Another member bank doing a reserve banking business but located outside the reserve city areas need hold only country bank reserve requirements. From time to time the Federal Reserve has been able to relieve some banks in reserve cities of a discriminatory reserve burden through its limited discretionary authority relating to outlying areas of reserve cities. But many cases of inequity cannot be solved in this way and a basic problem of equity of reserve requirement treatment as among member banks still remains.

There is also a fundamental problem of equity as between member and nonmember banks, where the differences in treatment are frequently very, very wide. Certainly from the standpoint of the reserves it must hold, the average nonmember bank is now making a disproportionately small contribution to monetary stability. The nonmember bank not only is subject generally to much lower reserve requirements, but it is also permitted to hold its reserves at correspondent city banks where they serve a double purpose—both as legal reserves and as a needed correspondent balance. A member bank holds both a reserve balance in its Reserve Bank and balances with its correspondents. Further, the actual contribution to monetary control of a reserve balance held with a correspondent bank is only equal to that fraction of the balance which the correspondent bank is in turn obliged to hold with its Reserve Bank, since the correspondent bank is free to, and usually does, invest or lend the remainder. In some states, moreover, nonmember banks are permitted to invest a portion of their reserves in interest bearing public securities. Discriminatory treatment in favor of nonmember banks as far as reserve requirements are concerned tends to weaken the ability of the Federal Reserve to promote proper adjustment of the volume of money to the needs of the economy. The large difference in the requirements tends to discourage banks from joining the System, and could result in weakening the System by encouraging banks to withdraw from membership. It is difficult to see the justification for discrimination of this kind.

Uniform Reserve Plan

As I said a year ago at this School of Banking, a staff committee of the Federal Reserve System has developed a plan for rationalizing existing practices for distributing the reserve requirement burden among banks. They have called the plan the Uniform Reserve Requirement plan, and at the request of the Joint Committee on Economic Report of Congress they presented to that Committee the results of their study. The suggestions of the Federal Reserve staff group are in the discussion stage and have no official status in the System. I find the ideas in the plan very interesting, however, and I should like to tell you something about them. The plan deals only with member bank reserve requirements, but if it is adopted it could be and I believe certainly should be, extended with appropriate modifications to cover all commercial banks.

The Uniform Reserve Requirement plan consists of five basic points. These have been described by the Chairman of the Staff Committee that developed the plan as follows:

First, the plan would abolish central reserve city and reserve city designations of banks. In other words, the geographical basis for the assessment of reserve requirements would be dropped as too inequitable as among banks which are doing various kinds of commercial banking business.

The second point of the plan is that, for purposes of reserve requirements, deposits would be classified into interbank deposits, other demand deposits, and time deposits. Many a theoretical hair has been split in disputes over the classification of deposits. The compelling practical objection to treating all deposits alike is that, depending on the level set, starting such a system would create enormous excess reserves in central reserve city banks, enormous deficiencies in nonreserve city banks, or both. The compelling practical objection to a full system of deposit classification is that it would be impossible to administer, since any classification of deposits is somewhat arbitrary. Advantages given for the proposed classification are that, by and large, the three classes of deposits are used for different purposes, are readily identifiable, have traditionally been treated differently, and differential treatment would minimize initial disturbances while yet retaining effective over-all control. The staff committee recommended that initial requirements be established at 30% against all interbank deposits, 20% against other demand deposits, and 6% against time deposits, which would have left the total volume of required reserves at about the level existing at the time. (Slightly lower requirements would be appropriate of course, should the plan be adopted now).

The third point of the plan is that the Federal Reserve should be given authority to change the requirements within limits established in the law. We have already discussed the use of changes in reserve requirements from time to time in order to help prevent injurious credit expansion or contraction. This is a modern instrument of central banking policy which is discussed with approval in virtually every textbook on money and banking.

As a fourth point, banks would be allowed to count vault cash as part of their legal reserve. The role of vault cash in the banking system has changed fundamentally in the past half century. Before the Federal Reserve System was established, vault cash was the ultimate reserve of the banking system, since it alone was available to meet cash withdrawals. The Federal Reserve Banks, however, are authorized to create additional reserves or cash when needed. The use of vault cash as reserves would not impair the System's influence over the volume of bank credit, provided initial requirements are established at appropriate levels to offset the change. From the point of view of credit control, there need be no concern as to the form of Federal Reserve Bank liability—whether it be Federal Reserve notes or reserve deposits—that a member bank prefers to hold as reserves. The transition to the new system of reserve requirements would be facilitated by permitting banks to count vault cash as legal reserves. Establishment of the suggested uniform requirement against other demand deposits would increase required reserves of country banks. Since, however, such banks hold relatively larger amounts of vault cash the increase in their total requirements would be offset in part by permitting them to count vault cash as legal reserves.

The fifth and last point is to permit a bank to count as reserves that portion of its balances held at other banks which those banks, in turn, are required to hold as reserves against such balances. The relationship between correspondent balances and reserves is a problem with a long history. After many discussions the staff concluded that correspondent balances ought to be related to reserves in such a way that (a) a shift of funds by member banks into or out of "due from banks" would not affect the total volume of excess reserves in the system as a whole; (b) "reserve credit" would be allowed for precisely the portion of "due from banks" that is on deposit with Federal Reserve Banks (by way of the reserve requirement imposed on deposits due to banks); and (c) correspondent bank relationships and interbank balances would be recognized as an established part of our banking system. The fifth point is designed to accomplish this result. So long as the rate at which the "country" bank or the reserve city bank is allowed reserve credit for its "due from" balances is equal to the rate at which depositary banks are required to maintain reserves on interbank deposits, a given reserve will support the same volume of non-bank deposits irrespective of whether the owner-bank keeps all of its reserve with its Federal Reserve Bank, or keeps a portion of it on deposit with a correspondent and therefore indirectly with a Federal Reserve Bank. In either case, only vault cash and balances which are directly or indirectly on deposit with Federal Reserve Banks would constitute legal reserves.

The analysis of the Uniform Reserve Plan may be summarized as follows:

Reserve requirements are an essential feature of the mechanism by which the volume of money and credit is adjusted to the needs of the economy but the present system of reserve requirements is frequently inequitable; required reserves of many banks are higher or lower than those of other banks doing a similar business simply because of the classification of the communities in which they are located. The uniform system of reserve requirements would require all member banks, or preferably all commercial banks, regardless of location, to maintain the same percentages of reserves against each of the three major classes of deposits—interbank deposits, other demand deposits, and time deposits. Banks whose business requires the holding of disproportionately large amounts of vault cash would no longer be penalized by being required to maintain the same reserves in Federal Reserve Banks as other banks doing a similar type and volume of business but whose cash requirements were less. Changes in the total volume of interbank deposits would no longer affect the volume of other deposits of member banks that could be supported by a given volume of reserves. City banks would have to maintain larger reserves than now against balances due to country correspondents, but the latter would be given corresponding credits for such balances against their required reserves. The uniform system would increase the required reserves for some banks and lower them for others, but the changes would be reasonable and in the direction of greater equity.

Customers' Brokers Get Slate of Nominees

A slate of officers and executive committee members has been announced by the Nominating Committee of the Association of Customers' Brokers. Elections will take place at the Association's annual meeting to be held Wednesday, Sept. 21, 1949, at 4 p.m., at Delmon's Restaurant, 16 Liberty Street, corner of William, 2nd floor.

Milton Leeds

The list of the candidates is as follows:

Proposed Officers for Year 1950

President: Milton Leeds, Pershing & Co.

Vice-President: William Cogswell, Fahnestock & Co.

Secretary: Nicholas Novak, Drysdale & Co.

Treasurer: Alfred Elsesser, Kidder, Peabody & Co.

Executive Committee

Archie F. Harris, Merrill Lynch, Pierce, Fenner & Beane; Maurice Glinert, Hirsch & Co.; Henry Offerman, Goodbody & Co.; Jack B. Huhn, Bache & Co.; Edward Wickman, Abbott, Proctor & Paine; Fred Pease, E. F. Hutton & Co.; Marshall Dunn, Wood, Struthers & Co.; Kenneth Ward, Delafield & Delafield; T. Alvah Cowen, Peter P. McDermott & Co.; Arthur H. Cook, Fahnestock & Co.; William Arata, Hornblower & Weeks.

Nominating Committee

H. D. Horn, Chairman, Eastman, Dillon & Co.; Norton LeBourveau, Secretary, Francis I du Pont & Co.; Standish M. Perrin, Gude, Winmill & Co.; Horace G. Oliver, Hornblower & Weeks; J. Rankin O'Rourke, Ira Haupt & Co.; Kenneth I. Walton, Bache & Co.; James W. Sloat, Goodbody & Co.; Marshall Dunn, Wood, Struthers & Co.; John S. MacLean, Shearson, Hammill & Co.

Joins Bache & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Rolf G. Julsrud is with Bache & Co., Minneapolis Grain Exchange Building.

Truman Again Assails "Selfish Interests"

(Continued from first page)

show and an industrial exposition. Farmers and industrial workers together are showing their best products here today.

Farmers and industrial workers—agriculture and industry—ought to show their products together. For these two groups depend on each other. Together, they are responsible for the tremendous production of this country's economic system. No program for the prosperity of the country can ignore the interests of either group.

In recent years, some people have been telling farmers, out of one corner of their mouths, that the labor unions are bad for the farmers. Out of the other corner of their mouths, these same people have been telling industrial workers that programs to benefit farmers are bad for labor. If you ever meet anybody like that, you can be sure he is not interested in the welfare of either the farmer or the industrial worker. Those who are trying to set these two great groups against each other have axes of their own to grind.

About this time last year, the country was engaged in a great political campaign. I covered a good deal of the United States in the course of that campaign, and I put the plain facts, as I saw them, before the people. I also offered a program to meet the needs of all groups in this country for growth and prosperity. The votes of the people showed that they wanted that kind of program. They were not misled by the newspapers and magazines and experts who tried to convince them they did not want that kind of program.

The people knew what they wanted. Their votes showed that the farmers and the workers stand together in demanding a government that works for the benefit of all our citizens.

It is now almost a year since that campaign, and I think it is time to take stock of the situation and see what progress we have made in carrying out the program the people voted for.

I am happy to be able to report to you that we have made progress; and we are continuing to make progress.

Attacks 80th Congress

As a result of last fall's election, we have a new Congress in Washington. And this new 81st Congress has an entirely different approach to the needs and desires of the people from that of the 80th Congress.

The 80th Congress was a threat to almost every bit of the forward-looking legislation passed during recent years. For example it repealed the Wagner Labor Relations Act and replaced it with the unfair and restrictive Taft-Hartley law. It took social security benefits from hundreds of thousands of people. It weakened our farm programs. It attacked our national policy for making the benefits of electric power available to the public instead of the privileged few.

If the 80th Congress had not been repudiated, this tearing down process would have gone on and on. But now the new 81st Congress has reversed this backward trend.

The 81st Congress has put a stop to the piecemeal destruction of the hard-won protections and benefits that the people have built for themselves. It has done more than that. It has moved forward.

Some people are trying to make you believe that the 81st Congress has been a do-nothing Congress. That is simply not true. The fact is the 81st Congress has already passed many important measures for the good of the people—and it will pass many more progressive laws.

The 81st Congress has taken wise and important steps in foreign policy by extending the European Recovery Program and ratifying the North Atlantic Treaty. It has enacted a far-reaching housing program that will benefit millions of our citizens. It has extended rent control. It has taken action to make low-cost electricity available to more of our people. It has strengthened the soil conservation and reclamation programs. This Congress has restored the government's power to acquire grain-storage facilities necessary to carry out the farm-price support program. This Congress has approved an international wheat agreement which will give our farmers a fair share of tne world wheat market at fair prices. This Congress has strengthened and improved our organization for national defense.

This is real progress. And this session is not yet over. Other important measures, such as those raising the minimum wage and extending the reciprocal trade agreements act, are well on their way to final passage.

The 81st Congress has taken these actions over the fierce opposition of the selfish interests. The organized conspiracy of the selfish interests has gone right on working against the common good, in spite of the election returns.

Wants Taft-Hartley Act Repealed

One of the things that the special interests have managed to do up until this time is to prevent the repeal of the Taft-Hartley law. But that issue is far from settled. We are going to continue to fight for the repeal of that repressive law until it is wiped off the statute books.

The selfish interests have always been working against the common good, since the beginning of our history. Our fathers and our grandfathers had to fight against them every step of the way to make progress. They had to fight for a free public school system. They had to fight for the right of homesteaders to settle the public lands. They had to fight for laws to protect the health and safety of industrial workers. They had to fight for labor's right to organize.

We face the same situation today. We still have a fight on our hands.

The special interests always fail to see that the way of progress, the way of greater prosperity for themselves, as well as others, lies in the direction of a fuller and happier life for all.

Too many people who can afford big insurance policies for themselves are not concerned over the need of expanding social security. Too many who are making money out of the rents from slums are not in favor of expanding public housing to provide decent shelter for low income families. Too many with big incomes are not interested in raising minimum wages. Too many who can freely organize themselves in business associations or employers' groups are not anxious to protect the same right to organize among industrial workers.

It is hard, perhaps, for people in comfortable circumstances to see the need for improving the well-being of the less fortunate. Furthermore, they are always being stirred up and misled by the spokesmen and lobbyists for organized selfish interests. There are a lot of paid agitators, promoters and publicity experts who make a fat living by frightening the people in the higher income groups about forwardlooking legislation, and by organizing campaigns against it.

Ever since the election, those spokesmen have been very busy stirring up opposition to our legislative program. The hue and cry that has resulted, in the press, and on the air, and through the mail, has been deafening.

These propagandists do not argue the merits of our program. They know that the American people will always decide against the selfish interests if all the facts are before them. So they have adopted an age-old device to hide the weakness of their case.

Scores "Scarewords" Campaign

This is the device of the "scareword" campaign.

It is a device that has been used in every country and every age by the propagandists for the selfish interests. They invent slogans in an effort to scare the people. They apply frightening labels to anything they happen to oppose. These scare words are intended to confuse the people and turn them against their own best interests.

Scare words change with the times. When Franklin D. Roosevelt and the New Deal saved our country from the great depression, the selfish interests raised the scare words of "Socialism" and "regimentation." But the American people didn't scare.

Year after year the selfish interests kept up their refrain. They tried new words—"bureaucracy" and "bankruptcy." But the American people still didn't scare.

Last November the people gave the selfish interests the surprise of their lives. The people just didn't believe that programs designed to assure them decent housing, adequate wages, improved medical care and better education were "Socialism" or "regimentation."

So the selfish interests retired to a back room with their high-priced advertising experts and thought things over. They decided that the old set of scare words had become a little mildewed. Maybe it was time for a change.

So they came up with a new set of scare words. Now they're talking about "collectivism," "statism" and "the welfare state."

The selfish interests don't know — they don't care — what these words mean. They are using those words only because they want to turn the American people against the programs which the people want, and need, and voted for.

Let's see how the selfish interests are using these scarewords.

The people want public housing for low-income families. The selfish interests are opposed to this because they think it will cut down their own income; so they call it "collectivism."

We don't care what they call it. We are for public housing because it is the democratic way to provide decent homes in place of slums.

The people want fair laws for labor. The selfish interests are against these laws because they mistakenly fear that their profits will be reduced; so they call that "statism."

We don't care what they call it. We believe that the workers in this country have a fundamental right to square treatment from employers.

The people want a fair program for the farmers, including an effective price-support program. The selfish interests fight against this because it keeps them from profiteering at the farmers' expense; so they call this "socialism."

We don't care what they call it. We know that the well-being of the country depends upon the well-being of the farmers, and that farm prosperity must be protected in the interest of all of us.

The people want a better Social Security system, improved education, and a national health program. The selfish interests are trying to sabotage these programs because they have no concern about helping the little fellow; so they call this the "welfare state."

We don't care what they call it. We know that the little fellow is the backbone of this country, and we are dedicated to the principle that the government should promote the welfare of all the people.

The spokesmen for the special interests say that these programs make the government too powerful and cause the people to lose their freedom. That isn't so. Programs like these make the people more independent — independent of the government and independent of big business and corporate power.

People who have opportunity to work and earn, and who have an assured income in their old age, are free. They are free of the fear of poverty. They are free of public or private charity.

They can live happier, more useful lives. That's real freedom. And that is something we should be proud of—that's not something to be slandered by trumped-up slogans.

We Can Afford More Social Security

Along with this campaign of scare words, we hear another argument against adopting any forward-looking legislation. It is to the effect that even if these programs are good things, we can't adopt them now, because they cost too much and we can't afford them.

The selfish interests say we can't afford these programs during a boom because that would be inflationary. They say we can't afford them during a recession because that would be deflationary. They say we can't afford them during a war because we are too busy with defense, and we can't afford them in time of peace because that would discourage business. And so, according to the selfish interests, we never can afford them.

But the truth, is—we can't afford not to put these programs into effect. We can afford them, we ought to have them, and we will have them. The sooner we do have them the more we will save.

Take our programs for resource development, for example. If we fail to conserve our soil, we lose our most valuable resource. If we fail to build electric power facilities, we hamper the development of industry.

Take our Social Security system. Shall we force our old people to turn to charity? Or shall we let them have an independent and self-respecting existence through an up-to-date old-age insurance system, paid for during their working years?

Take housing. If we do not go forward with our housing and slum-clearance programs, we shall have to pay the rising costs of disease, immorality and crime bred in slums.

Consider our schools. The hidden costs of poor education, lost opportunity and poverty resulting from inadequate schools are costs the nation can no longer afford. Federal aid to education will be a lot less expensive than ignorance and illiteracy.

If we are to have a healthy and prosperous United States, we must have better schools, better housing, better medical care, better use of our resources, stronger Social Security and the other improvements in our democracy that the people need.

Value of Democratic Way of Life

Those who oppose these improvements refuse to face the facts of today's world. They don't understand the overriding urgency of proving the value of the democratic way of life, not just with words, but with deeds. They don't see that the very survival of free enterprise depends upon a rising standard of living and an expanding economy. They don't recognize that to work for the increasing security and liberty of the people of the United States is the key not only to our own prosperity, but to the prosperity and peace of the world.

But the people of the United States do understand these things. When they have the facts before them, they always choose progress—not reaction.

They made this clear again last Fall. They chose the very same programs that are now being attacked by the selfish interests with their campaigns of scare words. The people were not misled about those programs then. They will not be misled about them now.

The people know that the second half of the twentieth century is going to be a time of challenge to the way of freedom and progress that our democracy represents. As we meet that challenge we shall have to fight, as we have always fought, the selfish forces of reaction and special privilege.

The people of the United States have been winning that fight for one hundred and sixty years. I am convinced that we will continue to win it through the years to come.

The following is the text of the President's Des Moines speech:

I am happy to be here today with the American Veterans of World War II.

This is the third time I have met with veterans in the last three weeks. In Miami and in Philadelphia, I had the pleasure of addressing two of the other veterans' organizations.

Today in Des Moines you have given me the welcome opportunity to speak to this association which has grown up since the last war. Judging by this meeting, your group has a long, vigorous and useful life ahead of it.

I have found that veterans generally carry over into civilian life their strong interest in national and international affairs. They are determined to do everything they can to see that the United States grows in strength and prosperity and exerts its full influence for peace in the world. A veterans' organization like yours can do much to aid our progress toward peace and prosperity I am sure all of you will do your part.

Earlier today, in Pittsburgh, I discussed the effort we are making to achieve a better future for our country. One of the most important elements in our country's future is agricultural prosperity. And there is no better place to talk about that than right here, in the heart of the nation's farm belt.

Some people seem to think that nobody but the farmers ought to be concerned with farm prosperity. Some people claim that programs to improve the welfare of farmers are just "pressure-group" politics. The selfish interests would like to have us believe this because they want to divide the people and set one group against another.

The plain fact is that everyone should be interested in the welfare of farmers. The prosperity of this nation is indivisible. The economic future of the whole country depends upon the growing welfare of every group in the country. If we want a healthy and prosperous economy, there must be economic opportunity, not just for the fortunate few, but for all of us— workers, businessmen and farmers, without regard to race, creed or color.

Good Income for Farmers, Good for Workers

It's just plain common sense that good incomes for farmers are good for the workers who make the things farmers buy. Farmers this year will have more than $27 billion to spend. That means employment for more than nine million workers in factories and stores and other business enterprises.

All of us need the things farmers produce. When farmers adopt new and more efficient methods, and produce more at lower cost, that raises the standard of living of everybody in the country.

That's why it is just as important to the future of our country for farmers to be well off as it is for workers or businessmen. That's why I believe the government of this country must work for the welfare of farm people.

Let's look at some of the things the government should do to help achieve continued and growing farm prosperity. It is not always easy for city folks to understand the conditions the farmer faces, and the need for the particular programs the government has developed.

Why Farmers Need Support

First of all, the farmer faces the uncertainties of nature. He is in a constant battle with insects, weeds, weather and erosion. He needs to learn and apply the best methods of soil conservation, weed killing, crop rotation and all the other scientific advances in agriculture. One of the outstanding accomplishments of our government has been its research and educational programs to help farmers do these things.

Futhermore, the farmer is confronted with special problems because he lives in the country. Too often in the past, good schools and modern health facilities and electricity and the other advantages of modern living were not available to our farm population. In recent year, however, our government has helped to make it possible for many of our farmers to obtain these things.

In addition, the farmer faces a market which he can't control. Years ago, it often happened that a whole year's hard work went for nothing, because there were unexpected crop surpluses or sudden drops in demand. In the past sixteen years, however, with the help of the government, farmers have been making much headway in achieving economic stability. Farm co-operatives have been greatly strengthened. Cheaper, more abundant farm credit has been made available. Price supports, marketing agreements and other special programs have been developed and steadily improved.

In all these ways, farmers with the help of the government have been meeting and overcoming the special difficulties they face. They have been making great progress toward the steadily growing farm prosperity they need and the nation needs.

None of these advances came easily. They were all opposed by selfish and narrow-minded men who didn't understand what the farmer was up against—and didn't care whether or not he was well off. Sometimes these interests have managed to reverse the course of progress, though fortunately not for long.

It was just about a year ago, a few miles from here at Dexter, that I talked to another audience about farm prosperity and opportunity for the farmer.

At that time, the outlook was pretty black. The Eightieth Congress had been hitting sledgehammer blows at the very foundations of farm opportunity. The Eightieth Congress had cut the soil-conservation program. In doing this, it had threatened the existence of the farmer-committee system, through which conservations, price support and other programs are administered.

The Eightieth Congress had killed the international wheat agreement, which was negotiated to assure farmers a reasonable share of the world wheat market and help maintain stability of grain prices. It had caused farmer co-operatives to fear for their lives. It had restricted the reclamation program and cut down our efforts to bring low-cost electricity to farmers and other people.

80th Congress Record

And on top of all that, the 80th Congress had started to tear down one of our strongest bulwarks against depression, the farm-price support program. It had done this in a sly and under-handed way—by eliminating the government's power to provide grain-storage facilities. As you know, we can't support grain prices without adequate storage.

I reminded the people at Dexter a year ago, just as I am reminding you today, that the welfare of the entire nation depends upon the welfare of the farmer. I reminded them that they could express their opinion of the 80th Congress at the polls in November.

Well, you know what happened last November. As a result, there are a lot of new members in the 81st Congress. With these new members, there has been a big improvement. Of course, there are still many reactionary Senators and Representatives in Congress, but they are no longer in control as they were last year and the year before. They are still doing all they can to slow up our Congress, but they are not able to stop it. The majority of the 81st Congress are going ahead building for the future.

The new Congress has already repaired most of the damage done to farmers by the 80th Congress, and it is going forward with new measures for a growing and prosperous agriculture.

The 81st Congress understands the fundamental importance of soil conservation. It has restored and expanded this program and given a new lease on life to the farmer-committee system.

Wheat Pact in Effect

The 81st Congress understands the importance to American farmers of a balanced and expanding world trade. A new international wheat agreement has been negotiated and is now in effect. By this agreement, American farmers are assured a fair share of the world wheat market at fair prices for the next four years. Furthermore, this Congress is going to extend and improve the reciprocal trade agreements act. This will mean more world trade.

What 81st Congress Is Doing

The 81st Congress is interested in building up farm cooperatives, not tearing them down. It understands that cooperatives are as necessary for the welfare of farmers as unions are for the welfare of workers. Both cooperatives and unions are means whereby men who are weak economically can become strong enough, by uniting, to bargain on a basis of equality.

This Congress will not listen to those who want to tax cooperatives out of existence. Furthermore, before this Congress adjourns, I think we shall have a cooperative telephone program similar to the highly successful rural electrification program.

This Congress has already taken important steps to meet the serious need for more low-cost electricity and to revitalize the reclamation program in our western states.

The 81st Congress has restored the government's authority to provide storage for grain under the price support program, and the difficult storage problem is being met. Farmers are building new bins, and the government is preparing to take care of the overflow that cannot be handled by farmers and grain elevators. With the biggest supply of corn in history now in sight, the corn-loan program is especially important; the government is helping farmers get every bushel in storage.

In all these ways, the 81st Congress has repaired past damage and is making new gains.

However, there is one inportant part of our farm program on which the 81st Congress has not yet completed its work. That is the farm-price-support system.

The Congress needs to modernize our farm-price-support system, and the Secretary of Agriculture, on behalf of the Administration, has made recommendations to the Congress for this purpose.

An immense amount of confusion has been stirred up about these proposals in recent months. Some people are going around telling industrial workers that our attempt to improve the price-support system will mean higher food prices and heavier taxes. Some people are telling farmers that an improved price-support system will take away the protection they now have and regiment the farmer. Much of this talk is deliberately intended to mislead and divide farmers and workers.

Kind of Farm-Price Support Program Advocated

But it will not succeed. Farmers and workers have learned to cut through the fog of misrepresentation and propaganda and look at the facts. And when that is done, there is no reason for confusion about the kind of farm-price-support program we ought to have.

First, we need a farm-price-support system that will afford farmers an opportunity to secure a fair return for their production. Too often in the past, we have seen farm prices at give-away levels because temporary surpluses resulted in distress selling. That was bad for farmers and bad for the nation. Our system of price supports, therefore, must protect farm income from collapsing and injuring the whole economy.

Second, price supports must be so organized and administered that they will give consumers the benefit of our abundant farm production. Our people want to buy more milk and meat, more fruit and vegetables, and all the things that go into a better diet. We must have a price-support system that will encourage farmers to shift their production to meet the demand for more and better foods at reasonable prices.

Present price-support legislation is not adequate to accomplish these objectives. It encourages surplus production of some commodities, such as potatoes, and not enough of other products, such as meat. The worst thing about the present program is that it takes food away from consumers instead of enabling them to eat better. The government has had to buy tremendous quantities of potatoes and take them off the market at great expense. The government has had to build up big stocks of dried eggs and is wondering how to get rid of them.

Some people say that we ought to cut down support prices, but that would not meet the problem. The record shows that, in the past, when prices dropped, farmers produced bigger and bigger surpluses in a hopeless effort to make up for low prices.

Instead of cutting down support prices, we need to adjust our price-support system so that it will encourage farmers to grow what is needed and encourage consumers to use what is produced.

Our farm-price-support system, therefore, first of all should aid farmers to adjust production to demand. Farmers are under the same economic necessity to adjust supply to demand as are the producers of automobiles or washing machines or any other product. And by and large they are willing to do it, if they have assurance they can shift their land to other uses without economic disaster.

We Have Costly Surpluses

But no matter how willing farmers may be to adjust their production, and to change from one crop to another, they cannot eliminate the possibility of surplus. Weather, world conditions, market fluctuations are all things beyond their control. So even under the best circumstances, we shall always have some surpluses.

In the case of storable crops, like corn, tobacco or cotton, we can and should store up a good part of the surpluses as reserves against emergency. In the case of perishable products, such as meat and milk, we cannot store them very long. These perishable products must be used to avoid waste.

This presents a problem that is not easy to solve. We know that we shall have to adopt a new method of price support. The most promising method yet suggested is the production payment. Under this method, the prices of certain farm commodities would be allowed to seek their own level in the market, and the farmer would be paid the difference between the support price and the average market price. Production payments thus would safeguard farm returns, and at the same time our entire production of perishable foods would be available to consumers on the regular markets.

This method, or any other means of accomplishing the same purpose, would go a long way toward overcoming the defects of present legislation and giving us a modern price-support system.

It is urgent that we modernize our price-support laws or we shall face unmanageable surpluses. Startling progress has been made in increasing agricultural production in this country in recent years. This has enabled farmers to double and triple their production of many crops at lower costs.

This new productive ability must be used for the good of our people; it must not be allowed to destroy the prosperity of our farmers and the stability of our economy. This is the essential purpose that we should seek to achieve by our new farm-price-support legislation. A price-support system that fulfills this purpose will be good for the farmer, good for the worker, good for the whole nation.

Says Brannan Plan Will Be Adopted

I am convinced that the 81st Congress will enact this kind of farm-price-support legislation. I am convinced that it will not be led astray by the loud opposition of those who oppose any change in our price-support system.

The stability and progress of our agriculture is important not only to ourselves, but to the whole world. Over the last few years, our farmers have taken a leading part in the struggle to feed a hungry world. In the future, foreign markets will be essential for many of our farm products.

But we must remember that we cannot maintain foreign markets for our agriculture, over the long run, unless we buy in return the products of foreign countries. Foreign trade is not a one-way street. There will be tremendous benefits to this country, in rising living standards, in reduced appropriations for foreign aid, in a more prosperous world economy and in closer ties between the free nations, if we buy more from other nations.

Our country has been endowed with the ability to produce the good things of the earth in abundance. I am sure we have the wisdom to use this gift as a blessing of all our people. We know much more about our economy and how it works than we used to. We have profited by experience.

We must keep our eyes on our main objectives. We must not be led astray by the false arguments and the loud clamor of the special interest. They are only trying to set up against one another. They are using slogans and scare words to frighten us away from the programs and policies that are good for us all.

But we will not be frightened. Too much depends on our ability to handle our common problems in a spirit of cooperation. It is not only our own future progress that is at stake. It is the future peace and prosperity of the world. That is our goal, and we shall continue to work toward it with all our strength and all our faith.

Myron Ratcliffe Is Partner in Bache & Co.

Myron F. Ratcliffe has been admitted to general partnership in the firm of Bache & Co., 36 Wall St., New York City, members of the New York Stock Exchange. with the exception of four years which he spent in the U. S. Army, Mr. Ratcliffe has been associated with Lehman Bros. since 1936, first as manager of the firm's Chicago office and, following the war, in the syndicate and new business department in New York.

Myron F. Radcliffe

Municipal Bond Club Of Philadelphia Outing

PHILADELPHIA, PA. — The Annual Field Day and Outing of the Municipal Bond Club of Philadelphia will be held at the Manufacturers Golf & Country Club, Sept. 9, 1949.

Events of the day will include the annual golf match with the Municipal Bond Club of New York. Bridge and gin rummy tournaments are added features this year. Tennis matches for club championships will be sponsored as usual.

Committee

Field Day Chairman: George J. Hanley, Walter Stokes & Co.

Golf: Russell M. Ergood, Stroud & Co., Inc.

Tennis: J. Brooks Diver, Mackey, Dunn & Co., Inc.

Card Tournament: Walter D. Fixter, Buckley Brothers.

Attendance: Michael Rudolph, Stroud & Co., Inc.

Special: B. Newton Barber, W. H. Newbold's Son & Co.

Transportation and Hotel: Alfred S. Knapp, Wurts, Dulles & Co.

Ex-officio, all Committees: William F. Mills, Pres. Phila. National Bank.

Price of admission is $7.50 for members and $12.50 for guests. Reservations should be made with Mr. Rudolph.

With Johnson McKendrick Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—Harry G. Jackson is now connected with Johnson-McKendrick Co., Inc., Syndicate Building.

With King Merritt & Co.

(Special to The Financial Chronicle)

BEULAH, MICH. — Gilbert A. Nisewander has joined the staff of King Merritt & Co., Inc., of New York.

A New Farm Stabilization Program Needed

(Continued from page 4)
the standard of living of American men, women and children.

We want to use abundance to produce healthier bodies, and that means fewer people in hospitals—better educated youngsters, and that means a more intelligent citizenry—a more efficient labor force, and that means greater industrial output, higher wages, and a full production economy.

Prosperous Farming Needed

But if farmers are going to supply the American people with the kind of diet I have been talking about—more meat, milk, poultry products, fruits and vegetables—we need a financially healthy agriculture and a prosperous nation.

Most of us here remember only too well how fat years after World War I became lean years. We recall the agricultural price collapse of 1920-21, which has been aptly described as the time when "farm prices were cut in two in the middle." Within a few years, half a million farmers went bankrupt. Millions of workers were unemployed. Businesses failed and banks closed.

Industry recovered and went on the boom of the 1920's that ended in the bust of 1929. But agriculture did not fully recover from that blow for 20 years.

And it was the depressed condition of agriculture during the 1920's that helped on the great depression of the 'thirties.

Judging by their actions, some people don't believe that it could happen again. They've forgotten how fast this modern world moves. They ignore the warning signs.

Prices farmers receive are now averaging 18% lower than the January, 1948 record. This year, cash receipts of farmers for the crops and livestock products they will sell are expected to run $3 million below last year And last year farm net income declined for the first time in 10 years.

Here in New York I'm sure dairy farmers know in a very personal way just what these statistics mean. In July, New York dairy farmers were receiving an average of 86 cents less than a year earlier for every can of milk they shipped from their farms. On the other hand, prices of most of the things they buy for their farms and family living have stayed up and some have even gone higher. Here is the old "price squeeze" operating again—and the farmer is caught right in the middle.

What is happening in New York is true of the dairy industry generally. Milk at wholesale is now averaging about a fourth below last year. The purchasing power of farm dairy products is now below the average for the last 10 years which included years of low prices and controlled prices as well as a short period of high prices. Here, certainly, is a warning signal.

What are we going to do about it?

A New Stabilization Program

One of our great positive needs right now is the improvement of our farm price stabilization program.

We have come a long way in the past 16 years. Our farm programs have stood the test of depression and war. But I am convinced that we cannot meet the problems of this postwar period by relying on programs that are essentially of prewar vintage. Maintaining prosperity requires a different technique than rising from a depression—just as running is a different technique from jumping.

We have the foundation on which to build an adequate, realistic, efficient price and income stabilization program. Let us build well on that foundation.

Since last April the Congress has had before it our recommendations for improving the farm price support program. These recommendations were in no sense a "master plan" or panacea for all our agricultural ills. They were intended to help the nation adapt its farm programs to current needs.

What are these needs?

First of all, we need a level of farm income which is conducive to stability for the whole national economy.

Businessmen know that their sales depend heavily upon farm purchasing power. This year it is estimated that farmers will spend about $8 billion on farm buildings, equipment, transportation, medical care, education, and so on. They will pay out another billion and a half in operating machines and motor vehicles. All told, American farmers this year will have close to $28 billion of income to spend. That's the difference between red and black ink for a big part of American business.

This year's farm spending will pay the salaries for about nine and a half million workers. Labor knows that wages and farm income rise and fall together.

It isn't just coincidence that payrolls dwindle when farm income declines. It's cause and effect. Farmer and worker are each other's customers. A gain or loss in the buying power of either is bound to be reflected in a gain or loss in the income of the other.

Neither the farmer nor the worker can long expect to "sell dear and buy cheap" at the expense of the other. Farmers "buy cheap" only when prices of farm products are so low that they themselves are on the brink of bankruptcy. From 1929 to 1932 farmers bought cheap. But for every dollar they saved, they lost several because of the collapse of farm prices.

Workers bought cheap, too, in those days—when they could buy at all. But a good four million city laborers walked the streets hunting jobs because farm purchasers had no income to buy city-made goods.

High level farm purchasing power is as important to business and labor as full production and full employment are to agriculture.

Steady Income Level a Goal

We have suggested as a goal an income level which would give agriculture as much purchasing power as it has had in a recent 10-year period. This income standard would be used as the basis for calculating support prices for the various farm products.

Now some folks contend that this would guarantee income for farmers. Not at all. We have only suggested a method for determining support prices on the basis of a realistic income objective. If farmers had a short crop, or a crop failure, this proposal would not affect their income at all.

We have suggested, further, that the commodities to be selected for priority use of price support funds should be those that are most important to farm income and to our national diet. Ten commodities — corn, cotton, wheat, tobacco, milk, eggs, chickens, hogs, beef cattle, and lambs — provide around three-fourths of cash farm income. The livestock products in this list are foods that consumers want in greater amounts.

This brings us to the second basic need—namely, a method of price support which will help to bring about more adequate production and consumption of the commodities the people need.

We have recommended, therefore, that the use of loans and purchase agreements be continued in supporting prices of such commodities as wheat, corn, and cotton that can be stored from season to season without great cost. We need large quantities of these products in storage as an insurance against bad crop years.

Perishable commodities, however, present a different problem. They cannot be stored without excessive loss or cost. It seems to me that the only sensible way to handle surpluses of perishables is to put them into the hands of consumers—in other words, to eat them up. We suggested, therefore, that instead of purchasing surplus perishables and watching them spoil in storage, we allow market prices to find their own level, and compensate the farmer by a direct payment for the difference between the support level and the actual average market price.

Let's see how this plan works out for a commodity all of us here are interested in—milk.

The price problems in fluid milk areas are more difficult than those for most other farm commodities. The production standards necessary to meet health requirements of milk are exacting. Milk is a highly perishable product and must be moved daily. Dairymen, in most cases, must sell to one or a few buyers. Price stability is necessary to assure a dependable day-to-day supply of milk in urban markets.

It is my considered opinion that, in the interests of both dairy farmers and the general public, our price support program must treat milk as a basic commodity. The dairy farmer must have price assurance which is just as definite and adequate in amount as that provided any other producer.

It is also my belief that, in order to carry out the program, we will need to use all the available tools.

We need the full effect of dairy cooperatives, which enable farmers to do better bargaining, stimulate competition, and provide a maximum of self-help.

We need the marketing agreements and orders, which help to maintain orderly marketing and otherwise aid in evening out the peaks and valleys of supply and price.

We will continue to need, in particular circumstances and at particular times, the Government purchase method of supporting prices. When a surplus situation is likely to last only a short time, and when desirable outlets such as the School Lunch Program are available, it makes sense to buy and provide a use for milk that might otherwise demoralize markets and go to waste.

We have been using all these methods, however, and we find that we need, in addition, the production payment method. This method allows producers to go on producing and consumers to go on consuming past the point where surpluses would otherwise begin to cause trouble. It is a simple method. If prices averaged less than a reasonable support level, producers would receive a payment for the difference between the market average and the support price. It offers the producer an opportunity to sell more milk at reasonable prices, instead of selling less milk at higher prices. It is a price support method which keeps the Government out of business channels and gives the consumer the chance to use the abundance that the farmer produces.

Taxpayers Are Alarmed

I think that production payments make sense. The rank and file of consumers think so, too. Taxpayers are justifiably alarmed at the money they are spending to take perishables off the market. They recognize the need of farm price supports, but they don't see much point in buying perishables for uneconomic uses.

Last year taxpayers bought one bushel of potatoes of every three produced—and got no good out of them.

We now have in storage 203 million dozen eggs in dried form.

We have also in dried form 175 million gallons of skim milk.

We have nearly 55 million pounds of butter and two and a quarter million pounds of cheese.

Maybe the opponents of production payments can tell you how the Government can put these commodities to good use—how we can use them under present legislation to improve the diets of the American people.

In view of the remarkable hue and cry against the use of production payments, you might be interested in the recommendations of the Dairy Industry Committee just four years ago.

This Committee, by the way, represented the following: the American Butter Institute, National Cheese Institute, American Dry Milk Institute, Evaporated Milk Association, International Association of Ice Cream Manufacturers, International Association of Milk Dealers, and the Dairy Industries Supply Association.

In discussing possible methods of price support after the war, the Committee came out solidly for what it called "Compensatory Payments to Producers" which it described as follows:

"The prices of dairy products, left free to find their level on the basis of supply and demand, coupled with a direct government payment to the farmer in addition to his return under a free market price, if necessary, to maintain the support.

"This form of support,"—I am still quoting the Dairy Industry Committee—"would tend to promote maximum consumption consistent with demand and supply conditions . . . The Dairy Industry Committee recommends this method to Government and has committed itself to work for its adoption."

I am sure New York dairy farmers will find this Committee report interesting.

Our final set of recommendations concerned the conditions and limits of price supports. Surely it is not in the public interest to support prices for producers who are abusing the soil. We proposed, therefore, that eligibility for price support should be tied to soil conservation. We believe, also, that in return for the benefits of support, farmers should make a genuine effort to keep supplies in line with demand, and we proposed accordingly that to be eligible for price supports, farmers should comply with acreage allotments, marketing quotas, and marketing agreements when they are in effect.

We must protect our agricultural economy against the disastrous price declines that have occurred so often in the past. We must find ways to keep farmers producing, and consumers consuming. We must insure our soils against further abuse. These are the basic aims of our farm program recommendations.

I do not regret at all the discussion our recommendations have caused. I welcome it. In discussion, the basic issues will be clarified. When that happens, I am sure we will get the kind of a farm program we need.

Together, let us build a program that will serve all our people. Let it be a program that can stand up to the demands of a fast-moving national and world economy.

Let it be adequate and realistic. But above all, let it assure to producers and consumers alike a fair deal.

CCNY Offers Credit and Finance Courses

Under supervision of Oscar Lasdon, member of New York Stock Exchange, courses will be given in money and credit problems and operations of financial institutions.

In keeping with the trend toward close cooperation between industry and education, two leading associations in the credits and finance field will act as sponsors for two new courses offered by the Evening and Extension Division, City College School of Business, New York, for the 1949 Fall Term beginning September 21.

The Educational Committee of the Retail Credit Men's Association of Greater New York will sponsor a course in "Retail Credit and Collection Management", which will be taught by A. S. Kleckner, Credit Manager for the Namm Store in Brooklyn, and the National Conference of Commercial Receivable Companies will sponsor the course in "Commercial Financing and Factoring", taught by Walter S. Seidman, partner of Jones & Co., factors, and a member of the New York Bar.

As a convenience for men and women working in the field, a special mail registration will be conducted for these two courses. Applicants for either course may register by sending a check or money order for $17.50 covering all fees, and made payable to the Board of Higher Education, to the Evening Session Office, City College School of Business, 17 Lexington Avenue, New York 10, N.Y., on or before September 14.

A comprehensive program in Credits and Finance has been planned to bring to men and women working in the field a clear understanding of the money side of our business structure and a knowledge of the functions and operation of our financial institutions. Under the supervision of Oscar Lasdon, member of the New York Stock Exchange and Associate Editor of "The Banking Law Journal", a group of experienced businessmen-instructors will emphasize the practical "learn-by-doing" approach to the subject matter of credits and finance.

Other courses in the field of credits include "Mercantile Credit and Collection Management", which will be taught by H. Binks Goldstein, Credit Manager for United Metal Box Company; "Advanced Credit and Collection Management", taught by Sol Altschuler, Credit Manager for the National Safety Bank and Trust Co.; "Advanced Credit Management Problems", taught by Raymond J. Dougherty, Assistant Credit Manager, North American Rayon Company and American Bemberg Company; and "Advanced Collection Practices", taught by Francis J. Perrotta, Credit Executive, Burlington Mills Corporation.

"Principles of Finance" is the basic course offered in the finance field, and other courses include "Business Financial Management", taught by Mr. Perrotta and Mr. Dougherty; "Principles of Investment" taught by Leonard O. Fischer, Credit Manager, United Metal Box Company; "The Securities Market," taught by Philip B. Wershil, Member of the New York Bar, and "Investment Banking" taught by Leonard F. Howard, Secretary, General American Investors Corp.

Applicants for these courses may register in person in the Auditorium of the City College School of Business, 17 Lexington Avenue, New York, from 6:00 to 8:30 P.M. on September 15 and 16, from 11:00 A.M. to 1:30 P.M. on September 17, and from 6:00 to 8:30 P.M. on September 19. Veterans are eligible under the G.I. Bill of Rights.

How to Make the "Point IV" Program Work

(Continued from page 5)

have not built a recovery which can sustain itself without our continuing aid. I am unimpressed with statistics about production in Europe having reached 110% or 120% of the 1938 levels. Textile mills running on free American cotton and automobiles running on free American gasoline represent industrial relief and not recovery. The moment the relief stops, the living standards in the countries receiving it will fall.

We are getting a taste of this reality in 1949 without having to wait for 1952. There is a place for government - to - government credits in the future but they must take second place to private investment. The world can have more only by producing more, and increased production is not one of the blessings that flow from government offices in any country.

More Production Needed

The second key fact which stands out is this: production in most countries elsewhere in the world is wholly inadequate to meet the needs of the people who live in the rest of the world. The monetary economists are presently concerned about the fiscal crisis in country after country. But the best of them know that this is only a surface symptom. The fundamental crisis in most of the world today is a production crisis and not a fiscal crisis.

The simple reason why some currencies are "soft" is because those currencies cannot be swapped for goods at competitive levels in the countries which issued them. Until production is raised and prices are reduced within those countries and until that production is distributed widely and fairly among the peoples of all lands, there is no hope of solving the money problems of the world.

The so-called "dollar shortage" is a "phony" in terms of semantics. What people in other lands are really saying when they use the phrase is this: that they want more of the goods which can be bought in the United States than they can afford — more than their own production permits them to buy. I've had a "dollar shortage" in my personal affairs many times in my life. All it meant was that I was not earning enough to buy everything I wanted.

Both production and distribution must be increased on a world-wide basis before the so-called "dollar shortage" will disappear and before the currencies of the world can once again be exchanged for each other without restriction. I repeat my second key fact, therefore, that the real crisis in the world today is a production crisis and not a fiscal crisis. The basic trouble in most countries outside the United States is the inadequate output of goods and the high costs of production.

So here is the heart of the problem which we must solve. The United States is able to produce more than it is possible to merchandise within our continental borders for the long pull—particularly in the heavy machinery field. The rest of the world by contrast, is producing less than enough to satisfy the elemental needs of its people. It needs our heavy machinery to step up its own production. Our self-interest here in the United States and the self-interest of our friends elsewhere in the world is such that we ought to be able to combine our resources to our mutual benefit.

Our economy in this country can remain healthy only if it continues to expand. Our outstanding business need as far ahead as anyone can see is for an ever-increasing number of customers and for ever-broadening markets. The opportunity to participate in industrial expansion beyond our own borders is part of this concept. The rest of the world can offer us this.

The self-interest of other peoples with inadequate production is to increase their total output of goods from their factories as well as their farms. Our businessmen can join hands with their businessmen to reach this goal. Together, we can build the plants around the world to turn out more goods for more people. We have the capital and the productive capacity to make a success of it.

Higher Living Standards Can Be Achieved

Let me pause here to say that there is no mystery about higher living standards in a technological civilization. They can't be achieved by more human drudgery. They can only be achieved by multiplying human muscle power through machinery and mechanical horsepower. Nations, like men, must learn to crawl before they can walk. As a general rule light industries must be working successfully before heavy industries can be established. At the peak of industrialization, however, over $10 thousand per factory worker must be saved by somebody and then invested in plant and equipment to lengthen the arms of that worker. It's just that simple to say even though it has taken us decades here in America to achieve it.

If the rest of the world has to wait to generate its own capital to multiply human muscle power through investment in plant and equipment, it will take several centuries to do the job. If private capital from this country could flow outward on a broad basis to the rest of the world, however, we could greatly shorten the decades necessary to reach our goal. Enormous progress can be made before this century has run its course. A good start can be made in the next ten years.

The United States now holds an economic position with respect to the rest of the world which is very similar to that which the Eastern Seaboard of our own country has held toward the rest of the United States for over a century. When industrial development first began in this country we were dependent upon foreign capital. We welcomed it and it helped us. Those who provided it made the profit to which their savings and their willingness to venture entitled them.

Our Eastern Seaboard rapidly generated capital of its own, however. It was from this older area of our country that the money went West and South to build up the productive power of the nation. Had it not been for these early savings on the Atlantic Coast and their subsequent investment in factories and machinery beyond the Eastern Seaboard, the West and the South would have a very much lower standard of living today than they now enjoy. And what happened to businessmen and workers and farmers beyond the Eastern Seaboard in the process? They grew to be so successful that they are now generating most of their own capital.

What Can U. S. Do to Help?

Query, can the United States now help the non-Communist world to increase its own productivity along lines somewhat similar to those through which the eastern seaboard once helped the rest of the United States with its program of industrialization? I think it can if men in each country will examine their own self-interests objectively. That examination will force countries toward gradual economic union. People as individual producers and consumers will slowly become more important. Sovereignty as such will gradually become less important.

It won't be easy to break down the political, the economic and the psychological barriers to such an achievement but there's a gambler's chance of success if the Point Four program is carried out intelligently. The stage *can* be set for a level of world-wide prosperity and industrial growth which can run for a century or two. It's a job for hardy souls with infinite perseverance but it's also our best bet for avoiding an atomic war.

President Truman has suggested a direction in which all of us might move together toward this goal in which has now become his famous Point Four, so named because it was the fourth point in his Inaugural Address last Jan. 20. Briefly, he proposed that this country use its resources to help develop the underdeveloped areas of the world.

Actually, the opportunities are even greater in the more developed areas. But so much the better. This means that Western Europe can slowly be brought into the program as well at Latin America, Africa and Southeast Asia. It ought to be open to free men everywhere who are willing to work for higher living standards and willing to throw aside false leaders who climb to personal power by promising people something for nothing. The President stressed the place of private capital in this longe-range venture.

A few days later Secretary Acheson put great emphasis upon the necessity for a "climate" in other countries which would be attractive to private capital. Nothing could have been more significant. Hopes rose that we were getting ready to be ourselves in the conduct of our foreign affairs. Secretary Sawyer carried the idea further in a very significant speech which he made last April.

On June 24, the President asked our Congress for enabling legislation and spelled his program out in greater detail than had been done previously. The emphasis might have been changed here and there, but on the whole it was an excellent statement. No action is likely at this session of Congress, but since we're talking about foreign policy for a century to come, I don't think we should feel too discouraged about the present legislative inaction.

Great progress actually has been made in the last eight months in exploring ways in which Point Four might be implemented. Many business groups have worked hard on the matter and they have kept in close touch with government people working on the same problems. Only recently, on Aug. 17, Secretary Krug had some very constructive things to say in the fifth point of his address before the United Nations about the kind of "climate" required for the full development of natural resources in foreign countries. I think the rapid rate at which ideas in this area have been developed since last January is solid reason for having great hopes for the future.

Key Elements in Point IV Program

We come now to a consideration of the seven key elements of an intelligent Point Four program. I want to discuss these points one by one. Some of them have already been suggested by the Administration and some of them have their origin elsewhere. The responsibility for emphasizing some more than others is my own.

(1) First of all there is a deep need for a strong unilateral statement by this country which faces up, without shame, to the fact that we are a competitive enterprise nation. We need to say that for

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A firm to strong tone prevails in the Government market with demand good for all Treasury obligations, especially the early taps and the longest bank eligibles. . . . Savings banks, which still have the 56/58's and 56/59's, are evidently being advised to dispose of these issues and to put the proceeds into the 1952 and 1953 eligible tap bonds. . . . Commercial banks, mainly out of town institutions, continue to move into the longest eligibles, particularly the 2½s due 9/15/67/72. . . . Investment demand for the taps and the long banks has worked some of these issues into new high ground for the year. . . . Volume has increased, aided by switching, but is still not very heavy. . . . There seems to be little doubt that a larger supply of the higher coupon eligibles would result in better prices for these obligations. . . . There is considerable talk of an early change in the rediscount rate. . . .

Many of the deposit banks have not done their own refunding yet, but this will be taking place in the not distant future and should assure a continuation of the demand for the higher yielding Treasuries. . . . The partially exempts, which have been pretty much on the inactive side, have taken on new life under the leadership of the 2⅞s and the 2¾s due 1960/65. . . . These two issues have been picked up at advancing prices by the large money center banks. . . .

LOOKING AHEAD

The money market, despite the early date, is concerning itself in no small way with the December refunding, which at the present time looks like a five-year 1⅜% note. . . . This would fit into the maturity schedule of marketable Treasury obligations quite nicely since the securities callable in 1954 are very small, aggregating only $681,000,000. . . . A four-year issue could be used, but it seems as though this would be giving the market something which most experts do not believe will take place. . . . The Treasury can make the rate and maturity of the forthcoming note whatever it chooses, but it seems as though very little would be gained by moving out of the yield pattern that appears to be developing. . . .

The Central Banks, by not supplying short-term obligations and through further decreases in reserve requirements, could push Bill and Certificate rates down which would decrease the cost of deficit financing. . . . On the other hand, lower near-term rates would also have an effect upon the longer end of the list and this would enlarge the problems of institutions that cannot put too much of their funds in low income shorts. . . .

PRICE STABILITY EXPECTED

A five-year 1⅜% note for the year-end maturities, consisting of 2s, 2½s and 3⅛s, would result in a savings in interest cost to the Treasury. . . . Since the deficit must be financed, there is no doubt about the monetary authorities being very much concerned over the cost of carrying an increasing debt burden. . . . This probably means as low a rate as will be consistent with the pattern that seems to be evolving in the government security market. . . . Although it is the stated policy of the powers that be that future debt and money management will be carried out to meet more fully the credit needs of business, it is also pointed out that orderly conditions in the government security market will be continued. . . . Because of the many eruptions which have taken place in the government market, considerable doubt exists about what the authorities consider to be orderly conditions. . . .

Nonetheless, it is believed in many quarters the 1¼% certificate rate will be maintained by the Central Banks for a period, because of the problems which could arise in the future from lower yields from all Treasury Securities. . . . With a 1¼% rate for one-year obligations, it does not seem as though the longer end of the government list is going to make any spectacular rushes on the upside. . . . To be sure demand for the higher income issues could carry prices of these securities ahead, but probably not substantially above current levels. . . . In other words, an area of stabilization on the upside seems to be in the cards for quotations of government securities. . . . How long it will last is largely up to the money managers. . . .

DECEMBER REFUNDING SUCCESS ASSURED

The announcement of a Note for maturing December obligations has no doubt retarded somewhat the buying of the 2½s due 9/15/67-72, since many institutions figure they will be able to take a certain amount of Notes instead of the longest eligible. . . . The reduction in reserves gives the deposit banks additional funds, which they can even afford to put to work at low rates. . . . On these funds they were formerly earning nothing at all. . . . Another sobering influence in the eligible market is the high price level for the September 2½s which is the only long-term issue in the list. . . . Prices of this obligation could go up from here, but memory is still good enough for many of the banks to remember what happened to them when they bought this same bond in 1946, when money conditions were very easy and they had Hobson's choice as they have today. . . .

There seems to be no doubt about the success of a December Note in the refunding operation, because the commercial banks are the largest owners of the maturing obligations. . . . These institutions according to the latest available figures, hold more than $3,000,000,000 of the $4,375,000,000 of securities that will be retired on Dec. 15. . . . This is equivalent to about 70% of the total. . . . Other investors are next with slightly less than $800,000,000, or about 18%, with Federal showing holdings of approximately $265,000,000, equal to 6%, of the called issues. . . . Savings banks and fire and casualty companies largely account for the remainder, since life insurance companies held only very minor amounts of the three called obligations.

Raymond Palmer & Assoc.

FAIRHAVEN, MASS. — Raymond D. Palmer & Associates has been formed with offices at 70 Church Street. Mr. Palmer was previously with Trusteed Funds, Inc., of Boston.

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(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, CONN.—Henry L. Nichols, III, is now with Gaynor, Clemence & Co., Inc., 137 John Street.

How to Make the "Point IV" Program Work

(Continued from page 25)

the long pull we shall be unable to help other people raise their living standards unless they are willing to count on competitive enterprise for the biggest part of the job.

Until responsible people in our government make this unequivocal statement there will be lingering hopes among government people in other countries that government-to-government grants from the United States Treasury will continue indefinitely.

These hopes must be smashed to the earth before we can work on a partnership basis with the peoples of other countries to build the kind of world recovery which can pay its own way. The grants of billions of dollars which we have made in the emergency period following the war have certaintly prevented disasters in many parts of the world but we cannot continue them as a way of life and remain solvent.

This does not mean that we should stop our present grants overnight nor that we should run out on our Marshall Plan commitments. But it does mean that we should tell the world in unmistakable terms that a way must be found by like-minded peoples to work together to build recovery on a basis which can be self-supporting. So far as we are concerned, this means counting primarily on private capital.

Many nations may not want to cooperate with us on this basis. That is their business and certainly we shouldn't get provoked when we encounter ideas which are different from our own. Our policy should be to husband our resources for those countries which *do* want to build up productivity in the only way we know how to do it—through encouraging the individual to engage in competitive enterprise with the minimum amount of government interference. We'll be respected for being honest. The world is waiting to hear the terms upon which we want to stay in the international game for keeps.

(2) The second part of an intelligent Point Four program is the negotiation of treaties with like-minded countries which guarantee fair treatment for United States private capital when it goes abroad. No nation which discriminates unfairly against our businessmen has any long-term right to help from our government which is supported by taxes from a competitive enterprise economy.

Businessmen from 32 countries working through the International Chamber of Commerce have just completed a code for the Fair Treatment of Foreign Investments. Our own government would do well to use this model code as a basis for its own negotiations. All we want from these treaties is the simple assurance that our businessmen will be treated as fairly when they go to another country as the nationals of that country are treated when they come to the United States to engage in business. We are not entitled to any preferential treatment and no responsible person is suggesting it.

Unless we get reciprocally fair treatment, however, and unless there is a chance to make a profit commensurate with the risks of doing business abroad, we are not going to invest our savings in factories in other lands. Business without profits soon goes out of business, which is hardly a service to either the employees or the customers. This is so elemental that it's silly to pussy-foot on the issue with other nations. While I have confined my observations to United States relationships with another country for the sake of simlicity, the same principles obviously apply to the investment relationships of other countries with each other.

(3) The third way in which we can implement Point Four is through giving as much technical assistance to other nations as we can spare and as they can digest in a given period. Immediately after the signing of investment treaties with other countries the next step should be at a technical assistance level. We should set up missions to review the resources of those nations and the opportunities there for industrial as well as agricultural development.

These missions should be composed of government as well as business people from both the United States and the country being visited. This is what was done with the Abbink mission which recently finished a survey in Brazil. It was a joint report by Brazilians and Americans and I think it was one of the outstanding jobs of the last few years. The survey covered in considerable detail the outlines of a program for stepping up production within Brazil. It set a pattern for hard-headed United States-Brazilian cooperation for generation to come.

Following broad surveys of this sort, smaller technical missions working on narrow specific assignments could make a real contribution to overall economic growth. In some instances these missions would be sent abroad by either the International Bank or the Export-Import Bank in connection with loans being sought by other governments. In other cases they would go abroad on assignments unconnected with loans, such as those of straight technical assistance in the many fields of agriculture.

The chief technical assistance which we can render to people in another country, however, will come from the establishment of actual plants in which our businessmen have a direct interest. This gives our engineers and technicians a chance to increase production in a business which they understand fully. It also gives the nationals of other countries an opportunity to learn the skills without which higher living standards are impossible in any country. Technical assistance can't be peddled like toothpaste but it's an integral part of long-range industrial growth and therefore part of any well-rounded Point Four program. It is most effective when it is tied to capital investment, either public or private.

(4) There is a fourth area in the carrying out of Point Four which has to do with government-to-government credits. There is a need for these where they are quite outside the scope of private financing and where the use of government funds in carefully selected fields definitely broadens the opportunity for private investment—both for the United States citizens and for nationals in the countries receiving the loans. The fact that it also broadens the opportunity for private investment by businessmen from third countries is an added dividend which will tend to keep competition vigorous.

I am thinking of United States Government credits for the building of roads, the improvement of harbors and the betterment of transportation and communication facilities. Government credits of this sort are also appropriate in the fields of sanitation and in some cases they are appropriate for the development of electric power. It goes without saying that the loan applications should be carefully scrutinized and that any expenditures under them should be carefully audited.

We use government money for many of these purposes in our own country and it enormously improves the climate for private investment. It is desirable in many instances to use United States Government credits abroad for the same purposes in any country determined to count primarily upon competitive enterprise for its economic well-being. The facilities provided by these government loans should help all businesses within the country receiving them to grow and prosper and thus earn the tax money necessary for the repayment of these United States government credits.

(5) The fifth way in which Point Four might be implemented is for us to develop a much bolder program for the purchase of strategic materials from nations cooperating with us. Quite aside from their military importance, cur growing economy will require all the lead, tin, zinc, copper maganese, etc., which the world can produce and sell us for the rest of this century. Where any nation is working desperately to raise the living standards of its own people through providing maximum opportunity for the individual, we should be willing to buy any strategic materials they care to sell us so that they can earn their way in the world and not be dependent on us for grants.

We should assure all nations which have signed investment treaties with us a stable market for such primary materials. Our government should be willing to enter into long-term contracts for their purchase with escalator clauses on price and quantities to be delivered. The contracts should also contain reasonable anti-dumping provisions. This would help countries getting started on industrialization programs to earn the dollars requisite for the heavy machinery they would need from this country. It would be an enormous help to them in their balance of payments problems while the whole Point Four program was getting under way and their own new industries were being established on a profitable basis.

(6) Now to my sixth point. I feel that any nation willing to go this far in cooperation with us is entitled to a bigger slice of the American market for its own products. I would, therefore, like to see selective tariff cuts made with countries which have given evidence of their willingness to cooperate with us on a competitive enterprise basis. I'd like to see these cuts come just as close to free trade as possible for products produced within the cooperating country.

This would not mean abandoning the principle of the "most favored nation" clause. Any other nation signing the same investment treaties with us and working with us on all the other phases of Point Four program would, of course, be entitled to the same treatment. After we have entered into such arrangements with countries A and B, the next step would be for those countries to make similar ararngements with each other. I want to see a multilateral world and I've stood for one all my life. But I've come to the reluctant conclusion that if we are to have one we shall have to build it bilaterally, brick by brick.

(7) And now to the last point. Once this kind of commercial relationship has been achieved between the citizens of our country and those of another, our own government might well sell insurance to American businessmen investing in foreign countries. This insurance would cover certain extraordinary risks, such as the inability to convert profits *already* made in a foreign country into dollars, if the American firm wished to bring some of these profits home and pay U. S. taxes on them. The insurance might also cover the risks of expropriation of property in another land.

The actual risks for the U. S. Treasury would be greatly minimized in countries which had already signed investment and commercial treaties with us and were working closely with us on a dozen other fronts. A nominal premium of 1% or less ought to be adequate to cover the few losses likely to occur under these favorable trade circumstances.

Medium-sized businesses in American need this insurance more than the larger corporations. There are over-all reasons for encouraging them to set up partnership arrangements with businessmen in other countries. I feel that if this insurance were made available *after* all the other elements of a Point Four program had been worked out, it would help to assure its total success.

"Four-Basket Conferences"

These are the seven key elements in the intelligent implementation of Point Four as I see them. It is vital that we come to an agreement on them country by country through bilateral negotiation. These negotiations should take the form of what might be nick-named "Four-Basket Conferences." These would be sessions in which we brought to the conference table two baskets, one containing what we wanted from another country and the other containing what we would be prepared to give. Representatives from the other nations should also bring two baskets, one containing what they are prepared to give and the other containing what they want.

The contents of all four baskets should be spread on the table and explored objectively by both sides. This is the "package" approach. It has a chance to succeed whereas the "piecemeal" approach of doing a little here and a little there and asking nothing in return for what we give is certain to fail. Signing checks for what other nations want before getting the things we want in return, makes no sense whatever.

All seven elements of the Point Four program should be discussed in detail at such a conference. There should be a meeting of minds on *all* of them. At the end of these sessions if an agreement emerges at all, it must be a complete agreement and one under which *both* sides stand to profit. Otherwise, it will not last, and under such conditions it would be better not to enter into any agreement.

I would like to see the United States conclude such a set of agreements with no more than one or two countries as a beginning. They should be "show piece" arrangements in the finest sense of that phrase. Experience with these could then guide us in the intelligent handling of this kind of bilateral negotiation with other countries later on. We should put everything we have into making the first programs work. *If* they work, other nations would be seeking the same sorts of arrangements with us faster than we could conclude them.

This is the only long-range answer to Communism. The Commies can promise the moon but only the United States has the productive resources to deliver the goods. We have been doing some of the things already suggested under the Point Four program on a piecemeal basis for several years. But for that very reason we have not achieved the cumulative effect which we might have, had we done the whole job with completeness at one time, nation by nation. The whole of anything is always more than the sum of its separate parts.

Our timid approach to these matters of foreign commercial policy reminds me of a man who starts to build a house and then leaves it half finished. True, it costs only half the price of a finished house, but for all practical purposes it's not much better than no house at all. The half of our foreign policy which has been lacking is a forthright program to shift part of the cost of economic development abroad from public to private shoulders.

On the government side we have already sent a good many technical missions abroad. We have extended some credits which have a chance of repayment, and we have engaged in some modest stockpiling of strategic materials. We have concluded some commercial treaties, the best of which was with Italy. But even this treaty did not come to grips with the crucial problem of currency convertibility.

None of these government actions has been openly conditioned upon the kind of opportunity for the United States competitive enterprise in other countries which our government gives the business firms of those same countries here in the United States. None of it has faced our necessity as a creditor nation to have foreign areas open to us for private investment and industrial expansion. Consequently, there has not been an earnest effort in most other countries to improve the climate for private investment within their borders.

Example of Oil Investments

Nevertheless, there are some foretastes of what Point Four might be like insofar as American private investment in other countries is concerned. The oil companies of this country, for example, have large investments throughout the world, with heavy ones concentrated in Venezuela and the Middle East.

The net effect of these at a business level has been to give a good return to American stockholders and to bring a stream of dollars to the countries in which the petroleum was found. Venezuela, for example, has no external debt. Her government gets roughly half the profits of the oil companies located within her borders. Her greatest natural resources were of no value to her until they were developed. Now they are her greatest source of revenue.

More important, the nationals of these countries have had a large number of opportunities opened up to them as a result of these investments. Enormous progress has been made in one short generation. Workers have become foremen and foremen have become managers. Young men from other countries have been trained to handle the most technical jobs. Numerous small businesses have been started which are run by the nationals of the countries where our oil companies are guest corporations.

Wages have gone up sharply, and better housing has come in. A quality of medical service and a level of schooling have been introduced which were previously unknown. Surely the citizens of every country involved have profited and prospered as a result of these investments. And when all is said and done, the welfare of people in a world at peace is all that really matters.

In the merchandising field, Sears Roebuck has established several large stores in other countries. Prices to the consumer have been reduced and the wages paid to store employees have gone up. Various employee security benefits which were previously unknown to those who worked in stores in these countries have been established.

Much of the merchandise which was first supplied from the United States is now being supplied from local sources. Sears has often acted to bring American manufacturers and foreign manufacturers together in partnerships to produce these goods. It has partially underwritten the success of these joint undertakings by agreeing to take part of the output. When it started its Mexico City store, 90% of the merchandise came from the United States; 80% of it now comes from Mexican sources. Is this imperialism or is it constructive economic progress?

At the agricultural level, Firestone has developed extensive rubber plantations in Liberia and United Fruit Company has done an utterly outstanding job of producing fruits in the Caribbean area which are marketed chiefly in the United States. Wages on the United Fruit plantations are considerably above those in the surrounding areas. Food prices have been subsidized at plantation stores to keep them close to prewar levels. The workers' houses are screened and they all have running water.

The workers and their families enjoy a degree of medical care and educational opportunity which represents very real progress for people in the countries where "La Frutera" operates. Its agricultural school in Honduras for 150 boys from the Caribbean countries is one of the most exciting places I have ever visited. The purpose of the school is to develop knowledge about diversified agriculture in the tropics.

The youngsters study everything except the culture of bananas—which is the backbone of United Fruit Company's business. Is this "exploitation for profit"? United Fruit is making money all right, but if it weren't it couldn't afford to give its workers a standard of living several hundred percent above the levels that exist in the same countries for other workers. World recovery requires more of this kind of private activity and fewer doles from the U.S. Treasury. If Point Four is to succeed, American business will need fair but more vigorous diplomatic support from our State Department than it has received in the past.

Some American businesses go abroad with wholly owned subsidiaries. Others prefer minority interests in foreign companies and still others go in on a 50-50 basis with ten-year management contracts. No one rule can apply to all as the business conditions vary from industry to industry and local capital is more interested in some kinds of business than in others.

Advantages of Local Partners

In general, however, the present tendency is for American businessmen to seek local partners in foreign lands. They are putting a lot of drive behind the development of the skills of workers in the countries where they are living as guest corporations. I know of no better answer to the irresponsible charges of "Yankee Imperialism" than the actual record of American business in foreign lands at this time. It's changed mightily since the days when we landed the marines to get what we wanted. Our businessmen know they are living in a new world.

Of course they are trying to make a profit, but they are also, in their own self-interest trying to make a genuine contribution to *people* in the countries where they make their living. They are seeking joint ventures with the businessmen of other countries. What Eric Johnston calls "partnership capitalism" can easily be the greatest of all developments under the Point Four program. It may yet prove to be the best weapon men have ever found for destroying the evils of excessive nationalism.

We Americans are unaware of the fact that we are the *true* revolutionaries of this planet. Even the most conservative American businessman knows that the way to make the most money is to mass-produce things at low cost, to mass-distribute them at low-unit margins of profit, and to count on volume for good total profits. He knows that high wages for labor mean better customers for all business. He believes in increasing wages just as fast as the increasing productivity of his workers permits.

This is *rank heresy* in the business communities of most foreign countries. In many of them 35 to 40% returns on capital are not uncommon and low wages are often considered a "competitive advantage." We businessmen have a contribution to make to the little peoples of other countries which is not well enough understood either here or abroad.

We have more to contribute to other countries than capital and technical skills. We also have a "spirit" to contribute. It's our enthusiasm for putting machines to work for us. It's our belief that *any* individual should be able to climb to the top and that he should have every chance to do so. Its symbol is the right of any American to run a filling station on any corner. You can't do that in most other countries.

It's our faith in competition. Neither labor nor management in most countries shares this faith. Their businessmen are afraid of price-cutting and their labor leaders are afraid that improved machinery will throw the workers out of their jobs. Competitive enterprise, as we know it here in America has never been *tried* in much of the world. Changing attitudes is a tougher job than building factories, but it's worth trying.

Four Hurdles

Point Four as we have seen, could be developed to the advantage of people in many countries. It would be to our self-interest because of the broader markets which it would give us for continuing industrial expansion. As a creditor nation, we need these beyond our own borders. It would be to the self-interest of the nationals of other countries because of the greater commercial activity, the rising living standards and the greater total profits which would come in the wake of industrial development in the less developed areas. There is every economic reason why this sort of partnership can succeed, but there are real psychological obstacles which will make it very difficult.

They have to be faced. Here at home, one of our chief psychological hurdles lies in the fact that so few of us have ever made our bread and butter out of foreign trade or foreign investment. We are not a sophisticated people in the international sense of that word. We have made some progress in the last ten years, but we have a long, long, way to go.

Another domestic hurdle has to do with the fact that while we have overcome much of our isolationism we still hope, as I said earlier in my talk, that world recovery can be brought about by giving of our money and not of ourselves. Our frontier love of adventure needs to be re-kindled. We've go to learn to go to the far corners of the earth and love it. We've got to learn that the best way to avoid depressions at home is to develop areas for expansion abroad.

The third psychological hurdle here at home lies in the fact that we take fright much too easily as a people when some one calls us naughty names like "Yankee Imperialists." We take it, and cringe, because the *fact* of our destiny as bankers for the Non-Communist world is not yet part of our every-day thinking. Events thrust this leadership into our lives. Not having sought it, we don't yet know what to do with it. I suppose better than half of us wish it had never happened. We haven't thought through all we can contribute to peoples abroad while making a profit for ourselves in the bargain.

The fourth hurdle we must get over is our hesitancy to take goods from other countries in volume. If the rest of the world would make it profitable for us to build plants in other countries, this would give us a selfish reason for being more free-trade minded. The deeper our roots go in the rest of the world, the more we shall act like citizens of the world.

There are also some real psychological hurdles to be overcome in other nations. Excessive nationalism is the worst and certainly the most deadly of all. We have our share of it here in the United States, but that doesn't keep it from being one of the few truly evil forces on this planet. Excessive nationalism is a hydra-headed monster which can throw a thousand barriers in the way of any true worldwide recovery.

There are many groups at the top in other nation's which don't *want* any large-scale economic development with its emerging middle class in their countries. They aren't going to say so, but they are going to scream loudly about "Yankee Imperialism" once we propose to do something about it.

There are politicians in other countries who are being kept in power by United States cash which they are now handing out to the citizens of their own lands. If we put our primary emphasis on competitive enterprise and increasing private investment they would be less powerful. They, too, will scream loudly about "interference with sovereignty" when the outflow of government grants from us tapers off and we begin to talk about a fairer break for American business in their countries.

There are also privileged groups in some foreign nations, not in government but close to top people in government, who stand to profit by a climate which discriminates against American private investment in their countries. This climate of discrimination enables them to act as middlemen to "fix things up." Naturally, they aren't going to stick to the merits of a program that might break up their little playhouses.

It's so much more effective within their own countries to scream long and loud about "The Colossus of the North" or "Dollar Diplomacy" when their schemes of getting something for nothing are threatened. I don't know of any better way to meet these thorny problems than to have as many people in as many countries as possible bring them out in the open and talk about them.

There are also psychological hurdles to the implementation of Point Four in other lands which spring from the little people themselves. They know by a sense of smell that science can raise their living standards. What they do not realize is that this takes time, that people have to work hard and learn new skills and save a lot for investment in machinery before it can be brought about.

Nor do they realize that expanded welfare services cannot be had for a long simply by passing a few laws. It takes enormous production to support a broad social welfare program. The little people themselves can be wrecked by introducing too ambitious a program before their own productivity permits it. Social welfare services are the result of economic development, not its cause. All too many of these welfare plans are now being supported by the savings of the more successful citizens. These savings won't last forever. They might better have gone into new plant and machinery which could have produced more goods so that there might have been more real wealth to divide.

Perhaps the most valid psychological hurdle to the implementation of Point Four in other countries is the mistrust of our American culture. Other peoples know that it produces high living standards with a large amount of personal freedom. But they know that it also produces high divorce rates, tawdry entertainment, stomach ulcers and tensions leading to a kind of excessive "busyness" which they find unattractive.

We in America must realize that what we have to offer is not an unmixed blessing. We are in no sense over our own growing pains. We certainly shouldn't try to force our American way of life on peoples who don't want it. Our material success does not mean that we have learned how to live integrated lives as individuals.

But when other peoples want what we in this country have worked very hard to save and accumulate—when they want the plant and equipment which we alone can provide — then they have to decide whether or not they are willing to take the bitter with the sweet—and pray for the changes they'd like to see in the American temperament. Over the decades there is a very excellent chance that our culture will be changed and improved by a closer relationship with the cultures of other lands. We certainly have much to learn about the fruitful use of leisure time.

There is also an excellent chance that other cultures will be improved by contact with ours. Leisure in many lands is now the privilege of only the very few. The masses of people cannot possibly have it without the technological equipment which relieves them of human drudgery. We have the power to free them from that and they have the background to teach us much about gracious living. There is a great deal which might be gained in a cultural as well as a material sense from the intelligent implementation of Point Four.

The hurdles we have been considering are real hurdles and the job we've been talking about is a very long-term assignment. But suppose we don't get on with it in our mutual self-interest? What's the alternative? Probably that the Commies will pick us off nation by nation until in desperation what's left of the western world will turn to atomic war rather than risk slavery in a police state.

Can Have Century of Sustained Prosperity

The economic basis for a century of sustained prosperity in the western world exists. The capital, the skills, the resources and the markets are present for such an achievement. The better we understand these economic facts the easier it will be for all of us to surmount the psychological barriers to our success.

If the peoples of the western world would work together as *people* to implement Point Four, the present barriers to trade which are now strangling us could be gradually broken down. Surely, this must come about if Point Four is to work—if we are to have a world worth living in. One does not have to be an economist to know that.

All it would take to paralyze this industrial giant that is the United States would be to establish at our 48 state lines the same obstacles to a free movement of money, people and goods, that now exist between the countries of the non-communist world. No ultimate recovery is possible until these barriers are substantially eliminated. I feel that they can be eliminated most effectively by bilateral treaties and other arrangements of the sort we have been discussing. That is the businesslike way to ultimate economic union.

Certainly we haven't got very far by piously setting up one multilateral organization after another with a charter to do the impossible. We might get further if we set out consciously to build a "club" of like-minded nations who wanted to play ball with us in the only way that we know how to play it successfully. It wouldn't expect the whole world to join us at once and if they did we wouldn't have the resources to meet their demands. But I would expect more than enough countries to establish a partnership capitalism with us to give our new foreign policy a good trial run.

By moving boldly to make a Point Four program work, we should be able to transfer an increasing part of the cost of foreign development from government to private shoulders. We should be able to increase the relative strength of the West as compared with the Soviet sphere. We can hope that a strong Western World will ultimately become a magnet to draw some of the countries in the Soviet orbit closer to us. No matter what we think of the Kremlin we should not close our hearts to the Russian people. One World is only a dream in 1949 but who is wise enough to say that the dream will never be realized?

By broadening the area of industrial expansion beyond our own borders we shall increase the markets for our heavy goods industries. A search for more customers is nothing that needs to be hidden. Customers are essential to our prosperity and our prosperity is the hope of the world. There can be no international stability without it.

More importantly, we shall be working with the *citizens* of other countries to increase production and therefore the living standards of *people*. They will be learning new skills, both with their hands and with their heads. There will be many partnership arrangements between our businessmen and those of other countries. There will be a helpful exchange of ideas between our labor leaders and those of other nations. These closer working associations of a mutually satisfactory nature can furnish "the tie that binds."

The Western World needs these "show pieces" of democracy in action. Our children need this leadership on a world scale as much as they need our affection in the family circle. To move in this direction is to take the offensive against communism rather than trying to "contain it." And it's still true that the offensive always wins. In any competition for improving the lot of people, we've got what it takes for victory.

Joins G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Henry A. Beers, III, is with G. H. Walker & Co., 50 State Street.

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NEW ULM, MINN.—Robert D. Daoust and Leland F. Speedling have become affiliated with State Bond & Mortgage Co., 26½ North Minnesota Street.

With Brereton, Rice & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Harry G. Ferguson, Jr., has been added to the staff of Brereton, Rice & Co., Inc., First National Bank Building.

M. F. Leighton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Arthur D. White has been added to the staff of M. F. Leighton & Co., Pioneer Building.

Horatio Parker Dies

Horatio P. Parker, retired investment broker, died at his home at the age of 76. Prior to his retirement he was a consultant for Hoagland, Allum & Co. and was senior partner of Parker, Robinson & Co.

Holds Sterling Devaluation Alone Will Not Solve British Crisis

(Continued from page 13)

which supply the Indian market," adding that they "absorb British resources which ought to be employed elsewhere." Also, even the soundest and most desirable new overseas investments will yield their return only in the future.

Acceleration of the Dollar Drain

It was in the midst of this generally improving picture that affairs took the sudden turn for the worse this Spring. As shown by the table below, the sterling area's dollar deficit during the April-June quarter of 1949 almost doubled as compared with the three preceding quarters. By the end of June, Britain's gold and dollar reserves had fallen to £406 million, and were being drawn upon at a rate which, if continued, would exhaust them in about 18 months.

Sterling Area Gold and Dollar Deficits and Reserves

(In Millions of £)

	Overall Deficit	Reserves (end of period)
1947 (full year)	1,024	512
1948:		
Jan.-March	147	552
Apr.-June	107	473
July-Sept.	76	437
Oct.-Dec.	93	457
1949:		
Jan.-March	82	471
Apr.-June	157	406

Source — British Information Services.

Of the various factors contributing to this drain, the most important has been what Sir Stafford Cripps apparently had in mind when he spoke of the "change in the financial and commercial climate." Falling prices and lessended demand has cut sharply the dollar receipts from various sterling area primary products. Rubber, tin, cocoa, wool and diamonds, which were yielding around $120 million per quarter up to last March, are estimated to have brought in only about half that in the following April-June quarter. At the same time, with the general shift in world markets from sellers' to buyers' advantage, British exporters, in common with business everywhere, are feeling more of the hot breath of competition.

Besides the falling off in sales to the dollar area, the accelerated drain reflected some increase in United Kingdom imports from the United States, and a substantial loss of gold to Belgium and Switzerland. Finally, the situation was aggravated by apprehension of possible sterling devaluation.

It would be a miracle, in view of the widespread uncertainty and the ingenuity of speculators and traders, if there were not some leakage in the admittedly tight exchange controls. For example, Australian wool and Malayan rubber have been purchased by countries outside the sterling area with transferable and other sterling available in those countries, and resold in the dollar area. The effect is that the dollar proceeds of the sales have gone to the intermediaries rather than to the sterling area pool. Controls have been tightened further to minimize these and other leakages.

Interim Measures to Save Dollars

Such was the situation which the Chancellor of the Exchequer disclosed to the House of Commons in July, together with tentative plans for remedial action. As an immediate corrective step the Government ordered its purchasing departments to pare new dollar purchases to the bone.

In addition, Sir Stafford laid before the House a new austerity program calling for a 25% cut in British imports from the dollar area (including Canada). This pruning, which is to affect largely imports of tobacco, cotton, sugar, timber, paper and pulp, machinery, steel, and nonferrous metals, is expected to result in a saving of about $400 million by next July. Subsequently, the Finance Ministers of the Commonwealth countries agreed to recommend a similar cut in dollar purchases, to effect a possible further saving of $300 to $400 million annually.

In announcing these measures, Sir Stafford acknowledged that they represented "a purely negative approach to the problem," and offered "no solution of our difficulties." Beyond such stopgap action, there must be, he said, "longer-term and more fundamental measures."

This brings us to the real heart of the problem. What should be the nature of these "more fundamental measures"?

Views on the Longer-Term Problems

Apparently there are three main schools of thought as to the principles that ought to be followed in restoring British balance of payments equilibrium. One holds that Britain's difficulties are all the fault of America for being so inconsiderate as to have a business slump and stop buying British products. While there is no doubt that a large segment of British opinion is at least tinged with this idea, the theory finds its most extreme expression in such statements as the following from the "Tribune," a British weekly reflecting the Labor viewpoint:

"The uncontrolled American economy, with its growing cohorts of unemployed and its falling internal purchasing power is becoming more and more a threatening menace to our recovery . . ."

The left-wing weekly, the "New Statesman and Nation," is even more ungenerous:

"The difficulties in which we find ourselves are primarily due to the wilfulness of Congress . . . By seeking to cut allocations for foreign spending and by economizing on the stockpiling of raw material, it is exporting the American slump to Europe and to such producers of raw materials as Australia, Malaya and West Africa."

TABLE 3

Changes in Britain's Sterling Liabilities and External Capital Assets

(In Millions of £)

	1947	1949
Changes in sterling liabilities:		
In the non-sterling area	+ 3	—246
In the sterling area	—145	+ 35
Net change	—142	—211
Changes in external capital assets:		
In the non-sterling area	+ 73	—100
In the sterling area	+179	+192
Net change	+252	+ 92
Net reduction in liabilities plus net increase in external assets	394	303

Based on Economic Survey for 1949.

Since the theory is that the new crisis is the product of capitalistic instability, the argument of this school is that the cure is more socialism.

With this whole thesis the "Economist" registers an impatient dissent in its issue of July 9:

"There is a tendency among some of the left-wing partisans to say that it is an unnecessary crisis that need never have happened if it were not for the chronic and incorrigible instability of American capitalism. This is an attempt to establish an excuse. It is a smokescreen of poison gas.

"It is not true that the American economy is slumping. The level both of general demand and of economic activity in America is still a long way above any definition of normal that the world has ever before known, and if British socialism cannot adjust itself to as minor a quaver as this, then it is too delicate for the real world. Labor Members of Parliament would do well to remember that their government would have been out of office in collapse and chaos years ago if American capitalism had not been willing to subsidize it."

A second school of thought calls for Britain and the Commonwealth to work out their destiny free from American aid. It would concentrate on developing an expanding sterling trading area, held together by bilateral trade and financial agreements.

But not along this line either does the "Economist" (July 16) see a promising solution:

"The sterling area, as at present constituted, can provide neither the markets nor the supplies to replace the dollar area. And if the argument is that other countries—indeed, the whole non-dollar, non-Soviet world—are to be attracted into such a system, the answer must be how they are to be attracted if it is not attractive? Who will enter—who will freely step in—a sterling area of which the subscription is the obligation to buy dear British goods instead of cheap goods from other suppliers?"

Still a third school of thought holds that within what the "Economist" calls the "over-planned and over-controlled and over-protected" domestic British economy, a return to competitive conditions is the only effective way of getting costs down and efficiency up, and selling more goods and services overseas.

A "Simple Test" of Sound Policy

The philosophy of this last school might well be epitomized in the "Economist's" prescription, as follows:

"The simple test of all policy now must be whether or not it serves the purpose of reducing costs of production."

In hammering home this point the "Economist" says (July 9):

"The great defect of the British economy is its very high costs of production. It is not that British productivity is not high, but that the remuneration the British people exact for their production is still higher . . . British costs of production are too high not merely for the dollar market, or for the overseas markets in general, they are too high for the British market itself. To give a simple illustration of this, an attempt has been made to estimate roughly how many weeks the average British wage-earner would have to work for his wages (after tax) to equal the price of five standard British-made objects, before the war and now. These are the results:

	Prewar	Now
Standard council house, weeks	112	213
Cheapest British car, weeks	39	55
Cheapest motor-cycle, weeks	11½	17½
Cheapest man's suit, days	5	7
Average radio set, weeks	3½	4½

"These figures can be used to show that the standard of living has fallen. But that is merely the inverse way of saying that the real cost of production—the number of weeks' work necessary to produce something — has risen. This is a real and fundamental ratio. Until it is put right no amount of juggling with prices and exchange rates will enable the British people to earn as good a living as they did before the war. If the British people cannot afford to buy their own goods, how can they expect foreigners to do so?"

It would be both inaccurate and unfair to convey the impression that the Labor Government is insensible to the need for improving efficiency and reducing costs. The government is promoting an ambitious (possibly too ambitious) program of investment in industrial reequipment and modernization for that very purpose. Sir Stafford Cripps has used all the prestige and authority of his office to gain the cooperation of labor in holding the line on wage increases. Despite some exceptions and an increasing restiveness among the rank and file of labor, the average level of wages has been held remarkably steady over the past year. The leadership of Britain's Trade Union Congress, in a frank report to be submitted to the annual convention this month, bluntly tells the nation's 8,000,000 organized workers that business is being taxed to the limit, and that their only hope for an improved standard of living is to work harder.

Cutting Costs a Painful Process

But, as the "Economist" says, cutting costs is a painful operation; it will not be undertaken "simply because Ministers make radio speeches saying the national interest requires it; it will be undertaken only when the individual manager or the individual worker finds himself under individual pressure to cut costs for which he is responsible as the only means of avoiding something he dislikes even more."

One of the factors involved is the overall fiscal and credit policy of the government. The London "Statist" of June 4, in an article entitled "U. S. Deflating While Britain Inflates?", cites authority for the view that present British budget and credit policies are promoting inflation and that planned investment expenditures exceed savings; and it warns of adverse consequences upon the balance of payments.

The "Economist," in the July 9 issue, calls on the government to show the way to a general reduction of costs "by cutting the biggest item of national costs, the burden of taxation, since it is absurd to hold that a budget of £3,300 million cannot be slashed if there is a will to do it." The "Economist" then proceeds to enumerate other key points in a hypothetical policy that a government "that put the reduction of costs of production above anything else" would adopt:

"Wherever it possibly could—outside a narrow range of strict necessaries — it would remove controls and allocation quotas and allow prices to be determined competitively . . .

"In every possible way, it would make businessmen once again work for their livings.

"It would abandon the cheap money fetish and let interest rates find their level.

"It would bring in legislation against all forms of restrictive practice. It would insist on payment by results in every industry where a scheme could possibly be introduced.

"And if there were no other way of persuading the unions and their members to give value for money, it would welcome the therapeutic effect of a moderate degree of unemployment."

Dilemma of the Labor Government

Most of this, however, is anathema to British socialism which, while it wants to reduce costs, will accept no interference with the development of the "welfare state." In apparent reply to suggestions that to meet the economic crisis Britain should be prepared to accept some moderate amount of unemployment, and to cut back government spending, including presumably some reduction in the costly social services, Prime Minister Attlee in a speech July 3 asserted, "We are not prepared to tolerate the misery and loss of human happiness which the old system entailed." As Sir Stafford Cripps declared in his July 6 statement to the House of Commons, "The government and the nation are pledged to a policy of maintaining full employment and protecting our present standard of living."

This, then, is the dilemma of the Labor Government and of the British people. Though the situation is critical and calls for the united effort of the nation to save, to increase production, and to cut down costs, yet the great mass of the British people are to continue to be protected from feeling individually, in any comparable degree, the pressures that bear upon the community as a whole. Enterprise and incentive, apparently, must go on contending against a tax load that takes 40% of the national income.

Problem Primarily British

This problem of costs and competitive ability is, of course, one that will have to be resolved by the British people in their own way. They will rightfully resent gratuitous advice from outsiders on how to conduct their affairs, and still more any attempt to exert pressure toward particular policies.

At the same time, it must be recognized that the confidence of the American people in present policies has been s e r i o u s l y shaken. After having poured out since the end of the war something like $23 billion in foreign recovery grants and loans (much of the latter unlikely to be repaid), with Federal budget expenditures for foreign aid and reconstruction running currently at a rate exceeding $6½ billion annually, and with the huge commitments under the Marshall Plan still unfulfilled, the American taxpayer, facing a budget deficit at home, is reaching the limit of his desire to make further foreign grants and loans without assurance of greater results.

Canada, which has rendered generous financial aid to Great Britain since the war, evidently shares this feeling. The Canadian Finance Minister, Mr. Abbott, said this Summer:

"The problems of the sterling area are internal problems, and temporary expedients such as loans are not the real answer to the problem. I think as far as Canada is concerned we have gone about as far as we can in the way of loans.

"The essence of the British problem is to get costs of production down and to raise productivity. The eventual solution must come from the action of the British Government itself."

As was pointed out at the outset of this article, there was agreement in London this Summer that remedies should be sought "other than financial assistance such as that provided by the United States and Canada." Subsidies disguised as "investments," government purchases of commodities at artificially high prices, etc., are likely to be equally unpalatable. There is neither justification for, nor likelihood that the American people would favor deliberate debasement of the dollar by raising the official buying price of the U. S. Treasury for gold. Within the past few days Secretary of the Treasury Snyder has said explicitly that no revaluation of gold or similar expedient to cheapen the dollar will be resorted to in connection with the British problem.

Summary and Conclusion

Thus, in conclusion, we say again that the problem comes back largely to the British themselves. Broadly speaking it involves two things—

(1) Rectifying the dollar deficit on current account by either selling more British and sterling area goods and services to "hard currency" countries, or importing less from such countries, and

(2) Controlling capital outflow, now represented both by leakages in the controls, and by releases of old sterling balances and building up of new investments abroad.

One suggested method of dealing with these problems is a devaluation of the pound, which would have the effect of an across-the-board price cut on British and sterling area goods in foreign markets, and might also, temporarily at least, check pressures upon sterling resulting from selling by holders who fear its depreciation.

To this method, however, the British authorities have been understandably, strongly opposed. For one thing, cheapening the pound would increase the sterling cost of imports from non-sterling countries (unless they too devalued) thus tending to set in motion an offsetting wage-price spiral at home. Secondly, no one knows whether cheapening the pound would promote enough increase in the volume of exports to hard currency countries to make up for the decrease in their price. Upon one point there is universal agreement — that devaluation provides no lasting solution unless accompanied by other measures to cut costs, increase efficiency, and expand the production of goods and services that can be offered abroad at prices in line with those of competitors.

As regards transfers involved in repayment of sterling liabilities or increase in new foreign investment, the question is being raised in Britain as to whether she is not attempting too much in this direction when the need for devoting all available resources to meeting the dollar deficit is so urgent.

President Truman in his Philadelphia address Aug. 29 promised to the distinguished Britishers and Canadians who will visit Washington this month a warm welcome and an examination of mutual problems "in a spirit of friendliness and helpfulness." He laid down the principle that efforts to expand the exchange of goods should be persisted in, and he did much to allay misunderstanding by stating that "democratic nations are not proposing to interfere in one another's internal politics." With all the difficult economic and technical considerations, it is to be hoped and may be fairly assumed that the conferees, and the peoples they represent, will always have in their mind the consciousness of the essential unity of the three countries in the struggle they have gone through together, and their joint responsibilities for maintaining a peaceful democratic world.

William Rommel Dead

William C. Rommel, associated with J. S. Rippel & Co. of Newark, N. J., died at the age of 45. He was a member of the Municipal Bond Club of New York.

The State of Trade and Industry

(Continued from page 5)

districts for tonnages that deliver at prices that would have been called fantastic a few weeks ago.

Many mill bids on scrap from big manufacturing plants are at least 50% above what they were in June. Prices are poised to get out out of hand and it will take some cool buying to hold them in line. This is precisely what big mill buyers feared when the market collapsed early this year—that prices would go too low and that the possibility of real buying would disorganize the market and skyrocket prices. Advances in Pittsburgh and Philadelphia moved "The Iron Age" steel scrap composite up again this week. The increase was 59c to $23.92 per gross ton.

There was no Labor Day picnic for steel this Monday. Anyone who gave the matter much thought could only become upset over prevailing conditions. Steel labor has been showing its strength, pulling an unusual number of wildcat strikes and stepping up the number of grievances in the mills.

On top of this is the fact that coal is heading slowly but definitely toward a crisis. The steel industry is neither willing nor able to operate indefinitely at anything close to current levels on a three-day coal mine work week with an extra day off for holidays, declares this trade authority. Its coal stocks are better than the national average at a number of big plants. With consumption running ahead of production, national coal stocks will be at the critical reserve level within a few weeks. Steel will not be far behind. The difference is the cushion built up at many steel plants to counter Lewis' first strike threat. That cushion is going fast now. It looked a lot bigger two months ago when the steelmaking rate was in the mid 70s. But higher operating rates since then have made the stockpiles smaller in terms of number of days' reserve.

Manufacturers of lockers and kitchen cabinets can be added to the list of industries whose business is showing strength. Most of these people have orders on their books assuring them of business through November. In many cases the number of orders has increased but the overall tonnage is less than it was in the first quarter, concludes "The Iron Age."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 84.2% of capacity for the week beginning Sept. 6, 1949, as against 86.3% in the preceding week, or a decrease of 2.4%, or 2.1 points, due in part to the Labor Day holiday.

This week's operating rate is equivalent to 1,552,200 tons of steel ingots and castings for the entire industry, compared to 1,591,000 tons a week ago, 1,517,200 tons, or 82.3% a month ago, and 1,703,300 tons, or 94.5% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS CONTINUE MODEST IMPROVEMENT OF PREVIOUS WEEK

Loadings of revenue freight for the week ended Aug. 27, 1949, totaled 746,912 cars, according to the Association of American Railroads. This was an increase of 15,697 cars, or 2.1% above the preceding week. It, however, represents a decrease of 144,754 cars, or 16.2% below the corresponding week in 1948, and a decrease of 178,800 cars, or 19.3% under the similar period in 1947.

ELECTRIC OUTPUT TURNS UPWARD IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 3 was estimated at 5,543,913,000 kwh. according to the Edison Electric Institute. This represented an increase of 20,597,000 kwh. above the preceding week, 74,374,000 kwh. or 1.4% higher than the figure reported for the week ended Sept. 4, 1948, and 823,254,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE OUTPUT CURTAILED DUE TO LABOR DAY WEED-END

According to "Ward's Automotive Reports" for the past week, motor vehicle production for the United States and Canada dropped to an estimated 148,415 units from 155,367 units (revised) in the previous period.

The chief reason for the drop is the cancellation of Saturday's run, especially in General Motors plants, because of the Labor Day week-end, the agency said.

The total output for the current week was made up of 121,505 cars and 19,875 trucks built in the U. S. and 4,669 cars and 2,366 trucks in Canada.

Output a year ago was 101,879 units and, in the like week of 1941, it was held down to 32,940 units due to model changeovers.

Present scheduling calls for car output at prevailing levels throughout September and the rest of the year, with only brief shutdowns for changeover and inventory taking, Ward's states.

BUSINESS FAILURES SHOW LITTLE CHANGE IN LATEST WEEK

Commercial and industrial failures in the week ended Sept. 1 dipped to 174 from 176 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were noticeably above those of the corresponding weeks of 1948 and 1947 when 94 and 64 concerns succumbed, failures continued below the prewar total of 229 in the comparable week of 1939.

Manufacturing and wholesaling accounted for the week's slight decline. While more concerns failed than last year in all lines, the sharpest increases appeared in retail trade and construction which had twice as many failures as in the corresponding week. All areas except the Mountain and East South Central regions reported more casualties than last year.

WHOLESALE FOOD PRICE INDEX OFF SHARPLY IN LATEST WEEK

The Dun & Bradstreet wholesale food price index registered a rather sharp drop last week. The August 30 figure at $5.78 was the lowest in five weeks and represented a decline of 1.4% from $5.86 a week ago. Compared with $6.90 on the corresponding 1948 date, the decrease was 16.2%.

WHOLESALE COMMODITY PRICE INDEX MAKES FURTHER SLIGHT GAIN IN LATEST WEEK

The general level of prices edged slightly upward during the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range to close at 239.26 on Aug. 30. This compared with 238.54 a week earlier and with 279.46 on the corresponding date a year ago.

Grain markets on the Chicago Board of Trade were unsettled last week with trading activity down sharply from the previous week.

Prices moved in a narrow range with wheat, corn and oats showing moderate net advances for the week. Weather conditions were said to be ideal for the maturing of the new corn crop and harvesting is expected to get under way earlier than usual. Flour prices remained steady last week as buyers showed more of a disposition to build up their supplies. Domestic flour bookings increased somewhat as the week drew to a close and there was a noticeable pick-up in shipping directions.

Cocoa values worked lower in the week, reflecting trade and commission house selling, induced by reports indicating another bumper crop is in prospect on the Gold Coast of Africa.

Most cane sugar refiners have announced a 10-point rise in the price of refined sugar, to become effective Sept. 1.

There was a persistent heavy demand for refined sugar, attributed largely to strength in the raw market and uncertainty as to future supplies at current prices. Crude edible oils developed considerable weakness; cottonseed oil fell about four cents per pound as buyers withdrew from a steadily declining market.

Live hogs trended downward most of the week but rallied at the close to finish only slightly below a week ago. Cattle prices advanced and good demand for choice fed steers pushed values up above recent peak levels. Sheep and lambs trended lower for the week.

Spot cotton prices held comparatively steady most of the week but dipped slightly toward the close under increasing hedge pressure. Current values are only slightly above the government loan rate.

Continuing favorable reports from the textile market tended to bolster prices.

Another factor was the prospect of acreage and marketing controls for next year's crop. A deterring influence was the uncertainty surrounding the Administration's price support program. Volume of trading in spot markets was seasonally slow.

Responding to good demand as the result of delayed Fall buying, the undertone of prices in carded gray cotton goods continued strong, with some of the more popular constructions showing further advances. Some mills reported transactions into the first quarter of next year.

RETAIL AND WHOLESALE TRADE AGAIN IMPROVED THE PAST WEEK BY COOLER WEATHER AND SPECIAL PROMOTIONS

Spurred by cool weather and numerous promotions, consumers bought slightly more the past week than in the previous week. The dollar volume of retail sales continued to be moderately below the high level of a year ago. Total unit volume in many lines was slightly above that of the similar week last year, states Dun & Bradstreet, Inc., in its current trade review.

The demand for apparel increased noticeably last week and slightly surpassed the level of a year ago when very warm weather discouraged consumer interest.

Promotions of back-to-school clothing attracted the attention of many shoppers. Purchases of women's dresses, sportswear and lingerie increased. While the retail volume of men's wear rose slightly, it continued to be moderately below that of a year ago.

The usual seasonal rise in the demand for food continued during the week. The volume of purchases slightly exceeded the comparable 1948 level. There was a noticeable rise in interest in meat, though many shoppers continued to buy inexpensive cuts. Consumers bought less canned goods than in the previous week. The retail volume of fresh fruit and vegetables increased noticeably in many areas.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 2 to 6% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages: New England, Midwest and Southwest —2 to —6; South, Northwest and Pacific Coast —3 to —7 and East 0 to —4.

The total dollar volume of wholesale trade increased slightly in the week as many buyers continued to seek goods for the Fall season. It remained very moderately below the high level of a year ago. While the number of buyers attending many wholesale markets dropped moderately in the week, it continued to be slightly above the comparable 1948 total.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 27, 1949, decreased by 1% from the like period of last year and compared with a decrease of 7% in the preceding week. For the four weeks ended Aug. 27, 1949, sales registered a decrease of 9% from the corresponding period a year ago and for the year to date a decline of 5%.

Here in New York last week favorable weather spurred retail trade, but notwithstanding this, estimates of department store sales volume were placed at about 3 to 5% under the like week of 1948.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 27, 1949, increased by 7% from the same period last year. In the preceding week a decrease of 11% (revised) was registered below the similar week of 1948. For the four weeks ended Aug. 27, 1949, a decrease of 10% was reported under that of last year. For the year to date volume decreased by 7%.

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

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Recent rally due mostly to short covering. Look for series of bad news in immediate future.

Stocks started their climb last week before the column, written last Tuesday, August 30th, was in readers' hands. This possibility was pointed out in last week's column, ". . . . before the next issue of this column appears the rally will be in full swing."

* * *

It is comforting to see a prediction come true, though it is perhaps more important to recognize certain facts. The rally before the recent break attracted many longs. These longs are now theoretically out of the buying side of the market. It isn't that they're bearish. On the contrary, there's no bull like one who is long. Yet, the same hopes that led to such buying has now strained the market to a point where any new buying must come from different sources.

* * *

I am of the belief that much of the recent buying came from shorts who were covering their positions. The market is thin enough to run up on such participation. What is perhaps important is that the removal, or at least the thinning out of these shorts, has taken away a potent buying power the market still needs. On the other hand the fact that the market stopped at a predetermined resistance level before turning up, cannot be ignored. In doing that stocks have established a base around 177-178; the rails between 44 and 45.

Right now neither of these figures may look important. My guess is that before long we'll look back at these points and consider them so.

* * *

The question is what to do about this. Well, last week I suggested that the liquor stocks showed better than market action. I've seen nothing in the past few days to warrant changing that opinion. There are, of course, other stocks that look good. I can mention them here and let it go at that. But there is one drawback.

* * *

Before we are many days older we'll be hit by a series of news events which I don't think the market will be able to take with equanimity. The curtailing of a short interest is one of the reasons for this opinion.

* * *

So I suggest the exercise of further patience. If the recent lows hold in the face of bad news, well and good. If they don't you'd be silly to load up.

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.]

SEC Puts Into Effect Revised Special Offering Plan

The Securities and Exchange Commission has declared effective for an experimental period of six months an amended plan of the New York Stock Exchange relating to special offerings.

The SEC has amended its special offering plan in the following respects: (1) To permit the offerer to allot on a firm basis, to member firms engaged in the distributing business, not more than 50% of the securities involved in the offering. Up to this time when buying orders in a special offering exceeded the amount of the offering the entire amount of the offered securities were required to be allocated in reasonably proportionate amounts. Under the amendment only those shares not allotted to member firms on a firm basis must be allocated. (2) To permit members and member firms to retain the special commission applicable to securities which had been received under a firm allotment for the bona fide purpose of distribution if their efforts to distribute such securities are unsuccessful. Under the old plan members and member firms were prohibited from retaining any part of the special commission in connection with purchases for their own account. This modification is designed to supplement and give effect to the provisions of the amendment mentioned under (1) above. (3) To provide that the special commission may not be less than a regular single nonmember commission based upon the per share rate of 100 shares at the price of the special offering. (4) To make it permissive rather than mandatory that certain specified factors be taken into consideration by the Exchange, in determining whether a particular block of securities may be made the subject of a special offering. This will give the Exchange a certain administrative discretion in determining whether to allow its facilities to be used for a special offering. This amendment also reduces from six months to one month the period of the time during which price range and volume of transactions in the particular security are considered in making the necessary determination.

The Living Wage for Steel Investment

(Continued from page 6)

Street, just as many crops are sold through produce markets or commodity exchanges. Moreover, the times-earnings rates for common stocks mentioned just above, which are so vital in determining how high earnings must be to be adequate, are much bigger than Wall Street. They are not determined or controlled by the brokers but by the orders to buy or sell from the millions of individuals and firms who own stocks throughout the United States and the world.

Motives Guiding Stockholders

Furthermore, the motives which guide stockholders are the same as guide any good union man with $1,000 of savings. Keeping the principal as fully intact as possible and keeping it available to the saver at all times are two most important features of a desirable investment. Only a definite hope of an unusually high rate of earnings will warrant any investor's running the risk of being able to recover only a fraction of his principal when he needs cash unexpectedly.

The principal of U. S. savings bonds and other demand loans can be recovered in cash by the investors from the debtors at any time, but savings invested in common stocks can be recovered in cash primarily through the ability to sell them to other investors. And unless the sales prices equal the total of savings put into the company per share, the seller or previous sellers of the shares will have lost part of their savings.

No sensible investor would put savings into common stocks if he knew that they were going to be selling in the market at prices averaging 50% or more lower than he paid. Even though many stockholders except to hold their shares for years, some individual holders find it necessary to recover their savings in cash almost every day, and all holders or their heirs need to sell their stocks sooner or later. If it were known that on the average they would be able to sell only at prices which were half or less of the savings which we put into each share, few investors would accept such terms.

Yet those are the terms the CIO is offering. A 5% ceiling on common stock earnings would not begin to preserve the principal for the investors. Accordingly, the idea of such a ceiling must be flatly rejected. It would cause such losses to investors that they would surely provide far smaller totals of savings than must be invested every year in additional common stock capital if our economy is to grow and maintain prosperous levels of production and employment.

Adequate and Inadequate Profits

With this discussion in mind, we can try to formulate a rough definition of a valid economic dividing line between adequate and inadequate profits: Earnings on a common stock are inadequate unless they are high enough, on the average over many years, to justify a market price for the stock which equals the savings invested in the stock, per share, using a price-earnings ratio typical of the company or industry under reasonably good stock market conditions. The choice of an appropriate ratio is unfortunately subject to some uncertainty and change.

Speaking boldly, we have already submitted the proposition that for companies in the basic steel industry, a price-earnings ratio of 10 seems the highest reasonable figure for the present. That means earnings must be 10% on owners' investment before they become adequate, or just double the figure the CIO-Steel Worker officials seem to have in mind. One should not blame them, however, for having made a mistake in a highly technical and involved field. It would be hard to say where they were told any better in clear and sympathetic terms by steel company statements.

In applying the definition and concepts given above, it is essential to draw a careful distinction between investors' furnishing capital for companies, on the one hand, and on the other, investors' buying from previous investors the shares of a company which are already outstanding.

Common stock capital is provided for a company when investors (a) pay cash for new shares issued by it; (b) allow it not to pay out all the earnings on its common stock but to keep part of them as additional capital, and (c)—usually a minor method—accept new shares of its stock as payment for assets or services furnished to it. The total per-share common-stock capital built up in these three ways as of any given date, we shall refer to as the invested-savings value of a stock. It is similar to the book value but has certain differences, the most important of which will be touched on in a moment.

The second type of transaction referred to just above—that of buying shares from previous holders—only transfers title to the per-share capital already in the company. Such transfers do not directly affect the company itself, neither increasing nor reducing its capital. They occur at widely varying market prices.

The essence of the definition of adequate earnings submitted in this article is that they must be sufficient, under reasonably good market conditions, to make the market prices of the second type of transaction average fairly close to the invested-savings values established by the first type.

II

Difficulties in Computing Profits

When we come to apply our definition and concepts to the historical results of investment in the steel industry, we run into come difficulties of statistics — about what actual earnings are, about the owners' actual investment, and about the companies to include to get a fair sample. Accounting even for one corporation over an extended period of years is at best an approximation. Important accounting adjustments are made from time to time which reflect changes in accounting judgment and in economic conditions. Even for a single year's earnings there can be room for a wide difference of opinion.

Here we shall use the U. S. Steel Corporation, which the CIO constantly uses as typical of the basic steel industry. And for that company's earnings and investment, we will use the figures prepared for the CIO-Steel Workers union by the Robert R. Nathan Associates.

For the decade 1939-48 the Nathan earnings figures are about 50% higher than those reported by the company. As a consequence, the book values of the common stock in the Nathan series rise considerably higher than those derived from the company's annual reports. However, most of the Nathan adjustments are a disallowance of "accelerated depreciation charges" taken by the company beginning in 1941. Consequently, if correctly maintained, the Nathan series should show higher depreciation charges over the course of future years than those reported by the company, and in the long run the two series should tend to draw closer together. On the other hand, differing treatment of future reserves for pensions may make the two series diverge again. Much could be said for both series, as well as for intermediate ones, but it should eliminate union objections if we use its own data.

In 1939, the earnings on U. S. Steel common stock in the Nathan as well as the company's figures was about 1.6%. Since that is far too low to be an adequate return on capital, all the union's comparisons of recent earnings with 1939 do not prove that the subsequent ones have been excessive. Recovery to a modest and thoroughly reasonable level from such a low starting-point would still be a very high percentage increase. In 1939, incidentally, no dividend was paid on the stock, and only a lone $1 had been paid in the eight years since 1931, although the stock represented genuine invested savings of well over $100 a share.

(Throughout this paper we shall use the Nathan figures, which start out the decade on Jan. 1, 1939, with the same book value shown by the company, of about $110 a share. If we were not trying to prevent argument about the figures by using the union's data, we should use a value about $20 higher. That $20 is the total per-share capital which had been lost during the years of depression. Strictly, our definition of when earnings become adequate requires measurement from the total savings put into the company per common share, with no deduction from that invested-savings value for losses. Cash dividends paid on common stock out of surplus accumulated in prior years, however, and any return of capital to the common stockholders, should reduce the invested-savings value.)

In 1946, another base year used by the union spokesmen for supposedly damning comparisons, the rate of earnings on the owners' investment in U. S. Steel common was about 3%. Although demand for steel products was strong throughout that year, price controls were still in effect for the first part of it, there was a wage increase, and strikes by the steel workers and mine workers halted production twice. Earnings should be at least 300% of that 3% rate before reaching the average we have defined as the minimum for adequacy, and that level would still fail to make up for other too-low years.

For the decade, 1939-48, the company reported average earnings of around 5%, and the adjusted Nathan average is around 7¼%.

During the postwar years, 1946-48, the CIO has been continuously demanding wage increases and lower steel prices and attacking steel profits as grossly excessive. For that three-year period the average rate of earnings on the common stock according to the Nathan figures was 7.9%. The company figures averaged just about the same.

For 1948, the Nathan series shows earnings of $20 a share and a book value of about $174 a share (as of Jan. 1, 1948). That earnings rate of 11.5% in 1948 and around 11% in 1941 were the only two years since 1930 which came up to our standard of 10% for the long-run average.

Adding the retained earnings of 1948 to the Nathan book value at the beginning of the year brings it up to about $189. That stock is now selling in the market for under $70 a share. The prices now quoted have to be multiplied by three because of the 3-for-1 splitup in the late spring of 1949. The former, unsplit stock is used throughout this article.

The common stocks of the three largest steel companies — U. S., Bethlehem, and Republic — have been selling in the market for about ½ to ⅔ of their book values as shown in the companies' accounts. (The higher Nathan figures on earnings and book values used above are hardly relevant to the stock market's evaluations, since the Nathan figures are not known to the public.) That pattern is fairly typical of the relationship between the savings put into steel stocks and what the savers could sell them for today.

In the case of U. S. Steel, the stock is selling for less than the $74 per share of earnings which the Nathan-CIO figures say have been plowed back into the company since 1939. Yet that $74 is counted as over 60% of the "return" on owners' investment in the 1939-48 rates of earnings cited above. This suggests how little benefit the stockholders can count on from anything except the cash dividends.

All this evidence leads up to the second major conclusion of this article, namely that earnings on steel company stocks have been inadequate for many years.

U. S. Steel Common Stock Less Than Liquidating Value

The common stockholders of U. S. Steel would have far more dollars today if they had liquidated the company at any time during the last 25 years and put their money into government bonds. That statement assumes only that the company could have been liquidated so as to extricate for the common stock just the actual cash savings put into the company by the common stockholders—mostly from retained earnings but partly from cash subscribed at $140 a share. All the cash dividends have not made up for the loss of principal that has had to be taken when selling the stock during the years since 1930, with the possible exception of part of 1937. Cash dividends since 1929 have averaged much less than the interest rate on government bonds, and the market price of the stock has not once come up to its invested-savings value. The stockholders have furnished the country with a third of its steel capacity, all of which was essential to winning the war and to maintaining the nation's production during prosperous years, on the basis of a charity or subsidy.

The same thing was said about Jones and Laughlin Steel Corporation during the recent hearings by its president, Admiral Moreell reported that its stockholders have received a net return of 1.53% (which is presumably cash dividends) on the average asset value of the stock. "A stockholder could have done better if he had invested in government bonds at 2½%," he said.

If steel owners' investment is to be allowed to earn only 5 or 6 or 7%, either as an average or, what is worse, only in the prosperous years, savers will not only find it a losing proposition to put savings into new issues of steel stocks. They will also find it to their strong advantage not to finance expansion by leaving part of their earnings in the business. In this they may have to bring strong pressure on the company officials, who sometimes forget the stockholders in their interest in expansion, new machinery, and improved products. Still further, it will pay the common stockholders, if present conditions in the basic steel industry continue, to pay back to themselves part of the capital already in the companies rather than reinvesting depreciation and depletion charges as plants and machinery wear out and mines are exhausted.

For example, if the U. S. Steel Corporation had paid back to the common stockholders the $800,000,000 it has invested in new plant and equipment since V-J Day, each share would have received about $92. That is some $22 more than the stock market price of under 70. There would still be left for the bonds, preferred, and common stock the productive facilities of the company which fought the war by producing nearly 30,000,000 tons of steel ingots a year and thousands of finished products from tacks to tanks and tankers.

American prosperity cannot be promoted by deliberately reducing the reward offered for capital investment in the steel industry to such a low level that it is strongly against the investors' interest to finance it.

If there is solid merit in the central point of this article, the statesmanlike thing for the union to do would be to call off the strike threatened for Sept. 14 and to reconsider its demands. Their present case for increases, relying almost exclusively on the industry's profits being excessive, seems to have no foundation.

III

The Pensions Claim

Before ending, a brief comment on the pensions claim might be useful. The union is asking for a pension of $125 a month for each member who retires from the employ of the steel companies at age 65 or above. In this the steel workers are following the example of the United Mine Workers' new plan. The latter now pays retiring coal miners $100 a month. Since the actuarial value of such a pension is worth about $16,000 per person at 65 years of age, the miners and steel workers naturally think it is wonderful. Such prizes are like every member winning an Irish sweepstakes merely by holding onto his job till he reaches 65, and without paying a cent.

We shall not try to summarize or appraise the voluminous statements on both sides of this question. Instead, two comments seem called for which cut across the arguments from both the union and the companies.

First, no man's pension should be tied up in the general assets and liabilities of his employer, even if the latter is a big corporation. Some companies fail. If a man is to lose his job in such a failure, he would also stand to lose his accumulated pension rights. Accordingly, any contributions from either workers or employers for pensions should be paid into separate funds, such as insurance companies or the government's Social Security fund.

Second, no man should be chained to either a company or a union by having his pension depend on his reaching retirement age while still working for that company or while still a member in good standing in that union, as the case may be. The whip-hand given to the company and the union over the individual through control of his pension should be outlawed. No machinery for handling grievances could avoid all the dangers. Furthermore, such an arrangement would be bound to cause enormous friction (a) whenever a company has to reduce its number of workers, (b) when an individual deserves to be discharged, or (c) when a union is in a declining industry. Still further, every man would be irresistibly forced to stay in the company or the union in order to preserve his accumulated pension rights worth thousands of dollars, even though it might otherwise be to everybody's advantages to have him move into some other job.

Pension rights accumulated while working for a company or while member of a union should belong to the individual worker even if he leaves the company or union before retirement age. Of course the amount of the pension would be reduced for the years of withdrawal.

As We See It

(Continued from first page)

deal of difficulty if just plain, ordinary common sense is applied to them.

Let us take a few of these issues.

Cause and Effect

(1) There is the assertion often heard in so-called "liberal" circles to the effect that British socialism, its "welfare State," its high taxes and all the rest that go along with these are quite irrelevant to current discussions. Current conditions would have arisen no matter what type of government had been in the saddle or what form of social or economic organization had been adopted by the British in recent years or recent decades. High taxes, so it is said, are paid in sterling; what Britain is short of is dollars. And much more of the same order.

Of course, this is a complete non sequitur. If the British devote more of their energy to providing this and that to the average man (things he never dreamed of having in years gone by) then there is left that much less time and energy for making the things or performing the services which could be sold for dollars. If taxes are unduly high, the cost (in sterling, if one insists) is high, and since the price of sterling is fixed by fiat, the price of the articles offered in the world markets is high, no matter in what currency it is quoted.

"Unrealistic" Indeed!

(2) A second statement commonly heard is closely akin to the first. It is to the effect that it is "unrealistic" to expect a "government" to take steps which are quite unpopular with the great rank and file but which are necessary if the cost of goods is to be reduced. It is in a sense unrealistic to expect anything of the sort—and this is one of the big reasons why a "managed economy," whether fully and professedly socialistic or not, is not likely to be able to compete in world markets with other producers who are left to their own devices in running their business. It is one of the reasons why one need not expect peoples living under socialism to be as well provided for with the good things of life as in really free countries—for it is "unrealistic" to expect government (which operates and controls in a socialistic country) to take such steps as are necessary or permit (if it can avoid it) conditions which are conducive to high productivity.

It is one reason—and a convincing one—why socialism and the welfare State now installed in Britain can not for a moment be regarded as wholly unrelated to the economic crisis by which that country is faced. Postwar difficulties the British people would have had in any event; problems as to how to keep going after the losses they have had to suffer were unavoidable regardless of what was done; hardships made the harder by reason of the lack of imagination and initiative and willingness to do what is necessary to produce economically could hardly have been avoided; that all this need have been as severe as is today the case, or that the outlook for real improvement should have been as poor now, we do not for one moment believe.

Other Absurdities

(3) Facts such as these make another suggestion often heard in British circles sound just a little foolish. That suggestion is that the people of the United States should "invest" more freely in Britain in order that better productivity might be achieved through more modern equipment and the like! This seems to be a strange way to employ the term "invest." If what is meant is that for humanitarian reasons, or out of considerations of military strategy, we should lay out large sums of money in Britain, then the term "invest" appears scarcely appropriate. If the term is being employed in its ordinary connotation, implying that at least a reasonable return may be reasonably expected on the funds thus placed, the reasoning which leads up to the statement is very queer.

(4) Another is to the effect that "Britain is our best market," and, accordingly, we can not afford to permit her to go under. What a strange perversion of reasoning seems to underlie this thought. It may, indeed it must, be freely admitted that in years past Britain has bought heavily of our goods and we have profited substantially and regularly therefrom. But it is not fate which has decreed that this be so; neither is it to be taken for granted that because she has in the past been our best market, that she always will be or that she in the nature of the case can be. She will continue to be a good market for us and for many other people only if she somehow gets on her own economic feet and is able to supply other people with goods they want and will buy at the prices asked. One thing is certain, namely, that we can not keep our "good market" there by providing the British people with funds with which to buy our goods.

A World Problem?

(5) It may soothe British feelings to keep saying that it is an Empire problem — or, better still, a world problem — this shortage of dollars. In a sense, perhaps, it is — that is, in the sense that most of the peoples of the world want things which they have not the money to pay for, things which can be bought only in the United States where payment must be made in dollars. But the easing of such a shortage of dollars elsewhere through investment or larger exports to the United States would be of help to Britain only in the degree she is able to export more freely or is the recipient of aid from other lands.

(6) The old argument that Britain "must" be "saved" at all costs for purely military reasons, whatever merit it may have in some circumstances, has very definite limits. Whether in existing circumstances it has merit depends, for one thing, upon what may be expected of the British — not only in a military but in an economic sense. We can hardly expect to gain by squandering funds endlessly to keep a defunct British economy going.

(7) Finally, there is merit in the complaint that we can not expect to succeed in our self-imposed role of world economic leadership (to use a mild word) so long as we are unwilling to face free and fair foreign competition in our own domestic markets.

Warren Illick in Houston

HOUSTON, Tex.—Warren C. Illick will engage in a securities business from offices at 5209 Caroline. He was formerly connected with Harris, Upham & Co. and in the past did business as an individual dealer in Houston.

Pitzer in Tyler

TYLER, Tex.—Sidney A. Pitzer is engaging in a securities business from offices at 221½ North Broadway Street.

Naber With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—John C. Naber has become associated with Merrill Lynch, Pierce, Fenner & Beane, 710 North Water Street. He was formerly trader for Gardner F. Dalton & Co.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

FALLS CITY, Neb.—William J. McEniry has been added to the staff of Waddell & Reed, Inc.

Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 11	84.2	86.3	82.3	94.5
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 11	1,552,200	1,591,000	1,517,200	1,703,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 27	4,717,350	4,722,900	4,676,600	5,528,850
Crude runs to stills—daily average (bbls.)	Aug. 27	¶5,215,000	5,241,000	5,187,000	5,739,000
Gasoline output (bbls.)	Aug. 27	18,180,000	18,195,000	18,058,000	17,722,000
Kerosene output (bbls.)	Aug. 27	1,585,000	1,634,000	1,478,000	2,165,000
Gas, oil, and distillate fuel oil output (bbls.)	Aug. 27	6,491,000	6,042,000	6,293,000	7,422,000
Residual fuel oil output (bbls.)	Aug. 27	7,597,000	7,496,000	7,205,000	9,196,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 27	106,280,000	107,612,000	109,964,000	95,504,000
Kerosene (bbls.) at	Aug. 27	25,804,000	25,822,000	24,547,000	23,166,000
Gas, oil, and distillate fuel oil (bbls.) at	Aug. 27	74,718,000	75,312,000	70,878,000	61,814,000
Residual fuel oil (bbls.) at	Aug. 27	68,394,000	68,157,000	67,166,000	53,544,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 27	746,912	731,215	723,810	891,666
Revenue freight received from connections (number of cars)	Aug. 27	581,829	571,474	564,852	695,445
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 1	$155,191,000	$147,684,000	$139,245,000	$146,801,000
Private construction	Sept. 1	59,014,000	79,788,000	100,250,000	65,466,000
Public construction	Sept. 1	96,177,000	67,896,000	138,995,000	81,335,000
State and municipal	Sept. 1	55,425,000	48,024,000	111,952,000	74,557,000
Federal	Sept. 1	40,752,000	19,872,000	27,043,000	6,778,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 27	7,910,000	7,550,000	7,360,000	12,218,000
Pennsylvania anthracite (tons)	Aug. 27	921,000	794,000	965,000	1,173,000
Beehive coke (tons)	Aug. 27	9,900	*9,900	7,700	144,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 27	252	*252	209	255
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 3	5,543,913	5,523,316	5,466,004	5,469,539
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 1	174	176	171	94
IRON AGE COMPOSITE PRICES:	Aug. 30	‡3.705c	3.705c	3.705c	3.720c
Finished steel (per lb.)	Aug. 30	$45.91	$45.91	$45.91	$44.61
Pig iron (per gross ton)	Aug. 30	$23.33	$21.92	$19.92	$43.16
Scrap steel (per gross ton)					
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 31	17.325c	17.325c	17.325c	23.200c
Export refinery at	Aug. 31	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Aug. 31	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Aug. 31	15.125c	15.125c	14.500c	19.500c
Lead (St. Louis) at	Aug. 31	14.925c	14.925c	14.300c	19.300c
Zinc (East St. Louis) at	Aug. 31	10.000c	10.000c	10.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 6	103.99	103.75	103.54	100.72
Average corporate	Sept. 6	114.85	114.85	114.27	111.62
Aaa	Sept. 6	121.04	120.84	120.22	116.41
Aa	Sept. 6	119.20	119.00	118.60	114.46
A	Sept. 6	114.03	114.08	113.50	110.70
Baa	Sept. 6	106.21	106.21	105.34	105.17
Railroad Group	Sept. 6	109.42	109.42	108.70	107.44
Public Utilities Group	Sept. 6	116.02	115.82	115.63	112.00
Industrials Group	Sept. 6	119.61	119.41	118.60	115.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 6	2.21	2.23	2.25	2.45
Average corporate	Sept. 6	2.91	2.91	2.94	3.08
Aaa	Sept. 6	2.60	2.61	2.64	2.83
Aa	Sept. 6	2.69	2.70	2.72	2.93
A	Sept. 6	2.95	2.95	2.98	3.13
Baa	Sept. 6	3.38	3.38	3.43	3.44
Railroad Group	Sept. 6	3.20	3.20	3.24	3.31
Public Utilities Group	Sept. 6	2.85	2.86	2.87	3.06
Industrials Group	Sept. 6	2.67	2.68	2.72	2.88
MOODY'S COMMODITY INDEX	Sept. 6	346.1	339.0	342.3	421.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 27	173,980	186,039	161,429	166,039
Production (tons)	Aug. 27	184,605	188,028	162,831	183,835
Percentage of activity	Aug. 27	86	87	80	93
Unfilled orders (tons) at	Aug. 27	294,327	310,125	268,530	344,469
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Sept. 2	129.1	129.3	128.2	144.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Aug. 20	16,043	19,296	16,162	15,559
Number of shares	Aug. 20	470,419	567,437	462,012	440,204
Dollar value	Aug. 20	$18,312,782	$21,453,998	$17,148,809	$18,665,784
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 20	18,167	19,279	15,981	14,965
Customers' short sales	Aug. 20	147	198	188	93
Customers' other sales	Aug. 20	18,020	19,081	15,793	14,872
Number of shares—Customers' total sales	Aug. 20	490,179	544,392	441,561	401,383
Customers' short sales	Aug. 20	5,355	7,537	6,604	3,630
Customers' other sales	Aug. 20	484,824	536,855	434,957	397,753
Dollar value	Aug. 20	$16,102,928	$17,485,755	$13,898,415	$14,629,584
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 20	188,550	191,590	141,010	111,270
Short sales	Aug. 20				
Other sales	Aug. 20	188,550	191,590	141,010	111,270
Round-lot purchases by dealers—					
Number of shares	Aug. 20	175,520	206,550	185,550	181,940
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 30	152.4	151.9	152.6	168.9
Farm products	Aug. 30	161.6	159.8	164.3	188.5
Foods	Aug. 30	161.9	161.3	160.6	187.7
All commodities other than farm and foods	Aug. 30	144.9	144.9	144.9	153.4
Textile products	Aug. 30	140.1	139.7	139.5	148.7
Fuel and lighting materials	Aug. 30	130.0	130.0	130.2	136.7
Metals and metal products	Aug. 30	167.9	167.9	167.9	171.9
Building materials	Aug. 30	188.8	189.6	190.0	204.5
All other	Aug. 30	124.2	124.0	124.0	135.0
Special indexes—					
Grains	Aug. 30	152.9	149.1	152.6	181.4
Livestock	Aug. 30	206.6	203.4	210.5	269.3
Meats	Aug. 30	225.7	224.8	222.2	273.6
Hides and skins	Aug. 30	194.3	191.0	184.9	213.1

*Revised figure. ¶Includes 427,000 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
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of July	6,424	7,260	7,690
BUSINESS INVENTORIES, DEPT. OF COMMERCE—Month of June (millions of $):			
Manufacturing	$30,372	*$30,903	$29,727
Wholesale	7,827	*7,912	7,953
Retail	13,380	*13,831	13,637
Total	$51,579	*$52,646	$51,317
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of July (000's omitted)	$493,600,000	$325,000,000	$496,100,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of July 29 (000's omitted)	$211,000	$199,000	$284,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Estimated short-term credit in millions as of June 30:			
Total consumer credit	$16,141	*$15,853	$14,669
Instalment credit	9,133	*8,890	7,533
Sale credit	4,878	4,717	3,720
Automobile	2,507	2,386	1,602
Other	2,371	2,331	2,118
Loan credit	4,255	4,173	3,813
Noninstalment credit	7,008	6,963	6,993
Charge accounts	3,282	3,249	3,352
Single payment loans	2,745	2,739	2,839
Service credit	981	975	945
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100 — As of July 15:			
All items	168.5	169.6	173.7
All foods	201.7	204.3	216.8
Cereals and bakery products	169.5	169.7	171.0
Meats	236.0	240.6	261.8
Dairy products	182.2	182.0	209.0
Eggs	204.1	198.0	204.3
Fruits and vegetables	210.2	217.9	213.4
Beverages	208.2	207.6	205.2
Fats and oils	141.0	142.9	200.8
Sugar and sweets	176.2	176.5	170.9
Clothing	188.5	190.3	197.1
Rent	120.7	120.6	117.3
Fuel, electricity and refrigerators	135.6	135.6	134.8
Gas and electricity	96.9	96.9	94.4
Other fuels	183.1	183.0	185.0
Ice	139.9	140.0	136.5
Housefurnishings	186.8	187.3	195.9
Miscellaneous	154.3	154.2	150.8
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of July:			
Earnings—			
All manufacturing	$53.66	$53.68	$53.01
Durable goods	57.21	57.57	56.33
Nondurable goods	50.31	49.57	49.50
Hours—			
All manufacturing	38.8	38.9	40.2
Durable goods	39.0	39.3	40.5
Nondurable goods	38.7	38.4	39.8
Hourly earnings—			
All manufacturing	$1.383	$1.380	$1.318
Durable goods	1.467	1.465	1.385
Nondurable goods	1.300	1.291	1.242
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE)—Month of June (millions of dollars):			
Inventories:			
Durable	$14,546	*$14,918	$13,849
Nondurable	15,826	*15,985	15,878
Total	$30,372	*$30,903	$29,727
Sales	16,479	*16,303	17,871
NEW YORK STOCK EXCHANGE — As of July 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$689,611	$682,409	$608,151
Credit extended to customers	76,619	80,192	73,614
Cash on hand and in banks in U. S.	281,841	281,072	345,443
Total of customers' free credit balances	530,254	531,661	577,077
Market value of listed shares	67,279,033	63,921,054	71,055,687
Market value of listed bonds	132,812,944	131,685,658	131,644,996
Stock price index, 12-31-24=100		67.0%	78.2%
Member borrowings on U. S. Govt. issues	$170,383	$164,763	$115,115
Member borrowings on other collateral	371,332	531,322	259,987
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	213.5	*212.9	213.4
Wage and salary receipts, total	134.5	*134.8	132.5
Total employer disbursements	136.8	*137.0	134.7
Commodity producing industries	58.4	*58.3	60.1
Distributive industries	40.8	*40.9	39.1
Service industries	17.1	*17.3	16.7
Government	20.5	*20.5	18.8
Less employee contributions for social insurance	2.3	2.2	2.2
Other labor income	2.2	2.1	2.0
Proprietors' and rental income	47.2	46.7	51.8
Personal interest income and dividends	17.5	*17.3	15.9
Total transfer payments	12.1	12.0	11.2
Total nonagricultural income	192.3	*192.3	188.4
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of May:			
Net railway operating income	$57,595,284	$64,763,030	$90,178,066
Other income	15,220,599	15,932,521	15,648,565
Total income	72,815,883	80,695,551	105,826,631
Miscellaneous deductions from income	3,186,305	3,271,650	4,249,721
Income available for fixed charges	69,629,578	77,423,901	101,576,910
Income after fixed charges	35,189,721	42,960,853	67,241,593
Other deductions	2,980,682	2,971,984	3,177,855
Net income	32,209,039	39,988,869	64,063,743
Depreciation (way & structures & equip.)	33,818,847	33,137,131	31,090,411
Amortization of defense projects	1,373,441	1,374,616	1,362,073
Federal income taxes	20,565,848	25,478,684	28,136,690
Dividend appropriations:			
On common stock	28,478,263	2,968,177	27,176,522
On preferred stock	9,516,454	529,233	12,053,517
Ratio of income to fixed charges	2.02	2.25	2.96
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of July (000's omitted):			
Exports	$896,600	$1,104,200	$1,019,500
Imports	455,500	526,700	563,400

*Revised figure.

Monetary Management—No Substitute For Sound Fiscal Policy!

(Continued from page 8)

will have little to do with that expansion. A more favorable economic climate and more favorable prospects for business are the prerequisites to an increase in demand for credit. Sensible and equitable changes in tax policies are the most important steps that should be taken.

But from the standpoint of the Treasury, easier rates present a considerable advantage from the fiscal angle. The Treasury is facing very substantial refunding problems, and the fiscal policy of the Administration is apparently based upon the deliberate creation of a budget deficit. As a matter of fact, the President recently stated that it would be "economic folly" to try for a balanced budget under these conditions.

Long-Term Effects of New Policy

The long-range effects of the easy credit pronouncement are a little harder to prophesy. The wording has been interpreted as announcing a greater flexibility of Federal Reserve policy. One wonders whether this is to be a two-way flexibility and whether political considerations will permit the reversal of the easy money policy when circumstances indicate the wisdom of that course. Probably the Open Market Committee deliberately left a degree of ambiguity in the statement. It would perhaps be unfair to expect them to be more precise than they were.

As a matter of fact the announcement of June 28 is really improperly called a "new" policy. In the pre-war era the Federal Reserve open market policies were presumed to be established with "primary regard to the general business and credit situation."

Section 12A of the Federal Reserve Act contains this language relative to open market operations:

"The time, character, and volume of all purchases and sales shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country."

This is the language of the Federal Reserve Act since 1933 at which time statutory recognition was given to the "Federal Open Market Committee."

In its August, 1949 letter, the National City Bank of New York says the following:

"The objective of 'maintaining orderly conditions in the government security market,' restated with secondary emphasis in the new policy statement, has no foundation in statute, though the Reserve System has always been attentive to the problems of Treasury financing and in the two World Wars made assistance to the vast loan drives its prepossessing concern. The 'orderly market' language was first used publicly in the Spring of 1937 when reserve requirement increases, invoked to cut down excess reserves, threw the bond market into turmoil. The Federal Reserve entered the market and, with $200 million purchases of long-term governments, restored order. They again intervened in the market to soften the impact of the outbreak of the war in Europe in September, 1939, and the blow of Pearl Harbor in December, 1941.

"The wisdom of these emergency open market operations, in the circumstances, was never seriously questioned. But the easing of an unexpected shock is quite a different sort of thing than the detailed control of prices and trading which has been in effect since the 'pattern of rates' technique was adopted in 1942. The experience of the postwar period has taught—not only here but in England, Sweden and elsewhere—that when a central banking system devotes itself to controlling government security prices it reduces its power to control credit. The two things are incompatible."

The same authority points out that the primary purpose of the Federal Reserve System was to provide an elastic currency for this country, and to provide a system under which the reserves of the banking structure would be mobilized and made available to serve the purpose implied in the word "reserves."

Restatement of Federal Reserve Original Policy

So the "new" policy is really a restatement of the original purposes and intentions of the Federal Reserve Act. It seems to me the significance is that conditions have changed to an extent that the wartime deviation from these original purposes can now be corrected and the System can revert to its original objectives.

In view of the frequent requests for more powers and controls by the Board of Governors of the Federal Reserve System, which requests many of us have felt unnecessary and unwise, it seems pertinent to add a few comments by people identified with the System in its earlier days.

The other day I read the proceedings of the American Bankers Association convention of 1915, the year following the inception of the Federal Reserve System—which convention by coincidence was held here in Seattle.

In an address by Mr. F. A. Delano, Vice-Governor of the Federal Reserve Board, I found the following:

"These central banks were not created to transact business with the public but primarily, as their name implies, for the purpose of holding the reserve deposits of their owning banks. Among the important services which they may render to their member banks the most important is the right to rediscount their paper and issue bank notes against it. Manifestly, then, the first great result of creating twelve banks has been to bind together all the national banks of the country into twelve strong regiments, thereby creating an effective solidarity.

"Reference has been made to the fact that under the old system in effect for fifty years, there had been developed a system of depositing reserves of smaller banks with other and larger banks. This had led not only to serious duplication of reserves which rapidly evaporated in times of stress but in addition to this, the results of active competition for deposits led to many vicious practices, such as paying high rates of interest or granting special facilities or favors. Banks kept reciprocal balances with each other and by a system which might be likened to the time honored plan of 'you tickle me, I tickle you', they got ahead, at least on paper. However, these methods were not conducive either to safe banking or to low and stable interest rates for the public. Hence it was that one of the objects of this new law was to make banking less hazardous, make profits surer, but to accomplish it in such a way that the investor, the manufacturer, the merchant, each and all, could count on banking facilities in good times and bad and also a fair stability of interest rates.

"The new plan seeks to put the reserves where you can count on them. The reserves in the (central) reserve bank of the district are used expansively as the basis of note issues, so that instead of these reserves being unavailable in time of need they are at once available to the fullest extent. The operation, simple enough to most of you, consists in allowing member banks to bring around their commercial paper and, provided it complies with the not onerous provisions of the law and rules of the Federal Reserve Board, you are given a credit on the books of the bank or, at your option, Federal Reserve notes for the full amount."

Mr. Delano added:

"The rediscounting of commercial paper of member banks by the Reserve Bank is the chief function of these banks . . ."

In the proceedings of the convention of the following year, 1916, Governor Harding of the Federal Reserve Board, in his address, said this:

"The Federal Reserve Board is not a legislative body; its functions are administrative. Occasionally it has quasi-judicial functions to perform, but in the main its duties are administrative.

"Section 16 shrinks into insignificance as compared with the underlying principles of the Federal Reserve Act, the utilizing of the cash resources of this country, the care of the gold, the ultimate monetary redemption, the only international money.

"That, gentlemen, is the highest province of the Federal Reserve Bank, which is to regulate and stabilize our currency, so that those of you who hold any form of paper money, issued through governmental agency, may be sure of your redeemer—and that you can get the gold when the need for it arrives."

At that same meeting in the address of Paul M. Warburg, Vice-Governor of the Federal Reserve Board, I found the following:

"I believe it is safe to say that, in general, those laws have proved the best which put into legal form existing usages already recognized by actual experience as sound both in principle and practice.

"In 1910 I published a tentative plan entitled, 'A United Reserve Bank of the United States.' Later on Senator Aldrich called the system that he proposed, 'A National Reserve Association'; and, finally the Owen-Glass committees devised the 'Federal Reserve System,' which was enacted into law. The word 'reserve' has been embodied in all these varying names, and this is significant because the adoption of the principle of co-operative reserves is the characteristic feature of each of these plans.

"Reserve is, as the name implies, what one holds back. It generally means an extra supply of something kept idle for the purpose of being immediately available to take care of an increased demand in excess of normal requirements."

It would seem from these excerpts that the primary purposes of the Reserve System were clearly and completely understood. And at this point I again commend to you Dr. Burgess' discussion of the proper scope of Federal Reserve operations.

No Additional Federal Reserve Powers Needed

There are many of us who feel that even the additional powers requested so frequently by the Board of Governors could at best serve no great purpose in the absence of a sound overall fiscal policy in this country. I believe it was Mr. Allan Sproul, President of the New York Federal Reserve Bank, who said to the Senate Banking and Currency Committee, "We cannot do everything wrong everywhere else and then expect to cure things by bank controls."

Monetary management occupies a field of tremendous importance and yet it would seem that the best monetary management would be a very poor substitute for sound fiscal management.

The survival of our way of life, and most certainly the continuance of our ability to help out in the survival of representative governments abroad, hinges on the solvency of this country and the soundness of its fiscal policy. Recently Senator Byrd said:

"Without American solvency our Constitutional freedom would disappear at home and there would be no deterent to Communism abroad. Under existing circumstances it is no exaggeration to say there is literally nothing on earth more important than the preservation of the fiscal integrity of the Federal Government of the United States and the financial stability of our free enterprise system."

We are being told today that our budget cannot be balanced even at the fantastic level of some 40 billions per year. Political platforms of all political parties are built on promises and assurances to the people that government will continue and increase the outpouring of contributions and grants for every imaginable purpose. The President has announced a policy of deficit financing to permit the continuance and expansion of this welfare state of ours. In 1948 over one-fourth of the national income went to Federal, state and local government, double the amount that went in that direction in 1929.

In the course of his recent financial study Senator Boyd concluded:

"I am convinced that in the coming year we shall extend our fiscal and economic stability to extremes where it may be unable to withstand additional pressures which are unavoidable in fiscal year 1951. When our fiscal and economic stability weakens, there is certain to be a demoralizing domestic crisis which probably would be disastrous to our private enterprise system and, therefore, to our form of government."

Importance of National Fiscal Policy

It would seem that it is high time for us to quit worrying about relatively unimportant proposals and concentrate upon the all-important problem of national fiscal policy. It, therefore, seems to me that the additional controls requested by the Board of Governors are relatively trivial in importance and that the attention of the highest authorities in government should be directed to the real problem. When an emergency operation is urgently necessary, the doctor doesn't waste too much time smoothing down a broken finger nail on the patient.

Feeling as I do that the tax and fiscal questions are the important ones, I note with pleasure and pride that the Chairman of the Board of Governors of the Federal Reserve System has within the past few days expressed himself clearly and convincingly in answering a question posed to him by Chairman Maybank of the Senate Banking Committee. Chairman Thomas B. McCabe was asked to express his views as to what should be done to improve the status of equity financing, on which our whole economic structure rests.

Mr. McCabe suggested that the attention of the committee and of the Congress be directed toward changes in the tax structure, with particular consideration of lowered surtax rates in the upper brackets, more liberal carry-back tax provisions for corporations, elimination of "double taxation" of corporate income, more rapid depreciation allowances, and some changes in the capital gains tax provisions.

He also suggested the possible removal of tax exemptions from presenty exempted state and local securities, consideration for insurance companies to take a place in equity financing to some extent, and several other ideas.

He said among other things:

"To realize our potential sustained expansion, we need to be concerned with assuring a steady and adequate flow of savings into equity ownership."

It seems to me that such a statement coming from the Chairman of the Federal Reserve Board is one of the most important and encouraging pronouncements in recent years. Some months ago I had occasion to compliment former Chairman Marriner Eccles upon the courageous and forthright manner in which he opposed many of the unsound proposals presented to the special session of the Congress last year. I think his position in respect to the proposed housing legislation, for one example, was one of the most constructive contributions the Federal Reserve or its people could have made. It is a pleasure now to note the contribution which Chairman McCabe has made toward better understanding and clearer thinking in respect to our national economy.

The Federal Reserve System is a creature of the Congress of the United States. It was created by the Congress and is required to report to the Congress. It seems to me that it can best serve the people of the United States by stating clearly and unequivocally that its own monetary policies can at best do very little to create the right economic climate unless accompanied by a sound taxation and debt management and budget policy, which in the final analysis rests with the Congress and thus with the people of the United States.

Reports Decline in Consumers' Prices

Consumers' prices dipped 0.3% from June to July, 1949, according to the National Industrial Conference Board. In July decreases were reported in 52 of the 62 cities included in the Board's monthly survey of consumer prices. The index showed increases in nine cities during July, while one city (Syracuse, N. Y.) remained unchanged. Over the year (July, 1948-July, 1949) consumers' prices dropped 3.2%.

The sharpest increase was recorded in Dallas, Texas, where the index was up 3.1% over the month. The largest decreases were registered in Seattle, Wash. (down 1.2%) and Philadelphia, Pa. (down 1.1%).

Purchasing Value of the Dollar

The purchasing value of the consumer dollar (January, 1939 as 100 cents) was 62.1 cents in July, 1949. This represents an increase of 3.3% over its level of July, 1948.

Index Number Changes

The Board's index for July, 1949 stood at 161.1. A year ago, the (July, 1948) index was 166.4. Base date of the series is January, 1939 as 100.

Changes by Index Component June-July, 1949

From June, 1949 to July, 1949 housing was the only component which registered an increase (up 0.4%). Decreases were noted in house furnishing (down 1.1%); clothing (down 0.7%); food (down 0.6%); and fuel, including electricity and gas (down 0.1%). Sundries remained unchanged.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

● **American Gas & Electric Co. (10/6)**
Sept. 7 filed 498,081 shares ($10 par) common stock. **Offering**—To be offered for subscription by present stockholders at rate of one new share for each nine held. **Underwriter**—Competitive bidding. Probable bidders: 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. **Proceeds**—For general funds, to be invested in subsidiary operating companies, including Appalachian Electric Co. Expected about Oct. 6.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8, 1948 (letter of notification) 1,500,000 shares (5¢ par) common stock. **Price**—20¢ 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.

Canam Mining Corp., Ltd., Vancouver, B. C.
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.

● **Capital Reserve Corp., Washington, D. C.**
Aug. 30 (letter of notification) 2,500 shares of 5% cumulative preferred stock ($10 par) and 2,500 shares (10¢ par) common stock, together with rights to buy an additional 2,500 shares of common at $1 a share within two years from Sept. 5, 1949. Securities are to be offered in units of 10 shares of preferred, 10 of common and a warrant to buy an additional 10 shares of common for $101 per unit. No underwriter. To operate the "Potomac plan" of periodic payment trusts.

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. (9/20)
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.

● **Coca-Cola Co., New York**
Aug. 31 (letter of notification) 822 shares (no par) common stock, to be issued to 52 stockholders of La Salle Coca Cola Bottling Co. in exchange for their stock in ratio of one Coca-Cola share for each 2.028 shares of La Salle.

Colombia (Republic of)
Aug. 15 filed $40,824,720 30-year 3% sinking fund bonds, dated July 1, 1948 and due July 1, 1978, to be issued as follows: $14,833,920 by the Department of Antioquia; $5,534,400 by the Department of Caldas; $5,928,000 by the Department of Cundinamarca; $1,080,000 by the Department of Tolima; $5,190,600 by the Department of Valle del Cauca; $1,491,600 by the Department of Santander; $1,260,600 by the Municipality of Cali, and $5,505,600 by the Municipality of Medellin. They will be issued in amounts equal to 120% of the principal amount of the bonds to be surrendered (in settlement of unpaid principal and interest) with cash adjustments to be made instead of issuing fractional bonds. The Schroder Trust Co. of New York has been named as the New York agent for the new bonds which will bear the guarantee of the Republic. The outstanding bonds (with unpaid coupons) affected follow: Antioquia 7s, July 1, due 1945; Antioquia 7s, due Oct. 1, 1957; Caldas 7½s, due Jan. 1, 1946; Cundinamarca 6½s, due Nov. 1, 1959; Santander 7s, due Oct. 1, 1948; Tolima 7s, due Nov. 1, 1947; Valle del Cauca 7½s, due Oct. 1, 1946; Valle del Cauca 7s, due June 1, 1948; Cali 7s, due May 1, 1947; Medellin 7s, due Dec. 1, 1951; and Medellin 6½s, due Dec. 1, 1954. Sinking funds are to be created for each issue of new bonds. The offer is made following negotiations with Foreign Bondholders' Protective Council, Inc. **Underwriters**—None.

● **Colorado Oil & Gas Co., Alamosa, Colo.**
Aug. 30 (letter of notification) 250,000 shares ($1 par) common stock, of which 200,000 will be sold for company and 50,000 shares for N. O. Yeakley, a controlling stockholder, at $1 each. **Underwriter**—W. C. Hitchman Co., New York. To lease properties, drill wells, and for working capital.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

Convertible Television, Inc., N. Y. C. (9/12-16)
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.

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.

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.

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.

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.

Hartford Electric Light Co. (9/13)
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.

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.

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.

● **Kinter Brothers, Inc., Willoughby, Ohio**
Aug. 29 (letter of notification) 10,000 shares of 4½% preferred stock ($10 par). Price, par. No underwriter. To open new retail outlets to sell food. Office, 2 Erie Street, Willoughby, Ohio.

● **Larkin Lectro Products Corp., Pine Bluff, Ark.**
Aug. 29 (letter of notification) 2,994 shares of $5 cumulative non-convertible preferred stock ($50 par) and 4,494 shares ($1 par) common stock. **Price**—$98.50 per preferred share and $1 per common share. No underwriter. To pay $218,000 for all the assets of Larkin Lectro Products Corp. (N. Y.) and the remainder will be used for working capital. Office, 806 Simmons National Building, Pine Bluff, Ark.

Lexa Oil Corp., Denver, Colo. (9/12-16)
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.

● **Libbey-Owens-Ford Glass Co., Toledo, Ohio**
Aug. 29 (letter of notification) 3,734 shares of series D common stock. Price, $26.25. To be sold under options issued to 282 employees. No underwriters. For general corporate purposes.

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 amendment. **Proceeds**—For general funds and working capital, as well as reduction of outstanding bank loans.

● **Lone Star Brewing Co., San Antonio, Texas**
Sept. 2 filed 213,000 shares ($1 par) common stock owned by the George Muehlebach Brewing Co. of Kansas City, Mo. **Offering**—Of the total, 45,000 shares will be sold to officers and directors of Lone Star at $9.66⅔ a share and the remainder will be offered publicly at $11.25. **Underwriters**—Russ & Co.; Dewar, Robertson & Pancoast; Dittmar & Co. and Rauscher, Pierce & Co., San Antonio.

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. **Bids**—Bids for purchase of the stock will be received by Standard Gas & Electric Co., at Room 1338, 15 Broad Street, New York, up to noon (EDT) Sept. 12.

MacFarlane's Candies, Oakland, Calif.
July 18 (letter of notification) 9,545 shares ($1 par) common stock. **Price**—$9 per share. **Underwriter**—Stephenson, Leydecker & Co., Oakland, Calif.

Maumee Oil Corp., Toledo, Ohio
May 12 filed 8,000 shares (no par) common, of which only about 2,614 shares will be offered publicly at $100 per share. No underwriter. For general working capital. SEC held hearing June 6 to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

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.

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 Townsend, Dabney & Tyson; A. C. Allyn & Co., Inc.; Draper, Sears & Co.; F. S. Moseley & Co.; Putnam & Co.; Smith, Ramsey & Co.; G. H. Walker & Co. **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

NEW ISSUE CALENDAR

September 8, 1949
Chicago Rock Island & Pacific RR., Noon (CDT) ---Equip. Trust Ctfs.
Rochester Gas & Electric Corp.---Common

September 12, 1949
Convertible Television, Inc.---Common
Lexa Oil Corp.---Common
Louisville Gas & Elec. Co., Noon (EDT)---Common
Oklahoma Gas & Elec. Co., Noon (EDT)---Common

September 13, 1949
Hartford Electric Light Co.---Preferred
Utah Power & Light Co., Noon (EDT)---Common

September 14, 1949
Indiana Harbor Belt RR., Noon (EDT)---Eq. Tr. Ctfs.
Van Camp Sea Food Co., Inc.---Common

September 19, 1949
Gas Service Co.---Bonds

September 20, 1949
Carolina Power & Light Co.---Preferred
Resort Airlines, Inc.---Common
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 6, 1949
American Gas & Electric Co.---Common

October 10, 1949
Utah Power & Light Co.---Bonds

October 11, 1949
Arkansas Power & Light Co.---Bonds

($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.

● **North American Acceptance Corp.**
Sept. 2 (letter of notification) 12,844 shares of class A stock (par $1). To be issued to North Finance Co. in cancellation of loan of $12,844 for latter. North Finance Co. will transfer 12,844 class A shares of the acceptance corporation to North American Discount Corp. and cancel a loan of $19,000 to the discount corporation in retirement of outstanding preferred and common stock of North Finance Co. which is owned by the Discount Corporation. The latter will offer to its preferred holders two shares of class A stock of the Acceptance Corp. for each share of preferred stock of the Discount Corporation.

Oklahoma Gas & Electric Co. (9/12)
Aug. 4 filed 200,000 shares ($20 par) common stock, to be sold by Standard Gas & Electric Co. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp. (jointly); Lehman Brothers and Blyth & Co., Inc.; Otis & Co.; Smith, Barney & Co. **Proceeds**—To be applied toward Standard's corporate indebtedness. **Bids**—Bids for purchase of the stock will be received by Standard Gas & Electric Co., at Room 1338, 15 Broad Street, New York, up to noon (EDT) Sept. 12.

● **Pacific Telephone & Telegraph Co., San Francisco**
Sept. 2 filed 828,920 shares ($100 par) common stock to be sold to stockholders at par. **Underwriter**—None. **Proceeds**—To be used to pay indebtedness incurred by the company's construction program.

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.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

Resort Airlines, Inc. (9/20-23)
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. **Underwriter**—Marx & Co., New York. **Price**—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service.

Rochester (N. Y.) Gas & Electric Corp. (9/8)
Aug. 15 filed 835,000 shares of no par value common stock. **Offering**—Offered by parent, General Public Utilities Corp. to GPU common stockholders of record Sept. 8 at rate of one Rochester Gas share for each 10 shares of GPU stock held. Rights expire Sept. 30. **Price**—By amendment. **Dealer Managers**—The 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.

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.

● **Southern Insurance, Inc., Atlanta, Ga.**
Aug. 29 (letter of notification) 30,000 shares ($10 par) common stock. Price, par. No underwriter. To purchase from Southern Life Insurance Co. 15,060 shares of common stock of Southern Fire & Marine Insurance Co. and to purchase from others 100 shares of the same stock. Office, 1197 Peachtree Street, N. E., Atlanta, Ga.

● **Stein Roe & Farnham Fund, Inc., Chicago**
Sept. 6 filed 77,900 shares ($25 par) capital stock. **Business**—Open-end management type investment company.

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.

● **Tennessee Gas Transmission Co.**
Sept. 1 filed 100,000 shares ($100 par) cumulative preferred stock and 400,000 shares ($5 par) common stock. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York. **Proceeds**—To be added to general funds for expansion.

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.

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. **Bids**—Bids for unsubscribed shares will be received by the company at Room 2033, 2 Rector Street, New York, up to noon (EDT) Sept. 13.

Utah Power & Light Co. (10/10)
July 28 filed $5,000,000 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. Expected about Oct. 10.

Van Camp Sea Food Co., Inc. (9/14)
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. **Underwriters**—White, Weld & Co., New York, and William R. Staats Co., Los Angeles. **Proceeds**—From sale by company to be added to general funds. Expected Sept. 14.

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. Stock exempted from competitive bidding and any 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 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

● **Arkansas Power & Light Co. (10/11)**
Sept. 6 reported company plans sale of about $8,700,000 bonds in the near future. 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. Expected about Oct. 11.

● **Central Maine Power Co.**
Sept. 6 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 Power & Light Co.**
Sept. 2 announced that some form of permanent financing was planned this year by company to raise money to refund short-term borrowings of $2,500,000 as of June 30. Probable underwriters: Glore, Forgan & Co.; Lehman Brothers and Dewar, Robertson & Pancoast.

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. Probable bidders: Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co.; Smith, Barney & Co. and Harriman Ripley & Co. (jointly); Carl M. Loeb, Rhoades & Co.

Chicago, Rock Island & Pacific RR. (9/8)
The company will receive bids up to noon (CDT) on Sept. 8, Room 1136, La Salle Street Station, Chicago, Ill., for the purchase from it 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).

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 (EDT) on September 14 at its New York office (466 Lexington Ave.)

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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).

● **Interstate Power Co.**
Aug. 30 reported company plans sale of additional securities, probably common stock. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.

Iowa-Illinois Gas & Electric Co.
Aug. 8 reported company may be in market in September-October with $10,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co., Union Securities Corp.; and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.

Iowa Power & Light Co.
Aug. 4 reported company may be in the market this year with $7,500,000 first mortgage bonds and $3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co., and Union Securities Corp. (jointly); The First Boston Corp.; Glore, Forgan & Co. and A. G. Becker & Co. (jointly); Harriman Ripley & Co.

Kansas City Power & Light Co.
Aug. 8 reported company probably will be in market later this year or early in 1950 with $12,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.

Kansas Power & Light Co.
Aug. 8 reported company possibly will raise additional funds this Fall through sale of $5,000,000 bonds. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co.; White, Weld & Co.; Blyth & Co., Inc.; Glore, Forgan & Co.; Equitable Securities Corp.

Missouri Power & Light Co.
Aug. 9 reported the company will probably sell a small issue of bonds later this year. Probable bidders—Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co.; White, Weld & Co., and Shields & Co. (jointly).

New York Central RR. (9/21)
Company will receive bids up to Sept. 21 for the purchase from it of $9,120,000 equipment trust certificates to mature in annual instalments from Oct. 1, 1950-Oct. 1, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Pacific Power & Light Co.**
Sept. 6 reported company plans issuance about Oct. 17 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 Corp.**
Sept. 2 reported that the $33,000,000 construction program planned by corporation in the period 1949-1951 is expected to require $17,000,000 in new money. Part of the new financing will take the form of the sale of additional common stock at some time prior to March, 1950. Present plans call for the sale of 120,000 common shares, but a larger amount may be issued if circumstances warrant. No decision has been reached yet on the remainder of the financing, which may take the form of bank loans, the sale of debt or equity securities or a combination of these methods.

● **San Diego Gas & Electric Co.**
Aug. 31 reported company contemplates sale in near future of $8,000,000 bonds. Probable bidders: Blyth & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co.; Salomon Bros. & Hutzler.

● **York County (Pa.) Gas Co.**
Sept. 6 Pennsylvania Gas & Electric Co. (parent) filed a proposal with the SEC to sell its entire interest in this company, consisting of 4,506 shares of capital stock (par $20). The stock will be offered at competitive bidding. Pennsylvania will use the proceeds, with other cash, to retire debentures. The SEC authorized York to issue and sell $400,000 of 3⅜% first mortgage bonds, due 1979, to the Travelers Insurance Co. and to sell an additional 6,000 newly authorized ($20 par) common shares to its common stockholders at $50 a share.

Our Reporter's Report

In keeping with precedent, it will be the middle of next week at the earliest before things begin to pickup in the investment underwriting field. Things appear destined to remain in the doldrums the rest of this week, although it was indicated that bankers would begin seeking subscriptions from shareholders of General Public Utilities Corp., today, for 835,000 shares of common stock of Rochester Gas & Electric Co, common stock.

Shareholders of GPU, parent company, of record today have the right to subscribe for the Rochester utility's stock in the ratio of one share for each ten of their own held, the rights expiring on Sept. 30 next.

But aside from that prospective operation and a smattering of small municipals there was little to suggest immediate revival of consequential dimensions. In fact the consensus seemed to be that several weeks probably would pass, perhaps affording time for an appraisal of what develops at the Washington monetary conference, before substantial new emissions could be expected.

Meanwhile day by day trading in the seasoned market, particularly from a point of institutional business, appears to have simmered down to decidedly limited proportions.

The days when institutional investors, chiefly the insurance companies, of course, were a source of sizeable business of this nature seem to have passed.

Bond men, naturally, bemoan the "new era" which finds these big reservoirs of investable funds are seldom on the selling side any more, and not particularly interested in "switches." It requires, on the other hand a goodly flow of new issues to allow them to do little more than keep fully invested.

Gas Service Co. First on List

First of these several prospective issues likely to reach the marketing stage is $18,000,000 of Gas Service Co., Kansas City, 25-year first mortgage bonds.

That financing will be up for bids on Tuesday of next week and it is expected that at least six banking groups will be in the running. The offering is of a size that does not involve huge aggregations of banking capital and therefore opens the bidding to larger numbers of syndicates.

Proceeds will be used by the company to liquidate $13,800,000 of 2½% and 3% notes, due 1950-56, plus $1,000,000 of 2% notes due next year. The balance will be added to funds for construction.

Brisk Week for Stocks

Operations by utility holding companies to conform with provisions of the Public Utility Holding Company Act, will bring two large blocks of operating company stocks to market.

In both instances the seller will be standard Gas & Electric Co. On Monday the company is scheduled to open competing bids for 250,000 shares of no par value common stock of Louisville Gas & Electric Co., with a number of banking firms having already indicated interest in the offering.

And on the same day the same seller will decide the successful bidder for 200,000 shares of $20 par common stock of Oklahoma Gas & Electric Co.

Proceeds from both sales will be applied by Standard Gas & Electric toward reduction of its indebtedness.

Two Other Equities Due

In addition to the aforementioned equity offerings, two other similar issues are slated to reach the offering stage next week.

Utah Power & Light Co. will open subscription books on 148,155 shares of no par common to be offered to holders of record Sept. 13 in the ratio of one new share for each eight shares held to provide funds for new construction. Any unsubscribed stock would be sold by competitive bidding.

About midweek Hartford Electric Light Co. is expected to offer 160,000 shares of new $50 par preferred stock to secure funds for its needs through 1951.

Stockholders last week authorized 300,000 shares of the preferred, but the management has no immediate plans for the remaining 140,000 shares at this time.

Union's Rebuttal In Steel Wage Case

(Continued from page 2)

that Nathan's calculation must be wrong. **Profits rose less than wages even since 1939 and on a 1937 base, profits fell compared to wages.** But he himself furnishes a refutation. In his first report on National Economic Policy he cites figures which show plainly that the concept of "net worth" is meaningless when prices rise. See his table on "Profits as a Percent of Net Worth and of Sales." (Table 13, P 29)

Profits on net worth and on sales were both practically the same in 1929 (about 5.5%) and again in 1940 (about 4.6%) However, during the period of falling prices after 1930 the percentage of profits to net worth fell consistently below the percentage of profits on sales. The reason is obvious. Sales dollars and profits dollars in any year have about the same purchasing power. But in the price decline of the 1930s the net worth was overstated and the percentage of profit fell faster on net worth than on sales.

Similarly, as wartime prices rose after 1941 the net worth in prewar dollars was understated in relation to rising profits in depreciated dollars. And Mr. Nathan's own table proves it beautifully. The percentage of profit on net worth declined from 1930 to a bottom in 1934 and gradually rose again to normal in 1940, rose gently until 1945 while prices were controlled and sharply after price decontrol, striking a peak in the second half of 1948 when commodity prices reached their peak and declining ever since along with the decline of commodity prices. But the percent of profits to sales was fairly constant from 1940 to 1949, and unrelated to commodity prices.

Mr. Nathan presents a table "Wholesale and Consumers Prices —BLS Index" (Table 20, p. 46). If he had set in parallel columns (a) PLS Price Index (b) profits on net worth and (c) profits on sales, he could himself have exposed his fallacy, **for the percentage of falling and rising profits on net worth correlated closely with falling and rising commodity prices—down with the decline of prices in the '30s and up with the rise of prices in the '40s. Thus Mr. Nathan's statement** in his Rebuttal (p. 14) about the increase in the return on the investment being greater than the increase in hourly earnings by 12 times or 25 times, depending on his dates, **is sheerest balderdash.**

Such method in medicine would constitute quackery, and in sports a foul. Apparently the young field of collective bargaining has not yet developed its rules of ethics. **His absurd conclusions are not confirmed by any other comparison of profits and wages,** either per ton or as a percent of wages or as a percent of sales. Thus no wage increase is justified.

Similarly, **his comparisons of profits in 1948 and 1946 in the steel industry and in other industries is likewise statistically unsound.** Steel always finishes off a boom, in production, in profits and in stock prices. This lag is used in market forecasting. Therefore, the comparison of profits in a still-prosperous steel industry in 1948 with the already declining consumers goods industries is both unsound and meaningless. **Mr. Nathan could have "proved" the opposite results** if he had picked the early stage of the boom when the consumers industries were already prosperous and the steel industry lagged in its rise.

Mr. Nathan might well study the relations of wages and profits in another industry which is being throttled by powerful unions. H. E. Jones, Executive Secretary of the Bureau of Information of Eastern Railways, wrote a report on Wages and Labor Relations in the Railroad Industry. He showed how **slight moderation in wage demands would have given the stockholder sufficient encouragement to retain an active interest in the industry.**

Mr. Nathan might well ponder the memorable words of Louis D. Brandeis to the Boston Central Labor Union in 1905, "It is absolutely essential upon any scheme of division of the fruits of industry among employer and employee that the business should be profitable . . . and that the owner of the capital is willing to risk its capital in the business. . . . Otherwise money will be put into investment where there is supposed to be no risk."

(4) **Raw Material Costs** — Mr. Nathan asks that wages be increased because raw material prices fell. However, a decline in raw materials like steel scrap is the forerunner of declining business and deficits. Mr. Nathan assumes that raw material prices will stay low, finished goods prices stay high and profit margin remain unchanged. This is academic tom-foolery. Ask the steel executives or the consulting engineers who reorganized bankrupt steel plants. Besides, wage rates cannot be tied to raw materials. Wage rates are relatively permanent, rigid and monopolistic. Raw material prices are temporary, flexible and subject to sensitive trading, both spots and futures. **A wage increase is obviously not justified on this ground.**

(5) **Productivity** — Mr. Nathan claims that wage rates have not risen with productivity. To prove his point he takes as a base 1939, a depression year, to prove that productivity increased about 45%. But wage rates increased 94% and weekly earnings 116%. However, if he had taken comparable years of the same operating rates, the annual increase in productivity would be not 5% per annum but only 3% per annum. Because wages increased considerably more than productivity, the consumer foots the bill, even though his own wages have not increased correspondingly with the steel workers'. **No wage increase is justified on productivity grounds.**

(6) **Purchasing Power Theory**— Mr. Nathan argues on both sides of the fence. **He would increase wages both because past profits were high and also because future profits will be low** and the industry faces a depression. To avoid that depression he would raise wages. He argues that a wage increase in the steel industry "will help restore prosperity to all industries" (p. 71 Rebuttal). Would not his argument be more effective if he suggested raising the wages in the depressed textile industry so as to give their workers purchasing power for goods in the steel industry?

Mr. Nathan's theory is rejected by leading economists. Dr. H. G. Moulton, the head of the Brookings Institution, in his book "Controlling Factors of Economic Development" (May, 1949) takes the opposite view, "A wage increase in one industry becomes the pattern for increases throughout all industry. The result is a general rise in prices which, in turn, leads to demands for compensating wage increases and then under the farm parity principle to a corresponding increase in agricultural prices. The result is to weaken the position of unorganized workers, of salaried and professional classes and persons living on fixed incomes who suffer a reduction in real income." **Dr. Moulton's alternative is "price reduction to generate a general expansion of demand and to sustain employment."** (pp. 298-9)

(7) **Business Cycle Theories and Full Employment** — Unless steel wages are raised, Mr. Nathan threatens "ravages of uncontrolled fluctuation." As a remedy, he offers the panacea of raising wages for his clients. But Professor Moulton in the chapter on "Recurring Business Depressions" (pp. 39-53) rejects this reasoning. "The striking impression in this summary of depression theories is one of divergence, conflict, and confusion. No single theory is generally accepted by professional students. Nor is there any greater unanimity with respect to remedies which reflect the varying types of diagnosis. . . . **Nearly all students of depressions or the business cycle search for a single cause.** . . . There appears no valid reason for assuming that there must be a single underlying cause. In so complex and delicate a mechanism, why should one assume that the source of disturbance should always be the same?" (pp. 53-4)

Yet Mr. Nathan indulges in long-winded theoretical discussions resembling medieval metaphysics. **His sole diagnosis (lack of purchasing power) and sole remedy for depressions (increased wages for his clients) are not supported by any government bureau.** Certainly the Federal Reserve Board in its credit policy of increasing reserves and tightening installment regulations apparently did not subscribe to the Nathan theory. Nor does the Department of Agriculture with its theory of parities, nor the President's Economic Advisers nor the Joint Congressional Committee on the Economic Report. Nor do the many great authorities that have written on this subject, including Professors Burns and Mitchell of Columbia, Schumpeter of Harvard or Jan Timbergen and G. Haberle who wrote the League of Nations study on business cycles, not to mention other competent authorities on business cycles. Thus, wage increases are not justified.

Mr. Nathan says, "The Union is adamant in its determination that sustained high levels of economic activity is the basic objective (p. 15) . . . The union persistently supports policies designed to bring about prosperity and full employment." (p. 76) Perhaps the best way to realize these aims is to "keep the boss out of the red." **Certainly, shouting about prosperity and full employment is as effective in avoiding business depressions as medieval incantations were in curing mental depressions.**

Mr. Nathan talks about "needs of our people." (p. 45) But he seems to forget that needs can be satisfied only out of production. The Chinese coolie has needs but his economic system without machinery produces little. But Mexican peons in the airplane factories of our Southwest and primitive African tribes in the copper mines of British Rhodesia or Belgian Katanga can satisfy their "needs" because the investor has given them tools to increase their productivity. **Mr. Murray can succeed in raising wages in mechanized United States where tools are furnished by the investor whom he can exploit. Let him unionize the Chinese coolie,** the Mexican peon, or the African savage in their native lands and **see how much he can raise their wage where there is no stockholder** first to furnish the machinery and later to exploit.

The American system produces, when there is a prospect of profit and stops producing, when there is a prospect of loss. It is profits that determine, whether needs shall be satisfied or not.

Mr. Nathan's notions of "needs" and "purchasing power" are Marxian concepts. These were tried out in the Soviet Union but the economic system broke down in 1922. Then the realist Lenin introduced the NEP, under which payment was not "according to need" but "according to service." This new notion was introduced in the **Soviet Constitution of 1936. Article 118 states that payment shall be made not according to need but "according to the quantity and quality of service"** performed by workers of brain or brawn. Mr. Nathan is 27 years behind the times. Shall we learn from Russia's suffering or must America suffer also.

Mr. Nathan's Basic Errors—A recurring error is to shift his base dates to produce the results he seeks. If he had used one constant date, like 1937, his case would collapse.

Again, he stresses one side and overlooks the other. For example, **wages are income to the employee but expense to the employer; purchasing power to the consumer but a cost to the producer, a credit to the payee and a debit to the payor.**

Again, Mr. Nathan assumes that the profit margin will be the same, that regardless of the percentage of operations selling prices will remain high and scrap remain low. But profit margins fell very rapidly, while sales fell slightly from the first to the second quarter of 1949.

Mr. Nathan's One-Way Street—All his arguments support a rise in wages but **he would reject any wage reduction, justified by a declining cost of living, declining profit, declining productivity or rising raw material prices.** Again Mr. Nathan states (p. 7 Rebuttal) that many steel workers earn less than the average and, therefore, the sub-average wages should be raised. Would he agree that for those who earn more than the average, wages should be lowered?

Mr. Nathan Ignores the Stockholders—In almost 200 pages of brief and rebuttal, **he never mentioned the word "dividends,"** much less compare them to wages. Yet the investor is important. He creates jobs. When Mr. Nathan mentions the **low standard of living of the Chinese coolie or the Arab fellaheen,** he fails to mention that the **American program under Point IV aims to raise their standard of living by investment.** The inventor, the engineer, the manager and the investor jointly increase the productivity of labor.

The steel worker today uses less energy and effort but has a higher income and buying power. Contrast the former physical labor required by workers to push a red-hot slab back and forth in a rolling mill with the new automatic continuous process now prevailing. Their productivity increased four fold but human labor decreased substantially.

Mr. Nathan has a blind spot for the stockholder and for dividends. **Yet to keep employees on the job it is necessary to keep the employer out of the red.** Mr. Nathan stresses the seemingly high profits of 1941 to 1948 but ignores the low profits prior to 1939 which is the opening date of his tables and charts. Similarly, he ignores the 1949 second-quarter profits which declined so drastically.

Yet the stockholder is not even mentioned. When Mr. Murray compares the salary and pension of Mr. Fairless with that of a steel worker, he might just as well compare the salary and pension of labor leaders with that of the small stockholders who constitute about 80% of the total. A fair comparison of income and pensions would be the average employee and the average stockholder or Mr. Fairless vs. Mr. Murray.

Mr. Nathan's brief reflects mental confusion. When he says that profits are "fantastic, huge, unconscionable, etc.," he fails to mention the sharp rise in wages, in sales, in national income, bank deposits, currency in circulation since 1939.

He identifies the selfish ends of the steel union with the general welfare of the public. "Raise my clients wages and the country will prosper, otherwise a dark future is ahead." Are not these the tactics of the political demagogue who promises "All this and heaven too." (p. 19 and p. 77 Rebuttal)

Mr. Nathan is certain that it is good to raise the wages promptly for the steel workers. But as for "raising the wages of lower paid workers" in sawmills, logging camps, textiles and manufactures, and "to narrow the disparity between them and the steel workers," Mr. Nathan thinks "that whether it is good or bad, economically or socially is a subject for long and serious thought." (p. 10 Rebuttal) What would the economist for unions in sawmills and textiles say?

Mr. Nathan thinks that he has "demonstrated that after granting the wage demand, substantial profits will be earned even at moderately high levels of production under current price and cost conditions." (p. 24 Rebuttal) But if he believes this, **why does he not suggest that the union funds and the personal funds of its leaders be invested in steel stocks** and thus prove that contention and **profit out of such inside information.**

Again, Mr. Nathan says labor has "a deep concern for giving to business the opportunity to make good profits year in and year out." (p. 24 Rebuttal) **This is usurping the function of management without responsibility for the results.** The stockholders put up the funds, take the risks and elect managers, who hire workers. **If the union wishes to manage a business, let it buy a steel mill (they are on the bargain counter now) and exercise the functions of management with the attendant risks and responsibilities.** Mr. Nathan's gratuitous advice is cheap and without responsibility.

Union leaders' policy on wages recall Goethe's epigram, "Nothing is more frightening than ignorance in action." Or do they, like the leaders of the Ancient Regime in France say, "After us, the deluge."

British Trade Union Policy on Wages—How different is the attitude of the British labor leaders who now are responsible for the results of their policies. The General Council of the Trades Union Congress now recommends that British **"workers continue to show moderation and restraint in their wage demands,** that there is no practical alternative to that policy and that a departure from it would be disastrous." The General Council recommends that "that policy be pursued with even greater determination than before" and stated that **"a substantial increase in money wages would intensify our difficulties** and have an adverse effect on the general standard of living."

Mr. Nathan's Custom-Made Brief—The record is all in and the union's procedure and motivation are obvious. The CIO, not to be outdone by the coal union, gave Mr. Nathan an order to "Justify an increase in wages." He proceeded to collect false statistics and inconsistent arguments. His misstatements of facts and errors of method are an insult to the intelligence of the Board. If the union has its way and continues to exploit the stockholder, the outlook is dark for a free economy and free government. As Louis D. Brandeis, accurately predicting a corporation's collapse, stated: "Time and arithmetic will do the rest."

The unions fixed a strike date four days after the Board's decision is expected. They put their guns on the table before the court and virtually said, "Give us the decision or we'll shoot it out." Should not the union rescind its strike order? That was the fiat to unions in several important cases issued by an arbitrator with courage—Wayne L. Morse. That courage made him Senator from Oregon, even though he refused a campaign contribution from the unions because he wished to be uncommitted. May his tribe increase!

Economic and Inflation Outlook

(Continued from first page)

anything dreamed of in prewar days. It can not be forgotten, moreover, that while farm prices have slipped a bit, they could well afford to do so, since no prices, with the possible exception of lumber, went so far above prewar levels. Furthermore, crop yields have been close to all-time records and so have maintained farm income at a level only a few per cent below the all-time wartime peak. On the whole, therefore, it is not a disturbing picture. It is only the further prospect that raises doubts.

The causes of the uncertainty that has existed are not hard to find. Our domestic political situation, with its suggestion of heavier corporate taxation, has been a significant cause of business headaches. The threatened and current moves of organized labor in seeking fourth-round wage increases has been a close second, if not the prime cause. The continued overall threat of war, now seemingly diminishing, has added its share to the uncertainty. And as the year has worn on, the unhappy development of a crisis in Britain's economy has fed the fire of doubt. One other factor that has created much business misgiving has been the widespread resistance of consumers to the high prices that have still been asked for many commodities. No prominent person has yet called it a "buyers' strike," but that it had had some of the earmarks of such a strike no one would quickly deny. The testimony of thousands of businessmen would verify that!

Of these causes of uncertainty, two of very great importance are still with us, namely, the move for a fourth round of wage increases and the British economic crisis. The others, in so far as they were important, have recently sunk in significance. The tax structure seems to be set for another year or so; Russia is having its own troubles with its satellites, and that will keep it busy for a while without leaving time for thought about a possible "shooting war"; consumers still have tremendous buying power and are apparently getting back into the marketplace, particularly when some honest attempt is made to offer commodities at attractive prices.

So, let us first take a look at these two important elements in current economic conditions. One, of course, is domestic in its immediate significance; the other has worldwide implications, but has a very direct bearing also on the course of our own economy.

The Fourth Round of Wage Increases

At the moment the spearhead of the drive for a fourth round of wage increases is to be found in the case of the steel industry. Be sure to mark that word "spearhead." It is not used merely as a metaphor. It represents the literal truth about the situation. For the automobile workers' union and others are watchfully waiting to get the results of present negotiations in steel before deciding on their own courses of action. If the outcome of the deliberations of the fact-finding group favors the steelworkers' union, then we are almost inevitably faced with a nationwide fourth round, with all that this implies. And it implies higher costs for business, costs that can scarcely be absorbed by many a line of business. The consequence must be higher prices, and a further filip toward inflation.

The union, as a matter of course, denies that an increase in wages will lead to such an end. But the record is against the union. Besides, it cannot be denied that for every round of increases demanded the union has offered different reasons—the meeting of "high living costs," "ability of the industry to pay," and "maintenance of purchasing power" to keep the economy going in high gear. And every increase granted has been followed by an upward tendency in prices.

That is not a pleasing prospect for either the industry or the whole economy. Of course, it might be offset either by a decrease in profits or by increased technical efficiency which would increase production per worker. But it can probably be demonstrated that the industry needs the profits it is making in order that it may create reserves for depreciation, obsolescence, and research; and the increase of technical efficiency is usually a rather slow process. On the whole, therefore, it would appear that the increase cannot be justified without the acceptance of more inflation. It would be a stroke of economic statesmanship for the leadership of the union to recognize that fact and to go about the job of helping to stabilize the economy instead.

The British Crisis

When we look for a moment at the British crisis, some things need to be said very pointedly. One of these is that there has been far too much loose talk about its causes. No one can deny that the two wars in which Britain has engaged in this century have weakened her economy in a tremendous degree. No one can deny that it has been going downhill for a quarter of a century or more. No one who knows the facts will even try to deny that Britain has done a magnificent job of trying to get back on her productive feet. And again, no one acquainted with the details would even suggest that she has not done a great deal toward putting Europe back on its present ascending economic level. Furthermore, any banker who knows about the use of reserves could not help admiring what the British have done in the financing of their world trade on a comparatively small reserve of gold. It has been a feat probably unparalleled in economic history.

It may be true, on the other hand, that in the domestic field they have just tried to do too much in too short a space of time. After both war efforts they have tried to make Britain a country "fit for heroes to live in." This time it seems obvious that the Labor Government has overshot the mark by its schemes of nationalization, its policy of social security, and its provision of public services for the benefit of all its people at costs that are now proving to be an unbearable burden on a struggling postwar economy. The word they have forgotten is "patience"; it does not seem to appear in the lexicon of Labor politicians.

Be these things as they may,

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the crisis is here, for them and for us. If the negotiations now going on in Washington fail to find at least a stop-gap method of meeting that crisis, the effects on our own economy are going to be far-reaching. Our exports of cotton, tobacco, food stuffs and many other commodities are bound to decline at the very time when we want every support possible to keep our business activity at a high and prosperous level. If the effect could be localized there might be less cause for misgiving. But it cannot be localized if the British, as has been suggested many times, are facing bankruptcy. They are world traders, and their collapse will inevitably mean serious embarrassment all over the world, including the United States.

The answer may *eventually* lie in the granting of a huge long-term loan to Britain, partially in terms of gold for their reserves, that will enable them to meet not only their short-term balance of payments but also put them in a position to become once again a powerful and a very important factor in worldwide economic stability. They know the "tricks" of world trade as do no other people on earth. And it is just possible that it would be to our own lasting interest to see to it that a large measure of their importance in the world scheme of economics be restored. A policy less far-sighted than that may easily provide the spark to worldwide economic depression. We shall see! And the answer may lie also in expansion of American investment throughout British industry, provided the British will make such investment attractive and safe.

Peace Readjustment Still Incomplete

But in addition to these two important considerations there are others on which attention must be focused. For example, we have done very well in meeting some of the factors in our own adjustment from a wartime to a peacetime economy. But the necessary and inevitable adjustments are still far from complete. Supply and demand in many lines are now fairly well in balance. Yet there are a few very important areas in which this is not true, and it is in the light of these that any level-headed banker will look at the course of the future. One of these areas lies in the automobile industry. The war-created shortage has not been fully made up. But the leaders within the industry know full well that the end of that shortage is in sight. What must follow? Merely a replacement market? Well, it will be a bigger replacement market than the industry has ever known, for there are many more automotive vehicles in use now than ever before in our history, and they will wear out. But that would not call for operations on a capacity level. Somewhere an enlarged market must be found and developed. It might be done by placing on the market a "utility" car, stripped of all the customary expensive gadgets. But it is also likely to be found in an expanding world market. Yet, regardless of which form the movement takes, we are facing the possibility of a considerable shrinkage of activity in that giant employment field. It cannot, of course, be without effect in other areas of our economy, because steel, rubber, glass, textiles, lead, and many another commodity enters into the production of these vehicles. A turndown in auto manufacture, therefore, may well mean somewhat extensive unemployment not only in the industry itself, but in those that are its natural supply sources. It would be well for any banker to keep his eye on this possible turn in our affairs.

It is already evident, of course, that the government of the United States is aware of the uncertainty that lies within our present situation. We have about 4,000,000 unemployed now. Steps have already been taken to shore up the limping activity of some communities, and plans are afoot to take more of them. But the disturbing thing about these steps is their inherent character. Nearly all of them are inflationary.

Does Administration Support Wage Increases and More Inflation

To make this point clear let it be emphasized that there is some slight evidence that the Administration is lending its approval to the demand for wage increases; that it has succeeded in getting the Congress to pass legislation raising the national minimum wage; that it insists on the continuation of high and rigid price supports for farm commodities even though our farmers were never so well off, and even though some of their most responsible leaders are against this policy; that it has, with remarkable political acumen, provided for the payment of dividends on wartime insurance to veterans within the near future; and that it is pushing the whole banking system into an easy money and cheap credit policy.

All of these things, when added to our tremendous expenditures on armament at home, to those on the Military Assistance Pact, to those on continued economic aid to European nations, and to the recently authorized outlays on public housing lead in only one direction. That is toward more inflation.

No banker can afford to be indifferent to such a situation. If he is, he may say, "Why should I worry? All I have to handle is 'counters,' and it makes no difference to me what the counters are worth." But he would not be worthy of the name of banker if he said so. For he would be forgetting that the history of all inflationary movements shows that eventually most of his customers must be wrecked by such a course and, in addition, that his own fortune, whether large or small, can be wiped out when the bubble eventually bursts. Furthermore, he would also be forgetting the millions of men and women who have put their lifetime savings into insurance, annuities, and even United States Savings Bonds in the false belief that they had in these things a haven of refuge from personal economic misfortune as well as against the hazards of economic penury in old age.

The banker just has to be afraid of inflation. He cannot help himself on that score. And even at the risk of being "a voice crying in the wilderness" he must speak against policies that lead in its direction and use every effort of which he is capable to see that it does not become a fact. We have had enough of it already!

What About Capital Expansion?

In this survey of the economic outlook there are three other elements that should be considered by the banker. One of them is the probable course of expenditures on expansion and improvement of our economic "plant." That plant was worked to the limit during the war. It got "run down" physically. But since the war ended it has been thoroughly overhauled. New buildings have been erected, older ones rehabilitated; machines have been reconditioned or replaced by new or more modern ones; and all this has cost enormous sums of money.

Much of that investment has come out of the widely stored-up past earnings of industry. But some of it—a considerable amount, in fact—has been supplied by the banks in one way or another. Chiefly, it has been in the form of short-term loans, many of which have been re-financed by industry during the past two years through the issuance of long-term securities. But, the job of rehabilitation is nearing completion. There will not be so much money spent for capital improvement this year as last, and the prospect is for still less of it in 1950. What will replace it? Will it be still greater expenditures by an open-handed government? If so, then we have seen the end of debt reduction for a period of years ahead, and we again face the possibility of another force working in the direction of further inflation.

The second of these elements is closely allied to the first. It is in the field of private construction, one from which the banks of the country have derived a huge volume of mortgage loans in the past three years or so.

A sizeable dent has already been made in the housing shortage. In some areas housing accommodation has already been "declared surplus" by the action of the market, though not by the fiat of any Washington official. As this year's construction awards move toward completion there will be more of the same thing. The history of the construction industry, in peace and in postwar booms, justifies that assertion.

But here again is where government policy steps in. Legislation has placed upon government the obligation of creating conditions favorable to "full employment." What, then, could be more logical than for that government to see a great "social" need for housing? Slums must be eliminated! That will maintain the construction industry and so provide employment. And the next step is the simple one of moving upward to the next economic level, or even the next above that, to provide housing, subsidized by government for those who want or should have better houses. See! It's all very simple! But it will be bought at a price, and the price, once again, is further inflationary pressure.

Agricultural Problem

The third element on which the banker, and especially the countrybanker, needs to keep a watchful eye in our developing agricultural problem. For, in spite of all the legislation that has thus far been passed, in spite of price support policies now in effect or in prospect, a crisis is in the making in this area of our economic life. Nothing less than a major crop failure can prevent its appearance.

The irrefutable fact is that we already are burdened with surplus agricultural products. The government is presently holding hundreds of millions of bushels of both corn and wheat, the same of potatoes (if they have not already been destroyed by order of the government). It is holding hundreds of millions of dozens of eggs. It holds huge quantities of flaxseed and it holds hundreds of millions of bales of cotton, with more in the making. In addition, it has in storage many millions of pounds of butter.

Even the Secretary of Agriculture is obviously worried by the present size of the burden, and still more worried about the prospect. Besides, he is apparently being advised by incompetent aides, for on Aug. 23 of this year, in the course of a speech, he blandly admitted to a farmers' meeting that they had made an error of 267,000,000 bushels on the wrong side in the estimates for a single crop and its "carryover," in just thirty days!

The prospects for exports of these commodities are not reassuring. Europe is getting back on its agricultural feet. Britain, the great food-importing nation, has already shifted its purchases to Argentina and even to Poland, behind the Iron Curtain, in order to save precious dollars and to get markets for her own exports. Meantime, our agricultural experts are teaching American farmers how to produce more and more products which, barring disaster, will add to the surplus, but are not teaching the farmers to find the needed markets for them. It's a pretty mess, isn't it?

The outcome seems certain. Lower prices must come! The fall can be cushioned, but that is about all that can be done unless farmers can be induced to accept the policy of restricting production in accordance with forecasts and "suggestions" from a central authority in Washington. And that, once again, can produce only one result, namely the continuation of inflated standards and the possibility of more of the same.

The idea that huge crops at lower prices will still give farmers a very large income, especially with the increased yields and lowered cost per unit, does not seem to appeal either to the Secretary nor yet to vote-minded Congressmen. It may be that only the economic "facts of life" will convince them, and we may be on the road to just that. In any case, the forward-looking banker will be watching carefully for the outcome.

Here, then, are a few of the important elements in our economic outlook. They do not exhaust the list, and the limitations of time make a more extended discussion of them impossible. Your speaker can do no more than indicate their nature, make a few suggestions as to ways of dealing with them, and let it go at that. If he "knew all the answers," he would be a superman.

Analyzes Experience of Competitive Bidding

Sidney M. Robbins in "Harvard Business Review" furnishes statistical survey of results of competitive bidding in sale of securities, and concludes, as blanket method, it does not stand up when tested by facts and figures.

The case for competitive bidding, as a required method for selling corporate securities, does not stand up when tested by facts and figures now available for the first time, according to Sidney M. Robbins, writing in the September issue of the "Harvard Business Review" on "Competitive Bidding in Sale of Securities."

The battle lines are still firmly drawn, says Mr. Robbins, between the principal proponents of competitive bidding—the SEC, ICC, various state regulatory agencies, and Halsey Stuart & Co. Inc., and Otis & Co., the leading dissenters from the investment banking fraternity—on the one side; and those who favor managements being allowed to use negotiation in selling their securities—the Investment Bankers Association of America, the National Association of Securities Dealers, and various large institutional investors—on the other side. In Mr. Robbins' opinion, however, the emergence of competitive bidding as the regulatory device for marketing corporate securities during the past 10 years has afforded a large body of valuable experience. "It is now possible," he says, "to measure some of the results of using the mechanism of sealed, competitive bids and to reexamine the case for competitive bidding."

In examining the subject that competitive bidding reduces the concentration of firms handling the underwriting management of new utility issues, Mr. Robbins' statistical analysis indicates that "substantial concentration still exists in the underwriting of corporate issues. While some tendency toward a reduction in the amount of securities absorbed by the top 15 bankers is manifest, the degree of concentration among the leading few firms has been heightened. This dominance is not the result of the banker influence and personal relationships . . . stressed by the SEC, but rather represents the capital, manpower, and skill necessary to manage and participate, as a major account, in the distribution of large-scale corporate offerings. The failure of competitive bidding to eliminate concentration of underwriting is all the more striking in face of the fact that government control over holding companies, restriction of investment companies, and legislation to expand the responsibilities of corporate trustees have contributed toward freeing the industry from many of the abuses of banker domination that helped produce the degree of concentration described."

In reference to the claim that under competitive bidding underwriting "spreads" are reduced, Mr. Robbins points out, "While the general assumption is that the corporation receives an improved price, rather than that the buyers pay a lower price, no statistical studies have yet been published purporting to determine empirically who is the beneficiary of narrower spreads under competitive bidding. Unless this is established as a fact, it is impossible to say that competitive bidding really results in more 'reasonable' prices."

To settle this point Mr. Robbins makes a comparison of yields of securities sold by competitive bidding and by negotiation, and comes to the conclusion that "the reduced 'spread' probably represents a more 'reasonable' fee from the point of view of the corporation and a less 'reasonable' fee from the point of view of the investment banker. Whether the lowered 'spread' is more or less reasonable in consideration of the services performed by the investment banker and in comparison with the returns of other types of enterprises is more difficult to determine."

Mr. Robbins feels that "the argument that competitive bidding would reduce the administrative task of judging the reasonableness of fees does not appear very significant. . . . This wide gamut of experience of the SEC in gauging the 'reasonableness' of prices indicates not only that competitive bidding sometimes fails as an automatic device for securing the best prices and fees, but also that for this very reason it cannot be relied on as a substitute for administrative supervision. Moreover, the SEC, to its credit, has certainly provided ample evidence of its ability and willingness to appraise the adequacy of prices and fees on economic and equitable grounds, rather than seeking ways of easing its administrative load."

Great weight is placed by Mr. Robbins on the number of exemptions which the SEC has granted in applying its Rule U-50. "The fact that the SEC, despite its strong advocacy of competitive bidding, has issued a number of decisions exempting particular transactions from the requirements of U-50 provides further useful material; the reasons which have led the Commission to grant exemptions should help to indicate any possible weaknesses." Detailed analysis of the underlying factors in the cases covered by these SEC decisions leads Mr. Robbins to the following conclusions:

"From the management point of view, the most solid plank in the competitive bidding structure is the higher price received by management for bonds sold and the reduced 'spread' to underwriters. Against these benefits must be weighed the shortcomings of competitive bidding. Some of the benefit of expert advice gained in arranging the details with a competent underwriter may be lost. Even more important, the process is inflexible. It is not readily adaptable to special situations or to the junior securities of well-entrenched corporations and senior obligations of enterprises showing slim earnings protection for fixed charges. Difficulty may also be experienced in attempting to market very large or extremely small issues by means of competitive bids.

"As a result, regulatory authorities are confronted with serious responsibility when they are requested to grant exemptions in particular cases. Failure to reach proper decisions could seriously interfere with the success of a corporation's financing program. This problem is likely to become even more urgent during periods of market uncertainty when the supply of funds seeking investment dries up and marketing new issues becomes a more difficult undertaking.

"Indications have been manifest that the SEC sometimes tends to overlook the fact that competitive bidding is merely the tool with which to achieve genuine arm's length bargaining and is not itself the goal. . . . The SEC has stated that 'the contention that the company and its financial advisers are of the opinion that the cost of money obtained by negotiated transaction is lower than it might expect to obtain at competitive bidding . . . can be accorded no weight in determining whether . . . competitive bidding is not appropriate to aid the Commission.' If negotiation appears to suit a particular case more adequately, the assertion that competitive bidding must, nevertheless, be used because the procedure might otherwise be nullified suggests that the Commission may be veering toward the formulation of a principle of faith rather than of reason.

"Despite the adoption of competitive bidding as a requirement by the regulatory agencies and the arguments advanced in its favor, only two industrial corporations have elected voluntarily to use this method of financing—an issue of $13 million of McKesson & Robbins debentures in July, 1941 and an issue of $15 million of Cudahy Packing first mortgage bonds in May, 1947. In the case of McKesson & Robbins, moreover, the reason advanced for using competitive bidding in July, 1941 was that the company was under the trusteeship of the court at the time, and subsequently the company elected to sell $15 million of $4 cumulative preferred stock through negotiation because the management believed that to be the most satisfactory method.

"The extent to which the compulsion to issue securities competitively represents a usurpation of management function is a problem that warrants careful consideration. Both the SEC and the ICC have rendered outstanding service in the field of corporate financing, but care must be exercised not to invade fields properly reserved to management. Probably the most effective resolution of the competitive bidding problem lies between the extremes advocated by the representatives of the two sides.

"Blanket compulsion for adoption of the practice would appear to be an overly harsh extension of a sound basic principle. In lieu of such regulations, management should be given the authority to determine the method of financing deemed most appropriate, thus placing the responsibility for the decision on the directors where it belongs and according the maximum degree of flexibility to management. The Commission should, however, maintain close surveillance over practices in the industry to insure the maintenance of free competition as reflected by such factors as banker compensation, prices, and issue distribution. Standards concerning these elements should be used as guides in the establishment of sound relationships between issuer and banker, thus avoiding the necessity of imposing heavy shackles on the mobility of corporate management in undertaking new financing programs."

City of Copenhagen Bonds Drawn for Redemption

Holders of City of Copenhagen bonds of 4½% external loan of 1930, due Dec. 1, 1970, are being notified that a number of these bonds have been drawn by lot for redemption on Dec. 1, 1949 at par. Redemption in the United States will be made at The National City Bank of New York.

DIVIDEND NOTICES

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Congress is approaching a state of demoralization and disorganization of a depth without precedent in this generation. This, as old legislative hands see it, is the result of the President's refusal either to acknowledge the fact that it is impossible for Congress to sign all the campaign promise "checks" he made out during the 1948 campaign, or even to help in working out a schedule of which promises might properly be deferred until 1950.

When the House walked off the field until Sept. 21, it did so, as is well known, with obvious bitterness. In the Senate, with the President insisting upon having everything his own way, it simply takes time and more time to get legislation disposed of where there is free debate.

The President's refusal for instance to allow extension of the present reciprocal trade agreements scheme with its "peril point" provision, is viewed by the President's critics on the Hill as downright foolhardy. They insist that the President will get "peril points" enacted into the extension anyway. If they are correct in their judgment, the President will have a law lasting perhaps two years, with provisions obnoxious to him, instead of a temporary law for something like six months, with such provisions.

Mr. Truman, it is said, is putting his own Congressional leaders on a terrific spot. They are fast losing their capacity to hold Congress in session. They may be faced with the necessity of openly repudiating the President's program and folding up the Congress or, if they wait too long in doing this, having the conservative coalition take the leadership and on their own motion, get the Congress away.

One of the most astute leaders put it this way: If the Administration leadership in Congress decides soon to cut off the session on a limited additional program, Congress can get away by Oct. 7. If not, then almost anything can happen because Congress does not plan to stay in session continuously.

Little discussed is the projection of this situation to the 1950 session. An election year session faces additional strain. Individual state delegations have to absent themselves for long periods during primary election campaigns. Then all want to get through in plenty of time to campaign for the November election. As of today, there is every reason to suspect, if Congress listens to President Truman, that 1950 will be an even worse cat-and-dog fight than 1949.

* * *

Some periodicals were inclined to make something of the reports that Robert Nathan told the Steel Wage Board that industry expansion in 1947 and 1948 was a bad thing, that industry should have shared profits instead with labor. Nathan is more or less the high economic priest of the Steel Workers' Union, having authored two reports setting forth in the lingo of the economist, the arguments of the steel workers for higher wages.

The interest was aroused because the steel workers in particular and the CIO in general have adopted as top doctrine, also adopted by left-wingers within the Administration, that industry must build more capacity even if the government (and they hope it will be the government) has to build it.

Mr. Nathan told this reporter that he made no such statement with respect to the steel industry. He did not say that the steel industry had over-expanded, he asserted. He only said, he explained, that as a general principle in industry generally, over-expansion of plant and inventory during boom times helps to bring about cyclical movements in the business world.

* * *

There is now said to be a dim prospect for final action on a bill of any kind restoring to industry the "right" to use price-absorption schemes with basing points. Key House conferees in this question have gone on a two-month junket to Europe, and the word passed around is that even if a bill is presented to the President finally, he will veto it.

* * *

Comparatively little attention was paid to the fact that the Dixiecrats established a Washington office after the Democratic National Committee successfully purged the suporters of the Thurmond-Wright ticket from the National Committee's rolls.

As a matter of fact, the Dixiecrats themselves did comparatively little to excite either the "liberal" or the conservative press. They expressly disavowed any intention of starting a splinter party. The impression went out that maybe this was just another Washington organization aimed at influencing isssues in Congress and elections by speeches, propaganda, and the like, and not a political action organization. The Dixiecrats carefully avoided giving any specific leads on their operational plans, but talked only objectives.

There is a rather exciting hint, however, that the Dixiecrats may mix into elections, which is a more direct way of achieving broad objectives. A tentative decision has been reached, according to reports from the South, to put a candidate in the Louisiana primary next year against Senator Russell Long, son of the late Huey Long. Senator Russell Long has been running with the Truman pack since he came to Washington to fill an unexpired term.

The incumbent Senator has the far from moribund elements of his late father's political machine behind him. That the Dixiecrats are thinking of taking him on, is an indication that the Dixiecrats don't mean to be just a talking or propagandizing organization. They will run their candidate as a conservative Democrat.

* * *

Two of Mr. Truman's pet schemes now appear headed for the deepest possible pigeon-hole, at least for this session.

One is the proposal to expand RFC's capacity to fight a depression by removing even the 10-year limit on business loans, and doubling the RFC's loanable funds. The House Committee still plans to open this bill to hearings, but in the Senate Committee both the Chairman of the Banking Committee and the particular subcommittee handling this legislation, are agreeable to its suspension, it is reported, at least until next year.

The other proposition is the Export-Import Bank investment guarantee, to "encourage" private U. S. capital to invest in backward areas, as a part of the "Point IV" program of the President's inaugural message. Committee members now report themselves as unconvinced that there is any point in a guarantee of foreign investments at this time. There appears likely to be no bipartisan support for this scheme but on the contrary, very vocal conservative opposition from both Republicans and Democrats.

* * *

Among the best friends of the steel industry in Congress and elsewhere in Washington there is keen disappointment that the industry attacked the personal integrity of the members of the special steel wage panel, by stating that or inferring that this panel was committed in advance and was not free to use its own judgment.

There is a widespread feeling that the steel industry's original stand against any special panel at all was a highly salable piece of political merchandise. The Taft-Hartley law is the law of the land, and it provided a regular, established procedure. The law's validity was underscored by the failure of the President, with all the political pressure of organized labor behind him, to get it amended or abolished.

So if steel had stuck to this original stand, it could in effect have chided the President with trying to evade the law of the land and with poor sportsmanship for doing so. Either steel's prospective strike was an emergency, in which case the law should have been invoked, or it was not emergency, in which case collective bargaining should have been followed through.

The steel industry would have the further argument that special panels are a negation of collective bargaining, that so long as the end of the road is a more or less compulsory settlement by outsiders, neither side will fully bargain.

On the other hand, even if steel capitulated under direct or indirect White House pressure, it is being said by the industry's friends here, once it had capitulated, the industry's spokesmen should not have attacked the board's integrity but should have gone forward and made the best case they could against a wage boost, "without putting the board on such a spot that if it did give a decision favorable to the industry, Phil Murray could say that under the lashing of industry the board had to decide for steel."

* * *

Congress has approved a 200% expansion in the Federal Government's experimental crop insurance program between now and the end of 1953, with hardly a notice outside the farm belt. At the same time Congress wrote off crop insurance's cumulative losses of $73 million, since this scheme was first inaugurated in 1939.

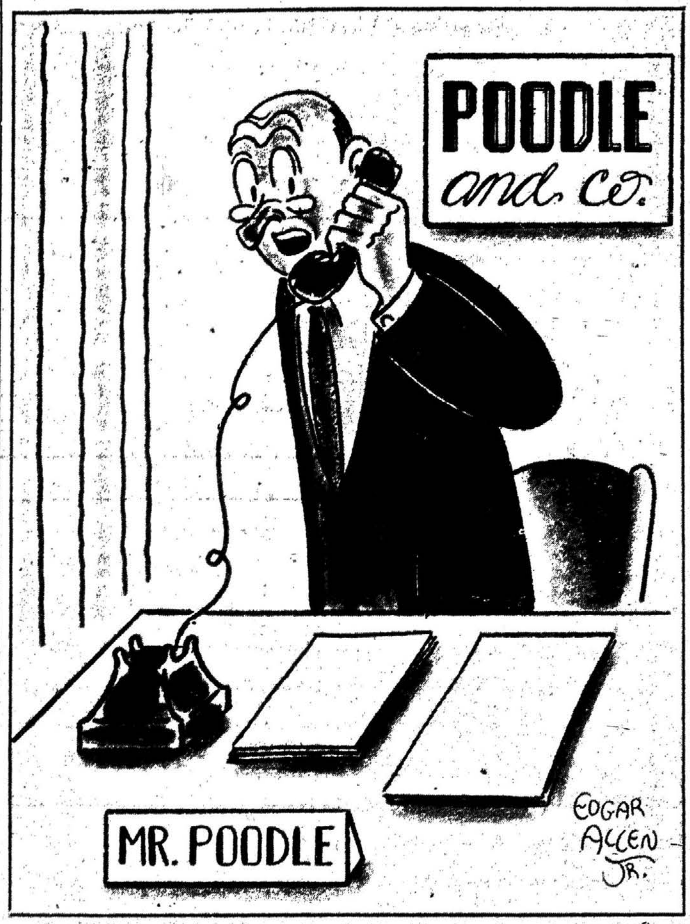
* * *

By the Department of Agriculture's own admission, for every year up to 1947, premium collections were less than losses paid out, so hence the $73 million loss. This, however, was exclusive of the costs of administering the program, paid by the government, and not borne by the insured. Administrative costs were more than $50 million.

So this is for the present only a $12 to $15 million annual drain. It is this program which is to be increased to three times its present scope by the end of 1953.

(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



"You say you're the Bloodhound Collection Agency and you're looking for Mr. Poodle? — Velly solly, you gottee the wlong number!"

Salesmanship Course To Start Sept. 15

The initial session of an intensive course in salesmanship being sponsored by the Investment Association of New York this fall has been scheduled for Thursday, Sept. 15, Stanley A. Russell, Jr., of Blyth & Co., President of the Association, announced. Ten weekly two-hour sessions will constitute the first half of the course followed by ten one-hour lectures by top sales executives from industry. The course will be conducted by Kelso Sutton, well known sales training specialist and author of "The Technique of Selling," published last month by McGraw-Hill.

Response to invitations extended to a wide list of firms in every phase of the securities business to enroll employees in the course has been good with most firms assuming the enrollment cost, according to Mr. Russell.

Donald B. Sherwood With Stifel, Nicolaus

CHICAGO, ILL.—Stifel, Nicolaus & Co., Inc., 105 West Adams Street, announce that Donald B. Sherwood has joined their organization. Mr. Sherwood was formerly a partner in Comstock & Co. Prior thereto he was Manager of the Corporate Trading Department for Stifel, Nicolaus & Co. in Chicago.