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Italy Views Currency Devaluation as Incomplete Remedy

By A. WILFRED MAY

Correspondent reports Italian opinion holds currency devaluations will prove effective only if it constitutes step to general convertibility accompanied by sound economic policies.

ROME, ITALY (Sept. 21)—Not the decision to devalue, but the size of the pound's cut, caused surprise here. Optimistic conclusions about the long-term worldwide benefits are circumscribed with strong reservations by government officials, bankers, and businessmen. The widespread skepticism is based on the firm conviction that devaluation will prove constructive only if it constitutes a preliminary step accompanied by currency convertibility and restoration of sound domestic policies.

A. Wilfred May

Text of Cripps' pound devaluation statement appears on p. 7.

Typical of such reactions at the top level is that of Minister of (Continued on page 44)

See page 17 for pictures taken at Bond Club of Denver IBA Frolic.

More Venture Capital Means Building Better America

By HERMAN W. STEINKRAUS*

President, Chamber of Commerce of United States
President, Bridgeport Brass Company

Prominent industrialist, asserting business has tremendous job in expanding production and adding to its payrolls to support ever increasing population, sees need for larger and broader investment of venture capital in American industries. Urges bankers help develop better appreciation of broad public buying of stocks, and condemns high taxation and "pork barrel" government spending as leading ultimately to destruction of private enterprise.

As a nation, we are home lovers and to a great extent home owners. I suppose to bankers more than to any other group we owe the fact that that has been possible. I can well remember going to the bank myself for assistance in buying the first little home that my family, with our three small children, could call our own, our successful experience with the bank, and the happy times we had in our first home.

H. W. Steinkraus

Since that time, I have had the opportunity to sit in on board meetings of two banks, and to note the long list of mortgage loans passed upon. It always impresses me to see so many young people planning their first homes and getting a start. In each case, one more family takes on the responsibility of being a property owner and a taxpayer. Believe me, such responsible citi- (Continued on page 32)

*An address by Mr. Steinkraus before the Mortgage Bankers Association of America, Chicago, Ill., Sept. 19, 1949.

Steel Board's Pension Proposal

An Analysis and Interpretation

By ELISHA M. FRIEDMAN

Consulting Economist
Chairman, Econometric Institute, Inc.

Mr. Friedman cites Board's recommendations are not binding but union reverses Board, threatening strike. Says Board urged collective bargaining after study, yet set rates before study. Asserts 10c payment really constitutes wage increase. Contends contributory pensions were supported by CIO and later by AFL, as well as by government administrators and Federal statutes. Says union estimates of cost are below actuarial requirements and warns against unsound coal pension plan. Suggests flexible pension plan with higher and graduated contributions during prosperity.

In opposing the President's appointment of a Board outside the Taft-Hartley Act, one of the steel companies said, "We have learned from experience that when a union which has a virtual monopoly in an important industry threatens a nationwide strike in support of its demands, boards of inquiry have universally recommended the granting of some of those demands regardless of the economic justification for them."

Elisha M. Friedman

Only after the Steel Board was appointed did the union, for the first time, state its demands. However, the Board's decision was neither consistent nor particularly well-reasoned. Congress enacted the Taft-Hartley law to handle wage disputes, and yet an extra-legal board was appointed. This, in admittedly great haste, made recommendations for (Continued on page 38)

EDITORIAL

As We See It

Some Further Popular Pension Fallacies

Last week in these columns we took occasion to call attention to certain popular fallacies about pensions which seemed to be quite influential in the findings of the President's Steel Fact-Finding Board. There are certain other basic fallacies in popular notions about pensions and pension "responsibilities" to which hardly more than passing notice was given last week, but which appear to furnish much of the drive of the pension movement in this country. To some of these we wish to turn at this time.

Of course, a certain element of union "tactics" or "strategy" doubtless is largely responsible for the degree in which current labor controversies are turning upon the issue of pension provisions and the like rather than upon the ordinary garden variety of wage increase. The "political climate," the "economic weather," or the general state of public thinking about certain questions had radically changed by the time the members of the unions had been led to expect a "fourth round" of wage increases. Wage increases had already been so frequent

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The Marshall Plan—Its Progress and Problems

By PAUL G. HOFFMAN*

Economic Cooperation Administrator

Asserting Marshall Plan is primarily for reconstruction and not relief, ECA Administrator outlines accomplishments toward this end. Stresses need of economic stability to create political stability, and contends "Marshall Plan is ahead of schedule." Sees need for more European productivity and broader consumer market and urges increased imports from Europe. Outlines ECA requirements of participating countries.

In recent weeks so much news out of Washington has apparently been dealing with the minutiae of the European recovery program that it may be useful to take just a moment to recapture our perspective and take a fresh look at what we are really investing our billions to achieve. What do we want to accomplish and why? What is the overriding purpose of the Marshall Plan and is it an indispensable purpose? Why has Congress asked the American people to spend this money in a cause which, to some, must seem a long way from home?

Paul G. Hoffman

Put simply and without any fancy words, the underlying purpose of the Marshall Plan is to help the free nations of western Europe to get back on their feet, to stand on their feet, and to free them of the need of extraordinary outside assistance.

Following World War II but prior to the initiation of the Marshall Plan, the American people had either given or loaned to the European nations approximately $21 billion. These billions went primarily for relief. There is a vast difference between the Marshall Plan and relief. The difference is between that of supporting a number of down-and-out families, which is relief, and finding jobs for the heads of these families, which is recovery.

I put it to you in all candor, and at the risk of being undiplomatic, that our problem is not only to get Europe on its own feet but off our backs.

Our Concern in Getting Europe on Its Feet

Why should we be concerned about getting Europe back on its feet? Why did Congress, after a year of study—the most intensive study ever given to any peacetime governmental project—conclude that a four-year program of foreign assistance was worth the billions it would cost?

The answer, to quote a phrase from the Foreign Assistance Act itself, is that the then "existing situation in Europe endangered lasting peace."

Perhaps it is worth recalling what that situation was. The Kremlin was on the march. As a result of fifth column activities, the whole of eastern European countries — Bulgaria, Romania, Hungary, Poland, and finally Czechoslovakia—became satellite police states. Communist influence in Greece, Italy, France and Germany had reached a dangerous state. Many informed people were predicting that it would not be long before all of continental Europe would be under the domination of Russian dictatorship.

People were hungry. The diet in many countries was utterly inadequate. People had hardly enough to live on, let alone work on. Production was lagging. The Communists had seized power in many trade unions. Raw materials were inadequate to keep plants operating. Much of Europe's plant equipment was in disrepair due to the ravages of war; much had been destroyed by the effective bombing of our air force and that of the British. Extreme inflation was a fact in many countries, a threat in others. Many governments were unstable, and in too many countries the people had lost all hope in the future. Defeatism was rampant.

That was the situation, imperiling the safety of the whole free world, which faced Congress when it voted the Marshall Plan a year and one-half ago.

Where ECA Stands Today

Where do we stand today? The four-year Marshall Plan has been functioning just 18 months. Two weeks ago I returned from examining the status of European recovery at first hand in seven of the ERP countries, and here are the facts which I found:

(1) ECA has assisted the Europeans to get a sustaining diet. Obviously there could be no recovery without it. This has been achieved.

(2) Overall production in western Europe is already not merely equal, but 15% above prewar levels. In Britain, production is now running 50% above its prewar record. Europe's industrial machine, after being almost wiped out by the war, has been put back together, renewed, and strengthened.

(3) The rampant inflation of a year ago, which was about to wreck the entire economy of Europe, is now almost entirely under control. Prices are generally being held.

(4) Today a new political vitality is flowing through the veins of European democracies. Very generally throughout the ERP countries, stable democratic governments with a broad parliamentary basis have either been brought into being or those already existing have been greatly strengthened.

(5) Democratic institutions, including the right of free speech and free assembly, are being preserved and buttressed.

(6) Fear of collapse is very widely being replaced by faith in the future. And while there defeatists abroad as well as at home who argue that Europe cannot become self-supporting by the Marshall Plan termination date of June, 1952, I am convinced that the ERP countries are going to put forth a herculean effort to reach this goal.

(7) The spread of Communism has not only been checked, but the Communists have been put on the defensive throughout the free nations of Western Europe. The Communists have been driven out of many unions as a result of courageous action on the part of trade union leaders. Communist-inspired strikes have collapsed. Communist propaganda is being forced to shift its tactics. The Communists are having to drop the line that the Marshall Plan is not promoting recovery, and to substitute the weak thesis that its benefits cannot last because of a depression which they are constantly predicting for the United States. From my own observation and from all the facts available to our ECA missions abroad, I report to you that the advocates of Communist dictatorship are weaker in Europe today than at any time since the end of the war.

The recent German election is the latest evidence of this trend. Here the Communists suffered a conclusive setback. They will have only fifteen seats in the new German Parliament, and these only because they are given to them by the proportional system of selecting 40% of the parliamentary membership. The significant fact is that the Communists did not elect a single member in direct district voting.

Economic Stability Basis of Political Stability

I have heard it said that there could be no economic recovery in Europe until there was political stability. The exact opposite is the truth. The fact is that there would be no political stability today if the Marshall Plan were not producing great economic improvement and were not, in fact, laying the foundation for recovery. It is primarily because of the economic progress under the Marshall Plan that all these favorable political developments, which mean so much to the free world, have come into being.

It can, I believe, be said in all honesty that the Marshall Plan is ahead of schedule. But that does not mean for a moment that our task is near completion. It isn't. All it means is that the first phase of the recovery job has largely been done. Europe is, economically and politically, a democratic going concern. The job of getting its already existing productive plant into operation is the job that is so well along. But that already existing plant is not good enough and the productivity of the men and women who man it is not high enough to enable Europe to survive as a democratic going concern in the modern world. Moreover, the concern is not yet breaking even. Europe this year will earn $4 billion less than it has to pay out. If our aid to Europe were halted now, it would not take six months to undo all the accomplishments of the past year and a half. Europe is still highly vulnerable. The Marshall Plan will not have accomplished its purpose until it has ceased to be so. The frank truth is that while the flames of economic catastrophe have been dampened down and are no longer easily visible, the fire has not yet been put out. Let's not fool ourselves. Europe is still vulnerable, and it is vital to the safety of the United States that Europe should not be vulnerable.

Two Things to Be Accomplished

If we are to have a Europe genuinely insulated against the appeal of all "isms" — Commu-

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*Address by Mr. Hoffman before the Michigan Municipal League, Battle Creek, Mich., Sept., 15, 1949.

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Is National Service Life Insurance Justified?

By ARTHUR P. BECKER

Chairman, Department of Economics, The University of Wisconsin

Dr. Becker, contending that standard risks held by National Service Life Insurance, operated by Veterans' Administration, could be transferred to private companies without increase of premiums, argues that such a transfer would benefit taxpayers and would be way for Congress to demonstrate sincerity in maintaining tradition of American free enterprise. Upholds continuation of government insurance of sub-standard risks for veterans.

A number of observations concerning National Service Life Insurance are long overdue. Very little critical comment has been evoked by the National Service Life Insurance Act of 1940 because on the surface it seems quite beyond criticism. About the only criticism that has been made is that the veteran was overcharged and is entitled to a considerable dividend. Preparations are now being made by the Veterans Administration to pay a dividend close to three billion. However, there are questions of far greater importance than that of dividends which can be raised concerning the inception, operation, and the future of the National Service Life Insurance program.

Dr. Arthur P. Becker

Regarding the passage of the Act, the ostensible purpose was to provide life insurance for servicemen because the private life insurance companies were unable to cover the war risks. Moreover, the Act was admittedly a wartime measure and not intended to compete with or take the place of private companies. However, the actual working of the National Service Life Insurance program considerably contradicts this purpose. The Act itself states that:

"The United States shall bear the excess mortality cost and the cost of waiver of premiums on account of total disability traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator."

As of June 30, 1949, claims in the amount of $3,834,750,868 have been awarded under National Service Life Insurance on account of the death of 421,044 policyholders. Of the latter, 355,614, or approximately seven out of every eight, deaths have been traced to the extra hazard of military or naval service. Thus, the claims arising out of the vast majority of the deaths of policyholders have been met by the federal taxpayers through Congressional appropriations and not out of the reserves accumulated by National Service Life Insurance. Yet, in the minds of most persons, these war risks are among the very ones for which the Act was purportedly passed. Since service death claims are paid out of federal taxes it is totally unnecessary for National Service Life Insurance to exist for that purpose. It is clear also that the premiums paid by the deceased or totally disabled veteran have no actual relation to his claim, the payment of which is assumed entirely by the federal taxpayer.

War Risks Are Substandard

While the war risk of meeting mortality and total disability claims arising from military service was not actually assumed by the NSLI, the one war risk which it did assume was the insuring of servicemen who were rendered physically impaired because of their service experience. These servicemen whose health was impaired would, as a consequence, be classified as "substandard" risks and either would be refused insurance by a private company or be granted insurance only at higher premium rates. There can be little question that the government was justified in assuming this insurance risk which private companies were not able to underwrite. However, in the assumption of these risks NSLI is about as roundabout a method as the human mind could devise.

Since no physical examinations are required of present National Service Life Insurance policyholders, no records are available as to the percentage of them which are substandard risks because of their service experiences. However, one would expect the percentage to be quite small. One Veterans Administration official "estimated" the percentage of service rendered substandard risks to be 5% (or less) of the present policyholders. On the basis of this estimate, it may be emphasized here that if the legal purpose of NSLI was to assume these service-rendered substandard risks, these risks account for only one out of twenty of the total veterans insured. Surely, this is no more direct a procedure than found in the story of the Chinaman, who, legend tells us, burnt down his house to roast a pig.

But the significance of the NSLI story is more than a story of roundabout means of meeting a certain kind of war risk. The thing to be noted is that almost overnight the government entered the life insurance business in which 95 percent (or more), or at least the vast majority if this estimate is not exactly so, of the policyholders were standard or above standard risks which private enterprise had long proved itself capable of assuming. Of the $41,743,000,000 worth of insurance

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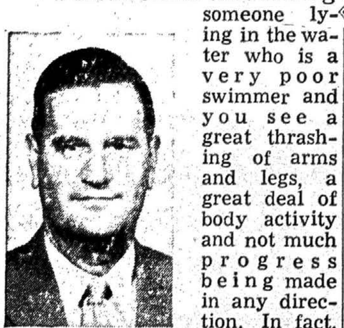
The Right Way to Sell Securities

By KELSO SUTTON*

In introductory lecture on Investment Salesmanship, Mr. Sutton covers foundations of general salesmanship and methods which determine whether salesman is to be successful or not. Stresses development by salesman of his own selling method and points out importance of knowledge, self-reliance and initiative on part of salesman. Contends selling in investment field has more significant function than selling goods or commodities and must be as keen and aggressive as in other lines. Gives illustrations of initiating and following up sales technique.

What a salesman strives to accomplish is effective activity, in his role as a salesman. Effective activity: what you are doing, and the volume of business that it produces.

I often think that selling may be compared, in one way, with swimming. You observe someone lying in the water who is a very poor swimmer and you see a great thrashing of arms and legs, a great deal of body activity and not much progress being made in any direction. In fact, such a swimmer works very hard just to keep his nose above water, the reason being that he doesn't know how to swim.



Kelso Sutton

Learning Right Way to Sell

In comparison with that, there are a lot of salesmen who work very hard. They make a lot of calls; rush around town and use the telephone a lot, but they are not getting anywhere. They are like the poor swimmer. They are not making any progress. They are barely keeping their noses above water.

On the other hand, you see a trained swimmer and you notice that there is an economy of motion. He is busy, but he is busy in a very professional way. He knows what to do and he makes a lot of progress and it is the same case with the salesman who is trained correctly and who learns the right way to sell. He is busy, but there is an economy of motion in all his efforts. What he does produces. There is not a lot of waste and thrashing around to get where he wants to go.

Now, what we are going to cover in our program are the fundamental principles of salesmanship, which will show you how to produce business in an effective way. Consider this from another point of view. Let's say—this is very arbitrary, but let's say that you make 20 contacts a day. Now, some of you may make a lot more than that. And I don't mean just the contacts where you go out and make calls, I mean also the contacts by telephone, any contact with a prospect, or with a customer.

You might say, "Well, it should be ten," or, "It may be 30" but, arbitrarily, let's just say 20. Well, that means that in a five-day week you have made a hundred contacts. In a normal month, you have made 400 contacts. In a year, with a couple weeks out for vacation, you have made 5,000 contacts; and in ten years—and let's say that you sell ten years, before you go on to a management position or into something else—in ten years you have made 50,000 contacts.

That is a lot of work. That represents a great many calls. Well, what does all that bring you? Now, look back over the number of years that you have been selling and figure up how may calls you have made and say to yourselves, "Just what has it brought in to me?"

You should consider every call you make, whether it is by telephone or a personal call, an opportunity to build for yourself, in the investment business. I feel that a very serious-minded salesman, a person who is very much interested in getting ahead in the business world, that such a person should regard every call he makes as an opportunity for a special accomplishment, a specific purpose that he is going to accomplish in that call; otherwise, well, what is the good of making the contact. Why did you make it? Why did you pick up the phone and call that fellow?

Fifty thousand contacts, over a period of ten years, can either make you wealthy or, in some cases—in the case of many salesmen I know—after ten years work they are no farther ahead than they were when they started out, the reason being that they have not been working in the right way. They are like the swimmer who keeps floundering. and keeps thrashing about, and if he doesn't learn he certainly will not make any progress.

I am just attempting to lay a brief foundation here so that we may all appreciate thoroughly what we are going to try to accomplish in these sessions that we'll have here together.

Look at these 50,000 calls in another way, if you will. You know, in psychology they tell us that if you repeat a certain action a great many times that a habit of action is set up. If you swing a golf club a certain way, over a period of years, well, that's the way you swing the golf club, that is your own method of swinging it, and in doing any action repeatedly we set up our own peculiar method of carrying out that action.

Your Selling Method

In making 50,000 calls, whether you know it, objectively, or not, you are gradually building up your own selling style, your own selling methods. You may look into yourself and say, "Well, what kind of a selling method do I use? What is my style?", and you may know very little about what your style is, but if you have been selling for any length of time that is being ingrained into you, inevitably. You are acquiring your own individual, peculiar method of selling securities and, over this long period of time, making 5,000 calls a year, you develop your method.

What that method is determines whether you are going to be successful in that work or not. That is my first important point here. Whether you know it or not, as you go about your work in selling, you are building up a style of your own.

As long as you are going to have a style, as long as you have selected this field as your life's work, you might as well decide to make your style a good one. If it is good you are going to be happy, and you are going to be successful. If it is poor, you are going to be very unhappy.

Let's take a moment to consider the fellow who keeps on selling without improving his selling methods. What happens? He doesn't make sales. He may be very ambitious and have a lot of energy and in that case he does make a lot of calls. But he is turned down! He does not make sales and, because he does not know how to work, it is hard for him to work. In the first place, he has to make a lot more calls if he is to make any kind of a living at all, because his production, per call, is low. And it is low because he is not working correctly and if he keeps on without acquiring a good selling style he will eventually decide that he doesn't like the work, because it isn't pleasant for him. Because he is not working correctly he is having a very, very difficult time in making sales. Always, he is bogging down farther and farther, like the swimmer. He works terribly hard but he just gets by, just keeps alive where, on the other hand, the person who develops a good style, who becomes a good salesman, he knows what to do, he is getting more production per call, he is getting customers, building a solid income for his family and building a good life for himself.

I like to think that salesmen can be compared with professional persons, like surgeons or singers or actors who regard every performance as an opportunity to make a peak performance, to really hit their stride, to accomplish something. The surgeon knows exactly how to go about an operation. The singer is accomplished in the technique of putting over a concert. When you go over to Carnegie Hall to sit and hear a cellist give a recital, or a pianist who gives a top-grade performance, you realize that here is an accomplished professional person who has done a great deal of work and who has had a great deal of training in order to be able to do so perfect a job.

What is the difference between the approach of these artists and that of the salesman? In my opinion, none. If the salesman is going to earn his bread and butter in this way, if this is going to be his life's work, why shouldn't he have the same ambition to develop in his work as well as the professional person?

In every call you make there is opportunity for real accomplishment, and a chance to get something done for yourself and for your company.

You are selling something that is very hard to put your finger on, a very intangible something midway between a product and a service. It is not strictly a service because when you buy a share it does represent an investment in physical property somewhere, but I rank investment selling as something in a very special category by itself.

When you consider all that, and you get down to your desk in the morning, and you ask yourself, "What am I selling?", it is very hard to answer in this respect:

Let's say, "Well, I'm selling stocks and bonds, and today I'm going to try to sell some shares of a certain stock." So you sell some shares, a couple hundred shares of stock, to a bank. Then your next customer is a widow and you sell a couple hundred shares of stock to the widow. But where is the similarity? There is no similarity, because the motive of purchase is entirely different.

Or, take the speculator. He wants to come in and get out fast. He is different from the other two. Every transaction has its own conditions. The under-

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*Stenographic report of lecture given by Mr. Sutton, first in series on Investment Salesmanship, sponsored by the Investment Association of New York, New York City, Sept. 16, 1949.

State Tax Collections in 1949

By V. J. WYCKOFF
Professor of Economics, DePauw University, Greencastle, Ind.

Dr. Wyckoff estimates state tax collections in fiscal year 1948 at $8.3 billion, or double prewar figure. The increase was paralleled by local government taxes, and much of it is ascribed to prevailing higher price levels for both goods and services. Points out tax collections of all state and local groups increased less than national income, and therefore burden of local taxes has not materially increased. Describes recent development in state tax collections as affecting the public's tax burden and welfare.

I

Tax collections by the 48 states reached new highs in their 1949 fiscal years, which in most cases ended June 30. The total was $8.3 billion, 7% above 1948 collections and double the prewar figure for 1940. Although the $8.3 billion includes estimates for incomplete returns from Arizona, Indiana, Montana, and New Mexico, final figures will not show much change. The collection and publication of such data at this time is the result of fast work by the authoritative Governments Division of the Bureau of the Census.

V. J. Wyckoff

Compared with Federal finances the increase in state tax revenue of 100% in the past 10 years is not too startling. Federal internal revenue (including Social Security taxes) came to $40.3 billion for the 12 months ended June 30, 1949, in contrast with about $4.8 billion in 1940. Thus federal tax collections in 1940 were only a few hundred million dollars above the total of that year for the 48 states. Then came the war which leveled off state receipts, but shot federal levies sky-high. In just three years, 1942-1944, federal tax collections tripled.

Local government taxes, that is, taxes collected by counties, townships, cities, towns, and special districts, in general parallelled state tax collections during the 1940's. Exact figures cannot be given on a year-by-year basis because the Census does not have the funds to collect such local information. However, very close estimates can be made.

In 1940 total local taxes come to a little over $4 billion. The sum was $4.6 billion in 1942 (a census year), and approximately $7 billion for fiscal 1949. It can be seen that local receipts followed the same general trend of state revenues, though they lagged in postwar years. This lag is causing concern to many municipalities which are hunting for new sources of local revenue in order to meet mounting costs and to make them less dependent on state aid.

The above figures for each level of government are absolute dollar amounts for the years concerned. To get the real significance of state tax collections, especially over a 10-year period, certain adjustments or comparisons have to be made. One comparison is with population which for the continental United States has grown from around 132 million in 1940 to an estimated 146 million in 1949. On a per capita basis tax receipts for all states in 1949 were $57.20 compared with $31.60 for 1940, an increase of 80%. In contrast federal internal revenue in 1940 was $36.20 per capita, but for fiscal 1949 was approximately $276 a person, an increase of 662%.

Another adjustment is for changes in the price level. Are state governments collecting more money from taxpayers because salary levels of state employees are higher now than 10 years ago, and because building costs, repairs, and food bills at state institutions are substantially greater? In large part the answer is "yes." The bulk of the increase in state tax revenue (not federal) has come from the necessity of matching the 10-year rising price record.

Evidence for this conclusion lies in the consumer's price index of the Bureau of Labor Statistics. The index for 1940 averaged 100.2. For the first six months of 1949 the average was just about an even 170. Subtract this 70% increase in prices from the 100% gain in state tax collections since 1940, and one has an idea of the impact of inflation on state budgets. A part of increased state expenditures not accounted for by rising prices comes from an expanding personnel. Just in the last four years the Census reports that the number of state employees including school teachers has risen by 200,000. Also war-delayed building programs have required substantial outlays, as have aid to local governments and veterans' bonuses.

For the Federal government price changes during the 1940's were less important than war. Adjust internal revenue collections by the federal government to allow for price inflation and there is, to be sure, some modification of the tremendous dollar increase from 1940 to 1949. But war costs were the major factors. Whereas in 1940 national defense, veterans' services and benefits, interest on the national debt, and international affairs amounted to about $3.1 billion, by 1949 these items were 10 times that sum.

The experiences of local governments with rising "living" costs were similar to the states.

One more point needs to be mentioned in trying to decide whether or not tax collection trends by federal, state, and local governments are as bad as the dollar figures seem to indicate. How do such tax sums compare with the changing capacity of the American public to pay, that is, with national income? Figures which will be offered are aggregates and have no relation at all to individual cases, that is, to your income and mine.

National income — probably a better base for comparing tax burdens than gross national product or total personal income—was approximately $82 billion in 1940. It is running at an annual rate for 1949 of about $215 billion, an increase of 162% for the decade.

With such an increase it seems that individual and corporate taxpayers in this country should be able to handle state and local taxes without too much trouble. The tax total for these two levels of government was about 10% of national income in 1940 and only 7% in 1949. But add the Federal tax load, and whereas in 1940 approximately 15.8% of the national income went for taxes to all governments (federal, state, local), in 1949 the ratio was nearer 25.8%.

One can paraphrase a popular saying of a number of years ago by concluding that every day in

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The State of Trade and Industry

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

Following the holiday decline, total industrial production for the country as a whole advanced slightly the past week. It continued to be, however, somewhat under the high point of a year ago.

Scheduled steel output last week was set at 80.4% of capacity on the threat of an interplant railroad strike which would involve 1,200 workers of the Union Railroad Co., serving the United States Steel Co. plants, but on the announcement of postponement of the walkout for two weeks the American Iron and Steel Institute revised the rate upward to 86.6%. This was the highest level in a period of three months.

In the wholesale trade a marked increase in demand for spot deliveries of apparel was noted last week. Unit sales of women's wear in some Fall lines surpassed that of the corresponding period a year ago. Buyers found themselves often unable to get enough goods to satisfy current consumer demands.

Total volume of food ordered last week equaled that of the comparable period for last year with dollar sales slightly lower due to present lower prices.

* * *

Of deep significance was the action taken by Sir Stafford Cripps, Chancellor of the Exchequer, on Sunday evening, last, in devaluing Britain's pound sterling from $4.03 to $2.80, or a cut of 30½%. Twenty-two other countries followed Great Britain's step by devaluing their currencies.

Britain also announced that the domestic price of gold will be adjusted in line with the devaluation of the pound. The cut in the value of the pound will mean lower prices for British goods in terms of other currencies, but it is England's hope that this drastic measure will result in higher exports of British goods to other countries, thus enabling her to bolster her shrinking dollar reserves.

Commenting upon the government's action lowering the price of the pound, Sir Stafford hinted that the British Government might soften its attitude toward private industry, parts of which have been nationalized, adding: "We realize that conditions have changed in the matter of capital investment and that we must study the problems of incentive and suitable environment to capital investment."

* * *

The situation in the steel industry this week has reached a serious stage with the nation threatened with a nation-wide steel strike early next Sunday morning unless the industry acquiesces to the recommendation of the President's Fact-Finding Board on the pension-insurance plan. Mr. Murray, CIO President, delivered his ultimatum after Monday's opening sessions between Cyrus Ching, Federal Mediator, and steel company and union officials.

The threatened strike of soft coal workers anticipated on Wednesday of last week became a reality on Monday of this week when miners with the cry of "no pensions, no work," quit the pits in a nation-wide shutdown accompanied by some minor violence.

Termed a voluntary walkout, close to 480,000 United Mine Workers halted the production of coal in 20 States, making the present stoppage the 21st major one since the first World War.

United Mine Workers' President Lewis said the Southern coal operators refusing to make payments after their contract expired June 30 forced him to suspend fund payments to aged and ailing miners. It's all part of the union's fight for a new contract. Mr. Lewis wants higher royalties and more pay for shorter hours.

Stemming from the suspension of coal mining activities on the part of the miners, five coal-hauling railroads announced on Monday of this week that they would furlough employees. Heading the list was the Pennsylvania Railroad, which said it would lay off 15,000 workers on Wednesday. The Chesapeake & Ohio reported it would drop 6,251 this week. Other layoffs announced were: Baltimore & Ohio, 3,758; Reading, 1,040, and the Illinois Central, 130.

The walkout of the 5,200 operating employees of the Missouri Pacific Railroad continues in effect. The strike has already caused the layoff of close to 22,500 non-operating employees of the road and has effected many industries with more shut-downs expected.

Adding to the great confusion and uncertainty caused by the coal and threatened steel strike to business and the people of the country, Walter Reuther, United Auto Workers President, on Monday, last, notified the Ford Motor Co. that unless their pension-insurance-wage dispute is settled by Sept. 29, the UAW-Ford contract will be terminated. This was interpreted by both company and union officials as being the equivalent of a 10-day strike notice.

Acting upon the UAW ultimatum, a union source stated on Tuesday of this week, that the Ford Motor Co. made an offer to the automobile workers adhering to the steel fact-finding board's recommendation for company financed pensions. The proposal it was understood would give employees non-contributory pensions of $50 a month at the age of 69. It was also reported, the union is holding out for a better pension offer or greater social insurance benefits than Ford at present provides.

STEEL OUTPUT FOR CURRENT PERIOD SCHEDULED AT CLOSE TO PREVIOUS WEEK'S RATE

There is still hope that the gravity of a steel strike is enough to keep chances of a tieup down to an even basis. If the union were to win its stand on noncontributory welfare programs by striking it might lose more than it won—in prestige and in the chances of future concessions states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. Nor was it clear that the industry would chalk up a complete victory if after a strike it won its contributory argument if this were measured against the loss of business and the return of worker ill-will and unhealthy industrial relations, this trade authority adds.

If there is a steel strike it will be the first major steel strike on anything but wages, aside from the organizational strikes of the

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Railroads in the New Economy

By R. M. EDGAR*

Assistant to the President, Boston & Maine and Maine Central Railroads

Mr. Edgar, in referring to unprofitableness of railroads and lack of reward to railroad investors, points out this is not due to lack of physical improvements or managerial efficiency. Lays low earnings to outmoded type of regulation and powerful adverse political influences. Denies railroads are pricing themselves out of market, and points out rails have not lost intercity freight traffic to other forms of transportation in last decade.

Our economy has undergone so many changes in the last 20 years that to call it new is not an exaggeration. In that time, some of the major changes have been political redistribution of wealth, the advancement of a cradle to grave security program, the achievement of monopoly powers by huge unions under Federal auspices, a hostile attitude on the part of many government officials in positions of power toward business—particularly big business—and the deliberate spread of the idea that profits are sinful and that dividends are properly classified as "unearned income." A central part of this new economy is the philosophy that the rewards of increased production created by use of tools should go entirely to labor and not the investor whose savings provided the tools.

Robert M. Edgar

Labor leaders have many times publicly accused management and bankers of not making adequate investment in the modernization of plants and equipment to increase production while at the same time stating as their inflexible policy that it is to the worker, and not to the machine and its owners, that rewards for increased production should go. This idea is not new in economics, but what is new is its apparent growing acceptance in the United States. It is a serious matter because this, which is the core of the new economy, is the thing which will most quickly and thoroughly destroy the American free enterprise system. Mr. Enders Voorhees, Chairman of the Finance Committee of the United States Steel Corporation, in presenting his company's position before the Presidential Steel Board in New York last month, clearly stated the case. He said:

"This whole process of expanding production, of providing new jobs, of increasing productivity, of lowering prices, and indeed of progress itself, all hangs on the slender thread of prospective profit to the thrifty person who invests his savings in the tools of production. If organized labor should ever succeed in directly conscripting for itself the whole fruits of innovation and thus sever that slender thread, on that day progress in America will stop."

Railroad Investors Not Rewarded

This comes very close to the heart of the railroad problem of today. What has happened to the rewards properly due those people whose investment in railroads have made our magnificent plant possible? Increased efficiency in the use of the railroad plant and increased efficiency of railroad labor, made possible by investment in new and improved equipment and tools, has been the means by which the railroads of this country have kept themselves going. In the face of political persecution from many quarters and the attempts at domination by government and labor, which are characteristic of this new economy, a most appropriate and descriptive text could be taken from the Rev. Charles Lutwidge Dodgson, who wrote under the name of Lewis Carroll, from the second chapter of his well known "Through the Looking Glass." Alice had been running very hard and met the Red Queen. "In our country," said Alice, still panting a little, "you generally get to somewhere else if you run very fast for a long time as we have been doing." "A slow sort of country," said the Queen, "Now here you see it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that." That is what we have been doing—running harder and harder, and faster and faster in order to stay in the same place.

It is an unfortunate fact that in the eyes of the public generally, a railroad's entire character and operation is judged by the quality, or lack thereof, of its passenger-carrying services. It is important that a proper understanding of this part of the railroad picture be maintained by people in a position to influence important political and administrative policies and to influence the credit ratings of the industry. On a national basis, passenger service accounts for only 10% of the gross revenues of our railroads, while freight accounts for 82½%. On the Boston and Maine, due to the fact that we are one of the largest commutation lines in the country, our figure is a little higher. Passengers accounts for 16% of our operating revenues, while freight accounts for 76%. Our passenger revenue last year in round figures was $15,000,000, obtained from 23,000,000 passengers. Of this $15,000,000, $3,000,000 came from our commutation service in which we handled 12,000,000 passengers. In other words, approximately 54% of the passengers handled produced only 20% of the total passenger revenue, which means that in so far as the Boston and Maine is concerned, those who judge our railroad by its commutation service, judge it on a service which produces only a little over 3% of our gross revenues. I can't think of a comparable situation in any American business.

The result of our passenger service last year, as taken from our annual report to the Interstate Commerce Commission, shows a situation which I believe is typical. Our total operating revenues assigned to passenger services, which include passenger fares, milk, mail and express revenues and a few incidental

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*An address by Mr. Edgar before the Savings Banks Association of Massachusetts, Portsmouth, N. H., Sept. 17, 1949.

Some Highlights of Socialized Medicine

By LOUIS H. BAUER, M.D.*

Chairman of Board of Trustees, American Medical Association

Commenting on measure before Congress to provide socialized medicine, head of American Medical Association, admitting medical care is a problem, holds some method must be found to alleviate financial burden of many people. Supports voluntary system of providing medical care insurance and denies nation has too few doctors. Holds Administration's measure would discourage medical education and would not reduce chronic diseases. Cites progress of voluntary medical care insurance and points out national health insurance will create vast and expensive bureaucracy and would lead to public abuses in medical care. Attacks propaganda of Federal Security Agency.

I have been asked to talk to you today on socialized medicine. That is a rather difficult subject to cover in a brief period of time, but I'll do my best to give you the highlights of it.

Let me begin, by asking, what is socialized medicine? You can get a variety of definitions—depending upon to whom you are talking. But, I think, as a general rule, we may say that socialized medicine is any plan which the government supports financially by direct or indirect taxation; prescribes the rules and regulations under which medical care will be administered, as far as doctors, patients and hospitals are concerned; and when it determines directly or indirectly the fees to be paid for services rendered.

We have a wide range of schemes from complete state medicine, such as they have in Russia . . . nationalized medicine, such as they now have in England . . . and Compulsory Health Insurance, which is in vogue in a great many countries in the world.

The Administration and Mr. Ewing . . . and the proponents of the bill now in Congress to provide Compulsory Health Insurance . . . state that this is not socialized medicine. They say that medical care will be administered just as it is now . . . the only difference being that when you come to pay your bill, instead of paying it yourself, the government will pay it for you.

I submit, if that is the case, why did it take 163 pages to say it? Their answer will be—there are other things in that bill besides Compulsory Health Insurance. I'll grant that. There are some 60 pages in there on medical education. But, if this bill were enacted, disregarding the Compulsory Health Insurance features, the standards of medical education in this country would be wrecked within a short period of time.

Why are we having the problem at all? We are having it because medical care throughout the years has become more expensive. Why has it become more expensive? First of all, medical education has increased the length of time required for preparation for the practice of medicine.

Advance of Medical Education

Seventy-five years ago, no preliminary education was necessary at all. A doctor—a prospective doctor, rather—attended medical school for two years. Then he generally apprenticed himself to another physician to get some clinical experience. It was quite possible for one person to know all there was to know in medicine.

In fact, back in the seventies, Oliver Wendell Holmes, Sr., was Professor both of Anatomy and Physiology, at the Harvard Medical School, and did some clinical teaching as well. When he was asked what chair he held in the medical school, he said he didn't hold a chair; he held a settee.

But that day is long past. Medical eduction now takes from 10 to 13 years after a person graduates from high school. He has to have college training; he has to have four years in medicine; and then he has to have anywhere from 2 to 5 years' hospital service—depending into what particular field of medicine he is going. That has made it more expensive from that angle.

As medicine ceased to be purely an art, and became a science as well, we find that there are increasing complexities in diagnosis. It used to be that a doctor could carry his entire armamentarium around in his little black bag, and it didn't need to be such a big black bag either. That is no longer possible.

A doctor today would be under great criticism if he were taking care of a patient who had a fracture, and didn't have an x-ray. On certain internal diseases, the doctor would be severely criticized if he didn't give the patient the benefit of certain laboratory work . . . so diagnosis has become more expensive.

I would like to emphasize that the chief increase in the cost of medical care has been in two fields—in the cost of diagnosis and in hospitalization.

It used to be that the hospitals were merely places for the sick poor. No person of even moderate means went to a hospital. That is all changed now. Hospitals are modern institutions, and the average person, if he is ill, would rather go to a hospital than be taken care of at home, because the facilities which are available to him there would not be available to him in his home. However, that has increased the cost of medical care.

In 1939, the medical-care dollar was divided among the various groups taking a part in medical care to the extent that the hospital received 18c and the doctor 29c out of that dollar. In 1947, we find that the doctor only received 23c, but the hospital received 28c. You can see that one tremendous cost in medical care has been in hospitalization.

If we compare the cost of living with 1940 as a base—and this comes from the Department of Commerce—the cost of living today compared with the base line of 1940 is 171 and a fraction. Whereas the cost of medical care compared with 1940 is 140, instead of 171. So the cost of medical care has not increased in proportion to the cost of living.

Nevertheless, medical care is a problem, and a serious financial one to certain persons. We recognize that, and we realize that some method must be found to alleviate the financial burden on many people.

What's Wrong With Our Medical Care Program?

What are some of the things that are wrong with our medical care program at present?

There is no question that, by and large, the United States is the healthiest country in the world. We do have some lacks, however, in our situation which must be remedied. One of them is in the field of public health. Only a little over half of the country is really covered by adequate public health service.

It might shock you for me to say there are 843,000 rural homes in the United States without any toilet facilities whatsoever. That there are some 2,800 incorporated communities, involving a population of 25 million people, that have no sewerage facilities.

When you stop to consider the disease which may be bred by lack of proper sanitary facilities, it is evident that the increased medical care which may be necessary in those areas could largely be eliminated by prevention at the source. It is far better to prevent disease before it begins than it is to cure it after it starts.

So we are all in favor of extension of public health facilities so that the country may be covered with adequate public health protection.

We also feel that public health officials are not remunerated as they should be. They do not receive the remuneration which is given to other public officials with even less responsibility than the public health officials. The result is—very few men are going into public health.

In my own state there are some 60-odd vacancies in the Health Department because they simply can't get trained doctors to take those positions.

Another gap in our program is that we have been underhospitalized, and we have too few diagnostic facilities available in certain areas of the country. An attempt was made to remedy this by the passage of the National Hospital Survey and Construction Act—more familiarly known as the Hill-Burton Bill—two or three years ago, which provided Federal aid to communities in the building of hospitals to be under local control and management. The subsidy was a certain percentage in accordance with the financial condition of the state—the difference to be made up by the state.

That bill was approved by everyone, and there are now bills in Congress to extend the life of that Act and increase the amount of money available.

The hospital program has gone along very well. It is still not completed. It will be some time before it is. But the establishment of the diagnostic facilities service has not progressed very rapidly as yet.

That is one factor which is very important. Because, if people do not have hospitals or diagnostic facilities in their immediate area, they're either going to have to go without them, or they're going to have to go long distances to get them—therefore, that makes it more expensive.

Do We Need More Doctors?

We hear a great deal about "we need more doctors in the United States." There is a great hue and cry that we need some enormous additional number. Well, the facts are these:

We have now more doctors than any country in the world in proportion to our population. We have one doctor to every 740 persons in the United States. Our nearest competitor is Great Brit-

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*An address by Dr. Bauer before the 51st Annual Convention of the National Association of Retail Druggists, New York City, Sept. 20, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

This correspondent has received some pretty sharp criticism of his articles on General Vaughan. Undoubtedly I did not make myself clear. It so happens that I am only slightly acquainted with the General and with Johnny Maragon and I did not intend in any wise to act as their defender. What I did attempt to say was that if you put the General in his true perspective, that of Truman's political handyman, and forget about his title of military aide, you get a better picture of his activities. They are being pursued on a bigger scale every day in the week by the Chairman of the Democratic National Committee. Vaughan's activities are not a circumstance to the money-raising work of Louis Johnson who has been rewarded with the Secretaryship of National Defense, or to the countless law firms in Washington that tie closely in with the Administration such as that which still carries the name of Dean Acheson.

Carlisle Bargeron

My reaction to the Vaughan "revelations" was one of resentment against the moving group behind them, as ruthless a crowd as I have ever known. And Vaughan's crime in their eyes was not what he had done but that he had blocked some of their endeavors. The exclamations of self-righteousness and indignation tended to throw the Washington picture out of focus as something unusual, not the ordinary goings-on. If people outside of Washington will understand that these "revelations" are but peanuts in the saturnalia of Big Government which they have permitted to overwhelm them, then they may serve a purpose.

Insofar as Maragon is concerned, I must confess a secret delight that this former Greek bootblack with nothing in the world but a lot of gall and a willingness to run errands, got in on the racket of the Tommy Corcorans and the Leon Hendersons, *et al.* Surely no one will contend that it is exclusive for Harvard graduates.

Be that all as it may, in the more than 20 years that I have followed the career of John L. Lewis, this shaggy-browed gentleman seems to have finally got himself into an awful mess. In the past he seems to have made the coal operators, Congress and the Executive Branch of the government look ridiculous. This time he has apparently outsmarted himself.

For some 40 years or more, the Southern bituminous miners, and in varying degrees, the other miners, have had their medical set-up by which they paid so much a month for the services of their "family" doctor and so much a month for hospital care. In Southern West Virginia there are more than 100 of these so-called "list" hospitals, some having no more than 25 beds, in the isolated areas; some having more than 100 beds. Some were operated by the mining companies, others were privately operated. In recent years the trend among the operators was to get out from under them. They were good hospitals and bad hospitals, just as would be the case in any such undertaking by the government. But wherever there was laxity, it could be corrected by the union.

Over the years, Lewis shunned suggestions that the union take over the operation of these hospitals as one avoids a skunk. His right-hand man and public relations adviser, K. C. Adams, years ago had sought to operate one of these hospitals. He washed his hands and vowed he'd never touch one again.

"All the miners and their womenfolk wanted gold teeth," he would say. "They broke me."

But when he got his welfare fund, Lewis couldn't resist those who have long been urging him to move into this field.

What has happened in West Virginia is probably a fair general picture. Lewis had the miners void the contracts they had with the hospitals and he took over the payments. Or more specifically, the welfare fund did.

Now the welfare fund payments have been suspended and the miners have no provision for hospital treatment. I am told by operators that the refusal of the Southern operators to pay into the fund in recent months because they had no contract with Lewis has had little to do with the bankruptcy of the fund, that it was the liberality of its dispersal. Certainly the payments would have been drastically reduced by the three-day work week which Lewis ordered several months ago.

I was just talking by telephone with Mr. Raymond Salvati, President of Island Creek Coal Co., at Holden, W. Va. This company formerly operated its own hospital, a very modern one. But under the Leftist pressure of recent years, it turned the hospital over to the doctors who operated it on contract with the miners. Lewis took over the payments. Now he has stopped them and the miners, who are on strike, are importuning the company to take the hospital back.

I am told further that all the hospitals have become overtaxed because the miners were "getting something for nothing." The situation is in an awful mess.

For the first time, it looks as though resentment on the part of the miners may be brewing against their great bushy-browed boss. The operators, for the first time I have ever known, seem little or certainly less concerned over a strike.

With H. M. Payson Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Gordon T. Ferguson has become associated with H. M. Payson & Co., 93 Exchange Street.

With Larz E. Jones

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—George Bush is with Larz E. Jones, 318 Carondelet Street, member of the New Orleans Stock Exchange.

Cripps Announces Sterling Devaluation

In radio address to British people, Chancellor of the Exchequer reveals immediate 30% devaluation of sterling, along with similar move by nations linked to sterling area. Says step was essential to increase exports to dollar countries and was approved by International Monetary Fund.

Sir Stafford Cripps, Britain's Chancellor of the Exchequer, on Sunday, Sept. 18, announced over the radio that the pound sterling would be immediately devalued slightly more than 30%, bringing its value down from $4.03, at which it was officially fixed in 1940, to $2.80 in U. S. dollars. He also announced a similar scaling down of values in sterling area currencies, including Denmark and Norway.

Sir Stafford Cripps

The complete text of the Chancellor's address follows:

Good evening. I don't think I need tell you that I've just got back from the United States, where I have spent the last fortnight with the Foreign Secretary trying to work out, with our Canadian and American friends, some solution to a very serious problem with which we are all faced.

I expect you've read and heard in the last few months a good deal about the difficulty we, and all the other non-dollar nations, have in earning enough dollars to buy what we need in the way of food and raw materials, especially from America and Canada.

It is referred to as "the dollar shortage" or "the sterling-dollar problem" — and in many other ways—and it has been with us more or less ever since before the first World War; but it has become much more intense since the last war and indeed in the last few months our dollar difficulty in the sterling area has become very, very serious indeed.

You'll remember perhaps that at the beginning of July last, I spoke about it in the House of Commons—and then there was a meeting in London with Mr. John W. Snyder, United States Secretary of the Treasury, and Mr. Douglas Abbott, Finance Minister of Canada — my two opposite numbers—at which we discussed what we could all do to help solve this problem.

These Washington talks we have just finished were a follow-up of those London talks.

During those weeks between July and our visit to Washington our Government has reviewed the whole situation and has made some very important decisions.

It was not only economic troubles with which we were concerned, because without a stable industrial foundation we shall never have a safe defense for our democracy or any security for a peaceful future.

Those decisions Foreign Secretary Bevin and I took to Washington, and the very first thing we did when we arrived there was to tell them in confidence to our United States and Canadian colleagues. They had to do with matters that were entirely our own concern and upon which there was no question of our consulting others, even our best friends.

Let me preface my announcement of those decisions by a word or two of explanation of the importance of the rates of exchange in our overseas trade.

Normally—before the two wars —and at times between them— you could change our pound sterling into other kinds of money, like the American dollar, or French franc, at a fixed rate. Soon after the end of the last war we came back to this very useful arrangement, which allows traders to know how much they can get in their own money, if they sell their goods abroad; and what they will have to pay in their own money for goods they import from other countries. So they know where they are in their business.

What Rate of Exchange Means

This rate of exchange is one of the things that influence the amount of goods which we can buy and sell for dollars.

Here is a simple example. An English motor car is exported to the United States; its price is 300 pounds sterling. The American buyer will pay $1,200 if the rate of exchange is $4 to the pound, but suppose the rate was $5 to the pound—many years ago it was nearly that — the buyer would have to pay $1,500; if the rate was only $3 to the pound—and after the First World War it was at one time very near that—he would only pay $900.

It is not very difficult to see two consequences of that. First, more Americans would buy that type of car if it cost $900, than if it cost $1,200 or $1,500, and, second, we would buy less in America for $900 than for $1,200 or $1,500.

That shows how important the rate of exchange is to us and particularly to all our traders. Though it has no effect upon the value of sterling in our own country, it does affect the amount we can buy and sell abroad.

With a low rate of exchange we can sell more of our goods abroad and so should be able to earn more dollars in total. High exchange rates tend to hamper our export trade.

With our imports, of course, it is the other way round; high rates of exchange encourage imports and low rates of exchange tend to diminish their amount, because it makes prices of imported goods higher.

So you see our power to earn dollars must depend, to a very large extent, upon the dollar rate of exchange of sterling. This is a question which we decide ourselves; it can't be settled for us by others.

In the light of changing circumstances, we went into this matter

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President's Health Proposals—A Program for Action

By OSCAR R. EWING*

Federal Security Administrator

Administration's spokesman for expanded Federal medical services describes current facilities for promoting health and medical care and calls them inadequate. Says problem of meeting medical payments by public is uppermost, and indicates President's proposal is to establish nationwide system of prepaid medical care by spreading risks and increasing medical facilities. Holds Federal subsidies cannot solve problem and voluntary systems of health insurance are too costly to individual. Contends vast program of health insurance will benefit druggists' trade and denies plan is socialized medicine.

I am here, as you know, to discuss the President's health program. Now, anything that affects the health of this Nation affects the drug business. For in a very real sense, health is your stock in trade. Certainly, any major progress we make in this age-old struggle against sickness and disease is sooner or later reflected in larger receipts for your own cash registers. For you represent one, at least, of the very important channels through which the fruits of medical progress are distributed to the public at large.

Oscar R. Ewing

Now, what is the basic structure of the President's health program? Far too many people, I have discovered, believe that the President's proposals begin and end with a project to establish a nationwide system of medical insurance. This project is, of course, a very important element in the over-all program. But it is by no means the entire program.

First and foremost, the President is emphasizing a radical expansion of our public health services. Certainly, a well-organized and efficient Public Health Department is, or should be, a major concern to every city, town or rural district in this country. For in more ways than one, the work of a health department touches the life of every man, woman and child living within the community.

Unfortunately, only a comparatively few communities have anything like a well-organized and efficient public health department. There are some 40,000,000 people—more than a quarter of our entire population—living in areas which cannot, or do not, support either a full-time public health officer or a health department. In the vast majority of our towns and cities, the public health department is badly housed—often in the basement of the courthouse, tragically under-staffed and lacking in most of the essentials of modern medical equipment. In a dozen fields of operation these health departments are literally hamstrung in their efforts to do a job.

Like any other State and local problem, the big question mark is money. The spirit is willing but the local tax-returns are weak. The President sees clearly that without Federal aid we shall never correct these situations. And as a fundamental approach to this whole problem of health, he is urging Congress to appropriate substantial sums of money to the States to strengthen our whole public health department system.

The same reasoning applies to our Federally-sponsored special services—our mother and child care services, our services for crippled children and other activities that are channeled through the local public health departments. Those of you who live in communities where these services are in operation know full well their value and importance.

We have also our school health program which among other things provides medical examinations for school children. Last year nearly 2,000,000 children were given a thorough checkup by public health doctors or private physicians. And I don't doubt that most of the members wound up in the local drugstore with a doctor's prescription of one sort or another to be filled.

Beyond this, in cooperation with the Department of Agriculture, we are attacking the basic problem of nutrition through the provision of school lunches for some 6,000,000 youngsters. And this certainly is an important factor in our health program.

There are also our Federal-State programs of disease control —cancer clinics, mass X-rays for tuberculosis, treatment of venereal disease and the various forms of cardiac disease. These programs have already done much to cut the actual disease rate in the various States. Their practical value is known to all of you. And the result of this activity, I am certain, has already been felt across your own drug counters.

In still another area of activity we have our Federal-State program of vocational rehabilitation. Through this program thousands of men and women who are disabled because of accident, disease or congenital defects receive not only necessary medical care but also retraining for a job which will enable them once more to earn a living. And some of the effects of this are felt in the sale of drugs and medicines.

Certainly, every gain in our public health and other services is a gain for the drug trade. For the drug business flourishes most in those areas where the concern for health is the greatest. And the partnership of the druggist with the local public health doctor is as real as the druggist's partnership with the private physician.

Meeting Only Fraction of Our Health Needs

Yet on all these fronts we are still meeting only a fraction of our needs. We are doing a magnificent job wherever these services are available. But the sum total of all this work touches only the fringe of the problem. No investment would pay greater dividends in health than money spent in reinforcing these programs and bringing them within the reach of every community. And that is precisely what the President is urging.

But the expansion of our public health services is only a part of the over-all health problem. As you all know, we are faced with a very serious shortage of hospital facilities, particularly in our rural

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*An address by Mr. Ewing before the 51st Annual Convention of the National Association of Retail Druggists, New York City, Sept. 20, 1949.

The Federal Reserve System and Dual Banking

By LAWRENCE CLAYTON*

Member, Board of Governors of the Federal Reserve System

Mr. Clayton reviews purposes and development of Federal Reserve System. Due to war and postwar considerations, System lost ground, but has regained some of this in recent weeks. Denies proposal to include all state banks under Federal Reserve regulations is threat to dual banking system and defends efforts to enlarge powers of Federal Reserve Board over reserves and other bank operations. Says present reserve requirements are not onerous and defends participation of Federal Reserve in government bond market. Condemns banks' opposition to expansion of Reserve's powers "as a mistake."

It is an honor to address the Ninth Virginia Bankers Conference and a pleasure to mingle with the members of your Association in such a delightful and historic Virginia community. Any member of the Federal Reserve Board is constantly reminded of the very important impetus given by two distinguished Virginians to the establishment of a central banking mechanism in our country. In the entrance lobby of the beautiful Federal Reserve Building in Washington are two bronze plaques. One bears the likeness of Woodrow Wilson and hails him as the founder of the Federal Reserve System. On the wall opposite is a likeness of Carter Glass as the defender of the Federal Reserve System. I think the texts chosen to illustrate the role each played are so excellent that they can bear repeating before this audience.

Lawrence Clayton

In his first inaugural, President Wilson said:

"We shall deal with our economic system as it is and as it may be modified, not as it might be if we had a clean sheet of paper to write upon and step by step we shall make it what it should be."

From Senator Glass' book, "An Adventure in Constructive Finance," the chosen text reads:

"In the Federal Reserve Act we instituted a great and vital banking system, not merely to correct and cure periodical financial debauches, not simply, indeed, to aid the banking community alone; but to give vision and scope and security to commerce and amplify the opportunities, as well as to increase the capabilities of our industrial life at home and among foreign nations."

As we take note of these noble ideas so eloquently expressed, we may well ask whether the System has justified the hopes of its founders and what further might be done to advance their objectives.

From the standpoint of size and strength the System has probably exceeded any expectation of 1914. But the extent of membership among State banks is somewhat disappointing. While the nearly 7,000-odd member banks hold about 85% of all deposits in commercial banks there remain more than 7,000 State banks which, although they share some of the benefits, have none of the responsibilities of this "great and vital banking system." You may ask "What are these responsibilities and benefits? Why should nonmember banks join the Federal Reserve System?" A full answer to these questions would require a different talk from the one that I wish to give here today, but let me cite the most important example.

As its name implies, the Federal Reserve System administers the bank reserves of the country. In the beginning of the System, one of its stated purposes was "to mobilize bank reserves." This implies that the reserves belonging to member banks were deposited in the Federal Reserve Banks. Actually this was done, but as the currency and credit needs of the country expanded, the Federal Reserve Banks have supplied additional reserves to the banking system. These reserves have gone indirectly to non-member as well as to member banks. It is the basic task of the Federal Reserve authorities to administer the supply of reserves available to banks in a manner that will help to promote healthy growth of the economy without extreme fluctuations.

Non-Member State Banks

Non-member banks, although indirectly affected by the credit policy actions of the Federal Reserve, are not directly subject to the regulations with respect to reserve requirements that the System authorities must impose in the interest of national credit policies. In a few States, very few in fact, State banking laws have been enacted which approximate the Federal regulations prescribing reserves against deposits. In the vast majority of States, however, the reserve requirements are around 10%, with no regulation whatever in Illinois. Nor are "reserves" defined in even substantial uniformity. Deposits with other commercial banks, vault cash, U. S. securities, and even municipal securities, are counted as reserves in many States. Truly it must be admitted in all fairness that the regulation of bank reserves among the 48 States is a hodgepodge. While it may be stoutly maintained by some nonmember banks that such a meaningless pattern is the badge of State sovereignty and individual initiative, it may well be asked whether the communities served by relatively unregulated banking are blessed or threatened.

If there be no merit in the regulation of bank reserves in the interest of sound national credit policy, then all commercial banks, national as well as State, should be allowed to escape it. If, as seems more reasonable, there is merit in a national policy, all banks which share in the creation and distribution of the country's money supply should be reasonably subject to it. I say "reasonably" because it may not be essential that all non-member banks be subjected to identical requirements. The proposal submitted to Congress was only for supplemental reserves, in case of extreme need. In any event any requirement applicable to nonmember banks could contain suitable modifications that would prevent undue interference with the practice of correspondent banking.

What Federal Reserve System Has Achieved

This brings us face to face with the fundamental question whether the System has achieved and maintained the effective use of the powers granted by the original act to influence the cost, volume and availability of credit. It seems to me this effectiveness was achieved fairly early in the System's life, but in recent years has been somewhat sacrificed to war and postwar considerations of paramount importance. Within recent weeks, the System has regained a part of its lost ground. But this fundamental authority over bank credit is still less effective than when first granted. The problem for the Congress and the country's bankers is whether this effectiveness should be restored. Here attitudes are mixed, with a predominant feeling among organized bankers that no further legislation is desirable until and unless an emergency is upon us, which may be too late.

Since this is an official gathering of the Virginia Bankers Association, I take it that it would be appropriate to discuss the official attitude of your Association and of most, if not all, of the State associations as well as of the American Banker Association regarding the Federal Reserve System. During the current year, in particular, there has evolved a sort of party line in the public addresses of A.B.A. and local association officials. The line, in general, is to the effect that the Federal Reserve must be confined to its present area of authority in the banking field; also that within this area its powers should not be enlarged. It is conceived to be a threat to the dual banking system if the Federal Reserve, and the Board of Governors in particular, should be granted additional powers. Indeed, the American Bankers Association made a strong fight against the continuation by Congress of the very modest temporary authority over bank reserves and instalment credit which expired on June 30, last. The fight was successful although, as President Woolen has since said, the victory was not a happy one, because of the implications in a struggle between organized banking on the one side and the Federal Reserve on the other. Nor has it made any difference as yet, because in view of the economic situation the reserve powers would not have been used and the consumer credit controls would have been modified or perhaps removed. The problem, however, is one of long-term powers to do a job.

No Threat to Dual Banking System

In addition to this organizational attitude, there are a good many bankers and bank supervisors who express the individual opinion that even the present structure and powers of the Federal Reserve System are a threat to the dual banking system. I do not think such a proposition has any basis in fact. Perhaps some confusion is due to a difference of understanding as to what the dual banking system is. Looking back to the days before the National Bank Act, there was only a single banking system, namely, a system of State chartered banks, most of which issued their own bank notes which circulated in various degrees of parity as the country's currency. History shows that this system did not provide the country with an adequate and safe banking structure.

Following the National Bank Act, charters were issued not only by the States but also by the Comptroller of the Currency, and thus there evolved a system of national banks and State banks operating side by side throughout the country. This was and is the dual banking system. But as origi-

(Continued on page 24)

*An address by Mr. Clayton before the Ninth Virginia Bankers Conference, Charlottesville, Va., Sept. 8, 1949.

Dealer-Broker Investment Recommendations and Literature

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

Amott Baker Realty Bond Price Averages — Tabulation — Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Also available is a tabulation of **Eastern Real Estate Issues** and **Mortgage Company Certificates.**

Closed End Investment Trust Shares—Review—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Copper and Copper Futures Contracts—Booklet containing series of three articles aimed to show the need for price insurance and the method by which it may be obtained—includes a chart showing difference between the price of electrolytic copper and copper futures contracts—Bache & Co., 36 Wall Street, New York 5, N. Y.

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

Pittsburgh's Brewers — Memorandum on **Duquesne Brewing Co., Fort Pitt Brewing Co.,** and **Pittsburgh Brewing Co.**—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

"Securities News" — Leaflet of data on interesting situations — Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Switching for Dividends—List of suggestions — In "Financial Survey"—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

In the same issue are brief data on **Firestone Tire & Rubber Co., Socony Vacuum Oil Co.,** and **General Motors Corp.**

Tax Exempt Dividend — Very complete survey of **Pennroad Corporation** with emphasis on its unusual tax exempt feature — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Widow's Investment—Comparative tabulation of four investment programs after ten years—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

* * *

Aluminium Limited — Study — James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada, and 80 King Street, W., Toronto, Ont., Canada.

American Vitrified Products—New analysis—Zippin & Co., Inc., 208 South La Salle Street, Chicago 4, Ill.

Atlantic & Danville Railway Co.—New analysis on first mortgage 3% bonds, due 1999, and second mortgage 3% bonds, due 1999, and capital stock — Security Adjustment Corporation, 16 Court Street, Brooklyn 2, N. Y.

Bangor and Aroostook Railroad Co.—Memorandum—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Central Public Utility Corp.—Card memorandum — New York Hanseatic Corporation, 120 Broadway, 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.

Continental Baking Company—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Cooper Bessemer Corp.—Memorandum—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Mississippi Glass Co.—Memorandum—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

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

Permanente Metals Corp.—Analysis—Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

Texas & Pacific Railway Co.—Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available is a bulletin on the **Atchison, Topeka & Santa Fe Railway.**

Thiokol common vs. **Allied Control** preferred — Analysis — Atlas Investing Corp., 25 Broad Street, New York 4, N. Y.

COMING EVENTS

In Investment Field

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. 12, 1949 (Dallas, Tex.)
Dallas Bond Club Annual Fall Field Day at Northwood Country Club.

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.

England and Economic Union

By ROGER W. BABSON

Commenting on the Anglo-American Conference in Washington, Mr. Babson holds fundamental problem is getting the Democracies into an honest and workable economic union. Urges lowering tariff barriers and suggests subsidizing U. S. manufacturers adversely affected.

The current American-English Conference has tremendous possibilities for good. Surely it is a one-way street and cannot do any harm. Frankly, the Englishmen want us to give them more dollars. The financial interest here in New York look upon Beven, Attlee and Cripps as pure Socialists. These New York bankers say, "Why should we Americans use good U. S. dollars to make Socialism a success?" Hence, they are trying to get the English Government to promise to give up Socialism in return for U. S. dollars—or at least not push it further.

Roger W. Babson

But here is the answer of Bevin, Attlee and Cripps: "At the present time the world is divided into two great and powerful groups—The Democracies which stand for Free Enterprise, and the Russians who stand for Communism. Unless some middle ground of compromise can be developed, both groups are headed for a World War III which will destroy civilization. We believe England is trying to work out such a compromise—a safe bridge between America and Russia. It is worth billions of dollars to the United States to help us do this." This is England's argument and I'm inclined to believe it will appeal to President Truman.

Questions Being Discussed

Many questions are being discussed. Chief of these is the devaluation of the pound which would make it easier for the English to sell their goods without increasing the efficiency of their labor and machinery. This would be only postponing the final day of reckoning because England would not now need to debase her currency if her production, management and labor would wake up and become efficient.

Among other things are: Fixing a new and guaranteed rate of money exchange for all Western nations, the powers of the World Bank, President Truman's Point IV, our American tariff, the so-called Block Balances, the continuation of Lend-Lease, etc. All these, however, are mere temporary palliatives to relieve the patient (England) of pain. They are like giving aspirin and an electric pad to someone who needs a surgical operation.

Goal to Seek

My prayer and hope is that the Conference will get down to fundamentals—namely, of getting the Democracies into an honest and workable economic union. We are already fast approaching a mutual defense union, and this is a step in the right direction. This, however, is much like repairing and painting an old house which really needs new timbers and a strong foundation. Let each nation continue to run its internal affairs as it wishes, but insist that we get together on economic matters. These cannot successfully be divided by drawing lines on maps.

Russia has no trade barriers between its different countries. In order for the Democracies to hold their own, they must reduce tariff barriers, have an international dollar and perhaps a single postage stamp for trading *among themselves.* In effect, this would mean extending England's present preferential trading system (which now applies only to the members of the British Commonwealth) to other Democracies such as the U. S., France, Holland, Belgium, Ireland, Norway, Sweden, Denmark, and perhaps Greece and Turkey.

10 or 20 More Years of Prosperity

Such a program might temporarily hurt a few U. S. manufacturers whom the government could for a while subsidize. Labor might fight it for fear of unemployment; but its ultimate results could mean a higher standard of living and better security for every reader of this column, the people of the United States as well as the people of foreign lands. The United States cannot long continue to "live the life of Riley" while the rest of the world is starving. The sooner we realize this the better for all concerned, including ourselves.

I am sure that President Truman is anxious to put over such a program. If the Republicans would heartily join therein, employment and profits would again increase and the entire business situation would definitely improve. I can even envisage a great boom in the stock market and another 5 or 10 years of prosperity. Such a program must, however, get off "on the right foot." Republicans must not cry "wolf, wolf," and scare people into believing that it is a mistake to play: "Thy Kingdom come on earth." This would not be a case of trying to "get something for nothing," but rather of *getting something for something.*

Howard Ives Joins J. Earle May & Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, CALIF.—Howard A. Ives has become associated with J. Earle May & Co., 601 Bryant Street. Mr. Ives has recently been with Walston, Hoffman & Goodwin and was Sales Manager for C. E. Abbett & Co. Prior thereto he represented Hugh W. Long and Company in San Francisco.

La Grange Director

Frank C. La Grange, La Grange & Co., New York City, has been elected a director of the Central Railroad of New Jersey.

With Wm. Van de Carr

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Eskil Florman has been added to the staff of Wm. Van de Carr, 118 South Beverly Drive. In the past he was with Banks, Huntley & Co.

Mutual Funds

By HENRY HUNT

Are You a Two Percenter?

I like the advertisement of Bache & Co. which appeared in the New York "Times" recently under the above caption, referring of course to people who keep their surplus money on deposit at 2%.

With the shares of sound mutual funds selling to yield from 4 to 6% today, it seems to me that the present situation is the complete reverse of 1929 when savings banks paid 4 to 4½% and people either took money out of the banks or borrowed at 9% to buy non-dividend paying stocks on margin.

According to Dr. Lewis Haney, Professor of Economics at New York University, "If you get only 2% on your money, you are losing 2 to 3% on it."

If your money is surplus cash, you are losing 4 to 5% or more on it. Furthermore, if the pessimists about today's economy are wrong, the two percenters and the hoarders of cash are apt to witness both a further shrinkage in the buying power of their dollars and the loss of potential profits through the ownership of sound common stocks. The bulk of the billions in the banks today belong to people with little or no experience in the purchasing of securities. Mutual funds would appear a good medium for their first step towards obtaining a better income as well as some protection against possible further inflation.

"National" Does It Again

In the final ratings of an independent board of judges for the "Financial World" Annual Report Survey National Securities Series was judged as having the best annual report of investment funds for the sixth consecutive year. The bronze "Oscar of Industry" trophy will be presented to Henry J. Simonson, Jr., President of **National Securities & Research Corporation** at the Annual Awards Banquet in the Grand Ballroom of the Hotel Statler in New York on Oct. 31, 1949.

On the Political Front

Every so often we hear sage remarks by businessmen on the rules of business conduct, but it is not so often that we hear of such things from the political front. Accordingly, the following remarks inserted in the "Congressional Record" by the Honorable Leland M. Ford of California may be of interest to our readers:

"(1) You cannot bring about prosperity by discouraging thrift.

"(2) You cannot strengthen the weak by weakening the strong.

"(3) You cannot help small men by tearing big men down.

"(4) You cannot help the poor by destroying the rich.

"(5) You cannot lift the wage earner up by pulling the wage payer down.

"(6) You cannot keep out of trouble by spending more than your income.

"(7) You cannot further the brotherhood of man by inciting class hatred.

"(8) You cannot establish sound social security on borrowed money.

"(9) You cannot build character and courage by taking away a man's initiative and independence.

"(10) You cannot help men permanently by doing for them what they could and should do for themselves."—From **Vance, Sanders'** "Brevits."

Record Dividends in Prospect

Another record year for total corporate dividend payments, in spite of lower earnings, is foreseen in the September Investment Report of **Group Securities, Inc.**

"Corporations generally have maintained payments to shareholders (they were conservative in 1948 in relation to earnings) and this fact has given stability to stock yields which were attractive in any case," the Report continues.

"Meanwhile, there have appeared numerous indications that in many lines the bottom of the readjustment has been reached and passed. Consumption of goods has held at such high levels that new orders in practically all lines have turned up. That business sentiment has turned for the better is evident; perhaps even more important, actual business volume has improved for the first time since November, 1948."

The Group Report concludes that "dividends were maintained in the face of general business decline and pessimism; now with both volume and sentiment improving, there is even less likelihood that payments will contract, at any rate below levels of 1948, which despite conservative dividend policies was a record year for disbursements."

Insurance Stocks Underpriced?

According to **Hares, Ltd.**, earnings of 22 leading insurance companies achieved their all-time high in 1948, and for this year indications are that they will exceed their 1948 earnings by from 25% to 50%.

"The above estimate that earnings of these insurance companies will be from 25% to 50% in excess of their 1948 earnings may prove ultraconservative, in view of the fact that earnings of these companies for the first six months of this year, so far reported, are averaging over 75% higher than for the similar period last year.

"The stocks of these 22 old-line insurance companies, as a group, are now selling for approximately 20% less than their net assets, (which assets consist almost entirely of high grade securities and cash), and this despite the fact that during the last 12 months their stocks have appreciated approximately 12% in market value in contrast to a depreciation of 1% in market value by high grade industrial stocks as measured by the Dow-Jones Industrial Average.

"The shrewd investor buys earnings, knowing that these determine the real value of his business or any other business and that earnings, in the final analysis, are the mother of dividends.

"In effect, one buying the stocks of these 22 companies, around present prices, is acquiring a business ownership of approximately $10,000 of net assets for each $8,000 invested, with an indicated current annual earning yield of around $1,500 on his $8,000 investment.

"In reality, the net assets which may be acquired by an investor today are substantially more valuable than shown above, in that this figure does not include any value for the efficient organizations and 'know-how' of these companies nor for their extremely valuable agencies throughout every State in the Union and the immense goodwill they have built up at great expense during their long and successful business careers, which average 103 years, during which, as a group, they have paid dividends without interruption for 68 years."

Newfield Heads New Dept. for Morris

LOS ANGELES, CALIF.—A. W. Morris & Co., 325 West Eighth Street, established in Los Angeles 34 years ago and members of the New York Stock Exchange, the Los Angeles Stock Exchange and Associated Members of the New York Curb, announced the appointment of Arthur A. Newfield as head of the firm's new Investment Department.

Mr. Newfield is a pioneer in investment banking circles in the West. During 1926, as Vice-President of Ames, Emerich & Co., a large national house, he established offices here and in San Francisco. He became head of his own firm in 1931 and has been prominent ever since in the local investment business. During the war he was Treasurer for a large manufacturing plant, making aircraft valves, and his new association marks his active return to the financial field.

The new Investment Department will deal in Government, Municipal and Corporation bonds, and high-grade stocks in addition to Investment Funds. Particular emphasis will be placed on the careful planning of investment programs. The firm has complete brokerage boardroom and statistical facilities with direct private wires to New York.

Chicago Exch. Announces

CHICAGO, ILL. — To clarify doubt in the minds of management of some Chicago Stock Exchange listed corporations, James E. Day, President, announced that only corporate issues presently listed on merging Exchanges, other than Chicago, need be relisted on the Midwest Stock Exchange. The status of Chicago Stock Exchange listings will not be disturbed.

S. C. Coleman Director

Sylvan C. Coleman, partner in E. F. Hutton & Co., has been elected a director of the West Disinfecting Company.

Buttenweiser Enters U. S. Govt. Service

Benjamin J. Buttenweiser has withdrawn as a partner from the investment banking firm of Kuhn, Loeb & Co. as of Aug. 25, 1949, to enter the service of the United States Government as Assistant High Commissioner for Germany, it was announced yesterday by Kuhn, Loeb & Co. Mr. Buttenweiser became associated with Kuhn, Loeb & Co. in 1918 and was made a partner of the firm in 1932.

B. J. Buttenweiser

Long Gets Award for Direct Mail Ads

Brochures and mail campaigns prepared by Hugh W. Long and Company, 48 Wall Street, New York City, for the use of correspondent investment dealers throughout the country were judged the "Best of the Investment Industry" for 1949, it was announced yesterday by the Direct Mail Advertising Association at its 32nd annual conference, now in progress in Chicago. The award called by the Association "one of advertising's major sources of recognition," was made by Herb Buhrow, Manager of the Mail Sales Department of McGraw-Hill Book Company, who was Chairman of the Board of Judges.

Winning campaigns submitted by the Long Company were based on a "Dividends Every Month" program built around the investment company shares of Fundamental Investors, Inc., Diversified Investment Fund and Manhattan Bond Fund, Inc., and on "Blue Chip Number 31," a brochure describing Fundamental Investors, Inc. Hugh W. Long and Company is national wholesale distributor for shares of all three investment companies. Both campaigns were planned, written and designed by Vice-President Eugene J. Habas and Wilbertha Rasmussen of the Long organization.

Hugh W. Long and Company's campaigns, together with 1949 leaders in other industries, will be prominently displayed and discussed in local advertising meetings in all important cities throughout the United States and Canada during the latter part of this year and 1950, and at Advertising Clubs and Exhibits. They will then be placed for permanent display at leading universities and colleges selected by the Association's Board of Governors, and at the Association's Research Library in New York.

Similar awards for industry leaders have been made by the Association for the past 21 years. The 1948 investment winner was United Business Service, while the 1947 award went to Merrill Lynch, Pierce, Fenner & Beane. This is the first time that such recognition has been given to a distributor of investment company shares.

With Dean Witter & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF. — Robert M. Evans is now affiliated with Dean Witter & Co., 9474 Santa Monica Boulevard. He was previously with First California Company.

Business Man's Bookshelf

Anglo-Palestine (The) Year Book 1947-1948—Statistical and analytical information concerning Israel —$3 per copy ($1.50 in lots of 10 or more)—First Guardian Securities Corp., 20 Pine Street, New York 5, N.Y.

Bradford's Survey and Directory of Marketing Research Agencies in the United States and the World—Ernest S. Bradford—Christian E. Burckel and Associates, 33-35 Washington Street, Yonkers 2, N. Y.—paper—$5 cash with order—$5.50 net 10 days.

By Their Fruits—W. H. Moore —Printers Guild Ltd., Toronto—cloth.

Copper and Copper Futures Contracts — Bache & Co., 36 Wall Street, New York 5, N. Y.—paper.

Economics and the Public Welfare—Benjamin McAlester Anderson—D. Van Nostrand Company, Inc., 250 Fourth Avenue, New York, N. Y.—cloth—$6.

State Planning and Economic Development in the South—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—cloth—$3.

Toward Building a Better America — Frank Altschul — National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—paper—35¢.

Trading on the Commodity Exchange in New York—Commodity Exchange, Inc., 81 Broad Street, New York 4, N. Y.—paper.

Walston, Hoffman to Take Over Buckley

PHILADELPHIA, PA.—The investment business of Buckley Brothers, 1420 Walnut Street, members of the New York Stock Exchange, will be taken over by Walston, Hoffman & Goodwin on Oct. 1 and operated as a branch office of the San Francisco firm.

With Gillespie & Wouters

(Special to The Financial Chronicle)

GREEN BAY, WIS.—John J. Rioux is with Gillespie & Wouters, Northern Building.

Canadian Securities

By WILLIAM J. McKAY

Although greatly overdue, British action in devaluing sterling to a level that can be easily defended will do much to restore confidence in the pound that was sorely undermined by previous procrastination in realistically facing the facts. Admittedly the mere step of currency adjustment does not in itself solve the problem of the British-U. S. dollar deficit. It will however help materially to achieve progress in this direction. Whereas at the untenable exchange level of $4.03 British exports to this country had come to a virtual standstill, with British prices now on a competitive basis exports from the United Kingdom to hard-currency areas will immediately register striking gains.

What is still more important is the psychological change in favor of sterling as a result of the recent courageous step. Prior to devaluation confidence in sterling had been almost entirely lacking. A world-wide flight from sterling was in progress despite the strictest controls which only served to increase the desire to be rid of any interest in sterling. As a result of the drastic slash in the valuation of the pound the situation is likely to change completely in the vital field of investment in sterling areas.

Consequently high hopes can be entertained that the British Commonwealth's U. S. dollar deficit can be gradually eliminated. At the current realistic level of the pound the implementation of the President's Point Four becomes a realizable proposition. In conjunction with a practical scaling-down and refunding of the United Kingdom's blocked sterling war-debts, this factor can operate to place British finances on an eventually sound basis.

In this connection it is interesting to examine Canadian prospects from this angle. In the first place Canada is possibly just as much dependent on the influx of U. S. capital funds in order to offset the unfavorable balance on U. S.-Canadian commercial account. It is true that a certain volume of U. S. investment will take place regardless of the level of exchange but in view of the currently more favorable level of the pound there will be increasing competition for U. S. capital funds from other areas of the British Commonwealth. Investment of this kind will also be spurred as a consequence of Administrational encouragement for activity within the scope of Point Four.

Whether or not therefore the present rate of the Canadian dollar at 10% discount will compare favorably with the pound at $2.80 is likely to have an important bearing on the direction of the flow of U. S. capital funds. As far as the foreign trade factor is concerned the immediate Canadian horizon is by no means rosy. Increasing competition with U. S. surpluses in many staple export lines will render the Canadian task of bridging the U. S. dollar gap extremely difficult for the period immediately ahead; this will tend to create pressure even at the 90-cent exchange level. On the other hand the British export position, as a consequence of the $2.80 pound and the evident willingness of U. S. importers to market British goods at competitive prices, appears highly promising.

When consideration is given to the purely exchange aspect, the balance likewise seems to weigh in favor of the pound. At the rate of $2.80 sterling is at its lowest level in history. Although British finances have been severely strained as a result of two world wars, the combined resources of the British Commonwealth are still enormous. On the other hand, the 100-cent Canadian dollar, even in the absence of the influence of sterling devaluation, was shown to be patently overvalued as soon as abnormal wartime conditions no longer prevailed. It is doubtful also whether without the benefit of heavy speculative U.S. purchases of internal bonds at the 10% level that the state of the Dominion's exchange reserves would have justified the upward revaluation of the dollar in 1946. Consequently it would appear that the 90-cent dollar is a reasonable valuation when economic conditions are favorable; in the present state of world-wide unsettlement and in view of Canada's particular economic problems in the immediate future it is doubtful whether the recent cut of 10% will be sufficient to attract U. S. investment capital on a scale necessary to offset the deficit on commercial account. In any event a limited devaluation of this kind is unlikely to create conditions conducive to the removal of the many restrictions that now militate against the free movement of foreign investment funds.

During the week markets were generally unsettled following Canadian action in following the British devaluation move. The internal bonds were naturally the most adversely affected although it is somewhat surprising that the decline was not more pronounced. Free funds also held close to the new official level and the corporate-arbitrage rate was likewise little affected; deferred purchasing in the former case and buying of gold shares in the latter is undoubtedly the explanation of this comparative steadiness. The stock markets were dominated by the U. S. and local demand for the golds with the base-metal issues also reflecting investor interest.

Carreau to Admit

Carreau & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit Charles V. Benton, Exchange member, to partnership on Oct. 1. Mr. Benton formerly did business as an individual floor broker.

Also effective Oct. 1, Joseph S. Carreau, a general partner, will become a limited partner. Robert F. Sully will retire from the firm Sept. 30.

Carnot Evans Mgr. of Harris, Hall Dept.

CHICAGO, ILL. — Carnot W. Evans has been appointed Manager of the Municipal Bond Department of Harris, Hall & Company (Incorporated), investment bankers with offices in Chicago, New York and San Francisco.

Carnot W. Evans

Except for three years in the Navy during the war, Mr. Evans has been associated with Harris, Hall since 1942, following graduation from Northwestern University.

John Galloway Joins Canadian Bk. of Commerce As Oil Consultant

John O. Galloway, petroleum consultant, has been retained by The Canadian Bank of Commerce because of the growing importance of the oil industry in Western Canada, the bank announced on Sept. 21.

Mr. Galloway was formerly Executive Vice-President of the California Standard Co. and was in charge of exploratory operations for Standard Oil of California in Western Canada during the last eleven years. He resigned from Standard of California on Aug. 1 last and opened offices in Calgary as a petroleum consultant.

His connection with The Canadian Bank of Commerce makes available to the bank an experience covering 25 years service in the mid-continent, California and Western Canadian areas.

John McHugh V.-P. of J. J. McNulty & Co.

CHICAGO, ILL.—John D. McHugh, who has been engaged in the investment banking business in Chicago for the past 19 years, is now associated with James J. McNulty and Co., 135 South La Salle Street, as Vice - President. Mr. McHugh was formerly with Ames, Emerich & Co., Inc.

John McHugh

With Wm. C. Roney & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—William C. Roney, Jr., has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. He was previously with Carl M. Loeb, Rhoades & Co. in New York City.

Howard, Labouisse Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—Gerland J. Foucha, John D. DeLong, and Robert G. Moroney have been added to the staff of Howard, Labouisse, Friedrichs & Co., Hibernia Building, members of the New Orleans Stock Exchange.

With George McDowell

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Kenneth R. Dye is with George A. McDowell & Co., Buhl Building, members of the Detroit Stock Exchange.

LETTER TO THE EDITOR:

Says Our Utopia Is Going on Rocks

Berkeley Williams, Virginia banker, views with mistrust European picture and our efforts to improve situation.

Editor, The Commercial and Financial Chronicle:

A letter which I received from your Editorial Department Aug. 30, is very flattering for it implies I have something very priceless which I do not possess, i. e., brains enough to discuss the problems that are worrying you. Fact is, I can't even understand them, nevertheless I thank you for your compliment.

Berkeley Williams

"Verdict first and testimony after" is my invariable procedure so before reading that pamphlet with the testimony, "Utopia on the Rocks," which was to be mailed to me by a New York friend, I'll just give you my reaction now, which is stated in paragraph 3 of the following communication I have mailed to Senator Byrd and Senator Robertson and the Congressman from my District, Representative Gary, over signatures of a couple of dozen friends:

Hon. Harry F. Byrd
Senate Office Building
Washington, D. C.
Dear Senator Byrd:

An obvious trick is being played by the Administration on Congress to grind down its members by keeping it in session in crowded quarters through the worst summer in fifty years to get much of its National Socialist program enacted; we therefore petition you to—

(1) Pass only appropriation bills necessary to keep the government operating.

(2) Adjourn until January.

(3) Return home and see how restive your constituents are over the billions of their earnings that are being poured into rat holes abroad for the benefit of governments that will not help themselves, but prefer to live on our dole.

Respectfully,
BERKELEY WILLIAMS

Richmond, Va.
Sept. 1, 1949.

Our own Utopia with its 150 million people is rapidly going on the rocks messing with Europe's 400 million, China's 500 million (don't know who counted them but that's what the world Almanac says) and some more besides. Just d a m n foolishness. That's my verdict.

Let private enterprise banks and businessmen with glass eyes take whatever risks and profits there may be in trading with friends, enemy or whoever they want to. Just don't rob the innocent taxpayer.

Harken to the words of Confucius, Franklin, Lincoln or some other wise man: "You cannot keep out of trouble by spending more than your income." *Selah.*

My overall viewpoint is that of Major Gen. J. F. C. Fuller, noted British soldier-author and military analyst. In an article in the September issue of "Ordnance Magazine," he had this to say:

"We Europeans are a truculent congeries of nations who have been fighting each other for upwards of 2,000 years, and we dislike outside interference. In 1917, you Americans stepped into the war to save our side, and whatever at the time we may have asked for as Englishmen and Frenchmen, as Europeans we did not want to be saved by a non-European power; instead what we really wanted was to settle our quarrels in our own historic way.

"Had you not stepped in, we should have been forced to come to terms among ourselves, as we have done scores of times before.

"Without your aid, and it was generous, we Europeans would have concluded the first World War, probably in 1917, by a negotiated peace which would not have been worse than the one established.

"Again in the last war, what with your lend lease, etc., you got entangled in the European brawl, and between 1942 and 1945, backed by your enormous industrial power, you laid the greater part of Central Europe flat. But for lend-lease the war could not have continued for long. Again there would have been a negotiated peace which could not possibly have been as bad as the present one.

"Though it is true it would almost certainly have been followed (if not preceded) by a war between Germany and Russia, nothing could have been more beneficial to the world at large; for in it the two dictatorial powers which were threatening the western way of life would have bled each other white. To imagine that Hitler, had he conquered Russia in Europe, could have held it for long is a joke."

George Washington said "Nothing but harmony, honesty, industry and frugality are necessary to make us a great and prosperous nation," and unless we mend our ways and practice here at home what he preached, we are sunk. It's that simple.

The British Commonwealth of Nations can work out their salvation. They have overcome many crises before and will do it again when they have to. They have to right now, and will, if we let them alone and they find they've got it to do.

Respectfully,
BERKELEY WILLIAMS

Richmond, Va.
Sept. 19, 1949.

Waddell & Reed Opens Buffalo Office; Remove N. Y. Office to 40 Wall

Waddell & Reed, Inc. announces the removal of its New York office and the New York office of United Funds Research, Investment Manager of United Funds, Inc. to 40 Wall Street. Chauncey L. Waddell, President of Waddell & Reed, Inc. will have his headquarters at the new location.

The firm also announces the opening of a Buffalo office in the Rand Building under the management of Gordon B. Cleversley.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—Elmer E. Callen, Jr., and Archie F. Patterson have become associated with Walston, Hoffman & Goodwin, 110 Pine Ave. Mr. Patterson was formerly with First California Company.

LETTER TO THE EDITOR:

A Plan for Solving British Crisis

Alexander Wilson proposes offsetting exports to Britain by increased importation of raw materials from sterling area and building and equipping U. S. naval vessels and purchasing military supplies in Great Britain.

Editor, The Commercial and Financial Chronicle:

A "Chronicle" correspondent has asked the writer what plan he would suggest that would relieve the financial dilemma that Great Britain finds itself in after four years of the Socialist Labor regime and to comment on the European situation as it exists today. The writer thinks that it isn't for us to speak or write critically of the British Government or its labor policies inasmuch as most of us differ in our views regarding the present form of government and its objectives.

Alexander Wilson

Of course, we in this country, would have more confidence in Britain's ultimate economic recovery if the Conservative Party, under Winston Churchill's guidance, was in control, and while we may voice our chagrin about (what we believe) the failure of the Socialist-Labor experiment, we cannot let Britain down at this late day even if it means the collapse of the Labor Party under Attlee and Bevin.

Has Our Brave British Ally Gone Down the Wrong Road?

There is no question that the masses of the British nation have fought and suffered the unendurable hardships of two terrible wars and that they have, wisely or unwisely, grabbed at the socialization and nationalization *miasma* in the hope of improving their individual lot.

Distasteful as it may be for us to think so, we naturally believe that the Socialist experiment was not timed or suited for England's recuperation from the effects of the last two devastating wars and that that country would now be in a stronger, healthier economic position than it is today if it had resisted the temptation to solve its problems by such means. It may well prove that the Socialist-Labor experiment in Britain will turn out to be only a mess of pottage.

Britain Devaluates

Chancellor of the Exchequer Cripps' announcement last Sunday to the world that Britain would devaluate her currency from $4.03 to $2.80 to the pound, was no surprise to the business and financial world.

The writer is of the opinion that this "shot in the arm" may afford temporary relief and may help Britain to come near to balancing her exports and imports in the markets of the world and expand the exports of the deficit countries in the American market. But the future benefits of the devaluation are still very dubious as the move does not supply the right corrective unless and until Britain's Socialist-Labor Party calls a halt, a complete halt, to the further planned nationalization of its industries.

Upon the outcome of England's realistic act on Sunday hangs the fate of the Labor Party.

Perhaps the espousal of the Socialist-Labor program is a natural manifestation phase of the social revolution which is sweeping the world; i.e., Europe, Asia the Pacific Isles, and to a small extent, the United States.

Reflectively speaking, the fatalist may say that in all previous epochs, world convulsions causing wars and wars' results are but the natural evolution of mankind's progress toward righting political wrongs and a striving toward "life, liberty and the pursuit of happiness," as we know them.

Leave England to Winston Churchill and Johnny Bull!!!

While the conservative forces in this country in both the Republican and Democratic parties abhor Socialism, Fascism and Communism in any form, the writer thinks that the fate of the Socialist-Labor experiment in Britain should be left to Winston Churchill and Anthony Eden, et al.

It should be recalled that the first Labor Government under the Right Honorable Ramsay Macdonald (that old redoubtable Scotchman) didn't last long and it is up to the British electorate to continue or discontinue the Labor regime by their vote in 1950 or possibly sooner.

Writer Suggest a Forward Looking Two-Way Plan

Whatever comes out of the Washington conferences, which the British and Canadian representatives have had with our State and Treasury Department authorities, it is possible that the various agreements arrived at may be the "life saver" that Britain needs to overcome her dollar shortage and eliminate her trade difficulties in whole or part. *But in the event that the measures do not succeed, the following plan might merit consideration:*

(1) As an offset to our exports to the United Kingdom, Britain is to repay the United States with exports of rubber, tin. zinc, copper, tea, coffee, whiskey, sugar, quinine, spices, silk, flax, jute, wool, wood pulp, leather, hides skins, vegetable oil, managanese, tungsten, chrome, nickel, bauxite, diamonds, lead, petroleum, mercury, cobalt and other products not obtainable or not produced in sufficient quantities in this country to meet current public requirements and our Government's military and naval needs.

(2) Britain to build and equip to our order and specification:

(a) New battleships and cruisers.
(b) Air carriers.
(c) Submarines.
(d) Army tanks.
(e) Guns for fortifications and army requirements.
(f) Airplanes.
(g) Bombs (but not the atomic type).
(h) Auxiliary Navy vessels.
(i) Big Merchant Liners for our Merchant Marine.

The above list of items that Britain could export is suggestive (and not intended to be a complete schedule) out of which our country could make selections to offset the difference between our exports and Britain's. For instance, the cost of battlewagons, cruisers, big merchant liners like the "Queen Mary," run into millions of dollars even at the lower building costs in shipyards on the Clyde.

(For the reader's information, it should also be noted that our exports to Britain [January to May inclusive] totaled $97,423,000 and Britain's exports to U. S. for same period totaled $312,950,000, or an imbalance of $215,527,000 for that five months alone, ac-

(Continued on page 42)

Massachusetts Enlarges Area of Savings Banks' Mortgage Investment

By C. LANE GOSS*
President, Worcester County Institution for Savings, Worcester, Mass.

Savings bank executive reveals advantages of recently enacted Massachusetts law permitting savings banks to invest in FHA insured mortgages covering real estate located anywhere in U. S. Cites work of Mortgage Committee of the Savings Banks Association of Massachusetts.

For more than a century the savings banks of Massachusetts were able to satisfy their requirements for mortgages by lending to the people of the Commonwealth. Local needs, when the state was growing, were large enough to absorb the available mortgage funds.

C. Lane Goss

During the last couple of decades, however, local mortgage requirements have not kept pace with the expanding accumulation of savings. Consequently, savings banks, today, could absorb all the Massachusetts home mortgage loans held by all lending institutions in the Commonwealth, could take all the new mortgages made in our state each year and still have funds left over.

The reduction in the proportion of deposits invested in mortgages has been an important factor in lowering bank earnings and, hence, dividends. For years, we have been paying the lowest return of any purely thrift institutions in the state and, unfortunately, the differential has widened. Yet, the habit of saving is a basic need of our Commonwealth and of the entire nation and to encourage it, we should offer depositors as attractive a reward as can safely be paid.

Experience has proved mortgages to be our most profitable investment. A wider field for acquiring loans is, therefore, necessary to provide larger earnings from which to pay higher dividends, to increase surplus and to meet the rising costs of operation.

True, since the recent war, we have been able to increase our mortgage portfolios from the local field. Yet, compared to the volume of lending in other sections, our results have been unfavorable. As you know, the home mortgage debt for the entire country rose from $14 billion to $33 billion in three years, a 135% increase. For the savings banks of Massachusetts, however, the comparable increase was $200 million or 25%. That we enjoyed only 1/5 of the success of the nation's lenders is sufficient cause for introspection.

Enlarging Area of Mortgage Investment

This, then, was the background that stimulated effort to obtain a law to enlarge the area for mortgage investment. Research indicated that savings banks should be permitted to use excess investment funds to buy FHA insured mortgages covering dwellings located in the growing areas of the country, areas where the accumulation of savings is not yet adequate and where our depositors' money is needed and welcome. If the law could be passed, the government guaranteed insurance provided on FHA mortgages would protect our funds while they earned higher returns. We would receive a larger opportunity to go to work, profitably and safely. The depositors would benefit and no local borrower would be injured. This is the basis for the law we have.

Precedents exist. We and other lending institutions already make and purchase FHA loans locally. Insurance companies and national banks in our state are permitted to go outside for insured mortgages and have been doing so successfully. Savings banks elsewhere are allowed to go beyond their respective states; prior to passage of this law, we and the savings banks of Connecticut were only ones who could not.

The income advantage is appreciable. A gain of 60% in income may be obtained on the proportion of deposits reinvested from 2¼% bonds into FHA mortgages.

By investing out-of-state, we may obtain for our mortgage portfolios the advantages of diversification a cardinal principal of investment, and we may receive the benefit of investing in more rapidly growing areas of the country, which economic indicators show to be relatively the southern, southwestern, and far western states. Where growth is greater construction is more active, the supply of new mortgage loans is larger and incomes and values are expanding.

If a depression were to develop, the consequences for an out-of-state FHA investor could be remedied much more easily than for the holder of local conventional loans. Foreclosure would

(Continued on page 43)

*A paper by Mr. Goss before the Convention of the Savings Banks Association of Massachusetts, Portsmouth, N. H., Sept. 16, 1949.

Bache & Co. Sees Pound Cut Stimulating World Trade

In early comment issued on Sept. 19, Stock Exchange firm, however, says devaluation bound to create some caution in market.

Bache & Co., members of the New York Stock Exchange, on Monday morning, Sept. 19, just after opening of the trading on the Exchange, issued the following statement relative to the devaluation of the pound and other currencies:

"With a realignment of various world currencies to a realistic basis staring world business in the face, it was logical for many commitments to be postponed until the actual readjustment was accomplished. The devaluation of the pound and other national currencies should, accordingly, have the effect of stimulating world-wide trade bringing into the markets those business men who have been hesitant to make commitments during a period when it was almost inevitable that a change in currency relationships was imminent.

"A major financial development such as the current devaluation is bound to create a certain amount of caution in the security markets. Although New York Stock Exchange prices are off somewhat, especially in groups that might be affected to accelerated imports of certain British goods such as automobiles, woolens, etc., it remains, however, obvious that our markets are likely to pay more attention to current domestic problems such as the soft coal mine shutdown, and the steel pension controversy. The satisfactory solution of these two problems will most likely determine the next immediate trend in price."

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

Elected at Annual Meeting of the Investment Traders Association of Philadelphia, Sept. 16:

President—Newton H. Parkes, Jr., Bioren & Co.

N. H. Parkes, Jr.

A. H. Fenstermacher

J. B. McFarland, III

William J. McCullen

E. C. Williamson

First Vice-President—Albert Fenstermacher, M. M. Freeman & Co.

Second Vice-President—James B. McFarland, III, H. M. Byllesby & Co.

Treasurer—William McCullen, Hendricks & Eastwood.

Secretary—E. Coit Williamson, Schmidt, Poole & Co.

Following were elected to serve on the Board of Governors: Edgar A. Christian, E. H. Rollins & Sons; Joseph Cummings, Brooke & Co.; Frederick V. Devoll, Jr., J. Arthur Warner & Co.; Floyd E. Justice, Kidder, Peabody & Co.; William Z. Suplee, Suplee, Yeatman & Co.; John F. Weller, Buckley Brothers; John M. Hudson, Thayer, Baker & Co.

BOND CLUB OF DENVER

The annual Bond Club of Denver-IBA Frolic held Aug. 26 (pictures of which appear elsewhere in today's issue of the "Chronicle") was pronounced a huge success by all attending, including a record number of out-of-town guests.

Winners in the golf tourney were:

Low Gross: Don Brown, Boettcher & Co.

2nd Low Gross: Dave Lawrence, Boettcher & Co., and Glen Clark, Colorado State Bank, tied.

Low Net: Don Brown and Bill Snowden, Peters, Writer & Christensen, Inc., tied. This competition carries with it the Newton Cup and the tie will be played off. Don Brown has won it twice, and if he wins the play-off will come into permanent possession of the cup.

Team Low Gross: Dave Lawrence and Bill Snowden.

2nd Low Gross: Don Brown and Carpenter.

Team Low Net: Dave Lawrence and Bill Snowden.

2nd Low Net: George Writer, Peters, Writer & Christensen, and Channing F. Lilly.

Bill May, Stone, Moore & Co., won the singles title at horseshoes and paired with Nick Truglio, also of Stone, Moore & Co., won the doubles.

Ed Coughlin, Coughlin & Co., and Bob Connell, Brereton, Rice & Co., Inc., tied at putting and tossed a coin champion, with Ed Coughlin the winner.

Larry Inman, J. A. Hogle & Co., and Bob Newman, Newman & Co., Colorado Springs, won the tennis doubles.

Photographs at the party were taken by Earl M. Scanlan of Earl M. Scanlan & Co.

DALLAS BOND CLUB

The Dallas Bond Club announces that it will hold its annual Fall Field Day (stag) on Wednesday, Oct. 12, at the Northwood Country Club, Dallas. Golf will be from 9 a.m. on with several awards scheduled. Tennis, cards and other games will be featured throughout the day. Buffet lunch will be served about 2 p.m.

All members of the NSTA are invited to attend, but are asked to make advance reservations with Herbert M. Jones, Dallas Union Trust Company, Secretary of the Club.

NSTA CONVENTION TO HEAR SHOUP

Merrill E. Shoup, outstanding authority on gold, will address the National Securities Traders Association, Inc., at the Broadmoor Hotel, Colorado Springs, Oct. 6.

Gold and character have long been associated, in fact since history began the yellow metal has stood the test of time, and all efforts to supplant it have been of no avail. It is still the measuring stick of values the world around. Men often have the same characteristics and at heart are pure gold. One of these individuals is our friend Merrill Shoup, and his association with the standard monetary unit has made history in Colorado. He is so closely connected with the economy and monetary systems of the State that any separation of the couplet would be superfluous.

His influence and untiring efforts have been responsible for the development of one of the greatest gold producing mines in the country, the longest tunnel and the deepest workings. He is also President of one of the largest operating gold syndicates, an officer of the First National Bank, Colorado Springs, also an official of the First National Bank of Grand Junction.

Merrill Shoup is a firm believer in the necessity for a level of government spending and taxation which will permit adequate capital formation. He is not willing to accept the thesis that our economic system has reached its limit of productivity and thenceforth it is merely a question of how do we divide the pie.

Expansion of trade has made Colorado the commercial emporium of the West, with its rail, bus, good roads, motor cars and air facilities. It is a virtual playground of a nation. At night there are more stars to be seen than anyone ever thought existed. Merrill Shoup has been the moving factor in all this development and is now erecting a large, new modern mill in Cripple Creek (the largest custom mill in the United States) for the Golden Cycle Corporation, of which he is President.

A busy man always gets the hardest jobs, and Merrill Shoup is a Vice-President of the Colorado Mining Association, director of the American Mining Congress and director of the Denver & Rio Grande Western Railroad Company. He is one of the noncorroding, never tiring, and ever shining examples of Colorado's foremost individuals.

Statement
By the American Directors of Chade

The American directors of CHADE (Compania Hispano-Americana de Electricidad), the head office of which is in Madrid, Spain, believe they should convey to the holders of Chade securities in the United States, the following information.

Spanish, British, Belgian and other counsel advise that a proposed meeting of shareholders of Chade, which has been called by order of a Spanish court, to be held on September 27, 1949, has not validly been called, and that any resolutions which might be adopted thereat can have no legal effect.

The Charter of the Chade provides that any meetings of shareholders shall be convened in a certain manner, and one of the requirements for such convening is that shareholders be permitted to deposit their shares in banks in countries outside of as well as in Spain, as evidence of the right of the shareholders to vote in person or by proxy at meetings held in Spain. This right of the shareholders has been ignored in the order of the Spanish court. Moreover, the undersigned are advised that this right has been wrongly and illegally circumvented in the notice issued for the aforementioned meeting of shareholders in that it omits the aforesaid obligatory designation of banks in Belgium, Switzerland, Great Britain, France, the Netherlands and Germany, as well as Spain, as depositaries for the said shares. According to the terms of the Spanish court order, such omission is intentional and for the purpose of preventing shareholders outside of Spain, who constitute an overwhelming majority of the total issued share capital, from attending the meeting in person or by proxy unless the shares held by non-Spanish shareholders are deposited in banks in Spain. 85% of the total issued shares of Chade are held outside of Spain by Belgian, Swiss, British, American and other nationals. In view of the actions of the Spanish authorities since July 1947 with respect to Chade, the risk to the shareholders in transferring their certificates to Spain for deposit in that country, it is believed, is obvious.

In addition, the undersigned are informed that the published agenda for the meeting called for September 27, 1949, contains matters which have already been acted upon by shareholders at a meeting held in Luxembourg on January 26, 1949, at which a majority of the shareholders was represented and voted unanimously to appoint liquidators of the company. It would seem, therefore, that the proposed meeting of September 27, 1949, will not only be invalidly convened but, moreover, resolutions which may be submitted thereat would be adopted by considerably less than a majority of the outstanding shares. Such resolutions would be used purportedly to rescind action already approved by a majority of such issued and outstanding shares.

The Chade has been an important factor in the Spanish economy for many years inasmuch as it brought to Spain large amounts of foreign exchange through the payment of taxes, general expenses and financial services in Spain, although the company has had only its head office there and has never otherwise done business in that country.

It is a matter of profound regret to the undersigned directors that the arbitrary and unwarranted attacks on Chade required the adoption of preventive measures by the shareholders. The shareholders voted to approve these measures which involved the transfer of the assets of the company outside the reach of the Spanish authorities.

The undersigned further regret that the Spanish government has apparently permitted itself to be placed in the position of joining in these attacks on a company which has been one of the foremost examples of private enterprise engaged in investments and industrial development in foreign countries, a type of activity which is of such vital importance at this very moment for the recovery and economic well-being of Spain as well as of other European countries.

James B. Alley
Howard H. Bachrach
J. Donald Duncan
Samuel F. Newman
Nathaniel Samuels

Halsey, Stuart Group Offers Central Equips.

An underwriting group headed by Halsey, Stuart & Co. Inc. won the award yesterday (Sept. 21) of $9,120,000 New York Central RR. fifth equipment trust of 1949 2¾% equipment trust certificates, due $608,000 annually Oct. 1, 1950 to 1964, inclusive. Issued under the Philadelphia plan, the certificates were re-offered, subject to authorization by the Interstate Commerce Commission, at prices to yield from 1.40% to 2.925%, according to maturity.

Other members of the underwriting group were A. G. Becker & Co., Inc.; Blair & Co., Inc.; Equitable Securities Corp.; Hornblower & Weeks; Merrill Lynch, Pierce, Fenner & Beane; Otis & Co. (Inc.); Phelps, Fenn & Co.; First of Michigan Corp.; Freeman & Co.; Hayden, Miller & Co.; Wm. E. Pollock & Co., Inc.; Clayton Securities Corp.; Julien Collins & Co.; Kebbon, McCormick & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and Rand & Co.

Proceeds from the sale of certificates will be used to provide for the following new standard-gauge railroad equipment, estimated at cost $11,673,820: 12 diesel switching locomotives; 22 diesel road freight locomotives; 500 hopper cars; 500 flat cars; and 16 electric multiple unit passenger coaches.

G. C. Hoelz Co. Opens

BROOKLYN, N. Y.—Guido C. Hoelz has formed G. C. Hoelz Co. with offices at 189 Montague St. Mr. Hoelz was formerly with Security Adjustment Corp.

Public Utility Securities

By OWEN ELY

Pacific Gas & Electric

Pacific Gas & Electric earnings and dividends in the past have been very stable, the present $2 dividend having been paid for many years. $2.85 was earned in 1929, $2.09 in 1932, and in the past decade earnings have fluctuated between $2.16 (1945) and $2.84 (1939). Last year $2.46 was earned, about the same as in 1947. In 1947 and 1948 the company was able largely to offset the two 10% dilutions due to stock offerings, but this year it had difficulty in doing so. Earnings for the 12 months ended June 30, 1949 were reported as $2.13 per share by the financial services, based on the **average** number of shares, but this figure should be corrected to $2.07. The company in its official statement revealed in a footnote that the stated amount of preferred dividends did not include the accrued dividends on 1,173,163 shares of 5½% preferred stock (par $25) issued in July 1948, or on 1,500,000 shares issued in May this year. These accruals amount to 6c on the common.

Pacific Gas & Electric had a 1-for-10 common stock subscription offering this spring, which increased the number of shares to 8,280,780. Some analysts prefer to use share earnings as based on **actual** shares outstanding, on which basis the June earnings figure would be $1.93.

The amount credited for interest on construction was not revealed in the June 30 figures, but in the calendar year 1948 it was

$2,926,308, equivalent to about 35c a share on present shares. This presumably represents an accrual of interest at 6% on funds derived from bank loans, or from sale of bonds, preferred or common stock, which are tied up in construction. As soon as the plant under construction is placed in service the credit ends, of course.

Stock earnings if figured on actual shares are below the $2 dividend rate, but the company is hopeful of obtaining relief in the form of increased gas rates in the near future. Since 1939 the company's cost of fuel has increased 566%, the further increases in field prices of natural gas were indicated for 1949. Accordingly for the first time in 28 years the company (nearly a year ago) asked the State Commission for a $6.6 million increase in gas rates. Hearings on the applications have been closed and the commission's decision is expected shortly. In the past, the commission has not been noted for generosity. However, with overall earnings last year of only about 4½% on book investment, the company seems clearly entitled to rate relief. After allowance for income taxes, the amount requested would be equivalent to about 50c a share.

Pacific Gas' low earnings appear largely due to three factors: (1) recurring droughts, (2) inadequate rates and (3) the company's huge expansion program. In the President's letter to stockholders dated Aug. 5 he stated "The increase in operating expenses in recent years has been cumulative in effect and largely beyond the control of the management. In addition to rising costs common to practically all business, the company has been exposed to three successive years of erratic and deficient water supply, the effect of which has been to decrease hydro production and to increase greatly the quantity of power purchased from other producers and generated in our fuel-burning plants."

The company plans the largest building program of any utility, including a major natural gas pipe-line project; 383,000 hp. generating capacity was added in 1948 and in February 1949 149,000 more was installed. The government also installed 201,000 hp. (hydro) at Shasta last year. The company plans to spend $450 million more in 1949-51, compared with the 1948 net property account (adjusted for the pending write-off) of $828 million, or an increase of 55%. This together with the big government power program will mean a huge increase in California power facilities.

Pacific Gas spent over $158 million last year for construction (of which $75 million was raised through bonds and $42 million through preferred and common stocks). Valuable rights, at $25 par value, were offered in each of the past three years. The recent offerings, while giving stockholders the equivalent of extra dividends, have tended to dilute earnings and equity values. Under current conditions, with the stock equity around or below 25%, perhaps the company might find it advantageous to have the next issue of rights underwritten.

The company recently agreed with the California Public Utilities Commission and the Federal Trade Commission to write-off $21,918,337 of plant account (net) to surplus at the end of this year and to reclassify an additional $15,553,307 as plant acquisition adjustments, to be amortized out of earnings over a 15-year period beginning Jan. 1. The amortization charge of about $1 million per annum will be partially offset by a reduction of approximately $600,000 in interest charges on the depreciation reserve (which apparently means a reduction in the depreciation accrual). The net figure of $400,000 will reduce share earnings by only about 5c.

Based on the 1948 balance sheet, adjusted for 1949 financing and the pending write-off (and excluding bond discount as an asset), capital ratios are estimated at 55% debt, 21% preferred and 24% common stock; if account 100.5 should also be deducted, the equity ratio would drop below 23%.

Theoretically, Pacific Gas should be able to earn about $3.50 per share based on the following simplified set-up:

	Percentage Earned	% of Total Capital
Bonds	3.00%	55%
Preferred Stock	5.75	21
Common Stock	13.10	24
Average and total	6.00%	100%

This is on the theory that the company is permitted to earn 6% on total capitalization as the rate base. Omitting all intangibles book value of the common stock is about $26.70, and 13.1% on this amount approximates $3.50.

Assuming that the overall rate of return eventually allowed by regulatory authorities was 5½% instead of 6%, return on common stock works out at 11% or about $2.95. These estimates assume that present capital ratios remain about the same and that the company can continue to operate (with normal hydro operations) at reasonably close to capacity, with whatever rates are necessary to afford the indicated percentage return on rate base. Present earnings of $1.93 represent a return of only about 7.2% on common, and an overall return of only about 4.6% on rate base, based on the above formula.

Thos. Rodd, Treas. of J. P. Morgan & Co.

At the meeting of the board of directors of J. P. Morgan & Co. Incorporated, Thomas Rodd was appointed Treasurer of the company to succeed William I. Foley, who resigned from that office because of ill health.

Mr. Rodd was graduated from Yale University in 1935 and joined J. P. Morgan & Co. Incorporated in that year. He was an Assistant Vice-President prior to this appointment.

The board of directors also appointed Messrs. Paul H. Bogardus and Watson B. Dickerman as Assistant Treasurers.

With Louis G. Rogers

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Eugene H. Walters is affiliated with Louis G. Rogers & Co., Johnston Building.

Robinson With Camp Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG.—Bonner H. Robinson has become associated with Camp & Co., U. S. National Bank Building.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Charles A. Baggott is with Bache & Co., Johnston Building.

Griffin & Vaden Add

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—John T. Ruffing is with Griffin & Vaden, Inc., Insurance Building.

N. Y. Disability Benefits Law

M. William Zucker, manager of the Social Security Division of the Commerce and Industry Association of New York, who participated in drafting measure, outlines its revisions. Says it is milestone in social legislation, but warns beneficial effects could be nullified by bad administration.

Addressing the monthly meeting of the Records Management Association of New York in New York City on Sept. 12, M. William Zucker, Manager of the Social Security Division of the Commerce and Industry Association of New York, Inc., who participated in the drafting of the New Disability Benefits Law of New York State, gave a brief description of the provisions of the Act. According to Mr. Zucker: "The disability benefits law is a milestone in social legislation in New York for a number of reasons: The principal one is that it takes care of a gap which existed up to this time in social legislation. Secondly, the law was drafted through the cooperation and actual participation of legislators, government officials, and representatives of business and labor. Thirdly, for the first time a law of this type has been enacted which places the emphasis on the private enterprise system and does not set up a governmental program in which the government is the tax collector and the benevolent dispenser of benefits."

Continuing his remarks, Mr. Zucker stated:

"Our present state and federal social welfare legislation provides benefits to individuals in the following fields:

"(1) Retirement benefits at age 65 and survivor benefits to widows with minor children;

"(2) Allowances to the aged, indigent, blind, and to dependent children;

"(3) Compensation for loss of earnings and disablement through an **occupational** illness or accident;

"(4) Benefits during involuntary separation from employment.

"It is immediately obvious that there exists one important cause of loss of earnings which is not generally covered by compensatory legislation. This cause is **non-occupational** accident and illness resulting in inability to perform the duties of an individual's employment.

"Rhode Island in 1942 enacted the first cash sickness law. In doing so, it did not put into effect the private insurance experience of group accident and health policies, but rather set up a monopolistic state fund to provide benefits on a flat tax basis collected from the employees. This law was followed in 1946 by California's cash sickness law, which permitted employers to insure their liability with private insurance as well as with a state fund. New Jersey in 1948 continued the trend toward allowing employers to insure their liability with private insurance in addition to using a state fund. However, the flat tax basis was continued.

The Law's Coverage

"Who is covered by this law?

"Any employer who after July 1, 1949, has in his employ for the next calendar year four or more employees is subject to the law. He continues to be a covered employer until the end of any calendar year in which he has not had four or more employees on each of the last thirty days.

"The law excludes certain employees, such as the wife, husband, or minor child of the employer, employees performing services for the state or local governments, those working for religious, charitable and educational non-profit organizations, ministers, priests, rabbis, or members of religious orders, seamen, and a few others. However, the law permits employers excluded either because of size or these named reasons to become covered voluntarily.

"Under the law, an employee is entitled to a weekly benefit rate of 50% of the employee's average weekly wage, with the weekly minimum benefit of $10 and the maximum of $26. If the employee's weekly wage is less than $10, then the benefit is the average weekly wage. Benefit payments will begin for illnesses which commence on or after July 1, 1950.

"There is a waiting period of seven days for a disability. Any disability which follows caused by the same related injury or sickness is considered to be a single period of disability and the first seven days waiting period suffices if the illness is separated by less than three months.

"Benefits are paid for a maximum of thirteen weeks during any period of fifty-two consecutive calendar weeks or during any single period of disability.

"An employee of a covered employer is entitled to receive disability benefits—

"(1) During employment with a covered employer after the first four consecutive weeks of employment;

"(2) If unemployed during the period of four weeks after he was discharged;

"(3) If a person takes a job with a covered employer within four weeks after becoming unemployed;

"(4) Immediately upon employ-

(Continued on page 37)

The "Invisible" Tariff Barriers

By PAUL EINZIG

In commenting on U. S. discouragement to importation of British goods, Dr. Einzig cites customs regulations as handicapping trade with United States. Says customs officials assume attitude of keeping down imports and thus prevent foreign nations from paying their debts to us. Calls for U. S. customs revisions to implement President Truman's plea for larger consumption of foreign goods.

LONDON, ENG.—On the occasion of his brief visit to London at the end of August, Mr. Hoffman, ECA Administrator, in a statement to the Press, exhorted Britain and Europe to export more to the United States. Beyond doubt, all possibilities have not been fully explored by British exporters, and there is ample scope for an intensification of their efforts but it is only fair to admit that under the existing American customs regulations and their application in practice, any efforts to increase British exports to the United States meet with the utmost discouragement. Indeed it is no exaggeration to say that, owing to the complete uncertainty of the rules and £ rates that Customs officials will choose to apply, exporting to the United States is not a commercial operation but a reckless gamble.

Dr. Paul Einzig

This aspect of the problem of increasing British sales to the United States is only beginning to receive attention in the British Press, and is ignored almost completely by the American Press. Yet most British exporters with experience in trading with the United States would undoubtedly agree that their main difficulty is not the much publicised tariff wall but the invisible barrier represented by the difficulties caused by the method in which Customs regulations are interpreted and applied. The regulations themselves appear to have been drafted with the object of discouraging imports to an extent far in excess of the nominal burden of the high tariff itself. What is worse, the spirit in which Customs officials apply these regulations further increase the burden of the Customs regulations, very often to a prohibitive level. Indeed the officials go far beyond the extent to which Congress and Administration wish to keep foreign goods out of the United States.

For this reason, the widespread agitation in favor of a lowering of the American tariff wall would serve no useful purpose unless such a lowering were to be accompanied by a drastic revision of the Customs regulations and unless customs officials could be persuaded to change their attitude towards the application of the rules. Indeed, it would be preferable to concentrate on this aspect of the problem, since in this sphere results could be achieved by administrative action, without having to introduce legislation, the reception of which by Congress might be dubious.

Volumes could be written about the discouraging experience of British exporters in their dealings with American Customs authorities. Instances which were given publicity recently include the charging on automobile spare parts the maximum tariff rate prescribed for scientific instruments; the charging on cider the rate applicable to champagne; and many other similar instances. Moreover, exporters never know in advance the rate they will be called upon to pay on their next consignment. For the interpretation of the rules varies according to the official who happens to deal with the consignment. This means that if a British firm introduces a line of goods to the American market and, on the basis of its experience with the first consignment, feels justified in spending a large amount on advertising the goods in the United States, it has to face the possibility of being imposed a prohibitive duty on the second and subsequent consignments, as a result of which the anticipated reasonable profit might become converted into a substantial loss. The British exporters can hardly be blamed, in the circumstances, for lack of enterprise if they are reluctant to incur heavy initial expenditures for the sake of establishing themselves on the American market.

In a recent speech President Truman appealed to the American public to buy more foreign goods, in order to enable American producers to sell their surplus abroad. But American buyers cannot be expected to buy foreign goods unless their price is reasonable, any more than British exporters can expect to sell in the United States unless the transaction is profitable. President Truman and Mr. Hoffman ought to have addressed their exhortations to the quarters on which the possibility of increasing exports to the United States depends — namely, to the American Customs authorities. The Washington Administration itself could do a great deal of revising its own customs regulations. And much more could be done by making customs officials realize that they exceed their power by pursuing a super-protectionist policy of their own.

These officials mean well according to their lights. They seem to consider it their patriotic duty to safeguard the interests of American producers by keeping out the goods of non-American producers. What they do not seem to realize is that in existing conditions their attitude prevents the debtors of the United States from repaying what they owe, and that, since the lender is the American taxpayer, the ultimate loser as a result of this policy is likely to be the American taxpayer. They also fail to realize that a stage may be reached—in fact to a large extent it has already been reached—at which the prevention of the import of foreign goods results in the prevention of the export of American goods. Thus, the attitude of these well-meaning Customs officials is detrimental not only to the foreign exporting countries but also to the United States. Surely there must be a way for the Washington Administration to make them realize this fact. But the preliminary step to that end would be a revision of the Customs regulations and procedure by the Administration itself, in so far as this is within its power. For, as things are, the actual regulations definitely aim at making imports more difficult. The individual customs officials merely pursue and exaggerate the same spirit which inspires the regulations.

Another useful step in the desired direction would be to draw the attention of the Customs officials to some elementary rules which are apt to be overlooked. President Truman voiced one of these common-sense rules when he pointed out in his recent speech that unless Americans are prepared to import they will not be able to export. Yet many speakers and writers on both sides of the Atlantic continue to preach that if only the non-dollar countries traded more freely among themselves this would solve the problem of their dollar deficit in some mysterious way, without having to export more to the dollar area or import less from it. Evidently this conception is contrary to the rules of common-sense and simple arithmetic. Yet many economists, high officials, and politicians swear by it. How could a Customs official then be expected to realize that, by arbitrarily preventing the import of foreign goods, he places his country before the alternative of giving away American goods for nothing or reducing its exports? Others who ought to know better think that all difficulties would be solved if only foreign countries traded with each other more freely. So long as this popular misconception is upheld the American Customs officials can hardly be blamed for their narrow and short-sighted interpretation of their patriotic duty.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Willard K. Denton, President of **The Manhattan Savings Bank of New York**, announced the election on Sept. 13 of Carl A. Richter to the board of trustees. Mr. Richter, Vice-President Secretary of the bank, completed 47 years of service on Sept. 1.

Carl A. Richter

* * *

At the annual meeting of the **Robert Morris Associates**, the national association of bank credit men and lending officers, Milton J. Drake, Vice-President of the **Detroit Bank of Detroit, Mich.**, was elected to head the organization for the coming year. The meeting was held in the Central Office of the Associates in Philadelphia. Walter L. Rehfeld, Vice-President of the Mercantile-Commerce Bank & Trust Co., St. Louis, the outgoing President, will preside at the Fall Conference of the Associates at the General Oglethorpe Hotel, Savannah, Ga., on Oct. 9-12 and induct the new regime into office at that time.

To assist Mr. Drake in running the affairs this coming year, the Associates also elected Fred C. Witte, Vice-President of the Chase National Bank, New York, as First Vice-President and B. F. Barnett, President, of the Commercial National Bank, Shreveport, La., as Second Vice-President.

New directors elected this year are: Arthur F. Boettcher, Vice-President of the Boatmen's National Bank, St. Louis; Gordon Murray, Vice-President of the First National Bank, Minneapolis; Robert S. Pringle, Vice-President of the Fulton National Bank, Atlanta; and Paul V. Vervoort, Assistant Vice-President of the Commercial National Bank & Trust Co., New York, for two-year terms; Edward F. Gee, Vice-President of the State-Planters Bank & Trust Co., Richmond; and Carl I. Johnson, Second Vice-President of the Continental Illinois National Bank & Trust Co., Chicago, for three-year terms.

* * *

N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Co. of New York**, announces the election of Kenneth W. Fraser, Comptroller of J. P. Stevens & Co., Inc., to the Advisory Board of the 29th Street & Fifth Avenue office of the bank. Mr. Fraser joined J. P. Stevens & Co., Inc. in 1937, was appointed Assistant Secretary in 1944, Comptroller in 1946 and a member of the Finance Committee in 1948. He is also Treasurer and Director of several operating subsidiaries of J. P. Stevens & Co., Inc.

* * *

The **Bank of the Manhattan Co. of New York** announced on Sept. 15 the appointment of John Watts as European Representative. He succeeds Ernst C. Ophuls who has returned to New York and has been appointed an Assistant Vice-President and attached to the main office at 40 Wall Street where he will assist H. Earle Dow, Vice-President in charge of New York City business. Mr. Watts attended St. Paul's School, Harvard University, and Trinity College, Cambridge, England. For eight years he was associated with J. P. Morgan & Co., Inc. During the recent war he served in the U. S. Navy, retiring as a Commander. He then became associated with the Stock Exchange firm of Blanchard, Snow & Watts. Mr. Ophuls, after graduation from Stanford University, was associated for 12 years with the **Bank of America, San Francisco,** of which he was an Assistant Vice-President. During World War II he saw service with the U. S. Army, leaving the service with the rank of Major.

* * *

Hulbert S. Aldrich has been elected a trustee of **Excelsior Savings Bank of New York** it is announced by Francis S. Bancroft, President of the bank. Mr. Aldrich, Vice-President of the New York Trust Co., was graduated from Yale in 1930 and has been with the trust company ever since. He is a director of National Sugar Refining Co., Preferred Accident Insurance Co., Charles W. Wilson Co., and Appliance Manufacturing Co. in Ohio.

Hulbert S. Aldrich

* * *

John R. McGinley, 2nd, on Sept. 16 became Vice-President in the Trust Department of **The Marine Midland Trust Co. of New York.** Mr. McGinley for the past 18 years has been identified with the commercial department of the bank. He is a director of Lion Match Co., Lawrence Portland Cement Co. and Duff-Norton Manufacturing Co. of Pittsburgh.

* * *

Elliott V. Bell, N. Y. Superintendent of Banks, announced on Sept. 20 that he has paid over to the Comptroller of the State of New York over $1,500,000 of unclaimed funds belonging to former depositors and creditors off the **Bank of United States of New York City.** In addition, the Superintendent is paying to the Comptroller approximately $154,000 representing the unclaimed accounts of 21 other voluntary and involuntary bank liquidations completed in the last few years. Since assuming office in 1943, the Superintendent has transferred to the Comptroller the unclaimed funds of 111 such institutions, aggregating about $2,500,000, but the amount now being paid remaining from the Bank of United States liquidation is by far the largest single amount ever paid over to the Comptroller in the history of bank liquidations. The present transfer of the Bank of United States funds is the final step in closing out the liquidation of the Bank of United States. The bank was closed on Dec. 11, 1930, with deposit liabilities of over $188,000,000. Nine dividends aggregating over $150,000,000 or 76⅛% were paid to the depositors. The last of these dividends was paid in May, 1944. At the time of closing, the bank had 59 branches and 413,000 depositors.

* * *

At a meeting of the directors of the **Commercial National Bank and Trust Co. of New York, held** on Sept. 15, John E. Slater of the firm of Coverdale & Colpitts was elected a director of the bank.

* * *

Thomas B. Nichols of Montclair, N. J., has been elected a **Director of Hellenic Bank Trust Company, New York, N. Y.** Mr. Nichols is the Chairman of the Board of The Bankers Federal Savings & Loan Association, New York, N. Y., and a retired Vice-President of the Chase National Bank whose Produce Exchange Branch he managed for a great number of years.

* * *

T. Philip Reitinger, President of the **Montclair Savings Bank,** Montclair, N. J. announced on Sept. 14 that Charles W. Hamilton was elected to the Board of the bank.

Charles W. Hamilton

Mr. Hamilton is Vice-President of the Gulf Oil Corp. and is director of foreign production. He has been President and director of the Danish-American Prospecting Company since 1938, is Vice-President and Director of the Mexican Oil Company, Venezuela Gulf Oil Co., Gulf Exploration Co., Director of the Kuwait Oil Co., Ltd., and Eastern Gulf Oil Co., Ltd., since 1942; Vice-President and Director of the Caribbean Gulf Oil Co. and Colombia Gulf Oil Co. since 1944; Vice-President and Director of the American International Fuel and Petroleum Company since 1943; Vice-President and Director of the Cuban Gulf Oil Co. since 1947; Vice-President of the Venezuela Gulf Refining Co., since 1947; Vice-President and Director of the Gulf Exploration Co. (Tunisia) since earlier this year; Vice-President and director of the Mozambique Gulf Oil Co. since last year, and Director of the Pan-American Society since last year.

A native of Michigan, Mr. Hamilton was graduated from the University of Oklahoma and began his business career in the southwest as a geologist and oil company agent. He came to New York in 1923 with the parent company of the Gulf Corporation.

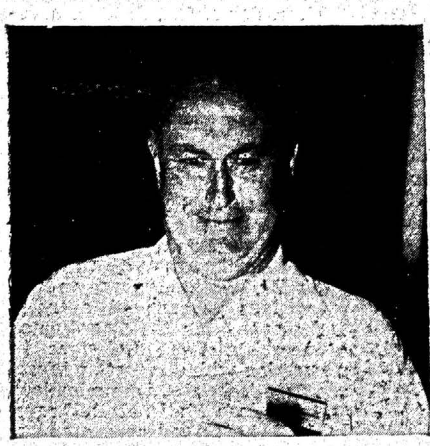
Mr. Hamilton is a member of the American Petroleum Institute, American Institute of Mining and Metallurgical Engineers, American Association Petroleum Geologists, and the Montclair Society of Engineers.

Bond Club of Denver—I.B.A. Frolic

Robert L. Mitton, *Robert L. Mitton, Investments,* President of the Bond Club of Denver

John Hershner, *U. S. National Bank;* Phil Clark, *Amos C. Sudler & Co.;* Ray Robinson, *Sidlo, Simons, Roberts & Co.;* Robert L. Mitton, *Mitton Investment Co.;* Glenn Clark, *Colorado State Bank;* Don Brown, *Boettcher & Co.;* Bud Barwise, *Merrill Lynch, Pierce, Fenner & Beane*

E. Jansen Hunt, *White, Weld & Co.,* New York City



Belden S. Gardner, *Hannaford & Talbot,* San Francisco

S. J. Mohr, *Thornton, Mohr & Co.,* Montgomery, Ala.; Vic Zahner, *Soden-Zahner Company,* Kansas City, Mo.

E. Ray Allen, *Stranahan, Harris & Co.,* Chicago, Ill.

William N. Edwards, *Wm. N. Edwards & Co.,* Ft. Worth, Texas

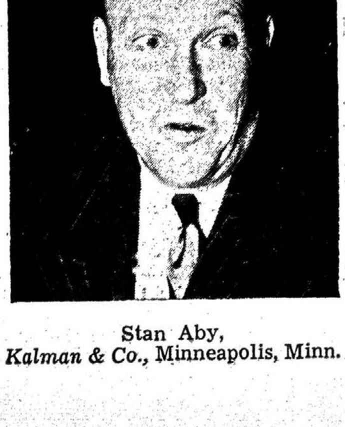
William A. Fuller, *William A. Fuller & Co.,* Chicago

Russell E. Siefert, *Stern Bros. & Co.,* Kansas City, Mo.

Julian Meyer, *Salomon Bros. & Hutzler,* Chicago

J. F. Stephens, *Waddell & Reed, Inc.,* Kansas City, Mo.

George B. Wendt, *First National Bank of Chicago*



Stan Aby, *Kalman & Co.,* Minneapolis, Minn.

Arthur P. Quinn, *Quinn & Co.,* Albuquerque, N. Mex.

Fred Carpenter, *John Nuveen & Co.,* Chicago, Ill.

Harry Greenway, *Central Republic Company,* Omaha, Neb.

Conflicts and Similarities in Farmer-Labor Problems

By GEORGE J. HUCKER*

Professor, N. Y. State Agricultural Experiment Station, Cornell University, Geneva, N. Y.

Asserting economic and political criteria are completely nullified by natural problems of agriculture, Prof. Hucker lists as important factors in agricultural production: (1) weather; (2) soil conservation and productivity; (3) perishable inventories; and (4) tradition. Says labor shares some of these as well as other problems, but because farming is essentially management, agricultural producer places ownership above all other considerations and affiliations. Concludes farmer-labor parties cannot be successful.

The satisfaction of production remains the heritage of agriculture. This satisfaction is one of the great recompenses to the men and women who farm the soil. The great problems of agriculture, therefore, are those which may affect a full and satisfactory production.

George J. Hucker

Labor should know and fully appreciate some of the basic and continuing problems of agriculture. These problems are simple and being simple and elemental, become the more significant. They are not directly concerned with economics, subsidies, crop control, politics, nor are many of them possible of immediate solution. Their simplicity and difficulty of solution makes the agricultural scene in relation to modern economic and political thinking the more complicated.

These problems become the more real as many of them are not in the area of political discussions and cannot be solved by economic and political plans. The production of primary products which, after all, is agriculture, is a natural process aided and abetted by scientific skills of men and women who farm the soil. Economic and political criteria with a record of successful operation in other fields are completely nullified by the natural problems of agriculture. The real problems are so simple, ever present that they continually remain unnoticed by the policymaker but remain of everyday reality to the primary product producer.

Agriculture Production Problems

The first great agricultural production problem is the weather. Rainfall, sunshine, temperature and cool evening breezes are without attack and suggested control by those interested in the development of agriculture. But agriculture must contend with the weather, must live with the weather and agriculture must still depend on the weather as one of the primary factors in production. An accepted natural phenomenon, uncontrolled and certainly non-political but ever a dominant factor in affecting the production of primary food products. The weather, to a degree, controls the type and the amount of production whether corn, wheat, sugar, or rice or whatever products are your concern.

Highly regarded research has lent some effort to this basic problem of agriculture but long time weather forecasts or rainmaking procedures have added little or nothing to an effective or efficient control of the weather.

Labor also should not forget that all agriculture is based on soil productivity. The soil is the great reserve stockpile to full production. Thus conservation of natural and particularly soil resources is the second great basic problem of agriculture. Soil conservation means more than the control of soil erosion, and of dust storms, more than maintaining a proper chemical content and more than a great national program well subsidized for the full employment of innumerable men for the preservation of drainage and other soil mechanical problems. Soil conservation should mean some of these and much more. It should mean the maintenance or the constant raising of the productive level of any given soil. This requires "giving to" in proportion to "taking from" the soil. This giving to the soil many times constitutes, over a long period, a hidden liability in production costs.

Let labor remember a third basic problem of agriculture, i.e., the perishable nature of agricultural inventories. Agriculture plans the future with difficulty. High productive years generally cannot be used to offset years when production is reduced far below the normal anticipation. The development of modern processing, preserving and storage technology has given some aid in this field of our present problem but the perishable nature of agricultural products still remains one of the great agricultural problems, particularly when production is viewed on a year-to-year basis with some hope of a constant level availability of products for general consumption.

Labor should be reminded of another basic problem of agriculture, a problem which is concerned with the whole field of human living. I refer to tradition. If labor discounts tradition as a basic agricultural problem, suggest to a producer of corn in the midwest that he might transfer his chief interest to some other crop, urge a dairy farmer to grow fruit or, above all, start a campaign for western cattlemen to raise sheep. Tradition, after all, is a greater problem in agriculture than many have wished to admit.

Weather and soil play an important role in the selection of crop areas but within the adaptability of growing conditions tradition in agriculture still remains a great human factor which controls or fails to control primary products production in the United States or any other country concerned with agriculture.

Labor should be reminded that agriculture has its admissions and shortcomings. A fifth great problem of agriculture probably is an admission of weakness. This problem of agriculture is a lack of appreciation among primary products producers of the real problems with which they must contend. This almost careless disregard for the simple and basic factors and the courting of complicated and involved problems and solutions may, after all, be agriculture's most important problem. Agriculture must build on the proper and essential basic facts. It may be that this omission by agriculture has resulted in the responsibility for the future developing and planning for agriculture being placed somewhat outside of its own ranks. Many times such plans are formed with the economics of the moment or the politics of the future in mind.

These are some of the great problems of agriculture and we ask labor to bear with us if we seem indecisive, if we seem unsure and if we appear to vacillate in our day-to-day or year-to-year outlook. Our foundations are not altogether sure. We are confronted with problems, not at any moment possible of solution, by a well-spoken phrase or a laboratory test tube.

Agriculture and Labor Have Common Problems

Agriculture and labor have problems in common. It is needless to remark that both are intimately concerned with the hopes, efforts, ambitions and happiness of people. People who have every right to an opportunity for contributing something to human betterment. Those who do not share a compassion and an interest in the welfare of men and women have no place of consideration in these important phases of our economic living.

Agriculture and labor are both concerned each in its field with the development and production of one product. Agriculture is a producer of primary food products. Labor is concerned with the production and development of labor or human energy. Both are primary producers. Both are confronted with the same psychological approach and both are great production and creative movements. However, both are essentially a one-phase operation.

Agriculture and labor face another problem in common. Being a one-phase operation both are concerned with production and production alone with little control over the other phases of their potential operations. Their output has become almost a public utility. Industry controls, insofar as possible, its production, its sales, its administration, public relations, prices through competition, and its research and development. The production of agriculture and labor is of common public concern and being a one-phase operation, their sales, administration, public relations, research, development are not a part of agriculture or labor. Both are thus hard pressed to control their own future. The production of primary products as represented in agriculture or labor, has been advertised, sold, controlled, researched, developed and generally planned for by those far afield. Labor and agriculture, by nature of their respective and necessary emphasis on production, have faced common difficulties in organizing and dominating their entire existence.

Agriculture and labor have another problem in common. Common inasmuch as it is in opposition to industrial procedure. In times of adversity, industry curtails research and development, while in times of adversity agriculture and labor must, of necessity, expand its research and development. In difficult times industry curtails the development of new fields and procedures and exhausts inventories. Such a curtailment may solve industrial problems, but the curtailment of development may be at the expense of both agriculture and labor. On the other hand, in difficult times both agriculture and labor must, of necessity, expand research and develop new outlets. Agriculture and labor continue potentially to produce. There must be an outlet. New by-products or new and refined processes for agriculture and new labor outlets for labor. Economic adversity does not curtail production of labor and agriculture. Thus labor and agriculture must expand under stress.

Basic Differences

Agriculture in its outlook is far afield in many ways from labor and mutual respect remains as the only link when basic differences become a topic of approach to the problems of each.

Let labor be reminded that agriculture is a profession. No longer by labor alone will agriculture succeed. Calloused hands and bent backs are no longer the hallmark of assured success on the land. Effort, yes, but success is dependent on many knowledges and many and varied approaches to the proper and successful cultivation of the soil. Agriculturists are being trained in contributing sciences in dozens of professional schools and colleges of the country and even periods of internship are required for those not previously initiated. Agriculture has arrived. Agriculture must, in time, take its place and be assured of the responsibilities of a profession.

Agriculture reminds labor that in the mechanical process of the production of primary products that the operating unit is generally small. The individual operating units is almost industrial in nature and represents an owner-manager-labor coordinate relationship. Labor becomes only a part of the approach. The outlook of the farm unit has, in late years, become one of management with management's approach, management's problems, and management's psychological reactions to economic changes and developments. Farmers are not wholly concerned with labor. Farmers may be concerned very little with labor within a given unit. For this reason large area movements which tend to allay labor and agriculture become an unholy alliance. Farmer-labor parties have little hope of extended success if based on the conception that both labor and agriculture have a common outlook or methods of procedure. The true farm producer places his feeling of ownership above all else and will ultimately surrender his political affiliations if such an alliance trades in any way on his independence and dignity of possession.

Agriculture, at the moment, is uncertain. To a degree it will remain uncertain by virtue of the facts of nature upon which it must depend. Its uncertainty is brought into further bold relief and as it faces a transition from a time-honored heritage of the satisfaction of production to an attempt to adjust itself to economic and political approaches.

*An address by Dr. Hucker at the Farmer-Labor Conference, Syracuse, N. Y., Aug. 30, 1949.

Edward Kelly Heads New Goodbody Dept.

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, have opened a municipal department under the management of Edward C. Kelly. Mr. Kelly formerly was with Merrill Lynch, Pierce, Fenner & Beane for seven years and previously was in the municipal department of Blair & Co. for eight years.

Cgo. Exchange Member

CHICAGO, ILL.—The Executive Committee of the Chicago Stock Exchange has elected to membership Joseph H. Briggs, President of H. M. Byllesby & Co., Inc.

Whittemore to Head Lehman Bros. Dept.

Lehman Bros., 1 William Street, New York City, members of the New York Stock Exchange, announce that Mr. J. D. Whittemore, formerly a Vice-President of The Chase National Bank, Public Utilities Department, has become associated with their firm as head of its Public Utilities Department.

J. D. Whittemore

Mr. Whittemore, a graduate engineer of the Massachusetts Institute of Technology, has been active in the public utilities field during his entire business career. He has been associated with various public utility companies such as Rochester Gas & Electric Co., Niagara Hudson Power Co., Gardner Electric Light Co., Monongahela West Penn Power Co., Mohawk Hudson Power Corp., New York Power & Light Co., Utica Gas & Electric Co. and Syracuse Lighting Co.

Mr. Whittemore has been associated with The Chase National Bank since 1932 and has been a Vice-President of the bank in charge of public utility loans since 1936. During part of the war years Mr. Whittemore was on loan to various government agencies and worked for the Coordinator of Inter-American Relations in connection with a report on Western Hemisphere Communications and Mexican National Railways. In 1946, he served as a member of General MacArthur's headquarters staff in Tokyo, Japan, and in the summer of 1948 was a member of the Economic Cooperation Administration's so-called Stillman Mission to China. Mr. Whittemore resigned from his position with The Chase Bank on Sept. 14, 1949.

Morgan & Co. Adds Six to Staff

LOS ANGELES, CALIF.—Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, announce that John J. Keenan has become associated with them as manager of the wholesale department, and William C. Pike as manager of the trading department. Douglass M. Hodson, W. Leabman, C. H. Richards, and James H. Walraven have joined the sales department.

Morgan & Co. also announce the opening of an office in the Farmers & Merchants Bank Building, Long Beach, under the management of A. L. Oltman; George M. Baumgardner, Samuel S. Isenberg, Jr., and Stanley W. Wiedrick will also be associated with this office.

All were formerly associated with Buckley Brothers.

Sweeney Director

AKRON, O., Sept. 19.—T. Tyler Sweeney, Vice-President and a director of E. H. Rollins & Sons, New York investment firm, was elected a director of Seiberling Rubber Co. The action was taken at the regular monthly meeting of Seiberling directors.

Mr. Sweeney replaces Warren H. Snow, President of E. H. Rollins & Sons, who has resigned. Mr. Snow was elected a Seiberling director in April, 1948.

Mr. Sweeney has been with the investment firm since 1930, and was made a Vice-President in 1941. He is also a director of the National Vulcanized Fibre Co. and of the Employees Credit Corp.

Have We Cooperation of Farm and Factory?

By HON. MAURICE J. TOBIN*
Secretary of Labor

Stressing need for close cooperation between city and country in promoting economic welfare, Secretary Tobin says both farmers and factory workers must be convinced they cannot covet the other's gains. Says specialization has affected security of farmer as well as industrial worker, and increasing government action is essential to solve their problems by a "bolstering operation." Upholds Brannan farm income support program and stresses "importance of maintaining individuality of American worker."

The need for close cooperation—this interdependence of city and country—has not always been as important as it is today. In the earliest days of our history it was easy for individuals to make their own living without affecting or being affected by the actions of others. Those were the days when each household was virtually a self-contained economic unit. In fact, the word "economy" itself has its roots in the Greek word meaning "household."

Maurice J. Tobin

As time went on, however, this simple existence changed. Individuals began to specialize and develop certain of their skills. This resulted in much more efficient production, and, in turn, in a higher standard of living. In fact, it is this specialization and intensive development of skills which has been the most important factor in building for our people the highest standard of living in the history of the world. But we have paid a price for what we have gained: our society no longer consists of self-contained economic units. As we developed certain skills, we lost others. And today's economy is a vastly different one from our earliest one.

Of course, we feel that what we have gained through our increased skills is worth much more than what we have lost. For we can buy much more with the money we now make than we could have produced for ourselves had we retained the earlier system of production. What, then, have we lost? We have lost our self-sufficiency; we must now depend upon one another. The shoemaker no longer grows his own food. But he can work at producing shoes on a full-time basis, so he earns enough to buy much more food than he could have grown in the old days of self-sufficiency. He is better off, therefore; but he is better off only when he is working full-time at producing shoes. So the net result of all this specialization is to help us only when these special skills are in full use. As we have progressed economically, therefore, we have become more dependent upon each other's skills to meet our full needs; and we have become more dependent upon each other's prosperity to insure our own. Each individual depends for his economic welfare upon the rest of his group; each group depends on all others. And the interdependency of these groups does not stop there; our national groups—farmer and labor alike—are now dependent upon international economic stability as they have never been before. We must therefore speak in terms of building a stable world economy. We can no longer hope to stand alone as a prosperous giant in a world of economic ruin.

Is There Conflict?

In spite of their mutual dependence upon each other, the city and the farm seem at first glance to be in conflict economically. The city worker sometimes blames the farmer for the high prices he pays for his food. At the same time the farmer charges that the city workers' high wages results in the high cost of the farm machinery and other goods which the farmer has to buy. But this conflict is more apparent than real. It is fortunate for us that the same specialization of effort which is the basis for this apparent conflict contains the seeds of its solution. For industrial development has created in more recent years the machines and roads which have permitted the city folks to spill back towards the country, while the farm community has come closer to the city. This closer relationship gives us the opportunity to convince both groups that each cannot covet the other's gains. It is only their mutual interest in a general prosperity that can get for each group its proper ends.

I have said before that the technical advances we have made have cost us a price by making us dependent upon one another. There are other aspects to this price we pay for specialization. The industrial worker has lost some of that stimulus to produce which he had when he made a whole product and did not stand on an assembly line. In many areas, too, specialization in farming has resulted in a commercialism which has the same dangers to the economic security of the farmer as specialization has had to the industrial worker. These are real problems; we cannot hide from them. Nor can we proclaim that the Government is not interested in their solution.

What Government Can Do

The function of our Government in connection with these problems is surely not to attempt the impossible—to turn back the clock and atomize our economy to the stage it was hundreds of years ago. Our aim must be to harness our increased skills and use them to build both the individualism and the prosperity which gives rise to security in mind and body. The governmental program to accomplish these important objectives is what we seek today.

We can no longer speak as we did 200 years ago of a goverment which has no relation to individuals except to guarantee them their political rights. The function of government has changed just as our economy has changed. Since we have grown dependent upon one another economically, the government has had, gradually, to enter the economic sphere of things. Everybody agrees now a days that we no longer exist in a completely *laissez-faire* economy—one in which the government exerts no economic pressures. The question that exists today is: What type of economic action should be taken by the government? So when the Republican Party tells you that this Administration is interfering with the economy, its charge is really that we are interfering in the wrong way with the operation of our economy. In the depths of the depression, when the Republican Party was in power, it, too, took economic action. It is true this economic action was limited to taking such steps as the establishment of the Reconstruction Finance Corporation which served a valuable but limited purpose in making loans to large business enterprises which were in serious straits. But no steps were taken, until the Democratic Party came into power, to spread around some of this governmental economic assistance—to the farmers, to the industrial workers, to the small business man. The Republican theory was that some of the economic benefits it gave to big business would somehow overflow its coffers and would fall into the waiting hands of the people on the economic floor of our nation.

What Democratic Administration Has Done

As distinguished from that form of economic action, we have tried since 1933 to raise the general level of this economic floor. And I think that no one will deny that the standard of living has increased during these years. But, of course, we cannot stand still. It took a war really to teach us how great is our capacity to produce and consume. We must now try to prove to the world that high production and consumption levels can be made to serve the more constructive objectives of the peace.

This means that we have to maintain high wage levels, bringing mimimum wages up to newer, more realistic levels. This also means continually raising our standards of health and welfare. In all of these respects—because of the economic interest in its people which the government must have — this Administration has been constantly pushing forward.

We have to watch carefully for the first signs of decline in our economy and we must be prepared to take vigorous steps towards stabilization before any situation becomes too serious. Although unemployment among industrial workers generally is not serious at present, we must prevent its spread by curing the beginnings of the disease in some industries and in some sections of the country. Similarly, we must watch farmers' income very carefully and bolster it whenever necessary to maintain a stabilized level. The farmer has none of the city workers' guarantees of minimum wages and unemployment insurance. So this bolstering operation is a more complicated process, although it is no less important to all of us if we are to prevent a downward spiral from beginning.

Reasons for Farm Price Stabilization

You may ask why it is that agriculture as an industry needs a program to guarantee farm production and price stabilization. Although farmers as a group constitute a major segment of our economy, the bulk of farming itself is conducted by millions of individuals who operate independently. These individuals by themselves have only limited bargaining power. They do not know what the crop situation will be like when harvest time comes around. And even if — by some miracle of science as yet undiscovered—the farmer could predict the size of his harvest, he has the more important problem of judging the pattern of demand. He must estimate how much of a given total of demand will fall into the various crops; he must, in other words, read the mind of the consumer. Then there is the equally important problem of estimating the total requirements of the economy. We know that consumer demand for farm products varies with income. So when the farmer plants his seeds he is really making an estimate of the total economic picture at harvest-time and afterwards. The result of all of these uncertainties is that due to this wide variety of unpredictable factors we run the risk of great fluctuations in the amount of the farm products which come to market and in the demand for them. These fluctuations, in turn, have a serious effect upon the price level. So the government's interest to stabilize price and avoid the gluts which in the past have led to the first downward turn in the spiral of business activity. We must assure the farmer that he will not suffer if he produces as much as possible, provided only that he is reasonably diligent in trying to meet the quantity and quality of requirements of his customers. And program which does not tell the farmer that he will not lose by working hard and producing more, cannot get for us the maximum farm production upon which a prosperous economy depends. We must never again tell the farmer that crops of record size can mean sorrow and misery to his family.

It is in this sphere that our distinguished Secretary of Agriculture has devised our Administration's program for maintaining fair incomes while at the same time permitting food prices to reach supply and demand levels. We are convinced that the cost in taxes of such a program is infinitely less than the cost to all of us of a depression. We are convinced that such action will prevent depressions, will build bigger markets for industrial goods, will insure jobs for industrial workers and, in turn, money for those workers to buy the products of the farm.

Importance of Maintaining Workers' Individuality

I have already stated the importance of maintaining the individuality of the American worker. The Administration's program meets this problem by offering stabilization to the smaller farmer, the one who operates a family farm. We do not want to encourage development of extremely large-scale industrialized farms which might make serfs of our independent farmers.

The combination of programs for farmer and city-worker which is being advocated by this Administration, and which I have reviewed briefly today, constitutes a logical economic pattern for our activities in the future. I am certain that its adoption will help meet the needs of our country and the world which depends on its prosperity.

I regret to say that it is not too popular in some circles to point to this community of interest between the farmer and the city-worker. About three months ago I addressed the graduating class of a college in a small Midwestern farm community. Naturally, since I was speaking in a farming area, I stressed the economic value of farm-labor cooperation. This suggestion was looked upon with horror by a big business newspaper in this State. The newspaper suspected a plot on the part of the Democratic party to main tain what it called a successful marriage of farmer and worker. It said:

"We sincerely hope that the students of this graduating class did not pay too much attention to Secretary Tobin's commencement address but merely fidgeted through it as is usually the case with such orations — if memory serves us correctly. We would hate to have them use the Secretary's ideas as their guideposts once they take up their positions in society."

Then it went on to describe "the basic conflict between the interests of agriculture and labor. Agriculture's chief interest is the maintenance of high farm and food prices. Labor is interested in low food prices." The crime of this Administration, according to some in our country, is that it tries to abolish this conflict. By an economic program which insures full employment, and by such measures as the Administration's farm program, we want to make it possible for all of the people to buy the food they need—the food that farmers are producing in such abundance—while helping the farmer to maintain a decent standard of living. In turn this consuming power of farmer and worker makes a prosperous economy for the manufacturer, the merchandiser, and members of the professions. We confess that we are guilty of trying to help stabilize our whole economy. We also plead guilty to refusing to go back to the days of cheap prices of farm products, during the early 'thirties, when unemployment did not permit the city-worker to buy food even at those low prices; when the government stood idly by, while farm families lost their land because they could not sell the crops rotting on that land. We plead guilty today to the crime of fashioning a bold new program which will tell the people of the United States that prosperity for city-worker and farmer and every economic element in the nation alike can be maintained in the richest and most productive country in the world, and that never again need we face the sinful prospect of starvation and economic stagnation amidst plenty.

*Address by Secretary Tobin before the New York State Labor-Management Conference, Syracuse, N. Y., Aug. 30, 1949.

Homer Orvis to Join Shearson, Hammill Co.

Homer W. Orvis, a member of the New York Cotton Exchange for 33 years, will join Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Oct. 1 as head of the firm's cotton department, it is announced. Mr. Orvis began his career with a leading firm of cotton merchants in New York in 1912 and later served with agencies of the firm in Savannah, Ga., and Waco, Texas.

Homer W. Orvis

During his long association with the industry, Mr. Orvis has held memberships on most of the cotton exchanges here and abroad. He has visited all of the world's cotton-growing areas and has spent considerable time in mills learning the technical requirements of the industry.

McDonald-Moore Co. Adds R. J. Jeffery

DETROIT, MICH. — McDonald-Moore & Co., Penobscot Building, members of the Detroit Stock Exchange, announce the association with them of R. J. Jeffery, of Ishpeming, Mich., to be their sales representative in the Upper Peninsula. Mr. Jeffery is President of Gwinn State Savings Bank and was formerly Cashier of the Miners National Bank, of Ishpeming. He will specialize in the distribution of Municipal Bonds and Investment Trust Shares.

F. C. Huyck & Sons

RENSSELAER, N. Y. — F. C. Huyck & Sons are engaging in a securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market seems to be recovering its equilibrium, with investors and traders showing an enlarged interest in most Treasury obligations. . . . The downswing in prices carried many of the longer-term issues to levels which have been attracting buyers in fairly sizable amounts. . . . Savings banks and trust companies have been taking on the near-term eligible taps, while out-of-town commercial banks continue to be buyers of the longest-eligibles, both the taxables and the partially-exempts. . . . The nervous and uncertain condition appears to be passing, although some minor liquidation is still being carried out in a few of the higher-income issues. . . .

Easy money will still be with the market for some time to come and this should bring more buyers into governments, especially the longer-terms. . . . Even if a stabilization area is being established, there should still be room for moderate price betterment in many of the higher-income governments, because there is not likely to be any substantial increase in the supply of these obligations. . . . The October 1⅛% certificate was according to expectations. . . . The devaluation of the pound sterling had no effect on the government market. . . .

MARKET'S TECHNICAL POSITION STRONG

Treasury obligations have experienced a fairly sizable setback, and many money market followers believe this reaction has greatly improved the technical position of the market. . . . It is indicated quite a few speculative positions have been liquidated, especially in the longer-term issues. . . . These securities, according to reports, have gone into strong hands. . . . Volume during the recession was on the light side, with very few sizable blocks of securities coming into the market. . . .

Although some securities were liquidated during the decline, these were disposed of mainly by professionals, with investors principally in the background. . . . Profit-taking and paring down of positions by dealers, along with some quoting down of prices, tended to aggravate the uncertain market position. . . . The sharp rise in prices on not too solid buying, put the market in vulnerable position so that only a minor change in psychology resulted in bids being pulled and speculators being scared out of their holdings. . . .

NOT MUCH LIQUIDATION

It is believed very few investors liquidated securities in the market decline, because they have been acquiring issues on the way down in order to round out maturities. . . . As quotations receded, many commercial banks were buyers of the longest eligible issue and the 2s. . . . Some purchases were made in the 2¾s of 1956/59 and the 2½s due 1956/58, but in smaller amounts than in the 2½s due 9/15/67-72. . . . The partially-exempts were well-taken by deposit institutions, which were in need of tax protection. . . . A home was readily available for the 2⅞s and the 2¾s and many commercial banks believe they have made favorable acquisitions (during the uncertain market) of the partially-exempt issues. . . .

The amount of bank obligations which changed hands during the market recession was not too sizable because there were and still are large orders for these securities that have not yet been completed. . . .

BUYING ON WEAKNESS SUGGESTED

If the market has undergone a healthy reaction, and securities have passed into strong positions as many seem to believe, what is likely to be the course of the market from here on? . . . Opinions appear to be running more along the lines of a firm-to-buoyant market, with less spectacular price movements in either direction. . . . Many investors that were on the cautious side have taken on the higher income obligations at the expense of the shorts. . . . They believe easy money will continue for a long time and this will make the position of the longs more desirable. . . . Also corrections in the market are not likely to be sizable or of any considerable duration. . . .

In other words, it is held, price setbacks should be utilized as buying opportunities. . . .

MARKET BRIEFS

The ineligibles have also been put away during the market recession, with savings banks the main buyers, followed by the fire and casualty companies. . . . Dealers have been among the important sellers, with the life insurance companies on the sidelines. . . . Volume in the taps has been larger than in the bank issues, but in this case also, the amount of securities liquidated was not substantial. . . . Switches continue to be made from the eligibles, with the earlier eligible taps still in greater favor than the longest restricted obligations. . . . Some positions in the longer ineligibles were rebuilt by traders in the decline, which tended to cushion the sell-off in these obligations. . . .

Some selling of the tap bonds was done by certain institutional holders in order to get funds which were put into the equity market. . . . Many money market operators believe strikes in key industries, which could influence the business situation, will bring about lower money rates and higher government security prices. . . . Under such conditions a 1% certificate is expected by this group.

Hay, Fales to Admit

Hay, Fales & Co., 71 Broadway, New York City, members of the New York Stock Exchange, will admit Harold S. Munroe, Jr., to the firm on Oct. 1.

Tobey & Kirk to Admit

Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Benjamin Goodney to partnership Sept. 29.

To Be Conning & Co.

HARTFORD, CONN.—The firm name of Conning & Company and Ballard, 15 Lewis Street, members of the New York Stock Exchange, was changed to Conning & Co., effective Sept. 15.

The Exchange membership of the late Eugene Ballard was transferred to John D. Britton Sept. 15, and Mr. Ballard's interest in the firm ceased Aug. 7.

Vandenberg Warns of Limit to U. S. Foreign Aid

Tells European Journalists fact must be recognized that American resources cannot be drained permanently for overseas support.

Speaking at a dinner given by Overseas Writers to European journalists in Washington on Sept. 15, Senator Arthur H. Vandenberg, leading Republican spokesman on U. S. foreign policy, warned foreign nations they cannot expect the United States to permanently extend financial aid abroad.

A. H. Vandenberg

"No matter what our cooperative disposition or our self-interest, there are definite limits to the American resources which we can safely invest in foreign aid," Senator Vandenberg stated. "Recognition of this fact is as important to you as it is to us because our unweakened strength is a common asset for us all. These limits *must* not and *will* not be over-reached.

"Even though this were not true, there are definite limits to the practical utility and wisdom of external aid because it must not drift into a permanent reliance. You who come to us tonight from brave nations overseas will be the first to recognize this fact because your nations have incomparably demonstrated your love of your own independence, no matter what the cost in blood and sweat and tears.

"You will not misunderstand me—certainly I speak as a proven friend—when I say that, no matter what our disposition, there are critically vital things which rest exclusively in your hands. They must be done before it is too late. Our partnership is based upon self-help and mutual aid. That requires the earliest possible self-sufficiency within each of your magnificent nations by your own courageously effective work and efforts. It inevitably means the swiftest, maximum gearing of all these Western European efforts, each with the other, on your own enlightened initiative.

"The intensified achievement of these indispensable results necessarily is in your hands. We give you every encouragement; and, believe me, your *self-help* success is our most fervent prayer for you."

Wants Point IV Program Clarified

John L. Collyer, President of B. F. Goodrich Company, says impression that it is a "big money program" should be killed, and fact made plain it is merely an extension of what U. S. has already done in many parts of world.

John L. Collyer, President of the B. F. Goodrich Company, in an address before the Society of Automotive Engineers in Milwaukee, on Sept. 15, called for action to clarify the misunderstanding which he said seems to exist abroad over the meaning of President Truman's Point Four program for extending aid to undeveloped areas in foreign lands.

John L. Collyer

"This seems to many nations to mean only one thing—more billions of our citizens' dollars will be given by our government for this purpose," Mr. Collyer maintained.

"It is not, I believe, intended to be a big-money program," the rubber company executive continued. "Its purpose is to implement the utilization of American methods and know-how in the development of economic potentials in backward regions. In fact, Point Four is really an extension of the work that the United States has already done in many parts of the world.

"It is quite true that as such a program takes hold under healthier political and economic climates the way may be cleared for larger investment abroad of American private capital," Mr. Collyer declared further. "To this extent other countries would benefit greatly without new burdens being imposed upon American taxpayers."

Mr. Collyer called attention to what he characterized as "the harm that is being done by our not facing up to the misconceptions of the United States' intentions in its dealings with foreign countries.

"The present world situation underscores three considerations," he said, "to which serious thought must be given.

"First, the adoption of schemes such as the terminated International Rubber Regulation Agreement which are based on restriction of production for the purpose of price maintenance or price-raising leads only to the protection of inefficiencies and the steady deterioration of the competitive position of the industry or nation which relies upon such expedients.

"Second, the idea that much of the cost of such schemes, as well as financial aid to most of the world, can be borne by the American consumer and the American taxpayer has been and is being taken too much for granted. To accept as a premise, as so many seem to do, the idea that the United States can underwrite the ambitions of millions in all corners of the world, is a mistake that can lead only to bitter disillusionment and economic disaster.

"Third, the real job before us is to focus attention on what can be accomplished by other peoples—not by the use of American gifts—but by their adopting policies and establishing an environment which would encourage the private investment of American capital, and by use of the methods and know-how which have been such important factors in our economic progress," Mr. Collyer said.

"To export know-how will not impoverish our country," he emphasized. "It will help in the raising of standards-of-living abroad and help create markets.

"More important, it will quicken the desire for the kind of life—not only economic, but political and social—which Americans live and are determined to preserve."

Aubrey Lanston & Co. Opens Offices in NY

The new investment firm of Aubrey G. Lanston & Co., Inc., has opened for business with offices at 15 Broad Street, New York City. The firm will deal primarily in United States Government, State and municipal securities but will not confine itself exclusively to these fields.

IBA Issues Brochure of Member Advts.

CHICAGO, ILL. — Investment bankers are abandoning their traditional tombstone approach to advertising as they seek more aggressively to develop the potential mass market growing out of the altered pattern of national income, Hal H. Dewar of Dewar, Robertson & Pancoast, San Antonio, President of the Investment Bankers Association of America, said in connection with the distribution to the industry of a booklet "Reproductions of IBA Member Firm Advertisements."

This booklet, the first of a series, was prepared by the Public Education Committee of the IBA under the Chairmanship of Joseph T. Johnson, President, The Milwaukee Company, in response to the enthusiastic interest in investment advertising manifested by Association members at a Forum on Merchandising held at White Sulphur Springs, West Virginia, last spring, the San Antonio banker explained.

Large and small investment banking houses, representing all sections of the country, have contributed specimen advertisements of non-tombstone nature, and it is the hope of the Public Education Committee that this "clearing house" project may stimulate the interest of other members so that the over-all advertising effort of the industry may be improved in effectiveness and enlarged in volume.

Pittsburgh Bond Club Fall Outing Plans

PITTSBURGH, PA. — Bernard C. Kelley, Halsey, Stuart & Co., President of the Bond Club of Pittsburgh, announces that plans have been completed for the Fall Outing of the club. The outing will be held at Chartiers Country Club on Friday, Sept. 30, 1949. A large attendance of Bond Club members, as well as guests from out-of-town, is expected.

A. E. Tomasic, Thomas & Co., is General Chairman of the Outing Committee. The Golf Tournament will be in charge of S. Davidson Herron, First Boston Corporation, who is Chairman of the Golf Committee. Franklin Maroney, Blair & Co., is Chairman of the LeBocci Committee, and Wilber E. Johnson, Johnson & Johnson, Chairman of the Dinner Committee, will look after the dinner and entertainment. Prizes will be awarded for golf and le bocci, and other events.

A special feature will be supervised by James C. Lear, Reed, Lear & Co., and Ivan S. Dobson, First Boston Corporation.

Out-of-town guests who plan to attend are requested to make arrangements with Frank M. Ponicall, Jr., Singer, Deane & Scribner, Chairman of Attendance Committee. His address is 1045 Union Trust Building, Pittsburgh 19, Pa.; Telephone GRant 1-4700; Teletype PG 477.

Listings Begin on Midwest Exchange

The organization of The Midwest Stock Exchange in Chicago was made effective on Sept. 15, although trading will not start for another month. Applications for memberships and listings on the exchange can be made now. During this time corporations already listed with the merging exchanges can transfer to the new Midwest board, which thus becomes the largest in the country outside of New York. It is estimated listings will amount to more than 300 issues.

U. S. Steel Refuses Acceptance of Fact-Finding Board's Pension, Insurance Recommendations

Benjamin F. Fairless, President of U. S. Steel Corp., replying to request of Philip Murray, points out company appeared at hearings because of President Truman's assurances that board's recommendations would not be binding on either party. In public statement, leading steel company executive calls noncontributory workers' pensions and welfare payments revolutionary.

Replying to a telegram from Philip Murray, President of the United Steelworkers, announcing the acceptance by the union of the recommendations of President Truman's Fact-Finding Board and requesting that on this basis, joint collective bargaining conferences take place, Benjamin F. Fairless, President of the United States Steel Corporation, announced that his company "has serious doubt about the advisability of some of the recommendations of the

Benjamin F. Fairless **Philip Murray**

board" and was unwilling to negotiate on the basis of acceptance of the terms, although willing otherwise to immediately resume collective bargaining negotiations. Mr. Fairless called attention to President Truman's assurance that the recommendations of the Fact-Finding Board was not to be binding on either party. Immediately after sending his telegram to Mr. Murray, Mr. Fairless issued the following public statement:

"Yesterday we informed Mr. Philip Murray, President of the United Steelworkers of America (CIO), that we are ready to resume collective bargaining conferences with the Union for the purpose of attempting to arrive at some mutually satisfactory solution of the issues in dispute between the United States Steel subsidiaries and the Union.

"Today Mr. Murray has telegraphed us in reply that his Union will not meet with us in further collective bargaining negotiations until we have accepted the recommendations of the Presidential Steel Board. That is unacceptable to United States Steel, because it is both unfair and contrary to the assurance given to us by the President of the United States before the Board was created that the recommendations of the Board would not be binding on either party.

"We are still willing to resume collective bargaining negotiations and to join with the Union in a joint study of pensions, such study to be concluded by March 1, 1950, if possible, so that there may then be intelligent bargaining over a pension program.

"In our opinion, after four days of discussion and consideration, the really important recommendation in the report of the Presidential Steel Board is not the denial of the Union's demand for a wage increase. There was never much of substance to support such a demand for a new round of wage increases. The vital recommendation in the report, about which too little has been said to date, is not the social desirability of proper programs of insurance and pensions, which desirability United States Steel has recognized for a long time, but rather that the future immense cost of such programs of social security should be borne entirely by employers. From the outset, the chief objective of the Union in this dispute has been to obtain non-contributory welfare programs providing benefits for the workers, their families and dependents at the expense of someone else. To impose such a non-contributory principle, as the Board has recommended, upon a basic industry, such as steel, is a revolutionary doctrine of far-reaching and serious consequences to the whole nation.

"If this recommendation of a non-contributory welfare program is accepted by the various members of the steel industry and becomes effective in that industry, the public at large should recognize that a national pattern for a non-contributory system of social insurance and pensions will have been set for all time and for all industry in this country. The continuance of the many contributory plans now in effect in American industry will then be seriously in jeopardy.

"The contributory principle has become firmly established in this country over a period of years as something which is sound, desirable and equitable. The largest of all social insurance programs is that provided by the Federal Social Security Act. To support that Federal program, employer and employee each contribute an equal amount. All of the State systems which have thus far been established to provide non-occupational disability benefits require employees to contribute a substantial share of the cost. A large majority of the industrial group life insurance plans now in effect, including that of United States Steel, require employee contributions. The hundreds of companies now having such a contributory arrangement include most of the prominent industrial concerns of the country. It would be unsound and highly inequitable to attempt to convert these existing contributory welfare programs into non-contributory arrangements where the employer will have to pay all of the cost. The employees of United States Steel have established in the past, in cooperation with United States Steel, numerous now existing voluntary employee welfare associations, where the entire cost of welfare benefits is paid by the employees, in most cases through payroll deductions.

"The Presidential Steel Board concluded that a wage increase in the steel industry would be urged by labor as a pattern to be followed in other industries, and that this might well cause price dislocations with adverse effects on the general economy. But when it came to passing on the Union's other demands for social insurance and pensions, the Board failed to give any consideration to what would be the effect outside of the steel industry of its recommendation of a non-contributory program of social insurance and pensions.

"The cost of such a non-contributory program of social security is just as real and just as important to a company having such a program as a wage increase. If an increase in wage rates is apt to cause general price dislocations with adverse effects on the general economy, the same result can be expected to occur as a consequence of any other substantial increase in employment costs which becomes established as a national pattern. In terms of cost, there is no difference between social security costing the employer 10 cents an hour and a wage increase in the same amount per hour. The establishment of such a non-contributory program of social security would be a fourth round of employee benefits, dressed in different clothes.

"At first glance, a cost of 10 cents an hour for social security under the recommended non-contributory program may seem like a small amount. But when applied to the whole steel industry, the cost of such a non-contributory program would be approximately $200,000,000 a year, when operating at full capacity, as in 1948. That would be the equivalent of adding $3 to the cost of each ton of steel produced in this country last year. At lower rates of operation, the additional cost per ton of steel would be a higher amount. Pensions and social insurance during the life of the arrangements are a fixed cost regardless of the level of operations.

"Where is the money to come from to pay the cost of such a non-contributory program? Is it to be obtained by increasing prices? Is it to be obtained at the expense of stockholders, whose rate of return in the steel industry in the form of dividends was found by the Presidential Steel Board to be 'very low'? Is it to be obtained by restricting expenditures for new and improved facilities, thus causing a lessening of production and unemployment in other industries? These are fundamental questions which will have to be satisfactorily answer. Otherwise, many companies, both in and outside of the steel industry, may eventually find themselves in dire financial straits. Furthermore, at the next collective bargaining conference, the demands of the Union for social security may be more ambitious and more expensive.

"The most important issue raised by the report of the Presidential Steel Board is whether such a Board, possessing no statutory authority, power or responsibility, is to be permitted by public opinion or otherwise to impose upon American industry for all time a non-contributory system of social security, with the entire cost borne by the employer.

"For many years United States Steel has had both a pension and a group life insurance plan. In the current labor negotiations, United States Steel has not opposed a proper program of social insurance financed jointly by employer and employee. In fact, it has twice previously made to the Union a very liberal proposal for social insurance. What constitutes a proper program of social insurance should be capable of determination in collective bargaining.

"In spite of the fact that the cost of producing steel will be increased by any new contributory program of social insurance, United States Steel is willing to pay up to four cents an hour, the amount suggested by the Presidential Steel Board, as its proper share of the cost of a proper program for social insurance on a contributory basis arrived at through collective bargaining. Its position, however, is that as a matter of sound principle any program of social insurance be on a contributory basis."

Railroad Securities

Illinois Central Exchange Offer

The terms of the Illinois Central bond exchange offer were made public over the week-end. Although the terms had been pretty freely discussed for a number of days in financial circles, the actual release was rather coolly received by the market. In particular, the refunding 4s, 1955, declined fairly sharply on moderate trading. The plan is to be entirely voluntary. Deposit of affected bonds must be made on or before Oct. 7, 1949, but the time for deposit may be extended in the discretion of the board of directors. The offer will not be effective unless declared operative by the board of directors on or before Oct. 28, 1949.

The bonds entitled to participate in the exchange offer are as follows:

Chicago, St. Louis & New Orleans consolidated 3½s, 1951
Chicago, St. Louis & New Orleans consolidated 5s, 1951
Chicago, St. Louis & New Orleans Memphis Division 4s, 1951
Louisville Division first 3½s, 1953
Refunding 4s, 1955
Refunding 5s, 1955

The bonds offered to holders of the Chicago, St. Louis & New Orleans liens and Louisville Division 3½s, 1953, will be dated Nov. 1, 1949 and will mature in 25 years. They will bear interest throughout their life at the rate of 3¾%. As additional compensation, assenting holders of these bonds will also receive the following cash bonus per $1,000 bond if the plan is operative:

Chicago, St. Louis & New Orleans 3½s	$2.03
4s	13.02
5s	26.41
Louisville Division 3½s	4.58

The holders of refunding 4s and 5s, 1955, will receive a 30-year series of the same mortgage offered to the other bonds. Those allocated to the present 4s will bear interest at the rate of 4⅜% from Nov. 1, 1949 to Nov. 1, 1955, and 3¾% throughout the balance of the 30 years. Bonds allocated to the present 5s, 1955, will bear interest at the rate of 5⅜% from Nov. 1, 1949 to Nov. 1, 1955, and 3¾% thereafter to maturity, Nov. 1, 1979. The new bonds will have a sinking fund of 1% of the principal amount issued under the plan.

The bonds to which the present offer is being made are outstanding in the amount of $52,201,000. The new mortgage, to be called the consolidated mortgage, will be secured by lien on 5,851 miles of line. Of this, 617 miles will be covered by first mortgage; 1,988 miles will be covered by second lien; 2,510 miles by third lien, and 736 miles by fourth lien. This will constitute virtually the entire system lines with the exception of the unmortgaged Edgewood cut-off of approximately 127 miles. This cut-off will be subject to the lien of the consolidated mortgage when the debenture 4¾s, 1966, are paid off or provided for.

In addition to their mortgage position, the new bonds will be secured by pledge of all of the exchangeable bonds exchanged under the plan and by pledge of $63,685,000 face value of bonds now held in the company's treasury. Of these bonds now held in the treasury, $35,161,000 are of the same issues to which the exchange offer is being made. The balance of $28,524,000 is largely represented by various underlying mortgages coming due from 1950 to 1953, inclusive. The new mortgage, then, will be very well protected and its status will be further improved with deposit of additional collateral as bonds outstanding with the public maturing 1950-1953 are paid off. By 1955 the new consolidated mortgage should have a first direct or collateral lien on all mileage originally covered, except for certain southern lines covered by the joint 4s, 4½s and 5s, 1963. Some of the latter bonds will be pledged under the new bonds.

Success of the present plan should materially improve the general credit standing of the road and once and for all resolve any lingering fears there may be as to the company's ability to handle the once formidable 1950-1955 maturity schedule. Excluding bonds to which the exchange offer is being made, there are only $28,738,000 face value of bonds, other than equipments falling due over the near-term (1951-1953) years. Following these there is a small ($735,000) 1962 maturity and $62,105,270 of the joints in 1963. The company has $75 million of cash.

Roy Andersen Joins Zippin & Company

CHICAGO, ILL.—Roy Andersen, formerly with Robert Strauss & Co., in Chicago, has become associated with Zippin & Co., 208 South La Salle Street. Previously he was with Lamson Brothers and was in the Army for four years.

Loren Morgan to Join Daniel F. Rice & Co.

CHICAGO, ILL.—Loren J. Morgan, until recently with the Department of Agriculture in Washington, will become associated with Daniel F. Rice & Co., Board of Trade Building, members of the New York Stock Exchange, in their grain and commodity department on Oct. 1, the firm announced. Since 1939 Mr. Morgan has handled all floor purchases by the Department of Agriculture, as well as other commodities. In addition, he has purchased all the flour contracted for under the UNNRA program. He began his career in the grain business in Coffeyville, Kansas, and from 1931 through 1933 he was in charge of the allocation of flour purchases by the Red Cross to mills over the country. He has also been associated with the Miller's National Federation and served as a regional code director, in the NRA program.

Mr. Morgan will have his headquarters in the firm's principal office in Chicago.

First Boston Wins Hayden Golf Trophy

A golf team representing The First Boston Corp. won the Charles Hayden Memorial Golf Tournament at the Baltusrol Golf Club, Springfield, N. J. Scoring a winning 320, the team was composed of Charles C. Glavin, Captain, S. Davidson Herron, Thomas E. Walsh and James C. Morrison. The First Boston Corporation was also the winner of last year's tournament.

Teams from 31 securities firms participated in this year's match. Runner-up in the scoring with a 327 was a team representing Fahnestock & Co.

Individual honors for a low gross score went to Charles C. Glavin, Captain of the winning team, who shot a 74. A special prize for a "Kicker's Handicap" was awarded to Thomas E. Walsh of The First Boston Corporation.

Securities Salesman's Corner

By JOHN DUTTON

Someone once wisely said that the way to sell anything is to be there when your prospect *wants* your product. A successful life insurance man once told me that a large measure of his success came about as a result of his ability to call upon people when there was not only a definite need for life insurance, but also at a time when his prospect was motivated by outside circumstances. He just came around at the RIGHT time and closing the business was more or less a matter of discussion, explanation and routine effort.

It seems possible that through very well planned prospecting, a system could be worked out for the retail securities business wherein a salesman's time is largely spent calling upon people who are RECEPTIVE to their suggestions. If such a plan could be put into action it should work out as well as in any other line of business. If you study the merchandising procedures of the nation's most successful retailers you will note that at certain times of the year promotional campaigns are initiated on specific classes of goods. There is a time for a white sale, a housewares sale, for featuring certain types of wearing apparel, etc. Experience has proven that offerings of merchandise of all types will be more successful when the public is in the MOOD to buy it.

This is true in the securities business as well. We have all experienced the lethargy of investors during bear markets and we have known the exact opposite in bull markets. But this is not what I have in mind. This is a general state of mind on the part of investors—it is a handicap in many ways instead of a help. All those who are conscientiously trying to serve their clientele today are faced with the problem of curbing extremes of emotionalism on the part of their clients. Quite frankly, in many instances this cannot be accomplished. The end result is that many securities are sold to investors at prices that are too high—and, unfortunately, the quality is often impaired in periods of business recession. When the general public is in the MOOD to buy securities, the average Security dealer is sometimes faced with the dilemma of selling something at the WRONG time, or the WRONG security, or passing up the business.

This is the general overall problem that everyone would like to overcome. Possibly it will stay with the industry as long as human nature remains such that people are sheep-like and follow the crowd—or as long as the business cycle stays with us. But there may be a method of building up a business along sounder lines providing a workable plan could be put into action.

The experience of most men who are out in the field today selling securities, I believe, will add up to something like this. There is a great desire among retired people who have been trying to live off of a limited income, for two specific things. First, there is a great fear upon their part that their capital may be impaired. Secondly, they have a most imperative need for more income upon which they can live and meet the rising cost of the things they need. This great group of investors can be found in every market in the country. In small towns, in rural areas, and in the great cities. IF A PLAN COULD BE DEVISED TO REACH THESE PEOPLE WITH THE ANSWER TO THESE TWO PROBLEMS I BELIEVE SALES RESISTANCE WOULD BE ALMOST NEGLIGIBLE.

Then there is another group of people that have saved a modest amount of money and who do not know anything about investing. They are HUNGRY for information. The other day I met a young fellow at a filling station and he asked me for a ride to the next town—he looked O. K. to me and I accommodated him. He asked me what a fellow could do with $2,000 that would give him some fair income and a reasonable degree of safety. He knew absolutely nothing about securities, but he wanted to learn. Many small business men, professional men, and people whom you would never think of going to see would buy securities if they could be STARTED RIGHT. A plan to cover this field should be successful.

It is obvious that the same approach could not be used for both retired investors and this group we will call NEW investors. But the proper time element in both these markets is present RIGHT NOW. Getting before these people finding out who they are, seeing them under favorable circumstances, then showing them how they can solve their own problems, is the general idea. That is the broad outline of two campaigns—the specific details you must work out for yourself in your own particular markets. It seems to me that the advantages of a sales campaign, such as either one of these suggested here, are such that they should result in a substantial return not only in profits today but satisfied clients tomorrow.

State Tax Collections in 1949

(Continued from page 4)

every way taxes are getting heavier and heavier!

II

A few more details about state tax collections for 1949 are interesting. Of the $8.3 billion total, slightly over one-half came from the various sales taxes. This category includes such major tax sources as general sales, motor vehicle fuels, alcoholic beverages, and tobacco products. Twenty-seven states levied a general sales, use, or gross receipts tax, and when imposed on a broad base the dollar returns were very substantial. Motor vehicle fuel taxes, used by every state, were next in importance in the sales tax list with about $1.4 billion, an increase of 8.8% over 1948.

Of the specific commodity sales taxes the greatest percentage increase in 1949 over 1948 was for tobacco products. This gain, 15%, reflected in part, the collection for the first time of a tobacco tax by New Jersey. But New York State got $14 million more than in 1948, and other heavily populated states showed noticeable gains.

License and privilege taxes, of which those on motor vehicles and operators were most important, brought in $1.1 billion, a 9.8% gain over 1948.

State income taxes of $1.2 billion also were larger for 1949 than for 1948, probably in large part the result of the maintenance of tax rates by states in contrast with the federal policy of tax reductions. Of the $1.2 billion total, individual income taxes levied by 31 states came to about 47%. The balance came from 33 states which imposed a tax on corporate net income or the equivalent. In no state do the combined individual and corporate income taxes usually offer more than ⅓ of the total tax receipts. The average is nearer 10%.

Severance taxes laid on the extraction of oil, gas, ores, coal, and the cutting of timber are gradually contributing more to total state tax collections. In 1949 they brought in $200 million, an increase of 52.6% over 1948, by far the largest percentage change of any state tax. Texas accounted for about ½ of the $200 million, and Louisiana reported $45 million; for each a very marked jump over the 1948 figure.

Apart from a slight drop in miscellaneous sales, death and gift taxes, the taxes levied for unemployment compensation provided the only noticeable decline in revenue, and this was but 8.2%. The reason lay in the decrease in employment in many states for the 12 months ended June 30, 1949.

A summary of the above mentioned taxes together with certain comparative calculations is given in Table 1. It will be noticed from this table that with three exceptions the past world war did not change the 10-year trend of state tax collections. Definite, severe war restrictions on private use of motor vehicles necessarily reduced motor fuel and vehicle taxes. Alcoholic beverage licenses (not taxes on sales) slumped during the war. And increased employment from the declaration of war to VJ-Day and on into 1946 brought larger sums to the states from their unemployment compensation taxes.

TABLE I

STATE TAX COLLECTIONS, BY MAJOR SOURCE: 1949, 1948, 1944, AND 1940

TAX SOURCE	Amount Collected (in Millions) 1949 (Prelim.)	1948	1944	1940	% Chge. from 1948 to 1949	% Distribution 1949
Total tax collections	$8,342	$7,791	$5,384	$4,157	7.1	100.0
General sales, gross receipts	1,606	1,479	721	499	8.6	19.2
Motor vehicle fuel sales	1,372	1,260	685	839	8.8	16.4
Alcoholic beverage sales	426	426	267	193	--	5.1
Tobacco product sales	390	339	160	97	15.0	4.7
Motor vehicle and operator licenses	663	593	394	387	11.7	7.9
Alcoholic beverage licenses	74	74	55	62	0.5	0.9
Individual income	575	499	316	206	15.1	6.9
Corporation income	661	585	446	155	13.1	7.9
Property	280	279	247	260	0.5	3.4
Death and gift	179	180	112	113	—1.1	2.1
Severance	200	131	71	53	52.6	2.4
Other, except unemployment	944	887	591	449	6.4	11.3
Unemployment compensation	973	1,059	1,319	844	—8.2	11.7

Reference: ***State Tax Collections in 1949***, **Bureau of the Census, Washington, August, 1949.**

Some state by state comparisons also are worthwhile to mention. Of the 44 states for which preliminary or final figures were received by the Census Bureau, New York with tax collections of $893 million led the list closely followed by California with $864 million. Then came quite a drop to $508 million for Pennsylvania. Michigan and Illinois were in the $400-500 million class. At the other end of the line was Nevada with total tax revenue of only $11 million. Delaware and Wyoming had $17 million each, and Vermont $20 million.

The influence of population upon the above figures is apparent. For this reason a more significant method of estimating tax burdens is to express tax collections in terms of per capita. In the following tabulation the per capita figures are based on population estimated by the Census for July 1, 1948. Only the five highest and the five lowest figures for the 44 states are given:

	1949 Tax Collections Per Capita
State High—	
Louisiana	$92.19
Washington	90.07
California	83.41
Colorado	75.55
Michigan	73.06
State Low—	
Alabama	41.11
New Jersey	40.90
Kentucky	40.86
Georgia	37.89
Nebraska	35.92

Another approach to this question of "tax burden" can be offered. But it might be mentioned first that although "tax burden" means a lot to every taxpayer, it seldom has exactly the same meaning, and even economists have trouble in tying down the concept for measurement. This second approach is through relating tax collections to income payments to individuals on a state-by-state basis. Income payment figures for 1948 have just been released by the Income Division of the Department of Commerce. Income payments consist of income received by individuals from agriculture, trade and service, manufacturing, other private nonagricultural sources, and government payments.

The Census report offers for the respective states total 1949 tax collections as a percentage of 1948 individual income payments. (This mixing of 1948 with 1949 figures is not troublesome for general comparisons.) Only the high-low percentages follow: Louisiana's total taxes were 9.2% of that state's total individual income payments, the largest percentage of the 44 states for which full 1949 tax data were available. North Carolina, Oklahoma, and Washington came next within a 6.2 to 6.5% range.

Nebraska has the lightest tax load measured in terms of income payments (2.4%), a confirmation of its rank on per capita tax collections. New Jersey, Illinois, Connecticut, and Delaware closely followed within a 2.7 to 3.2% bracket.

There are, of course, other measurements of tax burden. Furthermore, percentages for just one year offer no basis for generalizations.

Although total tax collections including estimates for four states showed a gain of 7.1% in 1949 over 1948, there were sharp contrasts among the states. Louisiana easily led the states with 1949 tax revenue almost 53% above 1948 figures, large increases coming from most of the sales taxes (general and specific), and $20 million more from severances than in the prior year. Texas showed a 31% increase in total tax collections over 1948 with gains in sales, property, and severances more than offsetting declines in death and unemployment compensation taxes. Pennsylvania, Virginia, and Alabama each gained about 17% over 1948.

On the other hand five states collected less in 1949 than in 1948. For New Jersey the drop was 13.7%; Connecticut followed with —11.3%. Rhode Island, New York, and Nebraska made up the balance of the list.

The relative importance of certain taxes on a national basis has been indicated in Table 1. Different states, however, rely upon certain of these revenue sources to decidedly different degrees. Rather striking is the weight given by certain states to the general retail or gross receipts tax. Illinois, for instance, in 1949 brought in about 40% of its total tax revenue from the general sales tax. Michigan collected 44% from a similar source; California and Ohio ran about 34%.

Then there are the states which rely heavily on the income taxes. New York in 1949 collected about $320 million from individual and corporate income taxes, 36% of its total tax receipts. Oregon got ½ of its tax revenues from income taxes, Wisconsin 44%, Minnesota and North Carolina about 30%.

Because 27 states imposed a general sales tax and 31 to 33 states used income taxes in 1949, necessarily some of those states had both of these major revenue sources. But if a state goes in strongly for one type, it is apt to place less reliance on the other, or not use it at all.

III

What about the outlook for state tax collections? Unfortunately there is little reason to conclude that state taxes will lessen in absolute amounts, or on a per capita, or income payment basis. This, of course, does not mean that collections for 1950 cannot be less than for 1949. It is quite possible that the large physical improvement programs postponed by the war will be completed for the most part within a year or two. And the veterans' bonuses may be considered a non-reoccurring expense. Also, some states might continue to lose residents and, thus, taxpayers.

But taking a long-term view of the various factors, it is difficult to find basic influences which will lessen the tax burden. The handwriting on the wall spells out a continued trend toward "the left" in government, that is, toward a Welfare State. This means that state governments will be called upon to assume an increasing number of functions, to offer more and more protection to their citizens. All of this costs money. And although there might be some relief for individual states through larger Federal aid payments, there will be or should be an insistence by the Federal Government that the states first do their share,—which means increased state taxation.

If any counterweights are to be thrown on the tax scales at any level of government, the activity must come from constantly alert citizens. One truth above all others in this field must be kept in mind. It is that the word "government" **means you and I.** Easy as it is to say "let the government do it," easy as it is for legislators and administrators to spend "other people's money,"—the result is mounting taxes or mounting debt. And the individual eventually pays.

This awareness of government by citizens should at least result in a careful scrutiny of the financial statements of the state of residence, and a comparison of the position of the taxpayer within that state with taxpayers in other states. Such vigilance probably will not keep the trend line of tax collections from mounting as the years go by, but the rate of increase will be slower, and the taxpayer will get more for his money.

Miller, Spink & Co. Organized in Chicago

CHICAGO, ILL.—Organization of a new Chicago investment firm, Miller, Spink & Co., with offices at 231 South La Salle Street, is announced as of Sept. 19. The firm will conduct a general securities business. Paul W. Spink, President of the new firm, has been associated with Faroll & Co. here for the past 12 years. Saul R. Miller, Secretary and Treasurer, formerly headed his own investment company here, S. R. Miller & Co.

Formation of the firm was previously reported in the 'Chronicle' of Sept. 1.

Doyle Sole Proprietor

ROCHESTER, N. Y.—Robert C. Doyle is now sole proprietor of First Rochester Company, Granite Building, E. J. McGrath having withdrawn from partnership in the firm.

Railroads in the New Economy

(Continued from page 5)

revenues, totaled $21,164,000. Our expenses relating solely and directly to performing this service were $21,091,000, which meant that our revenue was $73,000 more than our direct expenses of conducting the service. In arriving at the true costs, however, expenses common to both freight and passenger service must be apportioned to each. Year after year these expenses which are apportioned by formula represent about one-third of the total expenses of operating. When we apply this Commission formula to the passenger expenses, we come up with an additional figure of $8,886,000, which represents the loss in carrying on these passenger services when all expenses are taken into account. Whether one agrees with the Commission's formula or not, it is perfectly obvious that we carry on this service at a loss. It is our intention to do everything we can to reduce that loss and at the same time fulfill our obligations to the public as a common carrier.

Staying in the Same Place

A railroad might be compared to an iceberg in that only a very small percentage of what goes on is visible above the surface. I do not think that the achievements of the last 20 years or more have been generally known or appreciated. A few figures may serve as indications of how we have been able to keep running faster and faster in order to stay in the same place. Very substantial investment in plant and general improvement in the art of railroading have been the answer. Railroads have always been characterized by a very high investment per employee. In 1929, the figure was $15,500. Today it is over $20,000. By way of comparison, I understand that the automotive industry shows an investment per employee of approximately $9,000.

A few examples from the Boston and Maine's own experience might further illustrate what I mean. A comparison of the 25 years between 1923 and 1948, years of comparable volume of freight business, but lower passenger volume, shows that whereas in 1923 the road was employing 29,000 employees, in 1948 this figure was a little less than half, or approximately 14,000. The total payroll, however, remained about the same. By 1948, the number of freight-train miles were cut in half, the number of freight locomotives were cut in half, while the tons handled per train doubled. The best single index of freight train performance, gross ton-miles produced per freight-train hour, which is an index of volume and speed, increased more than three times.

In our case, the biggest single factor in this remarkable record was the change from steam to Diesel electric power. This meant a radical shift from coal to oil as a source of power. We are currently handling 95% of our freight gross ton-miles and 70% of our passenger train-miles by Diesels. The investment of millions on millions of dollars in new locomotives, cars, signals, road bed, terminal facilities, and the increased mechanization of shop and maintenance of way operations, have on a national basis accomplished relatively great improvements in the efficiency of the plant. Investment per mile is another significant index. In 1916, it was $74,465, in 1929, $103,197, and in 1948, $125,000. It is interesting to know that in the first seven months of 1949, Class I railroads put into service 1,157 new locomotives, 96% of them Diesel electrics. This is more new locomotives than have been put in service in any corresponding period in 25 years.

Why Earnings Are Low

Why, then, after this increase in efficiency of plant and all this investment, is not the railroad industry highly profitable and enjoying a better rating for its securities and higher prices on its bonds? The answer is that the industry, under an outmoded type of regulation and under powerful political influences, has not been allowed to earn anywhere near the return of which it is capable.

In the field of regulation, the effects on railroad prices are anomalous, to say the least. Because we have not been allowed to increase freight rates concurrently with increases in the cost of everything else, we have had a lag of at least a year in the rise of the freight rate structure relative to the general price structure. Our last two increases, granted after months of hearings, many delays and much administrative red tape, have actually turned back the clock to the 'thirties when we were in the position of increasing our prices in the face of a falling general price structure. The increase just made effective results in a total rise in freight rates since 1939 of 57.3%. In this time, our wage rates have doubled and the prices of all the materials and supplies which we buy have gone up about 115%.

In the field of politics, experimentation and persecution bordering on attempted sabotage, have adversely affected the industry's earning power. One of the most costly has been the social security program passed by Congress and made effective in 1936 applicable exclusively to railroads. This has reached the point where today 6% of every employee's pay up to $300 per month is taken by a payroll tax, paid by the company and matched by a payroll deduction by the employee. The average wage in railroad employment is now a little over $300 per month, and this tax alone costs the Boston and Maine approximately $3,000,000 per year. In addition we have an unemployment and sickness benefit program, administered by the Federal Government, which is supported currently by a payroll tax of one-half of 1%, paid by the company only. This was a 3% tax until last year, when the fact that the fund had in it drawn off from the railroads and sterilized, $1 billion, made it finally apparent to Congress that the tax should be reduced and it was. These two together result in the railroads paying a pension and unemployment tax bill of more than twice that of all other industry, including their competitors. This, coupled with the political opposition that fights every move to abandon passenger services that lose large sums of money, are alone enough to account for the difference between profitable and unprofitable operations on many roads. Political influence has also become powerful in the setting of railroad wages and working conditions. Ever since F. D. Roosevelt, in 1941, dictated the settlement of that wage dispute, the White House has been the court of last appeal, and the boys have never been sent away empty-handed. And we are now adjusting ourselves to the 40-hour week for the non-operating employees, who account for about 80% of the total employment of the industry.

As a part of the fast running and remaining in the same place, it should be pointed out that this rise in wages over the year has been offset to a substantial degree by reductions in employees, so that the proportion of gross income paid out has not gone up as much as might be expected. In 1929, ours was 45.2%; in 1940, 47.30%; and last year, 53.9%.

Will Railroads Price Themselves Out of Market

There has been much talk of late by interested people about the possibility of the railroads "pricing themselves out of the market" by the increases in rates and fares obtained in the last three years. It should be remembered that rises in rail rates have *followed* increases, not *caused* increases, in all other costs. Some rail prices are still lower than they were before the war. Our basic coach fare for passengers today is three cents per mile. In 1936 and for many years prior, it was 3.6 cents per mile, and tickets were bought then with a much bigger dollar than is in circulation today. Commutation fares in Massachusetts were increased 20% in 1947. When this increase was made it was applied to a scale of fares that were the same as they had been in 1924.

Freight rates have gone up more. Obviously, when the price of anything goes up, you sell less of it, but it is equally obvious that a 57% increase in freight rates will not divert any such percentage of rail business to other forms of transportation.

A lot of traffic has gone to trucks in the last year, there is no doubt about it. Truckers exempt from regulation are handling increasingly large amounts of fruits, vegetables, milk and other agricultural products, as well as fish and livestock. Common and contract carriers and privately owned trucks, particularly the latter, are increasing their volumes, aided by taxpayer supported rights of way and inadequate policing of load limits. But it should be remembered that rail traffic too increased to record highs up to the latter part of last year. One test of this is to look at the percentage distribution of intercity freight traffic in ton-miles by all forms of transportation. Here it is for 1939 and 1948.

	1939	1948
Railroads	63.3	64.3
Great Lakes	12.9	10.4
Rivers and canals	3.8	4.4
Motor trucks	8.1	9.0
Oil pipe lines	11.8	11.8
All other	0.1	0.1
	100.0	100.0

Railroads Still Basic Transportation

America's railroads are still America's basic transportation.

What I have been saying constitutes one of the great economic paradoxes of our time. Here is an industry which is indispensable to the welfare of the nation in peace as well as war, which continues to handle a substantial majority of the intercity freight traffic and hundreds of millions of passengers per year, doing both with constantly increased efficiency, but is at the same time unable to earn much more than one-half the return on the investment in its plant to which its owners are entitled.

The reasons for this are political and administrative. They are not difficulties inherent in the business. A realistic approach, which is essential if we are to have strong, privately-owned and operated railroads, would be to recognize that our railroads are no longer transportation monopolies, and should not be regulated as such. An end must come to the supplying of highways, airways, air terminals and waterways for competitive transportation agencies at less than cost. It must be recognized by State and Federal legislators and administrative bodies that the passage of laws empowering Commissions regulatory powers over utilities also carries with it an obligation that this regulation shall be such as to permit the utility and adequate return. Railroad labor must recognize that the investors who made most of their jobs possible are entitled to a reasonable return. The alternative is public ownership. If that unfortunate event ever happens in this country, it will not be because the inherent characteristics of the industry made it inevitable. It will be because politics have been permitted to replace the judgment of a management system that has proved itself in every emergency and because what Mr. Voorhees calls "the slender thread" has been severed.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The operating results of the various fire insurance companies as revealed in their reports for the first six months of the current year are impressive and compare favorably with any previous period. A number of institutions have indicated that earnings for the period were the best in their history.

Alfred M. Best & Co. has made a tabulation of the operating results of 65 stock fire and marine underwriters for the first half of this year. Some of the important figures from their tabulations are presented below:

SIX MONTHS' PERIODS ENDING JUNE 30
(Millions)

	1949	1948	Change
Net Premiums Written	$408	$376	+32
Net Premiums Earned	363	321	+42
Statutory Underwriting Earnings	44	—2	+46
Increase in Premium Reserve Equity	16	20	— 4
Net Investment Income	23	20	+ 3
Federal Taxes Incurred	20	4	+16
Dividends Declared	12	12	—

From these figures an analysis of the trends within the industry can be made.

Net premium volume for the 65 fire and marine underwriters continued to increase during the first half of the year. The increase over the same period of a year ago was approximately $32 million or 8.5%. This rate of increase was considerably below that of last year when volume increased by about 16%.

The record production and sales of automobiles was one of the principal factors accounting for the continued increase in premium writings although higher premium rates on other risks accounted for a portion of the increased volume.

At the same time premiums earned gained by 13.0% reflecting the high volume of the past few years and the lessened demand for increases in reserve requirements. Also the record of losses has shown considerable improvement within the past year and this in turn has improved the earned premium account.

Fire losses for the eight months through August according to the estimates of the National Board of Fire Underwriters amount to approximately $448,549,000. This compares with $486,978,000 for the similar period of last year or 7.9% less. Experience on automobile lines has been more favorable in recent periods as a result of rate adjustments.

Taking these factors into consideration the loss ratios (ratio of losses to premiums written) of the 65 companies improved by more than 11 percentage points and declined from 56.3% to 45.0%. Expenses during the period increased slightly but remained low relative to the volume of premiums being written.

As a result most companies were able to show a favorable underwriting profit margin and results were the best in fire insurance history.

Statutory underwriting results for the 65 underwriters reviewed were equal to $44 for the first half compared with a statutory underwriting loss for the same period of last year of $2 million.

With premium volume continuing at a high level, there was a record volume of funds available for investment. The improvement in yields over a year ago was also a favorable factor and resulted in a gain in investment income of $3 million or approximately 15%.

The sharp improvement in underwriting results over a year ago accounted for the substantially higher Federal tax liability. Taxes incurred increased from approximately $4 million to $16 million.

Although there were substantial gains in both the underwriting and investment divisions of the industry, dividend payments were little changed. However, the fundamentals of the business indicate that larger payments can be expected in the future.

Traditionally, the income from investments has been the primary determinant of dividend policy. Underwriting profits have been used to augment capital funds. For the past several years however, the rising level of prices has required larger insurance coverage. This resulted in a rapid growth in premium writings which in turn put pressure on capital funds. For this reason dividends have amounted to only about 60% of the investment income.

With premium volume tending to level off, the need to add further substantial amounts to capital accounts is not as pressing as formerly. As a result and with investment income continuing to show improvement, disbursements to stockholders should improve.

In this connection there have been two important developments within the past few days. The Insurance Company of North America announced its intentions to increase the capital stock from $15 million to $30 million and pay a stock dividend equal to one share for each five held. Also Fire Association of Philadelphia is considering the merger of certain of its subsidiaries into the parent organization and the payment of a 20% stock dividend.

The Federal Reserve System and Dual Banking

(Continued from page 8)

nally established it did not have adequate flexibility to meet the needs of a growing economy or to prevent monetary panics.

The Federal Reserve System was set up to correct these defects. Its members constituted all national banks in the continental United States and any State banks which desired to join the System and met the qualifications. At that point in the development of the country's banking system, I would not myself say that we had gone from a dual banking system into a triple banking system. The existing banking structure was not changed by the Federal Reserve Act. The new System was fitted into that dual structure. Independent unit banks continued to exist, there was no interference with State chartering of banks, and the practice of correspondent banking continued. Moreover, member banks were given a voice in the management of the new system, a privilege not accorded by the dual banking system theretofore.

In view of these facts, I can not accept the proposition that when a State bank joins the Federal Reserve System there is a loss to the State chartered banking system. I wonder whether the Commissioner of Banks in your own State of Virginia considers that he loses anything in the way of his supervisory authority if one of his State banks joins the Federal Reserve System. If so, I submit that there would be no sound basis for such a feeling. Certainly, any such bank is still subject to every State statute and every regulation of the Commissioner to which it had been subject before. The Commissioner would supervise and the State bank examiners would likewise continue to examine the bank as before. Assuming that the bank was an insured bank, the principal difference would be that whereas, before, the bank would be examined jointly by the State Bank Examiner and the FDIC Examiner, it would henceforth be examined jointly by the State Bank Examiner and the Federal Reserve Examiner. Thus, the only change from a supervisory standpoint would be a switch from one Federal agency to another Federal agency in the joint examination. True, the bank in question would now be subject to reserve requirements and other regulations of the Federal Reserve Board, but it would not be relieved of any of its obligations to the State banking authority. Thus, it seems to me quite untenable to maintain that an increase in membership of State banks in the Federal Reserve System holds any threat to the dual banking system.

Question of Enlarged Federal Reserve Powers

With this clarification out of the way, let us now examine the more important proposition advanced by banking associations—both national and State—that an enlargement of Federal Reserve authority along the lines suggested by the Federal Reserve Board over the past several years would constitute a threat to private banking generally in this country.

Here, again, it is necessary to define what we mean by enlargement of Federal Reserve authority. The legislation suggested by the Board would in form be an enlargement of authority, but in substance it would be rather a restoration of authority which it was always intended from the very beginning that the Federal Reserve System should have. The fundamental power granted by the Federal Reserve Act in the monetary field was the ability of the System to control the volume, availability, and cost of credit in the banking system. In the early days of the System, additional reserves could be obtained only by rediscounting at the Reserve Banks. Member bank borrowing was commonplace and at times in very large volume. The discount rate was therefore a very potent weapon. In the intervening years, there has been a great shift of emphasis in the monetary powers of the System. The great growth of the United States debt, and therefore in the volume of marketable U. S. Securities, has made the open market operations of the System a much more powerful and more often-used instrument than the rediscount rate. Member banks make only occasional and moderate use of their privilege of borrowing at Federal Reserve Banks; they prefer to obtain funds through the sale of some of their large holdings of U. S. Government securities, principally bills and certificates. Thus, the ability of member banks to expand their loans and investments depends only slightly upon the discount policy of the Federal Reserve authorities. This is particularly true at a time when the Federal Open Market Committee feels it necessary in the public interest to support the market for U. S. securities, as was the situation during the recent war and postwar period. Although the Federal Open Market Committee recently discontinued the maintenance of a relatively fixed pattern of yields and prices of U. S. Securities, a degree of support is still necessary to maintain orderly conditions in the market, and no one can safely say that conditions may not recur when it will again be deemed desirable in the broad public interest to resume more rigid supports.

In such a situation, it is apparent that the Federal Reserve authorities do not have the degree of power to control the volume and cost of bank credit which they had when the System was first established. With around $60 billion of U.S. securities in the portfolios of the member banks, they have access to a supported market for funds for reserve purposes or to expand loans or other investments at times contrary to the national credit policy pursued by the Federal Reserve. At such times the imposition of higher reserve requirements up to the maximum now permitted in the law would have only moderate restraint upon the expansion of bank credit. The 1947-1948 situation was a perfect illustration of this proposition. The country was in a very pronounced inflationary upsurge, with prices advancing on all fronts. The Federal Reserve authorities were attempting by every means at their disposal to restrain bank credit expansion in order to reduce the upward pressure on prices. Reserve requirements were at the maximum and the rediscount rate had been increased, but the expansion in bank lending was greater in 1947 than at any period in our history. Bank leadership, spearheaded by the American Bankers Association, recognized the dangers in the situation and endeavored to retard the overall growth in credit by urging individual banks to be more cautious and selective in their lending. This campaign was most laudable but it would have been much more successful if the Federal Reserve had been in a position to make its own anti-inflation policy more effective. When the inflation had practically run its course, Congress belatedly gave the Federal Reserve Board the temporary authority over supplemental reserves, a part of which was immediately used. Had such authority been granted a year or more earlier when it was first requested by the Board, there would likely have been less inflation in 1947 and 1948 and, by the same token, less recession in 1949.

Reserve Requirements Not Onerous

The present level of reserve requirements may appear high when we compare percentages with those in effect 15 years ago. But the structure of bank assets and the country's gold supply have undergone profound changes during this period, so that bank reserves are greatly higher. The restraints imposed by the present statutory maximums are in my opinion considerably less onerous and therefore less effective than were the fixed requirements during the first 20 years of the System, when the percentages were half of the present maximums. Nor have banks suffered; their earning assets have tripled on the basis of additional reserves supplied by the gold inflow and Federal Reserve open market operations.

Reflection upon these matters indicates, it seems to me, that the Federal Reserve authorities today have in fact less control over the volume and cost of bank credit than they had a generation ago. And so I say that the authority suggested by the Board in recent years—either in the form of supplemental reserve requirements or the so-called special or optional reserve plan, should be regarded as a restoration rather than an enlargement of the traditional controls in the credit field that were contemplated in the original Federal Reserve Act and reaffirmed by Congress in the Banking Act of 1935.

F.R. System Has Changed

This brief recital of past history and analysis of monetary powers have been given because it is useful to keep in mind the origins and course of development of our institutions, so that we can have a better understanding of why they are as they are. It is more fruitful, however, and more important to consider them in the light of existing and probable future needs. At the last session of the Graduate School of Banking at Rutgers, Dr. Randolph Burgess gave a seminar lecture on the future of the Federal Reserve System. There are few people better qualified than Dr. Burgess to view this problem. He has had years of experience in the System and outside. He has been a student of the operations of the System and has written informative books on the subject. His views are accepted by bankers and others as authoritative. Dr. Burgess makes a strong plea for maintaining a strong Federal Reserve System but he begins his speech with a note of alarm. He says:

". . .Today the System is in danger. It is being diverted from the purposes and principles of its founding. It is being changed in ways that have short term plausibility but may spell long term failure.

"The Federal Reserve System was established after more than a decade of public discussion of the principles of central banking. On the whole, its structure, modified gradually over the years by practice and legislation, has proved sound. But the original act was passed a generation ago. The gravest threat is that this generation is treating the Federal Reserve System as just one more government agency, is losing sight of its major purposes, and is neglecting the safeguards which are necessary to protect it in the fulfilment of its great objectives."

This objective, he goes on to point out, is fundamentally to provide stability and to moderate business fluctuations. He is careful to indicate that the Federal Reserve can not do this alone because there is no single constant cause for depression. Recognizing that Government has a great influence on business fluctuations, he believes that the influence of Government can be best exercised through monetary regulation, which affects the volume, availability, and cost of money, rather than through direct controls or fiscal policies. There is a school of thought, he says, which sponsors the view that governmental stabilizing policies can best be exerted through more direct fiscal means, that is, by increasing or decreasing expenditures or by changes in taxation. This concept considers Federal Reserve monetary policy as of subsidiary importance to the Federal budget in lessening economic instability. Dr. Burgess, however, is not too sanguine of success in the fiscal field. He believes there are great advantages in trying to moderate fluctuations through the money supply because, he says, experience shows that it can be done and because it is a method that is "consistent with democracy," that is, it "involves the least interference with the freedom of the individual to make his own choices in his economic life." Dr. Burgess draws this conclusion:

"The point to note is that the control of money is a very powerful influence, and is one of the few that can be consciously directed to economic stability. The Reserve System is our agency for that purpose. In the interest of sound banking and a sound national economy, the Reserve System must be preserved and defended; and bankers, who know it best, have that peculiar duty." To this analysis and conclusion, I can say "Amen."

After making such a convincing case for the use of monetary powers as against direct Government controls and for the preservation and defense of the Reserve System as the agency to exercise the monetary powers, Dr. Burgess gives himself over to fears and criticisms respecting the present and future of the System. What is the source of these negative expressions? In my opinion, one must consider the human element. Dr. Burgess is not only a distinguished and experienced central banker and an able protagonist of the Federal Reserve, he is also a recent President of the ABA and the Reserve City Bankers Association, as well as one of organized banking's chief spokesmen regarding Federal Reserve problems. Can it be that Dr. Burgess, finding himself making such a convincing case for the Reserve System, felt obliged to even the score somewhat by moving over toward the party line? At least, it seems to me that his arguments of opposition are labored and, happily, leave his affirmative case unshaken.

Questions Raised by Dr. Burgess

It is not my purpose to discuss in detail the several points of criticism in Dr. Burgess' able paper. A recital of their captions will, however indicate their purport. He raises three questions of Federal Reserve organization. First is the relation of the System to the President and the Treasury. I doubt that it can be successfully maintained that recent Federal Reserve actions or policies have been dictated by the Executive. In fact, financial writers during last winter and spring frequently described our actions as being divergent from general administration economic policy. The fact is, however, that it was a period when the Reserve System demonstrated a degree of detachment and independence which Dr. Burgess so well advocates in his paper. Yet he properly recognizes that "the central banking system, in working for the public interest, must inevitably consider the needs of the Treasury as a major factor in its decisions." Next Dr. Burgess raises the question of the balance of power within the System. Certainly no change has actually occurred since the Banking Act of 1935 in the System's structure. A task force report made for the Hoover Commission is given considerable attention but the Commission did not approve it, so one can scarcely call it a threat. At this point, however, Dr. Burgess includes the legislative suggestions of the Federal Reserve Board as a move to concentrate more and more power in Washington. Here, he calls for greater utilization of the Federal Reserve Banks so as to avoid important decisions being made "in the detached statistical and political atmosphere of Washington." In answer to this, I might say that there is currently the greatest degree of joint discussion of policy between the Board and the Reserve Banks. Not only is there close contact with the Reserve Bank Presidents, but with the Bank Chairmen and the boards of directors as well. The latter have been asked for their opinion on many policy problems and the Federal Advisory Council is not only regularly consulted, in accordance with statutory provisions, but frequently more often.

The third question posed by Dr. Burgess relating to Federal Reserve organization and operation is what he calls "the trend toward controls." He recognizes the propriety of margin controls permanently and of instalment credit control in time of "war or serious inflation." He then states that "one school of monetary economists would project the Federal Reserve Board still further into what may be called 'qualitative' credit controls by giving the power to make detailed rules to govern the making of real estate loans and other specific forms of loans." Whoever may constitute this "school of monetary economists," I don't know, but they carry no weight with the authorities in the Reserve System. As a matter or fact, the Board of Governors itself in recent years has resisted suggestions, sometimes made from responsible sources, that other forms of credit, such as real estate loans and capital issues, be subjected to its regulation. So it would appear that the threat of direct controls is more bogey-man than real. But Dr. Burgess goes on to say that "all of these suggestions have in common more than a suggestion of the totalitarian principle that some one in a government bureau can make wiser decisions than management on the job." He then mentions the destructive effect of totalitarian controls in Europe today. With these extreme words as an introduction, he then makes the formidable charge that in two respects the Federal Reserve tends toward these totalitarian controls. One is the board's recent request for more power over reserve requirements (which I have endeavored to show is a restoration, not an enlargement) and the other is "the present detailed control by the Reserve System of prices and trading in the government securities market."

Dr. Burgess' paper was delivered on June 24, a week before the announcement of the Federal Open Market Committee to the effect that it was discontinuing the maintenance of a relatively fixed pattern of prices and yields. Consequently, it may well be that Dr. Burgess would have modified his criticism somewhat a week later.

In any event, I wish that he had discussed these subjects more fully because they go to the heart of the problem which was the theme of his speech, namely, The Future of the Federal Reserve System. Instead he concludes his remarks with a paragraph that I would like to quote in full and take as a basis for my further remarks:

"It would be easy to leave this statement as a negative plea, opposing all controls. The positive side of it is a reaffirmation of the need for vigorous monetary management as the most powerful and best instrument government possesses for moderating business fluctuations. Its effective use depends on the time-honored powers to influence the cost and volume of credit rather than on detailed control. The use of these powers in turn depends on a revitalized Federal Reserve System with growing independence of Treasury policies as the war recedes into the past. The effectiveness of credit policies also will be greatly enhanced as they become cooperative national policies rather than surprise moves imposed by a Washington agency. In bringing this about, bankers have themselves an equal responsibility with the Reserve System."

This paragraph expresses generally desirable aims but it raises fundamental questions about the future of the Federal Reserve System that need to be answered. What is meant by "vigorous monetary management" and by "time-honored powers to influence the cost and volume of credit?" The question must be answered, not against the background of the conditions of the past, but in the sort of monetary and credit situation that exists today. One of the important characteristics of the Federal Reserve System has been its ability to adjust its policies to changing situations. The financial situation in this country today is different in many important respects from what it has ever been before.

Banks and the Federal Dept.

The principal new characteristic is the tremendous volume of the Federal debt, which now amounts to about $255 billion, or six to ten times what it was when Dr. Burgess participated in the task of managing the open market operations of the System. It is now more than one-half of the total public and private debt of the country, whereas before the war it was less than a fourth of the total. Of this public debt, $75 billion is owned by banks and $115 billion of marketable securities are owned by individuals, insurance companies and other corporations and associations. These holdings are viewed by the owners as liquid investments which can be converted into cash at will. As suggested heretofore, they provide to the banking system the liquidity that was formerly obtained largely through the New York money market, and the banks are constantly shifting their holdings to balance the flow of funds.

It would not be possible, if any short period of time at least, to develop a broad enough market in this country which could take care of all the buying and selling of Government securities that may occur day by day. The Federal Reserve System must therefore act to absorb securities offered or to supply those demanded in a magnitude that might otherwise create disorderly market conditions. The System's operations amount to millions and frequently hundreds of millions of dollars a day. They must be conducted at some price or rate. To leave the determination of this price wholly to the play of market forces would inevitably mean extremely wide fluctuations from day to day and perhaps even from hour to hour. Many of you will recall the fluctuations that used to occur in the New York call money market when it served as the source of liquidity for the banking system. The fluctuations that could occur in Treasury bill and certificate rates if left entirely to market forces might easily be as great as those in call money rates in the past.

At the end of June and in early July we had a little indication of what might happen in a market completely free from Federal Reserve influence. Congress permitted the temporary reserve requirements to expire and at the same time the System for a short period refrained from selling Government securities. Interest rates dropped sharply as banks endeavored to invest their released funds. The short-term rate might well have gone down close to zero had not the System stepped in to supply the demand. After the additional reserves had been absorbed, the rate would no doubt have shot back up very rapidly if the System had continued to stay out of the market. It is simply not realistic under existing conditions, as I am sure Dr. Burgess well knows, to suggest that the Federal Reserve should not engage in constant and detailed operations in the Government securities market.

This does not mean that there should not be a greater degree of flexibility in this market than was possible during the war and early postwar period. It has been the System policy to move toward the attainment of greater flexibility and a freer expression of market forces. We must, nevertheless, be active buyers and sellers and must recognize that our policies in effect largely determine the general level of rates, even though short-term fluctuations are permitted.

It is questionable, however, to what extent the System can rely upon fluctuations in short-term interest rates as an instrument for following a vigorous monetary policy. While I would not want to take a position that fluctuations in interest rates have no influence, I would point out that it has become increasingly evident that changes in the availability of money are a more important influence than changes in the level of interest rates. Interest rates should be considered more as a result of changes in credit availability relative to demand than as influences which in themselves limit or stimulate demands for credit.

The large volume of public debt outstanding and the necessity for the Federal Reserve System to participate actively in the market for Government securities provide a source for the creation of new money. This situation makes it difficult for the Federal Reserve to limit the available supply of credit. It is different from that which existed before the Federal Reserve System, when there was no source of new money available to banks, or even in the first two decades of the System's history, when new reserves could be obtained only by member bank borrowing unless the System chose to supply them by open market purchases. Under existing conditions new funds can be readily obtained at the initiative of the holders of Government securities. These new funds enter the banking system as reserves and can be used as a basis for multiple expansion of credit.

Problem of Future

The problem of the future of the Federal Reserve System, therefore, is how can it follow a vigorous monetary policy in accordance with the objectives for which it was established and at the same time meet its responsibility for maintaining a relatively stable Government securities market, which is also an essential for economic stability. It is to meet this problem that the System needs and has requested the Congress for additional power to increase the reserve requirements of commercial banks. We must recognize that careful management of the public debt may inevitably result in the creation of new money and that powers must exist to immobilize this money so as to prevent it from becoming the basis of an excessive credit expansion. This does not mean that the earning assets of banks would be reduced, because on balance only newly created reserves would be absorbed.

Operations of the Federal Reserve System in the Government security market and the use of the power to increase reserve requirements, I submit, are in accordance with the time-honored objectives and instruments used by the System to influence the cost and volume of credit. They do not represent a movement toward totalitarianism or socialism, as is implied by Dr. Burgess. In fact, they exactly fit the prescription that fluctuations can and should be moderated through variations in the money supply, a method which is "consistent with democracy." These powers are and would be exercised through the mechanism of the Federal Reserve System, an agency founded for this very purpose, in the management of which bankers and businessmen, as well as other private citizens, participate in a joint effort to serve the public interest.

In regarding the Federal Reserve as a threat to the dual banking system and in opposing the efforts of the Reserve authorities to maintain adequate powers over bank reserves, the bankers make a great mistake, in my opinion. They are seeing ghosts. The Federal Reserve is a part and parcel of the banking system. In carrying out its duties, it is constantly sensitive to bankers' problems, including bank earnings. For many years, the Board in Washington has resisted, sometimes single-handed, encroachments upon private banking, including those by the Savings and Loan System and by Government credit agencies.

Rather, the bankers should join with the Federal Reserve in fighting off threats which are not ghosts, but very live and formidable forces. Among them are rapidly multiplying agencies of the Federal Government to loan Federal funds directly to groups of citizens or to individuals, displacing billions of dollars of private credit. Worse still, these mechanisms, started as emergency or temporary aids, become permanent and offer excuses for other groups to plead their special cases before Congress. Thus the area in which the Government competes with the private banking system is constantly growing. It would be wise for organized banking to cease its resistance to adequate regulation and to stand side by side with the Federal Reserve in the struggle to preserve the area of private finance and private enterprise. I am personally sure that the Federal Reserve Board would welcome such an ally in that great enterprise.

Is National Service Life Insurance Justified?

(Continued from page 3)

in force on 7,258,000 policies (as of June 30, 1949) which the government has built into a gigantic socialistic enterprise, all but a small fraction of the risks it has underwritten can well be handled by private enterprise. It should be recalled that the intent of the NSLI Act was not to compete with or take the place of private companies.

Could Transfer Standard Risks

Being aware of the relatively low premium rates on NSLI, some persons may raise the question whether private insurance companies would be willing to take over the insuring of veterans without increasing their premiums. In order to answer this question, the author compared NSLI premium rates with the premium rates of 150 dominant companies in the industry and found no less than several dozen private companies whose average net premiums were less than the premiums paid by the veterans on their NSLI policies. While NSLI gives the policyholder some extra benefits that are not in the standard policies of private insurance companies, this would be offset by two factors. In the first place, if private companies were to take over NSLI they would not have to pay commissions to agents for having acquired the additional business. In the second place, the mortality costs of the veterans, because of their generally superior health, is lower than the mortality costs of the persons which insurance companies usually insure. Keeping these points in mind, there is good reason for believing that a good number of the private insurance companies would be willing to take over the veteran's NSLI policy without increasing his premiums or lowering his benefits.

Congress should, as soon as possible, authorize a temporary commission to plan the steps necessary to effect the transference of those NSLI policies held by veterans whose health standards are acceptable to private companies. All sound private companies should be contacted to determine which of them would be willing to take these insurance risks, maintaining the same benefits at the same or lower premiums. Details of the plan can be worked out concerning dividend payments by mutual companies. Veterans should be allowed to choose from an approved list any company to which he prefers to transfer his NSLI policy. The company would then be obliged to issue to him a policy containing all the rights and benefits he had in his NSLI policy.

After such a transfer of standard and above standard risks to private companies, the Veterans Administration would be left with the much reduced task of administering only the service-caused substandard risks. This would permit a drastic curtailment in the magnitude and power of the Veterans Administration. This curtailment would be much appreciated, to say the least, by the taxpayer who bears the cost of the Veterans Administration. The veteran would retain his rights and might be very well pleased in having private companies handle his insurance with their characteristic speed and accuracy. Needless to say, the private insurance companies would welcome the extra business. To handle the expanded volume of insurance carried they would have to hire many extra workers. A goodly number of the latter would probably be former employees of the insurance section of the Veterans Administration.

The transference of the vast bulk of NSLI to private companies would be one way for Congress to demonstrate its sincerity in upholding the American tradition of private enterprise. Certainly all traditions are not worth upholding, yet a tradition which furthers private responsibility and aspires to keep down the growing concentration of powers in the Federal administration seems not only worthy but essential in preserving our liberties. **Private responsibility in business should not be surrendered to the government unless it can be proved conclusively that private enterprise cannot do the job as well.** In connection with this philosophy, it should be pointed out that there has not been the slightest shred of evidence that private insurance companies are not able to handle standard insurance risks. On the contrary, the tremendous development of private insurance companies in recent years is a demonstration of the great confidence that tens of millions of policyholders have in their companies.

Conclusions

From the foregoing we may summarize in saying that:

(1) Contrary to the reputed purpose of the National Service Life Insurance Act, claims following death and total disability traceable to military service are not actually paid out of NSLI but rather out of Congressional appropriations. Considering the source of funds out of which these claims are met, benefits should not have been, nor should they be in the future, in terms of the size of the policy taken by the veteran and the premium he paid. National Service Life Insurance **actually** does not cover the risk of service traceable mortality and total disability and the premiums are not used to meet those claims. Hence it is discrimination for some veterans or their beneficiaries to receive less than others. To eliminate this discrimination the government should bring all benefits up to the $10,000 maximum. Many have or are already receiving the maximum for mortality and total disability, however there are many others who have received less than the maximum.

To clarify the situation for the future, Congress should pass a law so that in the event of mortality and total disability traceable to military service the government will pay a definite or standard benefit (perhaps the same as the present maximum) to all the beneficiaries and totally disabled veterans, a benefit for which the veteran will not be required to pay a premium.

(2) The service-caused substandard risks, which fall within the legitimate purpose of National Service Life Insurance, very likely constitutes only a small fraction of the total policies and amount of NSLI in force. Since it is either impossible or too costly for them to secure insurance from private companies, it is the duty of the United States government to offer life insurance to these veterans at standard rates with the government meeting the extra mortality and administration costs. The National Service Life Insurance program should be reduced so that it insures these veterans only and veterans who in the future would be classed as substandard risks because of service-caused impairment of health.

(3) Plans should be made to transfer to private companies the NSLI of policyholders who meet the physical requirements of the private companies. The large bulk of National Service Life insured veterans would very likely fall in this class. The veteran would be given a choice of one among those companies which agree to assume standard (and above standard) veteran risks. There should be little trouble for the Veterans Administration in securing a large number of agreeable and financially sound companies. When a veteran chooses a company to which he wants his insurance transferred, the reserve built up in his policy will be released by the NSLI Fund and turned over to the company of the veteran's choice. The veteran would receive a company policy entitling him to the same benefits he had before. This transference of the bulk of veteran NSLI to private companies will help to get us back on the road of private enterprise in insurance from which we strayed unnecessarily during the recent war.

The Right Way to Sell Securities

(Continued from page 4)

lying motivation for making a purchase will cause you to vary your methods of selling.

You sell a good-sized block to a customer and in six months the fellow has made a lot of money, in appreciation of that stock. Now, I wonder just how many times a customer calls you up and thanks you for your good advice in putting him into that stock. If he makes a profit, "he was the one who bought the stock." He is the smart man who knows his industry and knows just how to make a good investment, and it isn't you.

But, back there when you made that sale, you also made another sale, and this one went down. It dropped 'way, 'way down. Who gets the blame for that? You do. You get the blame for the bad and you don't get the credit for the good.

You may go uptown and stop in somewhere and put down $600 and buy a combination radio and phonograph set. You have it shipped home and there it is in your home. Well, you have it a year, almost, and after you bought one in January for say $595 and you price it now, the same machine, the same new model, it is selling for $398, almost $200 difference.

Oh yes, you have the use of that radio during that time, but it has depreciated. That product has depreciated. All right, you don't make any kick about it. It is performing well. That's okay, you expect it to depreciate.

That nice suit of clothes you have bought for your wife last fall, with all that "long skirt" business, you paid plenty for it. Now she's around again. The style has changed a lot. "More buttons this year, honey, and more pockets this year, and it's very different. It's higher this year, and I really have to have a new suit." She works on you for a while and, like the rest of us, you give in; so you are out another $100 for another suit.

But what about the other suit of last year? It was a good suit, very serviceable, quite adequate to keep your wife warm, and what happens to that? Well, I don't know. I never find out. But it isn't useful any more. The "use" value is all shot.

There are two examples, the radio, one type of consumer goods, and a suit that lasts just so long, another type of consumer goods, and the use of it is all gone, and you don't kick about it. You are taking depreciation.

Then, let's consider the fellow who has invested a lot of money in a mine. Naturally, he will expect the value to decrease as a depletion of the assets is affected. We are all buyers, and we buy, occasionally, into things like that and the value goes down and we have had use out of it. But the man who is buying a stock from you, what about him? He wants to get more back, when he sells it, than what he bought it for, even though it may have given him a very good income. He doesn't want anything to happen to that. You can wear out cars, wear out radios, you can throw suits away, and all that sort of thing, but what you fellows are selling—no depreciation, no wearing out. It has to be just as good ten years from now, and it usually has to be a lot better, to make the purchaser satisfied, than it is now.

Well, there seems to be something odd about that, and here is the funny part: You can do it! That should be a terrific selling point for an investment salesman. You can sell something that the buyer can get use out of, income use out of, for years, and when he sells it later on he gets every cent back that he put into it. What else can you yourself buy, anywhere on the market, that is as good a buy as that? Offhand, it's pretty hard to think of something comparable.

Surely, it may fluctuate. It goes down. The radio dropped way down. Everything fluctuates down and up, but at the same time you've got something that is very good to sell. I don't know of any product or service that is any closer to a person's individual interests than what you are selling.

Later on, we are going to get into some psychological problems connected with salesmanship and you will see that people have buying motives based on very deep-down, innate motives for living. But what you are selling is something that is very close to the "personal gain" of the buyer.

Why do they buy what you sell? They buy what you sell for security and for income. Primarily, to make money. There are few things that the general public is more interested in than having a few dollars come their way. They should be, of course, because that is what it takes to live by; but you are selling something that is tied up very, very closely with their income, with their living situation, with their personal gain.

We will go into this particular problem of motives later on, but I just bring it out at this point to contrast it with some of the other things that are being sold today.

Investment Selling vs. Other Selling

This leads us into the problem of what you are selling versus what everyone else is selling. If we had sufficient time we might ask the question, "What is your competition?" Somebody might say that insurance is our competition, and somebody else might say that some other thing is our competition; but I say that everything being sold to the American public is your competition. That is so because if your customers buy an automobile instead of a block of stock, you have lost that sale to the automobile industry. If they have bought something else instead of buying what you were trying to sell them, then that other thing is your competition. In general, do you agree with me on that, or not?

A man may have $12,000 income per year, and he can spread that only so far, and if he is going to buy this and that and the next thing, he doesn't have anything left to buy securities, so that, really, you are selling against everyone else who is trying to compete for the consumer dollar—and I include also the corporations and the institutions, when I speak of the consumer, because certainly everyone is trying to sell them many items, and if they buy a lot of them they don't have money left over to buy what you have to sell them.

If that is the case, I wonder if the over-all salesmanship in the investment business is as keen and as aggressive as some of the other industries with whom you are competing. I'll leave that as an open question and you can think it over for yourselves. I'll just say that some industries are really strongly out after business, with very, very aggressive advertising, promotion and selling campaigns.

In my opinion, there is no particular reason why your industry and the individual salesman should not be as aggressive in selling what you have to sell, as the others. We'll discuss that matter later on, too, the ethics of selling, the amount of weight, we'll say, that you put into a solicitation, and I'll leave that one problem for today with just this question of what other things might be of more lasting benefit to a family than a good investment.

You are not going to get strength from outside the industry. You are going to acquire strength within the industry, and within the individual people within the industry.

I don't know how many of you people have seen the current issue of "Fortune" magazine. They carried a leading article, and an accompanying article, on salesmanship, and the main point was that the greatest need American industry has today is creative salesmanship. That was a very interesting article for any salesman to read. They say that industry has missed the boat since the war in not attempting any real selling.

Terrific Opportunity in Investment Salesmanship

I feel that the opportunity in salesmanship and in your industry is terrific, and I learn from contacts down here that the turnover since the war in sales organizations has been pretty high here, and I would say that a young man who came down here and quit missed a very good thing. There are not too many really good salesmen in the industry today.

I suggest you read, also, the second little article that I mentioned in "Fortune." They sent a reporter out with his pockets lined with money and he was to buy various things. He had a difficult job spending his money. He was going to buy a whole set of tires for his automobile, and he went to a great many dealers before he found one with the gumption to sell him something that he came in and asked to buy. Creative selling, today, has a very low momentum.

I believe that any really good salesman has a marvelous opportunity, today, to cash in on the over-all situation. In industry, a great deal of efficiency has been developed in the production end of the business. That resulted, years ago, in mass production, and a number of plants with which you are familiar, are most efficient in the over-all production of the plant, and industry also is acquiring quite a bit of efficiency in its advertising and market research.

Is anybody in the country waking up to the fact that something should be done about increasing the efficiency of the function of personal salesmanship? Because why should that one spot, a most important spot in industry, be neglected, as far as efficiency of operation is concerned?

Logically, there is no reason why it should, but there are very few companies whose management directs any particular attention to the training of men in salesmanship. There is a lot of product training. There is a lot of getting acquainted with the company polices. There is a great deal of learning trade practices.

"How to Sell"

But when it comes right down to the problem of "How to Sell," selling for its own sake, not too much has been done on that subject, and there exists a very terrific opportunity there because that has not been done, and "Fortune" recognized this fact, giving it a very good leading write-up.

There are going to be few definitions in this course. In fact, there will be only two, I think, but in order to have a common ground to stand on, I want to offer one definition at this point, as to what a sale is.

A sale is the transfer of ownership of property for a consideration.

The property in your case, of course, is what you are selling, stocks and bonds. The consideration, these days, is money. A very important word in that definition is "transfer," the fact that you transfer an article or a service to another person and, in turn, get something back. It is a mutual exchange, a two-way transaction, and I don't believe that many salesmen fully appreciate the "give-up" part, on the part of the buyer. It is obvious that you are selling something and it goes to the customer, but also, you get something back that, in his opinion, equals what he is getting.

The purpose of all salesmanship is to satisfy human wants.

If anybody else can think of a better purpose than that they can bring it up in our discussion session at our last meeting. "The satisfaction of human wants," that is basic to what we will discuss, later on.

I would like to mention another thing at this point, that industry in general, and management, regards business from the mass point of view. Policies are laid down for quantity production, quantity selling. The advertising is directed to the mass market. Sales promotion is put out for the whole market.

But the individual salesman is not dealing with mankind in masses. He is dealing with the individual buyer. All humanity is reduced to the most irreducible units, as far as the individual salesman is concerned, and just how much has anyone done to help you to get away from this mass view?

Our general plan of organization, as far as these sessions are concerned, is that with that background of the need for creative selling today, the opportunities for the individual salesman, we may now go ahead and get started on something that is right down to earth, and there are certain general selling principles that I want to talk about for the rest of today's session.

These ten sessions of mine are planned in a logical sequence that pretty much follows the performance of a sale from the beginning to the end, but there are certain general principles that I can't fit anywhere into that cycle, that I am going to talk about now.

First Salesmanship Principle: Assume the Initiative

The first of such principles is that you, as a salesman, must assume the initiative. That sounds very simple, but I want to discuss it for a moment. First of all, there is no more independent worker anywhere in this world than the salesman, and I think that you will agree with me on that.

In the morning, when you go out and hit the pavement, there is nobody with you there to help you. You are on your own. When you are in the office and on that telephone and you have a tough customer at the other end of the line, you are on your own. It is entirely up to you.

This independent feature of selling indicates that a salesman has got to be his own self-starter, if he is going to be successful. When you are young, you may have a boss who is fairly close to you, who is doing some intelligent supervision. You may have. But that is not going to keep up for too long a time, because he has a lot of other things to do and he is going to put you on your own pretty soon.

This role of the initiative, as far as the salesman is concerned, first let's discuss it in terms of yourself. It means that you have got to overcome your own inertia. That must be done by you, yourself. We all have inertia. I suppose that, fundamentally, we are all lazy. Perhaps nature put that into our makeup so that we wouldn't make too radical changes, because the very radically-featured units in nature are eradicated pretty soon, and therefore there is an indolence in mankind that tries to hold us back, creates a lag.

The salesman has got to overcome that element in his own nature. He must recognize the fact that he has got to spark himself.

All right, now, you get in to work in the morning, right on time, nine o'clock, and you have a desk assigned to you. What else do you have there? A telephone, papers, pencils, they gave you a nice light, and a few books, and some prospect cards, and you have some literature on your desk, and you come in there and sit down at nine o'clock in the morning. What do you do?

What you do determines the bread and butter of your family, determines your whole career. Everything in your life depends on what you do, and the first thing to do is to do something! Do anything, but do it! It's like the man driving the car ahead of you who comes to a crossroad and delays until you don't care what he does as long as he does something to move either this way or that. There isn't anything worse for a salesman than doing nothing.

So, come in in the morning and get something started. Get going. Take the initiative. Now, later on, we'll discuss in more detail what to do, how to plan, how to organize. But my first point here is that you must get rolling.

There are cycles in everybody's lives that go up and down. Let's say that we are just back from vacation, all tanned and healthy from going swimming and playing lots of golf, and you're right on the ball. This is the time, then, to compel your mid-winter self to keep going by laying out a campaign of accomplishment, what you are going to do.

It is true that we all have high and low periods but if, when we have the advantage, we do something then about the later period which may be low, something that you can look back to and rely on and get help from, then that action is going to help in leveling out your performance.

Now, when you get in here, at nine o'clock in the morning, that is the time to start doing something that is progressive. That is what I call initiative as far as you, yourselves, are concerned.

We were talking about this first general selling principle, the one that is going to start things and keep them going, and we have been talking about that in relation to our own selves, our own work.

Every day brings its own opportunities to do something about your annual sales volume, every day, and every particular call you make is an opportunity for some accomplishment toward that annual quota that you have set up for yourself to hit.

If you have this feeling of initiative strong within you, then the next thing to do is simply remember that you are the person who has got to move that customer to do something.

The function of selling calls for you to go out into the world and convince someone else that what you have to sell him is what he should want, and what he has need for, so that you become an agent bringing suggestions and persuasion to convince the other person that he should do what you want him to do. That is the role of the salesman.

You get the customer to agree and accept an idea that you put forth. Your idea is that he should buy some investment from you.

In order to get them to agree with that, with that idea, and to take action on it, that requires a substantial amount of what we call selling: suggestion, persuasion.

We discussed the indolence in human nature. If that applies to the salesman, it applied even more so to the buyer. He is pretty much satisfied with the way he has his money invested now. He has been living for a long time and he's been doing all right without your advice and without your suggestions.

Still, you have come into his life, now, to try to get him to do something that you want him to do. That is what all salesmen do. We have a nerve, we really do, but that is the way of life, and it is a good thing because if influences from the outside didn't move people to action there wouldn't be very much progress, and it is the salesman in life who provides a great deal of the means toward progress in our economic world, anyway, and that is what we are out to do, and to accomplish that we must do some reasoning in order to make the other person see, finally, that what you tell him is right, that he should do it. The initiative of people is moved and influenced by other individuals to a great degree.

Making a Telephone Call

If you are going to get another person to buy something, you must do quite a bit of telling, and quite a bit of their thinking for them. We are back here at nine o'clock in the morning, and you are just about to make a telephone call. You pick up that telephone and begin to make your solicitation of some person. Not only do you have to use the initiative for yourself and with the other person, but you must use it in your canvass, in your sales talk. You are the one, in the first place, who has to start the sales talk going.

You never begin by saying such a thing as "How is business?" Never open a sales talk with that kind of a question which takes everything and throws it into the other fellow's lap. In such a case as this, you would be giving the initiative to the other fellow, offering him a chance to bellyache about his business. You have lost control of the interview. You have asked a question which takes matters out of your own hands.

You didn't call the man up to ask how his business was, you called him in order to sell him something. You cannot sell him something by opening your remarks with questions like that which may produce negative replies.

During the course of that telephone call you have got to maintain the initiative and control it all the way through. You, yourself, must be the one to spark that solicitation from beginning to end. You have got to keep things rolling.

How many salesmen the world over go in and believe that they are giving a sales solicitation, whereas all they are doing, actually, is asking a series of questions. Many salesmen are guilty of that failure and that is not the way to sell, simply by asking questions.

That is not the way to move a person to action. In this manner you do not rouse him out of the investment rut that he is in by running that kind of a solicitation.

You tell them what you think it would be well for them to do in a very diplomatic and tactful way. You call the man up, and you have a message for him. You open your conversation with a friendly greeting:

"Mr. Brown, I have something of special interest that I would like to tell you this morning."

"Ah—'special interest'!"

Suppose that somebody called you up and said in a very friendly but forceful manner that he had something of special interest for you. At least, you would want to find out what it was, wouldn't you? You would be willing to listen to what he had to say. You have aroused his interest with that sort of opening.

Then you go on with your conversation, and you know what you are going to tell the man because you have thought it out beforehand. You are using your initiative in this conversation with the other person. You never allow yourself to depend upon his openings. You don't wait for his lead. You have the whole thing figured out in advance.

You know how you are going to ask him to buy whatever it is that you have to sell to him. Now, these specific methods of selling come out a little bit later. At this point, my only object is to stress this matter of the initiative. Begin the solicitation in the correct manner and keep it going all the way through.

Making the Call

But you do not wait for him to commit himself because if you waited for him to do passive buying, you wouldn't sell very much, would you? You have got to do a lot of their thinking for them and, in many cases, they must not know it. They may not be aware of it because you talk in such a tactful and suggestive way that you put the ideas into their heads without their realizing the ideas were not their own.

That is what a salesman does. He provides the necessary impact to move that person to a commitment. Sometimes, it takes quite a bit of moving.

Again referring to the factor of initiative, you have made that call, you went over to see your prospect. You had a very nice talk with Mr. Brown and you couldn't sell him anything that day. He had been fairly busy and didn't know enough about just what he wanted to do, so at the end of the interview—and it was he who ended the interview—he said, "I appreciate your coming down here and I will call you in a few days."

So you get your hat and briefcase and you shake hands and go out. How many people really believe that that man is really going to call them within a few days, as he said? Just very, very young salesmen have any faith in that promise. If you do possess such faith you will lose it very soon.

I would say that in eight out of ten cases, or on an even higher percentage, they are not going to call you. It is not always that they don't mean to call you, either, and not that they weren't, at the time they talked to you, very much interested in that investment program which you described.

But, immediately after you left the man's office he became very busy. There were a great many things to demand his attention. Let's say he took a trip to Boston and back the next day. The day following that there was a meeting of the trade out at the Westchester Country Club, and they went out there and played golf all that afternoon.

There you have two days gone. On his return the third day he was very busy with the work neglected during his absence, and the next day it is something else. Life goes on like that.

In the meantime you, with your investment program, what happens to that? It gets down deeper and deeper among the accumulating papers on his desk. He doesn't mean to neglect it; perhaps he was really interested in it; but that is just the way it happens, and the neophyte salesman thinks to himself, "Boy, I certainly made a good canvass. He is going to call me in a couple of days. I know I have a good customer."

Well, if he believes that he may feel rather elated and he goes home to tell his wife the joyous news. What happens? Nothing! And his world is shattered. His faith in mankind is gone.

But he learns later on that there are many other interests in life for every man that we call on, other than what we are presenting, and that in order for us to sustain his interest in what we are dealing with him about, that we again have to renew his interest.

Here is the initiative factor entering again. Use your initiative. Back at him! You call him up, within three days. Don't wait for him to call you. And, when you telephone him, do you ask him a question? No, you do not ask him a question, nor do you prolong any irrelevant discussion because he is always a busy man and at the time of your call you don't know just what is going on.

Suppose you say, "Do you remember that I was in the other day? You were going to call me, and I wondered when you were going to place that order." The first thing you know the phone is hung up again. He has killed that day for you. It's happened to every salesman. It is not that this fellow is a bad prospect, either. He may be a very good prospect. But when you call him back, just know what you are going to say.

You go right at him again. What we will say comes out later in this course and I don't want to get into that too deeply at this time but merely place the accent upon initiative. You phone him again. Keep going on it, yourself.

Never rely upon anyone else to do your selling work for you, but don't relay, either, on any of your prospects to do their buying from you, unaided.

Make Your Sales Talk Stick

Another basic principle is that it is very important to make your sales stick. You have got to do such a convincing sales job that after you leave that office you don't eventually receive a cancellation of the order. Of course, I realize that after you sell a block of stock to somebody the sale is made and they can not cancel it. I know that in your industry they can not cancel the individual order that you pick up. But they can certainly cancel you out from handling any future orders, so that principle applies to you just as much as it does to anyone else, that if you don't do a convincing selling job and make your sale really stick, then you have not won a customer.

Your cancellations and dropping off of customers is expensive. Usually, you put quite a bit of missionary work into a new account before it is landed. When you are in the process of landing that account, be sure that you do a sufficiently thorough selling job that your sale is going to hang over, that the man is thoroughly sold on it.

Think of your own occasions where this applies. Perhaps you have gone into a store and bought a new hat. You may be rather busy that morning and you had to buy the hat and you put it on, but it is just a hat, nothing more. You didn't like it very well. Perhaps the hat happened to get wet and sagged down a little bit and you had no opportunity to have it reblocked, and somehow you never liked that hat.

Well, the reason for it often is that the man who sold you that hat didn't convince you that you had bought a good hat. It is up to the salesman to make up the person's mind that he made a very satisfactory purchase, and lots of times when we are not happy with what we bought it is just because some other person, namely, the salesman, didn't convince us that we had used good judgment in making that purchase.

Just try to recall some of the numerous items you have bought. Most of the things we buy are pretty good, but I think we have been happiest when we believed we had made a very good investment and, usually, you know that only when a really good selling job has been done. So that is what you have got to do.

One little complication comes up at this point. Let's say that you have been working a while, and you'll say, "Well, that may be true, Sutton, but while I'm doing all this convincing and putting the matter right down, thoroughly, to the customer, I might talk myself out of that sale."

Timing Is Important

So I say that you always pick up the order when you can get it. As soon as you know you can get the commitment, get it, because after the order is placed, at that time, or the next day, you can go back and complete your selling job. Timing is most important. Sometimes you can pick up a sale very quickly, and in other cases you have to do more selling of yourself and your firm, in order to secure a continuing account, so I say do the thorough selling job but do it in such a way that you don't talk yourself out of any order that is to be placed.

Your prospect gives up something when he buys. He gives up so many dollars. He may give up some $5,000 and he has worked for quite a long time for that money—or a bank, or a hospital, or an insurance company might give up $100,000, and they like to feel that when they expend that money they are dealing with the right person and with the right firm, and that they have made a good buy.

If they do not feel that way, it may be very similar to the story of you with the new hat. You know that, pretty soon, you bought another hat, and it was one of a different brand. In the same manner, pretty soon, your account has bought some securities, but it isn't from you, or it isn't from your house.

There is the give-up element in any sales transaction, and the person who gives up the money must feel satisfied that at least he is getting an equal amount of service or investment or product in return. It is up to the salesman to do that convincing.

Don't Be Competitive Conscious

The next point I wish to stress is that no salesman should be competitive-conscious. If you work for American Radiator and you are out working on a big housing project, trying to get 200,000 square feet of radiation, and you have a couple of competitors in there with a slick price, working through very smart jobbers, if you go in to try to close a sale and if you are worrying too much about what the competition is doing, or has done, you are not going to get the sale, because that puts you into a negative mood and you flag your fear to the buyer.

We are going to spend one whole hour on the subject of attitude, later on. It's the universal language of man, and has been, for as long as man has existed, from one man to another. You don't need the spoken language. One attitude is fear or hesitancy and if you feel that way about your competition you are killing your own chances.

Every business is competing with another business, but you have to build up confidence within yourself, confidence and faith in what you are doing and that what you have to offer is better, or at least as good as what the next fellow has.

I'm not going to stress this point too much, but I do want you to put it down and to remember it. Don't worry too much about competition. Know what your competitor is doing, and when you know what he is doing, then you don't have any fear of him. It is the unknown quantity in your business that you are afraid of, because you can't answer a question on it, but when you know your own services in comparison with all your competition, then you don't have to be afraid of anything.

On this same problem, never knock a competitor. It won't do you any good, in the long run. For one thing, he is usually going to find out about it and maybe somewhere in your own operation he can find something to criticize to customers, so don't start a vicious circle by going around and knocking your other competitors.

When competition comes up, in the course of a solicitation, they say, "Well, sure, this sounds all right, but this other house offers this," don't allow the conversation to dwell for any length of time on the negative factors, concerning your competition. Get away from it.

Come in and knock out your competition fast and get right back to your regular solicitation, because so many salesmen go into an office and the customer brings up the problem of what some other house, or some other salesman is doing for him and this salesman goes on growling about the competition, and dwelling upon first one negative subject and then another. This certainly will not lead to a sale.

You never talk about negative things when you go to sell anything.

Development of New Business

Our next subject is the continual development of new business. I don't care how good a salesman is, the best salesman in the world loses business.

I read an article recently about a meeting down in Hot Springs, of some investment people, and one criticism that was brought out, was that too many account executives rely upon two or three or four accounts to give them all their business.

That is bad. If you specialize in a very few accounts, pretty soon you are not going to be drinking much champagne. You may lose accounts—and it may not be your fault—perhaps in one of your accounts, the daughter just married an investment salesman of another house and the account has been influenced to place their business elsewhere, and it is very hard for you to control things like that, so you should always figure that some of these accounts that you have eventually are going to be lost.

Of course, you try not to lose them. You must do everything in the world not to lose the account, but it is inevitable that some of them are going to drop out on you, so if you don't continually renew accounts and build better volume in your present accounts, pretty soon you won't have any business at all. That is true in any line of selling in the world.

Part of your campaign should be the solicitation of new business, so much every week, part of your regular selling program being to set up a quota for yourself and the number of new accounts that you are going to get, over a month, or over a year. Don't let someone else do that. Set your own quotas for yourself, because you really should think that you are in business for yourself, and, as a salesman, you are.

There is another point about developing new business: Are you a salesman? There is a distinction between selling and servicing accounts. How much creative selling is there in servicing old accounts?

Some of you fellows may be fairly new to this business. Perhaps you came in and had a period of training and at that point they gave you a desk and the boss said, "Well, Joe, here is a list of accounts that we are turning over to you." If you are lucky you might pick up one lush account. Usually you get the cats and dogs, of course, that is natural in any business.

But it is the business which you develop for yourself that is going to support you in this industry. If any of you are not developing new business, if you are just servicing old accounts, then, from week to week, you are losing your selling ability. The longer you stay away from soliciting, aggressively, new business, the harder it is going to be for you to hit the concrete again. You get out of the habit. You lose something. You become soft and you don't want

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The Right Way to Sell Securities

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to go back to it. So keep yourself on your toes, to keep yourself honest as a salesman. Always include in your campaign the development of new accounts.

I cannot help but mention this one personal thing here, and that is that if you have within yourself the nature to be a salesman, you can be very happy in this occupation. There is a continual challenge from day to day, to do a good selling job, and a real salesman wants that challenge. He wants to go out and develop this new business.

There is the element of accomplishment concerning this, the element of pride in your own ability to go out and do things. In your business, perhaps you may begin with nothing, and what business you have, where does it come from? It's all your own. You have built it. You have created it yourself, and out of nothing you made a lot. The fellow who, one day, has come in and sat down at a desk on which there was nothing, and then entirely on his own, built a substantial business—and you fellows are doing that today—you will know the pride that you may take in your own work in the world. It is good, and it is good work.

Personality in Selling

The next general principle to be observed is the fact that personality in selling is very important, but it is not everything. Don't think that by only being a personality boy you can win and retain a lot of business, because that can't be done. It takes more than personality alone to build a substantial business. You have got to know your stuff. You have got to do a lot of hard work.

Tests have been made in other industries, particularly in the grocery industry, in this matter of personality versus straight selling ability. In these tests the people with the selling ability won every time.

It is just as bad to get kissed out of an account as it is to get kicked out. The result is the same. You may go up to Rockefeller Center, having an appointment to see a fellow, and he turns out to be a swell fellow. You get to talking about this and that, and it turns out that he plays golf and you talk about golf, and you get on another subject and talk about that, and he thinks you are just aces, just wonderful, and the first thing you know you are in the elevator, going down. On the ground floor you walk out and wonder to yourself, "Well, how did I get down here? What happened?"

What happened? You were kissed right out the door. That happens time and again. Some buyers will get rid of a man that way.

There is a certain character I used to know, a man who would give you one of these "wind-up" handshakes, loaded with energy, and the most enthusiastic greeting, "Hiya, boy!" His handshake would shake you all over. But that was all there was! He lasted for a little while, but that was all. He's a person who went from one job to another. He possessed a wonderfully stimulating, aggressive greeting, but when that had died down there was nothing else. You can't keep that kind of enthusiastic approach up forever.

Don't Imitate Others in Selling Technique

As an incidental point, in that connection, don't try to imitate anyone else in your selling technique. If you have been sent out to observe another man in selling, don't try to ape him. If he uses certain methods that you admire, adapt them to your own personality, but do not try to be another him because you can't be. You can only be yourself and act natural, to be successful in your selling.

Another point: Sell your complete line.

You will have to adapt that principle to your own situations. I know that some houses sell stocks and bonds, and some, wheat, and that sort of thing. All right, if there is that kind of business to be done where you work, do it all.

I believe a lot of people specialize too much. They become specialists in perhaps just one or two things. Is there any particular reason why you should do that, and pass up a lot of other business that you could be handling? Perhaps it is true that some of this specialization comes from either being indifferent, or just from being lazy.

A salesman should sell as many of the items that he has to offer as possible. You see, if you get to specializing in just two or three stocks, well, just suppose something happens to those industries and they really go bad. You are stamped as a specialist in those stocks and, while they are off, what are you doing? Nothing, very much. You haven't got enough diversification.

Also, I think that a person who specializes too much in a certain limited number of securities is not doing a real investment counseling job for his account.

There is this tendency that if you get to know a lot about the airplane industry and you can talk it well, so you do a lot of recommending in that industry purely because you know a lot about it.

But in that case I believe that you are limiting yourself, if you learn a lot about only a few industries and plug only those all the time, because the time may come when they will say, "Don't call that salesman. He will just try to sell you such-and-such a stock." And your own customers will turn prospects away from you.

With respect to repeat sales there is no particular need for me to dwell upon that subject very long at this point. You all realize that your livelihood comes from the repeat business and that after you make an initial sale you will certainly go back and cash in on the investment of your time by getting repeat business from that customer.

The way for anyone to build a business for himself is to get into some line of endeavor where he can build up a considerable number of steady accounts that will give him so much business from year to year. That is where you build your business. After you have been in business for so many years and you've got so many accounts, accounts which, ordinarily, you can count on bringing you so many dollars worth of business in a year, so you build your business from year to year on that, and the way to do it is to go back for repeat business continually.

On some of your own accounts, perhaps someone else is selling them some things in your line. Why should they be? There is no particular reason why you should not find out if you are getting as much business as possible from all of your accounts.

There is the element to be considered, of getting new business from old accounts, and if you have been selling a person just stocks, maybe they are buying a lot of government bonds somewhere else and why shouldn't you be getting that business?

Hum^nizing Your Sales Story

I want to mention something on the very important point of humanizing your sales story. That is terrifically important. You don't just go out and recite, gentlemen. Over the weekend, you don't simply memorize so many passages out of a syllabus, somewhere, and go out on Monday morning and recite them from memory in the hope of impressing your prospect with that sort of presentation.

What you do is to discuss an investment program in a very personal way with your customers, and you tailor your sales conversation very closely to the pattern of interest of the man you are talking with, so that every customer, every call, every solicitation is an individualized one. It is something that is of personal interest to that man that you are talking with.

You just don't go in and tell A, and B, and C, and D, exactly the same story. You wouldn't get anywhere doing that. You personalize, and humanize your story, using your own imagination, your own resourcefulness, to go and talk with somebody, and when you get through talking with him he thinks he is the only customer you have. He thinks that, as far as you are concerned, your entire career is pointed for his benefit.

That is the way to get new accounts, and that is the way to hang on to the old accounts. I have various illustrations of that, but I'm sure you have grasped the point.

"Warm Up"

Warm up! Don't go to a good customer cold. You fellows who have been selling for some time will know that, but it has to be learned.

When you return from a vacation, you have been thinking a lot of extraneous thoughts, you go in to someone and make a call and it is not a good one. You have been away from it for a while. You are cold. You don't make a good solicitation. You've got to warm up to make a good talk, and I sincerely mean that.

Sometimes when you leave a customer you may think back and say to yourself, "Why didn't I get that order?" Well, one reason why you may not have got that order is that you were awfully cold, yourself. Very little enthusiasm, and very little salesmanship.

That leads us into this next point, that you have got something to sell and it is going to require a certain amount of effort to sell it. There is a tendency for many salesmen not to do sufficient selling. I am speaking, primarily, about the new accounts.

You can not hope to go in and divert this man's attention from everything else in the world to what you have to interest him in unless you spent quite a bit of time discussing your subject. You must do that in order to draw his interest and attention away from other things, to concentrate it, to get him to thinking about what you have to offer, investments, securities, and everything that you have to offer and talk about in your business.

It is an old story to you but it may be a brand new story to your customer. Remember how long it took you, in your initial training, to learn enough about the investment business to allow you to go out and talk about it. It took you months. How can you expect, after having spent all that time in learning, to go out and talk to a fellow for five or ten minutes and expect him to buy something from you? He can not catch up with you in that length of time. You have got to work on him.

Just think of one or two cases that may be called to mind, a truck driver, recently out of the Army. This man drove a truck for a while, for somebody. He made about $150 a week doing that, so he saved his money and bought a truck, got a contract and pretty soon he bought two or three more trucks. He is now making $25,000 a year, and what does he know about investment? He doesn't know investments exist, doesn't know a thing about them, yet he has quite a bit of money to place somewhere. He has plowed a lot of it back into the business but he may have taken some out and doesn't know what to do with it.

When you talk with him, you must do quite a bit of talking to acquaint him with the whole field of investment and what to do about it.

Some Highlights of Socialized Medicine

(Continued from page 6)

ain where they have one to a thousand.

Unfortunately, that one to 740 doesn't represent the whole country. In New York City there's one to 450 persons. But in some of the rural communities there is only one to 1,500—or even 1,800. Now, how are you going to get doctors to go to communities now lacking them?

I can assure you, you will never do it by enactment of any Compulsory Health Insurance bill, because the countries that have it have exactly the same problem, even though they've had this plan for years. There's only one way that you're going to do it. And that is to give the doctor the tools with which to work. No doctor who has spent the length of time—which I told you about a moment ago—in preparation for his profession is going to go to a community where he has to practice medicine of a type that was in vogue 75, or even 50, years ago, and if he would do it, the public would be better off without him. You must give him the tools with which to work—hospital facilities and proper diagnostic facilities. Then you will attract some of them there.

Another big factor, which is an increasingly important one, is the matter of chronic disease. That is an increasing problem in the United States today, and none of these bills that have been proposed have suggested any solution of any importance.

The Case of Chronic Diseases

Mr. Ewing says that we could save 115,000 people a year who have chronic disease—save their lives. With all due respect to Mr. Ewing, he doesn't know what he is talking about.

We have about 600,000 a year that die from heart disease and cancer. In all probability, so far as heart disease is concerned, instead of decreasing, the number is going to increase. And *why?* Because—the death rate from degenerative disease has been increasing because the people have had good medical care. Let me explain that.

In 1900 a baby born had a life expectancy of about 47 years. A baby born to-day has a life expectancy of 69 years. That means that millions more people, who would have died in infancy and in youth, are now living to middle and old age and are therefore subject to the diseases which accompany age. Instead of decreasing, that number is going to increase. But something has got to be done about it.

The American Medical Association, the American Hospital Association, the American Public Welfare Association and the American Public Health Association have been working in collaboration and have now set up a commission on chronic disease. They plan to have facilities available in all states, so that this problem may be met and the community not suffer from the monetary loss due to these people being chronically ill and unable to care for themselves.

The American Medical Association supported the vast majority of the finances of the preliminary investigation. We are now housing the commission in the headquarters in Chicago, and I think something very definitely valuable is going to come out of the commission on that problem.

Voluntary Plans

How about the medical care to the patient himself? We all agree that prepaid medical care is a valuable adjunct. But the question is—is it to be voluntary or is it to be compulsory?

The voluntary plans have been growing tremendously. In fact, it has been said that it has been the **fastest** growing insurance project in the history of this country—which is pretty insurance-minded.

You will hear the American Medical Association accused of having opposed Voluntary Insurance at the start. That is true—it did—and for a **very** good reason.

When we discover a new drug or a new method of treatment, doctors don't rush out and try it on every Tom, Dick and Harry. They wait until there has been some research on that drug, or that appliance, to see whether or not it is something that is going to do the public some good, and that there is a surety that it will not do them any harm.

That was exactly our situation relative to these voluntary plans. We didn't *have* any, and the only examples we had were those in Europe, which were very poor, did lead to compulsory insurance and didn't deliver a good type of medical care.

We did, however, approve experimentation, there have developed various kinds of voluntary plans—hospital and medical care—so that now there are in this country 60,000,000—and more—persons who carry voluntary hospital insurance.

There are some 45,000,000 people in the non-profit, the commercial and industrial plans who are protected against medical risks. Some of it is complete and some of it is surgery and obstetrics—so called catastrophic illness. (That is, if you want to call obstetrics a catastrophe)—and surgery and obstetrics, plus in-hospital medical care. Those are the things people want to be protected against.

The average person is perfectly willing to gamble on being taken care of by the doctor in a casual visit to his home, or the patient to his office, but he wants to be protected against the things that he knows are going to cost him money.

We feel that before long we can have at least 80,000,000 persons in this country insured under the voluntary system. Now you say 80,000,000 isn't the whole population. That's true. But remember, there are 24,000,000 persons now who receive their medical care—in whole or in part—from the government. That includes the veterans, and the veterans would lose all of that under this compulsory plan. Or, if they didn't lose it, they'd still have to pay for the compulsory plan even though they didn't need it.

In addition, you have about 5,000,000 indigent. Then there are large groups that are protected through their industries through cooperative **health** movements which are being carried on in **various** industries. When you add them all together you find that the greater part of the population will be covered by the voluntary system.

Bear in mind that these plans

are *voluntary*. Nobody made these 60,000,000 people buy hospital insurance. They did it because they wanted it.

There are some 80,000,000 people in the United States today who carry life insurance. Nobody made them buy it—except maybe an enthusiastic agent. But, at any rate, it was still voluntary on the part of the person who owns the policy.

On the other hand, we have the proposition which has been put forward by the Administration and by certain members of the Senate and particularly the Federal Security Administration—for Compulsory Health Insurance.

The Administration's Plan

Briefly, the plan proposes a payroll deduction—another payroll deduction—to support it. As a result of that, you are supposed to have your medical care, your hospital care and your medicine free—if anything is free that you pay taxes for. Well, what's the objection to that? The objections are these.

First of all, nobody knows what it would cost. The first bill which was introduced on this subject—6-7 years ago—provided for a 12% payroll tax—6% from the employee, 6% from the employer and 7% from the self-employed. The next one reduced it to 8%—4 and 4, and 5 for the self-employed. The later bills haven't said anything about taxation directly. But they now propose that there will be a 3% tax to support this plan—1½% from the employee, 1½% from the employer and the self-employed paying the whole cost.

And you have to take it! That's all. It is taxation that is going to be imposed on the whole working population. Whether you like this type of thing or don't, you're going to have it. At least you're going to have to pay for it. If it would give good medical care, maybe we could stand for it. Even so, I'd like to invite your attention to the fact that 20 to 30% of the income of the person of low and moderate income today goes to the Federal Government in taxation. Now they are proposing to add more taxation to what we already have to pay!

Secondly, there will be another Federal bureaucracy. In the countries which have compulsory Health Insurance, they have at least two persons in the administrative setup for every doctor employed. We have around 150,000 practicing physicians in the United States. That would mean we would have a bureaucracy of 300,000 on the Federal payroll.

Of course, the proponents of it deny it. But its happened everywhere else, and it would happen here. In fact, I think that is one of the reasons some of these people are backing it—because they want to see another Federal bureaucracy. The bureaucrat, you know, is an individual who changes chaos into utter confusion.

In addition to the question of the cost of it, which they say will be from four to six billion dollars a year, and which the economists say would run from 10 to 12 billion dollars a year, there is definitely a third person between the patient and the physician.

The government pays the bill, and therefore the doctor will be responsible to the government, and not to the patient. There will be—no one knows—how many regulations set up. In England under their Compulsory Health Insurance act—which was in vogue before last July—the laws governing the Compulsory Health Insurance system covered a book of 1,300-odd pages. The book which the doctor had to use every day for his guidance was a book consisting of something over 600 pages.

The doctor become a certificate writer. He has to have a form for this—a form for that. Everything that is done has to be certified for the patient. In fact, one British doctor said that the doctor had ceased to be a family counselor, but had become a certificate writer.

The result of the scheme being adopted everywhere else has been that the doctor has been overloaded with trivial complaints. Even in England today doctors are saying "for the first time in our lives people are coming to us with scratches and wasp bites." They don't have to pay for it.

Nowadays, if you had a casual headache, you'd probably go down to the drug store and buy a bottle of aspirin. You wouldn't under this scheme. You could go to a doctor, get a prescription from him, and then go and get your aspirin for nothing.

The doctor is so overloaded with trivial complaints that he can't devote the time necessary for proper diagnosis to people who are acutely ill. It's nothing unusual in panel practices in Europe for the doctor to see 30 patients in the course of an hour. Well, now, you know how much diagnosis you get in two minutes per patient. You don't get any, of course. You simply get a prescription and are shoved on out of the way. They can't get through if they don't do it that way. Then the government steps in and says you're prescribing too much—the bill is too costly—therefore you'll have to cut down on what you prescribe.

In Germany before the last war doctors were allowed a dollar and a quarter per patient per three months for prescriptions. If they exceeded that, it came out of the doctor's pocket, or the patient had to pay for it.

I don't mean that every patient got a dollar and a quarter's worth, but that had to be the average. If one patient got more, somebody else got less. If a patient had diabetes, for example (insulin was moderately expensive), it meant that many people either went without insulin for their diabetes or else somebody went without something else he needed. That's always the tendency. Prescribing goes up . . . treatment is on the increase . . . diagnosis is on the decline. The government steps in, restricts the prescribing so as to keep the bills down and you are limited as to what you can do for the patient. In England, the government is now threatening to take over the drug industry.

We had an example of this right in this country during the Federal Relief Administration, during the so-called depression, in which doctors were allowed to prescribe only certain things. If they wanted to prescribe anything else, they had to get special permission to do it. Our government's venture into medicine has not been anything to be proud of, or which we want to repeat.

The whole Indian situation has been disgraceful, so disgraceful that the Secretary of Interior, Mr. Krug, has called on the American Medical Association to help out by making surveys of what is needed—which we have done. We are now sending in teams to train some of these doctors in the Indian service as to how these people should be taken care of. The Navajo Indians, for example, are entirely dependent upon the government for everything, and they get a nice fattening diet of 1,200 calories a day!

A Tremendous Bureaucracy

It has been stated that once a country adopts this scheme, it never changes it—never gives it up. That is true, because it cannot. Such a tremendous bureaucracy grows up that it is impossible to get rid of it. The Brookings Institute made the following statement among some 15 items which they stated on the question of Compulsory Health Insurance:

"It seems questionable whether a country which once embarks on compulsory insurance can turn back. If such a program is once inaugurated, attempts must be made to remedy defects by more complete government control and administration."

Once you have compulsory insurance, you never get rid of it. It is bureaucratic. There is a third party between the physician and the patient. It is inordinately expensive, and the expense increased year by year . . . and it gives a deteriorated type of medical care. It has been called the great leveler. That is, it does not bring the poor doctor up to the level of the good one; it drags the good one down to the level of the poor one.

You will see an immediate deterioration in the type of individual going into medicine, if this thing is enacted.

As to expense, the German system increased 600 times while it was in operation. In England it increased 70 times up to the time it was changed for this present national health act, going into effect last July. In New Zealand it increased eight times in less than 10 years.

One more point . . . and that is, bear in mind that there is a tremendous amount of propaganda going on. For the last ten years there has been a deliberate attempt on the part of certain groups to excoriate the American Medical Association, to vilify the doctor, and to undermine public confidence in him, and that is done deliberately.

As an example of the depths to which some individuals will descend to put across their propaganda, I quote a statement given in a report of a talk by Mr. Oscar Ewing before the Proprietary Association of America at White Sulphur Springs, June 3, 1949. Mr. Ewing said, in effect: "We have the statement of the National Tuberculosis Association that organized medicine had contributed little to the National Tuberculosis Association's efforts to control tuberculosis." The President of the Association demanded to know by what authority Mr. Ewing made such a statement. A letter from Mr. Ewing's office referred to statements by individuals, not by the Association, one made in 1932 and the other in 1922.

The President of the National Tuberculosis Association, with reference to this, had stated that their relations with organized medicine were most cordial and mutually helpful, and that Mr. Ewing's statement was not only unwarranted, but pretty close to being definitely dishonest.

One of the greatest propaganda agencies in the United States today is the Federal Security Agency. It is spending millions of dollars of your money and my money, which was not collected for that purpose nor appropriated by Congress for that purpose, in spreading propaganda on this subject. Their officials are going about the country at government expense, propagandizing the public on this plan.

I just want to read you a report of a committee of the 80th Congress. This report states that it finds at least six agencies in the executive branch are using government funds in an improper manner for propaganda activities supporting Compulsory National Health Insurance, and it names six of them. It says:

"All evidence before your Committee indicates that these health workshops (which the report was about) were planned, conducted and largely financed with Federal funds by a key group on the government payroll, who used the workshop method of discussion subtly to generate public sentiment in behalf of what certain witnesses and authors of propaganda refer to as socialized medicine."

Do not make the error of thinking this is medicine's fight alone. It is not. It is *your* fight. Because if medicine falls, some other group will be next.

I do not mean that everybody who is in favor of Compulsory Health Insurance wants to change our form of government or is a socialist. They are, however, being used by a certain group in this country which is bound and determined to change our form of government and make this a Welfare State. They will not be satisfied until they do it. *Furthermore, they admit that the first thing they have got to do is to socialize medicine.* We are the guinea pig, that is all.

If we fall, then you may be sure that public utilities will go the same road . . . and then the banks . . . and then the bar . . . then industry as a whole . . . and, finally, labor itself. That has been the trend everywhere else where this has been started.

Look at England. They had Compulsory Health Insurance enacted in 1911. The next step was socialization of some of their public utilities. Then they socialized the Bank of England. Now they have socialized coal . . . are endeavoring to include steel . . . and there is now a bill in Parliament to socialize the bar. So do not think that this is purely a medical problem.

This is a problem of whether you are going to have the American way of life or whether you are going to turn the United States into a Welfare State. I can think of nothing which is more important than that. So look at it from the broad viewpoint and not from just the viewpoint of medicine itself.

I think we should get back to the philosophy of Abraham Lincoln when he made his famous remark ". . . government of the people, by the people, for the people . . ." and not let this degenerate into a government of the people by bureaucracies for the further fattening of bureaucrats.

Opposes Dollar Devaluation

International Trade Section of New York Board of Trade passes resolution offered by Geo. T. Bauer, which also favors return to gold coin standard.

The Executive Committee of the International Trade Section of the New York Board of Trade, Inc., at a meeting in New York City on Sept. 15, passed a resolution offered by George F. Bauer, its Vice-Chairman, condemning proposals to revalue the dollar in gold and advocating a return to a currency standard "convertible into fixed quantities of gold for any one, anywhere, anytime."

George F. Bauer

The full text of the resolution follows:

WHEREAS—The quality of a currency is determined by the actions of the country issuing it and by its policies favoring or discouraging private enterprise in the conduct of which sound money is an essential, and

WHEREAS—A currency impaired in its quality by the actions and policies of the issuing nations, cannot be improved over any length of time by outside aid of another nation without finally impairing also the quality of currency of the country giving such outside aid, and

WHEREAS—Each nation by its attitude toward private enterprise and toward proper conduct of fiscal affairs, is alone able to specify the amount of gold for which its currency unit shall be exchangeable on demand, and

WHEREAS—Switzerland, by its favorable attitude toward private enterprise and by its decision to have its non-gold money redeemable on demand at a fixed amount of gold, is favoring the advantages of a sound trade and money system, therefore, be it

RESOLVED—By this International Trade Section of the New York Board of Trade, that in all efforts toward sound trade and monetary practices, there be considered the institution of sound money convertible into a fixed amount of gold on demand for any one, anywhere, any time, and be it further

RESOLVED—That in the opinion of the Section, the responsibility rests on each nation separately to determine the relationship it desires established between its monetary unit and gold, and be it further

RESOLVED—That, while it is perfectly proper for one nation to determine for itself the rate at which its own money unit may be redeemable on demand in gold, it is, by the same token, improper to invade the sovereignty of another nation and urge a change in the latter's rate of convertibility, and be it further

RESOLVED—On basis of the foregoing that the Section definitely opposes any proposals now being presented in Washington to impair the intrinsic worth and stability of the dollar through an indirect devaluation which would be effected by a rise in the price of gold expressed in dollars beyond $35 per ounce of gold, and be it further

RESOLVED—That the International Trade Section, New York Board of Trade, expresses the hope that the United States and other countries may follow the wise course of Switzerland by establishing sound monetary units convertible in fixed quantities into gold for any one, anywhere, any time.

Passed.

James J. Hitz With B. J. Van Ingen Co.

B. J. Van Ingen & Co., Inc., 57 William Street, New York City, announce that James J. Hitz has become associated with the firm in its New York office.

With Clement Evans Co.

(Special to The Financial Chronicle)

AUGUSTA, GA.—W. H. Zimmerman is with Clement A. Evans & Co., Inc., Marion Building. Mr. Zimmerman was previously with Merrill Lynch, Pierce, Fenner & Beane.

J. A. Warner Co. Adds

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Daniel Jackson has become associated with them in their Sales Department.

With Waddell & Reed, Inc.

(Special to The Financial Chronicle)

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

Joins White Co. Staff

(Special to The Financial Chronicle)

ST. LOUIS, MO.—William C. Messman has become affiliated with White & Co., Mississippi Valley Trust Building, members of the St. Louis Stock Exchange.

President's Health Proposal—A Program for Action

(Continued from page 7)

areas and small towns. A sound start to meet this shortage has already been made with the Hospital Survey and Construction Act of 1946. Under this law, Federal funds are available to State and local communities—on a matching basis of one dollar for every two dollars raised by local sponsors. But the amounts so far appropriated cannot begin to do the job necessary. And a solid expansion of this program is one of the musts on the President's agenda.

Again let me point out that the drug trade flourishes in the shadow of the hospital. And if we can double the number of hospital beds available—as we intend to do over the next ten years—the effect upon your business will be literally enormous.

By the same token, the drug trade flourishes in areas where there are the greatest number of practicing physicians. And as you all know, we are also facing a serious shortage in medical personnel—doctors, dentists, nurses, technicians.

Here we come plump up against the problem of medical training facilities. Our present facilities are grossly inadequate, in terms of the number of medical schools and colleges now available. A recent survey shows that, throughout the country, there are at least four times the number of applicants that can be accommodated in these schools. Yet, isn't it absurd to think that with our public health services, our hospitals, our rural communities clamoring for more trained medical personnel, nevertheless we turn down four out of every five younngsters who are eager to enter the profession.

To build and equip the new medical colleges we need—and to expand our present facilities—presents a financial problem that private or State sponsorship simply cannot cope with. Again, Federal subsidy is an imperative if we are to make any substantial progress in this direction.

In addition, the President is urging the establishment of Federal scholarships and Federal loans to enable exceptionally qualified young men and women to undertake the long and expensive training which otherwise they could not possibly afford. For here also is a bottleneck which must be broken if we are to make sure we get those college students who are best fitted to enter the profession.

Expanded Program of Medical Research

Closely related to all this is our expanded program for medical research. Every day more and more avenues of research are being opened up, many of which may well lead to new and vital discoveries in the field of medicine. But here also we are up against a shortage of trained research personnel and adequate facilities. Like everything else the cost of medical research grows heavier with each passing year. During the past decade and a half much of the medical research done by the universities and other private institutions has depended directly upon Federal subsidy. And at the same time the research activities of the public health service itself have grown enormously.

The President recognizes clearly that most progress in medical science has its origin in the laboratory and that every effort must be made to continue this progress. And you gentlemen certainly recognize that without such research much of the development in the field of drugs and medicine would be badly stymied.

Here, then, in broad outline are the immediate health problems with which the President's program is concerned. It is a fully-rounded program, based upon a thoroughgoing examination of the over-all health needs of the nation and gauged to meet those needs in a concrete and specific manner. The drug business prospers not merely because people are sick, but through the efforts to make them, and keep them, well. And that is the focus of this entire program.

The Problem of Payment for Medical Services

But there is another factor of major importance which cuts across every phase of this health problem. And that is: How are people going to pay for the cost of medical care? You know, as well as I do, that in most families today a serious illness is a financial catastrophe. The American Medical Association itself is on record as saying that only 20% of families can meet the costs of such illness. That means that four out of five families—those with incomes ranging up to $100 a week—cannot pay for adequate medical care. As a matter of fact, for nearly half of our population, where the total family income is less than $3,000 a year, or $60 a week, even ordinary medical care cannot be fitted into the family budget. And certainly anything so vital to sound medical practice as preventive medicine is entirely beyond the reach of the vast bulk of the population.

Let me say at once, all this is not the fault of the medical profession. Doctors have to live just as much as you and I do. Most of them try to operate on a sliding scale of fees for their poorer patients. They also give a lot of service to patients who cannot pay, but this is generally hidden in the bills of those who can pay. The real difficulty is that the practice of medicine has come a long way from the era of the country doctor and his little black bag. Modern medicine is a vastly complicated matter — involving highly trained specialists, X-ray equipment and all the rest of the paraphernalia of present-day medical science. And it costs money to practice a profession on that basis.

The President's Proposal

I do not intend to labor this point. I don't think I have to. The President's proposal to establish a nationwide system of prepaid medical care is designed primarily to overcome this serious dollar barrier which exists today in the average doctor-patient relationship. By spreading the risks over the entire nation—by enabling everyone to pay for medical and hospital care through insurance premiums while he is well and earning wages instead of having the whole burden come when he is sick — the entire process of financing medical costs can be organized on an orderly basis. And by adjusting the premium charges to the weekly wages of the worker, it will bring adequate medical care within the reach of everyone.

There is, however, another angle to the proposition which most people overlook. I have spoken of our present shortage of doctors and hospital facilities to meet even our current needs. This is true, particularly in our so-called medically undernourished areas—the small towns and rural districts. Most people agree on the necessity of building more hospitals and training more doctors. But the real reason we do not, today, have enough doctors and hospitals is that there are not enough "paying patients" to support them. Unless we can make the money for paying for medical services more widely available, we shall not be able to overcome this central obstacle.

Federal subsidies alone will not solve the problem. Only if a new hospital can be assured a real income will the local community try to raise the funds necessary to pay its share of the cost. And only if a doctor can look with some assurance to a profitable practice will he be willing to settle in these medically undernourished communities.

Here, in a very real sense, is the crux of the problem. National health insurance would automatically give to every man, woman and child the status of a "good-paying" patient. And more than any single factor, this circumstance would serve to distribute adequately the benefits of modern medical science which are now denied to the vast majority of our population.

Voluntary Insurance

I have no intention this afternoon of trying to cover all the facets of this whole complex matter of health insurance. What I want to focus attention on is the President's over-all health program. All of our efforts to build more hospitals, train more doctors, develop medical research must in the end fall short of their purpose unless we can find ways and means to pay for these services. And I mean pay for medical services for *all* the people.

It is here, I think, that the advocates of voluntary health insurance as an alternative to national health insurance, fail to grasp the whole problem. There is no doubt that voluntary insurance offers very genuine advantages to those who can afford it. But the great mass of the people simply cannot pay the high fixed premiums that are required. Furthermore, in order to remain solvent, any individual plan must eliminate the bad risks. And this cuts off the very people who most need medical care.

Beyond this, most of these voluntary plans impose many restrictions on the amount and nature of the services rendered—for example, no protection against maternity costs unless the insurance has been in force for ten months. A person who wants anything like full protection must either pay an exorbitant premium or sign up for two or three or more separate policies.

Without question the widespread controversy over the President's proposal has sold the idea of health insurance, even on this limited basis, to millions who formerly were not enrolled in any of these plans. Officials of the American Medical Association glibly talk of 60,000,000 people protected by voluntary health insurance. These figures are utterly misleading. Dr. Morris Fishbein estimated early this year that there were more than a million who had full coverage. This is a far cry from 60,000,000 who have some kind of partial insurance. But even if 60,000,000 do have some kind of voluntary insurance, what about the 90,000,000 who have none—and they are probably the ones who need medical care most.

Be this as it may, what I am getting at is that the President's health program is not simply a series of isolated recommendations. It is a carefully formulated plan of operation for which all the constituent elements are essential if the plan is to click. National health insurance and the distribution of medical purchasing power is a very important element. It is the animating factor which gives life and vitality to the whole project.

In all this I do not see how the retail druggist can fail to profit enormously. As to your own status under national health insurance, there is nothing which would in any way disturb your present method of doing business. You are, of course, aware that only the unusually expensive drugs and medicines—those not ordinarily handled over most drug counters—would be paid for out of the national insurance fund. For the rest, you would have exactly the same cash register relationship with your customers that you do now.

But that relationship, it seems to me, should be a very happy one. With literally millions of additional patients seeking out doctors for medical advice, your volume in drugs and medicines should show a corresponding gain. Certainly, the more patients there are seeking medical advice, the more customers there will be handing their prescriptions across your counters. And certainly there is no reason to suppose that, for their minor ills, the American people will give up their well-entrenched habits of relying on tested and useful proprietary remedies. My own guess is that in such an expanded market you will sell more aspirin and more mineral oil.

Beyond this, your customers as a whole will have relatively more money to spend for drugs and medicines than they do now. And this is something I think most of you gentlemen may have overlooked. In the event of an illness, all doctors' and hospital bills will be met out of the insurance fund. No patient will have to worry about those expenses. For that reason, the cost of ordinary drugs and medicines will present much less of a problem to the average pocketbook. In fact, it would be the only medical cost that would require outright money in hand. As a consequence there would be far less tendency to economize on drugs than if it represented only one of the many and heavy expenses of a serious illness. And for your purposes, gentlemen, that should be all to the good.

Not Socialized Medicine

As to charges that we are attempting to "socialize" medicine—this is, of course, the sheerest sort of nonsense, as everyone knows who has taken the trouble to read the bill now before the Congress. There is precisely nothing in this bill which would in any way establish any form of bureaucratic control over the practice of medicine in this country. A doctor would no more be the employee of the government than he is now of any of the voluntary plans with which he is associated. He would have essentially the same kind of paper work that he does under the voluntary insurance. And he would be paid for his services through the government reserve fund in exactly the same way he is paid through the reserve fund of a voluntary plan.

As a matter of fact, I am willing to go on record as saying that in the long run, the President's program will actually *prevent* the socialization of medicine. Some of you may not be aware that already, according to the report of the Hoover Commission, there are some 24 million citizens—including war veterans—who are receiving various kinds and degrees of medical care from the Federal Government alone. Paradoxically enough, any reliance on voluntary health insurance as a solution to this nation-wide problem of the cost of medical care would, I am convinced, lead even further down the path to government medicine.

The logic of this is spectacularly simple. As you perhaps know, all bills now before the Congress which stress the voluntary approach to the problem lay great stress on provision for the so-called "medically indigent" at government expense. On the surface this seems a purely routine proposal. But immediately the question becomes "Who are the medically indigent?" If we limit the definition to those who are on public assistance — those wholly without means to buy any necessities—we dodge the whole issue. Sooner or later we have to include those families which are struggling to make ends meet on $25 a week, $35, $40, $50 a week—name your own figure. Or, in other words, all those who cannot afford to pay the high fixed premiums of the voluntary plans.

In this event we should find ourselves as a Nation saddled with costs running into untold billions of dollars—billions paid not by insurance premiums but wrung out of general tax revenues. Any such system would inevitably involve bureaucratic control of the most rigid sort—with tens of thousands of investigators to enforce a necessary "means" test. If you smoke a pack of cigarettes a day, then you should be able to pay for Blue Cross and Blue Shield insurance, according to the Director of the A. M. A.'s Bureau of Medical Economic Research in the Aug. 13, 1949 issue of the Journal of the A. M. A. The end result, I am convinced, would be to put the government so deep in the business of providing free medical care for the people of this country that we should never get it out. And once the pattern were set, we would indeed be on the road to socialized medicine with a vengeance.

So long as we make it possible for each man—no matter how much or little he earns—to pay his own way for the medical services he receives, we are on safe democratic American ground. And the whole intent of national health insurance is to enable him to do precisely that.

The Factor of Cost

As businessmen, you are, of course, concerned with the total cost of this over-all health program. The specific appropriations for public health services, hospital construction, medical training, and so on, will be determined annually by the Congress as they are now. The actual amount will be a budgetary problem like any other government appropriation.

In respect to national health insurance itself, the total cost cannot, of course, be determined with accuracy until the system has been in operation for some time. Broadly speaking, however, it would involve no major increased burden on our national economy. The American people are now spending an estimated 6½ billion dollars annually on personal payments for doctors, hospitals and related medical expenses. Payroll deductions should be sufficient to meet nearly all these costs. Whatever difference was involved, the government would make up as underwriter. All estimates of the 8, 10, 15 billions of dollars required from general taxes are pure and unadulterated hogwash.

In closing, let me say merely this: No President can launch a program of such far-reaching social importance as this without its becoming exposed to all the heavy artillery of political attack. Furthermore, I do not have to tell you gentlemen that the barrage of criticism let loose on this program comes from those forces which are primarily concerned, in their own interests, with maintaining the *status quo*. Bluntly speaking, they are against social progress — and the President's program, I assure you, constitutes very genuine social progress.

Most of the jeers at the British health plan come from the fact that it was initiated by a Labor government. Few people, on this side of the water, know that before the last election the platform of the Conservative party contained a plank promising, essentially, these same health services. And the Conservative high command has stated specifically that, should it come into power again at the next election, it would do nothing to weaken or destroy the health services that have been established.

Make no mistake, gentlemen. The plain people of the country are behind this program of the President. It offers something they want, something they need and something they intend to have. And all the special interests, either working in Congress or through high-powered publicity and propaganda campaigns, cannot stem this tide.

We are living in the fifth decade of the twentieth century. And the major test of our democracy will be the manner in which we meet the problems of our times.

Wall St. To Observe Bill of Rights Day

The 160th Anniversary of the enactment of the National Bill of Rights will be celebrated at 12 o'clock Friday noon, Sept. 23, 1949 on the steps of the Sub-Treasury Building, corner of Wall and Nassau Streets, New York City, the "National Historic Site" of old Federal Hall where the First Congress of the United States completed the drafting of the proposed amendments to the Constitution on Sept. 25, 1789. This Observance is jointly sponsored by the Bill of Rights Commemorative Society and the Wall Street Post of the American Legion.

George A. Searight

Edward F. Hutton, E. F. Hutton & Co., Chairman of the Freedoms Foundation Inc., is the recipient of the Bill of Rights gold medal, to be received by Kenneth D. Wells, Executive Vice-President of the Freedoms Foundation of Valley Forge. Leslie Gould of the "New York Journal-American" will receive the Americanism gold medal. Both gold medals are being presented by the Wall Street Post No. 1217 of the American Legion by Commander George A. Searight, Aetna Securities Corp.

Messmore Kendall, President of the Bill of Rights Commemorative Society, will deliver the Bill of Rights Day address and present framed Bill of Rights Public Service Citations to Edward J. Noble, Chairman of American Broadcasting Co., and Ernest T. Weir, Chairman of the National Steel Corp., both of whom will be present to respond to their citations.

Major General Lawrence C. Jaynes, Commanding General of the New York-New Jersey Military District, will speak for the Armed Forces. The First Army Band from Governors Island will accompany Miss Lucy Monroe in her patriotic songs. Paul Rutheiser, New York County Commander of the American Legion, will present the Legion Trophy for Outstanding Americanism and will be received by visiting Legion commanders and their color guards. Clement D. Asbury, Thomson & McKinnon, and Gardner Osborn will preside.

The State of Trade and Industry

(Continued from page 5)

union's early days. It will be a strike for something many workers will not get for 20 or 30 years. Steel plants, presently have on hand coal supplies for at least 35 to 45 days.

When President Truman went around the Taft-Hartley Law to appoint the steel board last July steel supply was easy. Today steel is much tighter with galvanized steel sheets the scarcest item on the list. A strike next week would halt steel shipments to fabricators working on government grain bin contracts and close some fabricating plants.

Steel management can be expected to use every legitimate means to show that it intends to run its own business. It will take advice from the government and make concessions to labor but will fight for the right to manage, states this trade authority. It will bargain with the union but will balk at making what its leaders regard as a complete commitment in advance.

On the basis of early optimism on steel labor, if steel users had any plans for canceling orders the present uncertainty has changed their minds. Order volume has not fallen off. Bookings continue at the same high level they reached in August. Barring strikes or a wave of cancellations, the industry as a whole has enough orders on hand or in sight to run through the fourth quarter at or close to current operating rates, this trade paper asserts.

This week the steel industry tentatively set up to operate at 86.4% of rated capacity but with preparations for a walkout already beginning it is not expected to approach this figure.

Steelmaking scrap, apparently little concerned with labor problems, moved up in price again this week to place "The Iron Age" steel scrap composite at $27.42 per gross ton.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 86.2% of capacity for the week beginning Sept. 19, 1949, as against a revised rate of 86.6% in the preceding week, or a decrease of 0.5%, or 0.4 point. Last week's rate initially had been placed at 86.6% but was revised downward to 80.4% by the Institute on the threat of an interplant railroad strike at U. S. Steel plants on Tuesday. With the removal of the strike threat the initial rate was restored.

This week's operating rate is equivalent to 1,589,100 tons of steel ingots and castings for the entire industry, compared to 1,596,500 (revised) tons a week ago, 1,563,300 tons, or 84.8% 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 FOR WEEK ENDED SEPT. 10 LOWER DUE TO LABOR DAY HOLIDAY

Loadings of revenue freight for the week ended Sept. 10, 1949, which included the Labor Day holiday, totaled 624,197 cars, according to the Association of American Railroads. This was a decrease of 79,733 cars or 11.3% below the preceding week. It also represents a decrease of 164,814 cars, or 20.9% below the corresponding week in 1948, which also included the holiday, and a decrease of 298,182 cars, or 32.3% under the similar period in 1947, which was not a holiday week.

ELECTRIC OUTPUT ADVANCES IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 17, was estimated at 5,579,105,000 kwh. according to the Edison Electric Institute. This represented an increase of 321,015,000 kwh. above the preceding week, 152,858,000 kwh. or 2.8% higher than the figure reported for the week ended Sept. 18, 1948 and 601,964,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE OUTPUT ADVANCES IN POST-HOLIDAY WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle production for the United States and Canada rose to an estimated 154,330 units from 123,806 units (revised) in the previous period as a result of Labor Day shutdowns.

The total output for the current week was made up 126,347 cars and 20,593 trucks built in the U. S. and 4,896 cars and 2,494 trucks in Canada.

Output a year ago was 94,410 units and, in the like period of 1941, 60,615 units.

"Ward's" predicted a small decline in daily volume for October, due to a seasonal sales decline reflected in September field sales reports.

BUSINESS FAILURES RESUME UPWARD TREND

Commercial and industrial failures increased to 185 in the week ended Sept. 15 from a holiday decline to 148 in the preceding week, Dun & Bradstreet, Inc reports. More than twice as many casualties occurred as in the comparable weeks of 1948 and 1947 when 84 and 75 concerns succumbed, but failures continued to fall considerably below the prewar level of 269 in the corresponding week of 1939.

Failures involving liabilities of $5,000 or more rose to 144 from 111 and exceeded the 71 of this size a year ago. A milder increase occurred among small failures, those having liabilities under $5,000, which numbered 41 as against 37 last week.

All industry and trade groups except manufacturing evinced weekly increases in failures. In manufacturing, failures declined to 46 from 54, but remained well above last year's total of 21 in the similar week. Noticeable rises above the 1948 level also appeared in wholesaling and retailing which each had about 2½ times as many failures as a year ago.

WHOLESALE FOOD PRICE INDEX CONTINUES UPTREND IN LATEST WEEK

A further strengthening in food prices during the past week lifted the Dun & Bradstreet wholesale food price index for Sept. 13 to $5.85, as compared with $5.82 a week previous. It contrasted with $6.95 on the corresponding date a year ago, or a drop of 15.8%.

WHOLESALE COMMODITY PRICE INDEX MAKES FURTHER GAINS IN LATEST WEEK

The general price level continued its upward trend the past week under the impetus of strengthening farm commodities. The Dun & Bradstreet daily wholesale commodity price index rose to 245.11 on Sept. 13, from 242.44 a week earlier, and compared with 280.78 a year ago.

All grains closed higher on the Chicago Board of Trade last week. Corn featured the upturn in late dealings as heavy rains over the belt were expected to retard the new crop harvest and to hinder the early movement of the yellow cereal to market.

Cash corn was in good demand with country offerings small. A somewhat larger than expected corn crop was indicated by the Sept. 1 government forecast which placed this year's yield at 3,525,741,000 bushels. This was only slightly less than the forecast of a month previous. It was the second largest crop of record, being exceeded only by last year's record outturn of 3,650,548,000 bushels. Strength in wheat reflected firmness in cash markets and limited farmer marketings, particularly in the Southwest Winter wheat territory.

Business in the domestic flour market remained slow as buyers showed resistance to the rising trend of prices over the past few weeks.

Cottonseed oil showed marked weakness, as a result of the large cotton crop estimate issued during the week. Spot coffee prices went to new high levels for the year, aided by a short supply position at the approach of the heaviest consumption season. The cocoa market continued to weaken, reflecting slow trade in actuals as manufacturers held to the sidelines.

In the Chicago livestock market, hogs continued to advance, aided by higher dressed pork prices in the East.

Spot cotton markets displayed a firmer undertone in the early part of the week, but prices turned sharply lower following publication of the government's second estimate of the current cotton crop which turned out to be much higher than the trade had generally expected.

The report indicated a prospective yield of 14,943,000 bales, or 138,000 bales more than the estimate of a month ago. Spot prices at Galveston dropped to 29.40 cents a pound, only 12 points above the loan level. Early strength in the market was based on continued activity in cotton textiles, the low position of stock in manufacturers' hands, and expectations of a sizable reduction in the cotton crop estimate.

Activity in spot markets increased sharply, with sales last week totaling 196,500 bales, against 161,600 a week previous and 107,500 in the like week a year ago.

In its first report of the season on entries of cotton into the government's loan stock, the CCC reported entries through Sept. 1 totaling only 2,211 bales, comparing with entries through the same period last year of 42,802 bales. Cotton ginnings through August amounted to 1,247,000 bales, or about 14% less than during the same period last season. Cotton gray goods markets were again active. Prices continued to advance and more than 30% of first quarter production of class A print cloths was reported sold.

RETAIL AND WHOLESALE TRADE AT MODERATELY HIGH LEVEL LAST WEEK

Cool weather and increasing consumer interest in Fall goods combined to raise the dollar volume of retail trade in the period ended on Wednesday of last week moderately above that of the previous week. It continued to be slightly below that of the high level of a year ago, according to Dun & Bradstreet, Inc., in its current review of trade. The total unit volume of retail sales in many lines was about equal to that of the similar week last year.

Shoppers bought more apparel than in the preceding week and many stores with adequate stocks generally equaled their sales figures of a year ago.

The demand for children's apparel and campus clothes remained high. There was increased interest in women's rayon dresses and worsted suits. The retail volume of men's wear rose slightly, with hats and shirts sought by many shoppers.

Retail food stores sold a larger volume than in the preceding week. The aggregate dollar volume of food sales was slightly below that of a year ago. Consumer buying of meat rose noticeably with pork, poultry and hams in increased demand. Dairy foods and fresh produce remained very popular. The interest in canned goods dipped slightly.

Promotions were widely used to stimulate consumer interest.

Bedding, incidental furniture and floor coverings were among the most popular items. There was a moderate rise in the sales volume of television sets and some electrical appliances. The purchasing of fuel and heating equipment rose slightly.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 2 to 6% below that of a year ago.

Regional estimates varied from the levels of a year ago by the following percentages: New England and Southwest, —4 to —8; East, Midwest and Northwest, —1 to —5; South, —2 to —6 and Pacific Coast, —3 to —7.

In spite of the continued cautious buying by many retailers, depleted stocks and heavy consumer demand resulted in a noticeable increase in wholesale trading during the week ended on Wednesday of last week. Unit sales in many items reached the levels of the comparable 1948 week. Successful Fall promotions generally offset the unfavorable weather conditions of past weeks.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 10, 1949, decreased by 4% from the like period of last year and compared with a decrease of 5% (revised) in the preceding week. For the four weeks ended Sept. 10, 1949, sales registered a decrease of 4% from the corresponding period a year ago and for the year to date a decline of 5%.

Here in New York last week retail trade expanded due to seasonal activity, but dollar volume held under the corresponding 1948 period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Sept. 10, 1949, increased by 1% from the same period last year. In the preceding week a decrease of 7% (revised) was registered under the similar week of 1948. For the four weeks ended Sept. 10, 1949, a decrease of 3% 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."

More Venture Capital Means Building Better America

(Continued from first page)

zens are needed today as never before to help find the right answers to the many problems we face both here and abroad.

Our horizons have broadened so fast, and the world is changing so rapidly that we can hardly grasp what is happening here and elsewhere. Last Friday in Washington I heard Sir Stafford Cripps and Ernest Bevin speak to members of the press and radio about Britain's troubles. It would appear that the principal one is what is now commonly called the dollar shortage. Well, that may be so, but the way we are spending money in Washington right now we're going to have a dollar shortage ourselves and by the billions.

If anyone in the year 1939 could have looked ahead and seen what would happen ten years from then —in this year of 1949—he would not have believed it. For example, he would have seen that in this peacetime year he would be paying more than three times as much taxes as he was paying then. That's about the same as if he worked one week out of every four, for free, for the government. He would have been told that since then we have given more than $72 billion to other countries in the world; that we have in Washington more than 258 well-organized lobbies, wanting the government to spend even more millions and billions. He would have learned that one out of every ten adult people is on a public payroll, more than six million of them! He would have seen the government engaged in running more than 100 separate industries or businesses ranging from power plants to rubber factories. He would have known Congress would pass a program of federal housing estimated to cost around $10 billion over a few years. He would have seen a federal health plan proposal that would mount to more than $12 billion a year by 1965.

If he had been told in 1939 that all this would happen, he simply would not have believed it. Certainly he could not have grasped it. But that is exactly what we have done and what we are doing this year of 1949.

I remember that when I was in high school I took a course in mechanical drawing. One thing we had to learn was to draw perspective. For instance, if you draw a railroad, it is pretty wide where you are standing, but it tapers off narrower and narrower until in the distance it seems like a pin point. It is not really a pin point, of course, but it looks that way from a distance. When you get there you see it is just as wide as it was right in front of you.

There May Be Trouble Ahead

Now if we do not understand perspective, someone can persuade us that what our government may be doing right now isn't going to lead us into trouble, for that trouble is some distance ahead, and in perspective looks very, very small—almost nothing at all. But wait until we go on a few years hence, and we get right on top of it. We may find we have made a grave mistake from which it is hard to withdraw, as England is finding out right now. Right now it is made to sound so simple and so appealing. As President Truman expressed it with amazing frankness in his recent Labor Day speech, "The people want public housing for low income families. The selfish interests are opposed to this because they think it will cut down their own incomes, so they call it collectivism. Well, we don't care what they call it, we are for public housing."

The President made a similar plea for full repeal of the Taft-Hartley law, for Federal aid to medicine, and for Federal aid to education.

All these Socialistic benefits are made to sound very attractive, with no emphasis on the ultimate cost or how they are to be paid. In fact, it is assumed that the rich will pay for them. Yet, millions of citizens would vote for this program tomorrow, even though they desire at the same time to keep our country prosperous and financially sound. The ultimate effect is too little understood and the benefits sound too attractive.

Speak to your wife and children, to college graduates of your acquaintance, to your neighbors and friends. See how many of them admit that they like these ideas, and others besides. We might ask ourselves soberly whether all these people are Socialists, Communists or crackpots. Of course they are not. They are honest individuals looking as you are for answers to the desires of our people, and failing to find them where they would like to find them, they turn to the government, to labor leaders, or some other group who will promise to get these things for them.

Creeping Danger of Government Control

The American people do not want to have the government control them and their personal lives. I believe if giving up the traditional American way of life were put to a national vote tomorrow, it would be overwhelmingly defeated. But that isn't the way it is likely to happen. What I see in Washington day by day and week by week is the government taking these steps, one at a time, down that road. These steps are sold to the American people, one at a time, as a promise of greater security, but at the ultimate price of personal liberty and individual incentive.

Millions of Americans believe they can still keep the freedom and prosperity they have enjoyed up to now, and have these things besides. They do not believe that it is possible that what has happened in other countries may happen here. They support a national Administration whose plan is for Washington to control more and more of the economy of the country. We may as well realize that many people applaud such a program and honestly believe the government can do things better for them than anyone else. If you think that is an overdrawn picture, just talk to any Congressman who thinks as you do, and ask him how he feels about getting reelected. Some of our ablest Congressmen worry about reelection because they haven't supported the welfare state program of our President and his advisors.

When large numbers of our people think they want something, especially if is has been offered to them attractively, you can do only two things about it. Either you have got to convince them that they do not really want it, and give the reasons why it's bad for them—or you have got to help them to get something better than was promised, whether it was promised by government or by some well organized pressure group which can force favorable government action. We have to make a choice. Either the businessmen and farmers of this country who believe in free enterprise must have something positive and constructive to offer, or they are facing more and more government entry into all phases of our lives, with resultant controls and restrictions so necessary in a regimented state.

Knowing a problem is the first important step in solving it. All of us who are engaged in business or industry recognize that. That is how we have solved so many difficult problems in the past.

Well, we have our problem, gentlemen. Helping to find a solution, it seems to me, comes well within the province of your own broad activities. Your advice might well be the soundest of any group. You know our country cannot go on spending and spending on everything and anything it might like to have, and then raising more and more taxes to meet the bill. Finally we are going to get to the end of the perspective and instead of finding a pot of gold, the beautiful dream of security for all may turn into the reality of a bankrupt nation.

Who Is to Carry Headaches of Business?

When government spends so much on welfare and other projects that taxes have to be exorbitantly high, who is going to want to carry the headaches of business? There is a danger point beyond which business cannot be taxed. There is a danger point beyond which individuals cannot be taxed without losing their incentive for accomplishment. That's what's happening in England now, according to those American observers with whom I have talked.

A friend of mine who is President of an important New York bank recently returned from England where he had visited top financial men. He was distressed to find that without exception the older ones anxiously were awaiting retirement, and the younger ones debating what country to emigrate to. They saw no future in England and were looking for some escape.

And here I would like to name three public officials who have done our country signal service in calling to public attention the great need for government economy: Senator Byrd, who for years has been pleading against government waste; Herbert Hoover, who worked energetically with his commission to make practical suggestions to reorganize the administrative departments and save us money; and Secretary Louis Johnson, who has had the courage to cut military expenditures, proving that where there's the will, it can be done. We should support and encourage them, and any others who think straight too.

Now getting back to our problem and the need for a solution. How did our people get to want all of these things in the first place? They have been promised them on the one hand by politicians wanting to keep themselves in power, and on the other by labor organizations and other minority groups in order to gain membership and political power. The strange thing is that the most important method they have used for influencing the people is employment of two tools which the businessmen of America first developed so effectively, namely advertising and publicity. Only instead of selling products they have been selling ideas, over the radio, in the papers, in magazine articles, movies, and by television. Look at any national medium of advertising or selling and see how much of the time or space is used by government or by labor. There are reported to be 35,000 people in publicity or public relations departments of the government alone. And if you have not seen the films prepared by such organizations as the CIO to reach not only men, but their wives and their little children, have your local chamber of commerce get some of these films and show them to your members. You will be astonished and chagrined.

Business Has Tremendous Job to Do

So if we want to build towards a better America, one based on honesty of intentions and unselfish devotion to all of our people, high or low, American business has got a tremendous job it must do. And that job has got to be done in our towns and communities, not in Washington. We can best work out our own problems first and foremost in the community itself.

One of the immediate problems in our communities is to have a sound plan to give our people employment and to provide employment each year for the increasing number of young people coming out of schools and colleges and needing jobs. If most of them have to go away from home and look elsewhere, the chances are the community is not doing the right kind of planning. That demands a major program to which all leaders in a community must give careful thought. About three-quarters to one million of new persons come into the labor market in this country every single year. That's a lot of people.

This growing and expanding population must have a growing and expanding economy to take care of it. That means jobs.

Whose responsibility is it to create these jobs? Is it industry's? Yes, in part. Is it bankers'? Yes, in part. But most important of all, it is the JOINT responsibility of business and industry, of agriculture, of labor and of the government. Together they must build a favorable climate in which business can expand and prosper and create new jobs. That means benefits for all, and a thriving community. And remember, if the communities of this nation are strong, prosperous and self-reliant, we will have that kind of a nation.

But how can we find a way to have more and more jobs for the newcomers each year, to take care of our constantly growing population?

In the earlier days of our pioneering forefathers, there were almost limitless new frontiers, and homesteading took care of enterprising individuals. Railroads were pushing across the country. New cities were springing up. There were new opportunities everywhere. Today, such geographical frontiers no longer exist, but taking their place are new horizons opened by scientific research and exploration. The new horizons, also seemingly limitless, beckon with new industries to serve the people with new things in a new age of wonders.

More Expansion Essential

Remember the slogan back in 1860: "Go West, young man, go West!" Many then thought the East was through, overpopulated and developed just as far as it could go. How shortsighted that view seems today, when we see how the East has expanded. Yet, it is just as shortsighted now to feel that we have reached the limits of expansion, with the present development of new products in the fields of radio, electronics, metallurgy and allied sciences.

With our growing population, the ever-increasing demand for things that can be made is so overwhelming, that certainly not in your lifetime or mine will we see the limits of our possible expansion.

An able planning consultant was in to see me in Washington a few days ago, and we were talking about these things. He said, "You know in my consulting work with different communities I find that the communities which are going ahead are the ones in which the leading citizens work together and plan together. In those where the bankers and the manufacturers and the lawyers and the retailers don't work together for the town, things are usually going downhill."

There are many practical things which a community can do jointly to encourage the development of business and industry. Here are a few of them:

(1) The development of research facilities for local industry.

(2) The promotion of vocational and technical education in the community for young and old, both day and night.

(3) The encouragement of economy in local and state government, so that there is a favorable tax structure to encourage business to come and to stay.

(4) The passage of sound zoning laws and building codes to avoid hampering restrictions and develop good space for expansion.

(5) The development of cultural and recreational facilities so that the town can hold and attract good workers and their families.

(6) The promotion of a progressive attitude on the part of local financial institutions to help industry and business to grow and prosper, thereby creating jobs for workers and prosperity for the town.

Necessity of Abundance of Equity Capital

But no matter how attractive these plans may be, there is still another thing which is essential to our future success in building a better America. That is the essential necessity of an abundance of equity capital, to make expansion possible. I am happy to say that more and more people in government and out are beginning to see the crucial need for encouraging venture capital. The forthright statement made by Federal Reserve Chairman Thomas McCabe to encourage use of equity capital not only deserves the approval of the nation, but merits early and careful official consideration. If enough people can be made to see this need, and will write letters to Congress we may get a proper study of equity capital requirements. I also suggest that you write to Mr. McCabe, commending him for his courageous statement.

And here I would like to urge America's bankers to consider how they can help to develop a better appreciation by the people of the importance of broad public buying of shares in American industry. I do not want what I say to be misconstrued as in any way interfering with the sale of E Bonds to the masses of our citizens. Actually, these purchases are proof of the power of the people to buy enormous sums of such gilt-edge securities. But it is also important that people recognize the enormous stake they have in American industry. Millions of them depend upon industry for their jobs and future opportunities. To own a few shares in American industries gives them a greater appreciation of where America's wealth really comes from, namely the production of goods and services, and the production of wealth from the soil.

For a small shareholder to be receiving dividends and annual reports is one of the finest ways I know for him to learn more about this great industrial nation and to develop a pride in it, and an interest in helping it grow. I am sure the banking profession can assist the nation in encouraging such investment without in any way jeopardizing their clients' savings. Just as banks put part of their funds into different kinds of investments, so too individuals can do the same, and not only benefit themselves but be of great help in keeping private enterprise in America strong.

Everything that we have in the way of necessities, comforts and luxuries comes out of production, and in discussing employment I am thinking of it in terms of productive enterprise. However, there is another kind of employment, and some communities have sought that method to create jobs. I speak of the urge to have the government build something. What is wrong with that kind of a program is that it is entirely negative. It creates no taxes for either the community or the government.

The Old Pork Barrel Approach

Right now three major types of public works proposals are pending in Congress, involving billions of dollars, namely flood control, river and harbor development, and reclamation. Some of these may be necessary and proper, but many of them are based on the old pork barrel approach. In any event it is a very expensive way to provide jobs, and it is hard to see how they can be favored at the present time by anyone who would like to see the Federal Government live within its income, and stop any further encroachment upon private enterprise.

At the last annual meeting of the National Chamber in May, its membership emphasized again a recommendation that local chambers of commerce and business organizations throughout the country should refrain from putting pressure upon Congress for the appropriation of funds of this sort, wherever such projects can be postponed.

We cannot very well complain of the costly budget of our national government, when we ask it to make its savings somewhere else, but by all means favor our own pet project. Every place seems to have its own pet project, too. Even the little town of 12,000 in Connecticut where I live wants the government to economize, but still give the community an improved yacht basin and jetties, and scoop out an eight-mile tidal river.

If we don't want bigger and bigger government, we must do more things for ourselves at the community level. The enterprising business leaders of the community, the bankers, and civic-minded men must take the leadership. If we approach the problem as scientifically as we do our business problems, with the aid of outside experts to study the community if necessary, the answer can be found. Analyze what raw materials, what natural resources, what transportation advantages you have, what the climate is best for, and make your program accordingly for the future growth of your community.

What is the best direction for its growth? What existing companies in the community have capacity for greater growth? Then enlist the support of bankers, business heads, real estate men and others to work out a sound and long-range plan.

There are some interesting cases where small communities have tackled their local problem and solved it, usually inspired by one or two live wire men in the town. The story of Buchanan, Georgia, which has been put into a movie is such a case. By and large community planning with the idea of creating a prosperous community can be greatly expanded, and can be the stepping stone to community development.

In business, management has for a long time used experts on every phase of its operations to improve performance. It has used research men, engineers, planning men, experts on plant layout, handling of materials, and a host of other things. The result is that even with our high labor costs we can still produce almost everything cheaper than any country in the world. We are in fact beginning to export this know-how to England and other countries to help put them on their feet, too.

Do today's businessmen have the optimism, the enthusiasm, the courage to do the community job? I believe so. The pioneering spirit of our forefathers is not dead. It may be lying dormant in many places, but it will respond when called upon.

I spoke to the publisher of a very live national weekly publication shortly after I came down to Washington. I asked him why he thought government control was so popular, and why business was in the doghouse. He said the facts gave him great concern, too, and that the thing he felt most was that our national economy was not as dynamic as it was years ago. Business is burdened with so many problems of all kinds, including heavy taxes, that many businessmen seem to have lost their spark. He said, "Give this country a dynamic economy again, and you will see the public most willing to follow business leadership in the right direction."

Dynamic economy. Just what does that mean? Well, you all have cars, and you know the starter is a dynamo. It's the mechanism that starts things going. How about dynamic businessmen? How about dynamic bankers?—bankers who start things going!

The banking history of this country is full of stories of dynamic bankers who started things. Do we still have them? I am sure we do in many places; but in many they sit back and make the other fellow sell them an idea, and sometimes the average fellow finds they are quite difficult to talk to.

Yet, in some towns the bankers are the sparkplug of most worthwhile community projects, buildings, and plans for the betterment of the community. They have the idea of serving the community, and that is the way it should be.

There comes to mind a small incident, but it illustrates what I mean. In the town where I work and spend most of my waking hours, the bankers decided to close up on Saturdays, although Saturdays had always been the biggest day of the week. But they took this action because New York banks were closing on Saturdays.

One bank in town has a dynamo at its head. He made a check-up among his customers and found that Saturday was the best day for them to come in, as most of them did not work on Saturdays. So, in spite of terrific pressure to close, he decided his bank would stay open. It has been interesting to watch the growth of that bank since, and the response to that very simple act. That banker thought of the needs of the community, and realized that the bank was there for the customers, not the customers for the bank.

We know our country is the last great nation where the individual is still fairly free to decide most things for himself; he may decide pretty much what kind of work he would like to do, how he would like to spend his income, or at least that part of it which he does not have to save for taxes. This country is still one where economic decisions are made by millions of buyers who choose what they like to buy and when, as well as what they are willing to pay for it. In most other countries the government decides what shall be made, what shall be grown on the farms, and what shall be paid and received for it.

While we do not face that danger in this country immediately, you have but to review all of the bills which have been introduced into this present Congress, and you will know with a certainty that if they had all been passed, we would have as a result a government with full control of everything, with power to do anything, and in unwise hands such power could be used for our downfall.

I wish I had the ability to portray the dangers that face our freedom. And I truly believe that these dangers are present in large measure because of our indolence and our indifference, because of our lack of a sense of responsibility for the future.

We need men like you, men who stand high in their communities, to think these things through in true perspective. We need men who will resolve to do something about them. You all are interested in the affairs of your communities. More of you must become concerned with the affairs of your national government. You should talk with your Senators and your Congressmen about these things. You should write to them, too.

Unless we take up the challenge and develop a dynamic program, we will see demands upon Washington increase. More and more planning will come from there, and to make that planning effective will come increased power and controls and increased burdens of taxes or debt, which will spell the end of freedom and opportunity.

We still have some choice. But choice it must be; either we do for ourselves what needs to be done, or we let the government do it. History shows that once a government enters upon a new field it never withdraws, but gets into it deeper and deeper, with more and more controls needed. Every businessman knows that with responsibility goes authority. He who takes the responsibility will insist upon the authority and the controls needed to carry out his responsibility. That goes for government too, as witness the controls now exercised by Washington over agriculture, with new demands for much greater controls under the proposed Brannan plan.

The times are crucial. What the businessmen of the country do within the next three years to give the American people a better understanding of where we are heading, and what they do to spur the people to do something about it may well determine the future course of this nation of ours. To do a real job, we must make up our minds that the job needs to be done.

It is a fine thing once in a while, as the famous poet Bobby Burns put it, to see ourselves as others see us. I have just received an interesting quotation from the financial editor of the British publication, the "Manchester Guardian Weekly." After paying a recent visit, he has this to say about us:

"What nonsense to talk of America as a maturing, stagnating economy. It is so dynamic that technical progress is always running ahead of the European tempo. Its population is still growing fast. Known opportunities for private and public capital investment and enterprise are abundant for at least a decade ahead. In the last ten years more than 50 million Americans have changed their domicile. They have moved from south to north, from east to west, from country to town. Aggregate buying power has enormously increased and is much more widely spread than it was. There never was such a market waiting to be captured since the Orient lost its riches."

With this compliment from our British cousins not causing us to take our eye off the ball, let us determine to solve the problems that confront us. Let us accept the challenge. Let us organize a dynamic economy. Let us all pull together to build a better America.

NAM Offers Program Designed to Achieve International Currency Convertibility

Plan comprises currency stabilization loans, U. S. investments abroad, and more aggressive sale of foreign goods in U. S., along with full freedom in making international payments.

A 15-point program, aimed at achieving the international currency convertibility essential to restoration of multilateral trade, was recommended Sept. 18 by the National Association of Manufacturers to the representatives of the International Monetary Fund and the International Bank for Reconstruction and Development, now conferring in Washington.

The association placed particular emphasis in its report on the need for currency stabilization loans, from private sources or European Recovery Program funds; for bringing currencies into "economically-justifiable" relationships, and for more aggressive merchandising of goods for importation into the United States.

While complete convertibility on a gold basis among all the world's currencies must be regarded as a long-term goal, the NAM report said, the association is convinced that "steps can be taken immediately leading to free and effective convertibility even with the dollar, and particularly as between Europe and the sterling area."

The NAM statement was transmitted by Earl Bunting, managing director of the NAM, to Eugene R. Black, Chairman of the International Bank, and to Camille Gutt, International Monetary Fund Chairman.

It urged also the easing of technical custom procedures to facilitate imports; removal of tourist travel restrictions so that travelers' expenditures can help close the "foreign trade gap"; the balancing of national budgets; encouragement of productive private investment and promotion of competition.

In the program, developed by the association's international relations committee, under the Chairmanship of Curtis E. Calder, and adopted by the board of directors, it was pointed out that there is a steadily-growing conviction that the American taxpayer is "rapidly reaching the limit of his desire and ability to finance foreign reconstruction and development by grants."

"It is indeed a matter of concern at the moment," the NAM report observed, "whether he may not reach the point of 'grant fatigue' before the scheduled termination of the ERP, in disillusionment as to Europe's ability or willingness to cooperate unreservedly to achieve the objectives of the program."

The statement stressed the association's conviction that "expanded multilateral trade under comparable labor standards between free men is the world's best hope for higher standards of living and for peace, happiness and prosperity."

"The NAM expresses the belief that full freedom of international payments is an indispensable prerequisite to expanded multilateral trade," the report stated.

The association's program consists of six specific steps by the United States and nine by recipients of ERP aid which it urged be taken "at the earliest possible moment."

Following are the recommendations, as to the United States:

(1) It should indicate its awareness of the vital importance of imports to the ultimate solution of this complex problem by the immediate revision of technical custom procedures to facilitate imports.

(2) It should reduce to the absolute minimum impediments to world travel on the part of American citizens leaving and returning to this country, in the knowledge that expenditures by our tourists can play an important role in closing the "foreign trade gap."

(3) It should provide an example to the rest of the world by balancing its Federal budget at a level substantially below the present rate of expenditures and by revising its tax structure to encourage private investment.

(4) It should return to the gold standard by reestablishing immediate convertibility of dollars into gold bullion and eventually into gold coins.

(5) It should hasten the consummation of agreements with other countries to afford protection to American foreign investments.

(6) It should be prepared to accord serious consideration, when favorable conditions have been established abroad, to currency stabilization loans under conditions that will assure their effective use for that purpose. Whenever possible, such loans should be made from private sources. Should private capital be unavailable or inadequate to meet the situation, such loans might be made out of funds appropriated for the ECA program. Thereby they would involve no additional burden upon American taxpayers.

The NAM recommendations as to other countries follows:

(1) Budgets in many instances must be balanced at levels substantially below the present rate of expenditures.

(2) Tax systems in many instances must be overhauled and tax collection practices made effective. Tax structures should be revised so as to encourage productive private investment.

(3) Central banking policy should be so administered as to avoid credit inflation while giving maximum encouragement to productive investment.

(4) Currencies must be brought into an economically justifiable relationship with each other.

(5) Tourist travel should be encouraged by a thoroughgoing removal of restrictions.

(6) Protection must be afforded to foreign investment of such a nature as to encourage and stimulate its flow.

(7) Obligations between the allied countries and within the British Empire should be adjusted, funded or forgiven.

(8) Full, fair and free competition should be promoted in the world economy to bring down costs and prices.

(9) Goods for United States importation should be more aggressively merchandised to the American public. U. S. merchandising organizations and ability are available to manufacturers abroad on exactly the same terms and conditions as to U. S. manufacturers. Many European brand names are already favorably known in the United States and need but moderate and consistent effort to become firmly established in the highest realm of public acceptance.

The NAM report pointed out that not only is it apparent that the American taxpayer is becoming impatient with making foreign gifts and grants, but that "it is quite probable that he will be equally unreceptive to grants under any other guise, whether as government loans never to be repaid, higher dollar prices for gold, or governmental underwriting of imports at artificially-high prices."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Fears sparked by bad news may shortly put stocks into buying range.

Everybody is talking about the pound devaluation and how it will affect American industry and the stock market. I have my own opinion on what its long range effect on business will be. But it has no place here, so I'll simply let it pass.

* * *

I think its effect on the stock market will eventually be bullish, although I don't think it will happen today or tomorrow. Its long-range impact is something else. I have an opinion on that too. But there'll be so many things happening in the future that I think I can forego any long-range forecasting.

* * *

The wave of strikes is another choice bit of boardroom conversation. Long ago I came to the conclusion that strikes, once they began, had comparatively little effect on stock prices. It is the anticipation of strikes and their economic potentials that bring about stock market repercussions.

* * *

Last week this column warned that buying was not in order despite the improved news complexion. For one thing, I didn't believe the optimistic news forecasts and for another, neither did the market. There's little point in belaboring this. You know what happened since you read last week's column.

* * *

The question now is what will happen from here on in? I could get awfully wordy and tell you in a few thousand words what my answer is. Lucky for you I don't have the patience to write all that, so you won't have to read it.

* * *

Last week I said I prefer a combination of factors that include bad news and pessimism before I like buying stocks. You're getting some of it now. I think you'll get more of it in the next few days. The combination, I think, will be sufficient to drive prices down still further. When that happens then I think some buying should be started.

* * *

Averagewise, I think the industrials will get down to around 175 before any worthwhile base is seen. Some stocks will go down more than the averages; others will not.

* * *

Here are the ones I recommend, if, as and when they become available:

American Smelters 35 to 36, stop at 34. Bethlehem Steel 24-25, stop at 23. Celanese 24-25, stop at 23. Denver Rio Grande, 22-23, stop at 21. Illinois Central 25-26, stop at 24, and Republic Steel 17 to 18, stop at 16.

You're not going to get these right away But I think it will pay you to wait.

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.]

The Marshall Plan—Its Progress and Problems

(Continued from page 2)

nism, or new-ism, in which some other kind of police state seeks to dictate the lives of the people—two things have to be accomplished.

First, the way must be cleared, through the four-year period of the Marshall Plan, so that the European nations can have in their hands the means of ultimately raising their own standard of living. That is a bulwark behind which Europe will remain free; that is the bulwark behind which Europe will be invulnerable both to the threats and the enticements of aggressive Communism.

Secondly, Europe must earn—and we must help to allow Europe to earn—more dollars in order to meet its dollar deficit. This is not just a fiscal nor a budgetary necessity. It is one of the necessities of healthy, peaceful and prosperous economic relations between Europe and America. Europe does not want to be a receiver any more than we want to be a giver, and until Europe is earning its way and until we in the United States, by wise trading relations, permit Europe to earn its way, our economic relations will be plagued with friction, inharmony, and danger all the time.

May I underline what I just said in talking of the first objective, that the way must be cleared during the period of the operation of the Marshall Plan, so that the Europeans can achieve for themselves a higher standard of living.

I should like to make it clear that ECA has taken the position that during its four-year period the general standard of living in Europe should not be increased beyond the 1938 prewar level. That position has had full acceptance by the European nations receiving aid, and, as a consequence, all income beyond that needed for frugal living has gone for investment into capital goods — into power plants, new tools, better transport, and new industry.

In the 12-month period concluded June 30, out of a total gross income of about $140 billion Europe invested more than $30 billion in capital assets. That is far above normal and that is part of the fruitage of Marshall Plan recovery. An outstanding example of this development is the fact that Norway is today putting 35% of its income into capital goods, into the tools through which, at the earliest possible moment, she will be able to pay her own way.

These investments in capital assets will help Europe achieve the higher productivity—that is, the greater output per man hour — which is an essential steppingstone to becoming truly self-supporting. Higher productivity requires better machines, better methods, and better attitudes on the part of both management and labor. Above all, it requires more horsepower. It is not the perversity of European labor that keeps down European productivity. Remember that while there is seven horsepower behind every American worker there is only two and one-half horsepower behind the European worker. The Marshall Plan is helping to provide horsepower and better machines; it is helping make available better methods; and it is promoting the better attitudes which will increase the productivity of European management and labor. This is another part of the fruitage of ERP.

But higher productivity alone is not the solution to durable European recovery. Europe has got to achieve a broad consumers' market, so that European industry can take advantage of large-scale, low-cost production.

Economic Unification Must Be Achieved

This means that Europe must, in its own interest, achieve without undue delay an economic unification which will create a single market of 275 million consumers, for whom European industry and agriculture can produce economically and to whom European manufacturers and farmers can sell freely. Only within such a framework can Europe begin to become truly self-supporting; only within such a framework can Europe achieve a rising standard of living.

On the basis of my recent trip, I report to you that there is visible throughout all Europe a ferment which is crystallizing and helping to prepare the way toward this unification. The meeting in Strasbourg of the twelve-nation assembly of Europe indicates how strongly this movement is capturing the minds of the peoples and the leaders of Europe. Only two weeks ago, this assembly called for the creation of both a political and economic union. The vote calling for this economic unification and for the creation of a single trading area throughout these twelve nations was 80 to 2, and this is new evidence that the goal of ECA is also the goal of the participating countries.

The second urgent task which Europe must vigorously undertake and which, because the foundation of recovery has now been laid, it is able to undertake, is that of earning more dollars. Only earned dollars can take the place of free dollars. The only constructive way for Europe to meet a dollar deficit is to earn a greater dollar income. The leaders of Europe today know beyond any doubt that they must set about this task as though Europe's very life were at stake.

European production has been mounting in volume, and European exports have been mounting in volume, but the catch is that they have gone mostly to soft-currency markets. Unless European manufacturers can sell to the dollar market and unless, by vigorous and imaginative merchandising, they succeed in selling to the dollar market, Europe cannot obtain adequate food and raw materials essential to a rising standard of living.

Great Britain's Dollar Problem

Great Britain's dollar problem is no different in principle than that of the other European countries. It has been much in the headlines of late because the need of building up dollar earnings looms large since Britain has traditionally been America's biggest European customer. Normally, before the war, Britain had been buying about $500 million of American exports. Last year, it was about $600 million. Britain also acts as banker for much of the sterling area. Therefore, she faces the problem not only of sharply and quickly increasing her own dollar earnings but also stimulating other countries in the sterling areas to do likewise.

Of this I can assure you—that not only in Great Britain but throughout Europe there is an awareness of the urgent necessity of coming quickly to grips with the problems of economic unification and increased dollar earnings.

At the same time, there is concern lest America expect too much, too fast. The builders of European union wonder if we take adequately into account the length of time it required to get the 13 colonies, all speaking the same language, to create the American union. They are also concerned about what the attitude in the United States will be when they really set out to earn dollars. One of the greatest psychological blocks which stand in the way of Europe's earning more dollars is their feeling, based on their own past experience, that there may be little point in trying to earn these dollars because when they succeed in selling us goods some special-interest group in the United States, which does not like competition, will see that these goods are barred out.

ECA Requirements of Participating Countries

We in the ECA know that we cannot commit America to any given course of action. But this we have said to the participating countries:

"Instead of worrying about what America will do, concentrate all your energy on getting well underway toward your goals. Give America specific and dramatic proof that you mean business. Start here and now to eliminate import restrictions among yourselves on as many items as possible. Get your currencies on a convertible basis as soon as possible. Urge your manufacturers large and small, to take a hard, realistic look at this American market. Find out what goods we need. Send us those goods and back them up with imaginative and vigorous merchandising and advertising.

"Put forth this kind of effort and you will have America cheering you and supporting you. The people of the United States have never yet failed to back up a game fighter, and they will back you. The American people have never failed to respond to the man or the nation that tries."

That is what we have told Europe. That has been our answer to those who said that the goals of the Marshall Plan could not be reached in the time allotted to it.

Perhaps we promised too much for America. I do not believe so. We are calling upon Europe to achieve, in its own interests, some enormous tasks. There are two particular things which we can and must do to help. One is to take a slightly higher percentage of European imports because of our own high volume of American exports. World trade is essential to American prosperity, and world trade can exist only on a two-way street.

The second thing which we in America can do to help Europe is to give full evidence that we intend to carry the four-year Marshall Plan through to its completion. The amount of aid must be on a decreasing scale, but if Europe meets her obligations under that plan, we should meet ours.

When the Foreign Assistance Act was under consideration, there were a few with very loud voices who said that it would be "Operation Rathole." A year later, these same people were saying that recovery in Europe had progressed so far that we ought to stop sending aid. Now they have changed their tune again. They are saying that recovery by 1952 is impossible. In my opinion, they are wrong again. It is far from impossible; in fact, it is definitely possible, but it is going to take a lot of doing on the part of both Europeans and Americans if, by June 30, 1952, western Europe is to be on a self-supporting basis. But if this can be accomplished, it will be the most significant event of this century. It will mean that with our help the free nations of Europe can re-create those conditions under which democratic institutions flourish and under which men can live with decency and dignity. It will mean that an enduring peace is at last within our reach, because no aggressor will dare march against the free nations of Europe and the Atlantic community if we continue to work together and stick together.

This unity between the free nations is our one best hope for a world without war.

A prosperous, stable Europe and a wisely cooperating America are indispensable partners in building the peace of the world. We are living in a moment of great crisis, but we are also living in a moment of great opportunity.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John H. Auerbach, Jr. has become affiliated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Auerbach was formerly with Merrill Lynch, Pierce, Fenner & Beane and Buckley Brothers.

With Wagenseller & Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Rowe Sanderson, Jr. has become connected with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Revel Miller & Co.

Hill, Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert E. Anderson has been added to the staff of Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

With Harris Hall & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Norman B. Bentley is with Harris, Hall & Co., Inc., 111 West Monroe Street, members of the Chicago Stock Exchange.

Cripps Announces Sterling Devaluation

(Continued from page 7)

before leaving for Washington. It is a very important and grave matter for our whole future, and it is not a decision that can be arrived at lightly.

The government decided—and we told our American and Canadian colleagues of the decision the first day of our arrival, before starting on any discussions or consultations—to reduce the dollar value of sterling. In the last few days we have settled what the new rate should be and now I have to tell you of that decision; it is that in place of the present rate, fixed in 1946, of $4.03 for the pound, the rate will in future be $2.80 to the pound. We consulted the International Monetary Fund and they agree with our action.

That new rate will come into force tonight. In order to enable the necessary business adjustments to be made, banks will remain closed tomorrow. So will stock exchanges, but industry and all other business, including post office savings banks and trustee savings banks, will carry on in the usual way. Banks and stock exchanges will open on Tuesday as usual.

Though we took the decision before the Foreign Secretary and I left for Washington, we did not then announce it because we wanted to tell our American and Canadian friends first and inform all members of the Commonwealth, and also because it takes a little time to arrange these matters. I was also anxious to make the announcement myself here in London.

Why Step Was Taken

Now I must tell you why we have taken this step, which is contrary to what I stated on behalf of His Majesty's Government in July last. You will also want to know what sort of effect this change will have upon your income and how you spend it.

Then finally I must impress upon you steps we've got to take to derive the fullest benefit from this change and to avoid any ill effects flowing from it.

I am sure I needn't tell you hat great progress we have made what great progress we have made in this country since the end of the war. We are producing record levels and exporting half as much again as we were before the war. Our industry and commerce is upon a sound basis of production. Taken as a whole, our export of goods and services we provide were in the first half of the year bringing in enough to pay for our imports.

But despite this, two world wars have so dislocated world trade that we have been quite unable to earn enough dollars. We have had to help other countries with loans and credits of sterling and we and they have had to depend on loans and credits and gifts of dollars from the United States and Canada.

These countries produce a great many things that we can't buy enough of from the rest of the world, so that we must buy a great many dollar goods unless we are to sacrifice our standard of living altogether.

During 1948 we were making good progress towards balancing our dollar accounts, but in the second quarter of this year our dollar receipts, including those of other parts of the commonwealth —like those of the rest of the world—started to fall off.

Our gold reserves began to run away at much too fast a rate, despite the aid we were getting under the Marshall Plan. If we couldn't stop that drain, these reserves, which serve the rest of the sterling area as well as ourselves, would disappear.

We and the sterling countries of the Commonwealth, like Australia, India and so on, all do a lot of business with the dollar area and we pool our dollar earnings. So, though this problem affects the United Kingdom particularly—as bankers for the sterling area—it also affects the whole sterling area, and, in fact, the whole non-dollar world. Nor can we solve it alone. Dollar countries, in particular, must help us and the rest of the non-dollar world to earn more dollars.

Of course, when people saw that our reserves were falling rapidly, they began to wonder if their confidence in sterling was well placed. Talk had started last spring about our exchange rates in a way which led to doubt as to whether they were not too high. Once it was suspected that lowering might take place, people tried to turn pounds into gold and dollars by all sorts of devices. That is a very difficult thing to stop and there has been a good deal of it going on latterly. With low reserves we can't afford losses of that kind. We had to take steps to stop it.

That was one reason which convinced us of the need to lower the sterling rate of exchange to the new rate which would stop this drain on our reserves.

It was essential to fix that new rate at a level we could hold; we can always let the rate go up if events prove that we have gone down a bit too low.

Must Earn More Dollars

Another reason I've already mentioned; we had to increase our power to earn dollars; that is the only permanent solution for our difficulties—earn more dollars.

We must either earn more dollars or spend less—to get balance. To merely cut down our spending and do nothing to increase our earnings is a policy of desperation and not one that we could adopt. It would deprive us on a large scale of essential food and raw materials, and so reduce our standard of living.

No, we must devise a better way than that. We must sell more goods and services for dollars. This is especially important now before the Marshall plan, with its dollar aid, comes to an end—as it does in 1952.

By then we must stand on our own feet in this matter of dollars, and we must earn enough of them, for unless we do it will mean lower standards and widespread unemployment.

We have, so far, since the second World War, prevented heavy unemployment that threw a deep shadow over so many of our homes in the years between the two wars. I wonder how many of you realize what a hard and difficult struggle it has been to maintain that full employment. We must not run any risk of large-scale unemployment. So we in the Sterling Area and the dollar countries must try and create conditions in which the Sterling Area is not prevented from earning the dollars we need. This change in the rate of exchange is one of those conditions and the most important one.

In a number of ways we have given direct encouragement to our industries to earn more dollars. We have given our exporters who sell to dollar countries help with export credits; we have sent special representatives to America and Canada; we have given special treatment with raw materials and so on.

Must Increase Production

We've also done our utmost to increase our productivity so that we could get down our costs and so keep down our prices. We had a good deal of success all through 1948; the gap between our dollar earnings and our dollar payments was gradually closing.

A Most Serious Risk

Recently, however, that tendency has been reversed. Some of our export prices to dollar markets have been too high, and in a number of cases those markets did not bring a good enough return to encourage our manufacturers and exporters to expand their dollar exports. It was pretty clear, in the light of the experience of the last few months, that without a marked reduction in the dollar price of our exports and an increase in our sales pressure, we were running a most serious risk that our dollar earnings would not be high enough to maintain the flow of essential imports, so as to keep up our standard of production and living.

In the old days, this reduction in price would have been forced by creating unemployment, and bankruptcy. The unemployed wouldn't have needed any imported materials, for they had no work; nor would they have been able to buy much food, for they had no wages. That would have reduced overseas expenditure. And when enough people were unemployed, fear and misery would have made it possible to cut down the general wage level, and bankruptcy would have forced cutting down of other industrial costs. In that way our goods would have become cheaper, and so we would eventually have got a greater volume of sales.

There can be no question of this Government accepting such a policy. Our deepest conviction is that the productive powers of the whole people must be used to the full and that poverty in the midst of plenty—no jobs, no wages, no goods for those who ask only for jobs to produce goods — must never return if anything that we can do will prevent it.

Over the last year or two, we have repeated over and over again that the rapid increase in productivity was the best way to reduce our costs, and so our prices. We have improved our productivity, but no quickly enough. Time is now so short and our reserves have got so low that a change in the dollar rate of exchange is the only way in which we can get our prices down quickly enough. We had hoped that growth of our productivity and other improvements would have made this unnecessary, but events have moved too fast.

Now I turn to deal with how this change is going to affect you and me.

Effect on British Prices

It won't alter what is known as the internal value of the pound. Your savings, your wages and salaries will buy you just as much as they did before, of all things that we produce ourselves, or what we buy from other countries who make a similar change in their dollar rate of exchange. All such prices should remain unaffected.

Where it will make a difference is where we have to pay more sterling for the same quantity of dollar goods. Such goods will cost more in pounds, shillings and pence.

The most important change from the point of view of our cost of living will be due to the wheat and flour we import from North America and from which a great part of our bread is made.

You may remember that I said, at the time of the budget, that we could not afford to provide any more than £465,000,000 that we are already paying annually by way of subsidies on our food. That still holds good; we can't afford to cancel out this increase in the sterling price of wheat by more subsidy. So we must increase the price of bread and flour sufficiently to offset the increased cost.

The 4½ pence loaf will have to go up to 6 pence, and flour correspondingly, in about 14 days time, unless there are changes made in other exchange rates which make a smaller increase sufficient.

This increase will represent a rise in the cost of living index figure by nearly one point, unless it is offset by reductions in other items.

Apart from this increase in the price of bread there should no be any noticeable increase in other retail prices, at any rate for the time being. Over the next few months there may be some justifiable reason for an increase in the price of a few articles which are made mainly from imported dollar raw materials, that is if dollar prices don't fall. But we must wait and see what happens.

An important fact I want to bring home to you all is that there is no reason whatsoever for an immediate increase in any price in shops—except bread—and we shall not tolerate any one taking advantage of the situation for their own profiteering. This increase in the cost of living is a vital contribution to the success of the national effort to balance our dollar trade. So it follows that the change gives no reason for any increase in personal incomes whether from wages, salaries, profits or any other source.

Wants No Wage Increases

The stark fact is this. We cannot avoid large-scale unemployment unless we put a stop on many wage, salary or other personal income increases until we see how things are turning out and we have been able to realize the full benefit of this new exchange rate.

Generally speaking, the only other parts of the world which will be directly covered by our decision are colonies. We are satisfied that what we are doing is in their best interests as well. All Commonwealth countries have been consulted and they will separately announce any action which they propose to take.

Now for my last point. I've told you what we hope to get out of this change by way of increased dollar earnings and more stable sterling.

It is essential—and I really mean essential—that none of us should do anything that will diminish in any way its effectiveness.

You see, if any of us were to take steps that tended to increase the cost of production, and also prices of our manufactures, we should be acting contrary to the very purpose for which we are making this change. Our sacrifices would be thrown away. Our aim is to hold our costs of production steady while we decrease the rate of exchange.

Then whatever effects, we all share alike — every one in the country — and we do not pick upon special individuals or special industries to bear the whole burden through large-scale unemployment, as happened after the first world war. But if some of us were to try and give ourselves special protection against possible price increases, or were to take advantage of this event to try and profiteer or improve our relative position compared to our fellow citizens, then the result could only be to make the whole weight of any increases in price fall upon others.

Our whole idea is to spread whatever burden there is fairly over every one.

So we must avoid anything that increases the cost of production. Indeed we must continue with as much or even more vigor than ever to drive for greater efficiency and lower costs of production. This change is not instead of all policies we have already been following to earn more dollars, but in addition to them, because they of themselves have not been effective enough.

Urges Redoubled Efforts to Sell in Dollar Countries

I do appeal most earnestly and with all my strength to our manufacturers and exporters to redouble their efforts to sell their goods in dollar markets. There is not the slightest doubt that great opportunties for good returns now exist in dollar markets for the right goods if they are sold in the right way.

This drastic change is only an alternative, and it offers us a chance of great success, but only if we all play the game and don't try to take advantage of one another, and if we take fair shares of our difficulties as well as of our benefits.

These steps that we ourselves have decided upon will be supplemented by those agreed in Washington in the most frank and co-operative talks in which I have ever taken part. Our American and Canadian friends who have already given us such great temporary help have expressed themselves as ready to work with us for permanent strengthening and stabilization of sterling, which they recognize as the most important international trading currency. They are willing, too, to make their contribution toward an increase in our dollar earnings which is the essential basis for a high level of trade between the sterling and dollar areas.

Looks for Success

This is great encouragement both to us and to all free democracies of the world. It gives us convincing hope that with our own efforts, thus made effective, we shall finally emerge successfully out of our post-war economic difficulties.

We thus start upon another stage in the magnificent struggle of our people to overcome the crushing difficulties imposed upon them by their sacrifices in the World War. We have so far splendidly succeeded, and it is no time now to falter or hold back. In the light of renewed promises of co-operation from members of the Commonwealth, from the United States and from our friends in Western Europe, we have on your behalf accepted the challenge of the times for fresh and decisive action, convinced that it will bring us still nearer to our goal of happiness and prosperity for our people.

Mason, Moran Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Gale H. Hedrick II has become connected with Mason, Moran & Co., 135 South La Salle Street, members of the Chicago Stock Exchange.

Walter Kusay Opens

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Walter F. Kusay is engaging in a securities business from offices at 622 West 120th Street. He was previously with Sills, Fairman & Harris.

Ormond Rambo, Jr., Dead

Ormond Rambo, Jr., Vice-President of Rambo, Close & Kerner, Inc., Philadelphia, died at his home at the age of 60.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Bernard Livingston is with King Merritt & Co., Inc., Chamber of Commerce Building.

With Blair Claybaugh

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Joseph A. Rayvis is with Blair F. Claybaugh & Co.

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. 25	86.2	*86.6	84.8	96.1
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 25	1,589,100	*1,596,500	1,563,300	1,732,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Sept. 10	4,850,550	4,761,500	4,722,900	5,346,050
Crude runs to stills—daily average (bbls.)	Sept. 10	¶5,248,000	5,233,000	5,227,000	5,332,000
Gasoline output (bbls.)	Sept. 10	18,270,000	17,891,000	18,383,000	16,472,000
Kerosene output (bbls.)	Sept. 10	1,992,000	1,560,000	1,383,000	2,150,000
Gas, oil, and distillate fuel oil output (bbls.)	Sept. 10	6,455,000	6,724,000	5,724,000	7,117,000
Residual fuel oil output (bbls.)	Sept. 10	7,808,000	7,226,000	7,282,000	8,438,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 10	104,375,000	104,834,000	108,174,000	93,534,000
Kerosene (bbls.) at	Sept. 10	26,608,000	25,560,000	25,329,000	24,243,000
Gas, oil, and distillate fuel oil (bbls.) at	Sept. 10	78,231,000	76,430,000	73,815,000	66,857,000
Residual fuel oil (bbls.) at	Sept. 10	69,261,000	67,997,000	67,818,000	56,657,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 10	§624,197	703,930	728,029	789,011
Revenue freight received from connections (number of cars)	Sept. 10	§522,766	570,894	566,163	631,388
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 15	$156,021,000	$146,541,000	$137,173,000	$183,280,000
Private construction	Sept. 15	66,175,000	88,400,000	55,657,000	104,449,000
Public construction	Sept. 15	89,846,000	58,141,000	81,516,000	78,831,000
State and municipal	Sept. 15	84,226,000	48,984,000	69,140,000	66,050,000
Federal	Sept. 15	5,620,000	9,157,000	12,376,000	12,781,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 10	5,825,000	8,050,000	8,000,000	11,180,000
Pennsylvania anthracite (tons)	Sept. 10	788,000	887,000	696,000	953,000
Beehive coke (tons)	Sept. 10	12,300	*11,700	9,800	127,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Sept. 10	274	*294	218	285
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 17	5,579,105	5,258,090	5,578,800	5,426,247
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 15	185	148	193	84
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 13	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Sept. 13	$45.88	$45.88	$45.91	$44.74
Scrap steel (per gross ton)	Sept. 13	$25.75	$23.92	$21.17	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 14	17.325c	17.325c	17.325c	23.200c
Export refinery at	Sept. 14	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Sept. 14	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	Sept. 14	15.125c	15.125c	15.125c	19.500c
Lead (St. Louis) at	Sept. 14	14.925c	14.925c	14.800c	19.300c
Zinc (East St. Louis) at	Sept. 14	10.000c	10.000c	10.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 20	104.01	103.76	103.70	100.69
Average corporate	Sept. 20	115.04	115.04	114.85	111.44
Aaa	Sept. 20	121.04	121.04	120.84	116.22
Aa	Sept. 20	119.20	119.20	119.00	114.27
A	Sept. 20	114.27	114.08	114.08	110.70
Baa	Sept. 20	106.39	106.56	106.21	104.83
Railroad Group	Sept. 20	109.60	109.60	109.60	107.09
Public Utilities Group	Sept. 20	116.22	116.22	115.82	111.81
Industrials Group	Sept. 20	119.41	119.41	119.20	115.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 20	2.21	2.23	2.24	2.45
Average corporate	Sept. 20	2.90	2.90	2.91	3.09
Aaa	Sept. 20	2.60	2.60	2.61	2.84
Aa	Sept. 20	2.69	2.69	2.70	2.94
A	Sept. 20	2.94	2.95	2.95	3.13
Baa	Sept. 20	3.37	3.36	3.38	3.46
Railroad Group	Sept. 20	3.19	3.19	3.19	3.33
Public Utilities Group	Sept. 20	2.84	2.84	2.86	3.07
Industrials Group	Sept. 20	2.68	2.68	2.69	2.88
MOODY'S COMMODITY INDEX	Sept. 20	345.4	349.5	338.9	421.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 10	172,955	262,601	169,424	162,353
Production (tons)	Sept. 10	157,135	193,515	181,138	144,410
Percentage of activity	Sept. 10	72	89	84	76
Unfilled orders (tons) at	Sept. 10	380,248	365,609	311,124	410,240
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Sept. 16	129.6	129.3	129.2	144.2
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	Sept. 6	13,231	13,608	16,382	16,865
Number of shares	Sept. 6	368,146	386,415	473,645	489,011
Dollar value	Sept. 6	$14,620,408	$14,970,710	$18,090,645	$20,244,038
Odd-lot purchases by dealers (customers' sales).					
Number of orders—Customers' total sales	Sept. 6	16,132	16,197	16,061	16,212
Customers' short sales	Sept. 6	157	161	145	86
Customers' other sales	Sept. 6	15,975	16,036	15,916	16,126
Number of shares—Customers' total sales	Sept. 6	430,572	424,659	446,864	438,366
Customers' short sales	Sept. 6	5,860	6,510	5,456	3,372
Customers' other sales	Sept. 6	424,712	418,149	441,408	434,994
Dollar value	Sept. 6	$13,494,269	$13,991,111	$14,571,925	$15,424,962
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 6	183,960	173,960	166,940	128,960
Short sales	Sept. 6	------	------	------	------
Other sales	Sept. 6	183,960	173,960	166,940	128,960
Round-lot purchases by dealers—					
Number of shares	Sept. 6	132,670	127,720	203,460	179,920
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Sept. 13	154.6	152.7	151.9	169.9
Farm products	Sept. 13	165.6	162.5	160.1	192.4
Foods	Sept. 13	166.3	161.6	161.6	189.6
All commodities other than farm and foods	Sept. 13	145.9	145.2	144.9	153.6
Textile products	Sept. 13	141.3	140.6	139.0	148.1
Fuel and lighting materials	Sept. 13	130.7	130.1	130.0	136.6
Metals and metal products	Sept. 13	168.9	168.9	167.9	172.0
Building materials	Sept. 13	190.2	188.8	190.1	204.1
All other	Sept. 13	125.1	124.4	124.1	136.1
Special indexes—					
Grains	Sept. 13	157.6	154.6	146.6	181.2
Livestock	Sept. 13	214.2	208.6	204.6	271.4
Meats	Sept. 13	237.7	226.8	224.4	279.6
Hides and skins	Sept. 13	194.9	193.7	189.5	210.7

*Revised figure. ¶Includes 368,000 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 IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of August	6,710,820	*5,779,120	7,446,834
Shipments of steel products, including alloy and stainless (net tons)—Month of July	4,534,355	5,177,259	5,229,880
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of June (000's omitted):			
All building construction	$736,306	*$665,644	$706,218
New residential	388,375	*392,945	375,195
New nonresidential	251,529	*186,151	224,746
Additions, alterations, etc.	96,402	*86,548	106,277
COAL EXPORTS (BUREAU OF MINES)—			
Month of July:			
U. S. exports of Pennsylvania anthracite (net tons)	358,119	609,843	449,364
To North and Central America (net tons)	286,171	291,152	296,486
To South America (net tons)	------	122	------
To Europe (net tons)	64,560	296,850	152,878
To Asia (net tons)	7,388	21,719	------
To Africa (net tons)	------	------	------
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of June:			
Shipments (short tons)	100,756	*91,775	*119,165
Unfilled orders at end of month (short tons)	376,761	*411,601	*638,989
COTTON ACREAGE AND PRODUCTION U. S. DEPT. OF AGRICULTURE—As of Sept. 1:			
Acreage	25,907,000	26,380,000	23,003,000
Production 500-lb. gross bales	14,943,000	14,805,000	14,868,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters to Sept. 1)	1,247,443	------	1,444,355
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—			
Month of July:			
Cotton Seed—			
Received at mills (tons)	117,352	15,170	94,610
Crushed (tons)	146,611	196,855	97,243
Stocks (tons) July 31	132,498	161,757	93,182
Crude Oil—			
Stocks (pounds) July 31	52,233,000	76,240,000	22,893,000
Produced (pounds)	48,656,000	65,569,000	32,145,000
Shipped (pounds)	66,671,000	106,238,000	36,580,000
Refined Oil—			
Stocks (pounds) July 31	132,766,000	186,268,000	98,432,000
Produced (pounds)	61,255,000	97,996,000	35,627,000
Consumption (pounds)	110,959,000	138,639,000	46,449,000
Cake and Meal—			
Stocks (tons) July 31	65,949	88,354	82,363
Produced (tons)	86,340	85,660	50,154
Shipped (tons)	88,745	102,006	62,307
Hulls—			
Stocks (tons) July 31	94,892	109,858	41,302
Produced (tons)	34,605	47,592	22,783
Shipped (tons)	49,571	51,177	26,812
Linters—running bales—			
Stocks July 31	141,773	180,898	99,452
Produced	44,193	57,837	32,017
Shipped	88,318	78,551	40,773
Hull Fiber (1,000-lb. bales)—			
Stocks July 31	848	871	170
Produced	467	600	114
Shipped	490	1,647	264
Motes, grabbots, etc. (1,000-lb. bales)—			
Stocks July 31	7,349	9,017	13,992
Produced	749	817	1,194
Shipped	2,417	1,864	2,927
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of June:			
Shipments (short tons)	905,573	866,631	1,072,040
For sale (short tons)	455,442	439,420	597,624
For producers own use (short tons)	450,131	427,211	474,416
Unfilled orders for sale at end of month (short tons)	1,086,989	1,243,266	2,587,018
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of August:			
Factory sales (number of units)	219,909	161,920	237,202
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of August (1935-39 average=100)	†115.4	†115.9	130.1
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—			
Month of June	1,502	1,346	1,145
NON-FERROUS CASTINGS (DEPT. OF COMMERCE)—Shipments, month of June:			
Aluminum (thousands of pounds)	23,261	21,392	35,822
Copper (thousands of pounds)	52,616	*53,819	84,817
Magnesium (thousands of pounds)	799	778	709
Zinc (thousands of pounds)	32,823	26,969	37,136
Lead die (thousands of pounds)	606	476	1,183
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of June:			
Production (M sq. ft. ⅜-in. equivalent)	151,386	154,677	150,187
Shipments and consumption (M sq. feet, ⅜-in. equivalent)	160,856	152,137	149,742
Stocks (M sq. ft. ⅜-in. equivalent) at end of months	68,742	77,811	41,425
Consumption of logs (M ft. log scale)	67,100	74,733	65,287
Stocks (M ft., log scale) at end of month	225,116	216,394	153,859
STEEL CASTINGS (DEPT. OF COMMERCE)—			
Month of June:			
Shipments (short tons)	116,052	106,178	152,894
For sale (short tons)	84,112	75,537	117,794
For producers own use (short tons)	31,940	30,641	35,100
Unfilled orders for sale at end of month (short tons)	173,237	191,473	469,973
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of August:			
Net sales	------	$60,700	------
Net purchases	$3,762,350	------	$4,369,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Aug. 31	$255,879,042	$253,902,387	$251,553,319
General fund balance	4,417,886	3,337,163	3,995,156
Computed annual rate	2.230%	2.236%	2.235%
Net debt	$251,461,156	$250,565,224	$257,558,163

*Revised figure. †Preliminary figure.

As We See It

(Continued from first page)

and so substantial, and prices had risen so radically, that the notion of further outright demands for higher cash wages had soured in the minds of large sections of the public. It was generally decided that fourth round demands needed to be sugar coated, and so they were put forward in the guise of "pension plans" and the like with the employer putting up all the cash.

Ground Prepared in Advance

But these pension schemes and pension proposals, whether in the steel industry or anywhere else, could never have developed the steam they have but for the fact that clever propaganda and much sloganeering since the advent of the New Deal had prepared public thinking in advance and given such notions a preferred place in the minds of all too many. Now in all this, a number of basic fallacies have been conspicuous from the first, that is, conspicuous to the thoughtful man or woman whose mind is really seeking truth rather than a way to gain a point or a dollar. In a sense, the doctrine giving the breath of life to most of this propaganda which has been going on was rather neatly summarized in one paragraph of the President's steel board's report the other day. It asserts that "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."

Some such idea as this had been gaining ground slowly among certain elements in the public for several decades prior to the advent of the New Deal. For a good while it was recognized as an "imported idea" from areas where socialistic thinking had gained large headway and where industry had been growing less and less virile for many years. It seemed to take hold in this country first in the minds of the "social worker" type of citizen, and in the academic field. The ground had been prepared, accordingly, for the New Deal preachment of it, prepared for it, that is, in an intellectual sense. The hard times of the early Thirties, of course, gave all such notions much vigor among the masses.

Dangerous Doctrine

But, of course, like so many glib phrases, this line of argument will not bear very close analysis. In a very real sense, indeed in the only real sense, such an "obligation" has always been "among the first charges on revenue." Wages and salaries paid, and products supplied are, of course, the foundations of any such assurance either for the present or the future. Where competition has prevailed, natural forces have always made certain, always will make certain, that these provisions are as substantial as it is given to man to make them! The decision as to how much of all this is to be allocated to present needs and wants, and how much to future needs and wants, is a matter which should naturally vary from individual to individual, and should be left to the individual to decide.

Any other arrangement must inevitably have several very unfortunate effects, even disastrous effects, if left long enough in force. In the first place, other devices deaden the urge of the individual to manage his own affairs prudently, reducing consumption in his productive years below what it otherwise would be in order that he may have a competence in later life. Without this simple policy on the part of the individual, no possible provision for the future can succeed. The grandiose schemes of the day designed to serve in the place of the arrangements of nature of necessity set up a costly bureaucracy for administration, and thus burden the whole scheme with enormous cost. They likewise all but inevitably necessitate a degree of control over private lives which tends not only to destroy the typical American way of life but cuts into the productive power of the people. They further injure the incentive for the extraordinarily capable member of the community to produce that additional margin of the good things of life which give the American way the jump on all others.

This being so, it would seem wise that any pension or welfare plans, contributory or otherwise, that are forced on a company or industry in times like these when utopian schemes are in vogue, be of a nature that would permit of their abandonment when common sense again prevails with respect to our economic affairs.

The Real Facts

Constant controversy as to who should pay for pension and related social insurance schemes has tended to obscure the fact, or to divert attention from the fact, that in many if not most cases pensions and these other programs are not paid for at all in advance. In the case of government operated schemes, much is made of the fact that the beneficiaries "contribute" to this or that "fund," and that the remainder is supplied by some one else, usually employers. From all this the rank and file doubtless suppose that their future in these respects is being provided for (within the limits of the program of course) in much the way that his family is protected by the insurance he carries on his own life.

The cold fact of the matter is, of course, that this "fund" upon which he is counting so heavily is nothing more than a bookkeeping entity. The obligation runs from the United States Government, and the fund is in reality nothing more or less than the United States Government, and all that it has in its Treasury, apart from limited amounts for current costs, are obligations of the United States Government—its own IOU's. The "contributions" of both employer and of employee have long ago passed into the "general fund" of the Treasury and been expended just as tax collections are spent. The widely preached notion that something real is being laid aside for the future of insured individuals is stuff and nonsense.

The time has come for the application of more common sense to this whole pension business.

N. Y. Disability Benefits Law

(Continued from page 15)

ment with a covered employer if such employment occurs when the employee is—

"(a) receiving unemployment insurance benefits;

"(b) receiving benefits for disability commencing after the first four weeks of unemployment if he would be, but for disability, eligible for unemployment insurance benefits;

"(c) eligible for disability benefits except, however, that he is not actually entitled to receive these benefits because he has not accumulated enough unemployment insurance credits.

"An employee regularly in the employment of a single employer on a work schedule less than the employer's work week becomes eligible on the twenty-fifth day of such regular employment.

"There are certain exclusions and reductions of benefits. For example, disability benefits are not payable when the individual is not under the care of an authorized licensed physician. Benefits are not paid for disability caused by pregnancy. Benefits are not paid for injuries which are self-inflicted or a result of an illegal act. Furthermore, if the individual is no longer eligible for unemployment insurance, he cannot collect benefits under this law.

Method of Benefits Payments

"The law sets up a very interesting method of payment of benefits to a person who is unemployed. It must be remembered that unemployment insurance benefits are not payable to an individual who becomes sick while unemployed, since that law states that a person to receive unemployment insurance benefits must be "able and available" for work. Therefore, the disability benefits law to take care of such cases provides that disability benefits are to be paid during any period of twenty-six weeks after an individual becomes unemployed.

"However, the New York Unemployment Insurance Law is rather complicated by the way in which benefit rights are calculated. It sometimes occurs that even though an individual may have been working for a certain length of time, he has not worked long enough to be entitled to unemployment insurance benefits. Disability benefits will still be paid to an individual who is unemployed and yet ineligible to receive unemployment insurance benefits if the individual has been paid wages of at least $13 a week by a covered employer in each of twenty calendar weeks during thirty calendar weeks immediately preceding the last day he worked for a covered employer and he evidences an attachment to the labor market.

"However, disability benefits are not paid to any individual beyond the twenty-sixth week of unemployment. Furthermore, a person disabled while receiving unemployment insurance is not subject to the seven-day waiting period, nor can an individual receive more than twenty-six weeks of benefits from both unemployment insurance and disability.

"Now, what about the costs?

"Starting on January 1, for six months there is a temporary contribution which is collected from the employer at the rate of 2/10 of 1%, but the contribution shall not exceed $0.12 a week as to each employee. The employee is liable for half the contribution or six cents, to be deducted from his wages, and the employer pays the other half. This temporary contribution is to set up a fund to pay initially the benefits to persons who are unemployed. After the temporary tax, this fund is to be kept at a sum to equal $12,000,000, or twice the amount of benefits paid from this special fund in the preceding fiscal year through assessments levied on the employers, according to a special ratio. The employees do not contribute to that fund after the first temporary contribution.

Who Pays Costs?

"The permanent costs of the benefits are paid as follows: The employee contributes to the cost of disability benefits ½ of 1% of wages paid to him on and after July 1, 1950, but his contribution shall not exceed $.30 a week. The employer contributes the entire excess of the cost over the contributions of his employees, including the cost of providing benefits during employment and the first four weeks of unemployment, the support of the special fund to pay the benefits to the disabled unemployed, and the cost of administration of the entire system. Thus, while the employees' contributions are fixed and known, the employer's contributions will vary each year, depending on such factors as the rate of illness in their plants, the amount of unemployment, and the extent to which they provide benefits over and above the statutory minimum.

"There are several ways in which the employer can provide for payment of disability benefits—

"(1) By insuring on a premium basis with the state insurance fund, or with a stock or mutual company;

"(2) By self-insuring;

"(3) By a plan in existence on the effective date of the law, which continues to be effective on July 1, 1950;

"(4) By a new plan or agreement which meets the requirements of the law.

"It should be pointed out that the law sets up certain minimum standards. There is nothing in the law to prevent benefits more than the statutory minimum. However, the employees cannot be required to pay a greater amount than ½ of 1% or $.30 a week toward the cost of their part of the contribution.

"There are certain penalties which are levied against the employer, the insurance carriers, and the employees, as well as the doctors, in cases of fraud attached to the making of the claims or nonconformance with the law. Also, the law exempts from the act those who adhere to the faith or teaching of a church which depends for healing upon prayer or spiritual means.

"In conclusion, it should be stated that a good law can be worsened by bad administration. A bad law can be bettered by good administration. Here in New York we are fortunate in having not only a good law which was carefully drawn to bring in all interests and resolve them carefully, but also having the administration placed in the Workmen's Compensation Board which, for thirty-five years, has had a distinguished history of payment of on-the-job disability benefits.

"By using the Workmen's Compensation Board there is eliminated the need for duplication of personnel and operating procedure. Furthermore, in the Chairman of the Workmen's Compensation Board, Miss Mary Donlon, we have an individual who is not only alert, efficient and socially-minded, but one who will weigh carefully the effects of all decisions and regulations on employees, employers and the insurance companies.

"The success of this law," Mr. Zucker concludes, "depends on the knowledge which each employee and the employer has concerning his responsibilities under this law, as well as the benefits. This law presents a new approach in meeting our social insurance obligations. It is based on the belief that our free enterprise system can operate in this field. We are certain that sound insurance principles and business practices will prevail and the role of the state will be kept to a minimum."

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Steel Board's Pension Proposal

(Continued from first page)

a non-contributory plan for pensions and insurance which is contrary to Federal statutes and to Congressional bills pending. Indeed, in President Roosevelt's original address presenting the social security program to the nation, he originated the contributory principle.

"The Board's findings and recommendations are not binding in any way, as have been the findings of the National Labor Relations Board or the arbitration machinery." So stated the Board. Indeed, under the President's directive creating the Board, he gave definite assurance to this effect. Yet, in its strike threat, the union perverts both the Board's conclusion and the President's conditions and attempts to impress the public that the Board's findings are binding. The Board has no authority or power under the law. How inconsistent for the union to insist on a detail, the 10c increase, and reject the heart of the report, that the Board's recommendation is not binding and urging collective bargaining after full study. "By genuine good faith collective bargaining, the parties might agree on any combination of social insurance benefits."

The Board recommends an increase of 10c an hour to cover social benefits. But "the level of benefits urged by the union is higher than any established plan on which we (the Board) received any information." **The union strategy, as usual, was to demand much,** expecting compromise, **and to settle for a fraction.**

For social insurance, the Board stated that "an expenditure of 4c an hour ($80 per year) would provide a plan comparable to other plans" now provided by union agreements. The details are to be left to collective bargaining. **The system** should be non-contributory, i.e., the employer should pay all the costs. No company should duplicate benefits where state law provides for insurance, except to pay the difference.

As for pensions, the Board recommended that the cost be limited to 6c per hour ($120 per year) and that the parties undertake to buy as much in benefits as this figure would cover. Such pension plan would yield $100 per month when added to social security retirement, which averages about $26 per month.

The Board's Reasoning

The Board based its conclusions on the grounds that "it has been generally accepted that **the worker is entitled to insurance. . . .** Social insurance and pensions should be considered normal business costs, to take care of depreciation in the human machine, like depreciation and insurance of plant and machinery. . . . Government has failed to provide social insurance, except in four states, and old age retirement benefits are inadequate."

"Because of the current meagerness of government insurance workers have, to an increasing extent, come to **look for protection to industry itself. The steel industry is lagging** behind other basic industries. There is an understandable feeling of inequity on the part of steel workers as against others. There is inequity among workers in the steel industry since companies have varying plans. Some fairly general plan would aid in having relatively uniform working conditions in this industry."

But the Board leaves a great hiatus in its logic. Why should the burden fall on industry? **What is industry but other people, i.e., stockholders and consumers.** Why not on the Federal government, the state or the town? Or on the beneficiary himself?

The Board's Self-Contradictions

The Board gives a closely reasoned justification for not increasing wages but the same reasoning would apply precisely as well for not increasing any disbursements from company to employees for any other purpose, as pensions. **The Board first urges collective bargaining *after* study and yet sets 10c per hour *before* study.** Again, the Board states, "It (social insurance) is an additional cost of operation which the companies can and should assume." **But the Board does not show why the companies "should" assume this cost or how many companies "can" assume it.** It admits that "no one can state with arithmetic certainty what they can afford now. **Much depends on future circumstances." Why then did the Board fix the rate now?**

The Board says, "A study on pension plans is even more necessary than on insurance. The subject is much more involved, the principles much less defined and the commitments much more serious in time and money. We believe that it will be highly inadvisable and unrealistic to bargain seriously over a pension plan without first having a thorough study jointly made. **The Board is scarcely in a position after this concentrated hearing to say precisely what should be done." Why then did the Board promptly recommend 6c per hour as a pension charge?**

Again, the **Board favors insurance by government yet recommends insurance by industry.** Social insurance, at least in its minimal form, should be founded on a universal base for all workers in the United States, as it now is in old age pensions and unemployment insurance. That could be done only by government itself—a nationwide, compulsory program. But even if the government should decide to enact such insurance, there would still probably be the same inadequacy as now in the fields of old age pensions." The obvious conclusion, therefore, should be to have the government increase the amounts to be adequate and not to shift the burden, with evil social and economic repercussions.

Indeed, **the Board itself despite its recommendation deprecates private and favors public programs.** "It should be a cause of great concern that there is growing up haphazardly all over the country a large number of unequal and uncoordinated insurance funds with little or no public control. If government should decide to provide adequate security through a compulsory plan, changes in private plans could be made." But there is no provision for such change in the report.

Besides, when did a union ever relinquish a vested interest? Furthermore, **if pension plans are "growing up haphazardly all over the country," how can the government take over such a chaotic situation** to begin with, particularly on a non-contributory basis. But, if industrial plans are developed on a contributory basis, the government can take over easily.

The preference for government plans was stated during the hearings by Judge Rosenman. "The government plan would cover every worker and perhaps self-employed persons, whereas having it done by private industry, it is chiefly and almost exclusively in industries which have strong unions." **Industrial non-contributing pension plans, in contrast to the government program, constitute favoritism, class discrimination and a reward for ruthless union leaders.** Why should Mr. Lewis' members or the well-paid steel unionmen have pensions, but none for the low-wage worker in logging, sawmills, canneries? Why should there be pensions for the employee and none for the stockholder, 80% of whom are small? Indeed, "to him who hath shall be given and from him who hath not, shall be taken away even that which he seemeth to have."

Obviously the **Board has taken a fragmentary approach. It considered pensions only in relation to the beneficiaries.** But the subject requires an integrated approach involving stockholders and consumers.

Industry's Position

A payment of 10c per hour is really a wage increase. The postwar increases were 18.5c in February, 1946; 15.0c in April, 1947 (including fringe payments); 13.0c in July, 1948, and 10.0c is now recommended. Both in size and as an item of cost, this increase is equivalent to a fourth round. On the company's books, this debit is identical with a wage increase. The purpose of the payment can disguise but cannot change its nature. **All of the Board's careful reasoning to justify its rejecting the demands for a 10c wage increase to stabilize prices and wages in the public interest applies just as effectively to a 10c payment for any other purpose.**

Taking Jan. 1, 1939 as a base of 100, the gross weekly earnings in the iron and steel industry have risen more than the cost of living so that in April, 1949, the gross weekly earnings were 216 and the Consumers' Price Index representing the cost of living was 170, a span of 46 points, or about 27%. Why is it necessary to add another 6% for insurance purposes to this already favorable spread? **Why not apply some of te existing gain of wages over the cost of living for the insurance now "needed,"** particularly if the companies will make a contribution, either equal to the employee or perhaps even graduated on a rising scale so as to stimulate employee saving?

Differences between the companies and the union—There was agreement on the need for pensions and social insurance, but there were marked differences on several matters, such as (a) the estimated costs, the figures of the union being much lower than the companies; (b) who should pay the cost; (c) whether the company could meet the additional cost out of profits and without raising selling prices; (d) whether the government rather than industry should provide adequate pensions and insurance; and (e) whether the union should share in the supervision of payments toward which it makes no contribution, of having power to manage other people's money without responsibility to them.

Shall the Beneficiary Contribute?

Union attitude—The principle of employee contributions was favored by Mr. Murray Latimer until recently when he stated that he changed his mind. **Mr. Philip Murray also supported the contributory principle** when, as a member of the Advisory Council on Social Security, he signed the report (1938) which stated, "The Council is convinced of the wisdom of Congress in establishing a contributory program of old age insurance. . . . Such a method of encouragement of self-help and self-reliance in securing protection in old-age is in harmony with individual incentive within a democracy."

The equally influential AFL strongly approves contributory plans. William Green in his statement at a hearing on April 20, 1949 before the House Ways & Means Committee on proposed changes in social security said, "The first principle to which we adhere is that our social insurance should be a contributory system. Contributions should be made in equal amounts by employer and employee and should represent a proportion of earnings. . . . Joint responsibility between employer and employee in the financing of social insurance provides a desirable strengthening of the fabric of a democratic society."

Government attitude — Federal Security Administrator Oscar R. Ewing submitted his 1948 report (September) and a 10-year program. He cited unanimous support for the principle of contributory health insurance. Again, the 1948 report of the Advisory Council on Social Security (Sen. Doc. 208, 80th Cong. 2nd Sess.) stated, **"The contributory principle is a cornerstone of social insurance. . . .** Part of the cost should be borne directly by the beneficiary. . . . **Employee contributions stimulate employee interest, prevent improper payments . . . fraudulent claims and . . .** having their contributions dissipated unwisely.' The largest of all social insurance programs, i. e.: provided by **the Federal Social Security Act, is based on the contributory principle** equally for employer and employee. State systems established to provide non-occupation disability benefits and for retirement and pensions require employees to pay a substantial part of the costs.

The contributory principle has many sound justifications. It is the government's pattern established by elected representatives. The government, as employer, as well as Congress as the organizer of the current social security system, and the Railroad Retirement Board have all adopted the contributory system. The House Ways & Means Committee (Report No. 1300, HR6000 81st Cong. 1st. Sess. Aug. 22, 1949, p. 2) states, "The time has come to reaffirm the basic principle that a contributory system of social insurance, in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system in which both contributions and benefits are directly related to the individual's own productive efforts prevents insecurity while preserving self-reliance and initiative."

The Board specifically contemplates that its recommended plan will be only temporary, until the government takes over. In view of the proposals in Congress for increasing government benefits, these interim industry plans should be on a contributory basis so as to be eliminated easily when an enlarged contribution program by the government takes over.

Industry Attitude—The contributory principle is established in the majority of plans and is increasingly the trend. If the employees contribute toward their own pensions, then there will be **a differential between those who contribute much and those who contribute little. That seems more ethical** than to have flat amounts regardless of length of time and earnings. If the plan is non-contributory and the employer is paying all the costs, then the benefits depend not on what each individual employee contributes but on the political pressure which the union imposes. Then a practice emerges as in the coal industry whereunder there is flat payment under a plan administered by the union.

A large majority of the industrial group life insurance plans require employee contributions. These include most of the important industrial companies of the country. It would be unsound to attempt to convert these existing contributory into non-contributory programs.

The typical steel company sees no reason why it should furnish gratis either group insurance any more than fire, or automobile insurance. The company thinks that the plan succeeds because the employee feels responsible because of his contributions and helps to check fraudulent claims. This contributory group insurance is intended not to supplant but to supplement the insurance obligation of the employee to his family and to stimulate such insurance by a company contribution. The policy of a joint contribution is based on the principle that anyone who is unwilling to contribute to his own protection has no right to demand that others protect him.

What does the record show? According to a recent survey made by a leading insurance company of 100 of its largest industrial clients, in 86% of the cases the basis for life insurance was contributory. Of the weekly benefits for hospitalization, 88% were contributory for personal coverage and over 92% for dependents' coverage. Again, according to the National Industrial Conference Board (July, 1949), "More than three-quarters of the group insurance plans in the 1949 survey require wage contributions."

Because of economies of group insurance and company administration, Bethlehem employees insurance is at a reduced cost. For example, an employee at the plant near Buffalo has a total annual cost of $71.40; of which $24 is for life insurance and disability; $27 for hospitalization for the family and $20.40 for surgical benefits for the family. But the BLS budget at Buffalo calls for $143 for medical care and $85 for life insurance. Thus the employee has $72 left for additional insurance and $85 left for dental and medical services not provided by the plan.

The companies agree on the desirability of insurance for the employees, but the union did not suggest improvements on the present plan nor propose a new plan during the recent negotiations.

Non-contributory pensions mark a trend away from mutual aid and cooperation. The movement for credit unions and consumer cooperatives is universal. Individuals unite for common aim of helping themselves. In retailing, the trend is away from company stores in mill towns and toward cooperative stores. But **in social insurance the unions would initiate a reactionary trend.**

Mutual insurance trains the employees in self-government. **The Southern slave before the Civil War looked to his master for all his needs,** as a child does to his parents. But the adult tries to help himself, either as an individual or as a cooperating member of a group. The amount of individual insurance outstanding in the country totals $160 billion for ordinary life and $31 billion for industrial insurance. Obviously, insurance has been regarded as the obligation of the individual.

Again, while the union is asking the employers to pay for the insurance, it is simultaneously pressing the government to take over disability and medical insurance and to increase the payments for old age and survivors. **In which direction is the union moving? In opposite ones at the same time?**

Pension Costs—Union estimates of the costs of social insurance are below actuarial calculations. The actual costs for pensions were higher because of the advanced age of the employees. Mr. Latimer, like Mr. Nathan, offered erroneous statistics to support his case.

Exhaustive actuarial calculations are required before starting a system of insurance. Otherwise either the costs must be raised or the benefit payments curtailed.

The United Mine Workers Welfare and Retirement Plan was imposed by the government while it had control of the mines in 1946. the original cost estimated by the union was 5 cents per ton. In 1947, the operators were compelled to increase the rate to 10 cents per ton or else face a strike. In 1948, under a similar threat, the payments were increased to 20 cents a ton after the government appointed a fact-finding board. Now the union demands an increase to 40 cents a ton.

When John L. Lewis retained Mr. Latimer to prepare a report on the United Mine Workers pension fund, his report (May, 1948) stated that on payments of 10 cents per ton the pension plan could easily be supported. Other actuaries differed, but Mr. Latimer replied, "The way to find out what a pension plan costs is to try it out for several years." Well, the industry is now finding it out, unhappily. **Mr. Lewis is demanding four times the royalty per ton recently considered adequate by Mr. Latimer and eighth times the original estimate of 1946.**

The union's demand for immediate large pension payments may be impossible to realize. To obtain a pension of $100 a month at age 65 requires an individual's annual premium of $499 at 25 years of age; $1,058 at 38; $1,996 at 45 and a lump sum of $15,907 at age 65. Of course, the premiums are cheaper on group insurance, but the principle is the same.

If adequate sums have not been accumulated, then the younger people will be paying insurance for the older people and may have nothing left for themselves. **To start a pension system requires more money than merely to keep it going. Many a pension fund which was not actuarially sound had to be abandoned.**

The demand for pensions is based on "human need." This need is not confined to the steel workers. **All the working people of brain or brawn, including unorganized labor, have the same need for old age security. It should be satisfied on a national basis.** This would require that the government take it over eventually and distribute it on an equal basis, like public schools, highways, bridges and street lighting, also paid out of tax money.

Suppose the companies had paid an additional 10 cents an hour, or 6% of the wage rate, what would have been the effect on the income account? For example, for U. S. Steel from 1932 to 1939, stockholders received practically nothing (dividends were $8.7 million); the deficit amounted to $208 million and wages were $2,242 million. A 6% increase would have cost $134 million, making a total deficit of $342 million. Obviously, without higher prices or greater productivity, **no such additional cost could be borne by the big companies. For the smaller marginal companies such additional cost might have meant bankruptcy,** shut-down of the plant and complete unemployment for all.

Pensions and social insurance plans on a **non-contributory basis would increase the source of industrial friction and create new causes of labor difficulties** and strikes. A contributory plan keeps costs within reasonable limits.

Who will pay for the increased costs? Can the stockholder pay? The insurance features plus pensions call for 10 cents per hour or about 6% of the wage. This must be paid for either by the stockholder or by the consumer. The ratio of dividends to wages for U. S. Steel was 5.1% for 1946-48; 4.5% for 1941-48; 3.7% for 1932-48, and 0.4% for 1932-39. **Obviously, the stockholder cannot absorb a 6% wage increase in costs out of dividends.** Therefore, the consumer, **the rest of the community, through higher prices must subsidize the steel workers** who are now in the upper tenth or close to **the highest-paid workers in the country.** Paupers may be paying tribute to princes.

The Steel Board states that steel lagged behind the coal and railroad industries. These are "sick" industries. This comparison does not lend support to the steel union argument. As the result of powerful union pressure for always higher employment costs, including social insurance and retirement costs, **investors fled from these industries.** The stock quotations of many companies in these industries are less than the net current assets, so that the plant and equipment are regarded by the market not as an asset, but as a liability. Good will, including management and trade contacts, is a deficit. The yields on shares are abnormally high.

Even the bondholders fled. There are practically no first-class or "legal" bonds in the entire coal industry. Their prices are low, the yields are high. In the railroads the number of prime bonds is declining and the speculative bonds are increasing in number.

Of coal shares and bonds, no investment trusts hold any. Of railroad stocks important trusts, like Lehman Corp., hold none. Few trusts hold any; no trusts hold many. Of railroad bonds, the investment trusts bought the highly speculative ones not for investment for income over the long-term, but for short-term speculation for appreciation.

The Steel Board's reference to coal and railroads as a pattern for the steel industry is not very apt or fortunate. **If the railroads have a model employees' pension plan, they show a dismal stockholders' record.** After 40% of the railroads were bankrupt and about $3 billion of securities were wiped out, the new rises in employment costs, including pensions and social insurance, have started the securities of the reorganized roads on a new decline.

The union demand on an hourly basis seems small. A dime is a symbol of cheapness—as in the 5-and-10 cent store. But for the steel industry the cost of **an increase of 10 cents per hour is about $200 million per annum** even at full capacity—**the equivalent of $3 a ton** added cost and more at a lower operating rate.

A pension by a private company raises costs and requires that the customer pay more, and he may be unwilling or unable to do so. Such pension plan is thereby made unworkable.

Besides, **high prices may drive customers to competing products. And that has been the fate in the two "basic industries"** which the Board holds out as a model for the steel industry to follow. **Coal and railroads became non-competitive.** Coal has been replaced by gas, oil and electric power in many parts of the country. Similarly, traffic is being diverted from railroads to trucks and buses and to airplanes, both for passenger and cargo. **Consumer preference is moving from the older, highly unionized industries to the newer, less unionized industries, where productivity is higher and costs are lower.** Despite the higher cost per pound of aluminum, it is replacing steel in building exteriors, in passenger trains and in household furniture, because the price per foot of the lighter metal is becoming cheaper than that of steel.

The unions may raise costs, but they cannot compel the customer to pay a higher price. However, government is in a position to establish a pension plan, because it is based on taxation. The taxpayer, unlike the consumer, has no choice. He just must pay, like it or not.

Can the steel industry stand additional fixed costs? **The addition of fixed costs, pensions and social insurance will intensify the already violent fluctuation of the business cycle in the steel industry.** From 1930 to 1939, even the usually profitable companies in the steel industry showed deficits, without pensions and social insurance. But with them such deficits would be exaggerated in the future. When profits disappear or turn to deficits, is it fair to give the employee a bonus in the form of a contribution to the pension and insurance fund?

To impose a fixed charge for pensions and insurance is like putting a mortgage or a prior bonded debt on all the companies. To pay them regularly may become impossible. In fact, some unions which had pensions and social benefit programs had to abandon them during hard times. **Pensions and insurance charges should be more like a cumulative preferred stock, payable if earned, but cumulative if not paid.** However, the cumulation should be limited to two or three years. In definite accumulation would have caused grave difficulty from 1931 to 1939. Indeed it is fortunate that **the U. S. Steel Corp., reversing the policy now recommended by the Steel Board, substituted its bonded debt by common stock in the boom period of the late '20s.** Else it might have been bankrupt in the '30s.

Additional rigid employment costs are harmful. The aim should be to smooth the business cycle, not to aggravate it. This requires flexibility. Since the workers object to flexible wage rates and since union leaders object to profit-sharing, the least that should be done is to get some flexibility in the additional employment costs, insurance and pensions. **These added charges should be flexible: higher in prosperity, lower when business is poor and zero when the company shows deficits.**

To compare the pensions of Mr. Fairless, office executives or brain workers with the mill laborer or hand worker makes little sense. **The United States Government pays much larger pensions to a Supreme Court Justice than to the court's janitor.** The objection to high pensions for the management should come not from the worker to whom it is of no concern, but from the stockholder who is the employer and the owner and foots the bill. Besides, **the total compensation of the top-salaried officials is insignificant compared to a seemingly small wage increase of 10 or 15 cents per hour in its effect on the stockholders' dividends.** Besides, if the management worked for nothing, the stockholder would not be much better off in dividend dollars. But a 10-cent per hour wage increase would wipe out most common dividends in the industry. Furthermore, even if the stockholder were wronged by management pensions, a second and greater wrong by union officials would not right the first wrong.

Pensions should not depend on the power of the union leaders. How did Mr. Murray become so pension-conscious? The steel union leaders never mentioned pensions in all the wage negotiations since 1939 and particularly not in the last or fourth postwar round. **Obviously, the motivation was not "need" of the workers for insurance, but the rivalry of John Lewis as a ruthless leader.** Because he forced an actuarially unsound pension plan upon the coal industry in 1946 which plan now threatens to collapse, that is no reason **why the steel industry should rush pell-mell to ape such a catastrophe.**

What is to be the fate of the small companies? Many of them have years of deficits except for the war profits. They cannot stand any increase in fixed costs and they urge that social insurance should be established not on a nationwide industrial pattern, but on a basis of local needs and local costs. **There is no nationwide pension system for teachers. Would it be sound practice to put teachers in Boston and Paducah on the same pension?** A system of government insurance on a contributory basis would constitute a Godsend to small business. **A nationwide pattern foisted on industry by a powerful union monopoly will sound the deathknell of little business.**

What Is the Government's Position?

The Advisory Council on Social Security, representing labor, employers insurance companies and the public, made important recommendations (Sen. Res. 141, 80th Cong. 1st Sess.). **"The Council favors, as the foundation for the social security system, the method of contributory social insurance,** with benefits related to prior earnings and awarded without needs." The Council laid stress on the general economic incentive and the stimulation of the desire to add personal savings to the security under the insurance system. The Council recommended an increase in benefits to those who lack a lifetime coverage under old age insurance. Its formula would give to the steel workers average monthly benefits of over $65 per employee; $100 for a couple and up to $200 for the more skilled employees.

The House Ways and Means Committee now recommends an increase in benefits. There are several bills pending in Congress to extend the Social Security Act of 1935. This Committee after its hearings announced agreement on measures which would increase old age benefits by "50% to 150% over the present law." In its report (Aug. 22, 1949) it stated, "The Congress is faced with a vital decision which cannot long be postponed. Inadequacies in the old age and survivors insurance program have results in trends which seriously threaten our economic well-being. . . . **There are increasing pressures for special pensions for particular groups which threaten to result in unbalance, overlapping and competing programs. The financing of such plans may become chaotic and their economic effects dangerous.** There is a stressing need to strengthen the basic system at once because it is undermined by these forces. Once the basic system is firmly established, any remaining special needs of particular groups can be assessed and met in an orderly fashion."

Congress is likely to enact legislation in the near future which will meet the demands of the union except that payments will be on a contributory basis. **Why should the companies now be required to commit themselves for an indefinite future to an obviously temporary program requiring a substantial increase in costs?** Should not welfare plans be related to current and contemplated government policy?

WHAT ARE THE LOGICAL CONCLUSIONS?

Human need is important to consider. But that is a function of government, not of any one industry. Unprofitable industries, such as prevail in declining or distress areas like New England, might be unable to meet these increased costs and that would be unfortunate for its employees and the towns generally.

The payment of pensions and social insurance reflects social pioneering and a growing social conscience. There is universal agreement on the ends to be reached. The differences are on the means. Therefore, preliminary study is required **to explore the** various methods, contributory and non-contributory, which will take account of the rising trend of an aging population and the profitability of certain industries, of the exploitation by and rivalry of union leaders and the desirability of some payment according to contributions as well as according to need.

The Board's report, admittedly, was rushed. The conclusions concerning pensions do not seem to have taken into account all the factors involved. In a vital matter having such far-reaching interest, is it no wise to make haste slowly?

Private insurance plans must be coordinated with government plans. State governments are extending disability benefits. The Federal Government is proposing a national health and sickness insurance law. In the meantime, is it desirable to extend private plans for a particular group, temporarily at best?

Under State laws employees contribute. To discourage malingering, benefits are payable only after a waiting period. The union's demand for insurance would in many cases duplicate benefits under a State fund to which the employees are required to contribute.

An actuarial study is a prerequisite for any plan for pensions or social insurance. **The demands of the union appeal to a warm heart, but will lead to bankruptcy if the plan won't work actuarially.** A soft heart requires a hard head. A soft head courts disaster.

A minimum program can be found within the area of agreement. **Whatever insurance payment is finally agreed upon should be made retroactive to the date when negotiations began.** This procedure is used in wage negotiations and could be applied to insurance and pension negotiations.

The employee should contribute and **as an inducement the company should increase contributions in prosperous years as a supplement.** Such supplements in booms imply a reduction or elimination of payments to the insurance fund during depressions, on the condition that the deficit be made good during the next recovery.

Every pension plan is necessarily experimental. Payments begun small can be made on a rising scale, but once made large it would be difficult to reduce them. The fund must be tested actuarially by experience. Otherwise the demand of the workers is like the cry of a child for the moon.

To the extent **that wages increased faster than the cost of living, part of the excess could be applied to contributions** for social security and pensions.

On these terms, it should be possible to have mutual agreement between the companies and the unions. Above all, **the country must avoid Townsendism, run riot under the pressure of union leaders' rivalry.** The "Ham and Eggs" plan once urged by political rabble-rousers **is fraught with danger when supported by politically powerful bosses of unions** and unsupported by actuarial studies. **The mess in the coal union pension fund could become a national catatrophe if extended generally to all industry.** Mischief would then indeed be afoot! Which course would it take?

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Lowell H. Listrom is with B. C. Christopher & Co., Board of Trade Building, members of the Chicago Stock Exchange.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

● **American Cladmetals Co., Carnegie, Pa.**
Sept. 16 (letter of notification) 25,000 shares of common stock (par $1). Price, market ($1.25-$1.50 per share). To be sold on the over-the-counter market on behalf of C. R. Anthony, a stockholder.

American Gas & Electric Co. (10/6)
Sept. 7 filed 498,081 shares ($10 par) common stock. **Offering**—To be offered for subscription by present stockholders 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.; Harriman Ripley & Co. **Proceeds**—For general funds, to be invested in subsidiary operating companies, including Appalachian Electric Co. **Bids**—Bids for purchase of stock will be received at company's office, 30 Church Street, New York, up to 11:30 a.m. (EST), 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. **Proceeds**—For construction and general corporate purposes. Expected about Oct. 11.

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.

● **Blackstone Valley Gas & Electric Co. (10/18)**
Sept. 16 filed 35,000 shares of preferred stock, cumulative ($100 par). **Underwriter**—To be determined by competitive bidding. Probable bidders: Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; W. C. Langley & Co. **Offering**—Of the total 1,430 shares will be reserved for common stockholders (other than Eastern Utilities Associates which owns 99% of common and which will waive its rights) to subscribe to at the rate of one for each common share held, and 12,942 shares will be offered to holders of outstanding 6% preferred stock in a share-for-share exchange, plus a cash adjustment and the balance will be publicly offered. **Proceeds**—To retire the remaining 6% preferred stock and for construction purposes. **Bids**—Bids will be received up to 11 a.m. (EST) Oct. 18, at 49 Federal Street, Boston, Mass.

● **Blaske Lines, Inc., Alton, Ill.**
Sept. 14 (letter of notification) 6,500 shares 5% cumulative preferred stock, ($10 par). Price, par. No underwriter. For equity capital to be used in expansion.

● **C.I.L. Mining Corp., Phoenix, Ariz.**
Sept. 12 (letter of notification) 50,000 shares of common stock. Price, $1 each. No underwriter. To equip and develop Poncho mine. Office: P. O. Box 3721, Phoenix, Ariz.

● **Colorado Fuel & Iron Corp., Denver, Colo.**
Sept. 12 (letter of notification) 8,500 shares of common stock, to be sold at market (about $14.625) by Allen & Co., New York. Six New York and Chicago members of the New York Stock Exchange will aid in the sale, headed by A. L. Stamm & Co.

● **Colorado Oil & Gas Co., Alamosa, Colo. (10/10)**
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.

● **Columbia Oil Co., Inc., North Bonneville, Wash.**
Sept. 9 (letter of notification) 300,000 shares ($1 par) common stock. Price, par. No underwriter. For the promotion and operation of the company. Office, P.O. Box 673, North Bonneville, Wash.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

● **Consolidated Engineering Corp., Pasadena, Calif.**
Sept. 9 (letter of notification) 150 shares ($1 par) common stock to be sold at $13.50 each to Harold J. Boucher, Altadena, Calif. These shares may be resold through Hopkins, Harbach & Co., Los Angeles. For working capital.

● **Continental Copper & Steel Industries, Inc., New York**
Sept. 15 (letter of notification) 6,666 shares 5% cumulative convertible preferred stock ($25 par). Price, $15 a share. To be sold by Mortimer S. Gordon, New York. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., New York.

● **Contractors Discount Corp., Buffalo, N. Y.**
Sept. 14 (letter of notification) 20,000 shares ($10 par) common capital stock. Price, par. No underwriter. To create invested capital.

Convertible Television, Inc., N. Y. C. (9/26-30)
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.

● **Duquesne Light Co., Pittsburgh**
Sept. 16 filed $15,000,000 of first mortgage bonds, due 1979. **Underwriter**—To be determined by competitive bidding. **Probable bidders**—The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Halsey, Stuart & Co. Inc. **Proceeds**—To repay bank loans for construction and for additional construction and general corporate purposes.

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.

● **Farm Service Corp., Portland, Ore.**
Sept. 13 (letter of notification) 500 shares of common stock and 100 shares ($100 par) 6% preferred stock. Price, $5 per common share and $100 per preferred share. No underwriter. To finance the organization, its product research, supplies, etc. Office: Lumbermen's Building, Portland, Ore.

Gas Service Co., Kansas City, Mo. (10/4)
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.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers; The 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 Oct. 4.

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.

● **HBNS Corp., New York**
Sept. 16 filed 20,000 shares common stock (par $1). **Offering** — To be sold to offices and employees of Joseph Dixon Crucible Steel Co. and their immediate families at market. **Proceeds**—For investment in stock of Joseph Dixon Crucible Steel Co. **Underwriter**—none.

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.

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.

● **Indianapolis Power & Light Co. (10/17)**
Sept. 16 filed $40,000,000 of first mortgage bonds, due 1979. **Underwriter**—To be determined by competitive bidding. **Probable bidders**: 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). Union Securities Corp. expected about Oct. 17. **Proceeds**—To redeem $40,000,000 of outstanding bonds, with other company funds added to pay the premiums.

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.

● **International Life Insurance Co., Austin, Texas**
Sept. 14 (letter of notification) 600 units of special stock debentures. Price $500 each. No underwriters. For increasing capital and surplus. Office: P. O. Box 1156, Austin, Texas.

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.

● **Kittanning (Pa.) Telephone Co.**
Sept. 14 (letter of notification) 3,000 shares of capital stock (par $25). Price, $45 per share. Stock will be offered Oct. 1 to stockholders of record Sept. 17 in ratio of one-for-eight. Rights expire Nov. 1, after which shares not subscribed for will be offered to employees and unsubscribed shares will be offered Nov. 8 to public in area in which company serves. Finance expansion program. No underwriting.

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.

● **Lee Oil & Natural Gas Co., Baltimore, Md.**
Sept. 12 (letter of notification) 596,000 shares common stock. Price 50c. **Underwriter** — Mitchell-Hoffman & Co., Inc., Baltimore. To acquire additional leases and for working capital.

Lexa Oil Corp., Denver, Colo. (9/28-30)
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.

Lone Star Brewing Co., San Antonio (9/26)
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.

Mercantile Acceptance Corp. of California
Sept. 8 (letter of notification) $100,000 4% 10-year debentures. **Underwriter**—Guardian Securities Corp., San Francisco. For general corporate purposes.

● **Meter Appliance Co., Las Vegas, Nev.**
Sept. 8 (letter of notification) 20,000 shares ($10 par) common stock. No underwriter. To install meters in parking places. Office: El Portal Building, Las Vegas, Nevada.

● **Mutual Service Cooperative, St. Paul, Minn.**
Sept. 14 (letter of notification) 3,640 shares ($10 par) common stock and 50 shares ($100 par) preferred stock. Price, par both issues. No underwriters. To provide operating capital. Office: 1923 University Avenue, St. Paul, Minn.

NEW ISSUE CALENDAR

September 26, 1949
Lone Star Brewing Co.----Common
Palestine Cotton Mills, Ltd.----Common

September 27, 1949
Tennessee Gas Transmission Co.----Pref. and Com.

September 28, 1949
Lexa Oil Corp.----Common

September 30, 1949
Southwestern Associated Telephone Co.----Preferred

October 3, 1949
Chicago Milwaukee St. Paul & Pacific RR.
Noon (CST)----Equip. Trust Ctfs.
York County Gas Co.----Common

October 4, 1949
Gas Service Co.----Bonds

October 6, 1949
American Gas & Electric Co.
11:30 a.m. (EST)----Common

October 10, 1949
Colorado Oil & Gas Co.----Common
New York Chicago & St. Louis RR.----Eqp. Trust Ctfs.
Utah Power & Light Co., noon (EST)----Bonds

October 11, 1949
Arkansas Power & Light Co.----Bonds
Erie RR.----Equip. Trust Ctfs.

October 14, 1949
Northern Pacific Ry.----Equip. Trust Ctfs.

October 17, 1949
Indianapolis Power & Light Co.----Bonds

October 18, 1949
Blackstone Valley Gas & Electric Co.
11 a.m. (EST)----Preferred

● **National Life & Casualty Co., Phoenix, Ariz.**
Sept. 14 (letter of notification). Between 100,000 and 200,000 shares of capital stock. Price, $1.50—$2 a share. No underwriter. To capitalize the company as a legal reserve life insurance company. Office: Security Building, Phoenix, Ariz.

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., through Day, Stoddard & Williams, New Haven, Conn.; Byllesby & Co., Philadelphia; Warren W. York & Co., Allentown, and H. B. Robeson, Nazareth.

● **Nevada Monarch Consolidated Mines Corp., Creston, B. C.**
Sept. 9 (letter of notification) 508,456 shares of common stock. Price 10c each. No underwriter. To continue drilling and developing the company's properties.

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. 6, 1949, on a pro rata share-for-share basis. Rights expire Oct. 6. **Underwriter**—None. **Proceeds**—To be added to working capital. **Office**—12 East 44th Street, New York, N. Y.

● **Orbisonia Water Co., Harrisburg, Pa.**
Sept. 14 (letter of notification) $21,000 4¾% closed first mortgage serial bonds. Price, par. **Underwriter**—Warren W. York & Co., Inc., Harrisburg. To pay off outstanding $9,500 of mortgage bonds and improve properties.

Pacific Telephone & Telegraph Co.
Sept. 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, in ratio of 1-for-5 shares of either preferred or common held. Rights expire Oct. 17. **Proceeds**—To be used to pay indebtedness incurred by the company's construction program.

Palestine Cotton Mills, Ltd. (9/26-30)
June 29 filed American certificates for 318,050 ordinary (common) shares, one (Israeli) pound par value, of which 300,000 shares will be publicly offered. **Underwriter**—The First Guardian Securities Corp., New York. **Price**—$4.25 each. **Proceeds**—To expand weaving facilities.

● **Perfect Perlite Corp., New Hampton, N. Y.**
Sept. 15 (letter of notification) 1,100 shares of common stock. Price $100 each. No underwriter. To establish and expand business.

● **Public Service Co. of Indiana, Inc.**
Sept. 12 filed 81,744 shares of common stock (no par). **Offering**—To be offered to stockholders of Southeastern Indiana Power Co. in exchange for 5½% cumulative preferred stock (par $100) and common stock (par $10) on basis of 4½ shares common Public Service for one preferred share Southeastern and 1½ shares Public Service for one common share Southeastern. **Underwriter**—None.

● **Pyrolith Corp., Yonkers, N. Y.**
Sept. 13 (letter of notification) 100 shares (no par) preferred stock. Price $250 per share. No underwriter. For general working capital.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

Resort Airlines, Inc.
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.

● **Rome (N. Y.) Cable Corp.**
Sept. 8 (letter of notification) 27,500 shares of common stock. Company has option to acquire assets of Anderson-Carlson Manufacturing Co., which option if exercised at present time would call for the delivery of 27,500 shares in exchange for title to such assets. If option is exercised 11 shares of Rome stock will be exchanged for each 20 shares of A-C.

● **Scudder, Stevens & Clark Fund, Inc.**
Sept. 12 filed 60,000 shares capital stock (no par). **Underwriter**—Scudder Fund Distributors, Inc. Price, marked. **Proceeds**—For investment.

Silver Bell Mines Co., Denver, Colo.
July 27 (letter of notification) 20,000 shares of capital stock to be offered by Edward G. O'Brien and 20,000 by Eugene J. Nord. **Price**—$1.10 each. **Underwriter**—E. W. & R. C. Miller & Co., Philadelphia.

● **Southern Fire & Casualty Co., Knoxville, Tenn.**
Sept. 12 (letter of notification) 10,000 shares (no par) capital stock. Price, $8.50 each. **Underwriters**—J. C. Bradford & Co., Nashville; Elder & Co., Chattanooga; Strader, Taylor & Co., Lynchburg, Va., and Bullington-Schas & Co., Memphis. **Proceeds**—For expansion of insurance business.

Southwestern Associated Telephone Co. (9/30)
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.

● **Sperry Rubber & Plastics Co., Brookville, Ind.**
Sept. 13 (letter of notification) 250 shares of 5% cumulative preferred stock ($100 par) and 250 shares ($10 par) common stock. Price $100 each class. No underwriter. To buy additional machinery and equipment and for working capital.

● **Standard Brass & Manufacturing Co., Port Arthur, Texas**
Sept. 12 (letter of notification) 11,000 shares ($25 par) common stock. To be issued as a stock dividend. No underwriter.

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. (9/27)
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. **Bids**—Bids for purchase of bonds will be received up to noon (EST), Oct. 10, at Room 2033, 2 Rector Street, New York.

West Penn Electric Co.
Aug. 25 filed 856,895 shares of common stock (no par). **Underwriters**—Lehman Brothers and Goldman, Sachs & Co. **Offering**—468,621 share are offered common stockholders of record Sept. 22 at rate of one new share for each five held, at $23⅝ per share. Rights expire Oct. 7. The remaining 388,274 shares are being offered in exchange for outstanding 6% and 7% cumulative preferred stocks and class A stock.

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 Electric Co., Inc.**
Sept. 14 (letter of notification) 1,500,000 shares of common stock (no par). Price, $40 per share. To be offered stockholders of record Sept. 28 in ratio of one-for-six. Rights expire Nov. 1. The amount of the offering to the public (excluding American Telephone & Telegraph Co., the present owner, of 8,981,591 shares) is approximately $123,000. No underwriting.

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.

● **Yellow Cab Co. of Philadelphia**
Sept. 13 (letter of notification) 5,563 shares of ($3 par) capital stock, to be offered by the company and 19,437 shares of the same stock to be offered by 13 stockholders. Price $5 each. No underwriter. For additional working capital.

Prospective Offerings

● **Carolina Power & Light Co.**
Sept. 17 reported company expects to raise another $20,000,000 through the sale in 1950 or 1951 of securities, principally bonds in addition to 30,000 shares of $5 preferred stock and 200,000 shares of common stock expected to be offered this month. Proceeds will be used to complete the company's scheduled $45,000,000 construction program.

Central Hudson Gas & Electric Corp.
Aug. 11 requested SEC authorization to issue and sell $6,000,000 of convertible debentures. Probable bidders: Union Securities Corp, Salomon Bros. & Hutzler and Spencer Trask & Co. (jointly); First Boston Corp.; Drexel & Co. and Stroud & Co. (jointly); White Weld & Co. and Stone & Webster Securities Corp. (jointly); W. C. Langley & Co.; Harriman, Ripley & Co.; Shields & Co. **Proceeds**—For retirement of short-term loans incurred for plant construction. Expected in November.

Central 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.

Central Power & Light Co.
Sept. 2 announced that some form of permanent financing was planned this year by company to raise money to refund short-term borrowings of $2,500,000 as of June 30. Probable underwriters: Glore, Forgan & Co.; Lehman Brothers and Dewar, Robertson & Pancoast.

Central & South West Corp.
Aug. 31, John S. Osborne, President, said: "If market conditions are favorable, this corporation is planning to make an offering of common stock to its stockholders prior to the end of the year, on the basis of not more than one share for each ten shares presently outstanding." The net proceeds will be invested in the equity of certain of the subsidiary operating companies for the purpose of furnishing additional funds to meet future construction requirements. Probable bidders: Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co.; Smith, Barney & Co. and Harriman Ripley & Co. (jointly); Carl M. Loeb, Rhoades & Co.

● **Chicago Mil. St. Paul & Pacific RR. (10/3)**
The company will receive bids up to noon (CST), Oct. 3, for the purchase from it of $4,500,000 equipment trust certificates, series KK, to be dated Oct. 1, 1949, and to mature $150,000 semi-annually, April 1, 1950-Oct. 1, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Chicago Rock Island & Pacific Ry.**
Sept. 17 company may possibly refund its $25,772,850 first mortgage 4% bonds and $34,488,542 of income 4½s through sale of a new issue. Asked about the financing an official of the road said, "There has been some discussion but no plans."

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)**
The company will receive bids Oct. 11 for the purchase from it 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).

Gulf States Utilities Co.
Aug. 23 reported company may issue within the next few months $10,000,000 "new money" first mortgage bonds

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(instead of between $6,000,000 and $7,000,000 previously reported). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly); Stone & Webster Securities Corp.; First Boston Corp.

Interstate Power Co.
Aug. 30 reported company plans sale of additional securities, probably common stock. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.

● **Iowa-Illinois Gas & Electric Co.**
Sept. 19 company has asked SEC authority to issue $10,000,000 first mortgage bonds at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Smith, Barney & Co.

Iowa Power & Light Co.
Aug. 4 reported company may be in the market this year with $7,500,000 first mortgage bonds and $3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Smith, Barney & Co.; Equitable Securities Corp.

Kansas City Power & Light Co.
Aug. 8 reported company probably will be in market later this year or early in 1950 with $12,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.

Kansas Power & Light Co.
Aug. 8 reported company possibly will raise additional funds this Fall through sale of $5,000,000 bonds. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co.; White, Weld & Co.; Blyth & Co., Inc.; Glore, Forgan & Co.; Equitable Securities Corp.

● **Maine Public Service Co.**
Oct. 13 stockholders will vote on a proposal to issue 30,000 shares of preferred stock (par $20), which it is planned to sell this year for approximately $600,000, in addition to 25,000 shares of common stock (par $10) which will be sold for approximately $300,000. The common stock will be offered to present stockholders. Net proceeds will be used to finance the installation of a 7,500 kilowatt steam plant at Caribou, Me. The balance of the construction program for 1950 would be financed according to present plans by the sale in 1950 of debt securities.

New York, Chicago & St. Louis RR. (10/10)
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. (10/14)
Sept. 14 reported that company probably will be in the market about Oct. 14 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).

Northern States Power Co. (Minn.)
Aug. 10 company requested SEC authorization to sell from 1,357,918 to 1,584,238 shares of its common stock, no par value. It is intended to make the initial pro rata offering to present common stockholders. Probable underwriters: Smith, Barney & Co.; White Weld & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers and Riter & Co. (jointly). **Proceeds**—To be used to retire $15,000,000 of 2% promissory notes due on or before Dec. 30, 1949.

● **Pennsylvania Electric Co.**
Sept. 15 company has asked SEC authority to issue and sell competitively $11,000,000 first mortgage bonds and 70,000 shares preferred stock. Probable bidders for preferred: Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Smith, Barney & Co.; White, Weld & Co.; W. C. Langley & Co. For bonds: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Equitable Securities Corp.

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).

San Diego Gas & Electric Co.
Aug. 31 reported company contemplates sale in near future of $8,000,000 bonds. Probable bidders: Blyth & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co.; Salomon Bros. & Hutzler.

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.

● **Vacuum Foods Corp.**
Sept. 16 reported company plans early registration of 120,000 shares (par $30) convertible preferred stock with Paine Webber, Jackson & Curtis; The First Boston Corp. and White, Weld & Co. as underwriters.

● **York County (Pa.) Gas Co. (10/3)**
Sept. 6 SEC authorized Penn Gas & Elec. Co. (parent) 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 on Oct. 3. 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.

A Plan for Solving British Crisis

(Continued from page 13)

cording to U. S. Department of Commerce records. It is also interesting to note the "Chronicle's" foreign trade figures on p. 32 of its Sept. 8 issue, viz: U. S. exports to all countries for July, $896,600,000; for June, $1,104,200,000; and for July a year ago, $1,019,500,000, whereas imports for all countries to U. S. totaled only $455,500,000 for July; $526,700,000 for June; and $563,400,000 for July a year ago.)

(3) Britain to give the United States title in perpetuity to certain strategic bases from Ireland to the Straits of Magellan and on the Pacific from Magellan to Alaska, etc.

(4) We should receive low-interest bearing bonds to the amount of British indebtedness for the first and second World Wars to be held as collateral for her entire obligations to U. S. and canceled in part as the debt is repaid. Interest on these bonds to be deferred until such time as Britain stages a recovery.

The object of this plan is to devise a workable arrangement between Britain and the United States to balance trade settlements enabling her to repay the U. S. without gold or dollars, but with some of the equivalents listed above during the existing emergency. *The writer believes that it would be better to take such importations (?) to balance our trade with Britain and to liquidate World War I and II debt to us than to receive no payment later.*

Whether we know or like it, this country is fast going on a war footing (the tremendous Congressional appropriations bear this statement out) and this being so, we should increase our stockpile of metals and other materials with Britain's and the other European Powers' help, especially from the countries that are on the "Receiving Line" for the Marshall Plan benefits, Lend-Lease, and Export-Import Bank and R.F.C. loans.

These Powers will soon be able to make payments in some of the equivalents suggested above in addition to their peacetime exports to us and thus come nearer to balancing their international trade balances.

It seems to the writer that the above suggestions would put Britain back on her feet regardless of what party is in power or what government policies are pursued in the immediate future.

The Right Approach to British Problems

The approach to and solution of the impending British crisis should be unemotional, broad-minded, sympathetic and completely free from national bias or political criticism of England's Socialist-Labor system, for our future will be tied in with the British nation in the event of a third World War.

We cannot, for the future peace of the World, let Britain down regardless of our political prejudices or preferences.

Writer's Alternate Plan

Another formula or plan which the writer has in mind in the event that the steps that were being taken in Washington last week do not prove successful, is as follows:

(A) That the U. S. Treasury invest five (5) billion dollars in sterling and that the U. S. Treasury agree not to use this sterling for five years from date of purchase.

(1) Basis for purchase: present price of devaluated sterling, $2.80, less a 12½% discount.

(2) This discount would equal interest at 2½% for five years.

(B) An alternative plan: That the U. S. Treasury buy from Britain five (5) billion dollars par value of one of their forms of government bonds (British 2½% Consols for example), these bonds to be held by U. S. Treasury and no interest to be paid by Britain for five years. Thereafter the interest (2½%) is to be paid annually on these bonds.

The foregoing investment by our government at this time may suffice to help a worthwhile nation back to economic and financial well-being and if that status eventuates, this investment by our country may help to remove the probability of another world tragedy.

ALEXANDER WILSON *

Sept. 19, 1949,
25 Oak Ridge Ave.,
Summit, N. J.

*Writer of "Why a New League of Nations Will Not Insure Permanent Peace," in "The Chronicle," March 9, 1944, and a "Reply to Critics" of this article, March 30, 1944; also "Peace by Force in an Uncivilized World," Nov. 16, 1944; "Are Americans Isolationists?" Jan. 11, 1945; "The Failure of the White Man's Civilization," March 22, 1935; "How President Truman Can Regain his Lost Prestige," Feb. 13; "Is Capitalism the Cause of Wars?" Nov. 27, 1947; "A Critical View of American Politics," Oct. 28, 1948; "Straight from the Shoulder Advice to Gov. Dewey"—July 15, 1948 and "Can America Prosper without Foreign Trade?"—July 29, 1948.

Lehman-Goldman Group Offers West Penn Bds.

Lehman Brothers and Goldman, Sachs & Co. head a purchase group of 49 underwriters that is offering to the public today $31,000,000 The West Penn Electric Co. 3½% sinking fund collateral trust bonds, due Nov. 1, 1974, at 102.526% and accrued interest. Award of the bonds was won on a bid of 101.5799.

Net proceeds from the sale of the bonds, together with those from the sale of additional common stock, will be used by the company to redeem $5,000,000 principal amount of its gold debentures, 5% series due 2030; to purchase from West Penn Power Co. a total of 583,999 23/25 shares of common stock of Monongahela Power Co., pursuant to West Penn Electric's corporate simplification plan; and to redeem its 6% cumulative preferred stock, 7% cumulative preferred stock and class A stock.

The bonds will be redeemable at redemption prices ranging from 105.53% to 100% and for the sinking fund at prices scaled from 102.53% to 100%.

The company's principal business is the production, distribution, and sale of electric energy. It also furnishes bus transportation service and to a very minor extent, gas, electric railway and other public utility services. The territory served by the electric operating companies in its system is located principally in Pennsylvania, West Virginia, and Maryland and also in small adjacent sections of Ohio and Virginia.

Record-Size Group Formed For West Penn Stock Underwriting

One of the largest and geographically one of the most widely spread banking groups to underwrite a stock offering this year has been formed under the leadership of Lehman Brothers and Goldman, Sachs & Co. to handle the offering of 856,895 additional shares of common stock of the West Penn Electric Co.

One hundred and sixty-four underwriters, located in 32 different cities in 22 states plus the District of Columbia, have joined forces to distribute the stock.

One hundred and eighteen of the underwriters are out-of-New York firms, only 46 having their head offices in New York.

The trend toward a larger number of underwriters necessarily brings about smaller average participations. In the current West Penn business the smallest bracket of participation is 1,000 shares, which will involve a gross commitment on the part of the underwriter of approximately $24,500. There are 41 firms in this bracket. The average participation of each underwriter is only two-thirds of one percent of the total commitment.

Another interesting feature of the current business is that the shares offered to the common stockholders for subscription are priced at less than the price at which common shares are offered in exchange for preferred and class A stock.

Of the total offering of common stock, 468,621 shares are offered first to present common holders of record Sept. 22 at $23⅝ per share in a one-for-five ratio. Rights expire Oct. 7. The remaining 388,274 shares are offered in exchange to present preferred and class A holders on a "first come-first served" basis.

The company selected the refinancing proposal made by Lehman Brothers and Goldman, Sachs after giving consideration to the offers made by several other underwriting houses.

$14,900,000 Bonds of Long Beach S. D., Calif., Marketed by Underwriting Group

A syndicate headed by the Bank of America National Trust & Savings Association of San Francisco made public offering on Sept. 16 of $14,900,000 Long Beach Unified School District (Los Angeles County), Calif., 2¼% bonds at prices to yield from 0.80% to 2.35%, according to maturity. The bonds are dated Oct. 1, 1949, and mature serially on Oct. 1 from 1951 to 1969, incl. They are non-callable. The group purchased the bonds via competitive bids on Sept. 13. Proceeds of the financing will be used for elementary, high school and junior college purposes. The bonds are payable from unlimited ad valorem taxes on all of the District's taxable property, except certain personal property. They are eligible, in the opinion of the bankers, for savings banks and trust funds in the States of New York and California.

Associated with the Bank of America N. T. & S. A. in the underwriting were the following: The Northern Trust Co.; The First Boston Corp.; R. H. Moulton & Co.; Security-First National Bank, of Los Angeles; American Trust Co.; Weeden & Co.; Goldman, Sachs & Co.; Harris, Hall & Co. (Inc.); Laidlaw & Co.; B. J. Van Ingen & Co. Inc.; Bacon, Stevenson & Co.; J. Barth & Co.; Kaiser & Co.; F. S. Smithers & Co.; W. H. Morton & Co. Inc.; Dempsey & Co.; First Securities Co., of Chicago; The Ohio Co.; Mullaney, Wells & Co.; Lawson, Levy & Williams; Hill Richards & Co.; J. A. Hogle & Co.; Edward Lowber Stokes Co.; Raffensperger, Hughes & Co. Inc.; Wagenseller & Durst, Inc.; Stone & Youngberg; Magnus & Co., and Stern, Frank & Meyer.

Massachusetts Enlarges Area of Savings Banks' Mortgage Investment

(Continued from page 13)

ent, for example, endanger local good will. The principal of the loan is covered by insurance.

Investment out-of-state requires study and effort. Yet, when the inadequacy of the supply of Massachusetts mortgages is faced the additional work seems to be more than warranted. It pays to do business all the time.

Work of Mortgage Committee

Based on these findings, the campaign to obtain permissive legislation was undertaken. After considerable research under the guidance of Mr. Allen Huggins, our Mortgage Officer, a memorandum covering the subject was prepared by Mr. Burton Hedin, my assistant. It was later published and distributed to every savings bank in Massachusetts.

Banks with resources totaling more than $2,400 million indicated approval or an otherwise favorable attitude toward passage of the permissive act. The Mortgage Committee of our Association recommended enactment and the Executive Committee unanimously approved. After conferences with the Bank Commissioner an amended bill which reduced the proportion to be invested in out-of-state loans from 25% to 10% of deposits was substituted for the one originally filed. The Commissioner indicated his full support of the amended version.

The Banking Committee of the General Court proved to be most understanding and its members expressed a sincere concern for our earnings problem. The Senate Chairman, Mr. McAllister, devoted considerable time and attention to the bill and the House Chairman, Mr. Feeney, was searching in his investigations and fully cooperative.

Upon passage of the bill, a subgroup of the savings bank Mortgage Committee was formed. The members were: Messrs. Granville Beever, Richard A. Booth, Robert M. Morgan, Churchill Francis, Crawford Stocker, and myself.

Mr. Donovan and his staff were most cooperative and welcomed the suggestions for regulations made by the group shortly after the Governor signed the bill. As issued, the regulations are reasonable and workable and the Commissioner has given every evidence of willingness to sit down with any interested group to revise them as experience dictates. The other day, Mr. Donovan gave a decision over the phone on a Section of FHA and within an hour a written confirmation was in the mail.

Instigated by the group, three meetings have been held for officers of banks interested in the new possibilities. Nearly 30 banks have responded. A servicer, a broker and a title insurance company were kind enough to send representatives to one meeting to give us the benefit of their knowledge. Written reports on the prospects in several areas were distributed together with information on servicers and with lawyers' opinions on the legality of investing in various States. By the time of the second meeting, interest had crystallized into a desire to investigate the States of Texas, Oklahoma, North and South Carolina, Alabama, Virginia and the District of Columbia. Teams were organized to visit these areas and have reported upon them. Additionally, purchase commitments have been made in New Hampshire, Michigan, Arizona, Louisiana, Georgia, and Florida. Attention has been largely centered on the "203" mortgage covering mainly the single family or duplex house.

Ways to obtain loans have been reviewed and suggested guides distributed. The suggestions may need revision as time passes. Perhaps they could be shortened right now to this: read Mr. Hedin's study and Mr. Frank Bennett's articles, study the regulations, be fair to all who may help you, check the servicers and employ the same standards used on local loans.

I frequently think that some of us in trying to help have complicated the picture too much. I feel sure we shall find this method of investment to be as simple a medium for safe lending as could be desired. To discover for yourself, I suggest that you talk with a group member, obtain a report on some area, visit the area, get some offerings from a broker or an originator, present them to your Board together with legal opinions obtained from the servicer and see what happens. One person should be responsible for keeping up to date on this part of the mortgage business.

Expects No Increase in Foreclosures

I have no doubt of the United States Government guarantee on the insurance, no doubt of the need for housing and no doubt that this is a prudent investment for depositors' money. I have likewise little question that we shall run into more foreclosures at this period in the cycle than would have been the case a few years ago. However, time is money. The $27.50 a day received by a $10,000 a year man can be more than earned by reinvestment of a million dollars from 2¼% bonds into FHA insured mortgages. The average bank could increase its income $30,000 a year by selling $2,000,000 United States Government 2¼% bonds and by purchasing the same amount of United States Government insured mortgages in a growing part of the country. There is no more pleasant or easily available way to earn $44 a day per million. The current increase in bond prices also provides an opportunity to set up the difference between the purchase price of 101½ and the selling price of 103 on the bonds into a reserve for possible foreclosure costs.

Those of us who have had the opportunity to look into this subject more fully believe that the servicers are the most important link to check. He represents your policy in his area and can either simplify or complicate your efforts. This is a comparatively old business. A few servicing organizations were established during the last century, many during the '20s and a few in recent years. I have run into some who handled foreclosures for insurance companies in several sections of the country during the '30s and worked them out with a profit.

Some have asked how to handle board members. A brief answer is to educate them in the same way you acquired information. One mistake that a few seem to have made has been to ask for a tentative approval from the Board before its members have received any facts upon which to base an opinion. A consensus of uniformed opinion is worthless; it limits and delays active participation indefinitely, because it creates a negative that has later to be overcome.

If you have an ample demand for loans locally there is, of course, no need for you to go outside the state. Local loans yield more both before and after taxes, are easier to appraise adequately and obviously enable you to promote the economy in your area.

The evolution of the FHA program reveals a lack in our business machinery. We have these strong resources: a sound structure, capable and alert individuals, an excellent Association with an able staff and committees, wide public acceptance and in the Harvard Business School report a blazing beacon to success in competition. But, however and nevertheless, there is no practical way to follow this beacon or to prevent all of these resources from being bogged down by uninformed minorities to the speed of a convoy system when we try to attain objectives. The FHA program was first proposed in 1938. Hindsight now shows that the proposal then was killed by uninformed opinion since altered by the light of added information. Had someone been detailed in 1938 to explore and set down the facts, the precedents and the experience then available, this idea could have been sold as easily as now and our timing would have been far better.

My point, gentlemen, is not "I told you so" or "see what we did," but to encourage action toward the implementation of flexible and practicable machinery to solve present and future problems. Our progress should not be that of catching up to some other group or state, only to find that they have long since evolved plans for climbing higher, but rather to lead and excel ourselves.

We greatly need adequately financed research facilities where qualified and unhampered men, working individually, may uncover facts toward the solution of our problems. A small sample of such needs includes development of an incentive dividend rate, a sound tax measure, the cost and efficiency potentialities of tabulating machinery, exhaustive exploration of reserve accounting for profits and stability and new or expanded avenues of investment.

In the words of Dr. Kettering of General Motors: "I would like to make you reasonably dissatisfied with what you have."

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Donald C. Duensing is with Slayton & Co., Inc., 135 South La Salle Street.

With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Harry L. Branigin is with Barrett Herrick & Co., Inc., 418 Locust Street.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Albert J. Guhman is with Slayton & Co., Inc., 408 Olive Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

SUTTON, NEB.—Otte B. May is with Waddell & Reed, Inc. of Kansas City.

J. W. Bolding Opens

PORTSMOUTH, VA. — James W. Bolding is conducting an investment business from offices at 424 Dinwiddie Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This town has been knocked for a loop by the rapid-fire and seemingly inconsistent announcement on the international financial and economic situation. As a result, there is a great deal of reserve if not downright skepticism as to what the future holds in store on these broad fronts.

Only a handful of top officials may have escaped the confusion that the rest of the town, including the Congress, feels. These officials were most gleeful to announce, following the sharp and unexpected (as to timing) devaluation of sterling, that they had known it all the time.

On the other hand, from the moment the first British expert set foot on U. S. soil late in August, down to the day before the world blizzard of devaluation, a consistent, persistent, and ingenious drive was made to throw dust in the eyes of those who suspected the possible devaluation of sterling.

Granted that circumstances made this topic a more or less legitimate subject for a "white lie," and that mere denials of prospective devaluation were not enough, a large number of officials have earned citations for going "above and beyond the call of duty" in seeking occasions to plant the doubt that devaluation was in prospect. The citation was earned as much by U. S. as by British officials.

* * *

One way to look at this whole story of the Joint Communique following the ABC meetings, coupled with the later devaluation, is that it amounts to a very great deal in terms of American commitments. Another way to look at it is that the U. S. for the most part made itself a party to a lot of generalities and that its commitments don't amount to much.

The framework of devaluation was supposed, by sources which unfortunately cannot be identified, to be something like this: British voters are more sensitive to the value of currency than U. S. voters, and are conscious that devaluation suggests a higher price level and a prospective lower standard of living. Thus, so it was explained, the British government had to move with extreme caution in devaluing currency. It was likely to postpone devaluation so long as possible in view of an election due late this year or next year, and that if it did devalue sterling, it would do so only if it brought home a very fancy bag of U. S. gifts to show the voters something to more than make good the sacrifice they were forced into.

* * *

What was in the Joint Communique bag? Much talk of "agreement," about lowering U.S. trade barriers, buying more rubber and tin, agreement that "a more fundamental attempt" would have to be made to increase dollar earnings of the sterling area, Britain was to reduce costs, and so on.

About all that was offered in the way of a tangible and concrete step to ease Britain's dollar position was the proposal that U. S. dollars be made available in larger volume for off-shore purchases; that is, for example, for use by Britain in paying for Canadian wheat under Britain's separate wheat deal with Canada.

Under this program ECA immediately authorized the British to use $175 million to pay for Canadian wheat. Although the U. S. is buying up or standing ready to buy hundreds of millions of bushels of wheat under price supports. Agriculture Secretary Brannan said it would be a wonderful thing all around. It would permit the British with the extra money to buy 15 million bushels more of U. S. wheat they otherwise could not have afforded; it will enable the Canadians and British together to buy upwards of $10 million of U. S. fruit and vegetables, and it will save American wheat farmers from the horrible possibility that if U. S. money did not finance British purchase of Canadian wheat, Dominion wheat would compete with U. S. wheat in the Caribbean.

Other than releasing U. S. money for purchase of supplies outside the U. S. to aid Britain, however, the promises of the Joint Communique were general, vague, shadowy. Thus, for instance, a committee to explore "every aspect of this problem" of encouraging U. S. and Canadian investment in sterling areas, was agreed to. In the case of Canada, she feels that she is still such a net importer of capital she cannot export private capital for investment. In the case of the U. S., investors by and large are not interested. Congress may not approve the President's plan to guarantee such investments against seizure or confiscation, and even if the guarantee were approved by Congress, the assumption here is that it would not stimulate much of a flow of private investment.

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Tentatively, and only tentatively, until the official oracles have revealed more, the belief is that other than the use of dollars for off-shore purchases, the whole agreement is merely a show. In view of the post-conference revelations, it appears to many here that the British had decided that devaluation was inescapable. It had to be gone through.

So, the conference provided a beautiful and inscrutable if impressive stage-setting for the devaluation. It gave the thing a wonderful set-off. It looked nice. The United States seemed to undertake so much, even if upon close examination, the actual promises were few and general and evasive.

In fact, it is asserted, the whole tone of the Joint Communique on the ABC conferences was such that British politicians can point to a large American interest, in fact what sounds like a large American commitment, to underwrite British economy for the sake of fighting the bad old Reds. If the British can make their people think they got something for the projected lower standard of living which was inevitable in any event, then maybe the voters might not throw out the Laborites in the next election, whenever that is set. Whether this assumption, bruited about here, is valid or not, will show up in a little while in what the British government says to its own people.

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In any case, the biggest surprise outside the very top government circles, who said they knew in advance, was the low price of $2.80 set for the devalued pound. It is the opinion of reliable observers here that the true market value of the pound before devaluation was somewhere in the neighborhood of $3.00 to $3.10, and that the $2.80 mentioned by Sir Stafford was rather an extreme downswing.

Again, until the official oracles have spoken, it is explained that the low price picked by the British government for the new value of the pound, was representative of a desire to avoid at all costs the French experience of not lowering quite enough, and then having every year or so to progressively lower the value of the currency with constant uncertainty.

* * *

In an unrelated sphere something is cooking behind the scenes which may have a vast bearing on the international monetary and trading picture. Charles Brannan, the Secretary of Agriculture, is worried about surpluses. He is talking in his public speeches of the necessity for finding means, even including barter, for disposing of these surpluses.

It is reported that the staff boys down at Agriculture are drawing up enormous plans for disposing of surpluses, by barter, by gift, or by gosh. Even though the government is supporting prices at wartime peaks and the farmer doesn't seem to suffer an income loss, farmers are worried when the bins are overflowing, and the Democratic high command knows it.

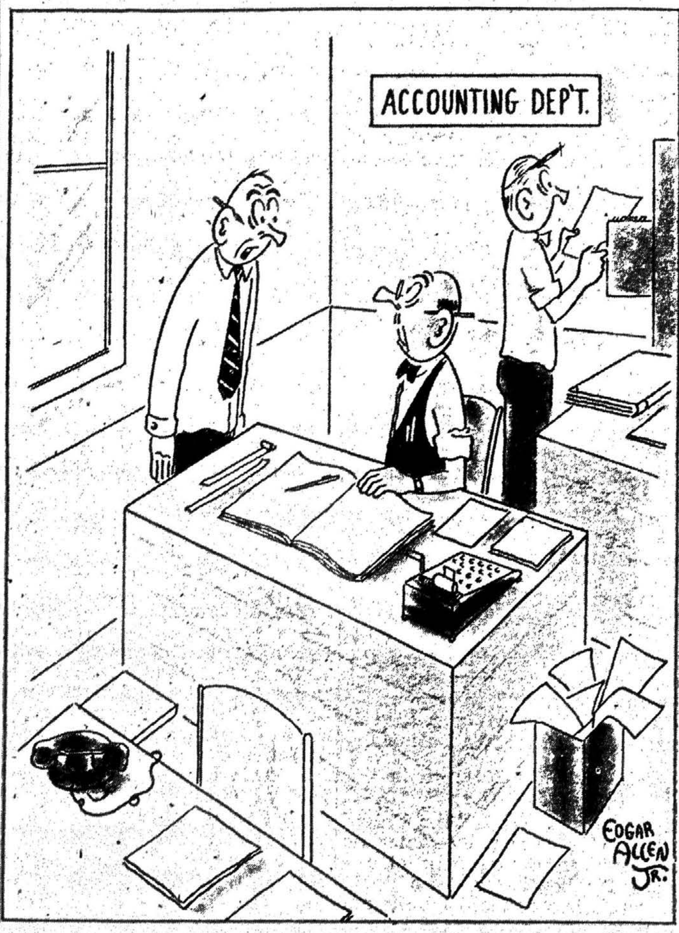
Hence they don't think it is sufficient to build more grain storage facilities and to buy and buy and buy. They recognize that if next year there is another bountiful crop with all storage facilities filled to the utmost, the ungrateful farmers are likely to get jittery and maybe vote Republican in 1950.

So Brannan is working on the scheme. It is even possible that the idea has backing from official sources far more prominent than Charley. Under such a disposal plan, little miracles could be worked to help Britain's exchange problem. For instance, some surplus wheat given to India could be used to discharge some of Britain's sterling debt to that country.

And, of course, barter is tentatively in the program, bartering of farm surpluses. That it conflicts with all the wind whistled in favor of free exchange, in the course of all the money talks, is just a little detail.

(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



"May I borrow the adding machine, Al? I'm playing golf with my wife tomorrow!"

Italy Views Currency Devaluation as Incomplete Remedy

(Continued from first page)

Industry and Commerce Lombardo. In an interview with your correspondent today, Mr. Lombardo said: "Devaluation will not be at all effective over the long-term, nor safe, unless it is implemented by convertibility and removal of the multitude of autarchical barriers against the flow of goods. This must be done in Africa as well as Europe because of Soviet domination of Asia. Even with devaluation, continuation of nonconvertibility, with its iron curtain technique, will prevent restoration of international economic stability."

Also typifying the twin doubt emphasized here is Minister Lombardo's warning on domestic economic policies; that is, against steps leading to rising prices and costs, whether through wage demands, other restrictions on production, or through government spending via expanding welfare statism. "It would be a tragedy if after the United States, through combined unselfish and good business motives, has unprecedentedly encouraged others' devaluation, the other nations do not cooperate properly," the Minister concluded.

Convertibility is thought by American officials here as well as Italians to be practically achievable, at least gradually and in limited areas. It is recognized that besides facing a falling standard of living, Britain must risk her reserves, but it is felt that the psychological factor of exchange availability, as traditionally with gold, would help forestall drains on the pound.

It is pointed out by ECA officials here that convertibility would importantly lighten the Marshall Plan's Italian burden tremendously, immediately and in 1952. Italy holds, accumulated through exports, £73 million sterling, 10 billion French francs and 200 million Argentine pesos, now blocked and unusable because those countries won't sell Italy what she needs, at least at competitive prices. Convertibility accompanying devaluation would reverse and liquidate this growing freeze, and completely eradicate Italy's dollar deficit. Thus, it is said that the ECA is underwriting both nonconvertibility and Britain's socialist program.