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The World Bank and European Recovery

By EUGENE R. BLACK*

President, International Bank for Reconstruction and Development

Mr. Black stresses need of accomplishing European recovery. As basis for solving dollar-shortage problem recommends devaluation of currencies, reduced governmental costs and end of "welfare programs." Says exchange rates should be adjusted to permit dollar-short countries to increase sales in dollar area.

This is the third meeting of the Board of Governors that it has been my privilege to attend, and my first as President of the Bank. I am deeply aware of the important responsibilities of this new post, and of the high standards of achievement set by my predecessor, Mr. McCloy. But the sound policies and cooperative relations established

Eugene R. Black

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*Address by Mr. Black in presenting Fourth Annual Report of the International Bank for Reconstruction and Development to the Board of Governors, Washington, D. C., Sept. 13, 1949.

See pages 21 to 24 for PICTURES taken at Annual Summer Outing of the Securities Traders Association of New York.

Difficulties in Restoration Of Monetary Stability

By PHILIP CORTNEY

President, Coty, Inc.

Though favoring ultimate restoration of gold convertible currencies, Mr. Cortney points out difficult technical problems involved. Says world is not ready, either politically or economically, for restoration of international gold standard, and when situation for this becomes ripe, it will be possible only if price of gold in all currencies, including dollar, be raised. Lays great depression of 1920s to return to gold by many countries at wrong level. Advocates re-establishing mechanism for restoring trade equilibrium, while leaving currencies to fluctuate freely so that market forces set proper exchange rate.

During a war governments indulge in huge government deficit financing to cover the greatest part of war expenditures. At the same time governments discard mechanisms which maintain international equilibrium by instituting controls over prices and trade, and by establishing exchange-controls.

Philip Cortney

Experience shows that as a result of monetary inflation during the war and the post-war period, we come out of big wars with a huge increase in the general price level and wages. The increases in wages and prices in the various countries vary according to domestic policies and the degree of monetary inflation in which a particular government has indulged. Once the war is finished and an attempt is made to integrate again the economies of the various countries, we discover that one of the main obstacles is the great disparity of cost and price structures in the various countries. Furthermore, the mere stoppage of deficit spending and

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Steps Toward International Monetary Stabilization

By WALTER E. SPAHR*

Professor of Economics, New York University

Executive Vice-President, Economists' National Committee on Monetary Policy

Advocating United States lead way to international monetary stabilization by returning to gold coin standard, Dr. Spahr maintains policy of waiting for installation of an international "blanket plan" is futile and such plan cannot succeed. Holds controls exercised by International Monetary Fund are applications of collectivist philosophy, and advocates, after return of U. S. to gold standard, aid be given other nations that follow example. Lists advantages of redeemable currency.

The attainment of international monetary stabilization requires that the United States adopt a thorough-going gold standard under which all our currency is permitted to flow freely into and out of this country. Under our restricted international gold bullion standard, the flow of our currency across our boundary lines is controlled by our Treasury, Federal Reserve banks, and other government institutions which control foreign exchanges in practically every form in so far as we are concerned.

Walter E. Spahr

Under this system, our gold exports are confined to central

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*An address by Dr. Spahr at the International Gold Coin Standard Conference, New York City, Sept. 8, 1949.

EDITORIAL

As We See It

Some "Pensions for All" Fallacies

The President's board of inquiry in the steel case has made its report, which, while commonly regarded as "moderate" in tone and basic content, embraces conclusions and recommendations which must not go unchallenged. The reasons for refusing to recommend a further increase in cash wages at this time are certainly modestly enough marshalled and presented, but even the union leaders do not appear much disposed to argue the points raised. What the thoughtful man will find a little difficult to understand is why the same arguments do not apply to wage increases in cash paid to some "fund" for the account of the worker at some future time.

It would appear that the Board permitted itself to be much too greatly influenced by the current craze for "pensions" and by arguments which rest primarily upon the fact that certain of the more highly placed executives in the industry are being provided with pensions. It ap-

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The French Capitalist's Experience Under Inflation And Dis-Inflation

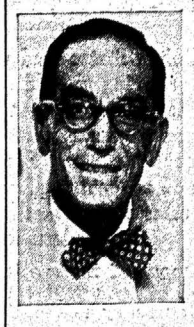
By A. WILFRED MAY

Mr. May, in on-the-spot investigation, finds French holder of equities during and after war has protected his economic position fairly well; while the bondholder has been ruined. Notes individual investor and financial community are now bewildered by conflicting forces of inflation and deflation, latter being stimulated by government's swing to the right Cites tax provisions, including non-existence of capital gains levy. Doubts sterling devaluation would cause franc to fall below 375.

PARIS, Sept. 12.—One important demonstration of the trend since prewar of the relative positions of the French equity-holder and the creditor, is revealed in the following four yield figures:

	3 P.C. Perp. Rentes	Listed Equity Shares
July 1939	3.9%	4.2%
Aug. 1949	4.9	2.5

However, the economic position of the holder of bonds and other fixed-interest assets has worsened vastly more than the above-indicated decline in their market prices. As the general price level and his cost of living have risen 17½ times since prewar, the 40% decline in the market price of government bonds means that the **Rentier** must be "written off" as the actual loser of no less than 98% of the value of his capital.



A. Wilfred May

Results of Equity Holding

The capitalist who turned to common stocks a decade ago, apart from the qualifications to any hard-and-fast conclusions, surely has made out infinitely better than have the completely demolished bond or money holder—and this divergence has been continuing since the end of the war.

The course of French equity prices is shown in the following price index of all exchange-listed common stocks:

(1938=100)

1939	112	1945	694
1940	124	1946	897
1941	389	1947	1,122
1942	633	1948	1,172
1943	605	9-1-49	1,122
1944	625		

Thus the constant holder of stocks has enjoyed a tenfold increase in market value—but insufficient in the light of the 17½ multiplication in his costs, which leaves him with a 40% deficit in his real position.

Furthermore, in surveying the results of common stock-holding in this inflation laboratory, we are faced with the fact that some other media have served the offensive and defensive capitalist better. For example, the owner of land has enjoyed a 20-fold increase in capital value, so he is 17% better off "net" during the decade; and the buyer of gold—a la Continental tradition—has done well with a 25-time and 50% economic "net" increase.

The better performance of gold has not been importantly offset by dividend income.

The low and generally declining yields on equities during the inflation more than ever have been forcing the investor to act as a speculator. This is particularly so because their decline started from a level of price-dividend and earnings ratios which were traditionally low (cf. "Comparison of American and Foreign Valuation of Equities," by A. Wilfred May in American Economic Review, Dec., 1939). The average yield on all listed stocks fell from 4.2% in 1939 to 1.0% in 1947, and then rose to the unrewarding level of 1.49% as the 1948 average, to 1.76% in December, 1948, 2.23% in March, 1949, and 2.52% currently. By industry groups, banks (unnationalized) yield 3.1%, chemicals 2.70%, textiles 1.06%, colonial trading companies 2.3%, copper refiners 3.2%, and steel companies 4.1%.

Comparative French-U. S. "Street" Climate

Although investment activity, as reflected in new equity financing and Bourse as well as investment banking volume and investor apathy, has for some months been in the doldrums, there is no valid parallel to be drawn with the long-term continuing depression throughout the American investment scene.

Closed after the onset of German occupation, the Paris Bourse reopened in 1943, but in a limited way. After liberation in 1945, the investment business was quite satisfactory until 1948, from the standpoints of new issue flotation, Exchange activity, public interest, and price movements. But throughout this year the scene has taken on an "American" hue: Exchange trading volume has fallen to one-third of prewar, equity financing has disappeared, with investor apathy complete (rights to new capital subscription immediately become worthless, in contrast to their bull-market premiums in the United States).

Postwar, the French stock market was stimulated by the fact that because of the general price inflation, corporations generally wrote up their capital and issued correspondingly more stock. This was all right, and there was general bullishness with increased postwar earnings until 1948, when wages, costs and taxes finally caught up with industrial prices. Consequently, there was a stock price fall from 1,178 in January, 1948, to 1,036 in June, 1948. Subsequently, at the end of 1948, the market rallied considerably because of the government's efforts at Trumanesque pump-priming (increased social security, etc.). During the first half of this year, up to June, the market fell again in response to the "disinflationary" character of the revealed government's policies. That is, it showed substantial success in stabilizing the monetary position, prices, and wages. Since June, and currently, the market has been very firm, because of (1) renewed doubt about the government's long-term "welfare state" intentions—it handed out a bonus to government workers; (2) fears of renewed devaluation following sterling troubles; and (3) a further 30% rise in the price of gold.

The Capitalist Perplexed

So much for the past long- and short-term movements and attitudes! Now the French investor is displaying complete apathy toward securities, both new and old ones. This degree of bearishness, not entailing liquidation nor permanently erasing the long-term favoring of the equity medium, is ascribed to the following reasons:

(1) The "past performance" of stocks versus land and gold, as cited above. The traditional preference for gold by all classes of the population is growing and not declining under the current world currency confusion. Even during the inter-war period it is shown by a private study that investment in gold beat that in equities—cumulative income—added on. Apart from the privacy of such a study, this correct impression is shared by every housewife and farmhand.

The highest authorities believe that in case of sterling devalua-

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What Is The Gold Coin Standard?

By WILLIAM W. CUMBERLAND*

Partner, Ladenburg, Thalmann & Co., New York City

Denying gold is obsolete as monetary standard, prominent economist and investment banker describes leading types of gold standard currencies. Points out, despite defects, monetary experience proves no other substance or monetary device has been long able to replace gold as value standard. Attacks "New Deal" currency theories.

Many of us can recall a picture of a bewhiskered dabbler in the occult, surrounded by intricate apparatus, and engaged in an attempt to turn base substances into gold. He was known as an alchemist, and he practiced his arts over the course of centuries. Modern streamlining has dispensed with the whiskers and the gimcracks, but virtually all present day governments now solemnly turn paper into gold and naively believe that they have accomplished something new, ingenious and important. At least these governments tell their populations that there is no difference between paper and gold and in fact expound the virtues of paper money and expatiate on the benefits of liberation from gold. This has occurred sufficiently long in time and sufficiently broadly in space that all young people in the United States and most other countries have no personal experience with the gold standard, and large numbers are to-day suspicious of it. Thus there may be some merit in reviewing the "bad old times" when gold freely circulated and when the superiority of gold over paper was merely taken for granted.

W. W. Cumberland

Perhaps our money magicians of to-day, who proudly proclaim that gold is obsolete, may in retrospect cut as pathetic a figure as the alchemists of ancient times. At least history, experience, logic and common sense unanimously agree that gold has proved to be the only money material which has given satisfactory results over a prolonged period of time and under diverse economic and geographical circumstances. Hence what is the gold standard?

Unfortunately for the *amour propre* of the expositor, it is impossible to present the gold standard as something intricate, esoteric and obscure. Rather, it is simplicity itself. Possibly for this reason modern money managers disparage the gold standard, since it cuts them down to size by automatically and inexorably placing a veto on some of the revelations of the New Economics, such as that government deficits are in reality national investments, that public debts are only bookkeeping items since we owe them to ourselves, and that printing press money is a synonym for purchasing power.

Our ignorant old ancestors at least knew the difference between an asset and a liability. They lacked the astuteness, or the casuistry, to convince themselves and others that a promise to pay is actually equivalent in value to a commodity which from time immemorial has not only been gladly accepted in exchange for other commodities but also has additional attributes such as scarcity, convenience, permanence, divisibility, large value in relation to size and weight, and an impressive history of practical effectiveness, when not interfered with by these self-same money managers, or money meddlers.

Various Types of Gold Standards

There are, of course, various types of gold standards, such as gold coin standard, gold bullion standard and gold exchange standard. Only the simplest of these, or the gold coin standard, will be discussed. Such a standard exists when a government by law stipuates that a given quantity of gold constitutes the currency unit of the country and that all individuals, corporations, governmental bodies or other personal and legal entities have a right to own, buy, sell, import, export or hoard gold without any restriction whatever. This very definition of the gold standard may sound strange to a generation which takes it for granted that restrictions and controls should surround activities of all kinds, particularly those connected with such an exotic subject as money. Nevertheless, persons still exist who remember when gold was in actual circulation and when no one had the legal right to question who had it or what he did with it.

Under the gold coin standard governments also provide that those who possess gold bullion have a right to have it coined into such number of units of coins as correspond to the weight of the bullion, subject to a slight charge to cover the actual cost of coinage. These gold coins are exchangeable by law for other types of money which are outstanding, whether paper, legal tender silver coins or subsidiary coins. As long as this exchangeability on demand and without expense is maintained, other forms of money, including paper money, could not deviate from the value of gold at the statutory price.

In order to maintain exchangeability or parity among different kinds of money, four methods are ordinarily employed. First there must be limitation of supply for all money except full legal tender standard money. This limitation is made effective by such devices

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*An address by Dr. Cumberland at the International Gold Coin Standard Conference, New York City, Sept. 8, 1949.

What's Ahead For Business?

By A. W. ZELOMEK*

President and Economist, International Statistical Bureau, Inc.

Mr. Zelomek, maintaining recession is not over, forecasts a long and continuous fall in prices, but holds the recession is not the beginning of major depression. Looks for production to continue in most lines on present level, and urges that aggressive merchandising be maintained to bring distribution back to normal proportions.

Late last spring it seemed to me that many businessmen were a little too pessimistic. Many of them seemed to be afraid that a major depression was developing.

In the last few weeks, on the other hand, it seems to me that some people have become a little too optimistic. Or perhaps I should say prematurely optimistic. There has been a pickup in new orders.

A. W. Zelomek

But this has occurred mostly in two markets—textiles and nonferrous metals.

In the case of textiles, two factors have been responsible for the improvement.

(a) One was the marked liquidation of distress merchandise that had already taken place, together with the sharp reduction in output.

(b) The other is the seasonal factor, which is always favorable to those markets during the Summer, as retailers prepare for fall and as cutters begin to look ahead toward the next spring.

In the case of non-ferrous metals, industrial buyers had simply cut their orders to the bone earlier this year. Price declines were exceedingly sharp, and when industrial buyers went on a conservative replacement basis there was a fair-sized rebound in prices. **But there has been no carry-through in new orders, and non-ferrous metal consumers are still operating on a conservative basis at a reduced rate of activity.**

Now I think we have one question that should be answered without any equivocation: Is the present recession over, with a spirited recovery already beginning to get under way?

My answer to that is a definite, No. I think we have probably seen most of the decline in industrial production. This had already amounted to 17% through July, and I never have believed that it would go much higher than 20% to 25%.

But price distortions have not been eliminated, particularly in the durable goods field; business as a whole has not been able to conquer its aggravating cost problem; and unless I am very much mistaken, capital goods industries and the automobile industries have difficulties lying ahead that will be at least moderately disturbing to all of us.

Some Past Experiences

No two business cycles are ever the same, but most of them have some points in common. I think it would be a mistake not to learn what we can from past history. Here are some things I believe you should consider.

First, it always takes longer for the production index to recover its losses than it does to record them in the first place.

Second, it always takes longer for the wholesale price index to finish its decline than it does the production index.

Here are some details about what happened in 1920-21, and in 1937-38. They illustrate these two important points.

In the recovery beginning in 1921 it was **20 months** before the production index had climbed back to the 1920 peak. The decline had lasted 13 months.

In the recovery of 1938-39, which proceeded more rapidly in its early phases, it was **17 months** before the previous high was again reached. The decline had lasted 12 months.

In 1920-21, when the price decline was exceedingly drastic, prices continued downward for **nine months after** the low in production had been reached and a recovery in output had set in.

In 1937-38, when the decline in prices was relatively smaller, prices continued to decline for **14 months after** the low in output had been reached. This decline might have gone on even longer if war had not broken out in the fall of 1939 and stimulated buying.

Price Decline This Time Likely to Be Long

Earlier in the postwar period, when any observer dared suggest that the boom would not continue forever, some other observer was always quick to point out that: (a) Federal support under farm prices, and (b) the presumed rigidity of wage rates, were factors that would prevent a price collapse such as occurred in late 1920.

These factors were cited as being favorable, and in a sense they are. Certainly a gradual decline in wholesale prices does not lead to as much forced liquidation and as great a volume of distress selling as occurs when prices go down sharply.

But in another and perhaps more important sense these factors are unfavorable.

(1) Federal support under farm prices will certainly avert the agricultural bankruptcies that followed the first World War, but they also hold up living cost and limit the real purchasing power of the urban public. And the urban consumer is much more numerous than farmers. Industrial communities, such as you represent, will be particularly hurt by the squeeze on the wage earner.

(2) The rigidity of wage rates in manufacturing and the strength of labor unions gives some sections of labor a preferred position; but this is no help and may be a handicap to the millions of white collar and salaried workers.

Moreover, both factors exaggerate the operating problems of many businessmen, where the essential problem at the moment is to get costs down. And this pressure on operating margins is already having an adverse effect on new capital investment, which makes a valuable contribution to employment and industrial activity when it is rising and constitutes an important drag when it is declining.

It seems to me that the present declining trend in the wholesale price level still has a long way to go. The total decline may never be as much precentage-wise as it was in 1920-21. But the period of decline is likely to stretch out over a substantially longer time than was the case even in 1937-39. This conclusion has two important implications for operating policy:

(1) A general and gradual decline in the price level is likely to be accompanied by very diverse movements for individual commodities. When the price of an individual item declines sharply enough, and its position improves enough, there will be sharp rebounds from time to time; the **gradualness** of the general price decline will prevent any strong sympathetic interference from this source.

The moral for you is plain. More than ever, a marked degree of selectivity in buying policy will be necessary if purchasing is to reach a satisfactory degree of accuracy.

(2) On the other hand, even though declines in the general price level are gradual rather than rapid, the mere downward trend will be enough to maintain a considerable degree of caution among most businessmen. While individual concerns will protect their delivery requirements more aggressively for well-liquidated items than they will for those where prices are still relatively high, the general attitude will be one of caution.

This also has a moral for the retailer. We are hearing now about shortages. But even though tight positions may develop, this will be because only production has been sharply curtailed and inventories reduced.

You must recognize such situations as being temporary. Any influx of orders and even a moderate increase in prices will quickly stimulate production and lead to an increase in supplies.

The capacity that created tight supplies by going **out** of production is there, ready and waiting, to create new surpluses by going back **into** production.

Individual Markets

You will guess from what I have said so far that I believe every one of you should pay very close attention to individual markets. I said before, and I repeat now, that premature optimism should be avoided and that a certain amount of caution is necessary.

But you must also make allowances for the fact that consumer demands shift constantly; that some markets have already been well liquidated; and that there are always new items coming along to stimulate the interest of the consumer. Each article of merchandise must be judged on its own merits.

A meeting of this sort is not a very good place to go into details about individual items. Nevertheless, there are certain classes of merchandise that can be separated out of individual discussion.

Appliances and Other Hard Lines

Generally speaking, I believe these are the items where you have to be most careful.

Sales of major appliances went back to a seasonal basis last fall. A considerable amount of overstocking developed quickly, before manufacturers recognized what was happening, and many distributors and dealers had to take markdowns and some inventory loss.

But the general effect on this class of merchandise was quite different than a similar development had been in textiles. **Instead of very sharp price declines there were only moderate reductions.**

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*An address by Mr. Zelomek before 23rd Annual Convention of the National Industrial Stores Association, Atlantic City, N. J., Sept. 13, 1949.

Gold Convertible Currency—Real Problem of European Recovery

By JAMES WASHINGTON BELL*

President, Economists' National Committee on Monetary Policy
Head, Dept. of Economics, Northwestern University

In opening International Gold Coin Standard Conference in New York City, Dr. Bell points out problem of European recovery resolves itself into: (1) a reconciliation of domestic and international monetary objectives; and (2) using mechanism of gold convertible currency to correct imbalances of international payments. Denies monetary management invalidates gold standard system, and urges U. S. lead off in "return to gold."

This conference is being held on the eve of another conference of ministers, which is scheduled to meet in Washington Sept. 13. The immediate purpose of the Washington meeting is the so-called "British dollar crisis," but the main problems to be discussed involve the continuation of American aid to Europe under conditions which will give greater assurance of economic recovery than have our previous loans and advances.

J. W. Bell

It is hardly necessary to review the present status of European economic recovery. In spite of Lend-Lease, British Loan, the Marshall Plan, Bretton Woods and ITO agreements, the ultimate objective of "a healthy economy independent of outside assistance" is still far from being attained in nearly all of the countries involved in the program.

England, with its sterling area, is undoubtedly the most critical country in need of rehabilitation, and yet the allocation of the great bulk of our aid and planned management has, so far, conspicuously failed to bring about the conditions necessary to enable her to stand on her own feet. The French have a saying that "when God wants something done he has England do it." England has made a most serious and heroic attempt to increase her industrial productivity to provide exports for balancing her foreign trade and payments. She has endured a program of "auterity," heavy taxation in the upper brackets and social benefits to the masses have made budget-balancing difficult; these devices, they claim, have been necessary to prevent social unrest, political upheavals. Whatever the exigencies of the domestic economy, England has not succeeded in gearing herself to the world-wide economy. Her inconvertible currency, she insists, must be accepted by other governments at "official" rates of exchange (while the "unofficial" rates fluctuate with the fortunes of economics and politics). The enforcement of "official" rates of exchange by currency controls, bilateral trade agreements and other restrictions have hampered trade and spelled risk and uncertainty in the money market. Experts tell us that no fundamental solution is being reached by present means and that the problem of a stable balance of international payments will remain unsolved at the end of the Marshall Plan period in 1952 unless a new approach is made. If England has tried and failed under past and present policies, can we expect any other country (short of totalitarian economies) to succeed?

Problem of European Recovery Twofold

The real problem of European recovery appears to me to be twofold: (1) to reconcile domestic and international objectives, and (2) to utilize the mechanism of monetary convertibility to correct imbalances of international payments through the price system and money rates.

(1) This is not the place to discuss the apparent paradox of domestic versus international objectives. The conflict became apparent in the 1920s when the "rules of the [gold standard] game" were examined in the light of post World War I conditions, but it took the dramatic scuttling of the London World Monetary and Economic Conference of 1933 to bring the alleged "antimony" of "stable domestic prices vs. stable foreign exchange" to the attention of the non-specialist and economist. The New Deal Administration considered it necessary to abandon the gold standard and cut loose the dollar from foreign currencies in order to raise prices through a "reinflation" policy. In other words, domestic policy dominated and the dollar was forcibly devalued through gold purchases until the price of $35 per ounce was reached in 1934.

Gradually the advantages of foreign trade again became appreciated (the Hull Reciprocal Trade Agreements were entered into) and by the middle of the 1930s some economists realized that national econmic health, i.e., maximum output, employment and income depends not only upon domestic economic balance, but also upon the maximum benefits derived from foreign trade and finance. Foreign trade benefits are not so obvious to a self-sufficient country like the United States (though we realize how desirable and necessary are things like coffee, copper, and tin), but in the case of countries like England, the benefits of foreign trade and finance are vital to domestic welfare.

(2) Under the gold standard system the gold-flow-price mechanism automatically reconciled domestic monetary policies with the prerequisites of international balance of payments because the supply of domestic money was allowed to be determined by international market forces, i.e., by the set movements of the international balance of payments. A favorable or surplus balance of payments brought gold into the country and expanded the volume of money; an unfavorable or deficit balance produced the opposite effect. The influences of the supply of money on price and cost levels and on interest rates (more recent theory adds and emphasizes income effects) tended to correct the imbalance by shifting trade and capital movements. These corrections meant withdrawing gold reserves for export and minor tightening of short-

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*Introductory address prepared by Dr. Bell as Chairman of the International Gold Coin Standard Conference, New York City, Sept. 8, 1949. In Dr. Bell's absence, his paper was read by Dr. Charles C. Fichtner, Executive Vice-President of Buffalo Chamber of Commerce and member of Economists' National Committee on Monetary Policy.

The State of Trade and Industry

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

Total industrial production for the country at large in the past week showed a slight recession from the week preceding, due to the Labor Day holiday closing of many plants. It continued, however, to be only moderately under the high level of a year ago.

Latest reports released by the U. S. Labor Department's Bureau of Employment Security reveal that the brighter trend for job prospects, which improved considerably during July and August, continued to improve up to the beginning of September.

In a current report, Secretary of Labor Tobin stated that unemployment compensation claim figures for the week ending Sept. 3 showed "job prospects improved and industrial layoffs again declined."

Earlier last week the Department of Commerce reported that employment reached a 1949 peak just under 60 million in the second week of August while unemployment fell off 404,000 from July to August. Last Friday's report by the Labor Department's Bureau of Employment Security—which collects the State data—shows that trend is continuing.

A drop of 12,000 in the number of new claims for unemployment compensation during the week ending Sept. 3. So-called initial claims for employment compensation totaled 251,000 in the week ending Aug. 27, compared with 239,000 last week.

* * *

Acceding to President Truman's request for an 11-day postponement of the steel strike by the United Steelworkers, CIO, scheduled to go into effect on Wednesday of this week, Philip Murray, head of the steel union and the CIO, wired the President that more than 500,000 union members involved in the dispute with basic steel would continue at work until 12:01 a.m., Sept. 25.

By also accepting the recommendations of the President's Fact-Finding Board as a basis for talks with companies on social insurance and pension matters, the union cleared the way for a resumption of negotiations with basic steel producers.

In its findings, the Board ruled against a wage increase for the steelworkers but recommended that the companies instal social insurance programs and undertake joint studies with the union on the subject of pensions.

Mr. Murray, it was reported, showed plainly that he was pleased with the "findings" of the Board, or more particularly, with that part of the report dealing with welfare, and hailed it as "the most constructive contribution of its kind made in the history of the United States."

Another bit of welcome news for the steel industry in particular, and the country in general, was the announcement on Monday by the Brotherhood of Railway Trainmen of its acceptance of a National Railway Mediation Board request to postpone for two weeks a strike on the Union Railroad Co. which was set for 6:30 a.m. (EST) on Tuesday.

The strike, which would involve only 1,200 men, would have seriously disrupted steel operations by the consequent layoff of thousands of steelworkers in mills throughout the Pittsburgh area.

According to reports yesterday, operators in the soft coal industry feared a nation-wide coal strike would be called last night because of the charge made by John L. Lewis, United Mine Workers head, that some mine owners, particularly in the South, had defaulted on their payments to the unions welfare fund. It was presumed the main objective of a walkout would be to strengthen the miners' position in contract negotiations which were to be resumed yesterday.

* * *

The trade-wide net gain after estimated Federal income taxes for department stores with annual sales over $1,000,000 declined to 1.2% of net sales at the close of the first half of the fiscal year 1949 as compared to 2.9% reported for the identical stores for the corresponding period of 1948. On the basis of a study made by the Controllers' Congress of The National Retail Dry Goods Association, covering results of department and specialty stores during this period, 228 department stores and specialty stores participating in the survey, with aggregate sales of close to $1,000,000 for the first half of 1949, a trade-wide trend towards diminishing profits and an increase in the number of stores showing actual losses is evident.

Of those department stores in the above category reporting net gain data, 93% had lower net gain performance or greater losses during the first half of this year compared to the results achieved by these same stores during the comparable period of 1948; 2% of the stores experienced no change and 5% showed improved performance. Actual losses ranging from 0.1% to 7.9% of net sales were evidenced by 31% of these reporting stores; 5% broke even, i.e., showed neither gains nor losses, and 57% realized lower profits than in the corresponding period of 1948, the study reveals. For the

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New Money and Our Expanding Facilities

By EUGENE BASHORE*

Vice-President, Blyth & Co., Inc., New York City

Reviewing changes in capital market during past two decades, leading investment banker finds public savings are being disproportionately channeled to business through institutions which are restricted to "safety first" investment. Sees inadequate recourse to risk capital and economic danger in excessive resort to debt capital. Calls equity market highly unsatisfactory, but contends public utilities have been less harmed by changes in investment patterns than other forms of business. Holds danger to private enterprise underlies recent political ideologies.

Ten years ago there were 17 million gas utility customers; today there are 22 million. Ten years ago annual gross revenues were $800 million; today they are twice that, $1.6 billion. Ten years ago gas plant expenditures were on the order of $100 million a year; today they are $800 million a year.

Eugene Bashore

The gas industry—and I realize the difficulty and possible confusion of speaking of the gas business as though it were a single thing—has had and still has a tremendous undertaking to finance and construct the facilities needed to meet the service requirements of its customers. Budgeted expenditures for the four years, 1949-1952, according to American Gas Association figures, are $2.7 billion, an amount slightly greater than the aggregate of all expenditures for the last ten years.

Some companies can supply a good share or all of their new money requirements out of operations, from depreciation reserves which are provided to replace worn-out property and from retention of earnings. Others can supply little or none. More than half of the budgeted expenditures are by natural gas transmission companies most of which have little cash left over after paying sinking funds on existing indebtedness and reasonable dividends. Aggregate figures may mislead, but probably no more than 25 to 30% of your capital requirement can be derived from internal sources. That means that very close to $2 billion must come from public markets.

Your inquiry into the conditions of our capital markets is, therefore, a timely one.

The responsibility for raising capital falls on the shoulders of comparatively few persons. The procedures used are highly technical and the skills employed are highly specialized. Much of the work is paper work, the preparation of registration statements, bond indentures, underwriting agreements and other documents. On the other hand, the investment of new capital in new facilities affects a vast number of people in all walks of life. A million dollars spent for pipe is a million dollars spent to mine ore, to smelt iron, to make steel plate and to roll pipe. It is a million dollars spent on men at work with tools. In a large sense, the investment of capital is the concern of every one of us because it is an essential process by which our economic system functions.

Our Capital Markets

I wish to discuss our capital markets, but not from the narrow technical standpoint of what kind of bond issue can be sold, at what price and how you go about it. Instead, I wish to relate the raising of new money for your expanding facilities to the functioning of our capital markets in the operation of our economic system. That is a subject on which many thoughtful people are very rightly devoting much serious concern.

When capital is acquired by a business corporation, it is generally represented by one of three principal classes of securities:

By bonds, on which the interest and repayment of principal are fixed obligations;

By preferred stock, the return on which is payable only after the bond charges are met;

By common stock, which evidences the ultimate ownership which is subject to all of the risks of the business.

Accordingly, it is my purpose to consider with you the conditions underlying that segment of our capital markets represented by these three principal classes of securities. I shall disregard other segments represented by commercial loans, real estate mortgages, governmental obligations, etc.

Before we proceed too far, I think we should have some understanding as to what we mean by capital. Capital is generally represented by a dollar sign. In the form of currency, capital has no economic use or value except as a medium of exchange. Only when capital in the form of dollars is expended for labor and materials to create tools of production does it become useful. Only when capital is converted into a gas pipe line, or a power plant, or into machinery and equipment, and then only as these tools can be operated to produce corporate and individual savings to be again converted into still more tools, does capital have value. Productive tools are capital and dollars are only the medium of exchange by which they are bought and paid for.

Sources of Capital

Capital belongs to people. It is not an impersonal thing and it is not a force antagonistic to people. Capital is often symbolized as a paunchy old gentlemen with bloated jowls and a fat cigar. That is not a correct picture. The truth is, capital is widely disseminated among all parts of our society. The laborer does not consider himself to be a capitalist, but if he carries life insurance or has a bank account, if he saves, he contributes to the total pool of capital.

The largest aggregation of capital is with the life insurance companies, some $[illegible] billion, which they, as custodians, invest for their 78 million policyholders. They are the agency by which capital, in the form of dollars, belonging to these 78 million policyholders becomes converted into tools of production. There are other such agencies, savings banks, endowment funds, trust funds, pension funds, savings and loan associations, and others. Some people prefer themselves to select the particular kind of tools in which to invest their savings instead of leaving this selection to some financial agency. They are the individual investors who buy bonds and preferred stocks and common stocks of their own selection. There are millions of them, big and little, but mostly little. They are not bound by any laws as to what they shall buy and so they may accept more or less risk for the sake of gain. All of these thousands of agencies and all of these millions of individuals serve the single purpose of investing our national savings in productive

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*An address by Mr. Bashore at the Annual Convention of the Pacific Coast Gas Association, Santa Barbara, Cal., Sept. 8, 1949.

"OBSERVATIONS"

A. Wilfred May, in a dispatch from Paris, comments on experience of French capitalist under Inflation and Dis-Inflation in France. See article on page 2.

Point IV Program—Means of Sustained Prosperity

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

Secretary Snyder, asserting there are major indications of economic activity toward sustained prosperity at home, lauds Point IV Program as means of extending this prosperity throughout world. Upholds proposal for guaranty of private foreign investments against certain definite hazards, but warns placing funds abroad should not be used for purposes of exploitation.

Today, almost 150 million people inhabit the United States. The great majority of them are people who have known how to benefit by expanding knowledge and the advancement of independent ideas. Americans are strong in their views. Vigorous intellects and inquiring minds of a free society produce occasional controversy. But Americans know how to achieve as well as to debate.

John W. Snyder

Look at the record of the past few years. Our productive machinery was converted almost overnight to meet the vast requirements of war. Almost as quickly, we turned to peace. Our factories and farms had to strive to satisfy the pent-up demand in this country for civilian products which had been in short supply during the war. At the same time, nearly every other nation in the world sought to draw upon our production to meet their own requirements.

Some of the backlog demand which accumulated in this country during the war years has been met. For example, since V-J Day, Americans have bought close to 15 million new cars and trucks, 32 million new refrigerators, vacuum cleaners and washing machines, and over 50 million new radios and television sets. New cars have sold as fast as they could be turned out, yet the demand for new passenger automobiles is continuing at a very high level. In other important areas of the economy also—notably housing—supplies have not yet been sufficient to meet the needs of purchasers.

Where shortages have been overcome, there have been readjustments to a buyers' market. Some downturn in prices has occurred. But with consumer incomes continuing at close to record levels and with large untapped resources of purchasing power in the hands of both business firms and the consuming public, adjustments have not proved severe.

It is important to remember that plentiful supplies lead to improved products and lower costs and prices. These have been the hallmarks of the American free enterprise system. Today, conditions of plenty are returning. And in other respects, also, the business environment is favorable. Business investment in plant and equipment, which was higher in the first quarter of 1949 than a year earlier, continues at a high level. Business credit is amply available on favorable terms. Private debt is low, compared with the volume of business being done.

Indications Toward Sustained Prosperity

Taken all in all, the major indicators of economic activity point toward sustained prosperity for our country.

But the time has passed when we can confine our economic considerations to this country. Today, most Americans realize how closely our prosperity at home is bound up with the economic progress of our neighbors here and across the seas.

In Europe, widespread destruction of plant and equipment, and depletion of the soil and other agricultural resources during the course of the war, made impossible a rapid revival of production comparable to our own. The morale of the civilian population, which had long suffered under the shadow of war and occupation, was at a low ebb. Outside aid was urgently required. We responded to this need through our foreign aid programs.

There is evidence nearly everywhere in Europe of resourcefulness, courage and skill on the part of European leaders in making use of this aid. And, generally, we can say that the first stage in the struggle to repair the shattered fabric of European economic life has been successful.

Now, however, we are entering upon a new phase of this struggle of rehabilitation. In this second phase, we are concentrating our attention on helping these countries to support themselves. At the same time, we are studying the means of improving the welfare of the economically underdeveloped areas of the globe. For, higher standards of living in the underdeveloped countries will by the very nature of things benefit not only the countries themselves but all free nations. As the economic life of the underdeveloped areas improves, these areas will supply the world with needed products and will offer an expanded market for our products as well as for those of other countries.

Point IV Program

Our program for improving the lot of the underdeveloped countries was initiated by President Truman in his inaugural address. It has become known everywhere as Point IV. It is intended to help underdeveloped areas help themselves. Cooperation is the program's cardinal principle. The spirit of our own contribution in this field is evidenced by the legislation already before Congress.

The cooperation which we expect to come from the countries to be benefited will take many forms. Thus it is anticipated that they will be willing to contribute to the cost of the assistance program, that they will provide their own technical experts in the fields in which they excel, and in general that they will use their own resources to the fullest advantage.

Supplying technical assistance is the first of the two parts in which the Point IV plan is divided. It is hoped, through this form of aid, to lay the foundation for improving health of the peoples of many areas; to provide the basis for training in many types of agricultural and industrial production; and generally to obtain more effective results from both private and public undertakings. The accomplishment of these objectives is of the highest importance. It is our earnest hope through them to further the development of countries desiring our aid, and to assist in the fulfillment of their aspirations.

The possibilities for development in these areas capture the imagination of us all. Every country has some untapped resources. Much of the potential wealth and natural resources of the underdeveloped areas is unknown. One of the first steps is to discover what are these resources. With knowledge of their nature, location, and potentialities, it can be determined how best they can be economically developed—for instance, whether appropriate transportation is available, and whether necessary power can be supplied. The answer to these and many related questions is part of the job which is cut out for the technical assistance phase of the program.

The Guaranty of Investments

The second part of the Point IV Program is financial in character. Under this part of the plan the Administration already has proposed legislation to authorize the Export-Import Bank to guaranty American investments abroad against certain risks pertaining to such investments. By this means it is hoped to encourage American capital and technical knowledge to participate in the effort. It is important to enlist American business know-how because the ingenuity and resourcefulness of the American businessman is generally unsurpassed.

By relating technical assistance to the international flow of capital, there should be an increase in the effectiveness of both. Better health and educational standards can be expected which will result in better workmen and better citizens. These and other results of technical aid are helpful to capital in producing goods, and so encourage the investment of new capital. Investments in machinery and new enterprises permit the perfecting of skills that have been acquired. Additional production means an increase in national incomes, permits greater local savings, and thereby aids general advancement toward better living.

The cooperation of private enterprise on both the technical and financial sides of the Point IV Program is essential. Foreign investment for desirable purposes should be undertaken through private channels so far as possible.

We all know that there are certain well-defined obstacles which have stood in the way of the investment of American capital abroad. We also know that private capital will flow abroad more freely and produce better results where it is encouraged locally.

The underdeveloped areas must accept the major responsibility for clearing away obstructions which exist to a broad and beneficial flow of private capital. This requires that foreign governments must recognize that the right to do business in their countries on reasonable terms is considered of paramount importance by our potential investors. It also requires that foreign countries recognize the right of persons making foreign investments to convert their income from such investments into dollars and to transfer an appropriate share of the dollar proceeds to their own country. Finally, although the right to nationalize property within any country's border is inherent in sovereignty, the country resorting to the exercise of that right should recognize an equally strong obligation to make satisfactory compensation.

We, on our part, can contribute to the removal of these obstacles

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*An address by Secretary Snyder before the National Reunion of the 32nd Division Association, Grand Rapids, Mich., Sept. 4, 1949.

How to Return to the Gold Standard Now

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

Mr. McKenna reveals developments in formation of Gold Standard League and proposed plan to promote interest in return to gold standard. Says U. S. has sufficient gold reserve to permit convertibility of currency and cites action of Swiss people of returning to gold as only legal tender in that country. Says gold currency is needed as tool of free men and urges enactment of Reed Bill to reestablish in U. S. gold convertible currency.

How can American citizens get back that necessary implement of human liberty, redeemable money? Several years ago I listened to a speech tracing the evil effects of printing-press money, politically-managed money and credit on the life of our people. The speaker described, as many of us confirm by our studies of the history of irredeemable paper money, the eventual fate of monetary systems in which the currency is not required to be made good in the metal which is our standard of value.

Philip M. McKenna

I listened to that speaker and at the end asked timidly, "But who will put the bell on the cat?", reminding him of the council of mice who decided that the way to stop the depredations of the cat which was devouring them one by one was to require that the cat wear a bell (I propose a golden bell) to give due notice of the cat's approach. Of course, one way to bring the cat to its senses is to let it devour most of the mice, until it commences to starve because of their extinguishment. But that method is so unnecessarily painful to the citizens! It amounts to going through a political revolution such as we have seen in Russia and in England.

As a rather adventurous mouse, I decided that, having a few crumbs of cheese stuck away in the hills of Western Pennsylvania, I'd see what I could do in the way of "belling the cat" while we still had a limited independence. We started the activities which are now "The Gold Standard League" a little more than a year ago in Pennsylvania. In June of this year, with State Chairmen in eight states we announced ourselves as The Gold Standard League. We had the immense reserve of facts and arguments carefully collected and advanced by the Economists' National Committee on Monetary Policy since their formation in November, 1933, to warn and advise against the actions taken in 1933 and 1934 which took us off the gold standard for use domestically by American citizens.

It was only in August, 1948, that I resolved to see if any number of my fellow citizens in the representative town of 10,000 population, Latrobe, Pa., felt the same need as I did for a return to the gold coin standard of money for use by American citizens. I presented my thoughts in a talk to the local Rotary Club. It was an experiment. Much to my surprise and pleasure the men there were strong for the idea. Members stayed an hour after the meeting to talk with me about it. The local and nearby papers printed my talk in full on their front pages. I was then asked to present my thoughts to an even larger number of citizens. To determine whether the interest displayed in my community was the same in other places I talked in Philadelphia and in New Jersey to three service clubs finding an intense interest in the subject there also. I was invited to speak in Pittsburgh before the Shriners' Luncheon Club, receiving the same intense interest I had found at the other end of the state.

People began to correspond with me about it. I visited Dr. Spahr of the Economists' National Committee on Monetary Policy for accurate information. I was stirred by the example of the long and intelligent effort of the foremost monetary economists of the country in keeping alive the torch of freedom during 15 discouraging years of dishonest money. I learned of the bill which was introduced into the 80th Congress to return us to sound, reasonable money.

Having to write interest-compelling advertisements for our company I realized that I could tell more people quickly if I mentioned the gold standard in our regular trade paper advertising. We got out a series of seven "ads" entitled for example, "Soundness Is Essential in Metal Cutting Tools as in Money Tools" and "Cheap Tools Shackle Industry and Trade." My associates naturally had a right to question whether the company benefited by such advertising. The results were most convincing. Within three months they were saying, "At the rate sales are improving since you have begun to neglect your business for this matter of public interest we suggest you neglect it some more and harder." I had discovered a force existing in the American people which needed expression.

Because I was unable to reply in separate letters to all of the correspondence I was receiving on the subject I got out on "ditto" paper bulletins covering different phases of the matter about which they inquired. Financial newspapers such as "The Commercial & Financial Chronicle" and finally the "Wall Street Journal" began to print my articles or excerpts from them. I saw the editor of an American Federation of Labor newspaper, the "Trade Union Courier," who, recognizing that the wage earner has much at stake in sound money, published a series of three articles by me, pointing out that labor needs the gold coin standard of money. Six hundred newspapers published my article, "The Investor and Job Maker Dependent on the Gold Coin Standard of Money." I wrote 400 doctors in our county, pointing out the connection between socialized medicine and irredeemable paper money.

Formation of Gold Standard League

From all of these sources which I have mentioned and many which I have not, it became evident that some more formal organization of this need for expression of the will of the Amer-

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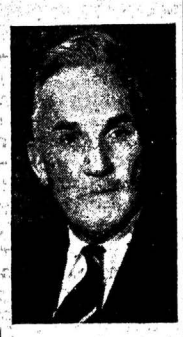
*An address by Mr. McKenna at the International Gold Coin Conference, New York City, Sept. 8, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

Shortly after our invasion of Italy in the last war, then Secretary of the Navy Frank Knox made a flying visit over there. Upon his return he spoke at a luncheon meeting of several Washington correspondents. In the question period that followed he was asked about the effectiveness of the bombing by our air forces.

The Secretary replied that he had been quite surprised to find that when buildings were bombed the debris fell in upon the machinery and protected it. He was rather disappointed over the bombing results. Several of the correspondents pounced upon him, their attitude being that he was taking a sly dig at the Air Force. He hadn't volunteered the information; had only answered a question. But this was at the height of the agitation that the Navy had become obsolete and that the Air Force had become the main arm of defense.



Carlisle Bargeron

A few days ago I saw in the rotagravure sections a photograph of a vast recreation building in Germany which, it was explained, Hitler had ordered built, but work had been halted when an air raid damaged it. I wondered why the Germans would be engaged in this sort of work when our planes were supposed to be leveling their whole country.

I shall always remember a newspaper item I read a few days after the atomic bombs were dropped on Nagasaki and Hiroshima. A couple of flyers who had flown over the latter city were reporting on the desolation caused. The street cars and people riding bicycles seemed to be the only activity, they said.

Street cars running and people riding bicycles in a completely destroyed city! I've wondered since why the Air Force and bomb propagandists let that story get through.

These observations are by way of leading up to one of the most serious situations in the country today. We are spending some $15 billion annually for defense. We are doing this against that powerful monster that threatens peace-loving peoples everywhere, and certainly we are a peace-loving people, having been engaged in only three wars and several military expeditions in my life time.

But it would be just too bad if the generally predicted war should come, assuming that Russia is as powerful as she is touted to be, which she isn't, because our armed forces are on the verge of demoralization. The morale of the Navy and to a lesser extent, the Army, is completely shot to pieces.

We had the spectacle a few weeks ago of Secretary of Defense Louis Johnson taking the high officers of the three branches off to White Sulphur Springs, W. Va., for a few days of golf in order that they might become more agreeable to each other. They smiled for the cameras, but if there is any more cordiality among them or any more cooperation since this unusual visit, it is not apparent here in Washington. The bitterness has increased instead.

This situation has come about because of the high-handedness of the Air Force. By way of ruling the roost, they worked out, in conjunction with the Army, the "unification" plan. We haven't got unification yet, only more top eschelons of brass. What the plan did do was to unify the Air Force into a separate service supposedly on equal terms with the Army and the Navy, but really in the commanding or boss position. The Army has long since come to realize that the Air Force pulled the wool over its eyes and to regret the marriage by which the two services lobbied for "unification."

I am quite sure that I am no military strategist, my rank in World War I having been that of corporal and my command limited to seven men.

But I am convinced that there is a tremendous lot of bunk in the glorification of the Air Force and to the extent that the other services are being subordinated and their morale shot, it has become downright dangerous.

Ever since shortly after World War I, the Air Force has been scrambling for recognition as a complete service within itself, wholly independent of the other services. As I have written before, it has had the powerful aviation industry behind it. With billions to spend at its command now, it is running hog wild.

In the investigation of five percenters by a Senate committee, it was brought out that General Vaughan fixed up a couple of his friends for rides to and from and within Europe in planes. That is not a circumstance to the vast junketing service which the Air Force is. High and low brass use the planes to go duck hunting a thousand miles away; the young pilots tell delightfully how they have a couple of cocktails at their officers' club and fly 300 miles to a country club dance. Members of Congress and editors think nothing of using the service to fly around the world. The Navy used to be able to lobby with Congress by giving trips to members this way, but this mode of junketing has no chance with what the Air Force offers.

Talk about what Vaughan did for his friends! Why, a youngish man of my acquaintance who calls himself a Public Relations Consultant, and strangely enough a Republican, wangled a flight to France a few weeks after V-E Day. Over there he consorted with a petite mademoiselle. He was returning to Washington about Christmas Day so he thought it would be nice to bring her over, dress her up as a little doll and give her to his friend as a Christmas present. So help me, he not only had no trouble in flying the girl over to this country, but after the three had had enough fun, he wangled a flight for her back to France.

The Air Force is made up of modern knights errant, with their easy living, extra pay allowances and rakish caps and lax discipline. It should come in for some realistic and objective study before we find our armed forces have broken down.

Steel Fact-Finding Board Reports

In a general summary, it lists as recommendations for fair and equitable settlement of dispute between steel industry and steel workers: (1) wages remain around present level since steel workers wages in relation to other income receiving groups is not out of line; (2) there is an economic justification for granting social insurance and pensions to the steel employees; and (3) collective bargaining in steel industry should not be limited to pattern set up by United States Steel Corporation but be conducted on individual company basis.

The report submitted on Sept. 10 to the President by the Fact Finding Board, which was appointed by him to hold hearings and submit recommendations for the settlement of the controversy between the leading members of the steel industry and the United Steel Workers, CIO, contains in its final portion, the Board's "Findings and Recommendations." Members of the Board were Dr. Carroll R. Daugherty, of Northwestern University, Chairman; David L. Cole, of Paterson, N. J., lawyer, and former Judge Samuel I. Rosenman, of New York.

The text of the Board's "Findings and Recommendations" follows:

The following is a summary of the Board's findings on the chief matters in issue between the parties and a statement of the Board's recommendations for a fair and equitable settlement of the dispute.

A. The Issues Between the Parties

The issues arise out of union demands based on reopening clauses executed in 1948, amending the 1947 collective-bargaining contracts between the companies in the basic steel industry and the union.

The main issues are:

(1) **Wage-Rate Increases**—The union requests a general wage-rate increase of 12½ cents per hour. This the companies refuse.

(2) **Social Insurance Program**—This is defined as insurance against death or total and permanent disability, benefit payments during temporary disability caused by sickness or accident occurring off the job, and hospital and surgical benefits. The union's estimate of the cost of providing the benefits which it requests is 6.27 cents per hour on the basis of a 2,000-hour work year. It requests that the companies pay the full cost. As to the request for this program, some of the companies reject it entirely and some have indicated a willingness to bargain with respect to it.

(3) **Pensions**—The union requests a program paid for entirely by the companies providing a uniform pension of $125 per month for each worker retiring voluntarily at age 65 or later, and also a pension of $150 per month for a worker retired for permanent disability after ten years of service, to be reduced to $125 per month at age 65. The union's estimate of the cost of this program is 11.23 cents per hour per worker on a basis of a 2,000-hour work year. This demand the companies reject on the ground that the subject of pensions is not now bargainable under the reopening clauses.

B. The Issue of Wage Rate Increases; Economic Analysis

Under this heading the Board has considered the economic arguments of both sides, not only as they relate to the steel industry but also as they relate to the economy as a whole. While these economic considerations have a more direct bearing on wage rates than on the other two issues of social insurance and pensions, they serve also in part as the economic justification for the recommendations made hereafter on such other issues.

1. Criteria for Conclusions on Raising Wage Rates or Labor Costs

There are no mathematical formulae by which to settle the question of whether wage rates or labor costs should be increased at any particular time in a particular industry or particular plant. The Board seeks to form its best judgment based upon two major inquiries:

(A) The First Major Inquiry—Is the present position of the steelworkers inequitable in earnings as compared with those of other groups in the economy? This involves the following three subsidiary considerations:

(1) Are the steelworkers in an inequitable position as compared with other industrial workers?

(2) Are they suffering any inequity as compared with certain other groups whose economic welfare depends substantially upon the steel industry, namely, the corporations themselves, their stockholders, and the consumers of steel?

(3) Are they suffering any inequity as compared with all other income-receiving groups in the general economy outside the steel industry?

The subsidiary criterion listed above as (2) includes a consideration of employers' "ability to pay" increased wage rates; and among the important factors to be considered in such determination are:

(A) The increased productivity (output per man-hour) of the industry;

(B) The level of profits earned over a period of years and currently;

(C) The percentage of plant capacity that must be utilized in order to "break even";

(D) The probable movement of raw materials, prices, and other costs.

(B) The Second Major Inquiry—What would be the probable effects of granting the union's demands on the general level of economic activity in the country as a whole?

The argument advanced by the companies that, on a reopening dispute such as this, the only criterion to be considered is the change that has occurred since the contract was originally made is not tenable here. The parties themselves did not ascribe this meaning to the reopening provision, as was evidenced by the facts and arguments they presented; they treated the merits of the dispute as though it was the negotiation of a new wage rate. Furthermore, the argument cannot apply to items like social insurance and pensions where neither was originally included in the contract.

2. Findings and Conclusions Relative to the Above Criteria

(A) Steelworkers in Relation to Workers in Other Industries:

(1) The steelworkers' present average hourly earnings of about $1.65 compare favorably with all other manufacturing workers. Their average hourly earnings have risen more in cents per hour since 1939 and 1941 than those of manufacturing workers as a whole, and more than those of the durable-goods workers; in very few industries, manufacturing or non-manufacturing, have hourly earnings risen more in cents.

(2) On balance the steelworkers are not suffering from a wage-rate inequity in terms of their relations to the workers of other industries.

B. Steelworkers in Relation to Other Groups Whose Economic Welfare Depends on the Steel Industry—Of such groups those to be compared with the steelworkers are the corporations themselves, the stockholders, and consumers of steel.

This involves the subject of ability to pay increased wage rates as related to profits, dividends, and prices. Taking up the factors to be considered, as listed above, and other relevant considerations, the Board finds:

(1) Productivity: the union has not satisfied the Board that steelworkers do not share equitably in the increased productivity of the industry.

(A) It has not succeeded in proving its contention that productivity has risen by 49.5% since 1939.

(B) It is the belief of the Board that, as hereinafter explained, wage rates in a particular industry should not be tied directly to productivity in that industry but rather should be related to the general industrial rise in productivity, and that any excesses of productivity in any one industry

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Truman's Unemployment Policy

By ROGER W. BABSON

Mr. Babson, calling President Truman's policy of rushing aid to areas of unemployment a "fire department technique," says aim is correct in theory, and may even work in practice, but contends extinguishing depressions at start "with a bucket of water" will not prevent ultimately needed readjustments.

The following is an impartial report as to what the Truman Administration is attempting to do to prevent further unemployment. The plan is not as radical as Mr. Roosevelt's experiments, most of which failed. It, however, seems to most Republicans like trying to sweep back the ocean from a sandy beach with a broom." Conservatives believe in letting the tides come in and go out as nature intended.

Roger W. Babson

The President's friends would use a city Fire Department as an illustration of what they are trying to do to stop a business conflagration. A Fire Department does not prevent fires from starting, but only from spreading. The Fire Chief waits until a fire starts and then rushes to it and puts it out.

If you divide the annual cost of any Fire Department by the number of fires, at first thought the Department seems inefficient. Every city spends $1,000 to put out a $500 fire. Yet, without the Fire Department, that little fire would grow and perhaps burn up the entire city. Hence, I believe that the Fire Chief is the most useful and important citizen of every city. They all should be paid more money.

Apply Unemployment to Fires

The Truman program is based upon a similar theory. If unemployment starts in a certain state—as it now has in Massachusetts and Rhode Island—the President wants to rush aid to that section immediately and stop the spread of that unemployment to other sections. To a certain extent the President is right in theory.

When the textile and shoe workers of New England are idle, their purchasing power is cut down. This causes other plants elsewhere to lay off employees. Then unemployment increases all over the country like an epidemic of flu. On the other hand, if enough government orders and aid are rushed to these sick places, the unemployed would go back to work and would again buy goods. This helps every other part of the country. At least this is the Truman theory. Whether or not it will work no one knows; but it seems worthy of trial.

Fires Run in Cycles

There is one feature about the fire illustration concerning which my Truman friends don't like to talk. This is the fact that with all the wonderful and efficient Fire Departments of our country, the total fire losses—over a long period—go up and down according to Newton's Law of Action and Reaction. The best Fire Chiefs in the world can't control the human element involved in connection with fires.

During certain years people are careless and then there are an extra large number of fires. These so increase that the insurance companies—through the National Board of Fire Underwriters and its efficient leader W. E. Mallalieu—get busy and start a campaign to educate people to be careful. This, combined with other factors, bears fruit and fires decrease for a series of years. But people get careless again and fires again increase. Statistics show that fires have their cycle the same as employment, commodity prices and general business.

What About Stocks?

But granted that this Truman experiment will work, and I surely hope it will, Fire Departments do not build new houses nor start new businesses. Likewise, this experiment of extinguishing a depression at the start "with a bucket of water," will not change human nature and prevent a readjustment sometime. Certainly, the Truman experiment will fail unless labor leaders have a change of attitude. They can set fires faster than any Fire Department can extinguish them!

All the above means that there is no hurry to buy stocks or bonds. The Truman experiment must ultimately result in higher taxes. This leaves less money for people to invest. The real difficulty with the stock market today is not because of the dividends nor the security, but because investors have no money left to invest after paying living expenses and taxes. President Truman's experiment may help to steady the stock market; but I don't see how it could cause a bull market in stocks, commodities, real estate or anything else.

Schroder Moves to New Quarters

The J. Henry Schroder Banking Corp. and Schroder Trust Co. will move to new quarters at 57 Broadway, New York City, this week-end and will open there for business next Monday, Sept. 19, it was announced by Gerald F. Beal, President of the two institutions.

A 21-year lease on the first three floors of the building was signed in April, 1948, and alterations have been under way since that time on both the interior and exterior of the premises. Heavy equipment and files are now being transferred from 46 William Street and moving operations will be completed over the coming week-end.

The present move is the third for the Schroder Banking Corp. since it opened in New York in 1923. First located at 25 South William Street, offices were moved to 27 Pine in 1925 and to 46 William in 1929.

Mr. Beal remarked that the new quarters were selected not only to provide more space for expansion, but also to offer clients the convenience of a ground level banking floor. The space was occupied by the Chase National Bank of New York from 1916 to 1928 and had not undergone any substantial alteration until the present time. Total floor space rented by the Schroder group approximates 50,000 square feet excluding vault facilities in the basement.

Although an American institution, incorporated under New York State banking laws, J. Henry Schroder Banking Corp. was founded at the instance of J. Henry Schroder & Co., London, which has been active in business since 1804. Expansion of business led to the establishment in 1929 of the Schroder Trust Co., which is a member of the Federal Reserve System and the Federal Deposit Insurance Corp.

The institutions, whose combined total resources as of June 30, 1949, were over $123,000,000, complement each other in offering complete banking services. Their facilities include commercial and industrial financing, dealings in foreign exchange and remittances, investment advisory service, safe custody of securities and corporate and personal trust functions. They also act as fiscal agents for foreign governments.

The three floors under lease have been completely remodeled to suit the needs of the new occupants. Air-conditioning has been installed throughout and all lighting fixtures, carpeting and decorations have been renewed. In keeping with the present trend in banking architecture, cashiers' "cages" have been eliminated in favor of a long counter to serve clients wishing to make deposits or withdrawals, as well as those with collection or letter of credit business.

Also on the banking floor is an officers' platform for those immediately in charge of the operating departments who will be readily accessible for consultation. The west end of the banking floor is occupied by other departments allied with operations, including the Credit Information Department which is close to an entrance from Trinity Place.

The original facade of the building, which was of marble in Italian style, has been completely removed and replaced by a gray granite veneer in modern design which allows full use of the large windows on the first two floors.

The second floor has been designed to provide quarters for the senior officers. Access to these offices is given by a private elevator. Another officers' platform has also been included on this level. The board room, a private dining room and conference rooms have been built in the central section of the floor.

Departments concerned with securities and investment are located on the third floor which is served by the main building elevators.

Walker & Poor, architects for the Schroder banks, drew the plans for alterations on the premises which were carried out by James King & Sons. Petroff & Clarkson supervised Rheinstein Construction Co. in the remodeling of the exterior.

Kalak Elects Directors

Kalak Water Co. of New York, Inc., under new ownership, announces a change in management and the election of the following new directors: Wilbur A. Killeen, Peter J. Morgan, F. Dwight Foster, Robert Vogelbach and Adrian P. Burke.

At a meeting of the new directors, the following officers were elected: Wilbur A. Killeen, President; F. K. Diefendorf, Vice-President; Robert Vogelbach, Vice-President, and Peter J. Morgan, Secretary and Treasurer.

Mr. Killeen for the past 22 years has been Vice-President of John Morgan a corporation, manufacturers of carbonated soft drinks; Mr. Diefendorf was formerly with The Crucible Steel Co. of America; Mr. Vogelbach has been with Kalak since 1920; and Mr. Morgan is senior partner of Peter Morgan & Co., New York investment firm.

Roy F. Barnum Opens

UTICA, N. Y.—Roy F. Barnum has opened offices at 904 Arnold Avenue. Mr. Barnum was formerly with J. Arthur Warner & Co., Amott, Baker & Co. and Weber-Millican Co.

With Wesley Hall Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—William E. Rogers is with Wesley Hall & Co., First National Building.

Dealer-Broker Investment Recommendations and Literature

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

Airlines — Brochure analyzing the industry with individual resumes of 17 companies—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Building Shares — Analysis of the upturn looked for in these shares—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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

Common Stocks — Special lists of common stocks favored for appreciation and for investment—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a list of preferred stocks for capital gain and/or yield, an analysis of the speculative possibilities in **Missouri Pacific Bonds,** and a review of **Servel, Inc.**

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, 40 Monroe Street, New York 2, N. Y.

* * *

Bangor & Aroostook Railroad—Circular — Maine Securities Co., 465 Congress Street, Portland 2, Maine.

Bank of America N. T. & S. A.—New booklet reviewing operations and common stock market record—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Canadian Pacific Railway Co.—Circular—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Celanese Corp.—Report—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

Colombia Bolivia—New study—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Consumers Power Co.—Circular—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available are circulars on **General Outdoor Advertising Co., Halliburton Oil Well Cementing Co., Irving Trust Co.**

Copeland Refrigeration Corp.—Circular—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Diced Cream Co. of America—Circular—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Keyes Fibre Company—A study of the industrial growth of a pie-plate—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Libby, McNeil & Libby—Circular—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Also available is a circular on the **Oliver Corp.**

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

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

COMING EVENTS

In Investment Field

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

Sept. 16, 1949 (New York City)
Charles Hayden Memorial Golf Tournament at Baltusrol Golf Club, Springfield, N. J.

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

Sept. 17, 1949 (New York City)
Cashiers Association of Wall Street annual outing at Reinharts' Picnic Grounds, Staten Island.

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.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Lew Welch is now associated with Bache & Co., 235 Lincoln Road. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Sellers to Admit Partner

ONEONTA, N. Y.—Edward L. Sellers, 1 Taft Avenue, will admit J. Paul Sellers to partnership in his securities business.

Gold Coin Standard—Mechanism For World Trade and Investment

By LELAND REX ROBINSON*
Vice-President, Economists' National Committee on Monetary Policy

Dr. Robinson maintains immediate reestablishment of gold coin standard by U. S., when taken in conjunction with other necessary measures, would be most effective step toward restoration of confidence, reduction of hoarding, and easing health giving flow of international trade and investment. Lays heavy U. S. export surpluses to universal abandonment of gold standard, and deplores efforts to devalue nominal gold content of dollar. Outlines advantages of "hard currency" in international trade and investment.

A few months after our government, in 1933, broke faith with the American people by destroying convertibility of our money into gold and then juggling the value of its irredeemable currency, it became necessary to re-establish some foundation in the monetary welter that followed. Congressional action in January, 1934, which defined the dollar at 35 per ounce of gold, neither restored convertibility, nor did it give back to the people their historic right to hold gold, if they chose, as a store of value.

Leland Rex Robinson

This action was allowed to pass, but not condoned, by the United States Supreme Court. Although expropriating on a huge scale from rich and poor, it did at least pay lip-service to the principle of a gold-based currency, or perhaps we should say a gold-*debased* currency. It carried the implication, if not the promise, that further devaluation would not be tried for fiscal expediency; it restored enough confidence among shell-shocked investors to permit cumulative deficit financing without open resort to printing-press money. It was therefore an essential, abeit an incomplete and disingenuous, approach to an honest and workable gold standard.

That we have neither an honest nor a workable gold standard, however, has become painfully evident on both the domestic and the international fronts. What domestically has added up to abrogating the gold clauses in innumerable contracts among individuals and between individuals and governments, seizing and impounding all monetary gold, and giving the people inconvertible paper as their circulating media, has appeared internationally as a gold bullion standard so restricted in actual operation as to offer impediments of its own against stability of exchanges, convertibility of currencies, multi-lateralism and non-discrimination in commerce, and the flow of goods, services, people and capital across national frontiers.

The establishment by our government of a gold coin standard at this time, at the present statutory but unimplemented rate of $35 per ounce, would prove a most effective step, when taken in conjunction with other necessary measures, toward restoration of confidence, reduction of hoarding, and easing the health-giving flow of international trade and investment.

Our Insulated Gold Stocks Afford No Security

Certain it is that our pyramiding gold stocks, insulated by inconvertibility of circulating dollars and by various restrictive devices, can no more afford us security in these times of world crisis than the snug delution hugged by a woman of whom I once heard who, upon being told that her house was on fire, shouted back, "Nonsense, the doors' locked and the key's in my pocket!" In fact, failure to face this issue now with courage and honesty will only subject us to increasing pressures as a nation to countenance the makeshift, to adopt the wrong tack, to put off perhaps irrevocably the real solutions.

Our text might therefore be the impending Anglo-Canadian-American conversations relating to the "sterling area" predicament in international payments, and the meetings to follow of the International Fund and Bank. It is evident that we are not facing here just a "British crisis," or an impasse due solely to "shortage of dollars" throughout the world. Nevertheless preparations for these conferences have been accompanied by a spate of complaints, countercharges, scapegoat-stalking, and bizarre and often dangerous proposals bringing us nearer the Niagara brink of monetary and exchange chaos.

The Record

Now, as Al Smith used to put it, "Let's look at the record!"

At the present time, the United States has a monetary gold stock of some 24 and a half billion (calculated at $35 per ounce). This is about two-thirds of the world's monetary gold stocks. A decade ago we had only half of the global supply. So great has been the flow of gold to our shores that its ratio to total bank deposits and money in circulation has doubled since the 'twenties. This golden stream in its one-way flow to the United States has absorbed practically all of the world's gold production since 1937, or its equivalent, which, by the way, was over eight times our own. In other words, American production of gold in this interval approximated one and a quarter billion dollars in value, while about ten and a half billion was produced elsewhere (exclusively of the U. S. S. R.). While Federal Reserve banks turned over to the Treasury the nation's basic gold reserves (in return for "gold certificates" convertible in theory only) to the tune of eight times or more the output of gold in other parts of the world, central banks in Europe and elsewhere saw their reserve ratios slipping as the twin plagues of irredeemability and inflation visited their consequences upon mankind.

Of course it may be argued that this has been a natural redistribution of the world's monetary gold both from existing central bank reserves and from new production. The prewar "triangular" trade pattern—whereby tropical and other under-developed countries sent large surpluses to industrially advanced nations, and notably to the United States, while the latter as well as Continental countries sent surpluses to Great Britain, which in part paid for them by net exports to regions purveying foodstuffs and

(Continued on page 35)

*An address by Dr. Robinson at the International Gold Coin Standard Conference, New York City, Sept. 8, 1949.

Dollar-Sterling Conference Agreement to Ease Dollar Shortage

Representatives of U. S., Great Britain and Canada issue joint communique, in which it is agreed ECA funds allotted to Britain will be used to increase that country's purchases outside U. S. while U. S. will increase purchases of strategic materials in sterling area. Britain to be permitted to encourage more imports from nondollar nations and U. S. customs impediments to British goods are to be eased. No reference made regarding sterling devaluation, but Britain is to seek lower production costs and other appropriate incentives to increase exports to dollar area.

Following the final session of the conference of high ranking representatives of the United States, Great Britain and Canada in Washington on Sept. 12, regarding the alleviation of the British "dollar shortage" crisis, a joint communique was issued in which was announced the terms of the agreement, arranged by Ernest Bevin and Sir Stafford Cripps, Foreign Secretary and Chancellor of the Exchequer of Great Britain, respectively; Secretary of Treasury John W. Snyder, and Secretary of State Dean Acheson, and Lester B. Pearson, Canadian Minister of External Affairs, along with Paul G. Hoffman, ECA Administrator.

The text of this communique follows:

I

Representatives of the United States, the United Kingdom and Canada have met during the past week to examine the trade and financial relationships between the sterling area and the dollar area. The pound and the dollar are the two principal world trading currencies.

While the development of a satisfactory balance of payments between the two areas is a matter of fundamental concern to the democratic world, it involves many problems which concern in the first instance the governments which are the centers of these two currency systems. The present discussions were held to examine these problems.

It was recognized that the task of working out conditions under which world trade can develop steadily and in increasing freedom will require a strenuous and sustained effort, not only on the part of the United States, the United Kingdom and Canada, but also by all other countries desiring the same objectives.

II

It was agreed that the common aim is to work toward an ultimate solution which will maintain employment and establish equilibrium of international trade on a mutually profitable basis at high levels. These objectives and general course of action have already been set forth in the United Nations Charter, the Bretton Woods Agreements and the Havana Charter for an International Trade Organization.

It was the broad purpose of the present meetings to explore, within this general framework, various specific measures which the three governments might take to prevent a serious breakdown in the dollar-sterling relationships which would have led to a crippling limitation of dollar imports into the sterling area and to hasten the achievement of those objectives.

III

These conversations have carried forward the consultations initiated in London during July 8-10. They have resulted in a clear understanding of the character of the difficulties to be faced and an increasing realization that a fully satisfactory solution will necessitate continuing efforts in many directions. In the course of these conversations it has become possible to discuss with complete frankness specific problems and the types of measures which will have to be taken if the three countries are to achieve their common purpose.

IV

In the early stages of the discussion, attention was given to the immediate problem confronting the United Kingdom and the rest of the sterling area as a result of the rapid decline of gold and dollar reserves. Note was taken by the three governments of the emergency action which sterling area countries have decided to take to meet this situation. These measures are not pleasant ones; they will cause difficulties and sacrifices for everyone concerned. Nevertheless, they are a temporary necessity, and are recognized as such by all three governments.

V

The ministers were in complete agreement that no permanent solution to the problem could be found in the emergency steps contemplated. A more fundamental attempt would have to be made by all concerned to expand the dollar earnings of the sterling area and to increase the flow of investment from the North American continent to the rest of the world, including the sterling area.

VI

This more fundamental attempt would involve both separate actions of the three countries operating individually, and joint action by the three acting in cooperation with each other.

In approaching these possibilities of individual and joint action on the sterling-dollar problem, there was common agreement that this action should be based on the assumption that extraordinary aid from the North American continent would have to come to an end by the middle of 1952. This would require that the sterling area increase its dollar earnings so as to pay its way by 1952. This would require in the sterling area

(Continued on page 37)

Missouri Brevities

Direct negotiations were renewed yesterday (Sept. 14) between the management of the Missouri Pacific RR. Co. and representatives of the 5,200 striking engine and train service employees, members of the Brotherhood of Railway Trainmen; Brotherhood of Locomotive Engineers; Order of Railway Conductors, and Brotherhood of Locomotive Engineers and Firemen, in an effort to end the six-day old strike which has tied up the 7,200-mile rail system. The Missouri Pacific RR. Co. ceased operations at 2 p. m., Friday, Sept. 9. Through service was also discontinued with the road's southern lines—the International Great Northern and the Gulf Coast Lines, although strikes had not been called on these railroads. It was announced that more than 20,000 other employees of the Missouri Pacific RR. were furloughed for the duration of the walkout. The approximately 10,000 employees of the southern lines were not affected, as separate contracts are in existence between the trainmen's unions and those two railroads. It was said that 282 unsettled claims, involving about $3,000,000, was the cause of the strike.

* * *

Falstaff Brewing Corp., St. Louis, on Oct. 13 will make a distribution of one additional share of common stock, of $1 par value, for each share held of record Sept. 29, 1949.

* * *

Gaylord Container Corp., St. Louis, reported a consolidated net income for the six months ended June 30, 1949, of $2,009,502, equal to $1.01 per common share, after estimated Federal and State income taxes. This compares with a net of $4,229,498, or $1.81 per common share, for the same period last year. For the second quarter of the current year, net after taxes totaled $1,111,606, or 48 cents per common share. Working capital at the close of period was $13,614,000, against $11,345,000 at Dec. 31, 1948. The company has arranged a $7,500,000 credit in the form of a 15-year term loan, of which the company has taken $3,750,000. The other half is being held available for the company until Dec. 31, 1949, then its directors can better determine what action would be prudent to take from all the considerations before them.

George Muehlebach Brewing Co. Kansas City, proposes to sell its 213,000 shares of Lone Star Brewing Co., San Antonio, Texas, common stock (par $1). Officers and directors of Muehlebach are to be offered 45,000 of these shares at $9.66⅔ per share, prior to the public offering of the Lone Star stock through four Texas investment firms at $11.25 per share.

* * *

Dollar sales volume for August 1949, according to Byron A. Gray, President of International Shoe Co., St. Louis, reached a record high of $25,004,000, a gain of 17% above the $21,356,000 for the corresponding month of last year. The previous record high was $22,529,000 for January, 1947. It was pointed out that, with prices lower than last year, higher dollar volume in August, 1949, represents even greater increases in unit sales.

* * *

The bid of The Boatmen's National Bank of St. Louis to advance Illinois Terminal RR. Co. $226,767 or 80% of the purchase price of eight electric motored PCC passenger cars, being purchased by the railroad firm from the St. Louis Car Co. has been accepted. These cars will be placed in service between St. Louis, Mo., and Venice, Madison and Granite City, Ill., when delivered by the manufacturer this month. The loan will carry an interest rate of 1.69% per annum, and is repayable in 20 consecutive equal quarter-annual installments.

* * *

Western Auto Supply Co. reports combined wholesale and retail sales for the month of August of $12,407,000, a decrease of 0.5% from sales of $12,464,000 for the corresponding month of last year. For the eight months ended Aug. 31, 1949 sales totaled $76,385,000, compared with $80,168,000 for the first eight months of 1948, a decrease of 4.7%.

* * *

Sales of Edison Bros. Stores, Inc. for August, 1949, amounted to $5,086,972, against $5,267,530 in the same month last year. For the first eight months of 1949, sales totaled $47,774,804, compared with $47,838,583 for the corresponding period in 1948.

F. Aubrey Nash With Kerr & Bell on Coast

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—F. Aubrey Nash has become associated with Kerr & Bell, 210 West 7th Street, members of the Los Angeles Stock Exchange. Mr. Nash was formerly manager of the retail department for Wm. L. Burton & Co. of New York City and prior thereto was connected with the New York office of H. C. Wainwright & Co. and Stein Bros. & Boyce.

With W. S. Heagerty Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — Thomas E. Jobin has become affiliated with W. H. Heagerty & Co., Florida Theatre Building.

Investment for the Layman: New Course

ST. LOUIS, MO. — Announcement is made by the University College of Washington University of ten weeks' course in "Investment for the Layman" to be conducted by William Witherspoon, economist for Newhard, Cook & Co.

William Witherspoon

Part I, the elementary course, to be given on Wednesday evenings from September 28 through November 30, is planned for those desiring a practical knowledge of investing for themselves, estates, trusts, and endowments. Part II is an advanced course on Interpreting Investments to be given Thursday evenings, Sept. 29 through Dec. 8 and will take up the analysis of individual stocks and investing groups, current economic developments and their effect upon security prices.

A special free lecture entitled "The Wonder of Our Economy" on investments will be given by Mr. Witherspoon on Monday evening, Sept. 19, at Brown Hall Auditorium at 8 p.m.

Registration for the courses, tuition for which is $16 each, Sept. 16-24.

Leslie Bookout With Kebbon, McCormick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Leslie E. Bookout has become associated with Kebbon, McCormick & Co., 213 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Bookout, who was recently with Francis I. du Pont & Co. and Blyth & Co., Inc., was formerly an officer of Allen, Swift & Co., Inc.

Elwood D. Boynton With Hallgarten Co.

Elwood D. Boynton is associated with Hallgarten & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. He was formerly a partner in Laird, Bissell & Meeds and prior thereto was an officer of H. F. Boynton & Co., Inc.

Carroll Taylor Joins Francis I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Carroll G. Taylor has become associated with Francis I. du Pont & Co., 200 South La Salle Street. Mr. Taylor was formerly with Adams & Co. and prior thereto was an officer of Taylor, Duryea & Co., Inc.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA.—Jose L. Alvarez is with Waddell & Reed, Inc., of Kansas City, Mo.

Advantages of Permissive Incorporation of NYSE Firms

By MAURICE BARNETT, JR.

Mercer Hicks Corporation, Investment Bankers

Mr. Barnett lists as chief advantages of permissive incorporation of member firms: (1) modification of personal liability of proprietors; (2) facilities for greater expansion of working capital; and (3) participation of public as stockholders in brokerage and underwriting operations.

Newspapers of late, have touched lightly on the seldom discussed subject of permissive incorporation of member New York Stock Exchange firms. A final vote on this question is expected later this month. It should be timely, therefore, to review the probable effects that affirmative action in this respect would have on "Wall Street."

At the outset it should be noted that if it were permissible for members of the New York Stock Exchange to incorporate, it would bring about three important changes. They are as follows:

(1) Personal liability on the part of owners and proprietors of brokerage firms would be modified.

(2) Additional working capital could and will be obtained by many firms through stock offerings.

(3) The public, through stock ownership, would be able to participate in the operations of the brokerage and underwriting business.

A cursory study of the probable effects of these three changes should be helpful in determining the advisability of enacting this bill.

(1) **Modification of Personal Liability** is a factor that has contributed greatly to the entire American enterprise system. It has encouraged, to a considerable degree, the daring and courage that has permitted the businessmen of this nation to assume unparalleled leadership throughout the world. It is democratic, is an important function of the capitalistic system—and should go far towards encouraging the brokerage profession to achieve still greater goals toward their perfection of the delicate financial machinery.

(2) **An Increase in Working Capital of Brokerage Firms** would bring many advantages to the investing and trading public. To begin with, it would permit of expansion of present facilities such as research departments, clerical divisions and brokerage services. In addition, this expansion would probably be reflected by a wider distribution of memberships in national exchanges thus creating greater stock liquidity through broader markets. Through increased budgets, a more conservative type of registered representative (salesman) could be employed. Their retention, as well as other key personnel during non-productive periods, would assure improved public relations. Increased working capital could be utilized for equity financing which, in turn, would create more employment. Through "paid" education programs the nation could be kept more adequately informed as to the relations between wages, taxes and corporate profits. A better national understanding of this subject should promote greater moderation and stability to our whole economy.

(3) **Public Participation in the Operations of Brokerage and Underwriting Firms** should bring many advantages to the nation as a whole. Inept and unwholesome management could more readily be ousted, through formation of minority and protective committees on the part of stockholders. Widespread ownership of the shares of brokerage concerns would lessen the dangers of monopoly. The opportunity of sharing in this fruitful field would be brought to investors who already enjoy the advantages of ownership in the banking, insurance and investment trust spheres.

To recapitulate: From the foregoing it appears obvious that the incorporation of brokerage and underwriting firms should have many advantages. Through modification of personal liability both daring and courage would be fostered in the brokerage field with the ultimate end of improving the financial machinery; through increasing working capital, brokerage concerns would be able to expand their public services, create broader markets through wider distribution of national exchange memberships, participate more widely in equity financing, and lastly; through public participation in the shares of these companies, weak managements could more readily be ousted, dangers of monopoly lessened, and the privilege of public participation in this fruitful field made possible.

Well-Known Wall Street Newspaperman Dies

E. Medley Scovil, President of the old-time financial agency bearing his name, passed away in his 69th year while vacationing at Norton, New Brunswick, Canada. Mr. Scovil was born in Canada and at an early age came to this country. Most of his business life was spent in Wall Street, specializing in financial advertising.

For many years. Mr. Scovil was a well known figure in British and Canadian circles as well as in New York's leading banking institutions and bond investment firms.

Years ago, Mr. Scovil was Financial Advertising Manager of the "old" New York "Evening Post," the leading financial daily of its day. Later he became Manager of the Financial Advertising Department of the N. Y. "Times." Mr. Scovil left the "Evening Post" to assume management of the financial department of "Ridgeway's Weekly," then running a series of sensational articles entitled "Frenzied Finance," written by Tom Lawson, excoriating the big financial leaders with whom he had been associated when he was President of the country's foremost copper company.

Mr. Scovil's last newspaper assignment was for "The Chronicle's" recent illustrated issue featuring the "Investment Dealers' Association of Canada," containing a report of the proceedings of their 33rd Annual Convention at Minaki Lodge, Ontario. Mr. Scovil made a special trip to Canada, his last, for this paper's Canadian number soon after he had completed hospital treatment for a heart attack.

Besides his earlier Secretaryship of the Canadian Club, Mr. Scovil was also affiliated with the Pilgrims and the British Downtown Luncheon Club of New York. His brother, the late Lee Scovil, was connected with the New York Stock Exchange firm of Spencer Trask & Co. as head of their Statistical and Research Department. A son, Alexander Houston Scovil, and two brothers, Lorin Scovil of Bernardsville, N. J., and Percy Scovil of Miami, Fla., survive him.

Government Responsibility In Monetary Affairs

By PHILIP Le BOUTILLIER*
President, Best & Co., Inc., New York City

Describing raising of value of gold by President Roosevelt as form of robbery, prominent New York merchant points out inflation and deficit spending is facilitated by irredeemable paper money. Says present Administration's pricing, taxing, wage and spending policies are fundamentally wrong and, if not promptly changed, will bring paper dollar to economic ruin. Contends monetary gold is not a commodity, and praises Secy. Snyder's stand against devaluation.

Suppose any man in this room went into a store to buy a yard of material and the store-keeper gave him a 24-inch yard instead of a 36-inch yard, he would say: "Why, that's dishonest, you're a crook. I'll never buy here again." But the store-keeper says: "You're wrong. Because of complaints from producers and for other reasons, the government has reduced the yard from 3 feet to 2 feet; so what I'm selling you is perfectly legal."

Philip Le Boutillier

Legal, yes, but still dishonest.

That's what happened in 1933-34 when Roosevelt raised the value of an ounce of gold from $20.67 to $35. The big idea was to raise agricultural prices and Roosevelt was persuaded by a half-baked agricultural economist, Professor Warren of Cornell, that this would do it quickly. This debasement of the dollar was sprung on Congress suddenly and put over in a hurry. The apologists say events forced us to devalue. I say nonsense. The apologists have the cart before the horse. Events follow decisions, decisions are made by people.

It did not raise agricultural prices at once but over a term of years it has helped to raise paper prices all around. Raising paper prices all around has defrauded every owner of paper dollars to the tune of 57%, including 60,000,000 life insurance policy holders, 50,000,000 savings bank depositors, all owners of government bonds, and, in fact, the entire United States population because the purchasing power of the 1934 dollar is now 57% less.

The Economists' National Committee on Monetary Policy was formed in 1933 to oppose this experiment. William R. Woodin, Roosevelt's Secretary of the Treasury, at that time was opposed to it.

Soon after this the Administration got another gold brick, this time labeled "Product of Great Britain," by adopting Lord Keynes theory of deficit spending and the idea that the government debt may rise harmlessly to any figure. This month we are going to see a lot more brightly packaged "Products of Great Britain" in the biggest give-away show yet proposed; if we choose further devaluation of gold, if we choose guarantying the British pound, then the dollar is gone, no matter whether the wrappings are labeled Anglo-American economic union, "peace-in-our-time," higher world standards of living, Anglo-American world leadership, Four Freedoms, World Prosperity, or what not. That is the point that the United States is now at. The Administration pricing, taxing, wage and spending policies are fundamentally wrong and, if not promptly changed, will bring the paper dollar to economic ruin.

On last June 1, when I arrived at Paris, the hotels were paying 315 francs to the dollar for travelers checks. When I left Paris, 3 weeks later, hotels were paying 330 francs for the same dollar travelers checks. They pay today around 350 francs. Most everyone here can remember when the value of a French franc, based on gold was 5 francs to the dollar. Two years ago the people of France subscribed to government bonds the equivalent of two billion American dollars. Today every Frenchman who, at the urging of his government, put 1,000 francs into those bonds has left in purchasing power only 100 francs. In other words every owner has lost 9/10. This is what irredeemable paper money is and does, whether in France, in China, or in any other country, including the United States.

And the simple reason is that it is so easy to appropriate and spend when all we have to do is start the printing presses rolling. We have a similar system in this country (only once removed) where the government spending has arrived at astronomical proportions. The best visualization of United States government spending that I have seen appeared in the New York "Sun" of July 22, and it shows clearly where we are today and where we are headed. Copies of this are at each table. Take it home, study it, think about it, and wake up before it is too late.

Some Monetary Hokus-Pokus

The newspapers are full of monetary hokus-pokus of which I give you a few examples:

Beardsley Ruml, in Aug. 20 "Collier's," in an article: "Are we going broke? No," presents a collection of fallacies hard to excel. He pointedly ignores debasement of the dollar and its devastating effects.

Stewart Alsop, on Aug. 17, "The High Price of Doing Nothing," says: "The American Treasury would raise the price of gold from $35 to $45 an ounce. This would automatically and without touching a hair on an American taxpayer's head, raise the value of the huge American gold horde by about eight billion dollars. This great sum would then be earmarked as backing to permit the free exchange of currencies and the freeing of trade."

"Without touching a hair on an American Taxpayer's head" is obviously, absolutely and deliberately false.

This statement was endorsed, Aug. 30, by the Foreign Affairs Committee of the New York Republican Club. The Chairman, George A. Elbert, said: "would cost the American taxpayer nothing, would be an investment, not an expense."

Last week Charles E. Wilson, of General Electric, said he thought by next year the United States could reach Truman's goal of 3 billion national income, but he carefully neglected to say the real value of those dollars. Let's debauch the dollar to 10 cents and make it 800 billion national income. What a mirage!

How stupid can Americans be? Daniel Webster said: "Of all the contrivances for cheating the laboring class of mankind none has been more effective than that which deludes them with paper money.

Lenin said: "There is no subtler, no surer means of over-turning the existing basis of society than to debauch the currency."

Monetary Gold Not a Commodity

It is said that "gold is a commodity" and should have an open market like other commodities—Totally false — Commodities, wheat, cotton, copper are consumed—are gone—disappear. When gold is used it still remains; which reveals it for what it surely is, the truest and most permanent store of value the world has ever known.

Thus far men of high financial position like the heads of our life insurance companies, the heads of our savings banks, the heads of our large commercial banks, all the places where there are enormous deposits of citizens' savings, with almost no exceptions have remained silent. The life insurance companies take the technical position that they will be in a position to pay out a dollar for claims for every dollar taken in from policy holders. Ignoring what they know to be the most important fact and that is that dollar paid out should have equal purchasing power with the dollar taken in. The same with our savings banks. They have two functions, like turnstiles—taking money, investing and later paying out to the insured or to the depositor. At this they function well. But their most important responsibility is as trustee of the value of those dollars, and at this they are thus far almost a complete wash-out, in that they have failed to point out to their depositors and policy holders the inevitable financial crash that will follow deficit financing, extravagant government taxing and spending, and an inconvertible currency. The heads of our commercial banks seem afraid to oppose the Federal Reserve policy—(What are they afraid of?)—although they know or should know that the Federal Reserve Board, whose original functions were to control the business cycle and flatten out the ups and downs of business, has become chiefly a political instrument whose chief duty is to make it possible for an extravagant government to borrow money cheaply. The Federal Reserve Board and Federal Reserve Board Advisory Council have failed the country completely in this respect. So far as I know none of them has pointed out the economic disaster which will inevitably follow the present governmental fiscal policies. I say to you that unless these men in positions of high fiscal responsibility face the issue and tell the truth honestly to their policyholders, their depositors and to the citizens of this country they will pass their remaining years in an atmosphere of financial chaos and remorse.

Other speakers on this program will point out the only practical way to regain control of our terrific government spending.

Secretary Snyder has gone on record recently saying he is "opposed to changing the price of gold, the only sound currency left in the world." He deserves active support. Do not forget that Secretary Woodin was opposed to devaluating in '33 but was overcome. Let's help Secretary Snyder maintain stoutly his stand.

Where is the moral fiber of our leadership? Where has our belief in principle gone? All these people are living in a fool's paradise. Their present position parallels the man who fell out from the 50th story of a building and while passing the 15th floor was heard to shout: "I'm all right so far."

Facilis Decensus Averni.

*Address by Mr. Le Boutillier at the International Gold Coin Standard Conference, New York City, Sept. 8, 1949.

New School Offers Course on Today's Investor

The New School for Social Research, 66 West 12th Street, announces a 15 weeks' course on "Today's Investor" to be given by A. Wilfred May, executive editor of the "Commercial and Financial Chronicle." The course, which begins Thursday, Sept. 29 at 5:20 p.m., offers an analysis of the current problems of the investor and is especially designed for all who are concerned with the management of funds, laymen as well as professionals, including the security analyst, investment counsel, customer's broker, trustee, executor, and investment banker.

Among the special phases to be covered are the long-term status of the American investor; an objective analysis of the various determinants of security values and prices, with particular attention to the psychological elements; an appraisal of the currently popular investing tools and techniques; practical portfolio planning; tax laws; the investor as company stockholder.

Three prominent financial authorities will appear as guest lecturers: Benjamin Graham, President of Graham-Newman Corp. and lecturer at the New York Institute of Finance; J. K. Lasser, Chairman of the Federal Taxation Institute and author of "Your Income Tax," "How to Live Within Your Income" (with Sylvia Porter); and Lewis D. Gilbert, widely known through his representation by proxy of small stockholders at their companies' meetings.

Mr. May, a member of the Economists' National Committee on Monetary Policy, served with the Securities and Exchange Commission, and the Treasury Department. He is a member of the New York Society of Security Analysts of the American Statistical Association, and is Chairman of the Public Relations Committee of the Tax Institute.

Robert Delaney With Boettcher in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COL.—Robert F. Delaney has become associated with Boettcher and Co., 828 17th Street, members of the New York Stock Exchange. Mr. Delaney was formerly an associate of C. V. Converse & Co. of Allentown, Pa.

Bush With Larz Jones

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—Reuben G. Bush, Sr., has become associated with Larz E. Jones, 318 Carondelet Street. He was formerly with Beer & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Heath & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL.—Richard W. Massey has been added to the staff of Heath & Co., Tower Building.

With K. J. Brown Co.

(Special to THE FINANCIAL CHRONICLE)

MUNCIE, IND.—Max B. Woolery is with K. J. Brown & Co., Wysor Building.

Michigan Brevities

The City of Detroit awarded on Sept. 7 an issue of $2,000,000 noncallable public sewer bonds, series H, to a National City Bank of New York syndicate on a bid of 100.0445 for a combination of 4s, 2½s and 2¼s, reflecting a net interest cost of 2.3372%. The bonds mature serially on Feb. 1 from 1950 to 1978 inclusive. As is usually the case with Detroit issues, the offering attracted bids from a number of syndicates comprising firms located in Michigan, New York and other States. The spread between the successful bid and the next best offer was rather narrow, the runner-up tender by Halsey, Stuart & Co., Inc. and associates being based on a net cost of 2.3471%. The bonds were publicly offered on Sept. 8 at prices to yield from 0.70% to 2.35%, according to maturity.

Detroit will appear in the market again today (Sept. 15) when bids will be considered on an offering of $1,070,000 special assessment bonds to mature on June 1 from 1950 to 1954 inclusive. Despite the designation, the bonds are backed by the full faith and credit of the city. Also on Sept. 15 the city will accept tenders for the purchase of about $600,000 of outstanding general obligation bonds. Offerings will be accepted on the basis of the highest net yield.

* * *

The Detroit Stock Exchange reports that trading volume in August was 268,943 shares having a dollar value of $3,305,804. For July the volume was 204,839 shares with a dollar value of $2,484,225.

The 10 most active traders for the month of August were: Detroit & Cleveland Navigation Co., Commonwealth & Southern Corp., Detroit Edison Co., McClanahan Oil Co., Sheller Manufacturing Corp., Consumers Power Co. (common), United Corp., Packard Motor Car Co., General Motors Corp. and Goebel Brewing Co.

* * *

General Motors Corp. produced 291,383 passenger cars and trucks in the United States and Canada during August, compared with 254,662 units in the preceding month and 195,029 units in the corresponding month of last year. Of the total vehicles produced during August, 249,691 were passenger cars and 41,692 were trucks. For the year to Aug. 31, 1949, the corporation produced 1,909,084 units, compared wth 1,444,164 for the same period in 1948. The Buick Motor division in August produced 40,106 cars, a new all-time peak and the highest total of any month in this division's 46-year history. The previous record Buick output was 38,913 set in March of 1941. The Fisher Body Division also in August produced the greatest number of bodies for any month in its 41-year history. The Pontiac Division was another unit which set a new high monthly production record in August when it turned out 38,211 passenger cars and 244 trucks.

* * *

Motor Products Corp., Detroit, reports that its net income, after Federal income taxes, amounted to $2,719,480, or $6.97 per share, for the year ended June 30, 1949, which compares with a net of $2,861,863, or $7.33 per share, for the preceding 12 months period. Current assets at the close of June 30, 1949 totaled $15,541,642, against current liabilities of $6,145,820. To finance its new operation—The Marion Industries Division—now being built at Marion, Ohio, the directors have approved arrangements with an insurance firm to borrow $2,500,000 on a long term basis.

* * *

The world's lightest structural metal will be featured in the six-panel "How Magnesium Pays" exhibit of The Dow Chemical Co., Midland, at the National Metals Show to be held Oct. 17 through 21 at the Cleveland Public Auditorium, Cleveland. Articles to be displayed are magnesium castings, extrusions and sheet for aircraft; a cutaway corner section of a truck body and truck wheel; a gasoline tank truck; hand tools; a ladder and a textile warp beam. A smaller exhibit will display the various forms in which magnesium are available, including castings, extrusions and sheet, as well as some smaller fabricated products.

* * *

Net profits of Burroughs Adding Machine Co., Detroit, for the first six months of 1949 were $4,656,317, after providing $600,000 for expense in connection with the introduction of new products during the second half of 1949. These earnings were equal to 93 cents per share, and compares with net profits of $6,338,641, or $1.27 per share, in the six months ended June 30, 1948. Included in these profit figures are dividends from foreign subsidiaries, amounting to $295,000 during the first half of this year, as compared with $790,403 received during the first six months of 1948. Total income from domestic sales and service activities of the company during the six months' period ended June 30, 1949, was $45,656,414, somewhat higher than the corresponding period of 1948 when the figure was $44,454,956. Working capital at June 30, 1949 was $25,699,560, against $23,105,103 at the same time last year.

* * *

"Reflecting the high rate of output by car manufacturers, our shipments of automobile hinges during the month of August reached a postwar record total of 650,551, with a new daily peak of 36,222 being established on Aug. 11," Charles J. Soss, President of Soss Manufacturing Co., Detroit, told a group of 80 brokers and bankers who on Sept. 8 viewed the company's facilities for mass-producing hinges for automobiles, furniture and general building purposes. The group visited the Soss plant in a get-acquainted trip sponsored by the Detroit Stock Exchange, following the recent listing (on Aug. 22) of the company's common stock on the local bourse.

* * *

Net sales of Fruehauf Trailer Co. and its subsidiaries for the six months ended June 30, 1949 amounted to $38,092,272, as compared with $42,741,252 for the corresponding period of 1948. Net earnings were $1,565,100, equal to $1.09 per common share, as against $2,911,470, or $2.20 per common share ($3,322,018, or $2.53 per share, including non-recurring income), for the first six months of 1948. At June 30, 1949, current assets totaled $55,014,994, and current liabilities $17,547,978.

* * *

Baldwin Rubber Co. reports a net income after income taxes of $854,100 for the year ended June 30, 1949, compared with $656,870 for the preceding fiscal year. H. M. Pryale, President, further announced: "Barring major disturbances in the automobile industry, or upsets in general business beyond our control, we look forward to a good year in 1950." Dollar sales volume for the past year was the highest in the company's peacetime history. The company, in commemorating its 25th anniversary, said that total sales for the 25-year period were $123,329,481.

* * *

The net income of Michigan Sugar Co. for the year ended June 30, 1949 amounted to $240,431, or 45 cents per preferred share, after deducting provision for depreciation of $233,998 and Federal income taxes of $161,200. This compared with net earnings of $7,496 in the preceding year. Current assets at June 30, 1949 totaled $5,259,073, while current liabilities were $1,643,200. The company has outstanding 531,795 shares of 6% cumulative preferred stock, par $10, on which accumulated dividends totaled $8 per share, and 747,108 shares of no par value common stock.

* * *

For the nine months ended July 31, 1949, Gar Wood Industries, Inc., reported sales of $17,708,013, with a net profit, after Federal taxes, of $144,958, or four cents per common share, which compares with sales of $26,233,176 and a net profit of $1,897,105, or $1.74 per common share, for the corresponding period in the previous year.

Putnam Group Sells Hartford El. Lt. Pfd.

An underwriting group headed by Putnam & Co. on Sept. 13 offered 160,000 shares 3.90% preferred stock, cumulative, par value $50 per share, of The Hartford Electric Light Co. The stock priced at $50 per share, plus accrued dividends, was oversubscribed and the books closed.

Other members of the underwriting group include: Chas. W. Scranton & Co.; Estabrook & Co.; Morgan Stanley & Co.; Blyth & Co., Inc.; Drexel & Co.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co.; Smith, Barney & Co.; Eastman, Dillon & Co.; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.; Coffin & Burr, Inc., and Cooley & Co.

Proceeds from the sale of these shares will be added to the company's funds and applied toward financing a construction program extending through 1951. This program includes the construction to reestablish the company's normal capacity reserves and to meet expanding demands for electric service.

The preferred stock may be redeemed at any time at prices ranging from $53 per share on or before Sept. 1, 1954 down to $50.50 per share after Sept. 1, 1959, plus accrued dividends in all cases.

The Hartford Electric Light Co. was incorporated in 1881. The business of the company consists of the production, purchase, transmission, distribution and sale of electricity for residential, commercial, industrial and municipal purposes within its franchise territory in the State of Connecticut and sales of electricity to other utilities. Total area of the franchise territory is approximately 235 square miles, having a total population of 252,200, according to the 1940 census.

NSTA Notes

BOND CLUB OF DENVER TO ENTERTAIN NSTA

The Bond Club of Denver and the Rocky Mountain Group of the IBA wish to extend a cordial invitation to all the traders attending the NSTA convention in Colorado Springs, Oct. 5 to 9, to be their guests on Oct. 4. The arrival of the special train at 9:30, Tuesday Oct. 4 will be the signal to blow off the top for a Western welcome to those attending the convention. Buses will leave the Union Station at 10:30 for the famed town of Central City. Liquid refreshments will be available at the Teller House and the Glory Hole and a tour of the Central City Opera House, which is the mecca of the opera stars each summer. From there a short jaunt will be made to the Lazy Valley Inn for lunch. The return trip will be through Evergreen, back through Bear Creek to the Queen City of the Plains.

At 7 o'clock a cocktail party, followed by a banquet, will be held at the world famous Brown Palace Hotel. The next morning arrangements have been made to visit the Denver Mint and the 17th Street financial district will hold open house until the train leaves for Colorado Springs.

NSTA CONVENTION PROGRAM

The tentative program announced for the National Security Traders Association 16th annual convention at Colorado Springs, Oct. 5-9, 1949, is as follows:

Tuesday, Oct. 4—
9:30 a.m. Convention Special Arrives Denver
10:30 a.m. Leave for Central City and Denver Mountain Parks Tour
7:00 p.m. Cocktail Party and Dinner, Brown Palace Hotel

Wednesday, Oct. 5—
9:00 a.m. Open House Denver Financial District
12:30 p.m. Special Train Leaves for Colorado Springs
2:30 p.m. Arrival Colorado Springs
5:30 p.m. Cocktail Party, Terrace Pool Broadmoor Hotel

Thursday, Oct. 6—
8:00 a.m. Past Officers Breakfast
9:30 a.m. National Committee Meeting
2:00 p.m. Circle Tour, Will Rogers Shrine and Garden of the Gods or
Trip through Colorado Fuel and Iron Plant at Pueblo
5:30 p.m. Fishers Canon, Outdoor Steak Fry and Barbecue
8:30 p.m. Return to Broadmoor

Friday, Oct. 7—
8:00 a.m. Municipal Committee Breakfast
8:30 a.m. Motor Tour to Pikes Peak or Cripple Creek
1:00 p.m. Return to Broadmoor
2:00 p.m. Corporate Forum—Guest Speaker
Merrill E. Shoup, President Golden Cycle Corp.
2:30 p.m. Ladies' Bridge or Canasta Tournament
3:45 p.m. Municipal Forum—Guest Speaker
William G. Laemmel,
Vice-President Chemical Bank & Trust Co.
5:00 p.m. Men's Bowling Tournament
9:00 p.m. Special Event

Saturday, Oct. 8—
9:00 a.m. National Committee Meeting, Election of Officers
10:30 a.m. Men's Field Day, Golf, Tennis, Etc.
3:00 p.m. 1900 Bathing Suit Review for Ladies and Gentlemen
6:30 p.m. Cocktail Party
7:30 p.m. Dinner Dance, Informal Dress

Sunday, Oct. 9—
2:45 p.m. Special Train leaves for Denver and the East

Registrations should be forwarded at once to Morton A. Cayne, Secretary, Union Commerce Building, Cleveland, Ohio.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York held their Annual Summer Outing and Dinner last Friday, Sept. 9 at the New York A. C. Grounds at Travers Island.

The highlights of the day consisted of a Golf Tournament, Horse Shoe Pitching Contest, Tennis Tournament and a Soft Ball Game. Such outdoor activities were followed by Dinner and the awarding of prizes for each contest.

The arrangements for the outing were handled by D. Raymond Kenney, of Kenney & Powell, Chairman of the committee.

The surprise of the day was the Horse Shoe Pitching Contest which was run in its entirety by Harry Casper of John J. O'Kane, Jr. & Co. Approximately 80 contestants appeared and after several hard-fought rounds the prizes were awarded to:

1—Don Hennefin of Jos. McManus & Co.
2—Hal Murphy of "Commercial & Financial Chronicle."
3—Henry Gersten of Gersten & Frankel.
4—Hoy Meyer of Stern & Co.
5—Frank McCall.

A special prize of a Rubber Horse Shoe was awarded to Herb Lax of Greenfield, Lax & Co. for pitching a complete game without scoring a point.

GOLF—This year inaugurated the Annual Competition for the Stany Golf Trophy between Philadelphia and New York. The opening round was won by the Philadelphia Team. The opposing teams consisted of:

Larry Wren of Allen & Co., who incidently handled all the details of the match; Ted Plumridge of J. Arthur Warner & Co.; Stan Roggenburg of Roggenburg & Co., and Addy Donnelly of Reynolds & Co.

The Philadelphia Team consisted of Ned and Sam Phillips of S. K. Phillips & Co., Tom Krug of Bioren & Co., and Jim McFarlane of H. M. Byllesby & Co.

Aside from the Match Play, about 50 members and their guests played the tough course at Winged Foot.

The Philadelphia Team was presented with the Golf Trophy to-

gether with an ice-cold bottle of Champagne and each of the eigh. contestants in the match received a souvenir hand-painted porcelain mug bearing the inscription STANY.

The Low Gross prize was won by Al Greiner of Dobbs & Co.

The Low Net by Foster Webster of Hardy & Co.

The Kickers prizes went to J. Bloom of the Public National Bank & Trust Co. and Addy Donnelly of Reynolds & Co.

High Gross went to Carl Swenson of G. H. Walker & Co.

SOFT BALL—The Official Game was highlighted by the inning by inning description with many very suitable off-side remarks by the Chairman of the Arrangements Committee. As Official Scorer he decreed the game to be a tie after three hectic, multi-run innings on the part of one side. The fact that they scored so many times was actually the reason for the brevity of the game. **(Too Many Charlie Horses.)** The only real casualty of the game was Charley O'Brien Murphy of "We, the people" who, acting as Catcher, caught one off the right eye and lower lip. He was not allowed to put a steak on it due to its being Friday. Last report was that he resembled Theda Bara on one side only. Each of the Soft Ball Contestants was awarded a hand-painted, porcelain mug bearing the inscription STANY.

The Tennis Tournament was handled by Rickie Goodman of Cohu & Co., and first prize was won by Al Marcusson of the Investment Dealers Digest.

Visiting Firemen included: Lud Strader, Strader, Taylor & Co., Lynchburg, Va.; Phil Jackson, Jackson & Smith, Gastonia, N. C.; Ed Parsons, Wm. J. Mericka & Co., Cleveland, Ohio, Past President of NSTA; Tom Love, Geo. E. Snyder & Co., and George Mueller, Janney & Co. of Philadelphia as well as the members of the Philadelphia Golf Team.

After a hectic day outdoors Dinner was served to approximately 250 members and their guests and consisted of Chowder, choice of Lobster or Roast Beef, Pie a la Mode and Coffee and was as good a meal as we have been served at one of these shindigs in a long while.

While the coffee was being served special prizes, all hand picked by Les Barbier of G. A. Saxton & Co., were awarded to:

Lou Singer of Troster, Currie & Summers; Al Powell of Kenney & Powell; Fred Vogell of Geyer & Co.; Freeman Robson of A. E. Ames & Co.; Ransom Bernberg of Wood, Gundy & Co.; Gus Grindel of F. I. du Pont & Co.; Bert Pike of Troster, Currie & Summers; Les Greenwalt of B. L. Taylor, III, & Co.; Eddie Patton of Townsend, Graff & Co.

Incidentally the outdoor activities were topped off by the appearance of the most beautiful double rainbow it has ever been our pleasure to witness.

While awarding prizes Mr. Kenney as Chairman of the Arrangements Committee voiced his heartfelt thanks for the success of the day to the members of his committee with special emphasis on the names of Arnold Wechsler of Ogden, Wechsler & Co. and Charles O'Brian Murphy of Merrill Lynch, Pierce, Fenner & Beane, and to Les Barbier, who, while not a member of the committee, had voluntarily given of his time to work hand in hand with the committee.

DETROIT BROKERS' BOWLING LEAGUE OPENS SEPT. 15.

Many of the boys from Griswold Street are anxiously awaiting the bell at the Detroit Recreation that will open their fourth season of pin spilling.

The league is composed of 14 teams totaling 70 bowlers, sponsored by the following firms:

Captain—Max Bolhover, Chas. E. Bailey & Co.; Paul Chester, Baker, Simonds & Co.; Henry Vander Voort, Cray, McFawn & Co.; Ralph Rotsted, Detroit Stock Exchange; Frank Curaba, Goodbody & Co.; Alex McDonald McDonald-Moore & Co.; Geo. Walker, Geo. A. McDowell & Co.; Chas. Padgett, Paine, Webber, Jackson & Curtis; Chas. Exley, Chas A. Parcells & Co.; Roy Neil, Andrew C. Reid & Co.; Chas. Floyd, Wm. C. Roney & Co. (Red); Ed Coe, Wm. C. Roney & Co. (Blue); Roy Delaney, Smith, Hague & Co.; Robert Barnard, Watling, Lerchen & Co.

Competition will be keen for the trophies donated by the "Michigan Investor" and Reardon-Parshall Co. now held by McDonald-Moore & Co.

The team from the league succeeded in returning to Detroit an inter-city trophy donated by the First of Michigan Corp., previously held by Chicago.

Officers for the coming season are:

President—Ross Sutherland, Cray, McFawn & Co.

Vice-President—Nick Allman, Geo. A. McDowell & Co.

Secretary—Hayden Brown, Wm. C. Roney & Co.

Treasurer—Ken Binkley, Paine, Webber, Jackson & Curtis.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The 12 Federal Reserve Banks at various times issue reports on the earnings and operating results of the member banks within their respective districts.

These reports are valuable for the information they provide on banking trends in the different areas of the country. As they are prepared to fit the particular requirements of the Federal Reserve Banks, however, they may not be exactly comparable in form with those issued to stockholders of individual banks. For this reason a direct comparison between results of a particular bank and the overall results for the district may not be valid. But, in general, they do provide important information on the broad phases.

Because of the nationwide investment interest in the New York City banks, the reports of the Federal Reserve Bank of New York in this regard are of particular interest.

The Monthly Review of the Bank for September just recently issued contains an analysis of the earnings and expenses for a selected group of member banks in the second district for the first six months of 1949. While the analysis breaks down the results according to the size of the bank on certain banks located outside of New York City, the figures shown on the 35 New York City banks are of primary interest.

The analysis of the New York City banks shows that net profits after taxes, profits on security transactions, charge-offs and valuation reserve adjustments increased by 16.9% in the first six months of 1949 as compared with the similar period of 1948. The various changes and factors contributing to this gain are reviewed briefly in the following discussion.

Total current operating earnings for these banks were higher than the similar period of 1948 by 2.5%. The principal changes in the income account were a 10.7% decline in the interest received from government securities and an increase of 15.2% in the interest and discounts on loans. Other changes were relatively minor, with income from other securities down slightly and income from service charges and other sources moderately higher.

The decline in income from government securities followed a reduction in the average holding of such securities. A higher level of interest rates on loans and discounts as well as some increase in the loan volume for the period, enabled the reporting banks to show the 15.2% gain in income from this source. This more than offset the decline in interest received on holdings of United States Government securities.

Total current operating expenses continued to increase and were higher for the first six months of 1949 by 2.7%. Salaries and wages of officers and employees increased 2.3% and general current operating expenses 3.5%. According to the report, the average number of employees in the banks were down slightly from a year ago. The increase in total payroll arose because of higher salary levels.

While the percentage increase in operating expenses was greater than the gain in income, the higher dollar gain in operating earnings enabled the banks to show an increase of 2.2% in net current operating earnings, before income taxes.

Profits on securities sold were down 44.9% from a year ago because of conditions within the securities markets. While the percentage change is substantial the dollar amount is relatively small and has not been of great importance in total earnings for the past several years.

Actual net losses and charge-offs were little changed from the previous year. For the 35 banks they were lower by 1.3%.

Possibly the most important change in the report is the one related to additions to reserves. For the period, such transfers to reserves for bad debt losses on loans and other valuation reserves were lower by 88.1%.

According to the Bank, the smaller amount of additions to reserves in the 1949 earning reports reflects the fact that this year the accumulations do not include, as they did in 1948, a large volume applicable to a previous year. As the Bureau of Internal Revenue extended to March 15, 1948, the period during which banks could change from a method of specific charge-offs to a reserve method for accounting for bad debts in making their 1947 tax returns, part of the reserves provided in 1948 should properly be charged to the previous year. The Bank also points out that another factor in this connection is that a number of banks may be deferring reserve accumulations for this year until the year-end at which time a more complete idea of results for the full year relative to losses, outstanding loans and operating earnings can be obtained.

These various factors resulted in an increase in taxes on income for the first six months' period of 1949 of 13.6%. The gain in net profits for the period was an almost equal percentage, 16.9%.

As the amount paid out in dividends remained practically unchanged from the level of the previous year, retained earnings were higher by 60.6%.

With Stephenson, Leydecker

OAKLAND, CALIF.—Welwyn F. Dallam is with Stephenson, Leydecker & Co., 1404 Franklin Street.

With Leo Schoenbrun

LOS ANGELES, CALIF.—John W. Finney is associated with Leo Schoenbrun, 1385 Westwood Boulevard.

Davies & Mejia Add

(Special to THE FINANCIAL CHRONICLE)

SALINAS, CALIF.—Raymond S. Whitmore has been added to the staff of Davies & Mejia, 62 West Alisal Street.

With Greene & Brock

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO—Robert D. Barnard is with Greene & Brock, Third National Bldg., members of the New York Stock Exchange.

Emmett F. Connely Is Elected President Of American Securities

William Rosenwald, Chairman of the Board of American Securities Corporation, 25 Broad Street, New York City, an investment banking firm, announces the election of Emmett F. Connely as President, Director and Chief Executive Officer of the Corporation, effective Oct. 1, 1949. Charles G. Terry, former President of American Securities Corporation, was elected Chairman of the Executive Committee. Other directors remaining in office are: Peter I. B. Lavan, senior partner of Stroock & Stroock & Lavan, who will continue as general counsel; Mr. Terry, David Malzman and Alvin R. Young.

Emmett F. Connely

Mr. Connely, a Past President of the Investment Bankers Association of America, has long been identified with banking and industry. A graduate of the University of Michigan, his business career has included association with Montgomery, Ward & Company, the Hudson Motor Car Company, the Detroit Trust Company and the First Detroit Company of which he became President in 1931. Mr. Connely organized the First of Michigan Corporation in 1933, serving as President and subsequently Chairman of the board, from which position he is resigning at the end of the month. He has just concluded a two-year term as Chairman of the Detroit Chapter of the American Red Cross. Mr. Connely is also a Trustee of the United Foundation, Trustee of the Greater Detroit Hospital Fund, a member of the Advisory Committee of the University of Detroit, and Chairman of the Detroit Chapter of Junior Achievement, Incorporated. A Captain of Field Artillery in World War I, he held the rank of Colonel in the Office of Strategic Services in World War II.

Connecticut Brevities

The annual report of **The Torrington Company** for the fiscal year ended June 30, 1949, indicates that net per share earnings for the year were $2.90 compared to $3.33 the previous year. In addition there was a non-recurring tax refund of $0.25 per share in 1949. The report indicates that sales are down somewhat this year. Torrington has succeeded in diversifying its business to the extent that machine needles, formerly the principal product, now account for only about one-third of the sales volume. As of July 1, the company had 14,006 stockholders.

* * *

Russell Manufacturing Company is planning to open a subsidiary plant at Bennettsville, S. C., about Jan. 1, 1950. Negotiations are underway to build a plant that will employ about 135 persons. The new plant would be built and financed by a group of Bennettsville businessmen and leased to the new subsidiary, Russell Products Company, on a long-term basis with option to buy. The plant will be used to manufacture certain types of narrow fabrics, permitting the introduction of new products and the expansion of present lines. Russell has also announced that it has purchased the Howard Asbestos Co. of Northfield, Vt., which will be operated as a subsidiary under the name of Russell Asbestos Corporation. The new company is intended to provide a supply of high quality asbestos yarn at a low cost.

* * *

United Aircraft Corporation has been awarded a government contract for over $29 million of Wasp Major engines, the most powerful reciprocating type engine in production. The engines are reported to be intended for the Consolidated B-36 bombers.

* * *

Electric Boat Company's subsidiary, Canadair, Ltd., has been awarded a contract to build 100 aircraft of the F-86 jet fighter type for the Canadian Government. The plane will be manufactured under a license agreement with North American Aviation, Inc. The contract price is $30,211,190. Deliveries will commence by August, 1950. Canadair has announced that a $2,000,000 extension will be added to its No. 1 plant at Cartierville to provide additional space needed to complete the contract.

* * *

New Haven Water Company has called for payment Oct. 1, 1949, at 106½ and interest, $17,000 of its general and refunding B 3¼s of 1975. Payment will be made at the First National Bank & Trust Co., New Haven.

The annual report of **North & Judd Manufacturing Co.** for the fiscal year ended June 30, 1949, shows that the company earned a net profit of $126,370, equal to $1.30 per share of common stock. Net working capital at the year end was $27.55 and the book value was $43.35 per share.

* * *

At its fiscal year end on May 31 the liquidating value of the preferred stock of **The Guardian Investment Trust** was $39.53. In liquidation the preferred is entitled to $37.92½, including $7.92½ of accrued dividends. The indicated liquidating value of the common stock was $0.13 per share.

* * *

The Hartman Tobacco Company earned $0.26 per common share in the year ended June 30, 1949, and during the same period paid dividends of $0.15. Total current assets were $1,220,000 including $300,000 of cash and current liabilities were $180,000.

* * *

Stockholders of **New Haven Pulp & Board Co.** as of Aug. 1 were given the right to subscribe to 4,946 additional shares of $25 par common at $40 a share, on the basis of one new share for each six shares held. Rights expire Oct. 17. Proceeds will be used to increase the working capital, but all or part of it may be advanced to Bartgis Brothers Co. which the company controls.

* * *

An issue of 160,000 shares of preferred stock of **Hartford Electric Light Company** was offered Sept. 13 by an underwriting group headed by Putnam & Co. The offering price was $50 and dividend which would provide a yield of 3.90% on a $1.95 cumulative preferred.

* * *

Results of the three-way contest for control of **Segal Lock & Hardware Co.** show that stockholders groups opposing the management have elected three of the five directors. Announcement of the Aug. 3 ballot had been postponed three times because of legal difficulties prior to the meeting on Sept. 8. Louis Segal, President, and Sidney Kuttin, Vice-President and Secretary, were reelected to the Board.

With Investment Service Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — H. Clay Hogan and William L. Parks have become affiliated with Investment Service Corp., 650 Seventeenth Street.

Harry W. Cole Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Harry W. Cole is engaging in the securities business from offices at 704 Market Street.

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—Fred J. Sullivan is with Davies & Mejia, 39 North First Street.

Steel Fact-Finding Board Reports

(Continued from page 7)

over the general average should provide primarily the means of reducing the prices of the products of that industry.

Therefore, even if the union had succeeded in showing that the 1939-1949 rise in labor productivity was 49.5%, it still would not establish an inequity by showing that the real average hourly earnings of steel workers (present average hourly money earnings deflated by the general rise in the cost of living since 1939) had risen only 14% since 1939.

The evidence before us reveals that for our whole national economy output per man-hour increased from 1899 to 1939 at an annual rate of about 2%, but that, in the decade which followed, the general rise in productivity was at a lesser rate. Therefore, the steelworkers' rise of 14% in real average hourly earnings during this decade is fairly consonant with the apparent rise in labor productivity in the whole economy during the same period and reflects no inequity in that regard.

(C) The union compared the productivity of 1939, a year of low volume, with 1948, a year of practically maximum volume, which is unsound comparison.

(D) In computing an index of productivity for the steel industry, the union used the assumption that the production mix of the industry after 1945 was substantially the same as during the war years. This assumption is open to serious question.

(E) Trustworthy productivity studies can be made only if the companies provide full and accurate data upon which such studies can be made. Such data were not offered in evidence.

(F) The companies also made invalid comparisons in their own productivity claims by insisting that an index of money rather than real average hourly earnings was the proper comparison with the productivity index.

(2) The Level of Profits of the Steel Industry, and Labor's Share Therein:

(A) The Board has decided to accept as a basis for comparison the "reported" rather than the "adjusted" profit figures. Each party claimed these figures should be adjusted—upward by the union, downward by the companies—but the Board finds that it is impossible accurately to compute the amount of adjustments which each side has urged should be made.

(B) The reported profits after taxes of the steel industry in 1948 were substantial, and in the first half of 1949 they rose even higher. In 1948 profits after taxes were $511.9 million as compared with an average of $271.3 million in the period 1940-1941, a rise of 89%; and in the first half of 1949, the annual rate of profit was $606.6 million, or 124% above the 1940-1941 average.

(C) The rates of profit—the dollar amounts of these profits figured as percentages of net worth—must be substantially discounted, however, for we are now considering 1948 and 1949 dollars which are considerably less valuable than those of 1939 or 1940 or 1941, whereas a large part of the capital assets in the net worth is in terms of dollars of higher value.

(D) The profits of the industry stated as a percentage of sales are also substantial for the year 1948 and the first quarter of 1949 (6.3% and 6.8%, respectively); but are not out of line with comparable prewar years like 1940 and 1941, when the percentages were 8.2 and 6.1.

(E) In evaluating the amount of profits in any given year, like 1948 or 1949, to determine whether the workers have received a fair share thereof, it is necessary also to consider the low level of profits or lack of profits in other years of the business cycle. The prosperity of a volatile industry like steel and its ability to pay should be judged over a longer range.

(3) **Break-Even Point**—In considering the break-even point, which is the next factor in appraising the company's ability to pay, the Board finds that it is unable to accept the union's estimate of the break-even point for the industry of 32% under present wage and cost levels. At the same time the Board doubts that the estimates made by some of the companies running as high as 65 or 70% reflect the actual break-even points for the larger tonnage producers. The Board's conclusion is that the present break-even point, for most of the large tonnage producers, is somewhere above the union's figure of 32% and below the companies' estimates of 55 to 70%. These conclusions are reached for the following reasons.

(A) Reliable supporting data are lacking for all the estimates made, and the union made certain assumptions which are unacceptable.

(B) Most of the companies failed to inform the Board of their break-even points; none of them provided the data needed to make a reliable estimate; and the Board believes each of the major companies could have indicated its own break-even point and the basis thereof.

(C) The union's testimony that the break-even point before the war was at 45% of capacity was not controverted.

(D) The favorable course of profits in 1949 as compared with 1948 indicates that the break-even point has become lower since 1948, because in the second quarter of 1949, when operations were at the average rate of 91%, profits before taxes were about $230,000,000 as compared with the same quarter of 1948, when operations were at 90% and the profit figure $170,000,000, a rise of $60,000,000, or about 35%, at approximately the same rate of operations. A comparison of the first half in 1948 with the second quarter of 1949 leads to similar conclusions.

(4) With respect to the factor of probable movement of raw materials prices and other costs, the Board has taken into consideration the large decline since 1948 in the prices of certain materials, notably scrap; but it has also noted the recent recovery in some of these prices. It has also noted rises since 1948 in the prices of certain other important materials, such as iron ore and coal. Experience shows that scrap prices quickly respond to increased demand, and that if rates of operation rise substantially the price of scrap moves upward rapidly.

(5) When years of similar operation rates are compared, there is no substantiation of the union's claim that labor has been receiving a continually smaller share, or that ownership equity has been receiving an increasingly larger share of the industry's sales dollar. If the share of ownership be defined in terms of dividends, its rate of return becomes very low, for the total dollar amounts of dividends, when paid, have consistently been only minor fractions of profits after taxes.

(6) The industry's recent policy of modernizing and expanding physical plant and facilities has absorbed most of its recent substantial profits. Given the country's peacetime and possible wartime needs for larger steel-making capacity, the program seems entirely desirable. But there is a question as to whether a larger part of the financing of such long-term assets should not have been through long-term debt instead of recent profits, thus leaving more of the current profits for dividends to stockholders and for social insurance and for setting up reserves for pensions.

(7) The plant modernization and expansion program should result in efficiencies which, other things being equal, will better enable the companies to meet the cost of the insurance and pension plans recommended, and also a look toward a lower level of prices for their products.

(8) There are no inequities of steel workers at present which require redress through a general wage-rate increase; and the recommendation is that the union withdraw its request for a general wage-rate increase.

(9) However, with increased efficiency and lower costs resulting from the plant-modernization program, and with no great decrease in the demand for steel, there should be continued and higher profits. If these profits do not result in benefit to the consumer in the form of lower prices, there would be justification for the union to renew its demand for increase of wage rates, in order better to participate in the industry's prosperity.

C. Steelworkers in Relation to Other Income-Receiving Groups—The cost of living has remained stable within the last year; in fact, it has slowly declined. The postwar race between rising wage rates and rising costs of living has been called off by the operation of economic forces. Therefore, there is no inequity in respect to other income-receiving groups in the general economy.

D. Findings and Conclusions on Increased Wage Rates in Relation to Economy as a Whole—With respect to the second major criterion mentioned above—weighing the effect of granting the union's demands on the general levels of economic activity in the country as a whole—the Board finds:

(1) While the Board's findings and recommendations are based on the facts and figures of the steel industry alone, there is a probability that a wage-rate increase in steel would be urged as a pattern to be followed in other industries; this in turn might well cause price dislocations, with adverse effects on the general economy and on the steel industry itself.

(2) The course of the "recession" which started late in 1948 and manifested itself in increased unemployment and in a decline in gross national product seems to have flattened out or turned upward. In three of the four main components of the gross national product, slight increases were experienced in the second quarter of 1949. Since the low point of July, 1949, there have been upward movements in production and employment, with declines in unemployment; this has been established by official government publications. As late as the day before yesterday, Sept. 8, 1949, these improvements were again reported by the Bureau of the Census and the Federal Reserve Board. Steel operations, which were at slightly over 70% of capacity in July, 1949, have moved up steadily to a point more than 83% of capacity as of last week.

(3) While there may be conditions in particular industries which require correction through wage-rate adjustments, in general it seems desirable at this time to stabilize the level of wage rates. In the steel industry we have not found such conditions or inequities and, for all the reasons stated, do not believe there should be a wage-rate adjustment now. General stability is desirable now in order that consumers and dealers

may have confidence in the price structure and resume less restricted buying habits.

3. Economic Justification for Social Insurance and Pensions

(A) The estimated net cost of these two programs, based upon the liberal assumption that labor costs average 50% of total production cost, would provide an increase of only 2½% of total costs on operations of 2,000 work hours per worker per year.

(B) The substantial profits of the steel industry in the past two years and the current reversal of the downward trend in production satisfy the board that the net cost of the insurance and pension plans herein recommended can be absorbed without unduly narrowing the profit margins of the industry or its ability to hold or even lower its prices.

(C) Whereas increases in wage rates depend upon profits of companies under relatively current conditions and over relatively short periods of time, social insurance and pensions—especially pensions—involve long-range considerations because, once installed, they cannot well be discontinued.

(D) For that reason, although immediate and generally foreseeable ability to pay is very important in wage-rate determinations, it is not as important in the questions of social insurance and pensions. Here the more important consideration is the social obligation which the board finds rests upon industry to provide insurance against the economic hazards of modern industrial life, including retirement allowances, in an adequate amount as supplementary to the amount of the security furnished by government.

(E) The inauguration and operation of insurance and pension programs will make a considerable contribution to the attainment of the economic stability so necessary at this time. With the knowledge that the economic hazards of life will be at least partially met, workers will be more apt to help sustain consumption spending at a high stable level.

(F) For these reasons and those elsewhere herein indicated, the Board believes that insurance and pension programs should have priority at this time.

C. Social Insurance and Pensions

1. Findings and Conclusions as to Both

(A) Social insurance and pensions should be considered a part of normal business costs to take care of temporary and permanent depreciation in the human "machine," in much the same way as provision is made for depreciation and insurance of plant and machinery. This obligation should be among the first charges on revenues.

(B) As indicated in the foregoing economic discussion, the net cost of the social insurance and pension plans herein recommended can be absorbed by the companies without unduly narrowing the profit margin of the industry or its ability to hold or even lower its prices.

(C) Although the steel industry has kept pace with other industries in wages and other industrial relations matters, it has lagged behind other leading basic industries in social insurance and pensions.

(D) The fully integrated companies before us now have social insurance and retirement plans for such of their employees as are in their railroad or coal-mining operations, and this further supports the Board's conclusion that the steel workers are now entitled to these types of protection.

(E) Social insurance and pension programs with the types of coverage requested by the union in this dispute have become prevalent in American industry and have been inaugurated either by the unilateral action of employers or, to an increasing extent, through collective bargaining.

(F) The concept of providing social insurance and pensions for workers in industry has become an accepted part of modern American thinking. Unless government provides such insurance in adequate amount, industry should step in to fill the gap.

(G) Government (except in four states) has failed to provide social insurance (as defined herein) for industrial workers generally, and has supplied old-age retirement benefits in amounts which are not adequate to provide an American minimum standard of living.

(H) The recent trend in programs resulting from collective bargaining is toward complete financing of the plan by the employer, or toward lowering the employees' cost in existing contributory plans.

2. Findings and Conclusions on Social Insurance

(A) Social insurance plans are now included in some 380 existing collective-bargaining agreements between the United Steelworkers of America and firms both within and without the basic steel industry. Of these the Board had information on some 300 plans, of which over 80% were non-contributory. These plans in which the cost is paid solely by the employer, almost invariably provide for a lower level of benefits than those requested by the union in the present case, and the costs of such plans are definitely lower, on the basis of a 2,000-hour work year, than the cost of 6.27 cents per hour which the union is requesting here.

(B) It is recommended as fair and equitable under all the circumstances that a social insurance plan be incorporated into the collective-bargaining agreements of the industry. The details and specific benefits of the plans should be determined through collective bargaining between each company and the union. The plans should be paid for by the employers without contribution by the employees; but should be limited in net cost to a maximum of about $80 per year per employee or 4 cents per hour, on a basis of a 2,000-hour work year.

(C) The recommended net cost is meant to be the total cost, not a cost in addition to what any company is now incurring under its existing insurance plan for employees within the bargaining unit; therefore, any plan which may be agreed upon between a company and the union shall not be in addition to any existing plan which the compay may have but in substitution therefor; nor should any company be expected to provide duplicating sickness benefits where provision therefor is made by State law, except to the extent that the amount agreed on exceeds the amount payable under such laws. This will result in a diminution of the cost of the new social insurance plan for all companies which are now paying all or any part of the cost of existing plans, to the extent of the amounts of such present costs.

3. Findings and Conclusions on Pensions

(A) The subject of pensions is not bargainable at this time under the terms of the reopening clause providing for the right of either party in 1949 to negotiate for a general and uniform change in rates of pay and/or for described social insurance.

(B) However, the subject of pensions is bargainable under the law as interpreted by the National Labor Relations Board as to all the companies. Pensions are not included in the written agreement and "with respect to unwritten terms dealing with 'wages hours and other terms and conditions of employment,' the obligation remains on both parties to bargain continuously."

(C) Such pension plans as are now in effect in the basic steel industry were the result of unilateral action by employers and are generally inadequate, even as a minimum supplement to the amounts payable as old-age pensions under the Social Security Act, when compared with recognized minimum requirements of elderly individuals or couples.

(D) the level of pensions requested by the union in this case, however, is higher than that prevailing or agreed on where such plans are in effect.

(E) It is recommended as fair and equitable under all the circumstances that pension plans be established in this industry, with the cost to be borne by the employers without contribution from the employees. The details of such plans should be determined through collective bargaining between each company and the union.

(1) Pensions should be limited in net cost to a maximum of about $120 per employee per year, or 6 cents per hour on a basis of a 2,000-hour work-year. Based on the union's cost estimates, this will provide, when added to average social security old-age benefits, about $100 per month on retirement at age 65 of the average employee.

(2) The recommended net cost is meant to be the total cost, not a cost in addition to what any company is now incurring under its own pension plan for employees within the bargaining unit. Therefore any plan agreed upon between a company and the union should not be in addition to any existing plan which the company may already have, but in substitution therefor.

(3) Since the problems involved in a pension program are more complicated than those faced in social insurance programs, and because the costs are greater and the program less susceptible to change from year to year, it is recommended that a joint study in the industry should be made on pensions. Such a study is necessary before intelligent bargaining over a pension program can be concluded.

(4) Among the matters which will have to be resolved in collective bargaining are these: Should the plan be handled through an insurance company or through a trust fund and how may the parties participate in the supervision; how shall the accrued liability for past service be treated; shall there be provision for employees retired through permanent disability below the age of 65; what shall be the minimum length of service to be eligible for pensions; shall the payments be proportioned to length of service or amount of income, or shall the pensions be at a flat amount; shall withdrawing employees have any rights if they leave the company's employ before they are 65; shall retirement at 65 be compulsory or shall there be some means provided for making exceptions, whether by mutual agreement of the employer and employee, or otherwise; and, having agreed on other principles and details, how large should the benefits be in light of the maximum cost stipulated?

D. Scope of Board Findings and Recommendations

1. The findings and recommendations herein contained are based largely on evidence relating to nineteen leading steel-producing companies as a group and do not necessarily reflect the circumstances of any individual company. Unlike the recommendations on wage rates and on bargainability, the recommendations on social insurance and pensions are not intended to apply automatically to individual companies.

2. With respect to those companies which are among the group of nineteen leading steel-producing companies, however, there is a presumption that the above-mentioned recommendations of this board should apply. In spite of this presumption, there should be a return to collective bargaining in order to provide an opportunity to each company to prove that the considerations, conclusions and recommendations herein discussed are in fact not applicable to it.

3. With respect to companies which are not included in the group of nineteen leading steel producing companies, there should be bargaining between the union and each company to ascertain what deviations, if any, should be made from the general recommendations.

E. Collective Bargaining

1. In collective bargaining in the basic steel industry, the practice has developed by which almost the entire industry generally follows the pattern set by United States Steel Corporation and perhaps a few of the other large companies in their contracts with the union.

2. As a result, there is frequently little or no serious bargaining or discussion between most of the individual employers and the union.

3. This practice is clearly a variation from the accepted concept of collective bargaining as defined in the statutes and interpretations; it tends to promote a feeling of dissatisfaction and disharmony between the parties which makes cooperation difficult.

4. Now that the organizational phase of union activities has been passed, the field ought to be reexamined to see whether the public interest requires any modification in the definition and theories of collective bargaining in accordance with the new situation faced, not only in the steel industry but in other industries where varying kinds of industry-wide rather than individual collective bargaining have grown up.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—A. G. Marshall and Herman C. Neuweiler are now with the staff of First California Company, 300 Montgomery Street. Mr. Neuweiler is located in the firm's Reno, Nev., office.

Kirkup With Hess, McFaul

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—John F. T. Kirkup has become associated with Hess & McFaul, American Bank Bldg. Mr. Kirkup was formerly with Daugherty, Cole & Co. and Hughes, Humphrey & Co.

B. C. Ziegler & Co. Adds

WEST BEND, WIS.—Thomas J. Kenny is now with B. C. Ziegler and Co., 215 North Main Street.

Mutual Funds

By HENRY HUNT

Market Review

Never before in history has the stock market stayed in as narrow an area as it has during the past 36 months. The range has been only 31.56 points in the Dow Jones Industrial average with the high point of 193.16 only 19½% above the low point of 161.60. There have been substantial declines in low priced shares while the higher grade stocks have had only moderate readjustments. When one considers that these low priced shares sold at about three times their prewar levels during the enthusiastic trading early in 1946 when the high priced stocks were only one-third higher than their prewar levels, it is not surprising that the market had to adjust its sights during the return to a peacetime competitive economy. Fortunately these internal adjustments have placed the market in a much healthier condition than it was in during 1946. The price relationships of the different quality groups is now more normal.

September is a month when the market often makes up its mind and starts important moves. Four of our 13 bull markets have ended during this month. While no bull markets have begun in September, this is probably due to the fact that the majority of them have started in June, July or August. Fortunately business activity has reversed its downtrend and during August had its first upturn since last fall. Because there are still some industries that could stand greater adjustments than they have had in prices and production, it is likely that there will be further testing of the business structure early next year. But there are some economists who believe the worst has already been seen.

During the month there should be a decision on the steel wage question and the Anglo-American dollar conference to be held in Washington starting Sept. 7 should lead to some action to help the serious situation that has developed in Great Britain. These decisions could have an important effect on our market depending on the way the problems are settled. Stocks have advanced sharply during the summer with the industrial average going up over 20 points. There has been a healthy amount of skepticism as is shown by the largest short interest since 1932 and by the fact that the smaller traders have recently been selling stocks on balance. It is seldom that advances are completed while such a condition exists.—Written by Harris, Upham's **Ralph Rotnem.**

Definition of a Chronic Bear

A bear is one who feels bad when business is good for fear he'll feel worse when business is better.

M. I. T.'s 25th Birthday

M. I. T. celebrated its 25th anniversary with the publication of a 46-page booklet, beautifully illustrated by George Geygan and expertly written by Julie Wilson. Its contents may be suggested by the following chapter headings:

Blazing the Trail. *Triumphs and Trouble.*
The Valley of Depression. *The War.*
Peacetime Problems.

It concludes with the following:

"Probably the most significant advantage of the growth in acceptance of Massachusetts Investors Trust's original idea lies in the more widespread ownership by the public of U. S. industry. As the news spreads that equal investment opportunities and chances of success are available to everybody, it should stimulate further savings and broaden the market for common stocks to an extent never before anticipated.

"This in turn will broaden the public's sense of responsibility and duty to see that nothing is done to threaten the system that makes this possible. The more capitalist-investors, the stronger the nation, and the less likely it will be to succumb to the 'isms' now causing most of the world's difficulties. Because of the increased per capita national income, the average family today has a far bigger stake in the United States than it had 25 years ago when Massachusetts Investors Trust presented its entirely new investment vehicle.

"Twenty-five years is sufficient time for seasoning, and every indication points to M. I. T. as a firmly and soundly established investment operation. It is operated by men who have spent most of their lives gaining experience and 'know-how' for the job of investment management. There is every reason to relieve that the trustees will follow in the future, as they always have in the past, the excellent advice by the Massachusetts Supreme Court to conduct themselves 'faithfully and exercise a sound discretion'."

Anticipation Worse Than Realization?

"A person expecting to have to undergo a serious operation often finds that the period of anticipation is more difficult than the operation itself.

"So it usually is with the investor and his fears and hopes of the future. For several years now investors have been living in fear of a postwar business depression, similar to the experience after other major wars.

"To date business has confounded most forecasters. It has refused to go into a state of collapse. True, business activity and prices are not at their levels of a year ago but no one expected the Boom to continue indefinitely. The problem was how to make the necessary transition from the Boom to a more normal pace without getting into serious trouble.

"It is our impression that the readjustment is continuing in a healthy manner and that by and large our economy is in better shape today than we thought likely several months ago.

"We do not mean to imply for a minute that all of our problems are behind us but we do want to register the thought that at this stage of the operation the anticipation has definitely been worse than the actual realization."—From a **George Putnam Fund** bulletin.

Hiccup Cure

Bob Meier, 23-year-old clerk, had suffered from hiccups for eight days when a mysterious stranger appeared at his home. "Shh!" the man said. "Don't tell anybody I did this."

From a black bag the stranger took two black candles and lighted them. Then he took a wet noodle from the bag, tied a string around it and draped the string over Mr. Meier's head with the noodle hanging between his eyes. The clerk looked at the noodle cross-eyed and laughed. His hiccups stopped.

"It's a sure cure," the stranger said, "been in the family for years." Then, without identifying himself, the man blew out the candles, put them in the bag and drove off in a big black car.

Dividend Trends

"Dividend trends are getting a bit mixed. Last week H. C. Bohack Co. declared a dividend on its common stock, the first it has paid since 1933. Also last week: Botany Mills 'took no action' on its common dividend; R. G. Le Tourneau, Inc., maker of earth-moving machinery, took no action on its $4 preferred dividend (Le Tourneau has paid nothing on common since June, 1947). One of the comforting things about a diversified mutual investment company is that though its dividend rates fluctuate, it keeps right on paying dividends to its shareholders year after year."—from "These Things Seemed Important," issued by **Selected Investments Co. of Chicago.**

Monetary Fund Suggests Devaluations

Camille Gutt, Managing Director of the International Monetary Fund, a twin organization of the World Bank, apparently backs up the devaluation views of Mr. Eugene R. Black, President of the International Bank, expressed in the address which appears on the cover page of this issue. Mr. Gutt submitted to delegates of the 48 member nations of the International Monetary Fund the annual report of the institution in which "realistic" devaluation of currencies was suggested as the remedy for dollar deficiencies. The report stated that high export prices "impose a serious handicap on deficit countries as they endeavor to expand their exports to the Western Hemisphere," and such countries must either cut down costs and profits or devalue their currencies. Devaluation, according to the report, would be the most feasible remedy.

Camille Gutt

"Unless positive steps are taken to secure a better balance in international payments," Mr. Gutt warned, "restrictions may be intensified as foreign aid declines, resulting in a shrinkage and further distortion of world trade."

Deficit countries were urged to examine whether an exchange rate adjustment will accomplish its purpose, since devaluation achieves nothing, the report points out, if the expected benefits are offset by rise in local prices and costs.

Lower Court Decision In Otis Case Upheld

U. S. Court of Appeals denies motion to enjoin NASD from taking further action to suspend Otis & Co. from its membership.

The United States Court of Appeals in the District of Columbia on Sept. 7 denied an appeal by Otis & Co., investment bankers of Cleveland, Ohio, to overrule a previous decision of a lower court which had refused to enjoin the National Association of Securities Dealers, Inc., from acting on the firm's suspension from the organization.

The case grows out of a dispute between the investment banking firm and the Kaiser-Frazer Corp. in connection with an offering of Kaiser-Frazer common stock early in 1948. The matter was taken up by the Cleveland district committee of the NASD which alleged it got no cooperation from Otis officials, including Cyrus Eaton, chief stockholder in the firm. On the basis of this, the NASD district committee suspended Otis & Co. from membership for a period of two years unless in the meantime it supplied the required information.

Otis & Co. later filed a suit against the NASD district committee's action and the SEC in the District Court in Washington charging the SEC forced the local committee of the NASD to sus-suspend Otis. Both the NASD and the SEC denied this charge and asked the Court to dismiss the suit for lack of jurisdiction. Judge James W. Morris of the U. S. District Court, in rendering the decision denying Otis & Co.'s petition, took the position that the plaintiff had not yet exhausted the means, whereby within the NASD and the SEC, it could have the disciplinary action taken by the Business Conduct Committee of the Cleveland District reviewed. The latest Court decision, therefore, does not alter the standing of the case of the NASD against Otis & Co.

Darden & Co. Opens

ALBUQUERQUE, N. MEX.—Addison H. Darden has formed Darden & Co. with offices at 302½ West Central Avenue to engage in the securities business. Mr. Darden was formerly with Fridley & Hess in Houston and the Scott Corp. of Albuquerque.

Probable Effects of Sterling Devaluation

By PAUL EINZIG

Dr. Einzig reports intelligent opinion in Britain is becoming "devaluation minded." Says leading nations, other than U. S., Switzerland and Belgium, are likely to follow example of sterling, so if devaluation occurs, it may not affect substantially Britain's international position. Sees no likelihood in future of fluctuating free sterling market.

LONDON, ENGLAND.—At the time of writing, "no devaluation" is still the officially declared policy of the British Government. But in well-informed circles the impression is gaining ground that Britain might, after all, be willing to discuss the possibility of a devaluation if it formed part of a comprehensive scheme providing a solution to the problem of the dollar gap. And intelligent British opinion is becoming increasingly devaluation-conscious. Until recently the subject was not even discussed, because it was generally assumed that Sir Stafford Cripps, in categorically refusing even to discuss it, had said the last word on it. During the course of August, however, there has been a growing tendency to examine the possible consequences of a devaluation of sterling.

Dr. Paul Einzig

What interests most people is whether it would result in an immediate sharp rise in the cost of living and in the cost of production. There is a widespread theory, held even in quarters which ought to know better, that in existing conditions of full employment wages are bound to catch up with the depreciated value of sterling in a very short time, so that the stimulating effect of a devaluation on Britain's capacity to export would soon be nullified by a corresponding rise in the cost of production. Consequently, the argument concludes, in a matter of months Britain would be as badly off as she was before devaluation, so that she would have to repeat the process.

It is of course impossible to form a definite opinion about the effect of a devaluation of sterling without knowing its probable extent, and without knowing which currencies would follow its example and to what extent. It seems reasonable to assume that all Sterling Area countries would follow Britain's example, in the same way as their currencies followed sterling in its fluctuations during the 'thirties. It is also probable that most Western European countries—with the exception of Switzerland and possibly Belgium — would also devalue, though it is difficult to forecast whether their devaluation would be equal to that of sterling, or less, or more. Among the Latin American countries the Argentine has already announced her intention of following the example of sterling, and in all probability a number of other currencies will be devalued immediately after the announcement of a British devaluation.

This means that the cost of the bulk of British imports in terms of sterling might not increase in consequence of a devaluation. Their sterling costs would actually fall in the case of imports from countries which would devalue their currencies to a larger extent than Britain, as some of them probably would. It would remain unchanged for goods imported from the Sterling Area and from other countries which would devalue their currencies to the same extent as sterling. It would rise relatively slightly for goods imported from countries which would devalue their currencies to a less extent than sterling. The only imports the sterling prices of which would rise in full proportion to the devaluation of sterling would be those derived from countries which, like the United States or Switzerland, would abstain altogether from devaluation. Even the substantial imports from Canada are not likely to rise in proportion of a devaluation of sterling, for the chances are that Canada would take the opportunity for effecting a minor adjustment of her dollar in relation to the United States dollar. Together with Sweden, Canada raised the gold value of her currency in 1946, only to regret it forever after, and it is probable that on the occasion of an all-round currency adjustment this mistake will be repaired.

Even if we knew the full list of currencies that would be devalued and the extent of their devaluations, we should not be in a position to calculate the exact extent of the effect on the cost of British imports. For as a result of a devaluation British purchases are likely to be shifted, to an unknown extent, to countries which would devalue to a considerable extent. Although there are too many unknown factors, it is possible to suggest that the full extent of a devaluation of sterling would affect only a small proportion of essential imports. For this reason, the increase of the cost of living would only amount to a small proportion of the percentage of the devaluation of sterling. If sterling should be devalued by 25% then the immediate automatic effect on the British cost of living should not be higher than, say, 5%. There would of course be secondary effects, as and when the higher cost of living in other countries which devalued their currencies would affect the price of their exports to Britain. Even allowing for this indirect effect, the total rise should not exceed 10%.

There is also a possibility that prices in the United States would be reduced in order to compete with countries which would devalue their currencies. In that case the effect of a devaluation on the cost of living, would be less than 10%. What ought to be borne in mind, however, is the operation of the vicious spiral that would be started by a devaluation. That spiral would not necessarily come to a halt after devaluation has produced its immediate and secondary effects. On the other hand, it must also be remembered that the rise in the cost of living would not necessarily be followed by a corresponding rise of all wages, social service charges and other items of the cost of production.

Allowing for all considerations, and assuming that the present overvaluation of sterling must be in the neighborhood of 10% to 15%, it is permissible to conclude that a devaluation of 25% would not allow much safety margin for the operation of the vicious spiral. In order to ensure the success of the operation, if it is to be undertaken at all, sterling would have to be devalued to a level at which it would command confidence because its new rate would allow a reasonable safety margin.

One thing is certain. In no circumstances would the British Government follow the advice given from many quarters that, instead of devaluing the pound, it should be allowed to fluctuate freely as it did during the 'thirties, in order that it should find its own level. This solution would be strongly opposed both by the United States Government and by the International Monetary Fund, and in any case it would be entirely out of keeping with the economic philosophy of a Socialist Government. The idea that the rate that would be arrived at in a free market would be tenable is open to doubt, especially as the market would not be really free, for restrictions on capital movements would have to continue. In any case, a fluctuating sterling exchange rate would make for instability both within Britain and in the world markets. So the choice of a fixed rate involving a moderate undervaluation of sterling would be the smaller of the two evils.

N. T. Robertson With Shelby Cullom Davis

Norman T. Robertson, who recently retired as President of the Secured Fire and Marine Insurance Co., Indianapolis, has become associated with Shelby Cullom Davis & Co., 110 William Street, New York City, as an insurance stock specialist.

A veteran insurance man, Mr. Robertson has been President of four insurance companies and chief underwriting officer of a fifth. His career in insurance began in 1904 as a field man in Texas for Continental Insurance Co. In 1921 he became President of that company after having served as President of the American Eagle Insurance Co. for two years. When Continental was merged into the America Fore Group, Mr. Robertson became Vice-President and underwriting manager of National Liberty Insurance Co. When this became a member of the Home Group, he was made President of the newly formed Germanic Fire Insurance Co. Following liquidation of this firm in 1931 during the financial crisis in Germany, he opened offices as a reinsurance specialist in New York. In 1942 he became President of the Secured Fire and Marine Insurance Co.

A Good Beginning

Foreign policy will not * * * preserve the liberties to which our nation was dedicated. There is danger within. In every nation in the world there is a growing tendency to exalt the State and to treat the individual as unimportant.

John F. Dulles

We believe in the sacredness and the worth of the human personality, and we want all individuals to be resourceful and self-reliant; thrifty and possessed of enough self-control to give up present enjoyment to set aside for further security; cooperative and compassionate, fearing God and loving neighbor. But in every country, including our own, powerful central governments are actually producing opposite results.

The State is assuming an almost total responsibility for public welfare. To that end it commandeers much of what the individual produces and extends its detailed controls into every aspect of life. In consequence, more and more individuals are gradually losing both the incentive and the means to develop the qualities that make him worthy.

* * *

I believe that the trend to statism needs to be stopped now and here.

* * *

Proposals which exalt the State at the expense of the individual I shall be against. And I care not whether these proposals carry the label of "dictatorship of the proletariat" or the "welfare state" or the "fair deal."

I know that the present trend, unless stopped, will be for everyone a bad deal.—John Foster Dulles in announcing his willingness to be the Republican candidate for the Senate this autumn.

This seems to us to make an excellent beginning; more explicit statements can, of course, await further developments.

Ingalls & Snyder Celebrate 25 Years

In marking the 25th anniversary of its formation as a member of the New York Stock Exchange, the firm of Ingalls & Snyder, 100 Broadway, New York City, Sept. 15 announces the admission as general partners of John T. Snyder, Jr., and Roscoe C. Ingalls, Jr., sons of the two founders and present senior partners. Both new members have been associated with the firm as registered representatives since their discharge from the Armed Services a few years ago.

Ingalls & Snyder was organized in 1924 by Roscoe C. Ingalls and John T. Snyder, after a five year association as partners in Struthers & Hiscoe. The firm conducts a general brokerage business in industrial, public utility, railroad, listed and unlisted securities and also holds membership on the New York Curb Exchange. Other partners include Daniel L. Monroe, Warner W. Kent, Samuel H. Watts, Ralph P. Hinchman, Jr., Thorvald H. Tenney and Chester C. Veldran.

Canadian Securities

By WILLIAM J. McKAY

As anticipated the U. S.-British-Canadian high-level Washington parley served its purpose admirably in a political sense, but as far as providing a practical immediate solution of the sterling crisis its contribution was negligible. The only tangible benefit of real consequence arising out of the conference was obtained by Canada in the shape of $300 million for wheat supplied to Britain to be paid with E.C.A. funds instead of from the United Kingdom's dwindling hard-currency reserves. To this extent, Canada is relieved of doubts concerning this important item in her U. S. dollar balance of payments, and this will compensate to some degree the loss of other E.C.A. offshore purchases in the Dominion.

That any all-embracing solution could possibly be devised under the circumstances was quite inconceivable. Hopes pinned on fantastic ideas such as the marrying of the dollar and the pound or unilateral action on the part of this country in raising the price of gold were only born of desperation and were never in the realm of reality. While out of deference to British sensibilities the subject of sterling devaluation was scrupulously avoided, it was patently impossible that any constructive answer to the British economic problem could materialize as a result of this conference. Happily, however, much was achieved that augurs well for the future. The atmosphere of bitterness and recrimination that previously had jeopardized U.S.-British good relations has been dissipated.

There is now little question of any lack of sympathy and understanding on this side with regard to Britain's present dire predicament. Over the long range every possible concession has been made to enable the United Kingdom to achieve economic stability. Consequently there is now less to fear concerning the possibility of a disastrous cleavage of the democratic world into two opposing economic camps. Fundamentally U.S.-British economic and political unity is assured, but there still remains the unresolved question of the immediate sterling crisis.

This thorny problem has been placed before the proper and competent authority on foreign exchange matters—the International Monetary Fund. With rather unexpected forcefulness this body has unequivocally ruled that devaluation of sterling and other European currencies is an essential prerequisite to the restoration of the European economy and a proper balance of trade between Europe and North America. This view has been completely endorsed by the World Bank and thus any hope that was entertained following the U. S.-British-Canadian conference that confidence in sterling could be restored without devaluation has been rudely shattered.

As matters now stand Britain has an opportunity that might never recur to take the momentous step of currency adjustment with the fullest moral and material support of this country and the World Bank and Fund. In any event the principal normal function of the Fund at its annual meeting is the examination, and if necessary, the revision of unrealistic exchange parities. Such an opportunity should not therefore be permitted to pass and it is difficult to conceive that Britain can do otherwise than to follow the almost unanimous recommendations of the world's foremost financial authorities.

In this event the present difficult Canadian economic situation would be subject to further unfavorable developments. When consideration is given to the British precedent, where delay in making an overdue exchange adjustment has caused an avoidable crisis, perhaps more timely action on the part of Canada would prevent any similar experience. Having in mind also the implementation of the President's Point Four, U. S. investment in other sections of the British Commonwealth after sterling devaluation would possibly prove more attractive than Canadian risks undertaken at a suspect level of exchange.

* * *

During the week there was almost a complete state of inertia in the external section of the bond market and prices were inclined to drift lower. The internals on the other hand advanced fractionally; in view of the probability of sterling devaluation it is highly remarkable that obligations payable in Canadian funds still remain curiously immune from this depressing influence. Free funds likewise remained steady but there was a greater supply for future deliveries. Stocks after earlier irregularity subsequently followed the upward trend of New York under the market leadership of the gold and base-metals issues.

Gaspe Oil Reelects Dirs.

At the annual meeting of Gaspe Oil Ventures Limited held in Montreal, Canada, Paul Payette, John Vanier, Armand G. Boisclair, Sidney D. Blue and L. Demers were reelected directors of the company for the current year.

Paul Payette, President, reviewed the company's affairs for the past year, with particular emphasis on the forthcoming acidizing operations of three of the company's wells on the Gaspe Peninsula. As this is a highly specialized operation, arrangements have been made with Dowell Inc., a subsidiary of the Dow Chemical Company, to do this work with their special oil well cementing equipment.

Stanley Cooper Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Raymond A. Hobson is with Stanley Cooper Co., Inc., Fountain Square Bldg.

Export-Import Bank Grants $20 Million Loan to Yugoslavia

After considerable delay, it authorizes credit of $20 million largely for approved purchases in United States.

The Export-Import Bank announced on Sept. 8 authorization of credits of $20 million in favor of the Government of Yugoslavia for the purchase in the United States and exportation to Yugoslavia of essential materials, equipment and services to be approved by the Bank. This controversial loan had been under contemplation for several months.

Of the total of $20 million to be granted, the Board authorized the establishment at this time of a $12 million credit for United States materials and equipment for the rehabilitation of the mining industry of Yugoslavia.

The terms of the $12 million credit call for an interest rate of 3½% per annum payable semi-annually. This credit will be amortized in 20 equal semi-annual payments, the first of which shall be due and payable on July 31, 1951. The credit will be available until Dec. 31, 1950.

The remaining $8 million of credits will be established from time to time until June 30, 1950, as the items of materials, equipment and services to be financed under such credits shall be agreed upon by the Bank and Yugoslavia.

According to a statement of the Export-Import Bank, before the war, Yugoslavia was one of the leading producers of bauxite, mercury, copper, lead, zinc, and other non-ferrous metals. Much of the equipment in the non-ferrous mines is damaged, worn out, or obsolete. Tremendous damage to many of the mines and their equipment occurred during the war. The equipment to be financed under the Export-Import Bank credit is essential to the maintenance of Yugoslavia's production of non-ferrous minerals.

The United States is a large consumer and importer of non-ferrous metals. It is expected that the acquisition by Yugoslavia of new mining equipment from the United States will not only assist in the rehabilitation of the economy of Yugoslavia, but will provide an important source of non-ferrous metals needed for import into the United States and other countries.

Los Angeles Bond Club Nominates Phillips

LOS ANGELES, CALIF.—The Bond Club of Los Angeles has nominated Ralph E. Phillips, Dean Witter & Co., for President for the fiscal year beginning Oct. 1. Others named for the slate of officers are Charles F. Sill, Francis I. du Pont & Co., Secretary; Jo M. French, Blyth & Co., Inc., Treasurer; the officers and Stuart Roussell, First California Co., are named for directors.

Members of the nominating committee were Carlton H. Merrill, E. F. Hutton & Co.; Joseph L. Ryons, Pacific Co. of California, and Murray Ward, Hill, Richards & Co.

New York Stock Exchange Weekly Firm Changes

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

J. F. Reilly & Co. will dissolve Sept. 15.

Carl H. Langenberg, limited partner in Reinholdt & Gardner, died Sept. 5.

John S. McMillan, Dempsey, Tegeler & Co., died Sept. 2.

William A. Neubauer, partner in Lamson Bros. & Co., died Sept. 2.

NYSE Members to Vote on Incorporation Plan

Emil Schram, President of the Exchange, issues statement summarizing proposed amendment to Constitution of New York Stock Exchange, which will be voted on by entire membership and, if approved, will become effective on Nov. 1.

According to a statement issued by Emil Schram, President of the New York Stock Exchange, the Board of Governors of that institution on Sept. 8 approved and ordered submitted to the membership for balloting a constitutional amendment which would permit member firms of the Exchange to incorporate, under certain definite restrictions, and which would enable non-member houses engaged exclusively in the securities business, as brokers or dealers, to hold membership in the Exchange under these same restrictions and under the general policies of the Exchange. If approved by the membership the amendment would become effective on Nov. 1.

Emil Schram

Summary of Proposed Amendment

According to Mr. Scram's statement, the permissive incorporation proposal may be briefly summarized as follows: If member corporations are permitted, the Exchange would impose such restrictions as necessary to continue to exercise the same control over the corporation, its officers, directors, stockholders and employees as it now does over the member firm, its partners and employees. The corporation would be subject to at least as strict regulations for the protection of the public as is the member firm. In addition, there would be, initially, greater capital requirements and required bonding of officers.

Only organizations engaged primarily in the securities business, as brokers or dealers, could be member corporations. Therefore, banks, investment trusts and insurance companies would not be eligible. Also, non-member securities corporations would not be eligible if their stock is publicly held.

Initially, a member corporation would have to have a paid-in capital and surplus 20% greater than than required of a member firm.

The maintenance capital requirements would be the same as those presently imposed on member firms.

The corporation would be required to have a so-called surprise audit once in each year, submit three answers each year to financial questionnaires, and be subject to an annual visit by an Exchange examiner, which requirements are the same as those imposed on member firms.

The corporation would have to bond its officers, which is a requirement not possible to impose upon firms with respect to their general partners.

A corporation would be permitted to have voting and non-voting stock, corresponding to general capital and limited capital in a partnership.

Voting stock would have to represent at least 55% of the capital in line with the Exchange requirement that general capital in a member firm be at least 55% of the total capital.

Voting stockholders and principal officers would have to be members or allied members of the Exchange and, as such, would have to devote the major portion of their time to the business of the corporation.

Every director would have to be a holder of voting stock. No person could be elected a director or appointed an officer without the prior approval of the Exchange. Every director, principal officer and voting stockholder would be required to own voting or non-voting stock, or both, in an amount approved by the Exchange.

At least one director would have to be a member of the Exchange. His holdings of voting stock would have to be at least equal, percentage-wise, to the interest now required to be held by an Exchange member who is a general partner in a member firm.

Non-voting stockholders who are not members or allied members, would have to be approved in the same fashion as limited partners in member firms. Also, junior officers would have to be passed on by the Exchange.

The Exchange would reserve the right to limit the number of stockholders.

A stockholder in one member corporation could not be a stockholder in another member corporation or a partner in a member firm.

Non-voting stock could not receive preferential dividends in excess of 6%. It could receive additional dividends out of earned surplus on a parity with or after dividends on common stock.

No stockholder in a member corporation could transfer, sell, assign or in any way encumber or pledge his stock in such corporation without the prior written approval of the Exchange.

The stock of a withdrawing or deceased stockholder would first be offered to the corporation or its remaining stockholders; thereafter, if not purchased by the corporation or its remaining stockholders, such stock could only be sold to a person or persons approved by the Exchange.

A member corporation would be deprived by the Exchange of its privileges if (1) the corporation's voting stock should be acquired by anyone other than a member, allied member, or the estate of a deceased member or allied member stockholder or (2) any non-voting stock of the corporation should be acquired by anyone without the approval of the Exchange.

A member or allied member would be required to sever all connection with the corporation, and cease to be a stockholder, if the Exchange found it was not in its best interests that the connection be continued. This would be in line with the present power of the Exchange to order the discontinuance of any connection of a partner after coming to such a conclusion.

Every employee of the corporation whose duties correspond to those of a registered employee would have to be approved by the Exchange, which is presently the case with such an employee of a member firm.

Any stockholder, officer, or director, who is a member or allied member, would be liable to the same discipline and Exchange penalties for the acts of the corporation as for his own acts.

The Exchange's approval of a member corporation would constitute only a revocable privilege and confer on the corporation no right or interest of any nature whatsoever to continue as a member corporation.

Railroad Securities

The lower court has finally handed down a decision in the suit of the Western Pacific Railroad Corporation (the old holding company) against Western Pacific Railroad Company, the operating company over which one was entitled to certain tax credits accrued many years ago. Judge Goodman, in San Francisco, was obviously not impressed with the claim of either of the litigants to the money, amounting to several million dollars. He commented that the tax credit should not have been allowed in the first place and that the government should be entitled to the money. As that question had already been settled by the proper authorities, however, he was powerless to make any such award.

The only question before the Federal Court was which of the two companies was entitled to benefit from the provisions of the tax law which allowed the credit at the time of reorganization of the old operating company. In this it was found that the old holding company could not collect—that the money belonged to the operating company. The operating company had previously set up a reserve of some $10 million, invested in government bonds and not included among its current assets. Press reports state that the corporation intends to appeal the decision to the higher courts so that the matter can not be considered definitely settled even yet. If the higher courts do uphold the decision, however, release of the reserve funds will go far toward providing the means for the road's ambitious property program.

Also in the recent news was announcement of the first of an anticipated wave of bond extension proposals. This came from Bangor & Aroostook. All of the company's non-equipment debt, amounting to $12,465,000 as of the end of last year, falls due in 1951. Obviously cash payment of this full amount would be out of the question. Rather than take a chance on bond market conditions at the time being favorable to a public refunding operation, the company has decided to go ahead at this time with a plan offering holders an extended maturity for their present holdings.

The RFC holds $3,600,000 of collateral 4s, 1951, reduced from $3,800,000 at the end of 1948. Of these, $600,000 would be paid in cash on consummation of the plan, the payment representing anticipation of 1950 and 1951 sinking fund requirements. The balance of $3,000,000 would be extended 10 years, to July 1, 1961, with the interest rate unchanged. There are outstanding with the public $8,665,000 consolidated 4s, 1951, part of which are convertible. Under the plan the publicly held bonds would be extended for 25 years, to July 1, 1976, and the interest rate would be increased to 4¼%.

The plan would provide for particularly liberal sinking funds. There would be a fixed sinking fund of $150,000 a year for the collateral 4s, 1961. There would be a further cumulative contingent fund of $150,000 a year out of net income in excess of $650,000. This would also be for the benefit of the collateral 4s. These combined sinking funds would be sufficient to retire the entire issue by maturity. Starting in 1952 the 25-year 4¼s would have a sinking fund of 25% of net income in excess of $800,000 until all of the collateral 4s are retired. After that the 4¼s, 1976, would get the sinking fund originally applicable to the collateral 4s except that the entire sinking fund would be contingent on earnings. No dividends could be paid while there were any unpaid accruals in the sinking fund. The plan is a realistic and eminently fair one and its success appears assured.

Two other plans providing for bond extensions are expected in the near future. Western Maryland faces the maturity of most of its non-equipment debt in 1952. It is expected that holders of these bonds will shortly be offered a term bond (probably 25 years) with coupon rate unchanged but with a fairly liberal sinking fund. In the process it is expected that all other mortgage bonds except the 4s, 1952, will be paid off in cash so that the lien of the new extended bonds can be broadened to cover the whole system. As in the case of Bangor, it is expected that this proposal will be made under the Mahaffie Act which eliminates the problem of minority holdouts.

Illinois Central's long expected plan is looked for later this week. It, however, will presumably be entirely voluntary and not under the Mahaffie Act. The road's once formidable 1950-1955 maturity schedule is no longer considered any serious problem. Nevertheless, it is expected that holders of some of the liens maturing in that period will be offered an extended bond and provision made to pay off the balance (non-callable) as they mature. While it is obvious that no plan is urgent in the case of Illinois Central such a step would be constructive in finally solving the whole question of near-term maturities.

Form Hemphill, Noyes, Graham, Parsons & Co.

Hemphill, Noyes & Co., 15 Broad Street, New York City, investment bankers and members of the New York Stock Exchange, have acquired, effective today, the business of the New York Stock Exchange firm of Graham, Parsons & Co., with the addition of new partners and a change of name of the consolidated firm to Hemphill, Noyes, Graham, Parsons & Co.

The firm is adding three general partners: John S. Williams, New York; Walter E. Robb, Jr., Boston, and George T. Purves, New York, and one special partner, Clayton F. Banks, Jr., of Philadelphia. All are at present partners of Graham, Parsons & Co., which was founded in Philadelphia in 1896.

The New York office of Graham, Parsons & Co. will be consolidated into Hemphill, Noyes & Co., office at 15 Broad Street. The firm will have 10 out-of-town offices in Albany, Boston, Chicago, Indianapolis, Philadelphia, Pittsburgh, Reading, Trenton, York, Pa., and Washington.

Nixon Griffis, a limited partner, retired from Hemphill, Noyes & Co. Sept. 14.

Baker, Carlstedt, McNally With Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Kenneth W. Carlstedt, Walter J. McNally and Harold I. Baker have become associated with the firm in its sales department.

Mr. Baker formerly headed his own investment firm in New York City; Mr. Carlstedt was with Morris Cohon & Co.

Ira Haupt Uses "Railroad" to Tell Investment Story

Stock Exchange Member Firm Sets Up Replica of Brokerage Office at County Fair

YONKERS, N. Y.—Officials of a member firm of the New York Stock Exchange—Ira Haupt & Co.—left the canyons of Wall Street and "borrowed" one of the nation's

leading railroads to use in telling the story of investment to visitors at the Westchester County Fair here.

The brokerage firm, recognizing the growing need for broader public understanding of the securities business, has set up an exhibit at the fair, which opened today, in the form of a regular brokerage office.

The exhibit is centered around a miniature railroad system, worked out in collaboration with Lionel Corp., designed to show the fair's visitors how the Pennsylvania Railroad actually operates, and how its operation is made possible through public investment in its securities.

Above the panoramic railroad display hangs a sign calling attention to the fact that the Pennsylvania has paid dividends on its common stock every year since 1848. The sign goes on to point out that for every $750 invested in the railroad's stock a year ago, the holder of these shares has received approximately $50 in dividends, or a return of 6.7% on the original investment.

To lend authenticity to this moving display, Meyer L. Hough, engineer on Pennsylvania's "Admiral" run between New York and Chicago, operated the scaled-down railway system for onlookers.

The exhibit also features the stock certificates of other leading corporations with similarly illustrated investment and dividend return statistics.

Elsewhere in the "brokerage office" are a Trans-Lux ticker, regular stock ticker, and piles of ticker tape. All of these standard items of the regular brokerage office are foreign to the average man-in-the-street, and it was hoped that through their display the operations of the brokerage business would be better understood.

Representatives of Ira Haupt were on hand to explain to visitors the meanings of the "mysterious" symbols on the stock ticker tape, how stock transactions actually are handled, and why American industry needs the vital resources of investment wealth held by the American people.

With Battles & Co.

PHILADELPHIA, PA.—Battles & Co., Inc., 1528 Walnut Street, announce that Clifford Lewis, 3rd, has become associated with the firm.

World Bank Issues Fourth Annual Report

Operations covering fiscal year ended June 30, 1949, indicate substantially increased activity, both in loans and in other services rendered to member nations. Loans comprise advances to Mexico, Brazil, Finland, Netherlands, India and Chile. Questions of European Recovery Program considered in Report.

Eugene R. Black, President of The International Bank for Reconstruction and Development, has made public the Fourth Annual Report of the institution as approved by its Executive Directors. Its financial sections cover the fiscal year ended June 30, 1949; other sections of the report deal with the varied activities of the Bank during the period from Sept. 1, 1948, to Aug. 20, 1949.

Eugene R. Black

The report as a whole, according to President Black, sets forth a record of substantially increased activity by the International Bank both in its actual lending operations and in other services which it renders member nations.

Loans Granted by the Bank

The report describes the salient features of eight loans made by the Bank during the past year aggregating $191,600,000.

Two loans totaling $34,100,000 were granted to agencies of the Mexican Government for electric power development in Mexico.

The Bank also made a loan of $75,000,000 to the Brazilian Traction, Light and Power Co., Ltd., a Canadian corporation, to finance most of the foreign exchange costs of a four- to five-year program of expansion for the hydroelectric power and telephone facilities of the company's Brazilian subsidiaries. These subsidiaries operate in the Rio de Janeiro and Sao Paulo areas. The loan is guaranteed by the Government of Brazil.

A loan of $16,000,000 was made to the Kingdom of Belgium to finance imports of equipment for the construction of two steel mills and a power plant in the industrial district of Liege. Proceeds of this loan will be utilized by two private Belgian steel corporations and a private electric company. These projects will help to modernize and expand two of Belgium's key industries and thereby to increase the country's productivity.

A loan of $12,500,000 was made to the Bank of Finland. This loan is guaranteed by the Government of Finland. The proceeds will finance imports of equipment and materials required for the reconstruction and modernization of Finland's woodworking industries, for electric power development, and for expanding production of limestone powder for agriculture.

The Bank granted a loan of $15,000,000 to the Finance Corporation for National Reconstruction (Herstelbank) of the Netherlands. The Herstelbank will make the proceeds available to 24 Dutch corporations to finance imports of equipment required for reconstruction or modernization of plant. The 24 projects affect virtually every sector of Dutch industry. The loan is guaranteed by the Netherlands Government.

India received a loan of $34,000,000 for the reconstruction and development of the Indian Railways.

The most recent loan contract was signed in August and related to a $5,000,000 loan to the Caja de Credito Agrario, Industrial y Minero. The proceeds will be used to import machinery to assist in the mechanization of Colombian agriculture. The financing aids one of several specific projects which had been submitted by the Colombian Government for consideration by the International Bank, while a more comprehensive development program is worked out with the help of a large Bank mission now in Colombia.

Two loans to Chile totaling $16,000,000 for hydroelectric development and for agricultural machinery became effective on Mar. 23, 1949, after passage by the Chilean Government of appropriate legislation. The loan contract was originally signed in March 1948. Conditions in the Chilean economy improved encouragingly in 1948.

Total loans made by the Bank from the time it began operations, the report discloses, amount to $716,600,000; the loans have been made for reconstruction and development in the following countries: France, The Netherlands, Denmark, Luxembourg, Chile, Mexico, Brazil, Belgium, Finland, India, and Colombia.

Use of Loan Proceeds

Supervision of the end use of goods financed out of the proceeds of the Bank's loans proceeded in a completely satisfactory manner over the past year, according to the Annual Report, and new methods were worked out in connection with supervision of loans for specific projects. Under the careful arrangements which are part of its normal working procedure, the Bank not only checks all disbursements to see that they accord with the loan agreements, but also receives regular progress reports on the projects which it is financing, so that it may be in a position at all times to compare the progress actually achieved with the estimates on the basis of which the loans were granted.

As in previous years about three-quarters of the total expenditures financed by Bank loans were made in the United States. The geographical distribution of the total of $526,300,000 disbursed by the Bank up to June 30, 1949, in round numbers by areas of expenditure is as follows: $400,400,000 in the United States; $51,400,000 in Latin America; $14,400,000 in Canada; $55,300,000 in Europe and $4,800,000 in Africa, the Near East and Far East.

Bond Marketing Activities

Since sufficient funds were available throughout the period covered by the report to meet all loan requirements of the Bank, no sales of direct obligations of the Bank during this period were necessary. Replenishment of $19,900,000 in funds loaned or committed was effected through sales of securities held in the Bank's loan portfolio, all of which were sold with the Bank's unconditional guarantee. These sales were as follows: $3,900,000 of mortgage notes received by the Bank under its loans to four Dutch shipping companies were sold to several mutual savings banks in the United States; this sale completed the disposal to institutional investors of the $12,000,000 of such notes acquired under the Dutch shipping loans. The Bank also sold, to a leading U. S. life insurance company and four mutual savings banks, $16,000,000 of Kingdom of Belgium bonds received under the Belgian loan. A total of $28,000,000 has thus far been transferred from the Bank's loan portfolio to private investment accounts through sales of guaranteed obligations.

In addition to the sums raised in this manner, there have been encouraging, though moderate, additions to loanable resources as a result of consents given by member governments to the Bank's use of a part of the 18% portion of their capital subscriptions paid in in local currencies. Canada consented to use by the Bank in its lending operations of 8,000,000 Canadian dollars from this source, and similar consent to the use of £500,000 was granted by the United Kingdom, and 599,876.25 Kroner by Denmark.

The bonds previously issued by the Bank have had a very satisfactory market record, indicating that they are now considered seasoned securities. The Bank's bonds are widely distributed among established investing institutions, large and small.

In June, 1949, the United States Congress enacted and the President of the United States approved, legislation authorizing national banks, and state banks which are members of the Federal Reserve System, to deal in and underwrite obligations issued by the International Bank, and designating securities issued or fully guaranteed by the Bank as exempted securities under the securities acts of the United States. The Bank expects that this legislation will contribute to a broader market in the United States for its obligations. During the period covered by the report, 11 states in the United States, by legislative or administrative action, authorized institutional investment in the Bank's securities. Subject to the qualifications and conditions contained in the various statutes and rulings, the Bank's securities are or soon will be legally authorized investment for institutions as follows:

For all national banks, and for other commercial banks in 45 states and the District of Columbia; for savings banks in 29 of the 36 states having such institutions and in the District of Columbia; for insurance companies in 36 states; for trust funds in 33 states and the District of Columbia.

The Bank's operations for the fiscal year ended June 30, 1949, resulted in an excess of income over expenses of approximately $10,600,000, exclusive of loan commissions credited to the Special Reserve. The total excess of income over expenses for the entire period of the Bank's operations up to June 30, 1949, amounted to approximately $13,650,000. In addition to this net income, approximately $5,000,000 was set aside in the Special Reserve during the year ended June 30, 1949; the total amount in the Special Reserve was thereby increased to approximately $8,000,000.

Surveying the scope of the Bank's varied activities, the report concludes that the Bank cannot and should not be expected to provide the answer to all or even a major part of the world's financial ills. It is beyond both the purpose and power of the Bank, for example, to cure the "dollar shortage," or to assure the maintenance of full employment, or to satisfy short-term budgetary and balance of payments requirements—though its operations do contribute to the solution of these problems.

European Recovery Program

Considerable misunderstanding persists, the report says, as to the effect of the European Recovery Program on the Bank's activities. This misunderstanding stems generally from a fallacious assumption that, because the Bank necessarily will play a secondary role in Europe during the ERP period, the Bank's position as a major instrument of international investment has somehow been impaired. Such an assumption involves a misconception of the purposes for which the Bank was established.

The Bretton Woods conference was not concerned with providing a solution to the anticipated short-run problems of Europe during what was expected in many quarters to be a brief transitional period after the war, but rather with the creation of permanent agencies which would operate primarily in the post-transitional period. As events have proved, both the magnitude of the short-run difficulties and the length of the period of transition were underestimated at Bretton Woods. But the existence of Europe's extraordinary immediate requirements and the creation of ERP to satisfy them neither impair the validity of the conception underlying the Bank, nor threaten the Bank's ability to achieve its objectives.

The Bank was designed to meet a long-term need which will remain when the present emergency is over—the need for a continuing organization to promote international investment on a scale sufficient to ensure a balanced development of the world's resources and a general rise in its living standards.

Present plans call for termination of ERP by June 30, 1952, and for a gradual reduction in the amount of aid provided between now and then. As these cutbacks occur, it is reasonable to expect that the ERP countries will again look to private investors and to the Bank as the principal sources of foreign capital for their long-term investment projects. There are increasing indications that the Bank may soon be called upon to consider the financing of such projects.

Federal Land Banks Offer $215,000,000 Farm Loan Bonds

The 12 Federal Land Banks offered publicly Sept. 13 through Macdonald G. Newcomb, their fiscal agent, 31 Nassau Street, New York, $215,000,000 consolidated Federal farm loan bonds, dated Oct. 1, 1949, due Oct. 1, 1957, and callable Oct. 1, 1955. The bonds bear interest at 1¾% per annum payable semi-annually, and were offered at 100¼ and accrued interest. They are being distributed on a nationwide basis through a large selling group of recognized dealers in securities.

Net proceeds from the sale are to be used to retire approximately $145,900,000 of 1½% consolidated Federal farm loan bonds of Oct. 1, 1948-50, and to provide approximately $69,100,000 for repayment of commercial bank borrowings and for lending operations.

The consolidated bonds offered are not government obligations and are not guaranteed by the government, but are the joint and several obligations of the 12 Federal Land Banks. The banks are Federally chartered institutions and operate under the supervision of the Farm Credit Administration, which is under the general direction and supervision of the Secretary of Agriculture.

Security Traders Association of New York

Rudy Petke, *Garvin, Bantel & Co.;* James F. Fitzgerald, *W. L. Canady & Co., Inc.,* President of the Security Traders Association of New York; Charles O'Brien Murphy, *Merrill Lynch, Pierce, Fenner & Beane;* Arnold J. Wechsler, *Ogden, Wechsler & Co.*

Jim Brewer, *John C. Legg & Co.;* Harold Marache, *Joseph McManus & Co.;* Harold B. Smith *Pershing & Co.;* Lud Strader, *Strader, Taylor & Co., Inc.,* Lynchburg, Va.; Henry Kuipers, *Louis H. Whitehead Co.*

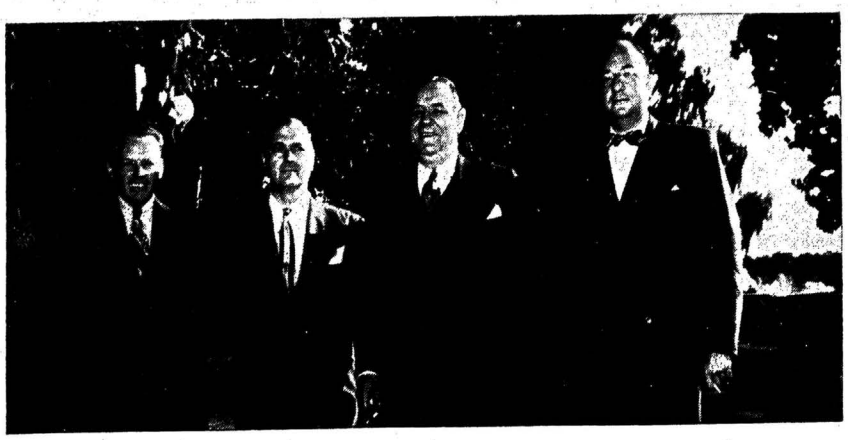
Otto Berwald, *Grady, Berwald & Co.;* Lou Gibbs, *Laird, Bissell & Meeds;* Elmer Myers, *Geo. B. Wallace & Co.*

Ray Kenney, *Kenney & Powell,* Chairman of the Entertainment Committee, congratulates Hal E. Murphy, *The Commercial & Financial Chronicle,* for winning second prize in the horseshoe pitching contest

Pete Steven, *A. C. Allyn & Co.;* Harry Arnold, *Paine, Webber, Jackson & Curtis*

Mortimer Gartman, *Josephthal & Co.;* Arthur Hatz, *Arnold & S. Bleichroeder, Inc.;* Lou Singer, *Troster, Currie & Summers*

Edwin L. Beck, *The Commercial & Financial Chronicle;* Bill Sherwood, *Hallgarten & Co.;* Robert I. Herzog, *Herzog & Co.*



Joe Flanagan, *John J. O'Kane, Jr. & Co.;* Walter E. Bachman, *Burton, Cluett & Dana;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Arthur E. Schwarz, *Bache & Co.*

Jim Durnin, *H. D. Knox & Co.;* Herb D. Knox, *H. D. Knox & Co.;* Joe Eagan, *Frank C. Masterson & Co.*

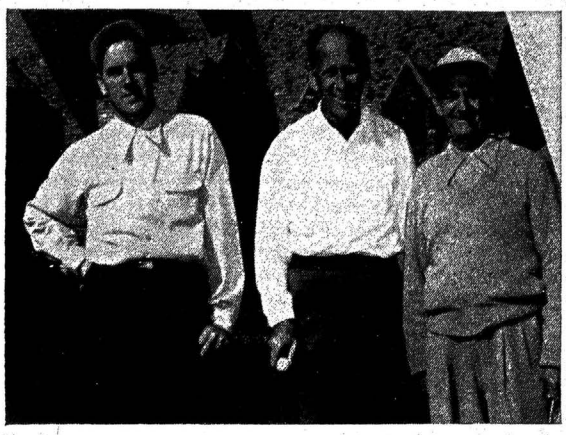
Annual Summer Outing Held September 9th

Joe Conlon, *E. H. Rollins & Sons;* Barney Nieman, *Carl Marks & Co., Inc.;* Walter Saunders, *Dominion Securities Corporation;* Joseph Colandro, *White, Weld & Co.*

K. C. Stanford, *F. S. Smithers & Co.;* E. J. Markham, *Wertheim & Co.;* Stan Waldron, *Wertheim & Co.;* Frank McGillen, *Irving Trust Co.*

Dan Hannafin, *Joseph McManus & Co.;* Leslie Barbier, *G. A. Saxton & Co., Inc.;* John French, *A. C. Allyn & Co.*

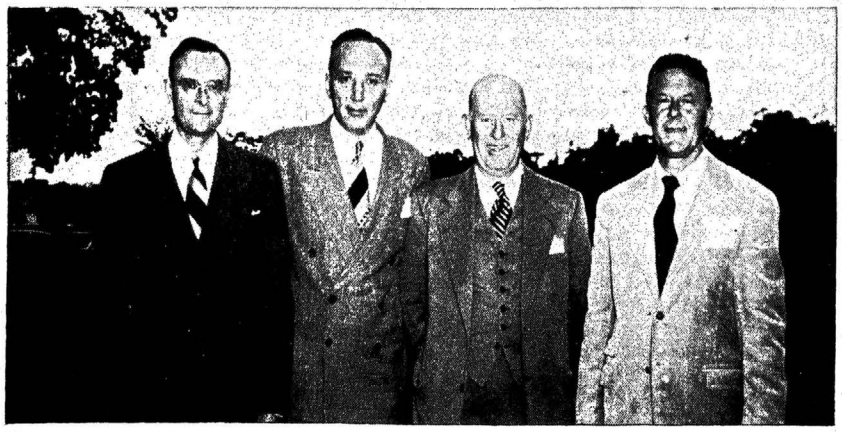
Charles Bruggeman, *Dean Witter & Co.;* Everett Rubien, *Dean Witter & Co.;* Harry MacCallum, Jr., *Peabody, Tyner & Co.,* Mt. Vernon, N. Y.



Arthur Hamill, *Lee Higginson Corp.;* A. P. Morris, *Estabrook & Co.;* H. R. Schmitt, *Pulis, Dowling & Co.*

R. E. DeFine, *Wertheim & Co.;* LeRoy Klein, *Lebenthal & Co.;* E. J. O'Rourke, *Goldman, Sachs & Co.;* Bill Wittich, *Walston, Hoffman & Goodwin*

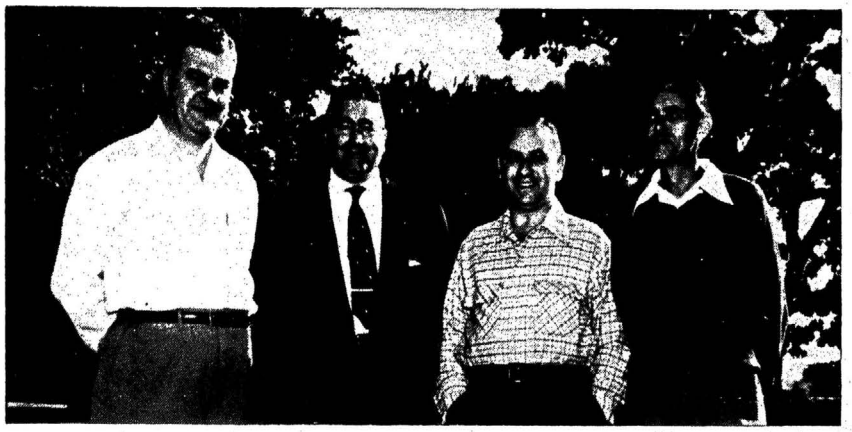
Barton Fox, *Barton Fox & Co.;* James S. Abrams, *Allen & Co.;* Roger McMahon, *Shearson, Hammill & Co.;* Gerald F. X. Kane, *Frank C. Moore & Co.*



Irving J. Silverherz, *Seligman, Lubetkin & Co.;* Adrian Frankel, *Seligman, Lubetkin & Co.;* Lester Gannon, *Cantor, Fitzgerald & Co.;* George Frings

Vince Shea, *Glore, Forgan & Co.;* F. W. Robson, *A. E. Ames & Co.;* Henry Gersten, *Gersten & Frenkel;* Harry D. Casper, *John J. O'Kane, Jr. & Co.*

At Travers Island—Attended by 250



Tom Love, *George E. Snyder & Co.*, Philadelphia; Michael J. Heaney, *Michael J. Heaney & Co.;* George J. Muller *Janney & Co.*, Philadelphia; John M. Hudson, *Thayer, Baker & Co.*, Philadelphia

Theodore Wechsler, *Hay, Fales & Co.;* Jay Duga, *Merrill Lynch, Pierce, Fenner & Beane;* Gene Stark, *Merrill Lynch, Pierce, Fenner & Beane;* Edwin L. Tatro, *Edwin L. Tatro Company*

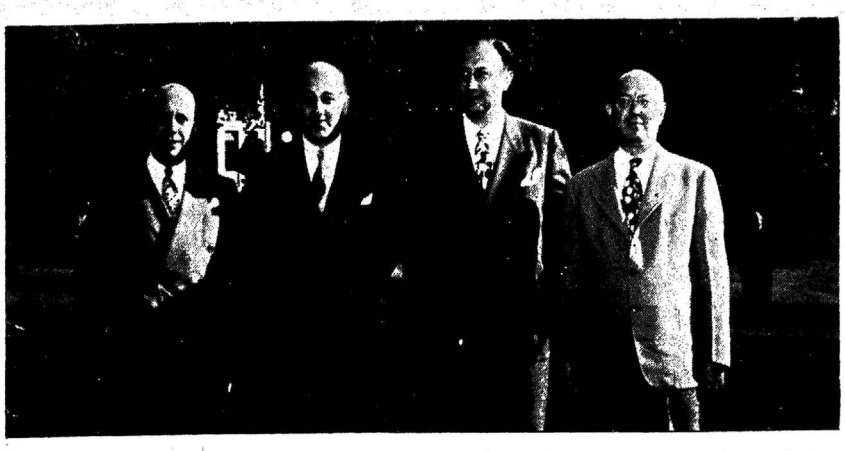
King Ghegan, *Edwin L. Tatro Company;* John O'Neill, *Stein Bros. & Boyce*, Baltimore; Frank McCall

Sid Siegel, *Siegel & Co.;* David Gold, *Lapham & Co.;* Sam Gold, *Lilley & Co.*, New York City

Tom Greenberg, *C. E. Unterberg & Co.;* Hoy Meyer, *Stern & Co.*

Daniel G. Mullin, *Tucker, Anthony & Co.;* John J. Meyers, Jr., *Gordon Graves & Co.;* John FitzGerald, *W. C. Pitfield & Co.;* Gerard F. Hulsebosch, *G. F. Hulsebosch & Co.*

W. F. Moss, *National Quotation Bureau, Inc.;* W. D. O'Connor, *Fitzgerald & Co., Inc.;* Bill Bird, *F. S. Moseley & Co.;* Sal Rappa, *F. S. Moseley & Co.*



Abe Feuer, *Spiegelberg, Feuer & Co.;* H. K. Greenfield, *Greenfield, Lax & Co.;* Herb Lax, *Greenfield, Lax & Co.;* Irving Ittleman, *Frank Ginberg & Co.*

Les Frenkel, *Gersten & Frenkel;* Walter Kennedy, *Coffin & Burr, Inc.;* Ernest Robb, *Paine, Webber, Jackson & Curtis;* John C. Calef, *Dominion Securities Corp.*

Pronounced Huge Success by All

Sid Woolwich, *Troster, Currie & Summers;* Andy Blank, *J. G. White & Co.;* Ernie Lienhard, *Troster, Currie & Summers;* Bert Pike, *Troster, Currie & Summers*

Ben Van Keegan, *Frank C. Masterson & Co.;* Reid Rankin, *R. H. Johnson & Co.;* Jack Germain, *J. Arthur Warner & Co.*

John Stein, *Frank Ginberg & Co.;* Nat Krumholz, *Siegel & Co.;* Sidney Jacobs, *Sidney Jacobs & Co.*

Jules Bean, *Luckhurst & Co.;* Ted Young

Dick Montanye, *Laurence Marks & Co.;* "Duke" Hunter, *Hunter & Co.*

Bob Lienhard, *Troster, Currie & Summers;* Barney Clancy, *Troster, Currie & Summers;* Frank Barrett, *H. C. Wainwright & Co.;* Walter Filkins, *Troster, Currie & Summers*

R. Sims Reeves, *Blair & Co., Inc.;* Jim Brennan, *J. G. White & Co.;* Harvey S. Renton, *J. G. White & Co.;* Dick Reid, *York Affiliates, Inc.;* Mike Growney, *York Affiliates, Inc.*

Bernard Salmon, *Luckhurst & Co.;* Frank Mulligan, *E. H. Rollins & Sons;* Herbert Singer, *Luckhurst & Co.;* Leo Goldwater, *Hettleman & Co.*

Merritt Coleman, Aaron Geller, Peter Brochu, and Joseph Corby, all of *Allen & Co.*

La Salle St. Women To Hold Meeting

CHICAGO, ILL.—La Salle Street Women will inaugurate their 1949-50 season with a dinner at 6:15 o'clock on Thursday evening, Sept. 22, at the Cordon, 410 South Michigan Avenue.

Colina Clow

Members are looking forward to hearing the views of Alfred S. Wiltberger, Vice-President of Blyth & Co., Inc., on "The Investment Banking Business and its Future." Mr. Wiltberger is President of the Bond Club of Chicago and a Governor of the Investment Bankers' Association. He is a member of the Chicago Club, the Attic and Exmoor Country Club. He received his education at Northwestern University.

Some of the other speakers for the coming season will be Wilbur Brons, chief editorial writer for the Chicago "Journal of Commerce," who will address the group at the Nov. 17 meeting, and Dr. Carl Gardner, Executive Director of the Chicago Plan Commission who will be the guest at the Jan. 10 dinner.

The Securities and World and Nations discussion groups will meet once a month in alternate months.

The officers for this year are: President, Miss Colina Clow, Secretary to Dr. Melchior Palyi; Vice-President, Miss Edith Jiencke of Gofen & Glossberg; Recording Secretary, Miss Grace Zern with Nelson L. Buck; Corresponding Secretary, Mrs. Dorothy Petrie, Harriman Ripley & Co., Inc.; and Treasurer, Miss Lillian Birkholz, Ketcham & Nongard.

Laemmel to Speak at NSTA Municipal Forum

William G. Laemmel, Vice-President of Chemical Bank & Trust Co., New York, will be the principal speaker at the Municipal Forum to be held at the 16th Annual Convention of the National Security Traders Association at Colorado Springs, Oct. 5-9, according to Russell M. Ergood, Jr., Chairman of the Association's Municipal Committee.

William G. Laemmel

Mr. Laemmel's topic will be "Housing Bonds."

Now Corporation

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — C. N. White & Co., a corporation, has been formed to continue the investment business formerly conducted by C. N. White & Co., Central Bank Building, a sole proprietorship. Officers of the new organization are Claudius N. White, President; James N. White, Vice-President; and James J. Stasek, Treasurer.

Public Utility Securities

By OWEN ELY

Utah Power & Light

Utah Power & Light is a medium-sized hydro-electric utility, with annual revenues of about $18 million, serving Salt Lake City and other areas in Utah, Idaho and Wyoming (mostly interconnected); a subsidiary, Western Colorado Power, serves some territory in Colorado. Total population served is over 600,000, of which nearly one-third is in Salt Lake City.

The territory is quite well diversified, with some emphasis on the mining industry. Revenues are about 99% electric, 1% steam; electric revenues are 41% residential and rural, 21% commercial, 29% industrial and 9% wholesale and miscellaneous. About ⅓ of industrial revenues are obtained from sales to coal or other mining customers, but the biggest industrial concerns in this area, Kennecott Copper and Geneva Steel (U. S. Steel subsidiary), sell power to the company. Industrial revenues also include some sales for irrigation pumping (the company's service will be available to 97% of the farms within its region by the end of this year).

Obviously, with mining sales only about 10% of total revenues and probably a much smaller proportion of net income, the company is not heavily dependent on that industry, except of course as commercial and residential business might be affected by the reduction of mining operations in a severe depression. But the company was hard hit in the 1932 depression, gross revenues dropping from $11.7 million in 1929 to $8.8 million in 1933; while share earnings fell from $2.77 (on present capitalization) to 43c in 1934. In the 1938 depression the decline was less drastic, with revenues down only about 5% and share earnings off from $1.48 to $1.10.

It seems probable that, with rapidly increasing diversification of industry, future earnings should prove much more stable. Irrigated farming has been considerably expanded, and dry and irrigated areas cover about 17 million acres devoted principally to wheat, corn, beet sugar and fruit and live-stock. While about ⅓ of the copper for the United States still comes from the mines of Kennecott and American Smelting, steel is increasingly important. Geneva Steel has a capacity of 1.3 million ingot tons, and obtains both coal and iron from huge reserves about 120 miles away; it is said that the company can deliver steel on the Pacific Coast cheaper than Bethlehem can ship by water from its Maryland (Sparrows Point) plant. Big steel consumers with plants in this territory are Pacific States Cast Iron Pipe, Chicago Bridge & Iron, and Rheem Manufacturing.

Oil production and refining are also developing and Standard Oil of California, Standard of Indiana and Phillips have built (or are building) big refineries to serve the Mountain States area. There are also tremendous reserves of shale oil for future exploitation; the government is operating a pilot plant at Rifle, Colo. to determine costs. Natural gas reserves in western Wyoming and other adjacent areas are being developed. Big phosphate deposits in Idaho are encouraging the fertilizer and chemical industries to come into the territory. Further diversification is provided by large military supply and repair bases in the area, employing about 15,000 people.

Utah Power and Light now buys about 40% of its power from Kennecott, Geneva Steel, Montana Power Co., Idaho Power Co. and others. It now owns some 211,000 kw. peaking capacity, which is about 70% hydro. Like other companies, it does not want to rely too heavily on hydro or purchased power, and when its proposed construction program is completed by 1953 (adding 85% to present dependable production) capacity will be about 53% steam, 33% hydro and 14% purchased power from others.

Including current stock financing and the $3 million mortgage bonds to be sold in October, the company's capital structure will be 62% debt (48% mortgage debt and 14% in debentures and serial bank loans) and 38% common stock and surplus. The common stock equity includes about $2 million net plant acquisition adjustments. Current financing includes $3 million bonds (the company also sold $3 million earlier this year) and 148,155 shares of common stock. The stock is being offered to stockholders of record Sept. 13, on a one-for-eight basis, with the subscription price fixed at 23½ by competitive bidding for unsubscribed shares. No plans have been made for additional financing (other than bank borrowing) until 1951.

The company in two decades has been unable to recover the net income it enjoyed in 1929—of course this is true of many other companies—and growth has been slower than for the average utility, except in the last two years. Earnings for the 12 months ended July 31 (consolidated net income) were $2.66 compared with $2.43 last year. Based on the new number of shares, consolidated earnings for the calendar year 1949 are estimated at around $2.25, but they may be expected to recover to around the $2.50 level in 1950-51, assuming that the present rate structure and present level of business activity continue.

Despite the company's low residential rates (about 25% below the U. S. average), Utah P. & L. has had some regulatory difficulties. The Utah Public Service Commission, aided and counselled by the Federal Power Commission, in 1943 ordered a rate reduction of about $1.5 million applicable to Utah customers, and the Utah Supreme Court upheld the order. Recently, the company tried to obtain a rate increase but, based on 1948 earnings, the PSC held the rate of return (6%) earned in 1948 was adequate and denied the application. However, earnings for 1948 exceeded only negligibly the amount considered by the State Commission to reflect "fair return" on the rate base, and the company may file a new application if and when the rate of return goes below 6% for 1949 or some extended period thereafter. Should the company eventually obtain rate relief, it is possible that share earnings might increase to the $2.80-$3 level, without exceeding a 6% rate of return on the higher investment.

The current dividend is $1.60 compared with $1.40 last year, and the current policy appears to be to pay out about 70% or 75% of earnings. If the company should ultimately be successful in adjusting its rates, and other conditions are as anticipated, it seems possible that the dividend rate might rise to the $2 level. This appears unlikely during 1949-50, in any event.

The stock sells around 23½ to yield about 6.8%. This yield appears to be about in line with the average for companies of similar size.

Analyzes Britain's Economic Crisis

Joseph Stagg Lawrence, in publication of Empire Trust Company of New York, says Britain's difficulties are due to multiplicity of causes, and recommends as remedies: (1) abandonment of socialistic experiments; (2) lowering of artificial values of currencies set up by International Monetary Fund; and (3) revision of our tariffs.

Dr. Joseph Stagg Lawrence, Vice-President of the Empire Trust Company in New York City, in the Sept. 8 issue of the "Empire Trust Letter," analyzes the British economic crisis in considerable detail and concludes the malady from which Great Britain suffers is not due to any simple or single cause and therefore there is no single or simple cure.

Jos. Stagg Lawrence

"The exhaustion of Britain's capital fund by two wars and high Socialist living cannot be corrected overnight," concludes Dr. Lawrence. "We cannot ask her to repudiate Socialism. That is a deliberate choice of the English people and if it is the wrong road to Paradise they will have to discover it for themselves from the hard taskmaster of experience.

"On the other hand, they have little right to ask us to subsidize her while she breaks 'fresh ground in terms of new social and economic experiments.'

"The gradual degeneration of England's economic plant is in part due to a national state of mind which might conceivably respond to psychiatric treatment but hardly to the economic homilies of Adam Smith.

"The high cost of British goods reflects her barriers against the winds of competition plus the social luxuries which the welfare state offers. Again this is a peculiarly British problem in the solution of which foreign dictation is unwelcome.

"Something, however, can be done about the artificial values for the currencies of member nations so far sustained by the IMF. This is one of the important causes of the 'dollar shortage' about which this country can demand action.

"The corrective steps which England will have to take to extricate herself from her current predicament are all unpleasant and politically dangerous. Yet any concessions to the hints of her leaders that we evolve some new device under which additional billions of American money can be used to prolonge the seductive Nirvana of socialism and economic senescence—at least until after the elections—will simply postpone that rigorous self-solution which England must ultimately embrace.

"Two steps this country can initiate. Insofar as our tariff structure denies the English manufacturer a fair competitive opportunity in this country, it should be re-examined. We are in a poor position to criticize English competitive effort while giving ourselves a prohibitive handicap when English and American goods meet in a common market place.

"Since much of the mischief in the narrower sterling problem arises from artificially imputed values for currencies and gold, it might be well to expose the dollar, the pound, the franc, together with gold—the only valid common denominator in which their relative values can be expressed—to the fresh breath of free markets."

Securities Salesman's Corner

By JOHN DUTTON

Has this ever happened to you? You call on a prospect, you spend time cultivating his confidence and good will, then after considerable time and effort you reach the point when you have something worthwhile to offer and you bring it to his attention. So far so good. Your prospective customer thanks you, he tells you he will consider your suggestion and let you know. Several days later you call again and he tells you, "You know, that was a pretty good stock you told me to buy, I called up some friends of mine who are members of the Stock Exchange and they bought it for me at a lower price than you offered this stock and only charged me a small commission." And you stand there, looking foolish and wondering how you can explain the fact that you did not intend to overcharge or take advantage of your proposed new customer, but regardless of what you might say, you know very well that you are on the spot and there is little you can do about it.

Time and again, member firms accept orders for over-the-counter securities from the investing public and only charge a small commission on top of their wholesale, or cost price. In many instances these member firms have trading departments that actively solicit the business of smaller retail firms that rely primarily for their income from profits derived through the retailing of securities, which those retail firms have bought from Stock Exchange houses. Meanwhile these member firms allow their customer's men to take orders at WHOLESALE, plus the regular Stock Exchange commission, IN DIRECT COMPETITION WITH THEIR OWN DEALERS FROM WHOM THEY ARE ACTIVELY SOLICITING BUSINESS.

Such a condition is unsound. This sort of practice is detrimental to the entire securities industry. In other lines of business the wholesalers do not sell at retail. Try to buy any standard nationally advertised product at wholesale and see what happens. The over-the-counter market is a wholesale market—not a retail market. When firms that are members of the New York Stock Exchange execute orders in the over-the-counter market at the best price obtainable and charge only a small commission for their services, they are demoralizing a market that has been built up through the years upon the principle that dealers in securities acquire inventories and trade among themselves at wholesale prices. If the public is to be sold these securities, the price to the public must be based upon a sufficiently ample margin of profit in order to compensate the dealer for the risks entailed in carrying his inventory and in handling these securities, which by their very nature must be SOLD THROUGH THE PERSUASIVE EFFORTS OF SALESMEN WHO GO OUT AND BEAT THE BUSHES FOR THEIR ORDERS.

It is a sorry state of affairs. We have been unable to obtain cooperation and a helpful meeting of minds between the over-the-counter houses and the member firms of the various exchanges. We now have an industry that is so disorganized that competition between member firms and unlisted firms in many cases has become a dog-eat-dog battle for a few dollars commission. Is not this one place where those of us who would like to improve the business in which we are engaged could get together and bring order out of chaos? The National Association of Securities Dealers could do something for its members if it would lead the way. The Stock Exchanges throughout the country could also do something. It is the members of the various exchanges that are the culprits in this instance. If we had a rule that no firm dealing with the public at RETAIL would act as a broker in unlisted securities, unless the brokerage fee was of a substantial nature, amounting to a minimum of from 3% to 5%, then we would eliminate the sort of unfair cut-throat competition that Stock Exchange firms are attempting in the unlisted markets today. After many years of experience in retailing securities it is my own opinion that NO UNLISTED SECURITIES SHOULD BE DEALT IN ON AN AGENCY BASIS BY ANY DEALER IN SECURITIES. However, this is a matter of opinion and there are good arguments both pro and con.

Quite frankly, it certainly seems unfair and unjust for member firms that have wholesale departments to solicit the business of retail organizations and then allow their customer's men to accept orders in these, and other unlisted issues, on an agency basis from the investing public. In addition, if all those dealing with the public in unlisted securities would act as principals, and would insist upon a fair, yet substantial gross mark-up, everyone would be better off. No business can grow and serve its customers until it is organized so that it operates with a maximum of profit to all, and the greatest measure of benefit to the public. As long as the present situation exists everyone will suffer. The answer to this condition is leadership—something that has been lacking in our industry for as long as I can remember.

NASD Issues Stock Distribution Study

Report covers data from 426 corporations whose securities are traded in unlisted market. Finds New England States leading in percentage of population holding unlisted shares.

The National Association of Securities Dealers, Inc., on Sept. 13 released its Stockholders Distribution Survey, 1949, which includes data from 426 corporations whose securities are traded in the unlisted market. It represents the most comprehensive study yet undertaken by the NASD.

The survey and analysis include the number of stockholders reported for each stock in the totals presented. No conclusions are reached by the Association in releasing the study, although attention is called to the fact that five of the six New England States top the list compiled to show the percentage relationship of stockholders to population. Connecticut, with 136,900 stockholders, shows 8.59% of the State's population (1940 census) owning stock in one or more of the 426 reporting corporations. New Hampshire came next, with 3.26% of population.

The survey was made by the National Quotations Committee of the NASD in order to show geographical distribution of stockholders of the various corporations whose securities are dealt in on the unlisted market. Such data is used in the development of wider newspaper publications of unlisted stock quotations. A similar survey covering investment fund holders was released a fortnight ago [see "Chronicle" of Sept. 1, page 12]. The two surveys are the only representative data of this nature that is available. Data concerning the distribution of holders of individual companies is available for individual discussion of quotation lists.

Following are two lists, one showing the number of stockholders of the 426 reporting companies in each State, according to rank, and the other in proportion to population.

426 Corporation Stocks

Total Number of Stockholders by States (in order of State totals)

	State Totals	% (Approx.)
New York	246,135	16.9
California	144,123	9.8
Connecticut	136,900	9.3
Massachusetts	128,757	8.8
Pennsylvania	110,583	7.5
Illinois	105,551	7.2
Ohio	70,158	4.8
New Jersey	64,264	4.4
Wisconsin	35,605	2.4
Maryland	35,080	2.4
Missouri	32,755	2.2
Michigan	31,466	2.1
Maine	26,748	1.8
Texas	22,024	1.5
Colorado	21,313	1.4
Rhode Island	20,269	1.3
Minnesota	19,538	1.3
Indiana	17,266	1.1
New Hampshire	16,057	1.1
Oregon	13,631	---
Iowa	12,312	---
Georgia	12,052	---
Washington	11,864	---
Florida	11,772	---
North Carolina	10,443	---
District of Columbia	9,496	---
Virginia	8,680	---
Kentucky	7,049	---
Kansas	6,676	---
Nebraska	5,749	---
Vermont	5,684	---
South Carolina	5,292	---
Louisiana	5,267	---
Alabama	4,840	---
Tennessee	4,316	---
Arizona	3,543	---
Delaware	3,058	---
West Virginia	2,736	---
Oklahoma	2,623	---
Wyoming	1,491	---
New Mexico	1,407	---
Utah	1,193	---
Mississippi	1,164	---
Idaho	1,108	---
Arkansas	1,019	---
Montana	1,019	---
South Dakota	814	---
Nevada	671	---
North Dakota	668	---

Total Number of Stockholders by States (in number of percentage relationship to population—1940 census)

	State Totals	% (Approx.)
Connecticut	136,900	8.59
New Hampshire	16,057	3.26
Maine	26,748	3.15
Massachusetts	128,757	2.98
Rhode Island	20,269	2.85
California	144,123	2.08
Maryland	35,080	1.92
Colorado	21,313	1.89
New York	246,135	1.82
Vermont	5,684	1.58
New Jersey	64,264	1.54
District of Columbia	9,496	1.43
Illinois	105,551	1.33
Oregon	13,631	1.25
Wisconsin	35,605	1.13
Pennsylvania	110,583	1.11
Delaware	3,058	1.10
Ohio	70,158	1.01
Missouri	32,755	0.86
Arizona	3,543	0.71
Minnesota	19,538	0.70
Washington	11,864	0.68
Florida	11,772	0.62
Nevada	671	0.60
Michigan	31,466	0.59
Wyoming	1,491	0.59
Indiana	17,266	0.50
Iowa	12,312	0.48
Nebraska	5,749	0.43
Georgia	12,052	0.38
Kansas	6,676	0.37
Texas	22,024	0.34
Virginia	8,680	0.32
North Carolina	10,443	0.29
South Carolina	5,292	0.27
New Mexico	1,407	0.26
Kentucky	7,049	0.24
Louisiana	5,287	0.22
Idaho	1,108	0.21
Utah	1,193	0.21
Montana	1,019	0.18
Alabama	4,840	0.17
Tennessee	4,316	0.14
West Virginia	2,736	0.14
South Dakota	814	0.12
Oklahoma	2,623	0.11
North Dakota	668	0.10
Arkansas	1,019	0.05
Mississippi	1,164	0.05

Says Sterling Should Be Devalued and United States Must Underwrite New Rate

John H. Williams, Harvard monetary expert and adviser of New York Federal Reserve Bank, writing in "Foreign Affairs," holds sterling devaluation will be necessary as part of program for adjusting balance with dollar areas, but to be successful, U. S. must promise to support new rate.

Writing in the October issue of "Foreign Affairs," a quarterly review published by the Council of Foreign Relations, Inc., Dr. John H. Williams, Professor of Economics at Harvard University and for several years past economic adviser to the Federal Reserve Bank of New York, analyzes the British dollar crisis in all its aspects. Contending that the unfavorable British situation is not the fault of labor government policies, but is due primarily to external conditions, Dr. Williams recommends among several measures as essential to a solution of the crisis, ultimate devaluation of sterling "at some stage," and expresses the view that when sterling is devalued, to make the move successful, the United States must promise and stand ready to support the new rate.

John H. Williams

Discussing this phase of the British crisis, Dr. Williams writes:

"Though Cripps has resolutely rejected it, devaluation of sterling is the most obvious and the most discussed manner of attacking the problem directly. The wave of talk about it last spring undoubtedly contributed to the loss of British reserves. Much could be accomplished without devaluation, and what it would itself accomplish is much more uncertain than a simple analysis in terms of purchasing power parities and comparative costs would suggest. One major argument against devaluation is the internal inflationary effect. In 1931 this danger was slight because Britain, like the world generally, was in a state of depression, with unemployed resources. This fact, combined with the circumstance that she was a large and then unrestricted import market, caused external prices to fall rather than British prices to rise as a result of the devaluation. But now both circumstances are reversed. Britain still suffers from over-full employment and low real income, and her imports are already so restricted that the possibility that she can again push the economic burden of sterling devaluation onto other countries seems remote. This means not only that the corrective effect of the devaluation on the external balance would have to come, this time, almost purely from the export side, but that much sterner measures would have to be taken to prevent the devaluation from being dissipated by an internal wage-price spiral.

"Another danger (as we saw in the inter-war period) is of setting off an external spiral in the form of a vicious circle of currency depreciations feeding on itself. There has been much interest in 'floating' rates of exchange. Before the war, I favored a high degree of autonomy and flexibility in the exchange rates of the smaller countries; and one of the most persistent criticisms of the International Monetary Fund has been that its articles of agreement unduly limit such flexibility. But I have long insisted that the case for the key currencies—the dollar and the pound—is different. They should remain firm, or subject to change only as a rare resort. Indeed, there never has been a good case for devaluing the dollar, and our devaluation of 1933-34 (and also our role in the Monetary Conference of 1933) has, in my view, been a major cause of the international trade disorders and the breakdown of the multilateral system. The difficulty with devaluing sterling now is that, despite the great body of literature on the subject, no one knows *how much* to devalue, or whether the new rate could be held. Another major difficulty is the uncertainty as to the effect of sterling devaluation on the other sterling area countries, which would undoubtedly follow Britain's lead. In the period between the wars we had much experience with the effect of currency devaluations on exports of primary products subject to inelastic demand; the increase in quantity exported may be more than offset, we found, by the fall in price. Britain benefited by this fact in 1931, and was able to stage a recovery—and temporarily an improvement of her international position—on cheap imports. But in the present case, with the dollar earnings of the sterling area pooled, the effect of devaluation might be to increase, rather than to relieve, the drain on British reserves. This could be an additional reason, along with the desire for protection against the effects of an American depression, for the British to advocate commodity stabilization agreements.

"One badly needed adjustment in the British position, whether devaluation is to be undertaken or not, is an effective disposition of the wartime sterling balances. The disturbing effect of these was recognized during the Anglo-American loan negotiations, but no satisfactory solution of the problem was then found. They were a contributing factor in the convertibility crisis of 1947, and they have continued ever since to distort Britain's trade and threaten the stability of the pound. They explain the "cheap sterling" rates which result from the willingness of some wartime creditors to dispose of their sterling balances through roundabout operations circumventing the British exchange controls. So long as these balances remain, they will be a persistent source of pressure on sterling, even if it is devalued; and they might well give rise to claims for repayment at the present rate, adding to the problem created by the fact that some $2.5 billion of sterling balances are already subject to a guaranteed rate.

"But there is another, and even more important, aspect. Last year the repayment of sterling liabilities amounted to $844,000,000, a sum not much smaller than the net amount received by Britain from ECA. Such payments take the form of 'unrequited exports' which divert British resources needed to reduce the dollar deficit. Together with British capital exports to the sterling area, they explain the paradox of Britain's having become viable over-all by the end of last year, at the same time that she still had a large dollar deficit. They mean, in effect, that ECA aid is funneled through the British economy to outside recipients, and are an important part of the explanation why the expansion of British exports since the war has been so much toward the sterling area

and so little, in comparison, toward the dollar area. If this abnormal basis of trading were removed, either British exports would be more nearly matched by imports from outside the dollar area, reducing her need to import from us, or resources would be released for expanding exports to the dollar area and exerting the necessary pressures to reduce costs and develop an effective trading organization for this purpose. In present circumstances, however, the pressures are in the opposite direction; and until these balances are disposed of in some way, and this cause for the distortion of the trade pattern removed, there can be no assurance that devaluation would be definitive, or that it would accomplish its purpose of correcting the dollar deficit.

"With these qualifications in mind, and laying a large emphasis on the correlative actions to which they point, I have been inclining to the view (as an increasing number of English economists seem to do) that sterling devaluation, at some stage, will be a necessary part of the process of adjusting the imbalance between the sterling and the dollar areas, and, rightly handled, could contribute importantly to all-round trade adjustment. It would probably lead the way to an all-round adjustment of exchange rates, and this might overcome, at least temporarily, the bias in world trade that expresses itself in the universal dollar shortage. The fact is that the dollar needs to be appreciated; and this seems the most practicable way of doing it. The best defense against another vicious circle of depreciations would be for the dollar this time to stand firm. And the best answer to the question of how to make a new sterling rate carry conviction of permanence would be for the United States to help support it. Indeed, it seems clear that if we advise devaluation we should take a defnite obligation to cooperate in making it effective. This might well prove a reason why, in the end, both sides would wish to move slowly, and make sure that everything possible was being done on other lines; and that is, I think, the right approach. The need for American cooperation in making sterling devaluation a success leads to the thought, already referred to, that American aid in the form of reserves might now be more effective than the continuance of ECA aid in its present form. This suggestion would undoubtedly encounter the objection that it is a return to the technique which fared so badly in 1947. But the underlying conditions regarding production and inflation are now much more favorable, and the results might be much better.

"American cooperation will also be required in other ways, with or without devaluation. Besides the commodity stabilization proposals already mentioned, there have been a number of other suggestions worth exploring. An immediately effective way to offset the effects of our depression on the primarily products of the sterling area would be for us to stockpile them. Another suggestion, widely discussed in Europe, is an all-round increase in the price of gold. Doubling the price of gold would restore its prewar relationship to the price of other commodities and would stimulate gold production, which has fallen by 40% since 1940. It also would greatly increase the size of existing gold reserves. Such a change in the price of gold, it is argued in Europe, might relieve the general dollar shortage by as much as $1 billion a year. Britain and the sterling area would particularly benefit. But such a proposal would undoubtedly encounter strong American resistance. To raise the price of gold would not be to correct the imbalance so much as to ease the effects of it temporarily; and from our standpoint it would be all too reminiscent of the gold inflows of the inter-war period and their monetary and banking repercussions. Nevertheless, in times like these, even such a proposal deserves careful study.

"But none of these measures—including even devaluation—gets at the real causes of imbalance. They lie deeper—in the impact of our economy on the world, our relative self-containment, our short-run instability, and our long-run tendency to outstrip others in productivity. According to historical precedent, the solution may ultimately be found in American capital export—and the export of technology and skill, in accordance with President Truman's 'Point Four'—not so much to Europe as to less-developed areas, which might then become better markets for European goods as well as ours. But this is more the task of a generation than of a four-year program. In the meantime, I think we shall have to accept some form of compromise between the multilaterally organized kind of world we formerly had, in which currencies were convertible, and the bilaterally organized and controlled system which has been threatening to supplant it. As the ITO negotiations indicated, this is a kind of pioneering into the unknown, making large demands for concessions and tolerance on both sides.

"One kind of contribution we could make would be a candid exploration of our tariff and of our customs administration; these, I think, are still effective over the range of goods in which Britain and Western Europe might compete in our own market. Another is a relaxation of our attitude toward discrimination. Our doctrine of nondiscrimination, like the most-favored-nation principle from which it grew, has become more a device for retaining our advantages in trade than for restoring balanced trade. The OEEC Council has recently adopted a proposal, introduced by the British, for placing as much intra-European trade as possible on the basis of open general licenses. This seems a more effective approach toward getting better balanced and freer trade in Western Europe than is offered by the intra-European payments plan. Ironically, however, it must first be cleared with the United States, since it violates the nondiscrimination clause of the Anglo-American loan agreement.

"There is, finally, as we all of course recognize, the difficult problem of stabilizing our own American economy. All countries which are heavily dependent on foreign trade find external strains a chief handicap in maintaining stability at home. Though we are much less affected in this respect than most, we are never wholly exempt from the urge to keep out imports or to expand exports in order to preserve domestic equilibrium at a high rate of employment. If we really want to achieve a world balance by some other means than the expenditure of our taxpayers' money, we have a special responsibility to strive to preserve stability at home in ways that help rather than hinder the attainment of a functioning world economy."

New York Institute of Finance to Inaugurate New Registration Policy

The New York Institute of Finance, which draws the major part of its student body from investment firms in the Wall Street area, will experiment this term with a new registration policy. Investment firms will be given the opportunity to reserve "seats" in certain late-afternoon classes and may use such "seats" (1) to permit research department staff members to take turns attending a particular course, or (2) to send a secretary or junior to take notes, or (3) to invite a client particularly interested in a subject to attend a pertinent lecture.

Firms may reserve "seats" only in courses where attendance at a preceding session or sessions is not a prerequisite for obtaining value from the current lecture. Enrollment in other courses remains on an individual basis. The courses open for firm registrations are "Current Developments in Utilities," "Current Developments in Railroads," "Current Developments in Selected Industries," "Analysis of Public Utility Operating Companies," and "Current Economic Developments Affecting Security Values."

Enrollment for the fall semester started Sept. 6. The six-session course in "Mutual Investment Funds" to be given by Louis H. Whitehead of Louis H. Whitehead Co. attracted a heavy early registration.

The New York Institute of Finance is the successor to the New York Stock Exchange Institute. It is located at 20 Broad Street.

Regular courses being offered are:

Accounting Principles—Melvin G. Ott, Robert Winthrop & Co., instructor.

Business Finance Principles—Irwin A. Brodsky, legal advisor, J. & W. Seligman & Co., instructor.

Work of the Stock Exchange and Brokerage Office Procedure—John H. Schwieger, New York Stock Exchange, A. P. Morris, Estabrook & Co., and George W. Elwell, Francis I. du Pont & Co., instructors.

Work of the Cashier's Department—Edward R. Rimmels, Eastman, Dillon & Co., instructor.

Work of the Margin Department—Paul C. Fitzgerald, Hirsch & Co., instructor.

Transfer of Securities—Irwin A. Brodsky, instructor.

Commercial Law Applied to Securities—Irwin A. Brodsky, instructor.

Accounting Background for Security Analysis—Albert P. Squier, director of the Institute, instructor.

Security Analysis I and II (two terms)—J. M. Galanis, Shields & Co. and Charles F. X. McGolrick, instructors.

Analysis of Public Utility Operating Company Securities—Lawrence C. Cooper, Argus Research Corp., instructor.

Current Developments in Selected Railroads—Pierre R. Bretey, Baker, Weeks & Harden, instructor.

Current Developments in Utilities—Harold H. Young, Eastman, Dillon & Co., instructor.

Current Developments in Selected Industries: Construction—J. M. Galanis, Shields & Co.; Oil—E. L. Kennedy, Lehman Bros.; Steel—Oscar M. Miller, Shearson, Hammill & Co.; Retail Trade—Donald K. Russell, National Investors Corp.; Aviation—To be announced.

Current Economic Developments Affecting Security Values—Louis H. Whitehead, Louis H. Whitehead Co., instructor.

Mutual Investment Funds—Louis H. Whitehead.

Commodity Trading Principles—Victor L. Lea, instructor.

Correspondence courses will also be given in Work of the Stock Exchange and Brokerage Office Procedure and Investment and Security Analysis.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A combination of profit-taking and hesitancy on the part of traders and investors, because of the sharp rise in prices of long governments, has brought about a minor reaction in the Treasury market. . . . Small dealers, evidently cleaned out position, due in some measure to the growing belief that prices of the higher income issues are entering a stabilization area, which might mean only limited price appreciation from here on. . . . There is no doubt that some of the taps and bank issues have gone ahead a little fast. . . . This generally results in a certain amount of indigestion, which is usually cleared up by backing and filling within narrow trading limits on not too heavy volume. . . .

The market leaders have been the 1952 and 1953 eligible taps, with large amounts of these securities being taken out of the market through switches as well as new money purchases. . . . The 2½s due 9/15/67-72 have not been far behind because many deposit banks are using this bond for their own refunding purposes. . . . The 1952/54 maturities have also been well bought. . . .

QUIET MARKET AHEAD

With a 1⅛% certificate rate definite for a time, and a five-year 1⅜% note quite likely in the December financing, is the government market going to witness unusual developments on the up side? . . . It is believed in some quarters the rate pattern which is being worked out under the watchful eye of the monetary authorities and with their help and cooperation, will tend, for the time being, to limit price advances of most Treasury obligations. . . . Easy money will continue beyond any doubt as long as the deficit must be financed and business activity is to be of prime importance. . . . But it is believed that the money markets are now entering a period during which the powers that be want to see more clearly the trend of economic conditions before there will be further changes in already low interest rates. . . .

Accordingly, it is indicated many buyers of Treasury obligations are going to be on the cautious side also, which probably means more funds will be put to work in low income obligations. . . .

MARKET MOVEMENTS

Prices of government securities, especially the higher income eligibles, are moving up to levels where it is believed there is likely to be more switching out of these obligations by non-bank holders. . . . The 2½s due 1956/58 and the 2¼s due 1956/59 appear to be the most vulnerable issue in the bank group, as far as swaps are concerned. . . . There is considerable advice being given to eliminate these two obligations and to put the proceeds in the 1952 and 1953 eligible taps, for the time being. . . . As mortgages become available under the Government Housing Act, it is indicated funds will be obtained by the sale of eligible issues in order to take on these other investments. . . . This would be in line with the easy money policy of the authorities, to influence the trend of business. . . .

As for the 2½s due 9/15/67-72, there has not been as much switching of this bond, because it is believed there are still possibilities of swaps being made out of this obligation at higher prices. . . . Nonetheless, some non-bank owners have been letting out not too substantial amounts of the longest eligible 2½s in order to take up the earlier taps. . . . Also, there have been swaps from the longest eligible bond into the June and December 1967/72s but not in as much volume as into the 1952 and 1953 eligible taps. Buying in the 2½% due 9/15/67-72 has been very good, with sizable orders around, and evidently plenty of price leeway. . . . However, there has not been enough of this bond around, in sizable blocks, to entice certain of these buyers into showing their hand. . . .

The ineligible 2½s due June and December 1967/72 have not been in for as spectacular accumulation as have been the earlier eligible tap issues. . . . It seems, however, as though the sharp advance which has taken place in the near-term taps has taken some of the attractiveness away from these securities when compared with the longest issues in this group. . . . As a result, quite a few buyers of the tap bonds are now making commitments in the June and December 2½s instead of the 1952 and 1953 eligible issues. . . .

IN BRIEF

Although there seem to be many who believe prices of Treasury obligations are entering a plateau or have already arrived there, others hold the opinion higher quotations will be witnessed later on, because lower money rates are in the making. . . . A 1% certificate rate is still being forecast by the latter group. . . . Split purchases are being made again by many out-of-town deposit banks, with part of the commitment going into certificates and the remainder into the 2½s due 9/15/67-72. . . . The 2¾s due 1960/65 still lead the partially-exempts, because many institutions consider them more attractive than the longest eligible taxable 2½s. . . . The longest World Bank issue continues under accumulation by out-of-town institutions.

Cincinnati Stock Exchange Rejects Merger

Members, by vote of 11 to 8, decide not to become part of Midwest Stock Exchange.

According to an Associated Press dispatch, the members of the Cincinnati Stock Exchange on Sept. 12 voted 11 to 8 against the proposition to merge with the newly created Midwest Stock Exchange in Chicago. The stock exchanges in Cleveland, St. Louis, Minneapolis-St. Paul and Chicago have already joined in the merger. The Detroit Stock Exchange several months ago voted not to join the merger, but according to a statement of John O. MacFarlane, Executive Vice-President, a committee has been formed to present the matter again to the membership.

Concerning the result of the poll of the Cincinnati Stock Exchange, Charles H. Tobias, the Chairman of the Board, in a statement issued to the public, remarked:

"I am glad that the Cincinnati Stock Exchange membership has decided not to merge with the Midwest Stock Exchange in Chicago. The local Exchange has been in Cincinnati for 64 years and is a representative financial institution.

"For a year we have been at a standstill while the merger question has been tossed back and forth.

"I hope now that the membership will forget its differences of opinion and work together to build the Exchange into a larger and more active operation that will be a credit to the city."

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Announcement was made on Sept. 8 by James G. Blaine, President of the **Marine Midland Trust Company of New York**, and George M. Adrian, President of the **Bank of Yorktown**, also of **New York**, that the boards of directors of their respective institutions have approved plans for the merger of the two banks. This is subject to formal ratification by stockholders and approval by the New York State Banking Department. June 30, published statements show resources of the the Marine Midland Trust Company to be $313,154,358 and those of the Bank of Yorktown to be $39,355,942, resources of the merged institutions totaling $352,510,300. The Bank of Yorktown, located at 37th Street and Seventh Avenue, was organized in 1926. George M. Adrian, President and founder of this bank will become a director of The Marine Midland Trust Company and Chairman of the Advisory Board of the Yorktown office of the Marine Midland, the management of which office will continue as heretofore. This will make the 99th banking office for Marine Midland Corporation banks in 47 communities in New York State, which banks on June 30 had aggregate resources of $1,096,313,817. Reports of the likelihood of the merger were current early this month, at which time it was reported that negotiations had been under way for several weeks.

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Harvey D. Gibson, President of **Manufacturers Trust Company of New York**, announces that Gerald W. L. Andrew, Assistant Vice-President, has been named to head the bank's central credit department. Mr. Andrew began his banking career with the Bank of Nova Scotia, spending several years in that bank's Montreal office. He joined Manufacturers Trust Company in 1930, since which time he has served in various departments. For the past eight years he has been in charge of the bank's commodity loan department.

* * *

At a regular meeting of the Board of Directors of the **National City Bank of New York** held on Sept. 13, Edward B. White, of the Bond Administration Department, was appointed an Assistant Vice-President.

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John E. Weeks, President of the **Addison County Trust Company of Middlebury, Vt.**, died on Sept. 10; he was 95 years of age. Mr. Weeks had formerly been active in public life, and besides having served as Governor of Vermont, had been an Associate Judge of the Addison County Court, a member of both the House and State Senate, and according to advices from Middlebury to the New York "Times," was sent to Washington as Representative from Vermont's First Congressional District upon retiring from the Governorship in 1931.

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Kenneth W. L. Glenn, it is announced by the directors of the **Montclair Trust Company of Montclair, N. J.**, has been promoted to the post of Assistant Vice-President of the company in charge of the investment division of its trust department. The board also announced on Sept. 8, according to the Newark "Evening News" of that date, the addition of Herbert C. Lookup to the bank staff to succeed Mr. Glenn as Assistant Secretary in that same department.

John R. Wilson has been elected Assistant Cashier of the **Central National Bank of Cleveland, Ohio**, it is announced by Loring L. Gelbach, President. In the Cleveland "Plain Dealer" of Sept. 9 it was stated that Mr. Wilson, who joined the bank in 1943, is a member of its loan administration work concerning Ohio banks and industries, and that he is a member of the Cleveland Credit Men's and Finance Associations, and also the American Institute of Banking.

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J. De Forest Richards, President of the National Boulevard Bank of Chicago, died on Sept. 5, following a short illness. He was 66 years of age. Mr. Richards joined the bank in 1925 and became President in 1931, according to the Chicago "Tribune" from which we also quote the following:

"Mr. Richards was born in Camden, Ala., son of former Gov. De Forest Richards of Wyoming. He entered the banking business in Douglas in 1898, moved to Omaha in 1909, and came to Chicago in 1918, at which time he engaged in manufacture. Seven years later he joined the National Boulevard bank."

His nephew, Longley Richards, is Assistant Vice-President of the bank.

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The election of William A. Benson as Manager of the North American office of the **Northwestern National Bank of Minneapolis** was made known by President Joseph F. Ringland on Sept. 8. The Minneapolis "Star" reporting this, said that Mr. Benson succeeds Jacob Kunz, who retired Sept. 1 after 47 years of service. The "Star" added:

"A native of Minneapolis, Mr. Benson began work in 1913 for the German - American Bank, which later became the North American office of Northwestern Bank. From 1922 to 1945 he served as Assistant Manager. In 1945 he was elected Assistant Cashier at Northwestern's main office and until now has been Manager of the bank's mortgage department.

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The **Memphis Trust Co. of Memphis, Tenn.**, which, it is stated, has held a charter permitting regular banking business since 1921, recently requested and was granted a certificate to receive deposits by the State Superintendent of Banks, Homer B. Clarke. The acceptance of deposits, said President John A. Parsons, will begin about Oct. 1, it was made known in the "Commercial Appeal" of Memphis of Aug. 30. Further advices from the same source state:

"Founded in 1917 as the Memphis Savings & Loan Co., the firm held that name until 1921 when it was granted a State charter as the **Memphis Bank & Trust Co.** Since 1935 it has been known as the Memphis Trust Co. During this time it never exercised its privilege of accepting deposits. The bank will have capital stock of $250,000. In addition to Mr. Parsons, the board of directors of the bank includes Wallace H. Claypool, Charles J. Creath, Hugh J. Jetton, Thomas H. Hutton, Charles E. (Chuck) Hutton, B. Estes Armstrong and William H. Connaughton."

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The **Georgia Savings Bank & Trust Co. of Atlanta, Ga.**, celebrated on Sept. 1 its 50th anniversary. Now a mutual savings institution with total resources of more than $20,000,000, says the Atlantic "Constitution," the bank was founded in 1899 by the late George Brown; it began business with a paid-in capital of $35,000. By 1916 it had deposits of $1,000,000 and today they amount to over $16,000,000. During its 50-year history the bank reports that it has financed the building, purchasing, or repairing of more than 30,000 homes in the Atlanta area. The "Constitution further indicates that during the same period it has paid $4,120,134.38 in interest to its depositors and, prior to becoming a mutual savings institution, $1,281,788 to its stockholders. John E. Oliver is President of the bank.

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A quarter century of service with **California Bank of Los Angeles** was completed recently by Fred S. Hanson, Vice-President, of the loan supervision department, and Dana C. Geiselman, who is escrow supervisor and is also an Assistant Trust Officer of the bank's affiliate, **California Trust Company.** Twenty-year service anniversaries were marked by F. K. Pollitt, Assistant Trust Officer of California Trust Company; Earl Porterfield of the bank's cashier's department; Alex H. Smith, Vice-President and Supervisor of the bank's San Fernando Valley branches, and George H. Wyman, Manager of the Florence and Compton office. R. A. Reid, Vice-President of California Bank's Long Beach office, has been elected Second Vice-President of the Long Beach Chamber of Commerce. Harris M. McLaughlin of California Bank's public relations department was elected Vice-President at the Aug. 8 meeting of the directors, according to Frank L. King, President. Mr. McLaughlin has been associated with California Bank since April, 1948, and was formerly President and General Manager of the Chicopee Sales Corporation, New York.

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Announcement is made of the election of Hal W. Cross as Assistant Cashier of the **Union Bank & Trust Company of Los Angeles, Cal.** A native of Kentucky, Mr. Cross had his early banking experience with the **Citizens National Bank of Louisville**, it was indicated in the Los Angeles "Times" of Sept. 9. He became associated with the Union Bank & Trust Co. in September, 1947.

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The opening in **Richmond, Cal.**, of the **Central V ley Bank of California** occurred on Sept. 1, with its headquarters located in the quarters of the former **First National Bank in Richmond.** Charles P. Partridge, who was President of the latter, is President of the Central Valley Bank, it is learned from the San Francisco "Chronicle" of Aug. 31, which states that the bank has assets of approximately $12,000,000 and an authorized capital of $1,000,000. In reporting that the head office of the Central Valley Bank of California was removed on Sept. 1 from Escalon, Cal., to Richmond, the Board of Governors of the Federal Reserve System made known on Sept. 3 that the First State Bank of Richmond succeeded on Sept. 1 the First National in Richmond (placed in liquidation) and that the First State had been merged Sept. 1 with the Central Valley. At the same time (Sept. 1) the Reserve Board of Governors gave the following account of absorptions and establishment of branches by the Central Valley Bank: Absorbed First State Bank of Richmond and The Bank of Hughson, Hughson, Cal., an insured nonmember. In connection with the absorptions, the head office moved from Escalon to Richmond and branches were established at Escalon and Hughson. At the same time a de novo branch was established at Oakley, Cal.

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A special meeting of the stockholders of the **Bank of California National Association at San Francisco**, is to be held on Oct. 11 to vote on the proposal to split the bank's stock five for one, reducing the par value of each share from $100 to $20. President J. J. Hunter, in announcing this on Aug. 25, was likewise reported in the San Francisco "Chronicle" as saying that stockholders will also vote upon a proposal to withdraw the stock from listing on the San Francisco Stock Exchange. The "Chronicle" added that:

"At the present time the bank has 85,000 shares outstanding. The stock climbed 7½ points on the San Francisco exchange yesterday after news of the stock split plan and ended at 245."

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Directors of the **Bank of America - Giannini Foundation, San Francisco**, created by the late A. P. Giannini to assist with the advanced education of young men and with medical research, have announced four awards, three to **Bank of America** employees and one to the son of a deceased employee. The four are Richard M. Adcock of Los Angeles, Ernest E. Bertellotti of Oakland, Frank P. Flint of Sacramento and Carl L. Rogers of Los Angeles. Mr. Adcock, Pro-Assistant Cashier in the Bank of America international banking department, receives a cash grant, plus continuing salary, permitting him to travel in Europe for three months and attend the International Summer School of the British Institute of Bankers at Oxford. Mr. Bertellotti is the son of Assistant Cashier U. Bertellotti of the bank's Richmond branch, who died recently. The son receives a grant enabling him to complete his medical course at the University of California. Mr. Flint, Assistant Cashier at the bank's Sacramento Main Office, receives a cash grant, plus continuing salary, to provide tuition and other expenses while attending advanced management program that the Graduate School of Business Administration at Harvard. Mr. Rogers, winner of the recent A. P. Giannini national public speaking contest, receives an allocation of funds, plus continuing salary, to enable him to attend the School of Financial Public Relations at Northwestern University. A. P. Giannini organized the Foundation on his 75th birthday in 1945, and left the bulk of his estate to it on his death last June 3.

The French Capitalist's Experience Under Inflation And Dis-Inflation

(Continued from page 2)

tion to a realistic level, the franc will not fall below the present domestic black market level of 375—but the public shares no such conviction.

(2) Dissatisfaction with the postwar nationalization of certain industries. In the arrangements for taking over by the government, the prices are virtually frozen in the face of general inflation, because the dividend is paid at a fixed set rate. So the stocks of nationalized companies in many cases have followed the unsatisfactory price course of government bonds, the money to be paid for the companies being secured from the stockholders in a virtual, though not stated, form of compulsory savings.

Incidentally, this has had a two-edged effect: disgust with the market by the stockholders; and, of wider importance, revulsion against nationalization on a very broad front because of the wide distribution of stocks to "the little fellow" in France. As a result, the government is ready to move as soon as practicable toward de-nationalization wherever possible. The first de-regimentation will probably take place in aircraft and the printing presses, although a nettlesome difficulty remains as to what to do with the surplus "featherbed" workers.

Tax Policy

(3) An important factor of discouragement to the investor, not at all endemic to France, of course, is taxation. A complete consideration of the tax provisions applicable to the investor, is not possible within this space. Suffice it to say that the investor feels that he is hit by triple-taxation of corporate dividends, although actually it is only equivalent to the American double-taxation. First, corporate profits are taxed at 24%; second, dividends are taxed at 18% collected at the source by the companies; and, third, the recipient pays a surtax graduated from 10-60% on them along with the rest of his income. The second-mentioned "normal" tax is extra and discriminatory, as it is not levied against salaries.

The French investor-speculator does not seem to realize how fortunate he is that he does not have to pay a tax on profits. **There is no capital gains tax in the French system,** the only time it was known having been during the occupation, and it having been abrogated after. (In 1945 there was a one-time post war capital levy.)

While the policy of the present Queille government is to reduce taxes, and some already have been reduced, there is of course long-term worry about the continuance of this government—and complacency is not exactly enhanced by observations of Washington, the "last capitalist stronghold."

(4) Another important reason for securities-avoidance that must be mentioned is the fact that, through stock ownership, hidden wealth of both a capital and income nature will be brought to light. Many people are afraid that "black money" and from so-called illicit profits that were sought after in the capital levy of 1945, and not declared then, will now be discovered.

Moreover, continuing individual income is now revealed to the fiscal authorities through securities ownership. The provision for deposit of all the bearer shares with the Caisse has been abrogated, and the 18% "normal" tax is deducted at the source, but all payments of dividends must be reported by the banks, which provides an airtight check on the individual's surtax obligations.

(5) Then, too, as in the United States, the capitalist is torn between the politically-dictated alternatives of pump-priming and the sound, but disinflationary, policies which this government believes in. (And which were so disastrous to the price structure in 1933-1935.)

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The discernible lesson to be drawn from this representative inflation laboratory, in France then, is that during a period of currency fall and price rises, the equity share constitutes a fairly good, but not complete hedge; and post-inflation, it represent one of the media which capitalists should hold among a diversified group of assets.

NOTE—The author gratefully acknowledges the cooperation of the research departments of Agence Economique et Financiere, Ste. Phalle & Cie, Morgan et Cie, in compiling statistical information for use in this article.

Difficulties in Restoration of Monetary Stability

(Continued from first page)

the resumption of production of goods mainly for civilian use brings about a change in the trend of prices of commodities which makes the more difficult the necessary readjustments from a period of abnormal to one of normal business conditions. As the Bank for International Settlements puts it in its 19th annual report ". . . now the task is to adjust an increasing volume of output more exactly to demand under conditions of growing competition and in general to establish a balanced position which is at the same time durable and self-sustaining."

If the world were governed by reason there is no doubt that it should be an imperative duty of all statesmen to get together and restore promptly an international gold standard. But the world is not under the sign of reason. Therefore the most we can do is to make the best of a bad world. As long as we are deprived of an international gold standard the countries will pursue autonomous monetary policies. There is a great danger that now that the seller's markets have disappeared, businessmen and workers of various countries will put forward demands for remedial measures of one kind or another which would prevent the necessary readjustments and might increase the existing monetary chaos. The Bank for International Settlements gives the following warning in this respect:

"It would indeed be a matter for regret if the countries in Europe which have taken steps to balance their budgets and restrict the granting of credits were to abandon this policy of restraint prematurely. Such a policy has, of course, not been imposed for its own sake, but because the arrest of internal inflation is usually the only means of bringing about an expansion on the foreign account, with a reconstitution of monetary reserves and a suppression of arbitrary restrictions with regard to currency payments and the exchange regime generally. An imprudent relaxation of the credit restrictions before decisive results have been obtained in the field of foreign exchanges might jeopardize the achievements so far realized."

To restore the world from a condition of monetary inflation and monetary chaos to one of monetary health and monetary order involves difficult technical problems. Our ultimate goal should, of course, be to restore both free convertibility of currencies and exchange stability. This goal can be accomplished only by the restoration of an international gold standard with or without the help of the International Monetary Fund. To maintain stability of exchange rates without free convertibility of currencies is meaningless and a serious impediment to the economic integration of the various countries which have different price and cost structures. Therefore, the only alternative available short of a restoration of an international gold standard is the restoration of free convertibility of currencies. Before I tackle this question of free convertibility of currencies, I wish to express a few remarks with regard to the restoration of an international gold standard, which should be our ultimate goal.

Restoration of an International Gold Standard

The world is not ready, either politically or economically, for the restoration of an international gold standard. If and when the situation becomes ripe for the reestablishment of the gold standard internationally, it is my firm conviction that this will be possible only if we raise the price of gold in terms of all currencies, including the dollar. Some people call this a devaluation of the dollar. I submit that the devaluation of the dollar, or rather its depreciation in terms of goods it can purchase, is an accomplished fact. The question I am raising is one regarding the price of gold if we are to restore a gold standard internationally.

For political and technical reasons I am in favor of leaving the price of gold at $35 for the time being. However, if and when the time comes for the reestablishment of the gold standard internationally, then I think that we should be guided by the experience of the Nineteen-Twenties and recognize that we must raise the price of gold.

The world had known instability and depreciation of currencies until 1925-26. Beginning with 1924 the various countries were returning one by one to a gold standard. However proud we may be of the fixity of the dollar in the Nineteen-Twenties, we cannot forget or gloss over the fact that we had an economic collapse starting in 1929.

It is my opinion that we had a great depression because we stabilized gold at the wrong level in the Nineteen-Twenties, when so many countries returned to the gold standard, and because of the abuses of credit. The great depression in turn engulfed and discredited the gold standard.

The advocates of a return to an international gold standard are naturally against the issuance by governments of visible or invisible greenbacks. If we are to revert to a system of currencies convertible into gold, then it is important that we should stabilize the price of gold at a level that will be adequate to cover the need for increased monetary purchasing power which usually arises from the current increase in the national income as expressed in national currencies.

Convertibility of Currencies

The restoration of the free convertibility of currencies should be our first step toward the eventual return of an international gold standard. If we wish this convertibility to be successful, two guiding principles ought to be paramount:

(1) We should reestablish the functioning of the mechanisms (monetary, fiscal, and of course the price mechanism) which make possible a restoration of equilibrium. Before anything else countries that wish to restore the free convertibility of their currencies should balance their budgets at as low a level of expenditure as possible. They should eliminate controls over prices and trade and in particular remove import quotas. When we discuss the situation in France we shall also have something to say regarding the use of the counterpart of Marshall aid funds if we do not want to prevent or retard the restoration of equilibrium.

(2) Inasmuch as we cannot at the same time have autonomous national monetary policies, free convertibility of currencies and stability of exchange, it seems to me that we ought to recommend strongly that the currencies should be left to fluctuate freely so that the market forces establish the equilibrium rates of exchange. I realize that this recommendation conflicts with the rules of the Monetary Fund. Therefore, if the rules of the I. M. F. cannot be changed, we should recommend that the Fund suspend its operations until such time as currencies have been allowed to find realistic and tenable rates of exchange. There is no doubt that the world continues to be in a profound economic and monetary disequilibrium. I submit that the I. M. F. was not devised to take care of the existing political and economic chaos. It is known that when the I. M. F. began functioning it was presented with what it knew were artificial and untenable rates of exchange, but apparently it had at that time no other realistic alternative. Moreover, I am afraid that the various forms of help we have extended to the European countries have only prolonged, if not accentuated in some instances, the existing disparities of cost and price structures between the various countries. Therefore it seems to me that it is high time to let the exchange rates find their realistic values in freely fluctuating markets.

Inasmuch as political and economic conditions vary so greatly from one country to another, and inasmuch as our ultimate goal should be the establishment of an international gold standard, I think that our recommendations regarding the restoration of convertibility of currencies should vary according to country. In this article I shall deal specifically with the cases of the United States, France and Great Britain, because each of these countries is an important factor in the reestablishment of an international gold standard, and each one presents a situation different from the case of the other two. Recommendations for the other countries with the exception of Germany, would fit one or the other of the three countries we are going to discuss hereafter.

(1) **The United States.** Wherever possible a national gold standard should be reestablished. This is particularly the case of the United States. While I am in favor of a return to gold redemption, in line with the Reed Bill, I think we should maintain the present *status quo* as long as we are not ready to reestablish the gold standard internationally.

(2) **Great Britain.** Unless I am grossly mistaken, the mere fact that Great Britain has a socialistic government, which is determined to pursue economic planning by socialistic methods, makes impossible the restoration of the free convertibility of the pound. We cannot have domestic planning at home and free trade with foreign countries. In point of fact I don't think we can have full employment based on socialistic principles or on Keynesian ideas without incurring balance of payments deficits which make necessary exchange controls and import quotas.

On June 28 the London "Times" wrote:

"But the weakness of British policy, considered as a whole, is that it is not in fact succeeding in its own purpose. The dollar deficit is getting worse, not better. The insulation of sterling is itself making exports outside the sterling area progressively more difficult to place. The danger is that the policy of insulation may become merely a pretense, which cannot be maintained for long, of being able to support higher standards of consumption and lower standards of production than are in fact possible and of being able to avoid economic adjustments which are in fact inevitable."

The cause of her present economic troubles and of the dollar shortage is the inability of Great Britain to sell abroad because of her prices. High costs and prices are due to her domestic policies. This kind of economic trouble cannot be remedied by increasing effective demand in accordance with modern new economics, implemented mainly by deficit spending and monetary juggling. If anything, such quack remedies can only increase external deficits and the international insolvency of Great Britain.

It becomes crystal-clear that the British economic illness can be cured only if Great Britain changes either her policies or her government. Only if Great Britain changes her present policies will it be possible to envisage a restoration of the free convertibility of the pound. If and when such time comes it will be found that one of the main stumbling blocks for the restoration of the free convertibility of the pound is the war indebtedness of about thirteen billion dollars in the form of demand deposits. While these deposits have been blocked, the British government has released since 1946 nearly two billion dollars in the form of unrequited exports (exports for which Great Britain does not get an equivalent amount of imports).

The immediate and vital question is whether the pound should be devalued in view of the fact that her present policies do not permit the restoration of the free convertibility of the pound. A devaluation of the pound without a free play of the price-mechanism is not the best technical operation for the restoration of Great Britain's balance of payments, but apparently we have to be satisfied with what can be done and not with what should be done. Therefore I am in favor of devaluing the pound now. If the British should oppose a devaluation of the pound now, then we wonder why the pound should ever be devalued. It is a fact that Great Britain cannot remove the import controls, and that the trend of prices, and mainly of dollar prices, has been downward for more than six months. Under such circumstances I fail to see what good reason there can be for postponing the devaluation of the pound even if its free convertibility cannot yet be restored. A devaluation of the pound without a restoration of the other conditions of financial stability, and without a restoration of the mechanisms to restore equilibrium will not be of great value, but it will certainly help.

From some estimates I have seen it appears that if the pound should be devalued by 20% the cost of living might go up by 7 or 8%. Inasmuch as food subsidies cannot be increased on account of the budgetary situation, this increase in the cost of living will probably make necessary an equivalent increase in wages. Allowing for this increase in wages, Great Britain still would remain with an advantage of 10 to 12% in the reduction of its export prices, as expressed in terms of dollars. In summary, as long as Great Britain has a socialistic government we cannot recommend toward her any other policy than: (a) to extend whatever help we can under our present obligations in order to avoid desperation; (b) to press Great Britain for a devaluation of the pound of at least 20%.

(3) **France.** France is economically a very well balanced country. In particular, practically everything she needs for food is grown at home. Unless I am mistaken, out of an available manpower of 18 or 19 millions of people, only 6 and 7 millions are wage-earners. The depreciation of the franc has had as a result that the internal government debt problem is no problem anymore. Furthermore, it is well known that the private individuals of France have hoarded four to five billion dollars in gold or foreign exchange.

The problem of France is mainly political. From an economic point of view what France needs is longer hours of work (a minimum of 48 hours a week), the reduction of expenditure for social security, the reduction of tariffs, and probably also a denationalization of some industries. The wages are low if one takes into account the cost of living. The cost of living appears bearable only because the workers pay practically no rent. However, as a result of the demagogic housing laws there is no new building, and the existing ones fall apart. This means that something will have to be done about the housing situation. A recent French proposal was to reduce the expenditure for social services by 50%, and that the equivalent go to the workers in the form of an increase in wages, while at the same time readjusting rents. The temperament of individuals in France is against regimentation and for a free enterprise economy.

There is general agreement among experts, bankers, and even government officials that what France needs is a restoration of the free convertibility of her currency. Once confidence in the financial stability and in the currency is restored, France should not have any problems regarding her foreign exchange. What France desires is a stabilization loan (with stringent conditions attached). As to the Marshall plan aid, all prominent Frenchmen state clearly that what France needs now is not American goods but gold to reconstitute her monetary reserves. In other words, what France would like to receive now as Marshall Plan aid is at least 50% in the form of gold or dollar exchange, to be used as a monetary reserve. Furthermore, it is the opinion of Frenchmen that the French government should be allowed and encouraged to buy gold on the free market at whatever price it can get it. This is of course contrary to the rules of the I. M. F. But here again, if the rules of the I. M. F. are not realistic they should be by-passed one way or another. It is also absurd to permit the use of the counterpart funds of the Marshall Plan to cover budgetary deficits. In permitting such use we are undoing with one hand what we are doing with the other by gifts of merchandise. Nobody advocates that the moneary means should be deflated by the amount of the counterpart of the Marshall Plan aid. However, the counterpart funds should be used either for the purchase of gold or for the purchase of government bonds.

Halsey, Stuart Offers Indiana Harbor Equips.

A group headed by Halsey, Stuart & Co. Inc. won the award Sept. 14 of $2,970,000 Indiana Harbor Belt RR. 2nd equipment trust of 1949 2⅜% equipment trust certificates, due $198,000 annually Sept. 15, 1950 to 1964, inclusive. Issued under the Philadelphia plan, the certificates were reoffered, subject to authorization by the Interstate Commerce Commission, at prices to yield from 1.30% to 2.75%, according to maturity. Other members of the offering group were: Otis & Co.; The Illinois Co., and Freeman & Co.

These certificates will be severally unconditionally guaranteed by endorsement as to payment of par value and dividends by Indiana Harbor Belt RR. to the extent of 100% thereof, and by each of that company's proprietor companies in stock ownership proportion, namely: Chicago & North Western Ry., 20%; Chicago, Milwaukee, St. Paul & Pacific RR., 20%; Michigan Central RR., 30%; and New York Central RR., 30%.

Proceeds from the sale of certificates will provide for new standard-gauge railroad equipment, estimated to cost $3,732,000, consisting of 37 1,000 h.p. Diesel switching locomotives.

With Raymond & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Frank Filippetta has been added to the staff of Raymond & Co., 148 State Street.

With Oscar F. Kraft & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert L. Veach is with Oscar F. Kraft & Co., 530 West Sixth Street.

What Is The Gold Coin Standard?

(Continued from page 3)

as restriction by law of subsidiary currency to a specified per capita or maximum total amount which may be issued, or by some other limitation of quantity. Second, fiduciary money is made interchangeable on demand with gold at specified institutions. Third, subsidiary or fiduciary money is made legally acceptable for taxes and other payments to government, in whole or in part. Excessive issues of non-standard currency then tend to flow to the government, to its embarrassment, whereas full standard currency is retained for private use. Fourth, non-full legal tender money is made legal tender for private debts in limited amounts.

In spite of these restrictions, monetary history is replete with instances of depreciation of non-gold currency of all kinds, due largely to the inability of government to resist the temptation of trying to get something for nothing by issuing non-gold currencies, and concurrently by fixing penalties in futile efforts to force their populations to accept this money at parity with gold.

In practical operation, therefore, it was possible for a person who lived in a gold standard country to obtain gold at a fixed price in exchange for any other item of value which he might possess, including all commodities, securities, intangibles and other forms of money. As long as no doubt existed in the mind of any one that gold could be freely obtained on demand, the use of gold currency for ordinary commercial purposes was sharply restricted, except as gold stood silently in the background, serving as a reserve against all credit and non-gold currency which were outstanding. Not only were the non-gold currencies and credits of gold standard countries evaluated in terms of gold, but the currencies and credits of non-gold standard countries were quoted at various rates of discount in relation to gold.

Even at present, when no major country in the world is operating on an unrestricted gold standard, the value of all currencies and even prices in general are quoted on the basis of gold value. Although the United States gold dollar is not available for monetary purposes to American citizens, certain types of foreign institutions can obtain it under specified restrictions at $35 an ounce. Thus the United States is on an imperfect gold standard, and the exchange value of foreign currencies is characteristically quoted in dollars. Accordingly, the money managers are confounded and confuted, since they are unable to escape from the beneficence or the tyranny, according to the point of view, which gold has for centuries exercised over pecuniary transactions and measurement of values. It cannot be otherwise as long as gold retains its prestige as the common denominator throughout the world for economic values.

No Premium Over Gold Currency

There are almost no examples recorded in history when non-gold currencies or credits of any kind have been quoted at a premium over gold. Furthermore, throughout history the price of gold has gradually risen, as stated in the number of currency units which a given weight of gold will buy. There are virtually no instances when the price of gold has fallen. These two facts should adequately answer the contention that gold is obsolete and that the unusual ingenuity of present day practitioners in money has devised monetary and currency media which are superior to gold.

No well informed advocate of the gold standard would contend that such standard is perfect. There are many defects, part of them technical and others which are based on the frailties of human nature. Yet monetary experience is clear in demonstrating that since the dawn of historic times no other substance or monetary device has been able long to replace the use of gold as a standard of value and as a medium of exchange in civilized countries.

Effects of Gold Standards on Government Policies and Business

Adherence to the gold standard had far reaching effects on government policies and on business transactions. So far as government was concerned, unbridled issuance of non-gold currency, unbalanced budgets, excessive taxes and onerous restrictions were unfailingly reflected in a tendency for gold to leave the country or go into hiding. Thus attention was directed to the offending policies, and governments were forced to rectify abuses or accept the consequences in the form of depreciating foreign exchange values for their currencies or by unwieldly public debts, which usually brought political retribution.

So far as business was concerned, unwise extension of credit brought about rising commodity prices which in turn made the country a good one in which to sell and a poor one in which to buy. That is, imports tended to increase while exports tended to diminish, and the resultant changes in the terms of trade led to international gold movements which brought about automatic readjustments when allowed to operate freely.

Like every other monitor or disciplinarian, the restraining effects of gold on irresponsible politicians and over ebullient businessmen was resented. Gold was blamed for the fact that governments were prevented from making profligate expenditures or hindered in piling up unproductive public debts. Gold was made the whipping boy when credit excesses led to subsequent deflation and business recession. But students of monetary history observed that no country got into currency difficulties or had trouble in maintaining the gold standard as long as its national budget was balanced, its debt was kept as reasonable levels and its credit structure was not unduly extended. Conversely, there is no example of countries keeping out of currency and fiscal quagmires over a prolonged period of time when they fall or jump off the gold standard. Gold has shown itself to be an essential regulator of the value of non-standard currencies, credits of all kinds, international trade and government finances.

A Roman philosopher once made the cogent observation that "We cannot get along comfortably with women, nor at all without them." This is also true of gold. Thus there can be no doubt in the mind of a student of monetary history that the gold standard will be reestablished. Whether countries see fit to take this action on the bases of self-interest, so as to obtain the benefits of the gold standard, or whether they are forced back to gold after paying the penalties of depreciating currency, debt repudiation and economic confusion is not of great importance. What is significant is that there is no escape from gold.

One of the commonest as well as the silliest reasons advanced for the United States to remain off the gold standard is a direct descendant of the explanation given by President Roosevelt in 1933 for leaping off the gold standard. At that time he recited and aggregated various obligations payable in gold and said in substance:

"Look, debts payable in gold are many times the amount of our gold holdings. Friends, we are finished. Let us repudiate our gold contracts and follow other irresponsible countries into a system which has never worked, namely, inconvertible paper money."

So this was done. As pointed out by Dr. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, the reasoning behind President Roosevelt's pronouncement was about as profound as that of an architect who would stipulate that there must be enough elevators in each tall building to handle all occupants at one and the same time, of a railroad president who would insist upon enough rights of way and sufficient rolling stock to handle in one day all of the passengers and freight tributary to his line during an entire year, or of a highway engineer who would declare that roads leading into a city must be adequate to transport all of the inhabitants at any given moment, or at least to arrange that all of the automobiles in the city could leave town at the same moment and on the same highway. Obviously, these things are absurdities. They violate logic and experience. Gold has value because it is scarce. Centuries of commercial and financial transactions, running to countless billions of dollars, have been consummated under the aegis of the gold standard with little or no friction and with far greater satisfaction to all parties than has been obtained from any alternative or competitive currency regime.

One might suppose that a basic measure of value, medium of exchange and storehouse of value might require intricate machinery for making it work. It might be expected to depend upon ponderous minds which would handle the controls. Just the opposite is the case. Gold merely asks to be let alone. It will then proceed to prevent wild fluctuations in commodity prices, unwarranted government expenditures and public debts, and unrequited international transactions, whether in goods or in capital. Or at least if it is unable to accomplish this orderly regulation of the financial aspects of government and of business it will issue prompt and sharp warnings which call attention to unwarranted practices, exert increasing pressure against continuance of such practices, and finally bring punishment and retribution in proportion to the economic crimes which either politicians or businessmen may persist in perpetrating.

What's Ahead for Business?

(Continued from page 4)

Producers in many cases, in fact, merely introduced new and better models, either at the same price or with a moderate decline.

There is some reason for this. Steel, one of the most important raw materials in this field, has shown on official change in price. Manufacturers may have saved something when they stopped paying gray market premiums, but total savings among the established producers have probably been small. Many of these industries are also strongly unionized, and there has been no drastic reduction in labor costs. In fact, production costs per unit may in some cases have increased, as operations were cut back.

But the fact remains that there have been no sharp price cuts, as in textiles, to stimulate consumer interest and demand. And after the high rate of activity of the last few years I don't believe we can conclude that there is still so urgent a replacement demand that consumers will buy freely. Finally, for many of these items, sales will now be in a period of seasonal decline for some months to come.

Among other hard line items, I believe there is also some further liquidation to come for furniture and for floor coverings. Price trends are downward; but even so, I have not received many reports of sharply increased consumer demand.

Aim in all these departments should be to keep inventories comparatively low, and turnover as rapid as possible.

Textiles

It is a little late to be talking to you about the textile markets. Cottons and rayons have already had a fairly spirited recovery. If I had been down here 60 days or so ago I could have warned you that this was developing, as we did our own clients. Some of you, I know, are subscribers to our Textile Apparel Analysis, and have had the benefit of this earlier advice.

In the textile field, wool items are in a less favorable position than either cottons or rayons, and worsteds in a less favorable position than woolens. Even here, however, prices are coming down, and I think some of the reductions may be at least a little help to demand during the fall season.

In both cottons and rayons talk is heard of new shortages. Let me say again, that I think you should regard these as temporary tightness rather than any basic shortage. Looms are coming back into operation, and you know as well as I do the great weakness that this industry has for third-shift operations. Protect your seasonal requirements, but don't let any one talk you into speculative buying.

In the textile field there may be one exception to this previous remark—nylon items.

Nylon yarn production has been increasing steadily, and will continue to increase for some time. But the number of new uses is growing even more rapidly. No sooner does one end-use get an adequate supply than others begin to clamor for yarn. Moreover, the word "nylon" has a certain magic for the consumer and sales of these items are still a long way from their ultimate level.

Even in the case of nylon, some selectivity is necessary. Not all nylon items are as good as they should be, and in other cases there is no great shortage of supply. As a class, however, nylon items must be covered quite a bit further in advance than most other textile items, if you are to protect your position.

Food

As you know, the Government has a bigger influence over food prices right now than normal factors of supply and demand.

The control system is too complicated to describe in detail. There are so-called basic commodities, and there are Steagall commodities, and there are a number of different ways in which prices are supported. Some food products, in fact, have no support at all, but these are in the minority.

The net effect of all this is that food prices, although declining somewhat, have not come down nearly as much as they would have if the Government had not been in the market buying.

As a political realist, I point out to you that there is a Congressional election next year. I am quite convinced that high support prices will continue despite the fact that stocks are assuming excessive proportions and the bill to the tax-payer is already running in the billions.

Food is probably an important item for some of your stores. But the importance of high food prices goes far beyond your immediate sales trend.

It means, first of all, that the average industrial worker is more and more badly squeezed as his income goes down.

And in the second place it means that your own help finds itself in the same position, and that you will have great difficulty in getting costs down.

This cost problem, I believe, is one of the most adverse factors in the present economic situation.

Political Factors

A few words under this heading are necessary. Governments throughout the world have become too important in the business field to pretend that an economic appraisal can ignore political factors.

One of the most pressing problems at the moment deals with international currencies, and particularly with the position of Great Britain. Talks now being held are not likely to produce any very important results. During the last 50 years, Great Britain lost out first in the industrial sphere, to nations like Germany, Japan and the United States. More recently, and particularly during the last war, she lost most of her sources of "invisible" overseas income.

The British people are faced with a permanently reduced standard of living unless the economy can be torn down and rebuilt on a new basis. Short-term dollar aid is deceptive. The problem is not to help Great Britain recover from war devastation. If any help is to mean anything, it must recognize Great Britain's situation for the long-term problem that it is; anything else will merely lead to disappointments.

Devaluation, of course, is essential. But immediate devaluation is not inevitable. Other expedients can be followed — limitation of imports, subsidies and multiple rates to stimulate exports.

Whatever happens, a new period of intense international competition is already under way. Whatever happens, foreign developments, which were so stimulating to the domestic economy in the early postwar period, are likely to be depressing for some time to come.

I am also inclined to place the steel situation in the political category. This industry is too big and too basic to escape politics now or in the future.

Whatever happens in the present situation, I believe that a strike would have an adverse effect on business, in contrast with the strikes earlier in the postwar period. A strike now would take more away from income than it would add by stimulating purchases.

And if there is no strike, then I believe we will see a lower level of activity, in new car production as well as in steel, before the end of the year. And these declines. I am convinced, will take more out of payrolls than the current revival in textile activity is adding.

Conclusions

Let me sum up my views by repeating a few questions that I have run into in the past few weeks, and trying to answer them.

Has the worst been seen?—Yes, so far as declines in total production are concerned, although this is not true for individual industries such as automobiles.

No, so far as further declines in the general price level are concerned, although there are also exceptions in this case and many textiles are probably among them.

Has a turning point been reached?—If this question refers to production, then the answer is

more or less immaterial. Very few businessmen will find much difference in their operations, whether the low point in total production in the next six months is a few points lower or a few points higher than the July figure.

From the viewpoint of wholesale prices generally, the turning point is still many months ahead. Although businessmen should judge individual commodities on their own merits, the price trend as a whole must be regarded as deflationary for some time to come.

From the viewpoint of operating problems—that is, trying to make a profit—the turning point is also some distance ahead. Cost problems in many cases seem intractable; dollar volume in most cases will be lower; and any improvement in operating margins will be the exception rather than the rule.

Will the Present Improvement "Carry Through"? — I don't like questions of this sort; "carry through" is too indefinite a term. But I assume that in a general sense it means—will we now have a vigorous revival of production, employment and demand? To this the answer is categorically, "No." (This, of course, allows for the possibility that limited lines of activity have been through "their worst," but expects that the "carry through" even in these cases will be limited and subject to interruptions and reversals.)

The recession, in short, is not yet over. But I never have believed, and do not believe now, that this recession is the beginning of a major depression. Sales will probably lag for some time. Most stores will be showing decreases under a year ago during the next six or eight months. But there will be wide variations from store to store. Good merchandisers and strongly competitive organizations will get a bigger share of the business and will improve their position in the community.

There is no single solution to current problems. Aggressive merchandising should be maintained. But I find in some cases that intensified promotions sometimes have a kickback; stores find that their regular stock has moved more slowly and has become less well-assorted. What is called for is more than mere energy. Each effort must be coordinated with every other—costs must be brought down, but morale must not be damaged. Inventories and commitments must be controled, but sales must not be lost. The selling efforts must be aggressive, but non-promotional items cannot be neglected.

In short, distribution is back to normal. The present situation calls for your best efforts. And the potential improvement in the economic picture beyond the next six to eight months promises a worthwhile reward for the efforts you expend now.

Ball, Burge & Kraus Add

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—John P. Connor, Daniel R. Corcoran, Stephen J. Grosse and Morley Tolles have been added to the staff of Ball, Burge & Kraus, Union Commerce Bldg., members of the New York and Cleveland Stock Exchanges.

McDaniel Lewis Adds Four

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Walter E. Bain, Arnold Borden, Henry L. Leak and Donald MacRae have become associated with McDaniel Lewis & Co., Jefferson Bldg.

W. A. Armfield & Co.

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C.—W. A. Armfield & Co. is engaging in a securities business from offices in the Reynolds Bldg.

The State of Trade and Industry

(Continued from page 5)

first six months of the previous year only 6% of these identical stores had loss operations.

Specialty stores with annual sales over $1,000,000 had a decline in net gain after taxes from 4.3% to 2.7%. Profit ratios below those obtained at the half year mark of 1948, with six stores showing red figures, were reported by 88% of the stores submitting net gain data.

* * *

For the month of August, "construction put in place," the Commerce Department reports was valued at $1,900,000,000. This represented an increase of 3% above July, but 2% under the like month of 1948.

Industrial building and construction of stores, restaurants and garages led the drop, being down 37% and 34%, respectively.

For the first eight months this year, construction put in place totaled about $12,200,000,000 2% above last year. The gain was picked up in the first quarter this year, the department said, with the second quarter about the same as the like quarter in 1948 and the third quarter below that period last year.

For the first eight months of 1949, private construction was 6% below last year, while public construction was up 30%.

* * *

SCHEDULED STEEL OUTPUT RATE FOR CURRENT WEEK SET AT 80.4% ON THREAT OF INTERPLANT RAILROAD STRIKE

The moderate tone of the Presidential steel board report not only surprised the industry but practically eliminated the chances of a crippling steel strike. Still, several knotty problems have to be resolved before steel labor peace is certain but the chances are excellent that they will be solved quickly, states "The Iron Age," national metalworking weekly, in its current review of the steel trade.

The industry won hands down on wages but lost its argument for contributory social insurance. It knew pensions had to come but the board's report may bring them faster. The board's recommendation —social insurance to cost 4c per hour per 2000-hour work year and pensions to cost 6c an hour on the same basis—is actually just about 5c per hour more than U. S. Steel either offered this year or has agreed to discuss. But most companies, this trade authority adds, opposed non-contributory programs, or in fact any substantial cost increase at this time.

It is too soon to say that the fourth round wage demand has been completely killed off. Because steel does not set the pattern this year does not mean others may not, "The Iron Age" points out.

Steel ordering approached frantic proportions during the past two weeks with perhaps a third to a half of it for strike hedging. The hedge buyers fell into two groups: those who wanted steel shipped before what they then thought was the strike deadline and those who wanted to get on the books to be early in line if a strike came off.

The steel industry, according to "The Iron Age," set up this week to operate at 85% of rated capacity. U. S. Steel blast furnaces in the Pittsburgh district which were banked early in the week because of a threatened railroad strike on the company's road were promptly put back into operation when the strike was postponed for two weeks.

Meanwhile the steel scrap market is on a rampage with prices of No. 1 steel $3.50 a ton higher in Pittsburgh and $1 a ton higher in Chicago and Philadelphia. As a consequence "The Iron Age" steel scrap composite rose by $1.83 to $25.75 per gross ton, the biggest advance of the year.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 80.4% of capacity for the week beginning Sept. 12, 1949, as against 84.2% in the preceding week, or a decrease of 4.5%, or 3.8 points. The current rate earlier had been placed at 86.6% but was revised downward by the Institute on the threat of an interplant railroad strike at U. S. Steel plants on Tuesday.

This week's operating rate is equivalent to 1,482,200 tons of steel ingots and castings for the entire industry, compared to 1,552,200 tons a week ago, 1,539,300 tons, or 83.5% a month ago, and 1,732,200 tons, or 96.1% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS REPORT FOR LATEST WEEK AFFECTED BY ADOPTION OF FIVE-DAY WEEK IN RAILROAD OFFICES

Loadings of revenue freight for the week ended Sept. 3, 1949, totaled 703,930 cars, according to the Association of American Railroads. This was a decrease of 42,982 cars or 5.8% below the preceding week. It also represents a decrease of 191,201 cars, or 21.4% below the corresponding week in 1948 and a decrease of 105,009 cars, or 13% under the similar period in 1947.

Due to the fact that the five-day week became effective in railroad offices Sept. 1, the total of carloadings reported for the week ended Sept. 3 is not strictly comparable with the corresponding weeks of previous years or with the previous week this year, since some of the cars loaded on Saturday, Sept. 3, will not be taken into account in carloading records until the following week.

ELECTRIC OUTPUT DECLINES IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 10, was estimated at 5,258,090,000 kwh. according to the Edison Electric Institute. This represented a decrease of 285,823,000 kwh. below the preceding week, 91,964,000 kwh. or 1.8% higher than the figure reported for the week ended Sept. 11, 1948 and 204,790,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE OUTPUT OFF DUE TO HOLIDAY CLOSINGS

According to "Ward's Automotive Reports" for the past week, motor vehicle production for the United States and Canada declined to an estimated 124,043 units from 146,039 units (revised) in the previous period as a result of Labor Day shutdowns.

The total output for the current week was made up of 101,842 cars and 16,171 trucks built in the U. S. and 4,219 cars and 1,811 trucks in Canada.

Output a year ago was 78,677 units and, in the like period of 1941, it was held down to 53,165 units.

BUSINESS FAILURES DECLINE FURTHER IN HOLIDAY WEEK

Commercial and industrial failures declined to 148 in the holiday-shortened week ended Sept. 8 from 174 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were at the lowest level since February, but they exceeded the 83 and 60 which occurred in the comparable weeks of 1948 and 1947. Holding under prewar volume, concerns failing were 30% less numerous than in the same week of 1939 when 209 were reported.

FOOD PRICE INDEX TURNS HIGHER FOLLOWING SHARP DIP IN PRECEDING WEEK

There was a firmer trend in most food commodities last week and the Dun & Bradstreet wholesale food price index reversed its downward movement of the previous week. The index rose to $5.82 on Sept. 6, from $5.78 on Aug. 30. It was, however, still 15.2% below the comparative 1948 level of $6.86.

WHOLESALE COMMODITY PRICE INDEX CONTINUES HIGHER TREND IN LATEST WEEK

Continuing its mildly upward movement of the past few weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 242.44 on Sept. 6, from 239.26 a week previous. It compared with 277.97 on the corresponding date a year ago.

Grain markets were again irregular with wheat rising sharply while corn and rye turned downward.

Strength in wheat reflected active mill buying against family flour sales and the likelihood that support levels on next year's crops will be at 90% of parity.

Weakness in corn resulted from fairly liberal receipts, an easing in cash premiums and the prospect of a near record harvest which will soon begin to move. Flour prices moved steadily higher during the week. Sales of advertised brands of family flour showed considerable expansion and government buying reached a considerable volume. Demand for hard wheat bakery flours remained slow.

Trading in cocoa was light and prices continued lower although showing a firmer trend at the close. The raw sugar market was active and stronger. The refined sugar market, however, was unsettled as most refiners rescinded the 10-point advance scheduled to go into effect on Sept. 1. Coffee futures developed an irregular trend while the actual market continued to edge higher. Most roasters throughout the country announced an advance in their prices during the past two weeks. In the Chicago livestock market, cattle prices turned somewhat easier in late dealings.

Still moving in a narrow range, cotton markets followed the trend of recent weeks, with spot values declining steadily to reach a new low for 2½ years.

Activity in spot markets broadened somewhat and inquiries were more numerous. Farmers were offering more freely, particularly in areas where ginning started early.

Final figures on the 1948 loan stock as issued by the CCC, placed total entries for the season at 5,271,549 bales, repossessions at 1,477,988 bales, and the net stock pooled by the corporation as of Aug. 1 at 3,793,561 bales.

Demand for cotton textiles remained strong with substantial yardages reported sold into the first quarter of next year. Supplies of print cloths for near-by delivery were scarce and the market was featured by further advances ranging from ¼¢ to 1¢ per yard in different constructions. Sheetings were firm to slightly higher for the week.

RETAIL AND WHOLESALE TRADE MAINTAINED AT A HIGH LEVEL THE PAST WEEK

Although most stores were closed on Labor Day, increased consumer purchasing in preparation for the holiday boosted total retail volume in the period ended on Wednesday of last week slightly above that of the preceding week. In the days following the holiday, shoppers continued to evince considerable interest in Fall merchandise. The total dollar volume of retail sales continued to be very moderately below that of a year ago, Dun & Bradstreet, Inc., reports in its current survey of trade.

Many retailers who conducted back-to-school apparel promotions reported that consumer response was slightly above that of a year ago.

Interest in women's coats rose noticeably with fleece, tweed and covert among the popular fabrics. The retail volume of both men's and women's shoes increased moderately along with a rise in the sales volume of men's worsted suits.

Retail food volume continued to increase seasonally the past week. Total unit volume remained slightly above that of the comparable week a year ago.

Despite the closing of many businesses for the Labor Day weekend, wholesale order volume was maintained at a high level in the period ended on Wednesday of last week; it continued to be moderately below that of a year ago. The number of buyers attending many wholesale markets dropped noticeably the past week, but remained slightly above the number in the comparable 1948 week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 3, 1949, decreased by 4% from the like period of last year and compared with a decrease of 1% in the preceding week. For the four weeks ended Sept. 3, 1949, sales registered a decrease of 7% from the corresponding period a year ago and for the year to date a decline of 5%.

In the wake of cooler weather and stepped-up purchases of back-to-school and seasonal merchandise, retail trade in New York last week reflected an upward trend. Department store sales were estimated at about 2% above the corresponding period of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Sept. 3, 1949, increased by 6% from the same period last year. In the preceding week an increase of 7% was registered above the similar week of 1948. For the four weeks ended Sept. 3, 1949, a decrease of 8% 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."

As We See It

(Continued from first page)

pears almost futile to remind, or should we say warn, the rank and file of the relatively simple fact that there is no way in which all the people can guarantee all the people pensions in their old age except in the very general sense that the old and improvident shall be regarded as a charge against the young and productive—and that even this guarantee can be made effective not by promises to pay, "reserves" of this or that variety, or any of the other familiar paraphernalia of pension schemes no matter what their form, but only by the age-old process of laying by substantial parts of current income in forms which can be expected to sustain and enlarge production in the years to come.

A Strange Virtue

Strangely enough, one of the advantages claimed for pension schemes now being installed and now proposed by the President's steel board (tantamount to advocating a welfare state via labor unions) is that they will lead people to spend more freely on the creature comforts of the day. Thus the argument seems to run to the effect that the way to provide for old age is not to save but to spend recklessly. All this sounds a little incredible, but one must believe what he daily sees and hears. Let even the President's board speak:

"The inauguration and operation of insurance and pension programs will make a considerable contribution to the attainment of the economic stability so necessary at this time. With the knowledge that the economic hazards of life will be at least partially met, workers will be more apt to help sustain consumption spending at a high stable level."

Do these and the other gentlemen who argue in this way really mean to suggest that the way to provide for one's future is through a "social insurance" or a pension plan (at the expense of some one else, of course) which tempts one to become a spendthrift? Or do they believe that such a plan will work when all the people become parties to it and all then take no further thought for the morrow?

The Basis for Management Pensions

But unfortunately such considerations as these are all too apt to weigh but little with the rank and file as against clever references to the fact that executives are already being provided for with substantial pensions. The trouble is, of course, that the "average man" is not likely to take the trouble to think about such matters carefully. Among those familiar with the situation, the fact is well known that the pension idea as applied to top executives is very largely a result of the same New Deal or Fair Deal philosophy which now spawns these strange ideas about some sort of magical self-insurance against the "economic hazards" of life. The greatly increased demand for pensions among highly paid executives reflects a desire for something which the current tax laws largely deny these gentlemen the privilege of doing for themselves.

Under ordinary circumstances, enterprises bid for men of exceptional ability by offering high cash rewards in salaries or other forms of current compensation. In this way they not only assure themselves against competitive bids from other enterprises seeking top talent, but from the allure such men always feel from the opportunities to go into business for themselves. They likewise in this way provide incentive for the best men to do their best. But under existing circumstances, very severe tax limits are imposed upon these procedures. In these higher brackets, all but a relatively few cents out of each dollar of increased cash compensation goes ultimately not to the executive, but to Uncle Sam. Thus in actual practice it would require a very large cash increase in salary to enable a top executive to provide for himself the equivalent of a relatively modest pension supplied by his employer. Such considerations do not apply in any great degree to the rank and file of the workers.

Aside from this, the fact is that in many cases the top executives that are beneficiaries of pension plans and substantial salaries initially started at the bottom of the ladder in their organizations and worked their way to the top and the opportunity to be similarly rewarded is open today, as formerly, to the rank and file of employees.

Another Consideration

There is another consideration regarding all this which may be regarded as a sort of corollary to what has just been said—and a very important consideration, too. These pensions are to be regarded strictly as in lieu of salary increases—a form which they would doubtless take were tax and other conditions normal. They are individual rather than general in nature. They vary from company to company, according to the ability and willingness of the individual enterprise to buy the best in management direct — just as salaries themselves vary freely. There is, of course, no "scale" or any other form of uniformity in either executive salaries or in executive pensions, and the differences correspond at least in a general way with the differences in ability to provide the services desired. Of course, none of these considerations apply in any significant degree to the wage earner, despite some commendable effort on the part of the President's board to avoid flat uniformity in the application of its recommendations. In any event, there is in the very nature of the case no difference in the capacity of individual workers in any way comparable to that observed in men of top management ability.

Another objection to these industrial "patterns" which have been developing in recent years is found in the fact that they introduce an arbitrary element of fixed costs which tend to drive the weaker enterprise out of business and thus nurture the development of monopoly. Of course, many forces constantly at work tend to favor the more efficient enterprise—and for that fact we should be grateful—but this is a different matter from forcing the weaker to try to carry an additional load merely because the stronger are able to bear it.

New Money and Our Expanding Facilities

(Continued from page 5)

tools. Raising new money for your expanding facilities is a job of assembling from these individuals or their chosen agencies the dollars which you will spend for labor and materials to create new tools in the form of pipe lines, compressor stations, gas holders, meters, all of the properties needed in the gas business.

Functions of Investment Bankers

The raising of new capital is the specialized function of business organizations called "investment bankers." Sometimes they are also tagged as "Wall Street" and are pictured as having horns. I do not know what Wall Street was in the old days. Maybe it deserved all of the horrible things that were said of it. I find the people who work in Wall Street are very much like the people who work on Main Street. They go about their business in the same way that others do. Many of them mow their lawns on Saturday afternoon and some of them even go to church on Sunday. The political picture of what Wall Street is and what it does is a very distorted one.

Let me explain briefly what it is investment bankers really do. They underwrite new issues of securities, that is, several investment banking firms, of which one acts as leader or manager, associate themselves together for a particular transaction and agree to purchase an entire issue of bonds, preferred stock or common stock. The purpose of underwriting is to guarantee that the corporation seeking to obtain new capital will get it. While underwriters buy and pay for the securities initially with their own funds, they do not buy with the intention of continuing to own them. Instead, they turn and sell them to the public generally, to individuals as well as to institutions. This is done in part through their own organizations and in part through other investment bankers. Some few investment bankers, perhaps a dozen, are principally engaged in underwriting, with little distribution even of the securities they underwrite. Several dozen others are active as underwriters, but they also maintain extensive selling organizations with offices in many cities. Others only occasionally or never underwrite, but are engaged principally in selling. Some may also be members of stock exchanges and do a brokerage business. Some may specialize in particular classes of securities. Overall, the function of investment banking is to raise capital by the purchase and distribution of new issues of securities, and, collaterally, to provide a market for outstanding securities.

Everyone thinks his own job is pretty important and the investment banker is no exception. I am sure you will permit me to say that I consider the raising of capital to be vital to the operation of our economy. Without the regenerative process of new investment of capital and new production, our economy could not expand. It could only stagnate and contract. An expanding economy represents progress, full employment, prosperity. A contracting economy represents unemployment, depression, distress and social unrest. The expansion of the gas business not only is providing $800 million annually for construction, most of which goes for labor, but is creating new permanent jobs at the rate of nearly 15,000 each year with $45 million of annual pay. An expanding economy requires constant opportunity for the employment of our national savings, it requires a constant flow of new capital into the capital markets, and it requires adequate investment banking machinery to assemble the new capital required by business.

A New National Policy

Many serious minded people are greatly concerned about what has been happening to our economy as a result of our political behavior. They think we are drawing away, or the being drawn away, from our system of free enterprise. Some say we are headed stright down the road of Socialism and that nothing can turn us back. I do not know whether that is true of not. I do know that a result of what we have done and what we are doing is to change the pattern of investments and that our capital markets are profoundly affected by this change.

For some 15 years national policy has been directed toward a redistribution of the wealth of the nation for the purpose of social reform. That is our present policy. That is our present philosophy of government. It was born out of the distress of a great economic depression. It has been fostered by a "something for nothing" school of political thought. Substantial wealth held by individuals is disppearing. Individual fortunes have not been wiped out by any broadside attack, but very effective measures have been taken to prevent their increase and to prevent any substantial new accumulations. This has been done by the very legal means of taxation — by normal taxes and surtaxes, by inheritance taxes and gift taxes, by excise taxes and excess taxes, by double takes and just plain taxes. Ten or fifteen years ago, some one prominent in our government said no man should be permitted to earn and keep more than $25,000 a year; and how he meant it!

Whether it is ultimately good or bad to have in our society large aggregations of capital in the hand of individuals is beside the point. I suspect, but I do not know how to prove it, that when we impair or destroy the incentive to try to create new accumulations, we are hacking at the roots of our American economic system.

The measures adopted to effect a redistribution of wealth are naturally antagonistic to wealth. Steeply graduated income tax rates have greatly reduced the ability of the ordinary successful businessman to save and at the same time have so reduced the net income on savings that incentive is gone. It is most unfortunate that this is true because these are the people who have heretofore supplied the risk capital which is essential to an expanding economy. Their investments were not restricted by law. They were not required to seek safety first. In their investments they invited risk because, if successful, the rewards were good. Businessmen believed in business, in American business, and they were able to save and invest in business. We are in a sad state when business managers are no longer able or willing to invest their savings in the business they manage.

A Leveling of Real Income

During the past two decades there has been a great leveling of real income. Personal savings, while running at a very high rate, now rest with people who traditionally save through means other than the direct purchase of securities. Most of these people are either largely uninformed or grossly misinformed regarding the purchase of stocks and bonds. Many are frankly distrustful of business, especially big business, and actually want to withhold their savings from business. And so they turn to life insurance or to savings banks, savings and loan associations and similar agencies through which their savings are returned to the economy. Life insurance has become by far the most important single channel through which personal savings flow into new long-term capital for business. Last year the admitted assets of American life insurance companies increased by $3.8 billion. The flow of savings through this one channel is at a rate greater than $15 million for each business day. Insurance companies and all of these other agencies are obligated by laws or by the nature of the funds entrusted to them to seek safety first investment, mostly in bonds and mortgage loans. These funds are not available to assume the full risk of business enterprise.

Inadequate Source of Risk Capital

What I am describing to you is the condition underlying our capital markets as they have existed for a considerable time in the past and as they appear likely to exist for some time in the future. What I am describing to you is a fundamental social condition which produces an unbalanced demand for investment in senior securities and what many thoughtful persons consider is a dangerously inadequate source of

risk capital. Let us examine these markets in more detail.

At a time when the government was rapidly expanding our public debt, bond prices were maintained at a high level. They reached a peak in 1946 and have now receded only a little from that high point. A composite of public utility A rated bonds never sold to yield less than an annual average of 5% during the 10 years of the 20's; or less than an annual average of 4% during the first five years of the 30's; or less than 3½% during the last five years of the 30's; and from 1940 the yield declined progressively to 2.71% in 1946 from which only a fractional change has occurred to date. That briefly has been the course of interest rates over the last 30 years on good, but not the highest grade of bonds.

But that is not the whole story. If the demand has exceeded the supply, the supply has by no means been small. Most of our national savings have been consumed by government and are represented by bonds which are a charge on future production. The balance flowing into the capital markets has been largely absorbed by corporate bond offerings. For some years prior to 1945, corporate bond offerings were on the order of $2 billion a year but since that time they have been on the order of $5 billion a year. About one-half, you might be interested to know, are public utility bonds. Thus you have a picture of a stream of funds flowing into our capital markets, largely through institutional channels seeking investment in bonds at progressively lower interest rates.

Basically, credit is abundant at low interest rates and there seems every reason to believe it will continue so for the indefinite future. No good borrower, and that includes practically everyone connected with the gas business, should be concerned about his ability to raise new capital in proper proportion by the sale of bonds.

Danger of Excessive Debt Capital

So abundant and so cheap is debt capital, there is a great temptation to make maximum use of borrowing. The danger, of course, lies in overborrowing. Too much debt not only interferes with the sale of junior securities, but precludes further debt financing. If you borrow the maximum today when lenders are willing to loan at a high debt ratio, you will find you have cut off your only avenue of financing in the future when the pressure to loan is not so great.

Most public utility companies have used perferred stock as a means of raising capital although the volume of such financing in recent years has not been great. Traditionally, preferred stocks have been the investment medium of the private investor. During the 20's, 7% was the prevailing rate and, with the exemption of dividends from normal income taxes, this rate was attractive to the small investor.

At present the market for preferred stocks can only be described as uncertain and undependable. From time to time the institutional demand for fixed rate investments has overflowed the bond market and at times preferred stocks have been eagerly bought. Prices were lifted by this buying. Some companies were able to do preferred stock financing at rates under 3½%. But then, this institutional demand proved temporary and erratic. As soon as the institutions stopped buying an adjustment in prices occurred. So we have a good deal of fluctuation in demand which results in a good deal of price fluctuation.

A market based upon the institutional demand for preferred stocks is not very reliable. Only under great pressure of funds will institutions buy preferred stocks at all and then only to a limited extent. The market for preferred stocks is a broad one only when it is based upon a demand from a host of small individual investors. When institutions enter the market, even though their buying is limited, the private investor cannot compete. We did a horrible thing back in 1935 when we made corporate dividends fully subject to individual income taxes. Institutional investors are not taxed on this basis. Dividends received by one corporation from another are taxed at the effective rate of 5.7% so that a 4% preferred stock yields 3¾% after taxes. But dividends received by an individual are taxed at his full rate and a 4% preferred stock may yield after taxes as little as 2% or 2½%.

The price level of preferred stocks under the influence of institutional demand is very favorable to financing, but no very great volume could be done at this level. Last year less than $½ billion of preferred stock financing was done as compared with $5 billion of bond financing. If the volume stepped up beyond the institutional demand, prices would adjust themselves to the private investor market. This would be a much healthier condition than now exists, even though the cost of preferred stock capital would be greater, because it would restore breadth and dependability to the market.

If the conditions underlying our capital markets have created an unbalanced demand for fixed rate securities, then you would expect that the market for equity capital is unsatisfactory.

Many thoughtful people are alarmed at the inadequacy of the equity market and the grave dangers which follow as a consequence. They say that if those who are able to save do not for any reason supply risk capital, then in any period when corporate earnings are insufficient to sustain an expanding economy, government will substitute for private enterprise. When government substitutes for private enterprise we are no longer on the road to Socialism; we have arrived. Why private enterprise would not supply risk capital is immaterial. It may be lack of education on the part of those who are able to save. It may be lack of incentive to take risk because the reward is too meager. It may be that we have changed the betting odds so that the risk is too great. It may be that powerful forces have succeeded in destroying confidence in business. It may be fear of this very danger of Socialism.

Need of More Equity Capital

I can well believe that all of these elements are present, but I am not able to prove as of now that our equity capital market is dangerously inadequate. Persuasive but inconclusive arguments can be advanced on both sides.

Transcontinental Gas Pine Line was able to raise the equity capital required for its $190 million project which is being built from the ground up. Tennessee Gas Transmission, Texas Gas Transmission, Mississippi River Fuel, Northern Natural Gas — practically all of the interstate gas transmission companies have come into the market for equity capital and have obtained it. So have many of the gas and electric companies. But that is not conclusive. We do not know how many others would have come if equity capital were more abundant and less costly. We do not know how many businesses of all kinds would even now be expanding if the equity market were more favorable.

But I do know that very little equity capital is being raised and that the trend is downward. With the total of all corporate financing running above $6 billion, annually common stock financing has been:

1946	$890,000,000
1947	778,000,000
1948	611,000,000

Secondly, I do know that, on the basis of an historical comparison, stocks appear low in price. In terms of price-earnings ratios, average prices for 1948 for a composite of industrial stocks were the lowest in 20 years. For a composite of utility stocks, prices were lower except for the early war years, 1941 and 1942. For bank stocks, prices were lower without exception. New York bank stocks are selling for about three fourths of their book values. I can name many companies whose common stocks are selling for less than the excess of current assets alone over all liabilities, reflecting no value whatever for plant or going business. I do not know that any of these companies need or could use more equity capital, but it is perfectly apparent that they could raise equity capital only by diluting the interest of the present owners to an excessive degree.

In the third place, I know that in the absence of equity financing corporations have borrowed more heavily and have retained a higher percentage of their earnings as a means of providing for capital expenditures. I think the imposition of double taxation on corporate dividends in 1935 started a chain reaction, the effects of which are now becoming apparent. It became inefficient for corporations to pay out earnings to be taxed as dividends and then to raise equity capital from stockholders out of what was left after taxes. And so they paid out less and what they did pay out was worth less. And that made investment in stocks less attractive and that made stocks worth less. And that made it essential for corporations to retain more earnings and there is the vicious cycle.

In 1939, the average yield on a composite of AAA bonds was 3% and the yield on a composite of 125 industrial stocks was 3.9%, a differential of less than 1%. In 1949, the bond yield was 2.7% and the yield on stocks was 7.1%, a differential of more than 4%. In 1939 these stocks sold at 15.7 times earnings; in June of 1949, they sold at only 6 times earnings.

The weight of evidence would seem to indicate that few people are willing to supply risk capital by the purchase of common stocks and then only at prices which are very low when measured by the usual standards of value.

Summary

Summarizing, we find, first, that savings are being disproportionately channelled to business through investing institutions which are restricted to safety first investment. This has resulted in an abundance of debt capital available at extremely low interest cost.

Secondly, the market for preferred stocks is not now and for some time past has not been a broad market based upon the investments of a host of private investors, but instead is a relatively narrow market based upon a limited and an erratic institutional demand.

Thirdly, the equity market is unsatisfactory, if not dangerously inadequate, and the cost of obtaining equity capital absolutely and as compared with the cost of debt capital is extremely high.

While this summarizes the condition of the long-term capital markets, let me emphasize that public utilities are more benefitted, or less harmed, however you view it, by the change which has occurred in the pattern of investments than other forms of business. If debt capital is abundant and cheap, public utilities can properly employ a higher percentage of borrowed capital than any other form of business. If the preferred stock market is undependable, public utility preferred stocks as a class are most acceptable to institutional investors. If the market for risk capital is inadequate and costly, public utility common stocks have moved a long distance away from the area of speculative risk to the status of investment and public utilities are able, at least without regard to cost, to obtain such equity capital as is required.

Just because public utility companies have not so far been seriously hurt by the social and economic trends which I have described, you should not permit yourselves to dismiss this subject from your continued consideration because, in a large way, they affect all of us.

Since the War, a conflict of ideologies in world politics has made us increasingly aware of our economic system and its relationship to our political system. We identify capitalism with our free enterprise system. We boast of its accomplishments. We associate capitalism with our high standard of living and with the individual freedoms which we enjoy. But in our domestic affairs we seem to be constantly moving toward the frustration or destruction of important elements of our capitalistic system. Repeated warnings have been sounded. Only a few weeks ago, the Chairman of the Federal Reserve Board recommended that Congress review the tax situation from the standpoint of its effect on the availability of equity capital. He expressed alarm at the reluctance of American investors to take risks. He said the traditional willingness to take risks was responsible for the rapid development of our resources for expanding production and a steadily rising standard of living. He put his finger exactly on the sore spot, a scheme of taxation developed to effect social reforms but which has stifled enterprise and destroyed incentives. Similar warnings have come from Senator George and from Herbert Hoover. It may be too late to turn back.

We have a national debt of $250 billion. We have commitments to rebuild as much of the Old World as will accept our aid. We have a duty to defend ourselves. We have commitments for pensions and other forms of relief which amount annually to about one and one-half times as much as all dividends paid by all American corporations. We have commitments to raise the standard of living of all our citizens. And we are still dreaming dreams and making plans for more and more social services. Our system of private ownership and free enterprise may be able to carry this load. Personally, I doubt it. I think it is high time we drew in our horns and lightened the load. I think it would be a good idea to restore some of the incentives we seem to have lost. I mean good, old-fashioned incentives based upon the elemental instinct of selfishness. Incentives which make men want to improve their own individual standard of living instead of having it improved for them. I mean incentives to produce more, not less. Incentives to take risk for the sake of gain. Incentives to earn more, to save more, to be more. I think we should recognize that selfishness is akin to the instinct of self-preservation; that it is a powerful driving force; that it is pro-individual and not anti-social; that selfishness is as inborn as sex and serves an equally useful purpose when exercised under decent restraints.

Business Man's Bookshelf

Analysis of Publicity Expenses, 1949 Edition—A Guide to Retail Publicity Budgeting for Department Stores and Specialty Stores—Compiled by Controllers' Congress—National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y.—paper—price $2.50 (to members of the Controllers' Congress and the NRDGA, $1.50).

Antitrust Laws From the Point of View of a Private Practitioner—Jerrold G. Van Cise—and **Antitrust Laws From the Point of View of a Government Attorney**—Sigmund Timberg—in one pamphlet—Practising Law Institute, 57 William Street, New York 5, N. Y.—paper—$2.00.

Corporate Profits in Perspective—John Lintner—American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢.

How Department Stores Can Get a Bigger and More Profitable Appliance and Television Volume—National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y.—paper—$3.50 (to member of the NRDGA, $2.00).

How to Sell Floor Coverings More Effectively and Profitably—National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y.—paper—$3.50 (to members of the NRDGA, $2.00).

Inflationary and Deflationary Tendencies, 1946-1948—A United Nations publication — Columbia University Press, Morningside Heights, New York, N. Y.—paper—40¢.

Modern Merchandising of Furniture and Bedding—National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y.—paper—$3.50 (to members of the NRDGA, $2.00).

Outline of Money and Banking, An—Herbert Spero—Barnes & Noble, Inc., New York, N. Y.—paper—$1.25.

Story of Progress, A—History of the first 25 years of the Massachusetts Investors Trust—Julia A. Wilson—Massachusetts Investors Trust, Boston, Mass.—paper.

TVA Idea, The—Dean Russell—Foundation for Economic Education, Irvington, N. Y.—paper—75¢.

Treatise on the Antitrust Laws of the United States and Including All Related Trade Regulatory Laws—Harry Aubrey Toulmin, Jr.—in seven volumes—The W. H. Anderson Company, Cincinnati, O.

Who Gets the Railroad Dollars?—Dr. Jules Backman—Eastern Railroad Presidents Conference, 143 Liberty Street, New York 6, N. Y.—paper.

Year Book of Railroad Information, A—1949 Edition—Eastern Railroad Presidents Conference, 143 Liberty Street, New York 6, N. Y.—paper—free.

W. O. Olsen Dead

Wilbert O. Olsen of Chicago died Aug. 30 of poliomyelitis. Mr. Olsen, who was Executive Vice-President of the Wheeling State Bank, had resigned from Culbertson, Olsen & Co., Chicago investment firm, to accept the position with the bank in 1948.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Relief that impending bad news did not develop, brought sharp rally. Believe such strength not conducive to new buying.

A sharp rally on Tuesday brought the industrial averages to well across the 182 figure, bettering the 182.02 figure registered mid-August.

* * *

Much of this was probably due to the relief that the threatened steel strike would not come about and that the British monetary problems were apparently ironed out without too many difficulties. At least, these are the reasons that are widely current.

* * *

Actually these reasons, if they are responsible for the rally, don't impress me. The steel problem isn't going to be solved by any fact-finding committee. The British dollar shortage won't find its cure in optimistic statements of "solutions."

* * *

I know I've been harping on news for a long time, stressing my belief that its impact is overrated. The current wave of optimism based on news from various fields doesn't change my opinion. Two weeks ago, when I thought the decline was over, the news was impendingly bad. Yet the market showed a bottom, and it was so stated in these columns.

* * *

Buying stocks on news is very easy. All the psychological advantages are on the buying side. Everything seems to be in the buyer's favor. It is for that very reason that I consider an advancing market, getting its impetus from news, one that should be avoided. In fact, I think it makes an opportunity to unload.

* * *

From where I sit the ideal time to buy is when everybody around is glum and the news merely corroborates the general pessimism. It takes courage to do any buying under such conditions. To be successful in stock market trading, however, the participant has to develop a minority thinking habit—and then act.

* * *

This doesn't mean the market is now going to pot. It probably won't. The penetration of a previous resistance point by one average is usually sufficient to do two things: hasten short covering (which in turn carries prices higher) and bring in new buying for long account. Both events are wound up interchangeably and have their impact on stock prices. Combined effect invariably makes for higher prices.

* * *

Given the conditions outlined above, I don't think any new buying should be done at present. It is quite likely that abstinence from here on may result in some missed profits. I prefer missing a possible profit for what seems to me is almost a certain loss.

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.]

Chas. Hayden Memorial Golf Tournament

More than 30 Wall Street investment firms will participate Sept. 16 in the 21st annual Charles Hayden Memorial Trophy golf tournament, it was announced by Francis A. Cannon of The First Boston Corporation, Chairman of the committee in charge. The tournament will be played at the Baltusrol Golf Club, Springfield, New Jersey.

The following firms have entered teams to compete for the trophy which was won last year by The First Boston Corporation:

A. C. Allyn & Co., Inc.; Blair & Co., Inc.; Clark, Dodge & Company; Cohu & Company; Eastman, Dillon & Co.; Estabrook & Co.; The First Boston Corporation; Glore, Forgan & Co.; Goldman, Sachs & Co.; Granbery, Marache & Co.; Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co., Inc.; Harris, Upham & Co.; Hayden, Stone & Co.; Hemphill, Noyes, Graham, Parsons & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co., Inc.

Also, Lazard, Freres & Co.; Lee Higginson Corp.; Laurence M. Marks & Co.; Merrill Lynch, Pierce, Fenner & Beane; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; R. W. Pressprich & Company; Reynolds & Company; E. H. Rollins & Sons; Spencer, Trask & Co.; Stone & Webster Securities Corporation; Union Securities Corporation and Wertheim & Co.

The Hayden trophy is kept in perpetual play as a memorial to the late Charles Hayden. The tournament was revived last year after a wartime lapse.

Burns, Potter Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Arthur C. Johnson, Jr., has joined the staff of Burns, Potter & Co., 202 South Seventeenth Street.

How to Return to the Gold Standard Now

(Continued from page 6)

ican people was wanted. Accordingly, in June of this year we started the Gold Standard League. With the aid of strong men who had long wanted it, we didn't wait for formal incorporation. We set out to do the job. Eight responsible supporters agreed to serve for their respective states. We now have 10. Others will be with us shortly.

Blessed as we are with a single objective which is feasible and attainable before another presidential election the League is forming rapidly. State Chairmen for the time being are acting under their own initiatives in the same way we have been doing in Pennsylvania. Members have been signing up rapidly. Membership is by the will and acts of the individual. It's what they do that counts. For example, Mr Robert F. Steiner, a member at Topeka, Kansas, sent out 933 return post cards to voters in his precinct asking them what should be done with the $24½ billion of gold in the Treasury—should it be returned to circulation or not, and does it belong to the government or does it belong to the citizens. As might be expected, this test disclosed the lack of knowledge about sound money and in a small way showed the job of education we have to do. However, a majority of those replying were in favor of its return to circulation. Another member in Ohio, by writing letters to the editor of a large newspaper, has had surprising success in getting our story to the public. Many members have written their Congressmen and Senators. There is already considerable support among Senators and Congressmen for passage of the Reed Bill, HR 3262, which returns us to the fully constituted gold coin standard. Others in Congress are only waiting to see what their constituents want. The return to sound money is a non-partisan matter. Among supporters of this movement are members of both parties. State Chairmen are securing Vice-Chairmen in each Congressional District in their state. These, in turn, will secure members in their districts who will write letters and send telegrams to their Congressmen and Senators at critical times to express their real wishes. Nothing beats the determination of the individual citizen working for his own freedom. But this is greatly effective when supplemented by resolutions made by civic groups. For example, the Latrobe Chamber of Commerce made such a resolution after full discussion, June 3, 1949.

Swiss Support Gold Standard

That other freedom-loving people have the same instincts in regard to protecting their liberty is shown by the action of the Swiss people in May of this year when a referendum was held on a proposal to extend the permanent quality of legal tender to Swiss National Bank Notes and it was rejected and gold will be the only legal tender. The Swiss National Bank, moreover, will be obliged to convert its bank notes into gold on demand after Jan. 1, 1950.

America has more gold absolutely, and relative to currency in circulation plus all bank deposits, than we had when our currency was redeemable in our standard of value. Today we have $24½ billion of gold which is 14.4% against currency plus deposits in banks in the U. S. A. In 1926 we had 8.5% and in 1920 as little as 7.1%, yet we preserved the gold standard with specie payments. This has been possible because the work of American citizens, nurtured for over 150 years in the free enterprise system, has brought us over 65% of the world's monetary gold. The products of our toil, ingenuity and risk-taking gave value to the dollar, causing gold to come into our Treasury in exchange for the products of our work. To whom does this money belong but to those who created it? But what about the immense national debt and debts of individual states? Surprising as it may seem, we have in 1949 6.1% of gold reserves against the combined total of currency, bank deposits, net Federal debt and State debts. This compares to the 33-year average from 1916 to 1949 of 7.0%. While nothing to be proud of, the reserves are sufficient, considering especially that larger financial units have inherently greater stability.

Gold Currency Needed as Tool of Free Men

People sometimes ask, "How Can American citizens be permitted to use the gold coin standard when this country has over 65% of the world's monetary gold?" We also have over 65% of the world's automobiles, telephones, typewriters and other products of our work, yet is that any reason why an interfering government should deny us the use of such implements? Sound currency redeemable in gold is just another necessary tool of free men. In fact, for lack of it the system by which we develop such values as we enjoy will be destroyed.

One of the means we are using to tell the facts which Americans must know is to put out a weekly letter, "The Washington Bulletin of the Gold Standard League." We expect it will soon have over 10,000 subscribers. Articles of a timely nature appear in it written by our Washington writer, Mr. Laurence McKenna, by members of the Economists' National Committee on Monetary Policy and by others conversant with monetary facts and legislation. Inasmuch as exactly half of every financial transaction is in the payment of every exchange between citizens there should be exactly as much interest in the monetary half of the bargain, especially when deferred payment is agreed upon, as upon the work or service rendered. Thus the study of monetary matters is as necessary a part of doing business today as the total of all of the multitudinous considerations measured by these monetary payments. No business man nor investors today can afford to neglect the study of that side of the equation. It's an additional cost of doing business in the present world. Lulled by the experience of over 100 years when America was on the gold standard, Americans have fallen out of the habit of studying the monetary side of every transaction. It wasn't necessary to spend effort in that direction when currency was unquestionably made good on demand in the universally acceptable standard of value, gold coin or bullion. Let's restore that condition quickly, so that we shan't have to waste time considering that half of each transaction in the future.

Urges Congressional Action on Reed Bill

The Gold Standard League may in the future reinforce, from the viewpoint of general citizens, the advice of the members of the Economists' National Committee on Monetary Policy. For example, in May of this year hearings on the McCarron Bill, HR 13, were held by the Senate's Committee on Banking and Currency. Six or seven of the members of the monetary economists arrived in time to be heard in person. Over 50 of them had time to consider and to send their considered individual endorsements of the statement put in the record opposing the McCarron Bill and recommending instead the House Bill, HR 3262, introduced by the Hon. Daniel E. Reed of New York, the ranking Republican member of the House Committee on Banking and Currency. The Reed Bill will reestablish the thoroughly constituted gold coin standard with all non-gold U. S. currency redeemable for use by American citizens. Now that we have the Gold Standard League, members among the citizens can appear at such hearings and make their voices heard. We can bring with us resolutions by our civic organizations all over the country. We can strengthen the hands of responsible legislators who would restore honest fiscal policies. We can give them intelligent and effective support in each of their districts. Within a year we must have a sufficient number of responsible citizens in each Congressional district who are informed on the need for restoration of honest money and able to voice and write their opinions. It is a subject which attracts the honest and capable in all walks of life. The delusion that deficit financing and "managed money" is good for the country is being dispelled by events and facts.

It is incompatible with the use of the traditional standard of money of the world, gold, that American citizens should be denied the use of the metal which is our standard of value. On the present limited gold bullion standard a dollar is nothing more nor less than 1/35th of an ounce of gold. Obligations of the U. S. Treasury are made good in that standard to foreigners, through their foreign central banks, but not to Americans, who are prohibited, by laws which we would repeal, from owning our own standard of value. It places American citizens in a strange category indeed when you consider that the countries prohibiting their people from owning gold or gold coins are Soviet Russia, Socialistic England, and recently Rumania. Among the recent acts of communistic China was to declare the severe penalty of death for anyone having silver or silver dollars. Communistic dictators well know that without money of intrinsic value circulating, the daily lives of the people can be controlled.

The gold coin standard in America provides a victory for free enterprise and represents an example that will be gladly followed in many countries. It is a bloodless way of proving the democratic way of life, with private enterprise, is preferable to the results in the regimented forms of government.

As we have shown you, this goal is attainable before another Presidential election. It will restore real prosperity based on well-merited confidence. Will you do your part? We have available literature and membership cards which you should give to your friends. We need key people in other states. Will you give us their names?

Harris, Upham & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Thelma G. Cloaninger has become affiliated with Harris, Upham & Co., Johnston Building. Mrs. Cloaninger was formerly with Goodbody & Co.

With Orvis Brothers

(Special to THE FINANCIAL CHRONICLE)

GASTONIA, N. C.—Banks E. Bolin is with Orvis Brothers & Co.

Gold Coin Standard—Mechanism For World Trade and Investment

(Continued from page 9)

raw materials, has given way to a different pattern. There is now, and has been for some years an almost universal dependence upon large United States export surpluses. The quantity of goods sent from the United States last year, for instance, was almost twice that of ten years earlier; on the other hand the quantity of imports was but 3% beyond the level of 1937. Since the war, in fact, our net volume of exports in almost all directions has called for payments so far exceeding merchandise and service accounts that withdrawal of foreign liquid assets, and near-exhaustion of gold and dollar reserves of Great Britain and other hard-pressed European countries, have been accompanied by unprecedented totals of American loans and grants.

U. S. Export Surplus a Monetary-Fiscal Problem

To the basic economic reasons for world dependence upon American export surpluses must be added a monetary-fiscal one. A vast and ubiquitous inflation, accompanying and made possible by universal abandonment of the gold standard, caused average export prices in other countries (when translated into American dollars) to rise much faster than quotations for commodities making up the bulk of American exports. Our exports were thus encouraged, and our imports discouraged. Our cost advantages in exporting, or our cost disabilities in importing — vis-a-vis other countries—rose some 25% between 1937 and 1948, according to the United Nations World Economic Report for 1948. Thus the growing concentration of monetary gold in the United States in a way "fed upon itself." Speeded by the swift and drastic devaluation of the American dollar in 1933-1934, by the earlier collapse of American foreign lending in the earlier thirties, and by the increasing export surpluses of later years, the flood-tide of yellow metal running to our shores left its backwater elsewhere of fiat and "managed" money, and of runaway costs and prices. These so raised the burden of export industries in several countries of depreciating currencies that the unfavorable gap of their imports over exports — particularly in trade with the United States—made our country even more of a moretary whirlpool into which the world's gold was sucked.

In efforts to protect their dwindling or well nigh exhausted resources of gold or "hard money" exchange, Great Britain and a number of other countries in Europe and elsewhere have resorted to elaborately controlled barter schemes — or "bilateralism" in trade — to balance payments in current commercial transactions, country by country. In fact, genuine "multilateralism" in trade is largely extinct today, except over the great reaches of the "sterling area." Before the upheavals of the thirties international trade did tend to balance country by country, with perhaps a third of world trade, not balancing bilaterally, fitting neatly into the mosaic of over-all commercial and financial transactions.

Now, as ancient Procrustes did to his unfortunate wayfaring guests, the larger demands of trade are stretched or lopped-off as the case may be, to fit the non-adjustable bed of crisis expediency. Exchange controls, bilateralism, discrimination, non-convertibility, import and export quotas and restrictions of all kinds divide the world into trading compartments which threaten to perpetuate themselves, which accentuate political divisions and are accentuated by them. It seems, in fact, that the more elaborate is the organization of our bureaucratic controls, the less truly organized we are!

It must be fairly obvious, for instance, that the more British industry is protected by a multiplicity of sterling quotations, by the "blocking" or non-convertibility of sterling balances, and by bilateral trading agreements, the more British industry will need protection. For these controls, dictated though they may be by the difficulties of the day, shield export production from the cost readjustments required for an expanding volume of dollar market demand.

International Monetary Fund Ineffective

Into the confusion of this monetary and exchange welter it was hoped that the International Monetary Fund would introduce some elements of stability. The agreement under which it was established requires that "The par value of the currency of each Member shall be expressed in terms of gold as a common denominator or in terms of the United States Dollar of weight and fineness in effect on July 1, 1944." With due regard to the "escape" clauses, the failure of several member countries to establish or maintain par values, the use of different quotations for different purposes, and the limited and controlled extent to which a number of currencies are allowed to seek their own values in other "soft" currencies, in gold and in dollars, it must be said that a great degree of arbitrariness and of artificiality runs through this whole picture. Nevertheless, it can at least be assumed that in the dollar a fixed point of references has been established — a foundation secured for ultimately determining realistically the viable rates of exchange of all "soft currencies" in terms of the world's soundest monetary unit, and therefore in terms of each other. It was taken for granted that the dollar made a steady screen against which could be projected the phantasmagoria of currency fluctuations until these could be reduced to recognizable order.

Is this the case? Have we of the United States acted in truly good faith as trustees, or at least custodians, of the bulk of world monetary gold reserves and gold production? Have we "kept our own house in order" so as to preserve unequivocally the gold-based value of our dollar. The answer is "no"!

Meddling with Gold Content of Dollar

Adding to the instability and uncertainty riding mankind in these times is the failure of our government either to give positive assurance against further meddling with the nominal gold content of the dollar, or to make good the existing statutory equivalence of $35 per ounce by restoring convertibility into gold. Failure to establish a gold coin, or even a gold bullion, standard involves us Americans in the pathetic absurdity of being forbidden by Federal law to demand, trade in, or to keep gold as a store of value—the latter privilege, by the way, being granted to many other peoples who are not blessed by this particular brand of paternalism. Our government adds to its underground hoard substantially all this planet's current production or the equivalent thereof, by freely exchanging dollars for gold; but we do not bind ourselves, in theory or in practice, to disgorge by as freely offering gold for dollars at the same fixed rate—either at home where this is forbidden, or abroad, where dealings are limited to governments and central banks under conditions set by our authorities.

Is there a touch of the "dog in the manger" here? Perhaps. In any case the terra firma of such international monetary order as we may be said to have is continuously threatened by wishful thinking or rumors of further dollar devaluation in gold, and by the often substantial premiums at which gold is quoted in terms of dollars, in the "natural state" in our country, and in such "free markets" as exist beyond our borders. That these premiums in dollars often represent arbitraging in depreciating currencies does not lessen throughout the world the impact of uncertainty in exchange relations between dollars and gold.

The late Lord Stamp once referred to the difficulty of assembling a jig-saw puzzle when the pieces are angle-worms! Perhaps this analogy has current application. At least it points a moral, whether or not it adorns a tale.

We have taken our sketchy "look at the record." What do we see? We see that failure of the United States to adopt a forthright gold standard adds to existing confusion; helps distort the use of monetary gold; puts the dollar at a discount from its statutory parity in gold in the United States and elsewhere; promotes the private hoarding of gold, instead of dollars, where gold can be hoarded; postpones needed readjustments in foreign exchange rates vis-a-vis the dollar; encourages bilateralism and discrimination in international trade; and tends to brake the rising international flow of goods, services and capital which the very substantial recovery in many countries should have made possible if not inevitable.

It was earlier observed that we must do the right thing now—that is, establish a domestically and internationally valid gold standard at $35 an ounce—or be subjected to increasing pressures to do the *wrong* thing. We may illustrate this by refering briefly to certain pinchbeck remedies which would delay the urgently needed frontal attack on our problems and turn us down false and dangerous roads. Those singled out for "honorable mention" are three in number.

For instance, a barrage is being laid by certain gold producing interests in this country on behalf of "free" markets in newly mined or imported gold. With the vast accumulations of the Treasury effectively impounded, such markets would of course be neither "free" nor significant. It is possible that they would result temporarily in openly quoted premiums for these very limited stocks of monetary gold. To this extent the proposal would help further to delay resumption of convertibility, at the parity established by Congress 15 years ago; and it might give an appearance of respectability to propaganda on behalf of further devaluation of the dollar. The disastrous consequences of this need no further arguing.

Then there is "the talk going" round" of such further direct devaluation of the dollar, by action of our government, as would put a large fresh bounty on world production of gold. We are informed by the press that British delegates to the present three-cornered parley on the sterling area's balance-of-payments difficulties may offer this panacea as a means of increasing South African dollar receipts for its gold; of establishing a large gold devaluation "profit" for the United States Treasury (which could presumably be "loaned" for stabilization purposes to other countries); and of "saving face" for British authorities by thus indirectly and surreptitiously devaluing the pound. Whatever fact or fancy there may be in these rumors, we should be grateful that Secretary Snyder is firmly set against such a course.

What would it accomplish? Certainly no immediate "shot in the arm" for the general run of British exports unless the pound were devalued simultaneously, and in greater proportion. A small part of the existing dollar gap in the sterling area's trade balance might be redressed for a period—but at the cost of debauching the dollar encouraging gold hoarding in the hope of progressive deterioration in the dollar's exchange value for gold, be-deviling the world's exchanges, putting off indefinitely the free convertibility of dollars into gold, and making even more impregnable (for wider monetary and banking reserve use in other countries) the mountain of monetary gold now respectably interred at Fort Knox. Germane at this point is Charles Lamb's fable of Hoti and Bo-Bo, who first made known to mankind the delights of roast pig by accidentally burning their house and hog pens. But in this case we wonder if there would be any "crackling" at all!

A third "remedy" bruited about is the devaluation of the pound in terms of the dollar. Sir Stafford Cripps, who is not wanting in realism, has vigorously opposed this. The airing of this "bright idea" has retarded American purchases of British goods—in the hope of getting them more cheaply —and thus added to the malady which it is designed to cure. To be sure, higher sterling prices for gold exports might encourage South African production. But to what avail, if sterling devaluation set in motion a competition in debasement, stiffened sales resistance against British goods, raise her domestic costs, sky-rocket outlays for Britain's essential imports of foodstuffs and raw materials, and put off to other days the increase in British productivity and the lowering in British costs which are the "sine qua non" for a healthy expanding export trade?

Keep Gold Dollar at Present Value

We return, then, to the course for our country at this juncture which wisdom, honesty and courage would seem to dictate—namely, the establishment of a standard which will everywhere and on all occasions permit exchange of dollars for gold at $35 per ounce, perhaps in coins or bars of this minimum value. This act by Congress would sound the knell of gold speculation in dollars and of unpredictable premiums on gold quoted in dollars domestically and abroad. Our ample reserves (judged by all earlier experience) coupled with this demonstration of good faith on the part of the American Government, would greatly reduce the urge to demand and to hold gold by building confidence in dollar currency, and in securities offering principal and income payable in our money.

The gold standard, once more put in full force by our country would draw gold out of hoarding in France and in other countries in favor of dollars—and in favor of income-yielding investments and of other currencies, once these could be soundly re-appraised in terms of stable, trusted and convertible dollars. Such realignment of the principal exchanges, if and as necessary, would be greatly expedited by placing the world's basic currency the dollar, on an unequivocal gold foundation.

This would not in itself be enough, of course, to turn the tide of monetary and fiscal chaos—but it would mightily fortify the breakwater and set the stage for salvage and re-building. Further measures would be simplified and speeded.

Costs here and elsewhere must be reduced and productivity increased, let the chips of socialist experimentation fall where they may. Sterling balances held in Great Britain by Egypt, India and other purveyors of war-needed goods should be reduced and refunded, as far as possible, to direct the maximum of British exports to "hard currency" countries and tangible incentives given British manufacturers in this wise. British purchases of tobacco, cotton and so on must be directed as feasible toward "soft currency" or sterling areas. American customs procedure must be simplified, and as politically possible American duties must be reduced on textiles, rayon, whiskey and other British exports of real weight in the balance of payments. American buying of tin, rubber, and strategic stock-piling materials should be increased and reasonable prices assured over the longer term.

Direct American investment in overseas enterprises, and purchase of foreign securities, would gain momentum from the exchange stability, the freeing of trade channels, and the access of confidence which American leadership would bring in restoring freer circulation of gold as means of settlement and store of value. Furthermore, if loans of American monetary gold were required to fortify new exchange parities, this debt to us would be expressed in dollars of unchanging gold content. As there are fulfilled some of these essential conditions for economic recovery—we shall, I believe be gratified at the response made by workers and consumers throughout the whole of the "free world."

Lehman-Blyth Group Offers Louisville Gas & Electric Common

Lehman Brothers and Blyth & Co., Inc., headed a purchase group that offered publicly Sept. 14 250,000 shares of common stock, without par value, of Louisville Gas and Electric Co., a Kentucky corporation, at $30.375 per share. The group was awarded the stock at competitive sale on its bid of $29.765.

The stock was sold to the group by Standard Gas and Electric Co. and no portion of the proceeds will be received by Lousville Gas and Electric Co. The sale will reduce to 135,308 shares the holdings of Louisville Gas common stock by Standard Gas, which had been ordered by the Securities and Exchange Commission to dispose of all its holdings in Louisville Gas. The total of 1,068,703 shares of such common stock presently outstanding will remain the same upon completion of this offering.

Louisville Gas and Electric Co. is an operating public utility company and is principally engaged in the electric and gas business. The company's electricity is generated by steam and water power or is purchased and it is distributed and sold at retail in Louisville and vicinity. For the year ended June 30, 1949, approximately 76% of the consolidated gross operating revenues of the company and its subsidiary companies was derived from the sale of electricity and approximately 24% from the sale of gas.

Other members of the purchase group are Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Hemphill, Noyes & Co.; J. J. B. Hilliard & Son; Hornblower & Weeks Lee Higginson Corp.; Stein Bros. & Boyce, and Almstedt Brothers.

With Waddell & Reed, Inc.

(Special to "THE FINANCIAL CHRONICLE")

BEATRICE, NEB.—Darrell D. Labodny is with Waddell & Reed, Inc., Kansas City, Mo.

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. 18	80.4	84.2	83.5	96.1
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 18	1,482,200	1,552,200	1,539,300	1,732,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Sept. 3	4,761,500	4,717,350	4,669,700	5,531,450
Crude runs to stills—daily average (bbls.)	Sept. 3	¶5,233,000	5,215,000	5,188,000	5,540,000
Gasoline output (bbls.)	Sept. 3	17,891,000	18,180,000	17,900,000	17,645,000
Kerosene output (bbls.)	Sept. 3	1,560,000	1,585,000	1,663,000	1,981,000
Gas, oil, and distillate fuel oil output (bbls.)	Sept. 3	6,724,000	6,491,000	6,259,000	7,220,000
Residual fuel oil output (bbls.)	Sept. 3	7,226,000	7,597,000	7,220,000	8,554,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 3	104,834,000	106,280,000	108,444,000	94,893,000
Kerosene (bbls.) at	Sept. 3	25,560,000	25,804,000	24,885,000	23,606,000
Gas, oil, and distillate fuel oil (bbls.) at	Sept. 3	76,430,000	74,718,000	72,222,000	64,500,000
Residual fuel oil (bbls.) at	Sept. 3	67,997,000	68,394,000	67,281,000	54,965,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 3	§703,930	746,912	716,824	895,131
Revenue freight received from connections (number of cars)	Sept. 3	§570,894	581,829	567,143	700,821
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 8	$146,541,000	$155,191,000	$257,314,000	$106,894,000
Private construction	Sept. 8	88,400,000	59,014,000	135,745,000	33,177,000
Public construction	Sept. 8	58,141,000	96,177,000	121,569,000	73,717,000
State and municipal	Sept. 8	48,984,000	55,425,000	106,697,000	56,434,000
Federal	Sept. 8	9,157,000	40,752,000	14,872,000	17,283,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 3	8,050,000	7,910,000	7,550,000	12,253,000
Pennsylvania anthracite (tons)	Sept. 3	887,000	921,000	689,000	1,164,000
Beehive coke (tons)	Sept. 3	8,500	9,900	7,500	152,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Sept. 3	295	252	228	308
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 10	5,258,090	5,543,913	5,530,090	5,166,126
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 8	148	174	176	83
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 6	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Sept. 6	$45.88	$45.91	$45.91	$44.66
Scrap steel (per gross ton)	Sept. 6	$23.92	$23.33	$20.00	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 7	17.325c	17.325c	17.325c	23.200c
Export refinery at	Sept. 7	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Sept. 7	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Sept. 7	15.125c	15.125c	14.750c	19.500c
Lead (St. Louis) at	Sept. 7	14.925c	14.925c	14.550c	19.300c
Zinc (East St. Louis) at	Sept. 7	10.000c	10.000c	10.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 13	103.76	103.99	103.75	100.69
Average corporate	Sept. 13	115.04	114.85	114.66	111.25
Aaa	Sept. 13	121.04	121.04	120.84	116.22
Aa	Sept. 13	119.20	119.20	119.00	114.27
A	Sept. 13	114.08	114.08	113.89	110.52
Baa	Sept. 13	106.56	106.21	106.04	104.83
Railroad Group	Sept. 13	109.60	109.42	109.24	107.09
Public Utilities Group	Sept. 13	116.22	116.02	115.82	111.62
Industrials Group	Sept. 13	119.41	119.61	119.20	115.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 13	2.23	2.21	2.23	2.45
Average corporate	Sept. 13	2.90	2.91	2.92	3.10
Aaa	Sept. 13	2.60	2.60	2.61	2.84
Aa	Sept. 13	2.69	2.69	2.70	2.94
A	Sept. 13	2.95	2.95	2.96	3.14
Baa	Sept. 13	3.36	3.33	3.39	3.46
Railroad Group	Sept. 13	3.19	3.20	3.21	3.33
Public Utilities Group	Sept. 13	2.84	2.85	2.86	3.08
Industrials Group	Sept. 13	2.68	2.67	2.69	2.88
MOODY'S COMMODITY INDEX	Sept. 13	349.5	346.1	341.8	422.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 3	262,601	173,980	229,455	234,396
Production (tons)	Sept. 3	193,515	184,605	171,094	182,685
Percentage of activity	Sept. 3	89	86	82	91
Unfilled orders (tons) at	Sept. 3	365,609	294,327	323,864	392,753
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Sept. 9	129.3	129.1	128.7	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. 27	13,608	16,043	15,699	14,373
Number of shares	Aug. 27	386,415	470,419	456,490	414,753
Dollar value	Aug. 27	$14,970,710	$18,312,782	$17,155,684	$17,094,361
Odd-lot purchases by dealers (customers' sales).					
Number of orders—Customers' total sales	Aug. 27	16,197	18,167	15,997	13,832
Customers' short sales	Aug. 27	161	147	141	56
Customers' other sales	Aug. 27	16,036	18,020	15,856	13,776
Number of shares—Customers' total sales	Aug. 27	424,659	490,179	436,867	372,999
Customers' short sales	Aug. 27	6,510	5,355	5,462	1,902
Customers' other sales	Aug. 27	418,149	484,824	431,405	371,097
Dollar value	Aug. 27	$13,991,111	$16,102,928	$14,092,163	$13,552,826
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 27	173,960	188,550	159,990	116,950
Short sales	Aug. 27	------	------	------	------
Other sales	Aug. 27	173,960	188,550	159,990	116,950
Round-lot purchases by dealers—					
Number of shares	Aug. 27	127,720	175,520	167,310	150,590
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Sept. 6	152.7	152.4	152.7	168.4
Farm products	Sept. 6	162.5	161.6	163.8	189.6
Foods	Sept. 6	161.6	161.9	161.4	184.6
All commodities other than farm and foods	Sept. 6	145.3	144.9	145.0	153.4
Textile products	Sept. 6	140.6	140.1	138.9	148.2
Fuel and lighting materials	Sept. 6	130.1	130.0	130.3	136.6
Metals and metal products	Sept. 6	168.9	167.9	167.9	172.0
Building materials	Sept. 6	188.8	188.8	189.9	204.1
All other	Sept. 6	124.4	124.2	124.3	135.4
Special indexes—					
Grains	Sept. 6	154.6	152.9	150.6	179.2
Livestock	Sept. 6	208.6	203.5	211.2	268.2
Meats	Sept. 6	226.8	225.7	224.8	267.8
Hides and skins	Sept. 6	193.7	194.3	184.8	214.1

*Revised figure. ¶Includes 431,000 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. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For month of July:			
Total gas (M therms)	2,083,014	2,315,868	2,012,096
Natural gas sales (M therms)	1,881,669	2,070,690	1,804,368
Manufactured gas sales (M therms)	140,607	162,594	147,343
Mixed gas sales (M therms)	60,738	82,584	60,385
AMERICAN ZINC INSTITUTE, INC. — Month of August:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	73,819	74,569	68,180
Shipments (tons of 2,000 lbs.)	74,339	72,080	68,605
Stocks at end of period (tons)	84,888	85,403	45,246
Unfilled orders at end of period (tons)	41,336	53,423	60,357
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of July (in millions):			
Total new construction	$1,913	*$1,745	$1,874
Private construction	1,371	*1,239	1,423
Residential building (nonfarm)	700	600	707
Nonresidential building (nonfarm)	271	*268	321
Industrial	73	*76	110
Commercial	92	92	124
Warehouses, office and loft buildings	24	*24	28
Stores, restaurants and garages	68	*68	96
Other nonresidential buildings	106	*100	87
Religious	30	28	21
Educational	21	20	21
Social and recreational	23	22	20
Hospital and Institutional	17	*15	10
Remaining types	15	15	15
Farm construction	60	50	81
Public utilities	340	321	314
Railroad	37	36	34
Telephone and Telegraph	66	62	65
Other public utilities	237	223	215
Public construction	542	*506	451
Residential building	18	*17	7
Nonresidential building (other than military or naval facilities)	147	*144	95
Educational	72	*71	49
Hospital and institutional	40	*39	21
All other nonresidential	35	*34	25
Military and naval facilities	9	9	11
Highways	210	*185	206
Sewer and water	51	*51	46
Miscellaneous public service enterprises	9	*8	11
Conservation and development	80	*74	59
All other public	18	18	16
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of July:			
New England	$13,207,159	$22,701,824	$18,671,510
Middle Atlantic	54,302,982	73,666,736	65,468,931
South Atlantic	34,741,205	50,361,182	32,744,718
East Central	66,580,063	80,571,687	78,546,812
South Central	57,816,490	64,315,861	47,886,574
West Central	25,681,059	24,345,207	19,731,192
Mountain	11,383,426	14,350,863	10,965,371
Pacific	51,523,780	63,699,715	72,308,991
Total United States	$315,236,164	$394,013,075	$346,324,099
New York City	26,941,739	46,389,039	36,480,023
Outside of New York City	288,294,425	347,624,036	309,844,076
CARBON BLACK (BUREAU OF MINES) — Month of July:			
Production (lbs.)	99,423,000	97,937,000	104,184,000
Shipments (lbs.)	84,048,000	90,624,000	100,808,000
Producers' stocks (lbs.)	194,020,000	178,645,000	105,544,000
Exports (lbs.)	Not Avail.	*17,937,000	24,376,000
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of June (000's omitted)	19,904,101	19,914,218	19,297,128
Revenue from ultimate customers—month of June	$371,446,400	$368,577,900	$345,022,800
Number of ultimate customers at June 30	41,793,951	41,561,493	39,555,213
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of August:			
Copper (per pound)—			
Electrolytic, domestic refinery	17.325c	17.059c	23.085c
Electrolytic, export refinery	17.551c	17.140c	23.425c
Lead (per pound)—			
Common, New York	15.032c	13.562c	19.500c
Common, St. Louis	14.791c	13.378c	19.300c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	71,891c	71.500c	73.835c
Silver, London (pence per ounce)	43.727d	43.500d	44.667d
Sterling Exchange (Check)	$4.02522	$4.02513	$4.02750
Zinc (per pound)—East St. Louis	10.000c	9.360c	15.000c
Tin (per pound)—			
New York Straits	103.000c	103.000c	103.000c
New York, 99% min. (§§)	102.000c	102.000c	102.000c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$74.556	$78.160	$75.000
¶Antimony (per pound), (E. & M. J.)	41.730c	41.730c	38.170c
Antimony (per pound), bulk, Laredo	33.500c	38.500c	35.000c
Antimony (per pound), in cases, Laredo	39.000c	39.000c	35.500c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$69.000	$69.000	$93.000
†Cadmium (per pound)	$2.000	$2.000	$1.900
‡Cadmium (per pound)	$2.075	$2.075	$1.950
§Cadmium (per pound)	$2.150	$2.150	$2.000
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	16.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
PORTLAND CEMENT (BUREAU OF MINES)—Month of July:			
Production (bbls.)	18,856,000	18,279,000	18,721,000
Shipments from mills (bbls.)	19,220,000	20,667,000	20,994,000
Stocks (at end of month) (bbls.)	19,320,000	*19,784,000	10,149,000
Capacity used	87%	87%	90%
RR. EARNINGS — CLASS I ROADS (ASSOC. OF AMERICAN RRs.)—Month of July:			
Total operating revenues	$700,648,360	$735,439,107	$841,993,545
Total operating expenses	569,818,427	538,177,393	626,159,046
Operating ratio—per cent	81.33	79.98	74.37
Taxes	$66,172,895	$72,407,446	$96,398,698
Net railway operating income before charges	59,337,002	61,263,279	105,256,808
Net income after charges (est)	27,200,000	43,400,000	76,700,000
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of June:			
Production (number of units)	2,817	2,752	4,047
Shipments (number of units)	2,711	2,541	4,113
Shipments (value in dollars)	$9,347,366	$8,992,275	$12,108,978

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colbourne, N. S., U. S. duty included. §§Tin contained.

Steps Toward International Monetary Stabilization

(Continued from first page)

banks and governments, one consequence being that our dollar bears an official exchange rate of $35 per ounce of gold and often another rate in non-official or private markets. Multiple quotations for the dollar in international markets reveal a fundamental defect in the monetary standard we maintain in our international relations for the reason that two or more standards of measurement for the same monetary unit mean confusion. We need to extend the benefits of our fixed standard monetary unit beyond central banks and governments to all private individuals who use our dollars.

Because of the large gold holdings of the United States, we are in the best position of any country in the world to lead the way to international monetary stabilization. We cannot expect other countries to accomplish much unless and until we set our own house in order.

Representatives of England and other countries are in the United States seeking further help. One thing we can and should do to aid them, and also ourselves, is to establish a redeemable currency at $35 per fine ounce and thus permit the ingenuity of private enterprise to take gold and other money freely when and where it may go in its search for profit.

The fact should be faced that monetary "stability" refers, practically, to the free use of gold currency, internationally and domestically, and the redeemability or convertibility of paper and other money into gold at a fixed rate. Monetary stability in this basic and practical sense does not refer to, nor does it necessarily involve, a stable price level. With the best monetary system known to man, the price level will, and should, fluctuate. A stable price level is a mathematical abstraction and does not necessarily reveal anything as to the economic health or maladjustments that may exist.

Under our restricted international gold bullion standard we have benefited for 16 years from some of the virtues of fixity in our standard monetary unit — a fixity which our gold reserves are more than ample to maintain. But the virtues of this fixity have been restricted to central banks and governments, and have been denied to private enterprise to which, above all, they should be extended. Provision for a free flow of gold, silver, and other money across international boundary lines is a basic and required step in international currency stabilization.

Blanket International Plan a Mistake

International currency stabilization also involves the treatment of each country as a separate unit having its own particular or unique problems. The attempt to develop general or blanket plans was, and is, a mistake. Our pursuit of this course in recent years, and its lack of success, should by this time make it reasonably clear that it rests upon misconception and cannot succeed.

From resort, as a policy, to a high degree of national "planning," in which differences in, and ingenuity of, individuals are submerged, we embarked on international "planning" in which the different problems of different nations are covered by international blanket plans. Such programs have been launched without adequate analysis and exposure of their fundamental defects. The basic differences in nations, as in individuals exist and require recognition. Failure to appreciate these fundamental differences has unfortunately resulted in loss of time and waste of much wealth. Private enterprise has been hampered or repressed. The intricate webs of foreign trade which reflect the activities and ingenuities of millions of individuals and corporate enterprisers have been subjected to strangulating edicts by governments whose officials are supposed to manage this infinite variety of exchange better than can the millions of traders who of necessity must know their business or suffer loss.

The notion that government "planning" in this field can be more successful than private enterprise is one of the extremely serious mistakes of governments in modern times and, as a consequence, we should correct our course immediately. Already the world, including ourselves, has suffered immeasurable losses in wealth and production as a result of resort to such international planning.

Exchange controls by governments and as exercised through the International Monetary Fund constitute the application of collectivist philosophy at their international boundary lines by those governments which participate in such controls. The Geneva economist, Wilhelm Roepke, has recently put the matter as follows, and, I am sure, correctly ("The Commercial and Financial Chronicle" of July 7): ". . . Exchange control," he says, ". . . is collectivism at one of the most neuralgic points of the economy. . . . A country cannot preserve a market economy . . . if there is collectivist control at the door to the outside world. That is what exchange control means. Collectivism here involves collectivism everywhere sooner or later, and, inversely, collectivism inside a country is impossible without collectivism on the exchange markets. If you want exchange control you must be prepared to accept the development towards generalized collectivism. If you . . . believe in general collectivism you must stick to exchange control, whether you like it or not."

Governments, including our own, should return to their proper province of regulation in the interests of the maintenance of free and fair competition, and abandon programs of management, production, and competition with private enterprise. The central policy of government should be the encouragement of private enterprise with the government confining itself to its appropriate activities—those in which private enterprise cannot or does not function. Objective, free market, values are the only proper values known to man, and we should recognize and adhere to that fact. The subjective standards employed by government planners are dependent solely upon the desires and powers of the officials, and have no validity in economic science. These facts should not be confused with the necessity or importance of establishing and maintaining, by government fixed standards of measurement of which a fixed monetary standard is so important. Such standards are great facilitating instruments of private enterprise.

When on Gold Standard, U. S. Should Aid Others to Follow

After we have led the way in international currency stabilization by establishing one standard price for all holders of our currency, thus confining exchange fluctuations to the gold import and export points in a free market, we should extend such aid internationally as we appropriately can.

This should be done by means of commissions. When a nation requests our aid we should send a commission composed of competent men, to cooperate with the experts of that nation, their services to be paid for by the country requesting them. Among the members of these commissions should be specialists in the fields of monetary and fiscal affairs. Should the commission's program involve an invitation to our people to extend financial aid to another nation, private enterprise, without burden on the United States taxpayer, should be able to provide the needed help if the request is defensible and is not merely for a gift.

The order in which various parts of the monetary and fiscal programs would be instituted should be expected to vary from country to country because of different conditions. The common debate as to which comes first—political, economic, budgetary, or monetary stability—is largely futile for the reason that the order should be expected to vary according to the dissimilar conditions in the various countries. There is, for example, the question of how much political instability can exist without endangering monetary and fiscal stability. There is also the question of the cooperation of a people and of their officials in the various nations, assuming that a good plan has been devised by a commission.

If a nation insists on maintaining a governmentally-managed economy with its managed irredeemable currency, there is apparently no important aid of a genuinely beneficial nature that can be extended to it—definitely not from the point of view of the lender or giver and probably not from the point of view of the recipient. The first step for such countries is to abandon governmentally-managed economies and to start rebuilding by encouraging private enterprise in every way possible.

And on this point we need to take a good look at ourselves. Although we seem to profess loudly and often that we are great believers in democracy and democratic processes, our international lending and give-away institutions are the antithesis of the democratic process. They are evidence of governmental financial dictatorship and lack of belief in the democratic process. A look at the multitude of our government lending institutions, both international and domestic, should reveal the extent to which financial dictatorship by our government has extended its grasp over our people. These institutions are a monument to our government's lack of belief in the democratic process and lack of faith in private enterprise.

What Should Be Done

As we extend the appropriate aid to other countries by returning to a thorough-going gold standard, by supplying commissions for those countries requesting such aid, and by liquidating our international governmental collectivist institutions, we would at the same time receive many far-reaching benefits domestically because our domestic currency would be redeemable. The principal benefits would be these:

(1) Our people would have an honest money. This fact should do much to minimize that wide variety of dishonesties that afflict a people laboring under the disadvantages of an irredeemable paper money. A redeemable currency should discourage agitation for further manipulation of our monetary standard and currency.

(2) A redeemable currency would restore to our people direct control in high degree over our public purse and would enable them to put a brake on the public spending and further depreciation in the value of our money. There seems to be no other hope to end our profligate government spending which, apparently, is definitely out of control.

(3) Provision for a redeemable currency would provide the Federal Reserve banks with from 65 to 100 times more asset cash than they ordinarily have to pay out against their note and deposit liabilities. Provision for redemption should present no problems because the ratio of our gold stock to non-gold money and deposits is relatively high. It is approximately 14% as compared with an average of roughly 8% for the years 1915-1932, during which time our country and Federal Reserve System operated on a gold standard. We maintained redeemability domestically during World War I on a gold reserve ratio ranging from 8 to 11%.

(4) A redeemable currency encourages savings, investment, long-time commitments, and production. Resumption of specie payments is often, probably usually, followed by business expansion. Although no monetary system devised by man can prevent business booms or recessions since their causes are many, an irredeemable currency causes more trouble than any other monetary system thus far known, and it is particularly vulnerable to shocks. It is poison in the bloodstream of a nation.

(5) With private enterprise able to obtain and to use gold in foreign trade, there should be a healthy and proper type of expansion in foreign exchange, trade, and investments of all kinds and we should benefit from the fact that foreign countries should be able, sooner than otherwise would be the case, to stabilize their currencies in terms of gold and to increase their production—assuming that they first rid themselves of the insurmountable obstacle of a governmentally-managed economy.

Provision for a redeemable currency at our present rate of $35 per ounce of fine gold would be the most potent force at our disposal to end our march into a governmentally-managed economy. A redeemable currency and government dictatorship are natural enemies.

Every opponent of a redeemable currency is wittingly or unwittingly insisting that this wide-open gate to Socialism should be kept open.

It clearly needs to be emphasized today, and with urgency, that no man or woman may properly assume that he or she is fighting Socialism or a governmentally-managed economy in some other form, or for a return to the people of some direct control over their public purse, or for the opening up of foreign trade to private ingenuity if he or she is not fighting against irredeemable paper money.

Our present rate of $35 per fine ounce of gold should not be altered since fixity, if it can be maintained in a free market, is a basic requisite of a good monetary standard, and since we have had the benefits of such fixity for sixteen years, though improperly confined to transactions between our Treasury and Reserve banks and other central banks and governments. There are no valid arguments that can be offered in behalf of an alteration in the weight or fineness of our standard monetary unit, considering the high ratio of our gold stock to our non-gold money and deposits. No argument that we should join with other countries in a general devaluation of currencies can have validity for us.

What we and the world need is that our Congress lead the way in currency stabilization by passage of the Reed bill, H.R. 3262. Every proposal for a delay is a proposal that we continue our parade into a system of government dictatorship with the attendant destruction of our economy, people, and nation.

Dollar-Sterling Conference Agreement to Ease Dollar Shortage

(Continued from page 9)

the creation of appropriate incentives to exporters to the dollar area and a vigorous attack upon costs of production to enhance the competitive position of sterling area products. Maximum efforts would be made to direct exports to the dollar area and build up earnings from tourism and other services.

As a part of this export campaign by the sterling area countries, it was recognized that an essential element was the creation of a feeling of confidence on the part of sterling area exporters They must feel that they will be afforded the opportunity to remain in the markets of the United States and Canada in which they will have gained a place, and that the minimum of difficulties will be placed in their way in entering those markets.

On their part the creditor countries undertook to facilitate, to the greatest extent feasible, an expansion of dollar earnings by debtor countries, including the sterling area. It was agreed that the United States and Canada should reduce obstacles to the entry of goods and services from debtor countries, in order to provide as wide an opportunity as possible for those countries to earn dollars through the export of goods and the provision of services, including tourism.

It was recognized that such a policy would be in the interest of producers in the United States and Canada, for only in this way can the future level of trade provide adequately for those sectors of the American and Canadian economies which depend in considerable part upon foreign markets.

VII

The discussion of possible individual and joint actions, both long-run and short-run, ranged over a wide field. In addition to the question of dollar earnings of the United Kingdom and the rest of the sterling area, mentioned above, the Ministers gave special attention to the followinng subjects:

(1) Overseas investment.
(2) Commodity arrangements and stockpiling.
(3) Limitations on items which may be financed under present Economic Cooperation Administration procedures.
(4) Customs procedures.
(5) Tariff policy.
(6) Liberalization of intra-European trade and payments.
(7) Sterling balances.
(8) Petroleum.
(9) Shipping.
(10) Provisions for continuing consultation.

VIII

A working group on overseas investment reviewed both recent experience and future prospects for the flow of productive investment, both private and public, from North America to overseas areas, especially underdeveloped countries. It was agreed that a high level of such investment could make an important contribution toward reducing the sterling-dollar disequilibrium and that every aspect of this problem

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Dollar-Sterling Conference Agreement to Ease Dollar Shortage

(Continued from page 37)

should be explored on a continuing basis.

In order to initiate this work, the President's Committee for Financing Foreign Trade will be asked immediately to explore possible lines of action in cooperation with corresponding groups of British and Canadian financial and business representatives. While dealing with all aspects of private and public investment, the committee will be expected to address itself especially to the problem of incentives and of providing a suitable environment for a high level of private investment.

IX

A working group on commodity arrangements and stockpiling gave special attention to rubber and tin. The Canadian representatives stated that the Canadian Government was prepared to take steps to increase reserve stocks of tin and rubber in Canada. The United States representatives reported that the United States Government was prepared to open to natural rubber a substantial additional area of competition, including a modification of the government order relating to the consumption of synthetic rubber. The United States would review its stockpiling program, with particular reference to rubber and tin.

X

Special attention was given by another group to the practical difficulty being experienced by the United Kingdom in making fully effective use of its Economic Cooperation Administration aid to cover its dollar deficit. This difficulty arises out of the fact that, although the United Kingdom needs dollars to pay for goods in the United States, to make settlements with other countries, to pay for services, and for other purposes, the types of transactions which may be financed by ECA dollars have been definitely limited.

It has been agreed that, in order to carry out the basic purposes of the Economic Cooperation Act, it will be necessary for the United Kingdom to finance with its share of ECA funds a wider range of dollar expenditures than has hitherto been eligible, both within and outside the United States.

After careful examination of the dollar expenditures proposed to be made or authorized by the United Kingdom, it appears that eligibility requirements can be broadened to the extent required within the limits set by the Economic Cooperation Act. This would broaden the use but not increase the amount of ECA funds allocated to the United Kingdom.

XI

In the consideration of measures which creditor countries might take to reduce barriers to trade, it was recognized that customs procedures may create obstacles, psychological as well as actual.

Technical discussions of this subject disclosed that the United States, through administrative action and proposed legislation, was already contemplating constructive steps in this field.

Canadian representatives stated that the Canadian Government would undertake a further review of the administrative operation of its customs act in the light of these discussions.

As to tariff rates, it was noted that high tariffs were clearly inconsistent with the position of creditor countries. There had already been significant and substantial reductions in United States tariffs during the last 15 years. The policy of the United States Government was to seek further negotiation of trade agreements through which additional reductions might be made, within the framework of the Reciprocal Trade Agreements Act.

XII

There was agreement that one of the ways in which the competitive position of United Kingdom products might be improved was by a widening of the area in which such products competed freely with those of other countries.

In this connection as an initial step toward a more general liberalization the United Kingdom delegation outlined its proposals for liberalizing trade with countries with which it did not have balance of payments difficulties, and raised the question whether the provisions of Section 9 of the Anglo-American financial agreement and Article 5 of the Anglo-Canadian Financial Agreement presented an obstacle to such a plan.

It was the view of the United States and Canadian delegations that such liberalization of United Kingdom import regulations should be considered, since the United Kingdom shortage of dollars should not in itself force the United Kingdom to reduce its purchases from areas with which it does not have a shortage of means of payment.

It was agreed that any United Kingdom import regulations as they affect United States and Canadian products would be the subject of continuing review by representatives of the three governments through continuing facilities for consultation.

XIII

(A) A further subject which was discussed was the United Kingdom liability represented by the sterling balances of other countries.

A large number of countries have been accustomed to hold either all or a part of their foreign exchange reserves in the form of sterling. The existence and availability of such holdings is an integral feature of the widespread multilateral use of sterling for the purpose of financing international trade.

One of the problems of the postwar period has been the existence of exceptionally large accumulations of sterling which were built up, mainly during the war, as the result of payments by the United Kingdom for goods and services purchased overseas in furtherance of the common war effort. In June, 1945, these balances amounted to $13,500,000,000. Since then there have been considerable fluctuations both in the total and in the holdings of individual countries, though the amount outstanding at the end of 1948 was approximately the same as at June, 1945.

(B) In principle the whole of these balances represents a charge on United Kingdom production of goods and services. In practice, however, a substantial proportion will continue to be held as reserves by the countries concerned. To the extent that the balances are liquidated, some proportion of United Kingdom production of goods and services is used to discharge this liability instead of to pay for current imports of goods and services.

(C) This whole problem in its various aspects, including the necessity to provide capital goods for development, was discussed in a preliminary way on the basis of prior technical examination by the experts of the three governments. It was agreed that this was one of the subjects which concerned other countries and would require further study.

XIV

Investigation of the ways in which the sterling area could move toward a position in which it could earn its own way led to the discussion of other special problems, including petroleum and shipping—two important elements in the sterling area balance of payments picture. The United Kingdom representatives set forth the facts of the very large dollar deficit which the sterling area presently incurs because of oil transactions, and their desire to reduce this deficit to the minimum possible level.

It was mutually recognized that the question of oil production and refining and geographical distribution raised problems of extreme complexity involving the protection of legitimate interests of the major producing countries and companies. The Ministers recognized that these two questions of petroleum and shipping could not be resolved in the short time available to them and that further study would be required. In the case of petroleum they agreed to appoint representatives to analyze the facts and to provide the basis for subsequent discussions.

XV

There has been agreement on the objective toward which policies should be directed and agreement on certain immediate steps which will be taken to bring that objective nearer. There are, however, as has been emphasized, a number of questions requiring closer examination than this short conference has allowed.

It is proposed, therefore, to continue the examinations, initiated during the conference, of questions on which it is hoped that useful understanding can be reached under the direction of the present ministerial group. These arrangements for continuing consultation — supplementing the usual channels of communication between governments — will be used to keep under review the effectiveness of actions already agreed upon and to prepare for governmental consideration measures which could carry further those adjustments which are considered to be necessary.

In establishing these arrangements for continuing consultation, the three governments wish to emphasize that these arrangements underline rather than diminish their interest in the development of economic cooperation within the entire community of Western nations. The tripartite arrangements will not in any way encroach upon, or detract from, the area of competence of the OEEC and other existing organs of international economic collaboration. On the contrary, these arrangements for continuing consultation, by contributing materially to the solution of problems which today adversely affect the working of the entire Organization for European Economic Cooperation group and yet are not susceptible of solution within that group, will facilitate the progress of economic collaboration in the wider field.

XVI

In summary the Ministers of the three countries concerned are satisfied that a real contribution to the solution of the sterling-dollar difficulties has been made by the conclusions recorded above. They are confident that, with sustained efforts on all sides and with the seizure of every opportunity by sterling area exporters to enter into and remain in dollar markets which are open to them, there is the prospect of reaching a satisfactory equilibrium between the sterling and dollar areas by the time exceptional dollar aid comes to an end.

Gold Convertible Currency—Real Problem of European Recovery

(Continued from page 4)

term money rates to tide over temporary strains; or, in order to correct fundamental disequilibria (a concept used in the Bretton Woods agreements), gold reserves might be taxed to the limit and either call for drastic wage-cost-price deflation or force the country "off gold." In either case the pressure was exerted on gold reserves and was reflected on cash reserve ratios and foreign exchange rates for all to see and to heed.

Gold Standard Not Inconsistent With Monetary Management

Some theorists maintain that monetary management of a superimposed credit structure by central banking authorities invalidates the operation of this "gold-flow price mechanism." It may be granted that monetary management dominated by nationalistic (isolationist) policies does indeed complicate the operation of the exchange mechanism, but this fact does not warrant discrediting the gold standard system—its advantages are too invaluable to abandon. Under the gold standard prices are quoted in terms of gold, and gold passes freely from country to country in making payments. Paper money standards, on the other hand, are essentially national, or at best, regional. Methods of managing the standard differ for each country, and so do the successes or failures of management. Managed paper standards tend to become highly nationalistic because monetary authorities are constantly subject to domestic economic and political pressures. Furthermore, since the paper money is inconvertible, cash reserve ratios have little meaning and potential credit expansion and inflation have no limit except that imposed by government management. The temptation to solve domestic problems by money means under these circumstances is well-nigh irresistible, and the disciplinary correctives necessary to bring the domestic economy into alignment are disregarded or neglected. Instead, new controls are imposed one upon another in a futile effort to bring the outside world into adjustment with the domestic economy. Since different managed economies have different ideas on how things should be managed, the result is likely to end in hopeless confusion.

No more convincing evidence is needed to illustrate the trend toward nationalistic monetary and trade policies than the postwar world with its web of currency and exchange controls, import and export restrictions, bilateral or "pairing off" trade arrangements. (Some 275 or more of these bilateral trade agreements have been entered into since1945.) This trend toward rationalism is taking place in spite of Bretton Woods agreements, ITO and a multitude of other cooperative arrangements.

Various proposals are being made to meet the present British and world crisis. Some of these are wholesome — e.g., decrease costs and prices, increase production and exports, decrease government expenditures—but the momentum of Keynesian economics is still strong and the same approach may be expected as in previous conferences, with the prospects of the same unsatisfactory results. We will probably make new advances and assume new financial burdens, which will serve to supply enough dollars to balance international payments for another period, but without providing any substitute for the semi-automatic corrections characteristic of the money convertibility mechanism.

It is, therefore, appropriate at this time, to reexamine the gold standard system and to analyze the conditions essential to its successful operation. We may find that the conditions essential to the successful operation of the convertible gold standard systems are the same essential conditions necessary to the operation of any system involving the harmonizing of the domestic economic equilibrium with the international balance. We may find, also, that control, by the market, of the excesses of government monetary management is one of the essentials necessary to harmonize international and external stability. This does not mean that we can dispense with management, but it does mean that central bank (and the Treasury) policy should operate within the limitations of a gold standard convertible currency—both domestic and international. It means that automatic pressures would be put on reserves as credit or debt are expanded, and that liabilities would again have a direct relation to assets.

U. S. Should Lead Off

Only a few countries are now in a position to return to a convertible monetary system on a full gold standard basis. The United States is one of these. We have ample gold reserves, balanced budgets (confidence in our ability to balance the Federal budget — under more favorable political conditions) and we enjoy a strong international creditor position. Hence, we are in a condition to lead off. The passage of the Reed Bill, now in the House, would be an appropriate first step for us to take. It would do much to restore confidence in our present-day dollar, both here and abroad, and it would protect us once and for all against further tinkering with the price of gold.

The next step involves the restoration of monetary convertibility in as many other countries as possible. It is significant that this proposal was recently made by an eminent French economist, Jacques Rueff. He suggests that a large part of the resources made available by the United States under the Marshall Plan be devoted to the purchase of gold for the purpose of reconstitution of central bank reserves. He does not maintain that the reconstitution of metal reserves would suffice to assure permanent monetary convertibility but he does not contend that "placed within the frame work of a general program of financial and economic reorganization . . . it would make it possible to rapidly reestablish a system capable of giving something which planning efforts will not give, namely, permanent balancing of all the balances of payments." ("The Present Status of The System of International Payments," *Revue d'Economie Politique*, Introductory report submitted to the Congress of French Language Economists, held on May 30 and 31, 1949.)

This is the most promising suggestion for monetary reform and economic rehabilitation I have seen since the monetary conference reports of the 1920s, the Gold Delegation reports of 1930-32 and the Macmillan Report of 1931.

The Third and last step of monetary and economic reconstruction should follow the "return of gold." It concerns the development of improved, flexible and adaptable monetary and fiscal policies by central banking and Treasury authorities which would effec-

tively reconcile or harmonize the objectives of a high level of domestic production and income with the requirements of a balanced international economy. This is a large order, but if it cannot be done with the framework of the more simple and understandable gold standard system there would seem to be no hope of achieving a lasting reconciliation of monetary nationalism and international cooperation on any terms whatsoever.

Point IV Program—Means of Sustaining Prosperity: Snyder

(Continued from page 6)

by making a special effort to provide certain inducements for our investors to send their capital abroad. We can help also by supplementing these efforts through the issuance of guaranties with respect to private American investments abroad.

The legislation which we now have before Congress would authorize the Export-Import Bank to guaranty United States private capital invested abroad against the risks peculiar to foreign investment. It is important to note here that the ordinary business risks are not to be covered by this guaranty. The risks peculiar to foreign investment might, however, include: (1) the inability to convert earnings in foreign countries, or other amounts received in connection with the foreign investment, into United States dollars; (2) the expropriation of the investors' property by a foreign government without prompt and adequate compensation; and (3) physical destruction of property incident to international war.

Fortunately, investors have come to realize that foreign countries want development, not exploitation. Foreign countries do not like to see their resources exploited with no return to them other than perhaps a subsistence wage for the workers employed. As the President has stated, "The old imperialism—exploitation for profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair dealing."

The Point IV Program is one of boldness, imagination and initiative. That spirit is the key to growth and development in the affairs of this increasingly complex world. It signifies an exploratory and a venturous attitude which is traditional in this country; one that has been nowhere better expressed than in the States of Michigan and Wisconsin.

The fruits of our national efforts have proved that far greater achievements may be obtained through combined endeavor. We are hopeful that the sincere desire for international cooperation which this country has evidenced may serve as an inspiration to all the peoples of the human community.

With H. L. Emerson Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Oldrich Jicha is now with H. L. Emerson & Co., Inc., Union Commerce Bldg., members of the Cleveland Stock Exchange. Mr. Jicha was recently with Bache & Co.

Bartle Day Opens

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, COLO.—Bartle H. Day is engaging in a securities business from offices at 528½ Main Street. He was formerly with Investment Service Corp. of Denver.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA. — Mrs. Janice H. Wolfe has become associated with Merrill Lynch, Pierce, Fenner & Beane, 116 West Forsyth Street.

The World Bank and European Recovery Task

(Continued from first page)

under his leadership provide a firm foundation on which we can build the Bank's future. I welcome the opportunity to work with you in this task.

The past year has been, I think, a period of substantial progress and accomplishment for the Bank. Our activities are summarized at some length in the Fourth Annual Report, and I shall not repeat what is said there. But I do want to touch briefly on a few high spots of our recent operations, and to suggest some possible implications for the Bank of broader currents in the world economy.

Most of our loans during the past 12 months have been for projects designed to increase the output of useful goods and services in less developed countries. These development loans make up a considerable total and, as is indicated in the annual report negotiations for the financing of a number of other development projects are well advanced. But I must say frankly that the volume of development loans granted to date has not come up to our earlier expectations.

This gap between hopes and performance is partly the result of over-optimism about the length of time it would take to get the Bank fully organized—to bring together a competent staff, to define our policies and procedures and make them clear to our member countries, and to gather the economic and technical data necessary for sound decisions. The acceleration of our activity during the past year shows, I think, that this preliminary phase is largely behind us.

More important at present are the difficulties which are more or less universal in underdeveloped countries—the lack of economic data, of experienced personnel, of well-organized projects, of local capital, and all the other deficiencies that are both the cause and the consequence of underdevelopment. It is no accident that the development loans we have made thus far have been mainly to countries where considerable economic and technical advance has already taken place, and to enterprises with a substantial record of experience behind them. The greater the progress a country has already made in development the easier it is for it to progress further; and by the same token it is almost always easier to expand a going concern than to start a new one from scratch.

Yet the essence of successful economic development, and therefore the essential task of the Bank, is precisely to bring new enterprises into being and new techniques into effective use in economically retarded areas—and the more retarded the country the more urgent and challenging is our task.

I believe we have made good progress in overcoming some of the special difficulties of economic development which are analyzed in the annual report. Through missions to most of our less developed member countries, we have greatly enlarged our knowledge of their economic problems and needs, their capacity to absorb and service external loans, and the merits of particular development projects. A better understanding now prevails, I think, of the Bank's policies and methods; and more and more governments are eliminating legal or procedural obstacles to loans from the Bank by taking appropriate action to enable them to incur or guarantee such loans.

Perhaps most important, through our surveys and discussions with member governments, we are better able to assist the less developed countries in diagnosing and solving their own problems. Giving advice is not, of course, our primary function. But we have an immediate and vital concern in trying to promote conditions favorable to the success of our loans and to the increase of productive investment from other sources. I believe that one of the most constructive contributions we can make to the progress of development, especially in the least advanced countries, is to help make available to them the experience of other nations. Moreover, the resulting close and continuous relationship with our members helps to speed up the preparation of development plans and the execution of projects for which bank financing is appropriate.

The initial cultivation of the seeds of development has, therefore, been a somewhat longer task than at first we had hoped. I am confident, however, that we may look forward to an abundant harvest. The first fruits—the loans granted during the past year—are to me the source of considerable satisfaction.

It is also a source of satisfaction that the Bank has been able during the past year to make its first loan to one of its members in Eastern Europe. The difficulties and uncertainties cited in the Third Annual Report still exist, and have hampered further loans by the Bank in this region. But these difficulties have been lessened somewhat by economic developments—notably the increasing availability of manufactured goods in Western Europe urgently needed by Eastern Europe and the similar availability of essential materials in Eastern Europe which are required by the Western countries. If these trends continue and political tensions are relaxed, the possibilities for constructive assistance by the Bank to its Eastern European members should expand considerably.

I am also happy to report that during the past month we have been able to conclude our first loan to one of our Asian member states, and I feel confident that this financing will be followed by other transactions by the Bank in that great region of the world. In the Middle East we have not yet consummated any loan, but, as the annual report shows, we have been examining a number of projects in various Middle Eastern countries, some of which I hope will qualify for Bank financing in the relatively near future.

Efforts to Broaden International Character of Bank

On the other side of the balance sheet for the year, I am sorry to say that we have not succeeded to the extent we had hoped in broadening the international character of the financial resources at the disposal of the Bank. I refer in particular to our efforts to obtain additional consents to the use in our lending operations of the 18% local currency part of the Bank's capital. Apart from the United States, which has made the full amount of its 18% currency available, some releases have been made by Belgium, Canada, Denmark and the United Kingdom. They amount in the aggregate, however, to only slightly more than the equivalent of $12 million.

In my judgment, it is extremely important that the Bank receive greater help from its members in this connection. The strength of the Bank is that it is an international cooperative institution. Its ownership, its purposes and its responsibilities are shared by all its member nations. We who are familiar with the Bank and its basic concepts appreciate, of course, that the international character of the Bank's resources is best demonstrated by the fact that no matter in which capital market the Bank may borrow, each member country pledges its credit that the Bank will meet its obligations. This real but subtle point unfortunately tends to be overlooked by the world at large and there is an increasing disposition to cite the Bank's reliance on dollars for lending purposes as evidence that it has only limited international participation.

My experience has been that the most effective answer to these criticisms is to show that the Bank is making use of other resources besides dollars and in particular of the 18% currencies of members other than the United States. Accepting the reality that the United States must remain the chief potential source of lending capital for the Bank for some time to come, I still believe that it is possible for a number of other member governments to make a substantial amount of their 18% capital subscription available for lending.

I do not make this plea for larger releases from the 18% subscriptions merely to underline the word international in our title. We have a definite use for these currencies. So long as inconvertibility continues many countries will be able to repay indebtedness in other currencies although they may not be able to service dollar loans.

It is true that most of the countries from which we would like consent to use their 18% subscriptions have pressing investment needs at home and are actually net importers of capital. But many of them still invest substantial sums abroad. I do not think I am asking too much if I call on these countries to make a part of their foreign investment through the medium of the Bank.

There is another method by which many of our member countries can add to the international character of the Bank's resources and that is to increase the eligibility for investment of the Bank's bonds. Through legislative or administrative action in a number of countries, a substantial contribution can be made by our members to the creation of a broader market for those bonds. I attach importance to this matter and I propose to discuss it with you in more detail at a later stage of the meeting.

Problem of European Recovery

I should like to turn now to a matter much wider in scope than the Bank's own operations, but which nevertheless profoundly affects the Bank and is of vital concern to all the countries represented at this table. I am speaking of the problem of European recovery.

As was foreshadowed in the Bank's annual report a year ago, problems of development have increasingly occupied our attention. Since the last Governors' meeting we have made only two small loans to Western European countries. Necessarily, the principal role in assisting European reconstruction is being played by ECA.

Nonetheless, European recovery is of vital importance to the operations of the Bank because of the pivotal part played by the great trading nations of Europe in the functioning of the world economy. European purchases and sales abroad have long been a decisive factor in balancing international trade. Unless the European economies can be reestablished on a stable basis the economic position of almost every country, even of those in the dollar area, will be insecure. In passing upon loan applications, whether from countries in Latin America, Asia, the Middle East, or elsewhere, we always come face to face with the necessity for appraising whether the customary trade of these countries with Europe can be reestablished on a satisfactory basis. It is, therefore, no exaggeration to state that the soundness of all our loans is affected by the outcome of the European recovery efforts.

The first objectives of the European Recovery Program — to expand production and restore financial stability in the participating countries — have been achieved to an impressive extent. But we must face the fact that, though prewar levels of output have been reached and surpassed and though the menace of inflation has been curbed, progress along these lines alone is no longer enough. It has become plain, I think, that the time has now arrived for making fundamental readjustments in present patterns of trade and production. And if these necessary readjustments are to be made successfully, they must include complementary action by both the European countries and the United States.

So far as concerns the European countries, the most urgent requirement is obviously to sell more of their production abroad, and particularly in dollar markets. In order to accomplish this, many things are necessary—but to my mind the most important are to reduce export costs and to make exports to the dollar area at least as attractive to individual producers as sales either in the domestic market or in other foreign areas.

Lines of Action

In my judgment there are several lines of action which must be followed to achieve these objectives. The first, which I need not elaborate before this audience, and which is appropriately dealt with at some length in the annual report of the International Monetary Fund, is the establishment of a system of exchange rates which will assist the dollar-deficit countries to compete effectively in world markets, will furnish an incentive to exporters to increase their sales in the dollar area and will encourage importers to buy, to the extent possible, in countries whose currencies they can best afford. I do not underestimate either the complexities or the far-reaching consequences of such action, but I fail to see how it can be avoided.

The second line of approach must be to reduce the domestic costs of production, both by increasing the efficiency of management and labor and by limiting the burden of indirect costs, principally government expenditures, which must be borne by producers. In most countries the level of productivity has already risen substantially since the war, but they still lag far behind the United States and Canada.

It has been pretty well demonstrated, I think, that productive efficiency cannot be brought about merely through governmental edict or exhortation. To make the most effective use of existing productive facilities, real incentives are required, and perhaps most important, the pressure of competition. To my mind, one of the most essential steps toward solution of the dollar problem is for the dollar-deficit countries to start clearing away the wilderness of bilateral arrangements, special currency controls, quotas and similar restrictions, both internal and external, which have grown up over the past 20 years to protect inefficient production and trade practices. I don't suggest that this can or should be done overnight. The important thing is to begin now to move—and to move rapidly—toward a freer, more competitive exchange of goods.

The problem of reducing the burden of governmental costs on production is a difficult one, particularly susceptible to controversy and misunderstanding. Since World War II many governments have committed themselves to extensive programs of social welfare. No one can dispute their

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The World Bank and European Recovery Task

(Continued from page 39)

right to follow this course, if they have the means to undertake it. Unfortunately, however, it has become apparent that many countries cannot now afford ambitious programs of social services without either reducing their living standards in other respects or cutting back their productive investments designed to make possible a better standard of living in the future.

In addition to the necessary reduction in costs, it is important that the European countries undertake vigorous, concentrated measures to broaden their market in the United States and Canada. What is required, I believe, is not only the offer of a greater variety of goods adapted to American tastes and priced attractively, but also a wider and more forceful attack on the attention of the American consuming public.

ECA Allocations

If the European countries take energetic action along these lines in the months ahead, they should with continued ECA aid be able to make additional significant progress towards true recovery. I regard the continuance of ECA aid essential, but I believe it important that the aid should be so allocated as to give the participating countries the greatest possible incentive to pursue this new course of action. However useful the present method of ERP programming has been to date, I think the time has come when it, too, calls for review. I therefore welcome the announcement by Mr. Hoffman that allocation of ECA aid during the second half of the current fiscal year will be directly related to the performance of the participating countries, acting both individually and collectively through the OEEC, in effectively using the aid and realizing the objectives of the Recovery Program.

Up to the present time assistance from ECA has been allocated primarily on the basis of the anticipated dollar deficit of the respective countries—the largest shares going to those having the biggest deficits. It is true that, in estimating the deficits, it has been assumed that the countries concerned would take effective action to reduce the dollar gap. Nevertheless, the incentive has tended to be a negative one since the greater the gap, the greater the claim for aid, while the smaller the deficit, the less assistance was likely to be anticipated. Furthermore, so long as ECA dollars cannot be saved, but only used for current imports, the ERP countries have difficulty in building up adequate foreign exchange reserves without which they cannot relax their trade and currency controls or face with confidence the difficult years after 1952.

I know that ECA is fully conscious of this problem and is doing all within its power to encourage the participating countries to carry out the necessary readjustments. I am nevertheless troubled about the situation because I believe that the basic difficulties may not be as readily suspectible of solution if dealt with only within the terms of the powers now available to ECA.

Specifically, I suggest that careful thought be given to the following approach: First, that the share of ECA aid to each participating country be defined as clearly as possible for the remainder of the Recovery Program, and each country be given assurance that its share will not be reduced if it earnings or saves more dollars than had been expected, nor increased if its dollar deficit grows larger; and second, that all restrictions be removed from the use to which ECA dollars may be put so that such dollars will cease to be "soft dollars" and each country will have the opportunity to make the most economic use of the aid provided.

If this approach should prove feasible, it may have most salutary effects. Each country would know how much dollar aid it could count on and, knowing that no further aid could be anticipated, would be encouraged to husband it carefully. Responsibility would be squarely placed upon the participating nations to take the measures necessary for their own recovery.

U. S. Must Take Complementary Measures

I should like to emphasize one further point. Action by the dollar-deficit countries, however soundly conceived and vigorously executed, will not suffice to solve the dollar problem unless the United States takes complementary measures. For despite a rather remarkable shift in the attitude of the United States in recent years, some of its policies are still basically inconsistent with its position as the great creditor nation of the world. Modifications of these policies, like those that are necessary in Europe, may injure particular groups or interests within this country, but in my judgment such modifications are essential both to restore the health of the world economy and to maintain America's own prosperity.

United States tariffs provide the most important case in point. Their overall level has been greatly reduced since the early thirties, but at certain crucial points they remain a barrier to the import of foreign goods. Moreover, producers in other countries fear, with some justification, that if they should succeed in establishing a market for their goods in the United States, their efforts would be negated by new or higher protective tariffs. Even where the level of duties does not exclude foreign goods, they are frequently kept out by unduly complex customs procedures and regulations.

In addition to tariff barriers there are also a number of other types of restrictions designed to protect American companies against foreign competition which are hardly consistent with the expressed policy and long-range interests of the United States. In my judgment, it does not make good sense for America to encourage the production of goods for the domestic market which could more economically be imported, and certainly all attempts to use the aid programs as a vehicle for dumping surplus goods abroad should be strongly resisted.

An Optimistic Note

I would like to close on a note of guarded optimism. When rationing stopped after the war, there was a shortage of many classes of goods. In some cases the shortage was so acute as to drive people to extraordinary lengths to obtain the goods they wanted. It is astonishing how quickly some of these "acute" shortages disappeared when there was a moderately increased flow to the market. To suggest that the dollar shortage can be compared with that of butter would be wishful thinking, but I do believe the world is somewhat in the grip of a "shortage" psychosis. If only—and it is no small "if"—if only we can start on the way towards equilibrium, we may find the effects of returning confidence highly cumulative and our difficulties dispelled more quickly than we dared hope.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Admiral Corp., Chicago
Sept. 9 (letter of notification) 1,800 shares ($1 par) capital stock, to be sold by Ross D. Siragusa of Barrington, Ill., at market (about $19 a share). No underwriter.

● Alaska Coastal Airlines, Juneau, Alaska
Sept. 6 (letter of notification) $288,000 first mortgage bonds. Price, par. No underwriter. To pay loans, erect building, provide working capital. Office, P. O. Box 2808, Juneau, Alaska.

● Ambassador Mines Corp., Spokane, Wash.
Aug. 30 (letter of notification) 90,000 shares (10¢ par) common stock. No underwriter. To buy and rent machinery and operate mine at Trout Creek, Mont. Office, 416 Empire State Building, Spokane, Wash.

● American Gas & Electric Co. (10/24)
Sept. 7 filed 498,081 shares ($10 par) common stock. **Offering**—To be offered for subscription by present stockholders of record Oct. 7 on basis of one new share for each nine shares held. Any unpurchased shares will be allotted among other stockholders desiring to acquire more than their original allotment. The offer expires Oct. 24. **Underwriters**—Underwriters will be invited to bid for any shares not taken by stockholders. Probable bidders: Union Securities Corp.; The First Boston Corp.; Dillon, Read & Co. Inc.; Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co. **Proceeds**—For general funds, to be invested in subsidiary operating companies, including Appalachian Electric Co. Expected about Oct. 6.

● American General Corp., New York
Sept. 8 filed 111,153 shares of $2 dividend series of cumulative convertible preferred stock ($1 par) and 206,422 shares (10c par) common stock. **Offering**—All of the $2 preferred and 170,500 shares of common are owned by Equity Corp. and will be offered in exchange for shares of $3 convertible preferred stock and 20-cent dividend preferred of Equity. **Underwriters**—None named, but a flat fee will be paid NASD members and securities exchanges assisting stockholders in tendering their securities for exchange.

● Arkansas Power & Light Co. (10/11)
Sept. 8 filed $8,700,000 first mortgage bonds, due 1979. **Underwriter**—Competitive bidding. 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. and Central Republic Co. (jointly) **Proceeds**—For construction and general corporate purposes. Expected about Oct. 11.

● Autogas Co., Chicago, Ill.
Sept. 2 (letter of notification) 4,290 shares of common stock. **Price**—$12.40 each. No underwriter. For general corporate purposes. Office, 2153 W. Fullerton Avenue, Chicago.

● Ben Gold Fur Workers' Health and Welfare Fund, New York
Sept. 1 (letter of notification) $100,000 debentures. To be sold at par to fur and leather workers and their unions. No underwriter. For construction and maintaining building at White Lake, N. Y. Office, 251 Fourth Avenue, New York, N. Y.

● Biddeford & Saco Water Co., Biddeford, Me.
Sept. 1 (letter of notification) an undetermined number of shares of ($100 par) capital stock. Price, par. No underwriter. For extensions and improvements to water system.

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.

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.

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. (10/3)
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.

● Community Loan Co., Pontiac, Mich.
Sept. 6 (letter of notification) 3,500 shares of common stock. **Price**—$10 each. No underwriter. 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.

NEW ISSUE CALENDAR

September 19, 1949

Convertible Television, Inc._____Common
Lexa Oil Corp._____Common

September 20, 1949

Carolina Power & Light Co._____Preferred & Com.
West Penn Electric Co., noon (EDT)_____Bonds
West Penn Electric Co._____Common
Wisconsin Public Service Co.
10:30 a.m. (CDT)_____Bonds

September 21, 1949

Liberty Loan Corp._____Preferred
New York Central RR._____Equip. Trust Ctfs.

September 26, 1949

Gas Service Co._____Bonds

October 3, 1949

Colorado Oil & Gas Co._____Common
Palestine Cotton Mills, Ltd._____Common

October 4, 1949

New York Chicago & St. Louis RR.__Eqp. Tr. Ctf.

October 10, 1949

Utah Power & Light Co._____Bonds

October 11, 1949

Arkansas Power & Light Co._____Bonds
Erie RR._____Equip. Trust Ctfs.

October 24, 1949

American Gas & Electric Co._____Common

Convertible Television, Inc., N. Y. C. (9/19-20)
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.

● **Dee Cee Corp., 3130 Wisconsin Ave., N. W., Washington, D. C.**
Sept. 8 (letter of notification) 61,500 shares ($1 par) capital stock. No underwriter. To finance oil leases and for working capital.

Douglas Oil Co. of California
Aug. 12 (letter of notification) 10,000 shares of common stock. **Price**—At market (about $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.

● **Fareway Stores, Inc., Ames, Iowa**
Sept. 9 (letter of notification) 8,000 shares (no par) common stock, 1,250 shares of preferred stock and 1,250 shares of participating preferred. Common will be sold at $6 per share and both preferreds at $100 each. No underwriter. To expand operations and open new stores.

● **First Investors Corp., New York**
Sept. 7 filed $6,300,000 of securities of three different series. **Underwriter**—Wellington Fund, Inc.

Gas Service Co., Kansas City, Mo. (9/26)
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. Expected about Sept. 26.

● **General Reinsurance Corp., New York**
Sept. 8 filed 185,210 shares ($10 par) capital stock, owned by American General Corp. **Offering**—These shares, together with 35,922 common shares of American General Corp., will be offered to holders of $3 dividend series, $2.50 dividend series and $2 dividend series convertible preferred stock of American General, on an exchange basis. **Underwriter**—None named, but a flat fee will be paid NASD members and securities exchanges assisting stockholders who tender their shares for exchange.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

● **Gulf Coast Oil Processing, Inc., Miami, Fla.**
Sept. 8 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. No underwriter. To build a tung oil plant in Citronelle, Ala.

● **Harvesters Casualty Co., Denver, Colo.**
Sept. 7 (letter of notification) $75,000 of 6% debentures, due in 10 years; 500 shares of common and 500 shares of preferred stock. Both stocks to be offered at $10 per share. No underwriter. To build a reserve for insurance business. Office, 810 14th Street, Denver, Colo.

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.

● **Hollywood Broadcasting Co., Miami Beach, Fla.**
Sept. 9 (letter of notification) 6,762 shares of common stock of which 762 shares offered by company and 6,000 shares by Jonas and Lenore Weiland. **Price**—$10 per share. No underwriter.

● **Hugoton Production Co., Kansas City**
Sept. 8 filed 130,698 shares ($1 par) common stock. **Offering**—To be offered along with Panhandle Eastern Pipe Line Co. common in exchange for Missouri-Kansas Pipe Line Co.'s common and class B capital stock, at the rate of four shares of Panhandle common and two of Hugoton common for nine shares of Mokan common or 180 shares of Mokan class B stock. **Underwriter**—None.

● **Idaho Consolidated Mines, Inc., Seattle, Wash.**
Aug. 30 (letter of notification) 140,696 shares of nonassessable common stock (10¢ par). To be offered in 46,898 units of three shares each for $1 a unit. No underwriter. For exploration, development and production of mines. Office, 4109 Arcade Building, Seattle, Wash.

● **Idaho Maryland Mines Corp., San Francisco, Calif.**
Sept. 2 (letter of notification) 10,000 shares of common stock. **Price**—$2 each. To be sold by Errol MacBoyle. **Underwriter**—E. F. Hutton & Co., San Francisco.

● **Insurance Co., of Florida, Miami, Fla.**
Sept. 7 (letter of notification) 12,000 shares ($10 par) common stock. **Price**—$25 each. **Underwriter**—Atwill & Co., Miami Beach. To complete formation of a stock insurance company. Office, 139 N. E. 1st Street, Miami, Fla.

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.

● **Lapaco Chemicals, Inc., Lansing, Mich.**
Sept. 9 (letter of notification) $100,000 convertible five-year term notes. Convertible into $1 par value class A stock. No underwriter. For capital equipment, debts and working capital. Office, 1800 Glenrose Avenue, Lansing, Mich.

● **Lawyers Title Insurance Corp., Richmond, Va.**
Sept. 9 filed 55,000 shares ($10 par) common stock. **Offering**—To be offered at $10 each to holders of 110,000 outstanding common stock shares. **Underwriter**—None. **Proceeds**—To increase capital.

Lexa Oil Corp., Denver, Colo. (9/19-23)
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.

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.

Lucky Stores, Inc., Oakland, Calif.
June 27 filed 400,000 shares ($1.25 par) common stock. **Underwriter**—Names by amendment. **Proceeds**—Shares being offered on behalf of Blair Holdings Corp.

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.

● **Mercantile Acceptance Corp., of California, San Francisco**
Sept. 8 (letter of notification) $100,000 4% 10-year debentures. **Underwriter**—Guardian Securities Corp., San Francisco. For general corporate purposes.

● **National Brewers, Inc., Great Falls, Mont.**
Aug. 31 (letter of notification) $130,000 first mortgage bonds. No underwriter. For operating capital and to retire secured notes held by the Montana Bank & Trust Co., Great Falls.

● **Nazareth (Pa.) Cement Co.**
Sept. 7 (letter of notification) 3,059 shares of common stock. Price at market (about $12) to be sold by the Alden M. Young Co., Pine Orchard, Conn.; Day Stoddard & Williams, New Haven, Conn.; Byllesby & Co., Philadelphia; Warren W. York & Co., Allentown, and H. B. Robeson, Nazareth. To negotiate for sale of this stock to employees of the company.

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 ($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.

Pacific Telephone & Telegraph Co.
June 2 filed 828,920 shares ($100 par) common stock. **Underwriter**—None. **Offering**—To be offered to holders of preferred and common shares of record Sept. 23 at par. Rights expire Oct. 17. **Proceeds**—To be used to pay indebtedness incurred by the company's construction program.

Palestine Cotton Mills, Ltd. (10/3-7)
June 29 filed 300,000 ordinary (common) shares, one (Israeli) pound par value. **Underwriter**—The First Guardian Securities Corp., New York. **Price**—$4.25 each. **Proceeds**—To expand weaving facilities.

● **Peninsula Broadcasting Co., Radio Park, Salisbury, Md.**
Sept. 7 (letter of notification) 2,500 shares ($10 par) common stock. To be offered present stockholders at $20 per share on the basis of one share for each four now held. No underwriter. To acquire Station WCMD in Cambridge, Md.

● **Pioneer Enterprises, Inc., Bluefield, W. Va.**
Sept. 2 (letter of notification) 1,342 shares of common stock ($100 par), of which 1,297 shares are to be offered by the company and 45 shares by Alexander D. Campbell, President. Price, par. For working capital. Office, 316 Law and Commerce Building, Bluefield, W. Va.

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.

● **Preferred Life Assurance Society, Montgomery, Alabama**
Sept. 9 (letter of notification) 20,000 shares of common stock. **Price**—$12.50 each. No underwriter. To provide surplus for operating business. Office, 221 S. Court St., Montgomery, Ala.

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.

(Continued on page 42)

(Continued from page 41)

Resort Airlines, Inc.
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. **Underwriter**—Marx & Co., New York. **Price**—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service. Expected early in October.

● **Schenley Industries, Inc., New York**
Sept. 7 (letter of notification) 3,585 shares ($1.75 par) common stock. **Price**—$27⅞ each. Offered by Lewis S. Rosenstiel, Chairman of the board. To be sold in the New York Stock Exchange. No underwriter.

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.

● **Southwestern Associated Telephone Co.**
Sept. 14 filed 10,000 shares of cumulative preferred stock (no par). **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp., and Rauscher, Pierce & Co., Inc. **Proceeds**—To repay advances from General Telephone Corp., used in connection with construction program.

● **Suburban Land Co., Inc., Chevy Chase, Md.**
Sept. 7 (letter of notification) $50,000 of indebtedness notes and $10,000 of common stock. **Price**—$1,000 per unit. No underwriter. To buy land and build homes.

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.

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. (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.

● **Utah-Vernal Oil Co., Salt Lake City, Utah**
Sept. 9 (letter of notification) 455,700 shares (10c par) common stock, of which 272,974 will be sold at 50 cents a share. The remainder has been sold at prices ranging from 13⅓ cents to $1 a share. No underwriter. To complete well and for geological expenses. Office, 234 Atlas Bldg., Salt Lake City, Utah.

West Penn Electric Co. (9/20)
Aug. 25 filed $31,000,000 of sinking fund collateral trust bonds, due 1974. **Underwriters**—Competitive bidding. Probable bidders: The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Kuhn, Loeb & Co. and Harriman Ripley & Co. (jointly). **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. **Bids**—Bids for purchase of bonds will be received up to noon (EDT) Sept. 20 at company's office, 50 Broad Street, New York.

West Penn Electric Co. (9/22)
Aug. 25 filed 856,895 shares of common stock (no par). **Underwriters**—Company is negotiating with Lehman Brothers and Goldman, Sachs & Co. (jointly) for the underwriting of the stock. **Offering**—468,621 shares to be offered present common stockholders at rate of one new share for each five held, and the remaining 388,274 shares will be offered in exchange for outstanding 6% and 7% cumulative preferred stocks and class A stock. Common stockholders of record Sept. 22 will have the right to subscribe for the stock in the ratio of one-for-five, with the right to make additional subscriptions for unsubscribed shares. Rights will expire about Oct. 6.

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. and Robert W. Baird & Co. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler; Shields & Co.; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane; A. G. Becker & Co.; Carl M. Loeb, Rhoades & Co. **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., up to 10:30 a.m. (CDT) Sept. 20.

Prospective Offerings

● **American Power & Light Co.**
Under plan III of Electric Bond & Share Co. 183,050 (new common may be sold competitively. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

● **Australia, Commonwealth of**
Sept. 8 Prime Minister Chifley in Canberra disclosed the possibility of that government raising a dollar loan but according to the reports received the Prime Minister gave no indication as to how the proposed loan would be raised. Informed banking interests said that so far as they knew there have been no active discussions recently regarding an Australian Commonwealth loan. Traditional underwriter, Morgan Stanley & Co.

● **Birmington Electric Co.**
Under plan III Electric Bond & Share Co may dispose of 254,045 common shares competitively. Probable bidders: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

● **Blackstone Valley Gas Co.**
Sept. 8 the company asked the SEC for authority to sell 35,000 shares of preferred stock (par $100) at competitive bidding. Proceeds will be used to retire the 12,432 outstanding shares of 6% preferred stock. The remainder of the proceeds will be used for construction purposes. Common stockholders have preemptive rights on the new preferred stock, as will holders of 6% preferred who want to exchange their stock. Eastern Utilities Associates, Boston, holder of 99.17% of the Blackstone common stock, will waive its right to subscribe to the new preferred. Probable bidders: Estabrook & Co. and Stone & Webster Securities Corp. (jointly).

● **Central Illinois Light Co.**
Sept. 13 new debt financing by company is in prospect in the near future, according to James A. Longley, President. Company will require approximately $4,000,000 to $4,500,000 in new money this year to finance its construction program and to pay off temporary bank loans. Present estimates indicate that another $5,000,000 will be required in 1951, and this money is expected to be obtained through some form of permanent financing. Probable bidders include Halsey, Stuart & Co. Inc.

● **Central Maine Power Co.**
Sept. 12 reported company will be in the market shortly with additional securities, including bonds and additional common stock. It is also thought that the financing possibly may involve additional preferred stock. The offerings will be designed to pay off short-term indebtedness and to provide the company with funds for construction, including the building of the Dead River storage dam. Probable underwriters: The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co.

● **El Paso Natural Gas Co.**
Sept. 12 stockholders authorized a new issue of 200,000 shares of second preferred stock (no par) issuable in series. Of the total, 65,000 shares will be issued as $4.25 convertible second preferred stock, of which 50,000 will be offered in exchange to holders of $5,000,000 3½% convertible debentures and the remaining 15,000 shares will be sold for about $100 a share. Traditional underwriters: White, Weld & Co. and Stone & Webster Securities Corp.

● **Erie Railroad (10/11)**
Sept. 13 reported company plans the sale on Oct. 11 of $4,300,000 equipment trust certificates, maturing in one-to-ten-years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Florida Power & Light Co.**
Under plan III of Electric Bond & Share Co. the 191,590 common shares of Florida owned by American Power & Light Co. may be sold competitively. Probable bidders: The First Boston Corp.; Dillon, Read & Co. Inc.; Smith, Barney & Co. and Blyth & Co., Inc.; Lehman Brothers; Union Securities Corp; Merrill Lynch, Pierce, Fenner & Beane.

● **Indianapolis Power & Light Co.**
Sept. 11 company asked the Indiana P. S. Commission for permission to issue $40,000,000 new first mortgage bonds to refinance present issues. Probable bidders include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; W. C. Langley & Co.; White, Weld & Co., and Shields & Co. (jointly); Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly).

● **Middle South Utilities Co.**
Under plan III of Electric Bond & Share Co. 803,229 shares to be disposed of by latter may be disposed of through public bidding or through negotiation. Probable bidders: Blyth & Co., Inc.; Union Securities Corp.; Dillon, Read & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● **Minnesota Power & Light Co.**
Under plan III of Electric Bond & Share Co. 46,973 common shares of Minnesota may be sold at market or competitively by American Power & Light Co.

● **Montana Power Co.**
Under plan III of Electric Bond & Share Co. American Power & Light Co. may sell competitively 193,503 Montana common shares. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Union Securities Corp.

● **National Power & Light Co.**
Under plan III Electric Bond & Share Co. 2,540,450 common shares may be sold competitively. Probable bidder: Union Securities Corp.

● **New Jersey Bell Telephone Co.**
Sept. 10 the New Jersey Board of Public Utility Commissioners rejected company's plan to sell $40,000,000 common stock to its parent, American Telephone & Telegraph Co., in repayment of advances for new construction in 1948-1949. The board held that the financing could be done more cheaply with bonds, and savings thus effected could be passed on to consumers. Company has not as yet decided on its future plans.

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).

New York, Chicago & St. Louis RR. (10/4)
Aug. 23 reported the company expects to sell at competitive bidding $3,360,000 equipment trust certificates early in October. Probable bidders—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., and Lehman Brothers (jointly).

● **Northern Pacific Ry.**
Sept. 14 reported that company probably will be in the market about the middle of October with a relatively small offering of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Public Service Electric & Gas Co.**
Sept. 8 reported company expects to be in the market later this year with $25,000,000 new cumulative preferred stock (par $100) Company has applied to the New Jersey Board of Public Utility Commissioners for authority to make this offering. Probable bidders: Morgan Stanley & Co.; Union Securities Corp. and White, Weld & Co. (jointly).

● **South Jersey Gas Co.**
Sept. 10, Earl Smith, President, announced that the construction of necessary pipelines to supply natural gas to its customers will necessitate additional financing. The pipeline will cost about $2,500,000, and an additional expenditure of $750,000 will be required to convert customers' appliances so that they will burn the new natural gas.

● **Southern Co.**
Sept. 8 company plans to sell $29,000,000 of additional common stock in the next two years to help to finance the construction program of its four operating utility companies, Eugene A. Yates, President, stated. Approximately $12,000,000 or $14,000,000 of new common will be sold during the final quarter of 1949, according to present plans, Mr. Yates said. The balance will be offered in the latter part of 1950 or early in 1951. A total of $168,000,000 will be required for new construction by the operating subsidiaries during the 1949-51 period, according to Mr. Yates. Of this amount, $94,000,000 is expected to come from internal sources, including cash on hand and retained earnings, and $45,000,000 from the sale of bonds of the subsidiary companies. Probable bidders for stock: The First Boston Corp.; Morgan Stanley & Co.; Harriman Ripley & Co.

● **Texas Utilities Co.**
Under plan III of Electric Bond & Share Co. American Power & Light Co. may sell competitively 343,844 common shares of Texas Utilities Co. Probable bidders: Dillon, Read & Co. Inc.; Lehman Brothers; Union Securities Corp.; The First Boston Corp. and Blyth & Co., Inc.

● **Western Maryland Ry.**
Sept. 9 reported the matter of refinancing company's $44,277,000 4% first mortgage bonds, due Oct. 1, 1952, is being actively pursued. Morgan Stanley & Co., New York, and Alex Brown & Sons, Baltimore are reported to have been assisting the company in an effort to develop an acceptable plan whereby longer term bonds would be offered to existing holders for voluntary exchange.

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. Probable bidders: A. C. Allyn & Co.; Kidder, Peabody & Co. The SEC authorized York to sell an additional 6,000 newly authorized ($20 par) common shares to its common stockholders at $50 a share.

Our Reporter's Report

The financial world naturally feels better about things when the seasoned markets are giving off an atmosphere of confidence and strength suggesting that people still are interested in securities as a means of investment.

And the current upswing in activity which has reached out to embrace the secondary rail bonds is no exception to the rule. Underwriters and dealers were none-too-sanguine on their return from the summer-end holiday, finding little to suggest any appreciable early revival in the new issue market.

But the new demonstration of underlying buoyancy in the equity and secondary investment markets is taken as an indication that investors are still seeking to employ their funds. Moreover, those who do the actual marketing of new issues are not the only interested parties.

These days the men who are responsible for keeping corporations sufficiently supplied with working capital are no less close students of the markets since they recognize the hard fact that a strong market is an essential element when they start out to seek new funds.

Accordingly there is a feeling that if the market, as most people believe, is signalling lasting peace in the steel industry and progress toward a solution of Europe's financial ills, not to mention the completion of the correction in domestic cycle, things may be shaping up for a good fall and winter in the new securities business.

Utility Issues Ahead

Two public utility companies will be in the market with new bond issues next week—one a large issue, $31,000,000, and the other a $4,000,000 loan.

Latest indications are that the bid issue, for West Penn Electris Co., will draw several bids from investment banking groups. This undertaking also involves 856,895 shares of no par value common stock.

Of the latter, 463,621 shares will be offered on rights to present common holders in the ratio of one new share for each five held and the balance offered in exchange for two classes of preferred and the class A stock. Any unsubscribed portion, however, will be underwritten.

The smaller issue will provide Wisconsin Public Service Co. with funds to repay bank loans and finance construction. Both are due on Tuesday and this issue promises to attract a host of bidders.

Indianapolis Power & Light

Another big utility undertaking comes into sight with plans of Indianapolis Power & Light for refinancing its $40,000,000 of outstanding first mortgage bonds bearing 3¼ and 3⅛% coupons.

Registration with SEC is expected upon approval of the plan by the Indiana Public Service Commission and it is expected that the bonds may be ready for competitive bidding along about the middle of October.

Aside from refinancing outstanding obligations, the sale of the new issues is expected to provide additional cash for construction work.

Looking Further Ahead

It appears that public utility companies, as has been the case in the past, will be the mainstay of the new issue market in the months ahead.

Public Service Electric & Gas Co. now shapes up as likely to be in the market later in the year for $25,000,000 to be raised via new cumulative preferred stock.

It has already applied to the Board of Public Utility Commissioners for authority to undertake the financing, but as yet no hearing date has been set. Sale of the 250,000 shares of $100 par stock projected would place the company in funds for the balance of the year.

New York Telephone Co.

Data coming out at rate hearings in Albany indicate that New York Telephone Co. probably will be in the market for additional capital over the next few years.

Officials informed the commission of projects calling for an outlay of about $462,000,000 through 1951. Of this total additions this year would involve some $158,000,000.

Construction projected for next year, it is calculated, will call for an expenditure of about $154,000,000 additional with 1951 put down as likely to require another $150,000,000 minimum.

GPU Sets Offering Price of Rochester Gas at $28.50 per Shr.

Common stockholders of General Public Utilities Corp. were mailed warrants Sept. 10 evidencing rights to subscribe for 835,000 shares of common stock of Rochester Gas and Electric Corp. at the rate of one share for each 10 shares of common stock of GPU held of record Sept. 8, 1949. The stock is priced at $28.50 per share. Transferrable subscription warrants will expire at 3 p.m., New York time, Sept. 30, 1949.

The shares being offered represent the outstanding Rochester common, all owned by GPU, which will receive the entire proceeds. In the offering The First Boston Corp., Lehman Brothers, Wertheim & Co. and Merrill Lynch, Pierce, Fenner & Beane are acting as dealer managers of a nationwide group of participating securities dealers who will solicit subscriptions by the warrant holders and also sell stock.

A sound color film on the company and the financing, representing the first simultaneous briefing of dealers on a nationwide scale, was shown Sept. 8 to dealers in New York, Rochester, Boston, Philadelphia, Cleveland, Chicago, San Francisco and Los Angeles after the registration statement became effective. It was shown again to dealers Sept. 9 in Pittsburgh, Hartford, Detroit, St. Louis and Houston. The First Boston Corp., representative of the dealer-managers, believe this technique to be the most graphic presentation of information about a company and a securities offering ever made to dealers.

On July 27, 1949, a dividend of 56 cents per share was paid on the 775,914 shares of Rochester common then outstanding and on Sept. 9 a similar dividend is payable on the 835,000 shares reclassified on Aug. 29. According to the prospectus, it is the intention of the board of directors to declare a dividend of 56 cents per share payable in January, 1950, and pay common dividends quarterly thereafter as conditions warrant.

Rochester Gas & Electric Corp. manufactures and sells electricity, gas and steam, chiefly in and around Rochester, the third largest city in New York State. For the 12 months ended June 30, 1949, the company reported total operating revenues of $28,932,437. As of Aug. 31, 1949, capitalization consisted of $53,657,000 of funded debt, 170,000 shares of preferred stock and 835,000 shares of common stock.

With Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward H. McKee has become associated with the Central Republic Co., 209 South La Salle Street, members of the Chicago Stock Exchange.

With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William L. O'Bryon has become affiliated with Dempsey-Tegeler & Co., 210 West 7th Street. He was previously with G. Brashears & Co.

Three With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Russell D. Ward and William R. Ward of Benton and Frederick B. Summers of Alton are associated with Barrett Herrick & Co., Inc.

With Whiting Weeks & Stubbs

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—James D. MacDonald, Jr., is with Whiting, Weeks & Stubbs, 53 State Street, members of the New York and Boston Stock Exchanges.

Merrill Lynch Firm Adds

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, CAL.—Bernhard B. Bundesman has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 6361 Hollywood Boulevard.

H. C. Alexander Director

The Board of Directors of General Motors today elected Henry C. Alexander as a member of the board, it was announced by Alfred P. Sloan, Jr., Chairman of the board.

Mr. Alexander is the Executive Vice-President of J. P. Morgan & Co. Incorporated. He is also a trustee of Vanderbilt University, of the Metropolitan Museum of Art and of the Presbyterian Hospital in the city of New York. He was general campaign Chairman of the Greater New York Fund in 1948.

With Frank Knowlton & Co.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—Ruth B. Wells has joined the staff of Frank Knowlton & Co., Bank of America Building.

With Collin, Norton & Co.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—Thomas J. McHugh is with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Cleveland Stock Exchanges.

Reginald J. Wood Opens

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Reginald J. Wood has opened offices at 11045 Lowe Avenue to engage in the securities business. He was previously with Hornblower & Weeks and the Northern Trust Co.

Herbert V. Ryan Dead

Herbert V. Ryan died on Sept. 11. Mr. Ryan, who was associated with Peter P. McDermott & Co. of New York City, was a member of the Security Traders Association of New York.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This capital was amazed, shocked, and knocked out of its breath by the surprising decision of the President's steel fact-finding board. It was no more amazed than would have been the good church people of an earlier century had the Spanish inquisition been able to catch Henry the VIII, try him for heresy, and having tried him, acquitted him.

Of course, the possibility was not ruled out in advance that the board might recommend, as it did, only social security benefits and entirely against any wage increase.

What was surprising was the utter completeness with which the steel board deflated the entire organized labor fourth round wage raise case. The board found that the cost of living was not rising, but instead, has slowly declined. This is not the time, the board in effect admonished, to raise wage rates. Sure, the steel industry has been getting larger profits, but in relation to the depreciation of the dollar, these are not out of line. The record of the industry in modernizing and expanding was commented upon most favorably.

Steel labor's demands for social security were not justified by the board upon the basis that steel's profits were so high that laborers had more coming, but on the grounds of the dicta, enunciated by this board without legal clothing, that industry should begin to figure in its costs the "depreciation of human resources."

Finally, and this was one of the bitter of the bitterest: Under the Taft-Hartley act (so called by its popular name rather than by its legal name, "Labor-Management Relations Act of 1947") bargaining for pensions is provided for, even though not under the steel labor contract. That great anathema, the Taft-Hartley act, furnishes the foundation for considering pensions and other social security benefits.

* * *

For whatever it is worth, the predominant Washington hope was that steel management would take the 10 cents in added costs in social security benefits. It is recognized that this ushers in a new and beginning cost whose ultimate magnitude cannot be foreseen. It is also recognized that Steel has a lot on its side, considering the contract, in fighting this on principle.

On the other hand, goes the unofficial view around here, the present government is in fact a Labor government. Steel might buck the thing this year, but if not this year, next year or the next, it will be saddled with social security expenses, possibly much greater. And the cost of a steel strike this year probably would be no less than a year or two's cost of the benefits proposed by the special steel fact-finding board.

There was said to be a positive advantage to Steel (steel management) in taking the thing now, promptly, and gracefully. It will for the first time in a long while put public sympathy on the side of management. Steel will get credit for accepting a big compromise with principle to avoid upsetting the national economic applecart. Even prompt Labor acceptance hardly mitigated the credit which might flow to steel, which to stave off all the trouble of a strike, accepted the recommendations of an extra-legal board.

* * *

For Labor, the decision was very bitter. With acceptance Phil Murray becomes the guy who slayed Cock Robin Fourth Round after AFL unions unostentatiously, quietly, had negotiated a pretty good run of wage boosts. Everything which the board said about steel wages was seen as applicable equally to John Lewis' coal labor empire, to the United Auto Workers, the rest of the gangs that had been withholding their rocks until the steel wage issue was settled. Murray's praising of the pension benefits does not conceal the loss of the fourth round.

If Labor had struck, then the President and his whole political position and the political strength of organized labor would have been strained with public opinion and with Congress, if the President had let the strike go on and didn't invoke the national emergency provisions of Taft-Hartley.

On the other hand, if the President had been forced to invoke Taft-Hartley to prevent the strike, then to say that the President would have looked fatheaded is to put it mildly. So would Phil Murray. The union acceptance avoided this dilemma.

* * *

This ruling of the special steel fact-finding board against the fourth round is an upset beyond all calculations. Most people in labor, management, and government camps were thinking consciously or unconsciously in terms of the special panel in 1945, which "settled" the steel strike of that time by a big wage boost, and bailed out Labor.

* * *

In the present mess into which prospects for adjournment of this session of Congress have got, there is an unavoidable prospect of a messy agenda for the 1950 session of Congress as well.

Next year Congress will again have besides its regular routine, the question of expanding social security, compulsory prepaid medical care, the Brannan farm income payment plan, Federal aid to education, "civil rights," and the controversial issues of how much shall be appropriated to continue ECA and foreign military aid.

Unlike this year, however, Congress next year cannot stick around until the frost is on the pumpkin — and much later. Congress will insist upon getting out by the end of the summer at the latest, to campaign for reelection. During the spring and summer entire state delegations will absent themselves for several days at a time to campaign in party primaries.

All the above agenda and the certainly shorter time will impose a terrific strain upon the management of the agenda, even if the President does not come up with some brand new 10-billion dollar messages in 1950.

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If Rep. Frank Buchannan and President Truman have their way, the two top targets for the special House lobbying committee will be the two favorite enemies of the Truman Administration, the "real estate lobby," and the "Army Engineers lobby." The Army Engineers are seen by the Administration as those lining themselves up on the side of those Congressmen who oppose public power.

The curious thing about these two lobbies, is that they were both beaten, for the most part. At least the effort of Senate conservatives to prune off the public power from the Interior Department appropriations bill failed, and the gigantic $19 billion public housing and slum clearance bill passed.

Besides tackling the private power and private housing lobbies, Buchannan, a former high school economic teacher, would attack lobbies speaking for private finance, for food and agricultural industries (opposing the Brannan plan), oil, gas, and mining industries generally, transportation, and those groups speaking out for lesser taxes on business.

There is a possibility, however, that Mr. Buchannan may not have his way. The House has approved a resolution setting up special House lobbying investigating committee. The resolution was sponsored by Buchannan. Ordinarily the sponsor gets the chairmanship.

It is said, however, that certain House leaders feel that a lobbying investigation should be a joint affair of the House and Senate. That is, they feel that way this year. A senator would become the chairman of a joint investigating committee. Speaker Rayburn has not yet named the House committee, and some think he won't until the Senate has been given a chance to act.

Nevertheless, President Truman called Mr. Buchannan over to see him recently, and, it was inferred, gave Mr. Buchannan a pat on the back.

* * *

Judging by the Treasury's heavy sales of tax notes, (some $2 billion in July and August over corresponding 1948 months) and the more or less regular pick-up of new money on weekly bill issues, the Treasury will not find it necessary to go out and raise new money on a big public issue until some time after the turn of the year.

(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

"No! He WOULDN'T want statistics on the batting averages of the Brooklyn Dodgers!"

Van Camp Sea Food Co. Common Shrs. Offered By White, Weld-Staats

An underwriting group, jointly headed by White, Weld & Co. and William R. Staats Co., is offering Sept. 15, a total of 134,350 shares of common stock, $2 par value, of Van Camp Sea Food Co., Inc., at a price of $11 per share.

Of this total, the company is offering its stockholders non-transferrable rights, expiring Sept. 21, 1949, to subscribe for 25,000 shares. Rights to subscribe to an aggregate of 22,420 shares have been waived. The underwriters have agreed to purchase the unsubscribed shares and also the shares for which subscription rights have been waived. The underwriters are also offering an additional 109,350 shares purchased from certain stockholders of the company.

Proceeds from the sale of the 25,000 shares will be added to the general funds of the company, the world's leading packer of tuna. With domestic plants in Los Angeles, San Diego, and Astoria and Warrenton, Ore., the company is engaged in canning and selling tuna, sardines, mackerel and derivative fish products, including vitamins and pharmaceuticals. For the year ended May 31, 1949, the company had net sales of $32,473,285 with net profit of $1,168,711.

Dividends on the common stock have been paid in the past four fiscal years. According to the prospectus, the board of directors has declared its intention of paying regular quarterly dividends on the common stock.

Giving effect to the issuance of 25,000 additional common shares, the company will have outstanding $2,000,000 of funded debt, 7,227 shares of 7% cumulative preferred stock, par $100, and 425,000 shares of common stock, par $2.

Cashiers of Wall Street To Hold Outing

The Cashier's Association of Wall Street, Inc. will hold its annual outing on Saturday, Sept 17, at Reinharts' Picnic Grounds on Staten Island. Festivities will commence at noon.

T. G. Wilson Opens

SANTA CRUZ, CALIF.—Tanner G. Wilson has opened offices at 118 Walnut Avenue to engage in a securities business.