Federal Monetary and Credit Policies

By H. B. Beckhart

Professor of Banking, Graduate School of Business,

University of Chicago

Dr. Beckhart, in discussion of Federal credit policies, points out these policies have worldwide significance. When any government, or any bank, uses its powers to stabilize prices and bring about a greater degree of political stability than can be achieved by the free market mechanisms, it introduces a psychological and economic factor that affects the behavior of the entire world. The effect is even felt in countries which have no direct connection with the countries involved. A change in the stability of one country affects the stability of all others. The ideas of the Federal Reserve System are now widely accepted as the foundations of modern financial policy.

Will Business Recovery Continue?

By SUMMER L. SLICHTER

Lamont University Professor, Harvard University

Harvard economist, reviewing recent developments as affecting business trends, holds effect of sterilizing instruments will be stimulatory to American economy, if prices are lowered. Holds coal and steel strikes may retard, but will not prevent recovery. Foresees gradual drop in present rate of capital outlays on plants and housing, but contends rise in government expenditures and greater proportion of personal income will tend to sustain production and employment during next nine months. Says “cold war” from narrow economic standpoint is “a good thing.”

Recovery from the recent mild recession in business began in the third quarter of 1949. The usual drop of employment between July and September was virtually absent this year. In September the employment index was 1,000,000 below last year; in July employment had been 1.9 million below last year. Unemployment, which had been up to 5.3 million in July, had dropped over 200,000 to less than 4 million in August.

New industrial production starts in September were 100, 000, up nearly 22% above September, 1948, and total contract awards in September were above a billion dollars-the highest for any month since the war and nearly 43% above September, 1948. The sensational increase in

A Straight Story

Here is it in essence. Between 1914 and 1949 the United States enjoyed what is commonly termed a favorable balance of trade amounting to some $101 billion. Now, how were these accounts settled? Government “loans” and grants, that is so-called loans and gifts by the United States Government, came to some $56 billion, of which about $45 billion took the form of outright grants, the other $19 billion were, and for the most part still are, listed as “loans,” although

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(Continued on page 34)
**The Outlook for Business**

By ROY L. REIERSON*  
Assistant Vice-President, Bankers Trust Company, New York

December 1949 |

Commenting on 1949 business adjustment, New York bank economist ascribes recent pre-strike upturn in business to normal seasonal pickup, but foresees little likelihood of these improved conditions being repeated in near future. Sees probability of drop in business activity before year's end, due to decline in heavy industries and falling off in foreign trade. Holds government spending no guarantee against business fluctuations.

The analysis of business prospects is probably more difficult and fraught with greater uncertainty today than within the past. Within the last four years, the currencies of a large part of the world were devalued, the news was released that Russia was able to produce an atomic bomb, and have at home two important basic industries were closed by strikes. These developments came at a time when the situation was improving and business was turning upward. Of the three, the strikes will have the most immediate and direct effect on business activity, but the effects are not likely to be greater in significance unless the strikes run longer than seems generally expected. It is evident, however, that business will have to assume substantially increased costs in the form of pensions. The effects of devaluation will appear over the short run, and in general will serve to increase the problems and difficulties of some American businesses. The international economic situation is likely to become of great importance to our economy somewhat later, when the time arrives to budget government spending for the next fiscal year.

The 1949 Business Adjustment

Until the strikes began to have their effects on business statistics, there was some evidence that the decline in economic activity which began in the latter part of 1948 had been arrested, at least temporarily. The upturn, while fairly general and widespread, has not been too robust. If this trend is to hold, barring the temporary impact of the strikes, the economy appears to have come one of the shortest on record, lasting only about eight months. Judged by most business indices, it also will have to prove one of the least satisfactory of all.

Gross national product, for instance, has declined only about 5% since record high, barring the temporary impact of the strikes, the economy appears to have one of the shortest on record, lasting only about eight months. Judged by most business indices, it also will have to prove one of the least satisfactory of all.

The 1949 Business Adjustment

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*Continued on page 32*

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Federal Reserve Index of industrial production, which measures the most volatile segment of our economy and which is not a good measure of aggregate business in the country, declined by only 17% from the high in 1948 to the low in July, 1949. Furthermore, some of this decline is due to inadequate statistical allowances for summer vacations and does not truly reflect a contraction in manufacturing operations.

The evidence seems quite clear that the business decline during the first half of this year reflected largely a shift in the inventory policy of American business from rapid accumulation in the latter part of 1948 to some liquidation in the first half of 1949. There is considerable evidence that, in this sequence of events, the record shows that in times past many of our business fluctuations have originated in significant changes in inventory policy. In view of the large additions made to business inventories in the postwar period, some inventory reduction was anticipated, although it was admittedly difficult to foresee the timing of these reductions very far in advance.

Two questions are significant in this connection. One: what has prevented the adjustment from becoming considerably more severe? And two: what is the reason for the more recent improvement?

Sustaining Factors

There is no single explanation as to why the economy was able to escape a vicious interwar earlier this year. Many factors helped sustain business activity. The very caution exercised by business men in their inventory policies in the latter part of 1948 was one factor: unlike the situation in 1919 and 1920, we did not have large speculative inventories financed through borrowed money. Also, we have seen no credence growing in the theory of monopoly: not only has the Federal Reserve been careful to avoid the use of strenuous measures of restrictive control, but in addition the liquidity of the commercial banking system, caution in lending policy, and relatively large holdings of government securities made it unnecessary to call loans or subject borrowers to pressure. The reduction in business inventories was relatively smooth and painless, on the whole, because of the continued high rate of consumer buying. While unit retail sales of such commodities as ovens and refrigerators have dropped substantially, the decline in total consumer spending has been less than one per cent, after adjusting for lower selling prices, and from the statistical quantity of goods purchased by consumers appears quite small. Perhaps the major loss of liquid assets by the public, the assistance of the Federal Reserve, at a high level, and the fact that the declines in production and employment were not protracted, all contributed in some measure to the relatively small decline in retail sales and consumer buying. In addition, the economy received some short-range support from the rapid accumulation of government spending and the shift from a surplus to a deficit in Treasury operations.

Underlying all these, and probably a factor of greater importance than any of the others mentioned in supporting the economy earlier this year, continued large outlays for durable goods and for farm equipment, industrial and business plant, and for the most important type of residential construction. Deferred and accumulated demands are quite strong, and ample buying power was available to keep off work is probably the reason for the more recent improvement.

Autumn Upturn in Business

In August the production index ceased its downward movement and turned moderately upward. Prior to the strikes, business sentiment had improved considerably. In part, this may have reflected some feeling of relief that the business depression had not been accompanied by the symptoms of real economic distress. But there were more tangible bases for the better sentiment, namely a reduction in incom-
Devaluation, Currencies and Related Elements

B. S. LIGHTENSTEIN

Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Banking and Finance

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The New York Times
The Favorable Outlook For Common Stocks

By HEINZ H. BIEL

Economist, Laird, Biells & Meeds

Mr. Biel asserts only hope of protecting funds from creeping dollar depreciation is in equities and common stocks. He believes the Fair Deal's ability to forestall cyclical recession through broader public spending. Expect more dividend distributions.

The present market picture, it appears at first superficially, is very similar to the situation of April 1948, when I spoke "cautioningly" before this audience. The averages are at about the same level in both times. In April of 1948, for example, many of our stocks were in the vicinity of 25 to 30. Now, we...
The State of Trade and Industry

Total industrial production last week held to the pattern of preceding weeks, with most of the industries tending to offset reductions in the others. The over-all effect was a 3% drop in the total output, at a level moderately under the volume of a year ago.

Scattered lay-offs occurred during the past week as a result of material shortages. Foremen reported a possible supply for the near future. October figures show that total claims for unemployment insurance dropped by almost 4%, while initial claims rose by 7%.

The advance buying of food continued at a high level last week with total volume slightly below the October season sale demand for most remained near the high point of a year ago. The over-all effect for most needed immediate funds.

Textile trade volume increased noticeably the past week. Some demand for many items in the cotton goods trade marked heavier and a high possible increase in the commitments for first-quarter delivery. Orders for sheeting, print cloth, broadcloth, and cambric cotton goods remained in moderate demand.

Discussing the effects of devastation on trade, the "Monthly Letter" of the National City Bank of New York for October, states that the city's problems will also linger and perhaps even the value of United States imports, and to reduce our exports, will be well maintained. We will be policies that are apparent, the letter observes, since the world will want American goods and services and tends to spend all the dollars for them. Demand for American products has been held back not only from the effects of the recent and collateral restrictions. If business holds up well in this country it is our foreign countries that produced.

With the election of another week strikes in the steel and bituminous coal industries continue with little hope of early agreement. To date the number of those joining the walk-out has begun its fourth week; the former began on Sept. 19 and lasts for the conclusion.

Talks were scheduled to resume on Monday of the current week between U.S. Constellation Director, Cyrus S. Ching, and officials of the United States Steel Corp., which appeared to show that there would be no early intervention by the President.

Mr. Truman's labor conference was held on Thursday of last week in the interest of themselves and the country. Stating he had no plans at present for seizure of any industry, both, he added, still hoped mediation would be successful. The labor advisory council, supplies, effective Tuesday. We have observed a new element in the railroad strike, there is a demand for a 25-day supply of fuel coal on hand.

The Commission explained that this was necessary in order to ensure the movement of the world's largest coal field, estimated at a "dangerously low level" on the stores and stockpile.

The curtailment of food supplies will last for two months with roads required to cut their operations 25% below the rate they maintained in July.

A bright spot in the week's news was the announcement on Monday last by a company spokesman that the Missouri Pacific Railroad will refund a railroad mileage on any railroad having less than a 25-ton supply of fuel coal on hand.

The Commission explained that this was necessary in order to ensure the movement of the world's largest coal field, estimated at a "dangerously low level" on the stores and stockpile.

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The fourth week of the steel strike finds metalworking slowing down a faster pace though still in relatively high gear, according to "Steel," national metalworking magazine. Most fabricators are maintaining operations close to pre-strike levels, living off inventories. A few shops are strike-bound, and only a few others have been forced to close or curtail for lack of steel. Certain manufacturers have enough material for production for three or four weeks. New orders are being turned to substitutes, such as aluminum. This latter, however, may also be in tight supply soon because of claims for Aluminum Co. of America plants. In the main, fabricators' prospects are bright. We have observed an increase in the orders for the last quarter. But the strike is quickly ended, the magazine notes, general conditions of a more favorable outlook. Even automotive shops that held comfortable steel supplies at the strike's start will be burdened by the time with plans already prepared to cut operations by mid-November.

Steel Operations The Current Week Set at 9% of Capacity; A Drop of 2 Points" Efforts are now being made to settle the steel strike without ruin, according to a statement made as President of the Steelworker's Union. The rank and file never has had its heart set on striking and its leaders are ready to return to work if Mr. Murray is badly beaten, according to a statement of several union leaders. Among the leaders are Mr. R. A. Hill, the Steelworker's Union leader. Other capable executives in the union but industry leaders are afraid they lack the power to hold the membership in line.

The "Iron Age," national metalworking magazine, also is reporting that certain steel manufacturers have gone on strike because their mills have been idle for a long time and are in poor condition.

This has further complicated efforts to reach an agreement in the fourth week of a strike that has cost the nation more than $5,000,000.

The Summer-Fall Stock Market Rally

By JOSEPH MINDELL,*

Partner, Marcus, Parnes & Co., N.Y. Stock Exchange

Market analyst maintains this is time for "coming-through" portfolios and cutting-back holdings, in anticipation of a possible bear market. As danger signals rise the temptation diminishes his ability to buy. The prospect of plant-equipment and durable goods cycles decline in retail sales of a magnitude of financial government spending.

After having been aggressively market, bearish on business and the stock market turned bullish for an intermediate rise in both. Many of us had the good fortune to catch what stocks. A more important problem is to be discerned by the dimensions of the coming market cycle? Are we warned in anticipating that it will be merely minor?

The Business Cycle

The American business cycle consists of a number of cycles. The most important one is the business cycle, which includes three or four years of growth and three years of decline in the business cycle and the inventory cycle. Several minor recessions have started since the last major one, these are caused mainly by fluctuations in the business cycle, which may not have the most potent influence for a major period of time. View spring will soon be in the near future. We have seen in this current cycle a phenomenon of an inventory accumulation up to a level which caused a further rise. And obviously the working is a strain on the economy for a long period of time, our new orders for structural steel and grey iron castings have participated very little in the current business rise. Plant and Equipment Cycle

The plant and equipment cycle is especially volatile. It can shift from a high to a low percentage of business. We have to be careful, however, that we do not overreact to a decrease in this percentage of business. We have to be careful, however, that we do not overreact to a decrease in this percentage of business. It is important to remember that the business cycle is not the same as the inventory cycle.

The business cycle, however, is the one that is important for us as it relates to the behavior of the stock market. We have observed a pattern of behavior in the stock market that has been repeating itself. This pattern is: what we have observed in the last cycle, and what we have observed in this cycle.

We have observed that the stock market is beginning to accelerate on the down-side for a long period of time. There is a possibility of an extraordinary strength. Sensitive new order figures for structural steel and grey iron castings have participated very little in the current business rise. Plant and Equipment Cycle

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### Footnotes

*By John H. Valentine

**By Joseph Mindell, partner, Marcus, Parnes & Co., New York Stock Exchange.

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Be Ready for Second Phase Of Postwar Readjustment!

By MURRAY SHIELDS

Assistant Governor and Economist, Board of Governors

As the nation emerges from the war, it is essential that the government and business recognize the need for lower government expenditures and reduce the business debt that is already in place.

The recent pronounced expansion in business probably does not represent a resumption of the postwar boom but rather a necessary movement following the devaluation in ordinary products and prices which took place earlier in the year.

The government has been as staunch as it has been necessary in its advice to the people to save and to avoid luxury in the postwar period. This advice has been widely followed, and the results have been encouraging.

However, the situation is changing rapidly, and the government must now consider the need for a gradual reduction in government expenditures and a corresponding increase in business activity.

The government must...
From Washington
Ahead of the News

By CARLISLE BARGER

Cleveland—Here in Cleveland, which is unique in many respects—for one thing it has long had economists and financial experts who get their ideas from the Washington Street daily, one of the greatest cases of ingratitude in history is said to exist.

"I'm sorry," says Dr. Murray, "but I consider the Cleveland太阳 journals to be the best in the country."

It appears to observers of this newspaper that the Cleveland Sun might have been instituted at this point in the great depression which is scheduled to begin Monday, Meetings of the executive board of the Sun this week and the skirts prepared for the first general meeting.

In recent months Dr. Murray has achieved a lot of publicity about what he intends to do toporn the Communists. In the past, of the CIO's supposed aims, it is estimated 1 million, are Communist led.

He appears to have an idea this week that he is going to test the election hall there would be placards and banners and cheering delegates daring the building of their founding fathers. Instead there is to be the sham of abuse, but only that. By a decision of the Cleveland Sun, and John Lewis' strike, that the record of the Un-American Activities Committee is quite at odds with facts and figures on how the Communists are led.

The evidence is crystal clear on how they organized and led the sit-down strikes. Indeed, the Board of Trade has been working in New York by which men and women chained themselves together and laid down their lives to bring about the building of business establishments. The evidence is abundantly clear as to how these depressions of Michigan and of Wisconsin.

In the late years past, the American Federation of Labor spent millions of dollars and caused any amount of bloodshed in an effort to organize the machine in the world. The Communists showed how to do it; and so if the organization of these industries in the American labor movement, the Communists should be praised by both, Phil Murray and Bill Green because the split of the workman is all their hearts bleed for.

Lewis, Murray and the late Sidney Hillman, the House Un American Activities Committee did so much, they knew they were playing with fire; Lewis and Hillman having had painful experiences with thousands of these bodies before. But they think they once got their set-up they could get rid of them. Lewis and Hillman, according to what he heard, records, needed experienced organizers badly. The Communists had them.

I can understand Lewis' deep chagrin now. After being in the forefront of the CIO's campaign to organize the country at a very important stage I think Lewis and Hillman, were probably the cause of all of us have just levelled off from what looked for a while a real downturn and secondly, what is more, important is that it is, I think, Lewis' own making.

"An address by Mr. Hughes at luncheon session of the National CIO, Equitable Companies, New York City, Oct. 25, 1949.

C.F. Hughes

The Current Business Picture

By C. F. HUGHES

Business News Editor The New York “Times”

Contending high consumer income and savings have provided major cushions against a nose-dive in business, prominent financial editor sees the possibility of a steel strike is prolonged. Says people are willing for lower prices and customers are getting “choosy,” but because of cut downs in production schedules, recession has been avoided.

Notes echoing in capital goods expansion, except for home building and nonresidential indicating increase in imports may spell lower consumer prices.

I have rarely tackled a tougher job in this subject of Current Business Trends. The reasons must be as evident to you as to me. For example, turning the traffic signals for business is playing with the green and the red and the stop and Go. The scheme still, now face a world adversarial equipment with the war weapons. If a steel strike would be an open sore for another few years, the government will have to bow before the new and re

Business trends today are therefore subject on most fronts to the labor tie-ups in steel and coal. Dependent industries slowly or quickly will be making their operations. In the automobile industry, for Ford and Chrysler will chop off by Nov. 15 and General Motors will limp along a little longer. Big construction groups will feel the pinch. Appliance manufacturers have already begun to cut off. Wall will put on a desperate struggle to get the most of essential it is to keep the nation's economy.

Even if the word goes out today or tomorrow that a steel settlement is complete, industry authorities say it will not be another three weeks before the fac

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October 16, 1948

(Continued on page 37)
Government, Business and Labor Must Work for Common Good

By EDWIN G. Nourse
Chairman, Council of Economic Advisers, Executive Office of the President

Outgoing Presidential Adviser Nourse warns that (1) all groups, in industry as well as politics, must (2) display increased toleration, understanding, and self-discipline; (2) recognize that they cannot get more out of the economic system than they put into it; and (3) acknowledge collective bargaining in good faith as the road to a workable distribution of total product. Holmen monetary and fiscal policies will be trié, he says, to bring these potential benefits of "implemented planning.

But Nourse also says that this economic progress of the country has been almost fabulous since its founding, or during the last century, or in the 50 years spanned by the life of your organization. All these records of progress are matters of common knowledge. As we come closer to the present day the story of progress accelerates, not decelerates. As we approach the end of the decade it appears that we have touched off a blank of new and different era. It reveals a new awakening, not a lagging, not a rest.

Against the somber background of the drop of the depression of the nineties, the making of the millions of the twenties, the making of the billions of the thirties, the making of the trillions of the forties, the making of the terzillion of the fifties, or so, or so, or so, in the perspective of the next 10 years, or so, taken in the perspective of the next 10 years, or so, we can distinguish the same qualitative differences among the millions we now have as we did among the billions we had before.

My former and long-time collaborator, the late Mr. Keyserling, in his book, "The March of Progress," envisaged a doubling of population during the coming 17 years, as a significant step in rising in general standards of living.

Mr. Keyserling's Optimism

My more recent colleague, Vice-Chairman Leon Keyserling, in "Economic Growth," at the Demo¬ cratic National Convention in Cleveland in September, said the next 10 years "will become the 10 years of the economic boom that followed the 1929 crash. We are already beginning to feel the effects of the growing enter¬ prise, the expanding production, the growing confidence in the future."

This, he estimates, would per¬ mit almost all families to "reach a total income around $4,000," with more than $40 billion left to "improve in¬ vestment." Farm incomes would gain "almost $7 billion," and "nearly $13 billion" more than the actual gain, to the tune of almost $25 billion. "We can lift our total annual output of goods and services from $250 billion a year to $350 billion by 1958."

Postwar Slump Prophesied

And yet, after so many people, reasoning by analogy, prophesied that we would have a postwar slump, we managed to throw 8,000,000 or perhaps 10,000,000 people off the labor force whom we used to call the unemployed. But we passed from victory to war to victory as if the war was a seamless recovery with amazingly little lost motion. As we pass from wartime to peace¬ time industry, prices, wages, profits, levels will fall to established. Consumers with plans to buy cars and houses are out of the unreserv¬ ed reserve stock of liquid savings, resuming their normal but now enlarged role in the market as stimulators and guides of the productive process.

The Employment Act under which I have been in the business of progress act. It calls for maximum production, employment, income, power, wage, power, energy, free competition, production, assured labor or production, for the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ y much the thought that they may be accepted in the United States, but I ver¬ v

*An address by Dr. Nourse be¬ fore the National Council of Financial Equipment Association, Wash¬ ington, D. C., Oct. 18, 1949.
Opportunities for Bank Profits in Federal Refunding!

Sylvia F. Porter tells Iowa Banks Treasury refunding operations by note offerings will give banks leverage in government obligations in favorable maturity ranges. Seas billions of intermediate bonds, beginning in 1952, becoming eligible for purchase as well-long term, depends primarily on business activity and the status of the Treasury. Both these factors have a direct bearing on the credit policies of the monetary authorities, which in turn exercise a powerful influence upon the nature and extent of business activity. Indeed, the Treasury market is so vital to the financial policy of the government, that control of the Treasury market is in some respects an integral part of the government's monetary policy.

The trend of interest rates, short-term as well as long-term, is of great importance for influencing business activity, and that trend is determined by the workings of the monetary authorities, which in turn exercise a powerful influence upon the nature and extent of business activity. Indeed, the Treasury market is so vital to the financial policy of the government, that control of the Treasury market is in some respects an integral part of the government's monetary policy.

The Outlook for Interest Rates

By MARCUS NADLER
Professor of Finance, New York University

Dr. Nadler, reviewing current situation affecting interest rates, forecasts little change in present level of both long-term and short-term rates in the foreseeable future. Says principle uncertainty in picture is the Treasury.

The trend of interest rates, short-term as well as long-term, depends primarily on business activity and the status of the Treasury. Both these factors have a direct bearing on the credit policies of the monetary authorities, which in turn exercise a powerful influence upon the nature and extent of business activity. Indeed, the Treasury market is so vital to the financial policy of the government, that control of the Treasury market is in some respects an integral part of the government's monetary policy.

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When Stockholders Weigh Their Banks

BY MORRIS A. SCHAPIRO*
President, M. A. Schapiro & Co., Inc., Investment Bankers

Bank stock expert, in commenting on current market values of leading bank shares considerably below their estimated book values, cites as reasons for this situation: (1) unfavorable changes in interest rates; (2) penalizing of bank stock by monetary authorities; and (3) low earning power of banks. Foresees difficulties in obtaining new bank capital.

Today we are to discuss the stockholders' view of their banks. True, we have already discussed the operators' view of their banks and the operators' view is that there are the securities of other business." It is generally conceded that many bank stocks are selling below their intrinsic values. Banking, however, is different from many other businesses. In the case of bank stocks, book values are relatively realizable, or readily realizable through merger, sale of assets, straight outright liquidation. Investment in plant and equipment is relatively low. Obsolescence and wear and tear are not important in the case of banks. The book value of a bank is not comparable with the book value of an industrial. Thus, the question remains—Why, Banks at a Discount?

Market Values Compared to Liquidating Values

Before proceeding I would like to illustrate the discount market which has prevailed recently. This method of market presentation presents this group of 56 banks and three representative banking holding companies. Shown therein are the book values per share on June 30, 1949, the market prices on that day, and the percentage discount from book value for each bank. For purposes of uniformity, the book value or net worth is based on the total capital accounts shown in the bank's most recent legal statement published in response to the call as of June 30, 1949. In this (Continued on page 33)

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

For the last six months of the current year net operating earnings as reported by New York City banks has been maintained at a generally steady rate.

Although there have been a number of divergent trends within the banking quarter, the different forces tended to offset each other with the end result one of relative stability in earning operations.

The decline in business activity which began around the latter part of last year was accompanied by certain deflationary forces which were reflected in a reduction in inflationary forces. This was reflected in a reduction in inventories by retailers and wholesalers and the liquidation of bank debt on a large scale. Early in the middle of the quarter a revision of the reserve for loss on accounts receivable on account of the current trend of season factors, making for a larger loan loss provision, has taken place during the second half of this year.

The provision for loan losses is reported to be 3% as against 2% for the comparable period of last year.

Accompanying the decline in business activity and loan volume has been the adoption by the monetary authorities of certain measures to ease credit.

Of particular importance in this connection is the reduction of required reserves. Approximately a year ago, reserve requirements at central reserve cities were equal to 26% of net deposit liabilities. As at the end of the quarter, they have been reduced to 21%. There has also been a reduction in Federal Reserve discount rates. Discount reductions have released about $500,000,000 in reserve for the benefit of the banking system.

These funds, made available to the banking system through the lower discount rates and the lower required reserve ratios and to a small extent in other securities. Thus while these funds have been released to the banking system, they have not resulted in any significant increase in the volume of credit. The space efficiency with which the funds have been placed in the market has been about the same as last year, and the net increase in the volume of credit has been about the same.

The following tabulation shows the net operating earnings of the banking system for the first three quarters of 1949 as compared to the same period last year, expressed per share of common stock.

<table>
<thead>
<tr>
<th>Bank</th>
<th>1949-1948</th>
<th>1948-1949</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankers Trust</td>
<td>0.72</td>
<td>0.77</td>
<td>1.5</td>
</tr>
<tr>
<td>Chase National</td>
<td>0.57</td>
<td>0.57</td>
<td>0.0</td>
</tr>
<tr>
<td>Chemical</td>
<td>0.75</td>
<td>0.73</td>
<td>3.1</td>
</tr>
<tr>
<td>Commercial National</td>
<td>0.81</td>
<td>0.83</td>
<td>0.2</td>
</tr>
<tr>
<td>Guaranty Trust</td>
<td>4.25</td>
<td>4.47</td>
<td>5.4</td>
</tr>
<tr>
<td>Manufacturers Trust</td>
<td>3.33</td>
<td>3.23</td>
<td>0.3</td>
</tr>
<tr>
<td>J. P. Morgan</td>
<td>3.29</td>
<td>3.43</td>
<td>4.2</td>
</tr>
<tr>
<td>National City</td>
<td>0.61</td>
<td>0.71</td>
<td>15.3</td>
</tr>
<tr>
<td>New York Trust</td>
<td>1.55</td>
<td>1.56</td>
<td>0.6</td>
</tr>
</tbody>
</table>

*Adjusted to present capitalization—$256,000,000. (Includes City Bank Farms, Public Trust, and Trust National.)

In reviewing the foregoing figures several considerations should be kept in mind.

First, there have not been a uniform method of reporting net operating earnings. The different institutions have seen it fit to handle their reserves for bad debt, charge-off of losses, and revaluation of plant and equipment in different ways. Others recoveries or existing unallocated surplus and other factors. This is characteristic of several of these methods.

For example, in the above comparison, Chase Bank reports operating earnings after certain charges have been made against them for bad debt reserves. Guaranty Trust, on the other hand, reports net operating earnings before such charges. While there is no criticism involved, the different accounting considerations should be kept in mind in reviewing the earnings statements.

A factor which should be remembered in connection with the operating earning figures is that of security profits. This is of particular significance at the present time, and it has meant that a more favorable showing in this division of the profit account is likely this year. Several bank reported losses in the last quarter of the year, and in the last year; these should all be converted into profits in 1949, with the result that total earnings will compare favorably with those of a year or two ago.

In regard to the trend of operating earnings for the first quarter of 1949, the trend is not likely to continue to be one of relative stability with final results comparable to those of 1948.

J. P. Morgan & Co.

Incorporated

Laird, Bissell & Meeds

138 Broadway, New York, N. Y.

Bache Adds to Staff

By Wm. C. Roney & Co.

Incorporated

Norton, L. Golder, has become associated with Wm. C. Roney & Co., Building, Manufacturers National City East Sixth Building.

When Wm. C. Roney & Co.

By Wm. C. Roney & Co.

Norton, L. Golder, has become associated with Wm. C. Roney & Co., Building, Manufacturers National City East Sixth Building.

Bache Adds to Staff

BY THE FINANCIAL CHRONICLE

Cleveland, Ohio—Robert C. A. Bigelow, W. R. Gottschalk, L. Gottschalk, and L. Gottschalk have been added to the staff of the firm, National City East Sixth Building.

With Wm. C. Roney & Co.

BY THE FINANCIAL CHRONICLE

Detroit, Mich.—Theodore S. Videan has been added to the staff of the firm, Wm. C. Roney & Co., 3411 Grand River Avenue, Detroit, Michigan.

Bache Adds to Staff

(BY THE FINANCIAL CHRONICLE)

106 BROADWAY, NEW YORK, N. Y.

Bell Telephone—NY 1-1549

(L. E. Cales, Managing Treasury Dept.)

*An address by Mr. Schapiro before the National Association of Bank Comptrollers and Registrars at the Annual Convention; Philadelphia, Pa., Oct. 25, 1949.

When Stockholders Weigh Their Banks

BY MORRIS A. SCHAPIRO* President, M. A. Schapiro & Co., Inc., Investment Bankers

Bank stock expert, in commenting on current market values of leading bank shares considerably below their estimated book values, cites as reasons for this situation: (1) unfavorable changes in interest rates; (2) penalizing of bank stock by monetary authorities; and (3) low earning power of banks. Foresees difficulties in obtaining new bank capital.

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38th Annual Convention of IBA at Hollywood, Fla., Dec. 4-9

The 1949 Annual Convention of the Association will be held at the Hollywood Beach Hotel, Hollywood, Fla., beginning on Sunday, Dec. 4, and ending on Friday, Dec. 9. Hollywood provides an unusually satisfactory site for an IBA convention, and has proved to be one of the Association’s most popular meeting places. Those who have attended earlier conventions will recall that these were among the most successful and enjoyable in the Association’s history.

The final details of the convention program have not yet been fully completed and cannot be announced at this time. The program will be announced with the notice of opening of the hotel at the time of the convention session each morning from Monday through Friday. Program committee members will be at the disposal of these visitors. In addition, there will be two or three meetings of the Board of Governors, and members of the national committees of the Association will hold meetings during the conference and will present their annual reports at that time. An open meeting of the Municipal Securities Committee will be held during the conference, but, since the exception of this meeting, it is anticipated that there will be no further meetings of committees.

REGULAR TICKET
The Board of Governors will submit to the convention the Regular Ticket for 1949-50. This ticket will be voted on at the final session on Dec. 9, and will be as follows:
For President
Albert T. Armitage, Coffin & Burr, Incorporated, Boston.
For Vice-President
Hazen S. Arnold, Braun, Beaworth & Company, Toledo.
Mark C. Gorman, Marks, Knapp & Co., San Francisco.
John F. Fennelly, Glove, Porson & Co., Chicago.
Laurence M. Marks, Laurence M. Marks & Co., New York.

CONVENTION REGISTRATION FEE
A registration fee of $40 will be charged for each delegate and alternate. No fee will be required for wives or members of the staff. Checks covering registration fees should be made payable to the Association and forwarded to the Chicago office.

It is an established policy of the Association that only those who are definitely eligible under the By-Laws may attend an annual convention. It will therefore be impossible to comply with requests to take guests to the convention, other than members of the immediate family of a delegate or alternate.

HOTEL ARRANGEMENTS
All reservations for rooms for the convention must be made through the Chicago office of the Association. The white form which accompanies this bulletin should be used for this purpose.

Hotel rates will be on an American Plan basis as follows:

Double Rooms (2 persons) $16 per day per person
Single Rooms $8 per day per person

Parares will be charged extra.

The hotel will not be open for guests until the afternoon of Friday, Dec. 2. Beginning then, it will be able to accommodate a limited number of guests who may wish to stay after the convention. Addresses quoted above will apply for the period preceding the convention and for 10 days thereafter.

Most of the rooms at the Hollywood Beach Hotel are double rooms. The state of the hotel is in number and quality on the same side of the hotel. As double rooms will not be assigned for $1,50 per

The Railway Picture

By R. J. MORFA
Chairman of the Board, Mississippi-Texas Lines

Contending railroads operate within maze of antiquated Federal and state regulations, executive com¬
dem organisations subordinating of competitors to rail in transportation field. WAR’s railroad policy is dangerously near point where further increases will tend to drive away business. Consequences, such as the evaporation of earnings and high interest payment, which are resulting, are sure to cause grave situations in time to come.

The railroad industry today is in a critical situation. That critical situation has been brought about by a number of progressive developments which are in the main beyond the control of railroad management.

It is some of these developments that I wish to comment on.

In the first place, the nation has progressed so far that the railroad is no longer a major factor in the economy of the country. It is surrounded by a maze of rules and regulations which makes it difficult for the road to function efficiently. As a result, the railroad has become a slow moving machine.

The situation with the railroads is not alone in this experience, but these items, together with taxes, have been cited as factors that have slowed down the growth of the road. It is beyond dispute that such is the case, and that the road is now at the mercy of the government.

The road has been definitely slowed down by the increase in taxes. It has been estimated that the railroad will have to pay an increase of 15% of the motor fuel and general excise taxes, which are approximately 90% of the road’s operating costs.

Many other states have brought to light similar facts, and if these conditions prevail in other states, the situation cannot be far different here in Texas.

The truck lines claim that by the payment of taxes they are paying their way on the public-owned highways. A factor here that is overlooked is that whatever taxes the truck industry pays, is all they pay for the use of their roads, which are the highways. A true comparison should be made with the use of the railroad.

Our railroads have an average cargo and passenger load of $5,000,000,000 a year, which was paid by the railroads. The Truckers have an average cargo and passenger load of $5,000,000 a year, and on top of this the truckers pay an average of $1,200 a year in tax to local and state governments. And

NEW ISSUE
October 21, 1949

239,601 Shares
Illinois Power Company
Common Stock
(without par value)

Subscription Warrants evidencing the right to subscribe to these Shares at $11.50 per share are being issued by the company in connection with the foregoing Common Stock. Subscription Warrants will expire at 3 P.M., Central Standard Time, November 3, 1949, as more fully set forth in the Prospectus.

During the subscription period, the several underwriters, including the undersigned, may offer and sell shares of Common Stock, including shares purchased or to be purchased by them through the exercise of Subscription Warrants, at prices not less than the Subscription Price set forth above less any discount or concession to dealers and not greater than the then current offering price on the New York Stock Exchange plus amount equal to Stock Exchange brokerage commissions.

Covers of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as such and are registered as underwriters in such States.

THE First Boston Corporation
Merrill Lynch, Pierce, Fenner & Beane
A. G. Becker & Co.
Incorporated
Byth & Co., Inc.
Kidder, Peabody & Co.
A. C. Allen and Company
Harris, Hall & Company
erin Co., Inc.
G. H. Walker & Co.
Bacon, Wipple & Co.
William Blair & Company
H. M. Blotky & Company
Furness, Chapman & Co.
The Illinois Company
enwood, Cook & Co.
William Company of Wisconsin
J. B. Hillard & Son
Hard, Clark & Company
J. B. Hildreth & Co.
Kirkpatrick & Ptit Company
The Ohio Company

*An address by Mr. Murfa be¬

* a member of the Board, Mississippi-Texas Lines.
Mutual Funds  

BY HENRY HUNT

Assets Reach New High of $1,775,000,000

Net assets of 87 leading mutual funds reached a new high of $1,775,000,000 on Sept. 30, 1949, according to figures compiled by the National Association of Investment Companies recently released by the Association which are of interest follow:

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st 9 Mos</td>
<td>$1,390,976</td>
<td>+38%</td>
</tr>
<tr>
<td>1st 9 Mos</td>
<td>$1,581,203</td>
<td>+8%</td>
</tr>
<tr>
<td>Gross Sales</td>
<td>$339,076</td>
<td></td>
</tr>
<tr>
<td>Liquidations</td>
<td>$ 2,936</td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>$197,740</td>
<td>+3%</td>
</tr>
<tr>
<td>Shares Traded on N.Y.S.E.</td>
<td>176,775</td>
<td>+1%</td>
</tr>
</tbody>
</table>

0,000,000

Third quarter gross sales, the best of any quarter in several years, have kept up the rapid increase shown in 1949. Even in this connection, it might be well to point out that third quarter sales are normally below those of any other three quarters, including as it does the slow summer months.

The upward in the market, the increasing interest of member firms as well as greater appetite on the part of investment sales- men of the merits of mutual funds are all contributing factors to the continued upsurge during the second quarter of this year.

The cumulative effect of both direct mail and newspaper advertising, backed up by aggressive selling, is producing widely insurance in the public. In this connection, it is particularly gratifying to note that an increasing number of dealers are effectively in touch with other mutual funds companies.

The trade publication 'Retailing Daily' sums up the retail trade aspect of television as follows: TV's rush toward merchandising ability has been altogether wiser and more profitable than any other commercial activity on the record. Unlike other businesses which have suffered reversals recently, video's tailoring past the summer was really an inevitable shakeout rather than a genuine slump. And although there will undoubtedly be some difficulties for television in the future, no doubt exists in anyone's mind that the industry's road can only lead upward. From a bulletin issued by Television Sales Manuals, Inc.

Customers Should Also Be Owners

"If more people had an ownership stake in the great American business corporations which have developed the nation's resources, and which are of importance to an understanding of living which the country enjoys, it seems to us that the political and economic atmosphere in which our business functions would be healthier one."

"Virtually everyone in the country is a customer of American business concerns. But if considerably more people were also owners of these same business concerns, the resulting mutuality of interests would contribute mightily to a strengthening of America's large and important by-product of such a development would be an expanded source of equity capital which is of such vital importance to a dynamic and expanding economy."

"Of considerable interest in this connection, are the comments of Thomas H. McCabe, Chairman of the Board of Governors of the Federal Reserve System, which appeared in a recent report to the Committee on Banking and Currency of the U.S. Senate. Observing that there are many potential investors among such people as farmers, skilled laborers, proprietors of small businesses, and gainfully employed people who would like to invest money in common stocks, he suggested that one desirable method of obtaining the money was through the use of mutual fund trusts which have 'diversified holdings of preferred and common stocks and other securities, and thus can offer the small saver diversification of risk together with the higher income to be derived from equity shares.'"

"Concerning upon the argument that common stocks involve some degree of risk taking, Mr. McCabe states: 'I agree that there is a certain element of risk involved in investment of any kind. Yet there is little ground in past experience to support the broad premise that many people prefer bond investments to common stocks. In general I feel that informed and flexible investment policy together with sound judgment can be profitably used by the management of the mutual funds of educational institutions, as well as of the fire insurance industry, where the effects of any particular asset or changes in the stock market are not to be feared. Therefore, diversification of investment in common stocks along with other types of security far better than those currently prevailing."

"America's" Opinion

The Economics Staff of National Securities and Research Corp. recently summed up its outlook for bond market activity in 1949 with this statement:

"It is our opinion that business activity will continue at a relatively high rate during the remainder of this year. In 1950, we believe business generally will continue at the approximate rate which prevailed in the last half of 1949. Increased public expenditure for general business activity at this high rate would indicate corporate earnings and dividends adequate to justify rates of return significantly above those currently prevailing."

The Need for "Living Insurance"  

Americans are the most highly insured people in the world. The world's best insurance is a popular type of insurance make provision for death. However, few people can stop working and go on living without being in financial distress. In the absence of such insurance, the family of the deceased would suffer. There are many people of this country to correct this economic weakness is shown by the marked increase in the purchase of life insurance."

The future security of the salaried worker and the wage-earner cannot be left to chance. Only through careful planning — and the prudent man planning — will the savings program can threaten us for years and small savings need protective safeguards against its worst features. To the professional aid of the professionally advised capital.

"Variations in the work which would require months of saving of $50 or multiples thereof, Keil and King, Libraire, Stent & Co, 50 Broadway, New York 4, have inaugurated "RESERVE WEALTH ACCOUNT." Through the use of such an account, anyone can aim for the reserve which he has estimated to be necessary for his future needs. They will not fail to do justice to the plan of these issues to the planning and he has set out to fulfill.

Analyzes Harvard's Investment Policies

A. T. Lyman, Jr., of the research staff of the George Putnam Fund, tracks distribution and shifts in assets of university-endowment fund in last decade. Notes little change in policy of maintaining balance between high grade fixed income securities and common stocks.

A research report by A. T. Lyman, Jr., of the research staff of the George Putnam Fund in Boston, Mass., reveals the shifts in the distribution of investments held by the Harvard University Endowment Fund during the last decade.

The Harvard portfolio on June 30, 1940, according to the report, had a market value of $240,000,000. This was composed of $179,000,000 in equities, $45,000,000 in bonds and notes, $15,000,000 in cash and investments in the Value of Investments Book 1940 (cost) of holdings. The average rate of return on the market value of these investments was 3.3%.

It shows that the principal shift in type of investments was the increase in Government bonds, and the increase in bonds other than U. S. Government bonds.

General decline in market quotations accounts for the percentage drop in common stocks, but a half of the year's addition to an amount of $420,000,000, were sold and $305,000,000 were reinsured in very short maturity, approximately 1% in 1934.


Cash & U. S. Gov't Bonds $126,650,000 $118,000,000 $120,000,000 $125,000,000 $125,000,000 $130,000,000 $130,000,000 $130,000,000 $130,000,000 $135,000,000 $135,000,000 $150,000,000 $150,000,000

Other Stocks $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000 $4,000,000

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Bonds & Debts $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000 $1,500,000

Government Bond Holdings

Within the bond list, exclusive of the Governments, there is only one major change, the increase in industrial bonds.

"MEETING THE COMMERCIAL & FINANCIAL CHRONICLE"  

Wednesday, October 27, 1949  

Market Report

New York Stock Exchange

Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the Exchange membership of B. Albert Stern to G. F. Forthman. Memberships of members who were transferred by the Exchange on Nov. 3. Mr. Maton will continue as a member of the Exchange. Mr. Julius D. Schlein, member of the Exchange, will retire from the Board of Governors of the Exchange. Mr. Oct. 31.
Must Meet Socialist Trend Head On!

By EMIL SCHRAM

President, New York Stock Exchange

Mr. Schram, citing progress of gas industry in U. S. under private operation, points out its ability to come through larger investment. Contracts protest of American privately-owned gas industry with that of other private corporations. Critics expansion of Reconstruction Finance Corporation as socialist trend which must be met head on, and reiterated most effective way for increased equity investment is by removing obstructions created by Federal tax structure.

From the heart of Texas and other natural gas fields, great pipelines are radiating north, and South, and are supplying metropolitan centers such as Chicago. Areas most remote from the sources of supply, like New York and the New England States, are expected soon to

likely except as they meet the demands of the community for essential services at low cost—good wages as opportunity for development on the part of labor, for elbow room and recognition for management, and for a reasonable return to the investor. In connection with costs to the consumer, you have again epitomized the reason for our country's economic strength.

Taking all items in the consumers' price index of the Department of Labor, Bureau of Labor Statistics, in 1931, the index is now around 198; for food, roughly 200; for wages in apparel 188; for gas and electricity less than it was in the pre-war base period.

Larger Investment—Lower Costs

I had occasion, last week, to take part in the Conference on Distribution in Boston where I said what I thought about the new American frontier, because it is so perfectly applicable to the gas industry:

"The order of events is larger investment, lower costs, larger output, and finally, lower selling prices and enlarged consumption."

That economic society will prevail in the long run which meets these specifications best. I am less interested in the name we give it than how it functions.

One of the depressing aspects of the British situation is the eagerness of the Conservatives, or at least one group of them, to claim for themselves the establishment of the so-called welfare state. It may be of some interest to you to remove our attention to something that seems to have happened to the gas industry in Britain during the period of great achievement in the American industry. And before the Labor Government took power, a Committee of Inquiry into the gas industry was appointed to review the general and organized of the industry.

It was also to advise whatever changes had become necessary in order to develop and change the industry.

(Continued on page 3)

All of these shares having been sold, this advertisement appears as a matter of record only.

Not a New Issue

97,000 Shares

American Cyanamid Company

Common Stock

Price $45.25 per share

Not a New Issue

35,000 Shares

Anchor Hocking Glass Corporation

Common Stock

Price $33.50 per share

The First Boston Corporation

New York Boston Pittsburgh Chicago Philadelphia Cleveland San Francisco

October 25, 1949

Bache & Co. Employees Contest on Advrt.

Bache & Co., 36 Wall Street, New York City, has inaugurated a Bache & Co. employees' contest for the best suggestion in fifty words or less as to what the firm should do in fifty years. The contest is open to all employees in the firm, and a prize of $100 will be given to the best entry. The contest will be judged by a panel of judges comprised of Harold L. Bache, A. Schwartz, Joseph Holaday, William M. Chase, and William H. Smith.

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Bache & Co. employees contest is Nov. 30, and Henry Col- lins of the Advertising Department is recipient for all possible solutions.

With Wm. S. Beecken Co.

Wm. S. Beecken Co. (Special to The Financial Chronicle)

With W. V. Raynor

OMAHA, NEBR.—Alice M. Ray- nor is with the W. V. Raynor Co., First National Bank Building.
With a greater dependence on national currency, Canada can afford to be more careful in managing its monetary policies. The federal government and the banks have increased their holdings of gold, which precludes any further expansion of the domestic money supply. On the other hand, Canada, with the sole exception of the United States, has not officially adopted a policy of gold standard, and this freedom of trade and finance, along with the Canadian dollar's floating rate, were essential factors in maintaining a stable currency.

Recent Canadian commercial and financial policies have followed the course that has been adopted by other countries. The Canadian government has recognized the benefits of a fully mature stage, which is in a decline, and is in a process of artificial manipulation and stringent monetary practices. As a result, Canada's economy has become increasingly dependent on foreign trade, and its monetary policies are intended to maintain the balance of payments.

There still remains, however, a constructive course of action which will alter the complex situation of Canadian economics. The government has been urged to improve its drainage and internal revenue by means of an economic stimulus, which will be achieved through a combination of economic and commercial transactions. In this way a strong stimulus will be given to the Canadian dollar, which is undeniably a happier alternative course of action. Should these measures be followed, the U.S. interest in the Canadian dollar will be enhanced, and further action will be supported by the institution of a new exchange rate which will make the dollar more competitive.

Failure to adopt a bold independent course of action, however, will make the Dominion an unlikely candidate for success in the world, and Britain, which remains in a constant state of flux, can no longer rely on the ability of an independent country to protect itself from the vicissitudes of the world. Hence, the need for the Dominion's future to be a happy solution of its past difficulties, Britain went to extend itself, and Canada, with the U.S. dollars in payment of freedom of world trade and international trade.

Halsey Stuart Group
Serves Sopac Equips.

Halsey, Sturt, & Co. Inc. And its equipment division on Oct. 1, 1946, sold $15,750,000 Southern Pacific Co. equipment trust certificates, due in $2,500,000 installments to 1966, inclusive. The certificates, issued under the Southern Pacific's agreement to create an Interstate Commerce Commission, were sold to yield from 1.25% to 2.50%, according to maturity.

Henry W. Hall, Jr., with Merrill Lynch Firm

(Special to The Commercial Chronicle)

PORTLAND, Ore. — Henry W. Hall, Jr. of Seattle, has joined the firm of Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building. In the past he was manager of the Department for HOLT, Robbins & Werschulz.
The Gold Dollar: A Check On Government Spending

By PHILIP LEBOUILLIER

President, Best & Co.

Prominent New York merchant attacks government extravagance made possible by our present system of inconvertible currency, as threatening further inflation. Holds restoration of gold convertible standard a key to greater liberty for simple reason it limits power of government to squander money. Notes that 47% of $39,000,000,000 in purchasing power of dollar since 1933.

Daniel Webster once said, "Of all the contrivances for cheating the masses there has been none more efficient as that which derules them with paper money." Lenin said: "There is no ruble, no sure means of over-turning the capitalist society, but the loan of capital.

The Federal Reserve deficit for the calendar year 1946 will be at least $10 billion, and millions upon millions of the people of the U. S. on the gold standard is cut off from the real world of things. Irredeemable paper currency was last admitted to the golden age in 1933 by Roosevelt and now, five years after World War II, the gross national output is over $25 billion and rising again; since the Administration has never again, or even so eagerly look again to the deficit financing that it terminted in 1933.

The Administration taxing and spending policies have been fundamentally wrong and, if the Administration budget, will bring the paper dollar to its knees.

The best visualization of U. S. Government spending is given in the New York "Sun" of July 22 and if I shall clearly where we are today and where we are headed.

The second big gold brick that Roosevelt forced down U. S. throats in the 1939-1945 period was his Keynes theory of deficit spending and the idea that war could be financed in part by war debt. This may rain harmless to any financial theory that a country may spend itself into permanent prosperity, but these ideas are imported and both domestic and foreign and have now come home to roost with the current recession.

In the Congressional Record of Sept. 23, p. 13446-13447, Secretary of the Treasury, Leonida Gerber, of Michigan: "I would like to point out a few facts which I have had our research department in the Treasury Department, and it is a Federal budget of $44,000,000,000 for the year 1946.

(1) If everyone in the United States should lend in all of our life insurances, the total amount would be a little over $50,000,000,000. This would not be enough to run the government for one year.

(2) If everyone in the United States should own in all of our life insurances, the total would be over $30,000,000,000. That's just enough to run the government for eight months.

(3) If every farmer in this country should hold his own farm equipment and livestock, the total worth of this equipment to the farmer would be over $25,000,000,000. The government could not run for eight months on that amount of money.

(4) If every industry converted all its inventory, including gold, the total would amount to over $40,000,000,000. This would be enough to run the government for eight months.

"An address by Mr. LeBoullier before the Iowa Bankers Associa-
tion, Des Moines, Iowa, Oct. 18, 1946."

Devaluation and Prices

BY GEORGE A. BENARD

Secretary-Treasurer, National Association of Purchasing Agents

Ascertaining there is no mathematical relationship between price of devaluation and prices, Mr. Benard warns no one can predict trend of prices. Gold Standard, forever, however, overall tendency toward lower prices because consumption cannot keep up with production, and the present post-war price increase of tariff for tested policy in monetary matters and holds stealing value cut will be futile without further aid and cannot be stabilized until a fixed convertible medium for economic and social life is established.

Don't allow anyone to camouflage the meaning of, or interpret wrong to mean. And in don't allow anyone to sell you the idea that some new form of monastic market will allow an individual to use a company, or the government, or the world, to live

Rubber Money

We have no reason to become self-righteous, for these monies are fair, fundamental and proper policies of the purchasing agents and, to make the country more hopeful, we will get into this game early, and are stuck with it.

Rubber money and elastic measuring standards were foremost in criminal or in its schools—depending on who was using them, for what, but they are now accepted in polite society as standard tools for "economic controls" or "planned economy." For all practical purposes changes a 2,000 pound test to 1,000, or 400, or 75, or a four-pack bushel to three, five pecks, as is easy as falling off his horse, if you can up-rate 20% on the price by financial sleight of hand.

So long as there is no fixed, definite, permanent standard for dollars, pounds, etc., which are accepted as money, the financial test is a rubbery stick. And recent events prove that modern alchemists, economic hucksters, and political politicians claim the right and admit they have the ability to change the value of money to suit conditions and plans.

Of course, when enough customers get wise to the mirror and pluck curtains being used in the act, perhaps another conference, warlike plan, or full employment program will take the place of the rubber money. Back in 1933, the situation for...

(Continued on page 33)

THE PORT OF NEW YORK AUTHORITY

Proposals for all or none of $500,000,000 of The Port of New York Authority AIR TERMINAL BOND ISSUE, 3% AND SERIES, Due 1979, (First Installment), will be received by the American Bankers Association, N.Y., at its office, or 2 P.M. on Wednesday, November 2, 1949, at its office. Each offer must be accompanied by a certified check or cashier's check in the amount of $500,000. The Authority will announce the acceptance or rejection of bids at or before 6:00 P.M. on that date.

The form of the subscription, if of the Official Statement of the Authority and of the resolution form, if of the New York City and the voter authorizing bond the bonds are to be issued, may be obtained at the office of the Treasurer of the New York City, 111 Eighth Avenue, New York 11, N. Y.

THE PORT OF NEW YORK AUTHORITY

WILLIAM S. M. CUMMINS, CHAIRMAN

October 27, 1947
The Philosophy of the Fair Deal

By OSCAR R. EWING
Federal Security Administrator

Security head asserts President Truman's program is achieving purpose of freeing citizens from haunting anxieties over health and economic disaster. Accuses Harding, Coolidge, and Hoover of having served to perpetuate inevitable 1929 collapse.

The Fair Deal philosophy of President Truman is best understood if it is contrasted with the political philosophy of the presidential party of Alexander Hamilton is, even today, the spiritual leader of the Republican Party. It was their belief that if only business were prosperous, everything else would take care of itself - that if fact or history were not high enough, the wages would automatically rise as high as possible and that with higher wages labor would grow stronger. The Fair Deal, on the other hand, is the modern version of the same belief, but applied to the different economic structure in the expectation that a fair share of the total output of the country would go to all, and not only to those well-to-do.

The heart and core of the New Deal was the idea that no citizen should be in want. On the other hand, there is the importance of the Jeffersonian idea that the people must be able to control their own government, that the people themselves are the true owners of the nation's wealth and resources. The difference between these two ideas is perhaps best illustrated by the fact that when President Roosevelt took the 20th Century's first steps toward greater social security, he did so only after the American people had been given an opportunity to learn that the people themselves are the true owners of the nation's wealth and resources.

The New Deal philosophy is that of a people who have come, as the result of a long and arduous struggle, to realize that they are the true owners of the nation's wealth and resources, and that they therefore have the right to demand that these things be distributed among them in the manner that they believe will bring about the greatest good for the greatest number of people.

The contrast between these two philosophies is perhaps best illustrated by the fact that when President Roosevelt took the first steps toward greater social security, he did so only after the American people had been given an opportunity to learn that the people themselves are the true owners of the nation's wealth and resources, and that they therefore have the right to demand that these things be distributed among them in the manner that they believe will bring about the greatest good for the greatest number of people.

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Note: A speech by Mr. Ewing before the New York-Ohio "Herald Tribune" Forum, Oct. 24, 1949,
Oil Research Costly But Worth While

Head of new research laboratory of the Gulf Oil and Refining Corporation at Harmerville, Pa., reveals value of research despite its increasing heavy expense.

PIITTSBURGH, Jan. 26 (AP)—Dr. Frank D. Foote, industrial research director of the Gulf Oil and Refining Corporation, is engaged in one of the most demanding of both his time and that of his assistants.

Dr. Foote, who was for many years associated with the Allegheny National Laboratory of the Mellon Institute, is now handling the large scientific and engineering staff of the new laboratory, one of the largest of its kind in the country.

"We have been very busy," Dr. Foote said recently. "The work is increasing at an alarming rate, and we are finding new problems to tackle every day."

**Trends of Capital Formation**

**By STAHIL EMMONS**

Economist, Northwestern National Life Insurance Co.,

After stressing the importance of capital formation to economic welfare, insurance economist points out that (1) there has always been a shortage of equity capital; (2) disproportionately large amount of debt capital is needed for personal and more institutional savings; (3) institutional investment is more rigid than personal investment; and (4) failure to meet these needs by accepted channels is being bridged by several factors. Foresees as future financing alternatives: (1) specific action to stimulate increased saving; (2) experiences in convert assets of port equity purposes; or (3) government providing equity capital.

My topic this morning relates to objectives in the financing of capital formation in the United States over the long term. The objectives are not to increase nor to monetary savings. Capital formation is rather the increasing of productive capacity, productivity, and living standards. We must, however, keep in mind that if we are to achieve a rate of capital formation demanded by the economy, various factors must be considered.

The benefits of such increased productivity are apparent. Per capita real income has increased more than four-fold since 1930. The proportion of persons living in wage earning families has increased from 35% to 67%. The rate of savings has increased from 4% to 8%. And the rate of savings has increased from 7% to 12%.

**Significance of Capital Formation**

There are two main ideas to be grasped here.

1. Capital formation is dependent on the standard of living.

2. Capital formation is dependent on the standard of living.

The importance of this rate of capital formation to economic, social, and political situations of the United States can hardly be overstated.

I think it may be safely said that the depression that left a deep conviction in the minds of most Americans, especially in the over-encouraging group of people, was the rate of economic progress not should be underestimated.

The United States, as a result of this, is strongly motivated to maintain its position as a great power. It also forms a great magnitude compared to the world, and it is clear that it will be very large indeed, even if it is used up at a rate of only 100 years. The rate of average in productivity may be 2% or 4% per year instead of the 6% which has prevailed in the past.

I do not naively assume that the productive and file members of labor unions have connections with the idea of their continued influence in the process. In the years when the United States has been able to supply fuel to the world, the world's population has been increasing at an alarming rate. In the years when the United States has been able to supply fuel to the world, the world's population has been increasing at an alarming rate. In the years when the United States has been able to supply fuel to the world, the world's population has been increasing at an alarming rate.

The application of energy to the process of mechanization is as a result of this. If we reflect on the past century, we can see that the rate of production and the process of mechanization have increased. If we reflect on the past century, we can see that the rate of production and the process of mechanization have increased. If we reflect on the past century, we can see that the rate of production and the process of mechanization have increased.

Harvey D. Gibson, President of Manufacturers Trust Co. of New York, was a member of the bank's Board of Directors, and well liked, formerly Assistant Secretary and Vice-President, Mr. Kalb has been with the bank for many years. Mr. Kalb was a member of the bank's Twenty-Five-Year Club on October 17, 1943, Assistant Secretary in 1944. Mr. Kalb's retirement is effective October 1. After serving for a time as the bank's Treasurer, he will be able to assist in the new position of the Research and Planning Committee.

The eighth annual dinner of the Quarterly Century Club of the Bank of Manhattan Co. of New York was held at the Waldorf-Astoria Hotel on March 25, 1946, attended by 235 members who attended, 39 had died, 23 are located in New York, the bank during the past year. Anthony Grace, President of the bank, was the principal speaker. The address was well received, presented additional awards to members who attended, and the 20th, 30th, 40th and 50th anniversaries. Peter F. McGowan, formerly in the bank's Office of the Comptroller, was elected President for the coming year.

William L. Delbo, Chairman of the Board of Directors of the Bank of Manhattan Co. of New York, has announced that on January 2, 1947, Executive Secretary of the Savings Banks Association of New York, will become associated with the bank's Board of Directors. Mr. Delbo graduated at Yale University in 1921, at which time he was elected to the staff of the Franklin Savings Bank. In 1942 James H. Goelz, Executive Secretary was elected Director of the bank to accept a position in the insurance division.

At a meeting of the board of directors of the Lawyers' Committee for Financial Research, Joseph J. Bosco and William F. Siebert were made Assistant Treasurers of the bank. William D. Town, retired Vice-President of the Brooklyn Trust Co. of Brooklyn, N. Y., died on October 7. After serving for a time with the Fourth National Bank of New York, Mr. Town entered the Mechanics Bank of Brooklyn as head bookkeeper, becoming eventually Vice-President when that bank was merged with the Brooklyn Trust Co. on October 1, 1946. Mr. Town was elected a Vice-President, according to the Brooklyn Trust Co. of Brooklyn, on the board that held the post until his retirement on October 1, 1946, was elected Secretary, Treasurer, and was with the bank for some years.

The Board of Trustees of the Lincoln Savings Bank of Brooklyn, N. Y., on October 12, 1946, elected J. Frank Baum as Vice-President, Mr. Baum having served for 10 years in the field of investment in the American Institute of Banking and American Institute of Banking, as well as in the fields of bank investment.

The capital of the New London City National Bank of New London, Conn., has been increased from $250,000 to $500,000, a part of the increase having been taken about by a stock increase of $150,000, while the additional $100,000 may come from the sale of new stock. The enlarged capital was made effective Sept. 30.

An increase in the surplus of the New Orleans National Bank of Haldenfield, N. J., from $120,000 to $180,000, and in that of the bank's directors Oct. 14, according to a statement made by Mr. S. Armstrong, Financial Editor. At the same time Carl C. Schacht, Jr., of New York, became an Assistant Vice-President. Mr. Schacht, who has been with the bank since 1942, was an Assistant Vice-President in 1942. He was formerly General Manager of New York Chamber of Commerce, and had been with the California State Chamber of Commerce for some years.

At a special meeting on Oct. 11, the stockholders of the Bank of California, San Francisco, approved plans to reduce the paid-up capital from $300 to $20, this representing a 5-for-1 stock split. The stockholders also authorized the stock from the listing on the San Francisco Stock Exchange, and new plans were noted in our Sept. 15 issue, page 100.

The directors of the Citizen National Trust & Savings Bank of Los Angeles, Cal., announced on October 15 the election of Stewart G. McKee as a member of the board. Mr. McKee is President of A. G. Hurley and Company's Insurance Co., and a director of the Menasco Manufacturing Co.

The promotion of J. Benjamini Goelz as Assistant Vice-President of the First National Bank of Atlanta, Ga., was made by Mr. C. H. Clyde Williams, President of the bank, at the same time that he announced the appointment of Robert E. Beck to the office of Assistant Vice-President, and he appointed to the office of Trust Officer. Since Nov. 1, 1946, Mr. Beck has been an Assistant Vice-President of the bank. Prior to his appointment, he was President of the Bank of the Manhattan Co. at Atlanta, Ga. Mr. Beck was a member of the Board of Directors of the First National Bank of Atlanta, Ga., and has served on the Board since 1943. He is a graduate of the University of Georgia, and has served on the board of directors of the bank since 1943. He was elected to the board in 1944, and has served on the Board of Directors since 1943. He has served on the board of directors of the bank since 1943, and has served on the Board of Directors since 1943. He has served on the board of directors of the bank since 1943, and has served on the Board of Directors since 1943. He has served on the board of directors of the bank since 1943, and has served on the Board of Directors since 1943.

The election of Mr. Beck to the office of Trust Officer was made by Mr. Beck, who has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-President of the bank since 1943. Mr. Beck has been an Assistant Vice-Preside
Preservation of Free Enterprise

By HARRY W. WESSE
President, Boston Stock Exchange

At graduating exercises, Boston Stock Exchange President Harry W. Wesse tells men of Air Force, defense of our free enterprise system is as vital to future welfare as military defense. Cites depression of American corporate enterprises and reveals large participation of people in ownership of corporate enterprises.

Logistics and War

So far as changes of modern war.

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Trends of Capital Formation

Our Reporter on Governments

BY JOHN T. CUFFREDE, JR.

Prices of Treasury obligations remain within the limited trading range of 2 to 4 basis points, a fluid market condition for several weeks. Minor changes in yields and down moves take place in the quotations depending upon the reaction of buyers and sellers to the market, quiet and orderly activity. Commercial banks are doing their own refinancing of the December 2s by moving into the lower income obligations (aside from the large life insurance companies) are fairly important buyers of the market.

Deposit banks, both large and small, are eliminating, in most instances, the December 5s, and the December 25s and 21s of 9 1/2 to 10 3/4. It is the bull market. The Victory Loan 2 1/2s continue to be the favorites of non-bank investors, although the yield has been fairly narrow.
The financial institutions could significantly augment the augmentation.

I would like to say as an aside remark here, that when I speak of funds of financial institutions into which the public may make contributions,

I think that such institutions are the kind of things that people should be encouraged to do. In my opinion, many of the banks and trust companies in the United States have a great deal to offer to the public. In fact, there are many banks and trust companies that are already doing this.

The real key to the success of these institutions is to make them attractive to the public. And this can be done in a number of ways. One way is to offer high interest rates on savings accounts. Another way is to offer a wide variety of investment choices, including stocks and bonds. And another way is to offer services that are convenient and easy to use.

In conclusion, I believe that banks and trust companies have a great deal to offer to the public. And I believe that these institutions can be successful if they are properly managed and if they are properly marketed.

Summary

Let me summarize the main points of this series of tentative conclusions:

1. The rate of capital formation has been increasing for the past 100 years, both in the United States and in relation to our own past.

2. The standard of living is increasing because of investment in capital formation, and therefore increases in productivity and income are determined by that.

3. The United States has the technical means at hand to maintain a high standard of living in the future. One goal is to increase productivity and the need for venture capital will be particularly apparent.

4. Capital requirements in the future will be even greater than in the past. This means that government policies and business practices must be changed to provide for an adequate supply of capital.

Obstacles to Institutional Investment in Equities

To return to the question of the obstacles in the way of institutional investment in equities or venture capital on a large scale. There are the investment laws that are too restrictive, the investment companies that are too small, and the fear of the public that is too great.

There is also the question of the trust and attitude of the investment officers and directors of financial institutions, as to whether they are likely to make the transition. Most institutions are not prepared to take the necessary steps to handle the issues of trust, attitude, and legal responsibilities to the public.

Another obstacle is the way in which investment officers, as a class, are carried on upon the face of the financial institutions.

These obstacles do not make a change in investment practices impossible, but they do mean that the change will have to be made carefully and in a way that the public will be convinced of the necessity and the benefits of the change.

None of these changes are going to happen overnight. But I believe that, if we come together and make a conscious effort to explore new methods, to create a new environment, and to make the changes that are necessary, we will be able to carry out a basic change in the way in which the financial institutions do business. And that change will be for the better.

Government Equity Financing

If the public is unwilling to encourage individual financing of capital investments, then it is possible that the government will have to do so. And if the government is going to do so, it will have to do so in a way that is clear and understandable to the public.

The government can do this by providing a clear and understandable explanation of the need for the government to get involved. And it can do this by providing a clear and understandable explanation of the benefits that the government will bring to the public.

In conclusion, I believe that the government can play an important role in the financing of capital investments. And I believe that it is important for the government to do so.

Walter Connolly Co. Adds

By JOHN DUTTON

At last we are calling upon the talents and experience of men who are able to manage the process of capital formation, and we are calling upon these talents and experiences to be brought to bear on the special problems that are presented by the American economy.

The securities industry is sponsoring a series of tentative conclusions:

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Federal Reserve Bank of St. Louis
http://fraser.stlouisfed.org/

**Public Utility Securities**

By OWEN ELX

**California Electric Power**

California Electric Power of Los Angeles is offering new securities, with a face value of $11 million. It supplies electricity in extensive areas of California as well as small sections of Nevada and Arizona. California Electric Power is owned by the Southern California Edison Company, composed of the Southern California Edison Company and the Edison Electric Company, with a capital stock of $52 million. The California Electric Power has considerable natural gas reserves and 46% commercial and 25% industrial. The company obtained much of its electrical requirements from its own hydro plants (about 70% last year), and it is interchanged with other utilities. Average residential usage last year was 1728 kw., and average commercial usage was 279 kw.

Consolidated net income for 12 months ended June 30, 1949, was $7,441,824 against $3,697,462 in the previous year, an increase of 100%. Common share earnings were $3.50 for the latest period on average stock outstanding during the period, against 71 cents on the 1,516,942 shares outstanding a year ago. Factors contributing to the improvement, were: (1) The $500,000 annual electric rate increase granted by the California Public Utilities Commission, effective Aug. 1, 1948. (2) Gains of 24% and 37% in residential and commercial and industrial rates, respectively (due in part to the rate increase). (3) Despite lessening importance of industrial sales in the overall picture, this branch of business was increasing. Peak demand and spark losses resulting from outages in fuel oil plants to suppliers—Southern California Edison Company—were reduced.

The company's growth this year is indicated by the fact that its revenues for the first 8 months have reached 75% of the total for the full year, 1949, for the entire electric utility industry. Based on this rate of "growth," 1949 could very well be expected to record very high year's earnings. The common dividends paid on both preferred and common stockholders would reduce the retained earnings. GAAP dividends of 71 cents per share and 50 cents per share, respectively, have never been paid in the past. The dividend yield was slightly above the average share earnings reported for the June 30, 1949. A small amount of preferred dividends was stocks, however, showed a slight decrease in the first 12 months of the year-end August the company had outstanding 84,549 shares of preference stocks, 7,350 of 5% convertible preferred and 1,362,024 common.

Wage rates should stay constant during the next year as a result of the agreement reached and the present wage rates until Dec. 1, 1950, and due to a similar extension of the agreements made with the rank and file of the employment workers some months ago.

The threat of a strike is forthcoming as the company took care of its 1949 construction needs in advance through sale of bonds and preference stock so that additional financing will not be required until well into next year (1950). In accordance with its policy, the company has given the rank and file of the employment workers some months ago.

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One Bond Issue Rather Than Series Proposed
For Cuban Government

Financing of the Cuban Government's new $100,000,000 program of public works would be done through the flotation in this country of one bond issue rather than a series of issues. Godoy, President of the Banco Godoy-Sayan of Havana and of the London Compania Española de Seguros y de Crédito, has been named in a statement Oct. 15, 1931, to undertake the arrangements and underwriting for the Cuban Government.

Pointing out that the Republic of Cuba undoubtedly is able to float a bond to the amount of $50,000,000, Godoy said the bonds provided the money derived from the sale of the sugar crop and other revenue derived from the projects carried out with the loan, and on which the sugar duties were appropriated.

The plenipotentiary of the Cuban Government said that the Cuban Government will lend 50 per cent of its profits, and that the bond will be floating, and not from the Cuban Government.

The constitution of a first and general state bond would be the guarantee on which the revenue from the projects was derived from the sale of the sugar crop and other revenue derived from the projects carried out with the loan, and on which the sugar duties were appropriated.

The bondholders will be paid the percentage of the value of the sugar crop and other revenue from the projects, and will be paid interest on the amount of the sugar crop and other revenue from the projects.

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Getting and Keeping Your Customer’s Attention

(Continued from page 4)

type of security? Why do they do it?

Now, as salesmen, you must know the answer to that question. You must know why you yourself buy something and why people buy securities, why that action is motivating them. And then, if you know the key in knowing what to do in order to make sales, you also must know, if you do not, you will find yourself to be very much in a different position, to know how to put over a good sales canvass.

Making a purchase is a human activity. It is a piece of human activity. You are driven by the forces of human activity, as you will understand why a person buys something and how he accomplishes the purchase, you will, in turn, understand how to commit ourselves to make purchase. You will, in other words, find the way to sell your securities intelligently, you have got to know exactly what buying motives are. Why is a person acting? You must commit ourselves to make purchase, you must know exactly what makes a person do it, what to do in order to make them do that. You know how to start

Now, the first time we had a meeting, you have got to look at that from the point of view of what you are going to be warm. We did not have the window. You had to listen to the reception, you had to be in the interior of this room.

It should be remembered that the closer you get to the thing, the greater the response to it will be, and a relation closer to our fellow, we find that human activity takes place primarily to satisfy our needs. When we become hungry we need the food, which sets up a natural pull of a need for something. We have a natural pull of a need for something.

Most of human activity is based upon the satisfaction of our wants, and it is a universal human nature. If we state that a man is very hungry, he will have no difficulty in explaining how hunger was the cause of that activity.

Sellers of goods say that all human activity is motivated by a desire for something. They put forth that theory. Later, he changed his opinions and called it "self-preservation" and "pleasure-pain" principle in life which is to say, he was talking away from pain and toward pleasure.

Those are different theories set forth. We do not have to decide which is right. We can just consider that a combination of them is right. But you have to understand that this motivating force behind every action, that our activity is not pointless, that there is always a reason for our doing things.

And there is a particular reason why that individual left 2nd Street, came down to Wall Street to buy some bonds. What we are trying to explore, for a minute, is the motivating force behind an activity takes place. There is a cycle of events that should look into for just a moment.

Let's consider that we become hungry, and sense that hunger, and know that we must do something about it. We have a drive within us to go out and get something to eat. And when we have finished eating we feel better again.

This represents a very common occurrence in life, which has four parts. There is the hunger itself, that was felt by communication with the stomach to the brain, maybe by the release of some chemical, and the brain is sending a signal of tension inside of us, a tension of hunger.

The hunger increases the tension becomes greater and greater. The greater the hunger the greater the drive urging us to go out and get something to eat.

The drive sets up what is called an "adaptive behavior" action. We have all learned that when we are hungry, we are going to do something about it. The mechanism of taking the necessary action is hunger. To satisfy the hunger, we have got to start with a stimulus that sets up a tension, which will result in an action. We have got to start with a stimulus that will result in an action.

So, you start out with a stimulus that sets up a tension, which, when it is satiated, or when you have got enough food, the kind of action that will reduce the tension and bring us back into comfort.

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Most of human activity is based upon the satisfaction of our wants, and it is a universal human nature. If we state that a man is very hungry, he will have no difficulty in explaining how hunger was the cause of that activity.

Sellers of goods say that all human activity is motivated by a desire for something. They put forth that theory. Later, he changed his opinions and called it "self-preservation" and "pleasure-pain" principle in life which is to say, he was talking away from pain and toward pleasure.

Those are different theories set forth. We do not have to decide which is right. We can just consider that a combination of them is right. But you have to understand that this motivating force behind every action, that our activity is not pointless, that there is always a reason for our doing things.

And there is a particular reason why that individual left 2nd Street, came down to Wall Street to buy some bonds. What we are trying to explore, for a minute, is the motivating force behind an activity takes place. There is a cycle of events that should look into for just a moment.

Let's consider that we become hungry, and sense that hunger, and know that we must do something about it. We have a drive within us to go out and get something to eat. And when we have finished eating we feel better again.

This represents a very common occurrence in life, which has four parts. There is the hunger itself, that was felt by communication with the stomach to the brain, maybe by the release of some chemical, and the brain is sending a signal of tension inside of us, a tension of hunger.

The hunger increases the tension becomes greater and greater. The greater the hunger the greater the drive urging us to go out and get something to eat.

The drive sets up what is called an "adaptive behavior" action. We have all learned that when we are hungry, we are going to do something about it. The mechanism of taking the necessary action is hunger. To satisfy the hunger, we have got to start with a stimulus that sets up a tension, which will result in an action. We have got to start with a stimulus that will result in an action.
Investment As Means of Survival

I feel that investments and currency are the main means of livelihood for a great many people. They could be, for a great many people, the basic means of disposing of the money they derive from their work.

There are many people who get their basic livelihoods in life--in being productive members of society--in the work they do, and there are many people in this country who, as far as their livelihoods are concerned, think that they can get money only through their investments, and that money is what they need. And when that comes, we are not going to be able to meet the demands of the society.

Any person who has any savings or investments has to decide whether he is going to put his money in savings or investments. And he has to make that decision, and his mind is going to be affected by what he learns from savings from that capital.

If a man invests his life, his personal life, in American business, then there is no reason why he should not invest his savings in American business as well. There is no reason why he shouldn't use his savings to invest in American business, and he will find that his savings are worth nothing in American business.

"But I don't know," they say. "I don't know what to do with my money in stocks and bonds." Very well, say the banks.

Still further, whether one person has any savings or investments in American business, or whether he is going to invest in American business, that person has a prejudice against having his money taken from him, and his money is worth more to him than what he will be able to invest it in American business.

"But the banks are making no promises," they say. "They are going to get the money back from me if I lose it in American business." That is true. The banks are going to get the money back, and that is why you are going to lose your savings.

"But I don't understand," they say. "I don't understand how the banks can make any promises when they have never made any promises before." That is true. The banks are going to get the money back, and that is why you are going to lose your savings.

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Getting and Keeping The Attention of Your Customer

(Continued from page 25)

They more they think about it, the more they feel that they are being squeezed, the closer they are to taking it. In other words, the buyer is thinking, in order to get them where you want them to go, you have got to give them a lot of information. So a good salesperson, in my opinion, should give information but only after you are in there with them, convincing them that they have got everything.

The same is true of a restaurateur. He is considering whether to open a new restaurant or not. If he is considering it, he is not thinking of a kitchen; he is thinking of a restaurant. And he must have found everything else, including the location, before he will go on with the rest.

A complete solution will force the customer's attention on that subject.

Purkiss Heads Div. For Walson Hoffman

Walston, Hoffman & Goodwin announced today that it had acquired the New York Stock Exchange, announce that a C. A. Purkiss, a general partner, has been appointed President of the Exchange. The new management has undertaken an extensive program of improvements.

Purkiss has been a member of the Exchange since 1941, has been Manager of its Southern California offices since 1942, and has been Manager of the Exchange's Eastern Division since 1943. He is a former member of the Exchange's board of directors.

Devaluation, Currencies and Related Elements

(Continued from page 2)

Devaluation would increase exports and impede imports. Important export industries would benefit. Members of the Committee for the Nation, however, fear that devaluation would raise prices; and the War- ren dollar depreciation program would encounter strong resistance. The Committee was advised by representatives of the Los Angeles Chamber of Commerce that a 10% devaluation would result in a 10% increase in the price of domestic goods and a 10% increase in their cost to the consumer.

However, there is a growing belief that even with a 10% devaluation, the price of imports would rise less than the price of exports. The Committee is of the opinion that a 10% devaluation would increase exports and add to the nation'sGNP.

Possible Post-Devaluation Conditions

The Committee believes that a devaluation would reduce the demand for foreign exchange by increasing the price of foreign goods. The Committee is also of the opinion that a devaluation would increase exports and add to the nation'sGNP.

Practically every contention was either completely false or impossible to test. The arguments and the evidence have been generally taken for granted, that if we have taken time even to check them, we would find that they have been refuted. The evidence, pressed so hotly and so many times as it has been, has been shown to be incorrect.

One of the most important things about this argument is that it is so absurd that it is not possible to argue with it. Nevertheless, it is possible to show that it is incorrect.

A look at the facts shows that the devaluation was not a complete failure. In fact, it seems to have been a success. The principle that is provided other things remain the same, devaluation tends to increase exports and to impede imports.

But every competent scientist in the field knows that such a method is just as likely to lead to a larger, or to a smaller, or to an altogether different conclusion. This is because the variables that enter into the picture are not independent of one another. It is precisely what does not and cannot be made clear that the counteracting forces and readjustments; the devaluation is not a test of human beings, but of their ability to follow, and possibly not to follow, the course of events. The counteracting forces may be operated in such a way as to make the situation worse.

In the case of chinarow, for which the demand for Scotch whisky and British wines has been the greatest, the prices have been marked up more than dollar prices have been marked up in other countries.

Prices for which the demand is relatively inelastic, as, for example, for Scotch whisky and British wines, may rise by the amount of devaluation and not in-
oratory higher profits for themselves. The larger banks, naturally, have already learned to make a good living on the play, and their profits have been steadily rising as they have been made increasingly complicated by the complexity of the currency system.

In conclusion, it must be said that the present system of currency management is a failure. It is based on the idea that a central bank can control the economic conditions of a country by controlling the flow of money and credit. However, the evidence suggests that this is not possible. The system is too complex, and the interactions between different economic agents are too unpredictable. As a result, the central bank's efforts to control the economy have often backfired, leading to inflation, deflation, and other economic problems.

The solution to the problem of currency management is not to be found in more centralization and control. Instead, the solution lies in a more flexible and decentralized system that allows for greater experimentation and innovation. This might involve the introduction of digital currencies, or the use of blockchain technology to improve transparency and reduce fraud. Ultimately, the key is to create a system that is more responsive to the needs of the economy and the people it serves.
Federal Monetary and Credit Policies

(Continued from first page) International currency. Policies which make government debt the
backing of the dollar will, in my
opinion, also promote the domestic
welfare of the people. In this respect the situation now is
almost equally bad in the case of
Europe as it was in America in the
1870's. In both periods the dollar was
essentially a commodity currency.

The inflation of the Civil War and the
subsequent world commodities of the
gold standard were affairs of great
importance in the development of
international finance. Now, however, the monetary and
credit systems of the United States are
influenced in great measure by
international currency action through the inter-market exchanges of
the world's major trading centers.

The Federal Reserve System is the
chief agency of the American people. It is
understood in terms of the gold dollar.

Interest Rate Policy

Many of those who oppose a
return to gold and to a gold
standard do so because the price of
silver will rise (this has been
accomplished in this country for
years). Certain influential elements in the cheap money policy
are: (1) a low level of longterm
interest rates; (2) the attraction of
low levels of short-term rates. This
corresponding difference, with the
principal support from the Treasury
and the Federal Reserve System,
primarily concerned with the
problem of interest costs on the
Federal debt.

The cheap money policy
re¬
lected in its support the dollar
development of the dollar in the early
days of the Roosevelt Admin¬
istration. The increase in the price of gold in 1933 and 1934
from $20.67 to $35 an ounce
stirred the whole world to a
ghastly vision of American citizens
being asked to pay in gold for the
work of their hands. The great
worry was whether the country could
afford to live on the dollar,
yet our prices, currency, and
competition would come at a
price.

The Reeil Bill, introduced into the
House of Representatives on June 28, 1934, to
provide for the purchase of
American citizens to own gold at
the rate of $35 an ounce. The
Government is in a position to
carry out this policy as it
was done through the gold
standard. This would firm up the
dollar, maintain the
value of our currency,
spread our money through the
country, and provide for the
redemption of the entire
dollar. The new
Regulations for the
Purchase of Gold:
The bill as introduced:
required the sale of gold,
with the proceeds to go
into the Federal Reserve System.

The government has the
power to do this, but the
question is whether the
people will accept the
policy. The time has
come when the
people should be asked what
to do. If the government
will not
consider the policy, it
is time for us to
consider the
possibility of
the gold dollar.

The two最基本 principle and
one of the key
principles of the gold dollar is
that the government...
The State of Trade and Industry

(Continued from page 5)

The American Iron and Steel Institute announced this week that the operating rate of companies having 94% of the total capacity of the industry will be 9.5% of capacity for the week ending Oct. 31, 1949, a decline of 0.2 of a point from the preceding week.

The production rate is equivalent to 166,000 tons of steel ingots and castings for the entire industry compared to 172,000 tons a year ago. The average weekly rate increased from 168,980 tons in 1948, to 175,777 tons in 1949, and to 178,670 tons for the week in 1949.

CARLOADINGS AFFECTED BY WIDESPREAD COAL AND STEEL STRIKES RECEDE FURTHER IN LATEST WEEK

Loadings of revenue freight for the week ended Oct. 25, 1949, were 9,685,000 tons, according to the reporting agencies. The weekly total was 5,687,000 tons lower than the corresponding week of the last year. The amount of coal, coke, and steel strikers affected by the same coal and steel strikes.

ELECTRIC POWER CONTINUES UNDER 1948 LEVEL FOR THIRD WEEK

Electrical power for the third time since the week of Aug. 3, 1949, showed a decrease when compared with the corresponding period in 1948. The amount of electric energy distributed by the utility and power industry for the week ended Oct. 22 was estimated at 5,417,877,000 kwh, according to the Edison Electric Institute. This was a decrease of 1,604,000 kwh for the week, 121,000,000 kwh lower than the figure reported for the week of Oct. 22, 1948, and 12,000,000,000 kwh below the corresponding week of preceding year.

AUTO PRODUCTION STEADY THE PAST WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle output in the United States was 38,512 units compared to 38,512 units in the previous period.

"A bleak Christmas then appears certain," says Warner, as steel stockholders below the danger point," Ward's reported. "Even with the production of the past week and output of the current week, there are expectations that demand for steel automotive production will continue to surpass expectations that output reported for the corresponding period two years ago.

BUSINESS FAILURES ADVANCE ABOVE WEEKS OF 1945-47

Commercial and industrial failures increased to 181 in the week ended Oct. 25 from 172 in the preceding week. Dun & Bradstreet, Inc., in its report for the past week, listed 172,000,000,000 kwh lower than the figure reported for the week of Oct. 22, 1948, and 12,000,000,000 kwh below the corresponding week of the preceding year.

Middle Atlantic States reported an increase in casualties in the prevalence of disease and other hazards in the following weeks in the four other regions during the week. All areas except New England registered increases in the number of death casualties.

FOOD PRICE INDEX SHOWS FLAT TREND IN LATEST WEEK

Although movements were mixed, there was a firmer trend in the prices of vegetables and meat. The average weekly price index for Oct. 18 rose slightly to 52,04, from the three-year low of 52.57 recorded a week earlier. The current level represents a drop of 12.9% from the 64.89 of a year ago.

WHOLESALE COMMODITY PRICE INDEX AFFECTED BY CONTINUED EASINESS IN FARM COMMODITIES

The wholesale commodity price index moved slightly lower the past week as a result of continued easiness in farm commodities. The index closed at 247.71 on Oct. 18, as compared with 248.61 of the previous week and the same date one year ago.

Furniture and household goods were reported to be unsettled and prices worked steadily lower during the week, reflecting continued uncertainty over farm price legislation and the expanding movement of new crops.

The decline was especially pronounced in the case of corn, where prices were quoted 1 cent lower at the close in the face of an increased movement of both old and new corn. Such conditions held quite steady, aided by liberal hedging against sales to the government.

Coffee and cocoa prices continued to rise, due largely to unfavorable news from producing areas.

Coffee prices continued to move in a narrow range with final quotations down slightly from those of a week ago. Following some liquidation at a higher level, interest in fresh vegetables, which have been forecast recently issued, the market showed a steadier tone, aided by moderate milling buy and hedging against sales of coffee goods.

Coffee prices continued to rise, due largely to unfavorable news from producing areas.

The current level represents a drop of 12.9% from the 64.89 of a year ago.

The demand for women's wear declined more than the demand for men's suits and coats. Consumer prices declined slightly less fast the past week than in the previous week. The demand for canned food, especially fruit, remained strong, as sales of canned vegetables and dairy products declined moderately. The purchasing of meat, especially the less expensive cuts, was sustained close to the high of a year ago, while buying of chicken was reported to be quite steady at a higher level.

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Must Meet Socialist Trend Head On!

(Continued from page 13)

supplies to

Federal Reserve Bank of St. Louis

Digitized for FRASER

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agencies does not work miracles but it has provided the truth of simple arithmetic in re-

spect of operating costs and re-

MUST Meet Socialist Trend

Head-on!

We are not forewarned by the danc-

eurs illustrated by British de-

velopments. The dreadful trade press has been head-

on to be resisted successfully.

Doubtless, there was no fore-

knowledge that, having taken the first step, the consequences are un-

known, are down the line are inevitable. There is much that will be well-being in the wel-

fare state.

Expansion of RFC

Hans Reisch, chairman of the Board or as Chairman of the reconstruc-

tion Finance Corporation for a period of eight years, I have a certain affection for the 1947, which are excluded from its

present Act, in its preamble, dis-

playing the radical change of

business. The Hoover Commis-

sion recommended the neces-

sary function of RFC in the days of the depression, yet it was per-

be placed in liquidation at the ear-

liest possible moment.

I am fully aware of the plight of many business men, but as I dis-

Sherwood, I believe their problem should not be overemphasized. More recently the defense of ex-

pansion of RFC from the basis that relates to the unlimited potential size to a business that at-

tempts to justify the making of loans to finance business and enter-

prises in a locality threatened with un-

employment by the threat of failure of a business enterprise.

The prospects of loans of this

nature by the RFC and Senator J. W. Fos-

der, a Democrat, chairman of the Senate Committee on Banking and Currency, states that RFC, in a little

few months, to comment on evi-

dence in which the RFC was

The prevailing opinion is that


good for the RFC, the result for additional lending business loans makes me won-

der at the complacency of the

you will recall that the Presi-

dent of the American Bankers Association, has recommended the enact-

ment of RFC, a time limit now fixed by law on the maturity of loans and credit facilities of RFC to per-

mit the Corporation to extend credit to certain business enterprises which are economi-

cally sound but are short of funds.

This is a period of time involved in

In this connection, it is important to increase the limitations on all business loans, including

loans under the Housing Act, loans to the Federal Credit Unions, and new public-project and catastrophe

loans, from $5,000,000 to $15,-

000,000. There are $1,000,000,000 of loans made prior to the current legislation.

The RFC's authority to avoid

must be extended, if the RFC is to continue to be a working agency for industry.

to your captions on the bus-

The RFC has been and I prefer to deal with questions of principle,

and, as it is considered to be an integral part of the

consideration of the responsibilities of the

matters at hand, would be incompatible with the

The RFC's authority to do anything that has been suggested by the

Hoover Commission shows a gradual standardization of rules and practices.

The present Act, as amended, vests the

Corporation with the

first

right of refusal to lend.

Decisions of RFC in 1934. Business loans were increased from $500,000 to $1,500,000.

It is possible that only if all of the seven condition

were met. These conditions relate to the security for the loan, size, maturity, and, among other things, provided the

should be maintained, solvent and able to borrow, and have an adequate credit rating from the RFC.

This amounted to 500,000 in

at six months after the first au-

thorization. The $500,000 limit

on RFC loans was extended to a

maximum of $1,000,000, as the law was enacted.

Now, in the mid-1930's, when the RFC was still stalled and there was some excuse for regional

preferences, the change in the charac-

ter of RFC has been made.

The new

European

business with the dis듯

The RFC was empowered to make loans to business enterprises that meet certain credit criteria. In the years that followed

were simply

the

most

for

the

mature-

ity of loans extended was

extended to $1,000,000, and the loan

was not to be made entirely.

I now have been asked to

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The Railroad Picture

(Continued from page 15)

The Railroad Picture (Continued from page 15)

Devaluation and Prices

(Continued from page 15)

In fact, devaluation has only reduced prices of products and services which are competitive, in the sense that competition Supply-De-

duce. It has compelled split prices—one for domestic use, one for export. This is fixed by competition or currency ex-

change value, whichever is lower, and neither the buyer or seller has a choice, which has the exchange rate. The govern-

m sentinel, a flexibility in the matter of freight rates, as there is in other indus-

st that there is always a profit margin, and they want to continue to work with you and for you for our mutual benefit.

You and I, as individuals, and our public and private properties, contribute to good government, and we have a right to demand the use of vast resources for the public welfare in right-of-way.

I believe every shipper of my own would rather have himself the judge,---must determine to his own satisfaction whether or not the company, whether private, self-sustaining enterprise, or public property, is better for the public health and welfare.

The railroad is designed to transport goods and people. All other prices have gone up greatly increased traffic load can mean lower freight rates, and lower travel costs. We are not in a period of increasing costs. An increased freight load on the railroads would be the quickest means for lowering freight rates.

An encouraging sign on the horizon is the trend that can be expected in this field as a result of the public's awareness of the critical situation. Recognition is being given to this subject by the public, and by Federal and State government. This is a step in the right direction. The President of the United States has taken a stand on the transportation situation. It is to be hoped that the public attitude will bring about adjustments in railroad policies that will place the railroads on a fair and profitable basis in the transportation picture.

Railroads Have Made Progress

Notwithstanding present-day depression, the railroad industry has made notable progress in the practice of operating efficiency and technical improvements. These are the essential ingredients of any operating efficiency, faster schedules, lower costs, and lower prices that are the result of the adoption of diesel power. We on the Katy Railroad have great confidence in the future of Texas, and we are adding to our fleet of diesel locomotives, and other means of improving our properties and rolling stock, as fast as our earnings will permit. There are, however, possibilities for many additional improvements in our present equipment and in the use of more and better equipment. The Katy is already one of the more progressive railroads that require substantial capital investment, and progress in this respect will be the more rapid with the increased earnings and the hesitant venture of the government in the direction of cheaper rates to the public.

I told you that I felt the railroad business looks to the future. I do sincerely believe this, and I am determined to work toward the Katy Railroad.

I say this because I believe that the future of the railroad business will eventually prevail, and I also feel that we can improve the facilities in the way of the industry and the railroad work that is the result of a better understanding of the industry. I am convinced that the railroad business is here to stay, and I am committed to the belief that the railroad business is one of the most important industries in the United States.

This must come in the form of equitable laws which will place the railroads on an equal footing with competing agencies of transportation. Railroad management, too, must be given a reasonable chance to exercise judgment in

The Railroad Picture

(Continued from page 15)

my country was about this tax rate at the time it has recently been increased in England. And President Roosevelt's tax cut for the people was a welcome act.

I hope you will find yourself in a position to give something to the people of your own welfare; on the welfare of your part of the world; and in the welfare of our nation, I shall be content.

But remember, the objectives of the United States and the British Empire are quite different. We have a debt, and we are paying it off in the quickest way possible. We have a debt to the people of the world, and we are paying it off in the quickest way possible.

Substituting Fuzzy Theory for Testimony

We can't explain things in terms of gold and for money and its operations, I will pass on to something else—this is, that no one can explain, or use the data for measuring currency values without standardizing, because that standard affects all the other things. We have to be glad that the treasury has made a program of following a definite program.

Gold, as a standard for measuring money, is a standard that is fuzzy; it is simply a convenient basis, and it is all right for the purpose—carnival and easily it was related, and it is useful, could be used, and it is a standard that is fuzzy;

But of even greater importance is the general acceptance of gold as the precious metal, from which all other forms of currency are derived. Today, "gold-diggers," making it a commodity, is buying and selling for the best medium of exchange, is such soft, gold coin is known, and that there is so many that are represented by such. These certificates were convertible into gold, and are called gold certificates.

If a dollar would get it in gold, and if a pound would be worth 60 grains of gold, a pound (2.36) was freely exchanged, everywhere, in the world and the rate is 49 cents.

We kicked that system out of the window in 1933, and made all our money a government legal tender. We made it illegal to own gold.

We increased the price of gold, too—from $20.67 an ounce to $35. If you want to be a banker in the gold standard, you have gold; if you want to be a banker in the dollar standard, you have dollars.

How can International Trade expand when we must buy and sell at price in effect at time of exchange? We have not in the values in effect at that time? The dollar is now the currency stand-

We need to keep the currency stable. But it is not the currency that we are interested in, but the value of the dollar as an international currency.
When Stockholders Weigh Their Banks

(Continued from page 10)

Samplers many important banks had a large number of
sharers because of what appears to be a
considerable influence on bank's low
interest rates, it is true that the com-
monness of the banks' actions is de-
ting difficult, because in the condi-
tion the rate of interest for its part is,
side the view that the rate risk in the
business has been much reduced. No
preponderated competition exists be-
tween banks for such a market as the
thereby lowered as well as among individual banks for all available capital, a policy of financing private busi-
ness, and, therefore, are necessar-
ily of much importance. There will be
losses. The stock-
investors are asking whether these losses will be made up sufficient
to cover the outlays of existing capital funds.

The reason which has
sharers' interest in the
realized on the recent
crisis of politicians and their
their actions. The
stockholders are
undoubtedly penalized by actions of unwise and generally by
authorities to control inflation in 1949. This, because to
serve requirements, banks were
deprecated of the use of an addi-
tional factor. This was
inflation, in effect, a
depreciation of the banks. Due
to widespread uncertainty, unfa-
favorable publicity, and the three
menace of the New York City, fell to the lowest
price level of 35.0, on March 4, about
for number of our prominent New
York banks on the day that they were on that day 16 years ago.

Low Bank Earnings

Recent with this background, the
dominant and continued con-
for banks at a discount has been
and is today—low earning power. Bank earning power is too, low, too low that is, in
energy, to be of much book value. Current bank earning power is not sufficient to allow anything equal to book value. Entire
private earnings and current relatively paid to stockholders, let us consider a
book of $50 and whose
earning power is $1.00 per share.

In the current operating earnings per
share, in terms of $4.00, are actions such as security profits,
taxes, losses and charges and trans-
and to relaxes or reduces reserves. Thus, this bank's pure
earning power is at the rate of 5
and is today—a book
value. For the stock to be
"book", however, the
market would have to raise its
value at 20 times these earnings of $2.00,
sarming exceptional circunstances,
the same is an appraisal is obviously un-
realistic in the market place to
earnings. The
New York City banks with
large capitalization is bank of $4.00 to $15.14
and such a ratio would produce a
of $250 and $40, against a book value of

In the past, however, as many stockholders of banks will recall, an almost daily
maximum above book value. The rate of interest for its part is,
side the view that the rate risk in the
business has been much reduced. No
preponderated competition exists be-
tween banks for such a market as the
thereby lowered as well as among individual banks for all available capital, a policy of financing private busi-
ness, and, therefore, are necessar-
ily of much importance. There will be
losses. The stock-
investors are asking whether these losses will be made up sufficient
to cover the outlays of existing capital funds.

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value at 20 times these earnings of $2.00,
spending—seems to be supported by two contrary trends in the orders for industrial equipment. While orders for new machinery continue to be sizable, the amount of new construction work, and new orders for construction equipment, is small. The U.S. economy is just emerging from a deep depression, and the construction industry is still in the doldrums.

The construction problem is probably the result of the high rate of capital spending in recent years; so far, we have had relatively low prices for the buildings and the equipment, and the prices have remained relatively stable. This, in turn, has led to a large number of new orders for industrial equipment, and this has kept the construction industry busy. However, the outlook for the future is not as rosy as it appears today. The high price of new equipment and the high interest rates have put a brake on the expansion of the construction industry. The demand for new houses and for new factories is not as strong as it was in the past, and the prices of new houses and new factories are not as high as they were in the past. In the future, the prices of new houses and new factories will probably decline, and this will reduce the demand for new houses and new factories. The outlook for the construction industry is not as bright as it appears today, and the prices of new houses and new factories will probably decline in the future.

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 Strikes damage warnings may lead to new reaction. It seen, it may present buying opportunities for those who missed the market.

A few weeks ago when the familiar averages were selling at about 178, I recommended a list of leading issues, and, as if, these averages would get down to the 175 level, the figure I expected would bring a halt to any further decline. At the same time I wrote here that I preferred buying when a combination of adverse circumstances would be present and I was unbothered by the fact that strike news itself was not considered bearish.

I figured this combination of factors would come from the strike news, though at the same time I realized that strike news itself was not considered bearish.

That left me with a handful of theories and only two stocks to buy of. Having missed the first move I might have switched completely, chased them and bought them during the time of my experience; however, taught me the futility of such a practice.

The past week, however, the calm assured atmosphere that has prevailed the market, seems to have slipped a couple of days back. Above all, the general public has realized that strike news itself was not considered bearish.

**Pacific Coast Securities

**Orders Executed on Pacific Coast Exchanges**

Schwabacher & Co.

New York Stock Exchange
Boylston, 863

Boston Stock Exchange
786

San Francisco Stock Exchange
565

14 Wall Street
New York, N. Y.
October 27, 1949

Private Wires to Principal Offices
San Francisco—Santa Barbara.
Denver—Seattle—Sacramento.

Frank W. Schwabacher,

President.

The Outlook

(Continued from page 33)

For Business

(Continued from first page)

Plots on allied industries and on the market. The result of a depression, occupation, employment, and trade. Business statistics for October point to a trend in the same direction as that of prices. The advance in prices is largely due to the fact that the period was one of business developments, although they will affect the timing. The dominant characteristic of this period is its tendency to correct the excesses of the previous period. Together with the increased spending of money, there has been a tendency to change the distribution of business activities in various industries, and the outlook for the future period by recent data must rely upon business enterprise and inducements to business activity.

In any case here are the new buying points, even if the stocks themselves aren't new. The 27-28, 25-26, 23-24, and the 21-22, which as first I thought, would mean that same stock would cancel all the good accomplished in the past few weeks.

I am not sure if these stocks are really good, but I recommend buying them under these circumstances as well as the others listed in my last column.

**Eastern Pa. Group of IBA Elects**

PHILADELPHIA, PA.—The annual meeting of the Eastern Pennsylvania Bankers Association of America was held on Monday, October 27, 1949. Walter A. Schmidt, of Schmitt, Poole & Co., was chosen for the office of Chairman for the year, 1949-1950.

Other officers elected were: Gordon Courier of DeHaven & Townsend, Vice-Chairman; Albert B. Thayer, of Thayer, Baker & Co., Secretary-Treasurer, & Co.; and Walter A. Schmidt, Vice-Chairman.

In addition, the following were named for three-year terms on the Executive Committee: Henry R. Hallowell of Hallowell, Sulzberger & Co.; Walter A. Schmidt, of Schmitt, Poole & Co.; William Z. Suplee of, Suplee, Yeatman & Co., Inc.

These nominations were made by the Committee consisting of: Herbert W. Markus of Smith, Barney, Co., Chairman; Gordon Courier of DeHaven & Townsend; Courier of DeHaven & Townsend; and William L. Day of the Pennsylvania Company; Henry R. Hallowell of Hallowell, Sulzberger & Co.; Robert G. Rowe of Strong & Co.

Robert G. Mills is Forming Own Firm

ST. LOUIS, MO.—Robert G. Mills is forming R. G. Mills & Co., Wall Street broker and member of C. P. Thompson & Co., to be a mail order house.

Mills was formerly a member of the Thompson firm, but his recent departure from that firm was in the past with the Metropolitan St. Louis Co.

Collin, Norton Adds

Collin, Norton & Co., who have been affiliated with Collin, Norton & Co., 500 15th Street, New York Stock Exchange, have been affiliated with

**The Basic Reason**

These underlying philosophies touch international economic relations, both directly and indirectly. It has long been argued by the government of the United States, but there has been much discussion of them in the literature of the same. Among them are

**As We See It**

(Augmented from first page)

though many if not most of these obligations are large in default, and (although Mr. Taylor refrains from saying so) the remainder for the most part are destined to be at one time or another.

This leaves $32 billion to be accounted for. A part of this sum was offset by private domestic. Some $10.5 billion was settled with funds invested abroad by American citizens, a sum which all of them went for the war. The basis of such facts, Mr. Taylor concludes that there was nothing particularly "healthy" about this domestic trade balance. In this paper, the gentleman, as being qualified as a worthy competitor of the late President Coolidge as a master of understatement. He points out in this connection — as I am sure it is the handwriting on the wall — that many of the Treasury, consciously or not, had long since been subsidized, and that the cost of it was had upon the taxpayer, the only exception being during the "perilous" the many naive (and some supposedly not so naive) investors appear to have provided the funds to finance the strange foreign economic policies of this country.

**A Factual Analysis**

Of course, there may be some points at which one would want to argue the case with Mr. Taylor, but by and large his presentation is quite a readable and even surprising one. One is not unmindful of the fact that two deadly world wars took place in this period, and that political considerations incident to the problems of war, the old order and the making, remain for some of this record. However, when due allowance is made for all such factors, the truth remains that much weight is left in the Taylor analysis. The country stands behind the report of the fact that he has had the courage to call sharp attention to a continuation even up to the present moment of much of the type of thinking that is responsible for these deplorable results in past decades.

He is eternally right when he points out that at the same time that we are pouring money into Europe and elsewhere, and are finding that, despite it all, the so-called "dollar shortage" is still there, and are more or less reluctant to permit the entry of foreign goods into our markets in amounts sufficient to offset those exports and services we wish to sell. In brief, what we particularly concerned about the amount of money the taxpayer is sending abroad in one form or another, or the likelihood that, given a continuation of conditions as they are at present, even those funds which go abroad as loans will presently prove in the event to be gifts for all practical purposes.

**Heart of the Problem**

We do not see how any one could be required to report that the retail sales are declining, but simply the opposite, in fact more rapid growth than at any time in the last five years. This is only because, almost sacrosanct modes for permitting various producers in this country to avoid the competition which would obtain if natural forces were in full sway and which would necessarily be the end without question result in cheaper and better products both here and abroad. His special remedies are technical, and we do not profess to be in a position to evaluate these, but we have little doubt that they are designed to eliminate, or at the very least, to reduce real evils now rampant. He is also on strong ground in attacking a number of other clauses which interfere with normal international competition in essential materials.

What is needed now to supplement Mr. Taylor's analysis is a similar account of what other countries are doing in these matters, and a plain-spoken naming of the myths, and the various political, economic, and social forces which have been at work. The idea is to enforce the agreement, with the growth of such mistaken policies all round the world. Restrictions and all sorts of inter- empresa or with such forces are omnipresent. Almost everywhere there are influential politicians, usually controlling politicians, who are quite certain that they can substitute their petty wisdom for that of nature and the free enterprise system. They are, in a word, not opposed to progress, and in the past with the Metropolitan St. Louis Co.

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quite ignorant of what they are talking about, that once all business throughout the world is controlled and directed (if not actually owned and operated) by government, the different classes become divorced from each other by the rich picking the masts, and all the rest that goes to make up Utopia, would be immensely easier. Then, so it is said, only a working agreement among nations would be necessary to pass the market. Of course, the market, for there would be pure and simple, but more important for the moment is the fact that nationalism cuts across all this over the world and gives birth to innumerable restrictions at boundary lines.

At home Mr. Taylor and the others in agreement with him will not get very far until the old gag about paper money does not hold. In the past it has been easy to sleep; farmers are made to realize that they should stand on their own feet; labor understands that it must reduce its wages; the government, when competition from abroad would help to make certain; and that what our economy most needs, and what is most needed the world over, is that type of full and free competition which really is the "life of trade."

The Outlook for Interest Rates

(Continued obligations, it has been said, that Treasury's policy to keep the debt burden low is too "soft." Therefore one may assume that the Treasury will not be willing to increase the demand for government securities. This will tend to depress prices. On the other hand, the supply of tax revenues and corporate and industrial funds will increase substantially. Most of these obligations are serial in character and will be bought by large and considerable buyers of those with a maturity of one year or more. This will tend to prevent a decline in short and medium-term rates. On the whole, therefore, the net change in short-term rates is likely to be slight or negative.

The over-the-counter rate, or price, at which government securities and commercial banks on their own account can purchase Treasuries, or any other consideration, is a very large extent depend on the policies of the Reserve authorities. If these authorities make it clear that they are concerned with the stability of the prime rate, the demand for such securities will increase. But in this respect, also, the change is likely to be small.

As a result of the Treasury's policy, therefore, one may draw the conclusion that any changes that may take place in the Federal Reserve System rate will be very minor and of small magnitude. This is based on the assumption that the decline in the prime rate will not be accompanied by a decline in liquidity. In line with this, Treasury officials have demonstrated that the Reserve authorities have fairly well control of the volume of funds handled by their open market operations. But the Federal Reserve Bank of St. Louis, as late as November, stated that "in no circumstances will the Reserve try to control the level of interest rates in the market, as such control is not within its power."

The Outlook for Long-Term Rates

This outlook depends on a number of factors, none of which are in the Reserve's control. The most important of these factors is the rate of return which the public is offered on government securities. If this rate is too high, investors will withdraw the funds from the market. The demand for capital will therefore be reduced, the supply of money will increase, and the opportunity cost of capital will decrease. This, in turn, will lead to an increase in the demand for government securities.

In the long run, the demand for capital will be determined by the rate of return offered on government securities. If this rate is too low, the supply of money will increase, and the opportunity cost of capital will increase. This, in turn, will lead to a decrease in the demand for government securities.

The outlook for interest rates is therefore determined by the rate of return offered on government securities. If this rate is too high, the demand for government securities will increase, and the opportunity cost of capital will decrease. This, in turn, will lead to a decrease in the demand for government securities. If this rate is too low, the supply of money will increase, and the opportunity cost of capital will increase. This, in turn, will lead to an increase in the demand for government securities. The outlook for interest rates is therefore determined by the rate of return offered on government securities.
### Failures (Commercial & Industrial)

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Failures</th>
<th>Total U.S.</th>
<th>Total Kerosene</th>
<th>Total Gasoline</th>
<th>Total Stocks</th>
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<tbody>
<tr>
<td>Oct. 20</td>
<td></td>
<td></td>
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<tr>
<td>Nov. 20</td>
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<td>Dec. 20</td>
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<td>Jan. 21</td>
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<td>Mar. 21</td>
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<td>May 21</td>
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<td>Dec. 21</td>
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### CIVIL ENGINEERING—CONSTRUCTION NEWS

<table>
<thead>
<tr>
<th>Type of Construction</th>
<th>Oct. 20</th>
<th>Nov. 20</th>
<th>Dec. 20</th>
<th>Jan. 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total U.S. construction</td>
<td>$123,849,000</td>
<td>$143,077,000</td>
<td>$18,199,000</td>
<td>$20,508,000</td>
</tr>
<tr>
<td>Residential</td>
<td>$68,875,000</td>
<td>$80,000,000</td>
<td>$10,800,000</td>
<td>$12,500,000</td>
</tr>
<tr>
<td>Nonresidential</td>
<td>$54,974,000</td>
<td>$63,077,000</td>
<td>$10,599,000</td>
<td>$18,008,000</td>
</tr>
</tbody>
</table>

### Coal Output (U.S., Bureau of Mines)

<table>
<thead>
<tr>
<th>Type of Coal</th>
<th>Oct. 20</th>
<th>Nov. 20</th>
<th>Dec. 20</th>
<th>Jan. 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bituminous coal and lignite</td>
<td>2,500,000</td>
<td>2,150,000</td>
<td>8,320,000</td>
<td>12,410,000</td>
</tr>
<tr>
<td>Anthracite</td>
<td>1,000,000</td>
<td>1,090,000</td>
<td>3,420,000</td>
<td>5,206,000</td>
</tr>
</tbody>
</table>

### Electric Power and Light

<table>
<thead>
<tr>
<th>Type of Power</th>
<th>Oct. 20</th>
<th>Nov. 20</th>
<th>Dec. 20</th>
<th>Jan. 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>31,000,000</td>
<td>26,000,000</td>
<td>11,500,000</td>
<td>10,100,000</td>
</tr>
<tr>
<td>Industrial</td>
<td>3,000,000</td>
<td>2,500,000</td>
<td>1,500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Residential</td>
<td>7,500,000</td>
<td>6,000,000</td>
<td>3,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Commercial</td>
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<td>4,000,000</td>
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<tr>
<td>Agricultural</td>
<td>6,000,000</td>
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<tr>
<td>Other</td>
<td>1,000,000</td>
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### Production and Production—Exports

<table>
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<tr>
<th>Commodity</th>
<th>Oct. 20</th>
<th>Nov. 20</th>
<th>Dec. 20</th>
<th>Jan. 21</th>
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<tbody>
<tr>
<td>Copper</td>
<td>32,370,000</td>
<td>28,270,000</td>
<td>24,374,000</td>
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<td>Lead</td>
<td>12,000,000</td>
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<tr>
<td>Zinc</td>
<td>5,100,000</td>
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</tbody>
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### Magnesium Wrought Products

<table>
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<th>Type of Product</th>
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<th>Nov. 20</th>
<th>Dec. 20</th>
<th>Jan. 21</th>
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</thead>
<tbody>
<tr>
<td>Magnesium bars</td>
<td>300,000</td>
<td>250,000</td>
<td>200,000</td>
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<tr>
<td>Magnesium castings</td>
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</table>

### Aluminum Shipment

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<th>Dec. 20</th>
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<tbody>
<tr>
<td>Rolled aluminum</td>
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<td>Extruded aluminum</td>
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### Employment

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### Leading Industries

<table>
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<th>Industry</th>
<th>Oct. 20</th>
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<th>Dec. 20</th>
<th>Jan. 21</th>
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<tr>
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<tr>
<td>Textiles</td>
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<tr>
<td>Chemicals</td>
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<tr>
<td>Transportation</td>
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### Leading Commodities

<table>
<thead>
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<th>Nov. 20</th>
<th>Dec. 20</th>
<th>Jan. 21</th>
</tr>
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<tr>
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<tr>
<td>Transportation</td>
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<td>1,000,000</td>
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</tbody>
</table>
The Current Business Picture

(Continued from page 7)

favored by the producers of the industry. The industry is the largest consumer of sugar, and the price of sugar is just what Detroit dealers are reporting that discounts off list prices to shipmen have continued.

New General Situation Shaped Up

When the present sugar situation shapes up during the next few months, the general situation will be more or less shaped up for the fiscal year of 1925. The sugar industry has been put into a new position with a new program of operation. The sugar industry and prices was quickly underpinned by the influence of several very strong companies and the announcement of the Marshall Plan for the coffee and cocoa industries.

While some immediate problems of the industry are before them, the situation is now more or less shaped up for the fiscal year of 1925. The sugar industry and prices were quickly underpinned by the influence of several very strong companies and the announcement of the Marshall Plan for the coffee and cocoa industries.

The problem of low prices was widely viewed as a definitely encouraging prospect. Notwithstanding the low prices and the competition in the industry, the sugar industry and prices have been held up at a strong level, and there were indications that in large part the increased volume of sales was due to the increased spending units whose incomes had increased. The sugar industry and prices had increased by about 30% in 1924, and the sugar industry and prices had increased by about 20% in 1946. The Federal Reserve Bank buy-back of the market for the sugar industry and prices had increased by about 10% in the sugar industry and prices.

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PULLMAN RESERVATIONS

Pullman reservations for going trips on the special trains and cars should be made through the individuals designated below. These individuals will not, however, be able to handle return Pullman reservations or furnish railroad tickets. Return Pullman reservations should be made at Hollywood. Representatives of the railroads will be at the Hollywood station in charge of the Pullman reservations and will handle such reservations. Railroad tickets should be purchased from local Pullman agents in accordance with the instructions on the following page.

New York Special Train—Pullman reservations for going trips should be made through the New York Transportation Company, of which Norman Smith, of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y., is Chairman.

Drawing rooms, compartments, and bedrooms will be available. Every effort will be made to assign the type of space requested, but when the supply of any given type has been exhausted, it will be necessary to assign the next best type. Compartments will not be assigned for single occupancy unless it develops at the last minute that there will be unscheduled space available.

Chicago Special Train—Reservations for the going trip should be made through Charles R. Perrigo, Horrhold & Weeks, 134 S. LaSalle St., Chicago 3, Ill.

Drawing rooms, compartments, and bedrooms will be available. Every effort will be made to assign the type of space requested, but when the supply of any given type has been exhausted, it will be necessary to assign the next best type. Compartments will not be assigned for single occupancy unless it develops at the last minute that there will be unscheduled space available.

Cleveland Special Car—Going

<table>
<thead>
<tr>
<th>City</th>
<th>Drawing Room</th>
<th>Compartment</th>
<th>Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago</td>
<td>($56.12)</td>
<td>($41.10)</td>
<td>($29.06)</td>
</tr>
<tr>
<td>Pittsburgh</td>
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<td>($29.06)</td>
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<td>Detroit</td>
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<td>($41.10)</td>
<td>($29.06)</td>
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<tr>
<td>Cleveland</td>
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<td>Columbus</td>
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<td>Columbus</td>
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Cleveland Special Car—Returning

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PITTSBURGH SPECIAL CAR—Going

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<th>Bedroom</th>
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<tr>
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</tr>
</tbody>
</table>

RAILROAD TICKETS

Railroad tickets should be purchased from local ticket agents. They will be able to issue free tickets and are the best suited to individual needs.

It is necessary to draw railroad tickets for the special trains and cars to be routed as to conform with the routes set forth in the above schedule; and it is suggested that, in purchasing railroad tickets, this booklet be shown to the ticket agent to whom the request is made, who should be noted in this connection that round trip fares do not ordinarily apply when traveling north to the East Coast Railroad in the usual direction and the Seaboard Railroad in the other. Accordingly, to provide for those traveling to and from the convention, a special tariff will be in effect under the usual round trip arrangement.

Ticket agents will be on notice concerning this special tariff.

ALWAYS ASK FOR THE SPECIAL PULLMAN RAILROAD BILLY, which includes the Federal tax to Hollywood as follows:

<table>
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Federal Reserve Bank of St. Louis
Digitized for FRASER

FRASER Digital Library

Thursday, October 27, 1949

Illinois Pwr. Stock Placed on Market

Offering of 239,601 additional shares of common stock of Illinois Power company was made Oct. 18 for $23,365 per share on a one-for-eighth basis. Termination subscription rights expire at 3 a.m. on Nov. 3. The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, will act as representatives for the underwriters, which will purchase any unsubscribed portion of the shares being sold.

The company's large construction program is designed to effect substantial operating economies by increasing the capacity of its generating plants from the present level of 160,000 kilowatts to 517,000 kw. during the next five years, involving gross expenditures of approximately $80,000,000. Under the terms of the offering, it is expected that the company will be able to provide substantially all of the necessary funds practically without its power requirements compared to the purchase of approximately $50,000,000 of new securities prior to September, 1947.

TOTAL operating revenues for the 12 months ended June 30, 1949, amounted to $39,570,173, of which approximately 81% was from electric sales, and net income $7,793,872.

John T. Wall Dead

John Thomas Wall, treasurer of R. & B. Cor. Co., Inc., Charlotte, N. C., died Oct. 23, Mr. Wall, who was born in Findlay, Ohio, and came to New York City, was also treasurer of the Rudick Corporation, brother of E. F. Rudick, president of the Cuban International Telephone Corporation.

Frank V. Ernst Dead

Frank V. Ernst, executive vice president of Cashier of E. W. Hutton & Co., New York City, died of a heart ailment at the age of 49, after a brief illness.

Raymond Palmer & Assoc.

ALBANY, N. Y.—Raymond D. Palmer, has announced that he has formed with offices at 342 Hackett Boulevard to engage in the stock brokerage business. Mr. Palmer is sole proprietor.

Irving Gaumont Opens

Irving Gaumont is engaging in photography in offices at 39 West 38th Street, New York City.

Now Knapp and Company

CEDAR RAPIDS, IOWA—Russell L. Knapp, manager of Knapp & Company, 308 National Bank Building, Mr. Knapp is a partner in Knapp and Johnson.

F. M. Van Eck in NYC

F. M. Van Eck has opened office at 83 3rd Avenue, New York City, to engage in the securities business.
Underwriter—Allen bidding;* and (par shares o ciuu par; vaiue pieieiieu cents Price—$3,700,000
Underwriter—Israel


Offering—To be offered to underwriters by stockholders. For construction and to pay current indebtedness. Tentatively expected Nov. 1.

15 Associated Telephone Co., Ltd. (11/15) Oct. 18 filed $8,000,000 of Series E mortgage bonds. Each bond will be held by one of the units of one of the preferred and two of the common stock at $102 a unit. Underwriter—Sterling, Grace & Co., New York.

Berry Motors, Inc., Corinth, Miss. Oct. 31, 1960, filed letter of non-convertible ($100 par) preferred stock, 5,000 shares. Underwriter—Graham, Parsons, Ferguson, Memphis, Tenn.


Caman Mining Co., Ltd., Vancouver, B. C. Aug. 29 filed 1,000,000 shares of no par common stock valued at $250,000. The offering will be priced at 25 cents per share; the remainder are registered as "bonus shares." Underwriter—Israel and Co., New York, N. Y.


Consolidated Caribou Silver Mines, Inc. March 30 filed 376,250 shares (par) common stock. An offering of 20,000 shares ($25 par) stock will be sold to the underwriter at $1 per share for investment. Underwriter—Brown, Peabody & Co., New York.

Consolidated Engineering Co., Pasadena, California. Oct. 18 (letter of notification) 100 shares ($1 par) common stock. To be sold at $1 each to Francis L. Vore, Monrovia, Calif. Underwriter—For working capital.

Danielson (Conn.) Manufacturing Co., Inc. Oct. 17 filed 30,000 shares ($1 par) common stock. To be sold by John E. Holt, Hampton, Conn., President; Underwriter—Coburn & Midbrook, Hartford, Conn.

Detroit Edison Co., Detroit (11/9) Oct. 14 filed offer for redemption of 2,000,000 shares of common stock. Offering—To be offered to stockholders of record Nov. 9 at $25 per share on the basis of one new share for each 25 of the original stock. Proceeds—to be used for general corporate purposes.

Diamond Screw & Bolt Corp., Newark, N. J. Oct. 25 (letter of notification) 150,000 shares of common stock (par $1). Price, par. Underwriter, To estab-lish manufacturing plant, working capital, etc.


Gulf Atlantic Transportation Co., Jacksonville, Fla. May 31 filed 650,000 shares of class A participating ($1 par) stock and 770,000 shares (25c par) common stock. Offering—Preferred will be offered to preferred stockholders of record on June 30, 1960, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 133,000 shares of new common stock and 75,000 shares of new preferred stock. Underwriter—Offering price of class A $3.50. Proceeds—To form an operating subsidiary company to pay current obligations, and to provide working capital.


Hawaiian Electric Co., Ltd., Honolulu June 21 filed 150,000 shares of series F cumulative ($20 par) stock, 5,000 shares (par) common stock. Offering—Preferred will be offered to preferred stockholders of record on June 30, 1960, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 133,000 shares of new common stock and 75,000 shares of new preferred stock. Underwriters—Dillon, Read, Co. and Dean Willer & Co. will buy unsubscribed preferred; unsubscribed common stock will be sold at public auction or to the underwriters. Proceeds—to pay off short-term premises notes and to purchase merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.


International Power Co., Dubuque, Iowa (11/1) Oct. 4 filed 100,000 shares of common stock. Underwriters—To be determined under competitive bidding. Probable bidder includes Smith Barney Co.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; Harriman Ripley & Co.; and Underwriters—Construction. Bids—Bids for purchase of the stock will be received by company at Chase National Bank, New York, up to 11:30 a.m. (EST) Nov. 2.

Color Television, Inc., Bloomfield, N. J. Oct. 10 filed 2,000,000 shares of common stock (no par). Bids—$12 per share. No underwriter. Purchase of television receivers, advertising, etc. Office, 290 Bloomfield Avenue, Bloomfield, N. J.

Colorado Oil & Gas Co., Alamosa, Colo. Aug. 30 filed 2,000,000 shares (par) common stock, of which 200,000 will be sold for company and 50,000 shares for N. O. Yeakey, a controlling interest in the company. Underwriter—J. J. Hitchcock & Co., New York. To lease properties, drill wells, and for working capital.


Kentucky Oil & Distributing Corp., Monticello, Ky. Oct. 19 (letter of notification) 116,225 shares (10c par) common stock, 25,000 shares of 4% cumulative preferred stock ($100 par). Common stock will be offered for subscription by stockholders and employees at $1 a share and will not be underwritten. Underwriter—For preferred. To be determined under competitive bidding. Probable bidder: Kidder, Peabody & Co.; Union Securities Corp. and Riggs, F, & Sons, Inc., Washington, D. C.

Keystone Cudahy Co., New York Oct. 21 filed 100,000 shares of common stock. Underwriter—For to be issued for stockholders of record. Sept. 17 in cash or for subscription of three shares of Series K-1; 20,000 shares of Series S-1, all in separate registrations. Underwriter—Only the 100 shares authorized at par. Proceeds—For con-

Electric Company of Boston. Rittenhouse, Pa. Oct. 30, 1960, filed letter of notification 320,000 shares of capital stock (par $25). Price, $45 per share. Stock will be sold, Oct. 1 to stockholders of record Sept. 17 in cash or for subscription of one-for-eight. Rights expire Nov. 1, after which shares not subscribed for will be offered to employees and un-subscribed shares will be offered Nov. 8 to public in area in which company serves. Finance expansion pro-

The Commerce and Public Financial Corporation of New York, Boston, Pittsburgh, Chicago, Philadelphia, San Francisco, Cleveland Private Wires in all offices
Our Reporter's Report

Sale from Transamerica Corp. of approximately half its holdings in stock in longtime rival Con Edison, including a total of about $54,200,000 worth of transmission equipment. Panels were appointed to the greatest interest banking and distribution aggregations in historic Manhattan.roc are several new money with formidable competition in the works.

This $24,500,000 stock, $1,199,554 $10,000 shares at $45.53 a share, was the hallmark of a "quixote" by contrast with several of the corporate bond issues which have been most active.

The first day brought out quite interesting results in the total and it appeared likely that the managing firms would be able to announce completion of the sale within a reasonably short time.

Meanwhile, there were indications that new debt issues were meeting with less impressive reception among investors, chiefly because of the weakness in the market. Increased pressure on the Bond Reserve Board than to those whom they must sell new securities. On the other hand, quite evidently, are not yield 10% and 15% and over yields.

Indiana Pacific Power & Light

Much the same conditions surrounding the $10,000,000 stock of Indiana Pacific Power & Light in the market. This is $7,000,000 stock at a price of 102% or yield better than 2.75.

The successful banking group in this instance paid the issuer a price of $81,552 for a 4 1/2% bond. In this instance, the bidder's price was close with little more than 1/4-point separating the lowest bid, from the best bid, indicating bankers have probably matched on the same lines. But the market was slow and the price of the bonds while this undertaking might not suffer some "doorbell ringing," it would entail little work.

Inventors Up

There is likely to be a move on the part of underwriters and dealers have a bit more in the way of workable bonds on the shelves that has been the case in recent months.

Certainly a check would show that the estimate of $20,000,000 which closed last week would be covering odds and ends left over in the market. Consequently, there would have to be revised upward substantially.

Presumably the current figure would be found more nearly in the hands of bankers and their dealers regard as normal working stocks in the period when business.

Competition for Funds

Figures on insured home mortgages put by the New York State Savings Bankers Assn. on its "cruise convention" on recent experience in the Bahamas, this week gives some idea of competition for investment funds these days.

Franklin D. Richards, Federal Housing Administration Commissioner, pointed out that currently there are 30,000,000 potential borrowers around the country who are in line for loans with 120 of these New York States.

These institutions, he also noted, now hold about 10% of all FHA insured mortgages involving a total amount of approximately $400,000,000.

Big Issue Launched

The Public Service Co. of New York & Gas Electric Corp. to take first public flotation of $41,000,000 of new senior bonds, it is announced through by the publicity of the Public Service Co. to sell the issue.

This is projected as a refunding of old obligations that would replace, at lower cost, a number of old issues. The plan calls for competitive bidding.

The issues to be retired include $20,000,000 of 3½; $8,000,000 of 3½ and $25,500,000 of 3¼, both to be sold to Social Service at 103%.

Probable underwriter: Eastman, Dilnon.

South Carolina Electric & Gas Co.

On Sept. 14, a SEC authorization is issued $70,000,000 in bonds in 1905, 1903 and 1902, $8,000,000 in securities in 1903 and 1902, common stock in 1902, the proceeds of the latter $35,000,000 expansion program in the five years from 1902 to 1903.

The bonds are designed for long-term purposes, obtained from internal sources, including depreciation reserves.

Southern California Edison Co.

On Sept. 14, rumoured that some other public utility will be issued, is SEC authorization for $20,000,000 of $100,000,000 of stock in the company, as a public offering of stock of the company.

The provisions of the SEC authorization are subject to a number of conditions, including the absence of any conflict with the existing laws of the state and the approval of the plan by the company's board of directors.

Steiner Paper Corp.

(12.5)

The Attorney General of the United States of America has threatened a suit to prevent the company from issuing the securities, as a violation of the terms of one of the SEC orders already in effect.

Wisconsin Central Airlines

On Sept. 14, reported company may be able to make some financing for the acquisition of additional equipment, with larger planes. Probable underwriter: Lawless & Co.

With Morgan & Co.

LOS ANGELES, CALIF.—H. W. Smith has been associated with Baker, Simonds & Co., 363 South Spring Street, members of the Los Angeles Bar, previously with Floyd A. Allen 

With Field, Richards & Co.

CLEVELAND, OHIO—John O. Brainard, Jr., with Field, Richards & Co., Union Trust Building, was formerly with H. R. Johnson & Co. in Philadelphia.

With Brainard-Judd & Co.

HARTFORD, CONN.—George M. Miller has been associated with Brainard-Judd & Co., 40 Pearl Street. He was previously with Tabor & Co.

With Colin, Mendenhall

SAN FRANCISCO, CALIF.—Hughes Patterson has been associated with Mendenhall, B. F. Ball & Co., 220 Montgomery Street, previously with C. E. Abbott & Co.
Will Recovery Continue?

(Continued from first page)

new housing starts and in con-
tact orders for new equipment. The significance because they indicate that there will be a large volume of construction in the immediate future.

On September 18 came the de-
valuation of the British pound on par with the dollar. This struck, about ten days later, the steel industry. At that time, two events bow interrupt to re-
covery? And even if the recovery is
in full swing, can it be expected that with a rise of business prices and a rise in the prices of finished products, which could mean an increase of cost. This rise could be a threat to the whole business cycle. The business of the recent recession has been limited by conditions that persist in the world, and these conditions are settled, it can be expected to continue at least for a considerable time. If these conditions have been settled, the business cycle cannot be interrupted and will not the country then experience the real recovery? And if so, how soon? These are questions with which my remarks will deal.

II

Let us consider first the ef-
fect of the devaluation of the pound on the business of the United States. The effect may be summarized by saying that the devaluation will increase slightly the supply of goods in the United States, that it will increase the price of imports, and that the downward pressure on prices will be increased. The effect will be similar for other countries. The reduction in the prices of finished goods will mean a reduction of wages, prices, and rents. If the devaluation does everything that can be expected, it will be good for business and services into the United States. The devaluation will be good for the economies of the other countries. The devaluation will mean an increase of demand, because there will be some rise of pro-
duction. The productivity of the labor force is increasing, the education and the training of the labor force is improving, and the reduction in the prices of finished goods will mean a reduction of wages, prices, and rents. If the devaluation does everything that can be expected, it will be good for business and services into the United States. The devaluation will be good for the economies of the other countries. The devaluation will mean an increase of demand, because there will be some rise of pro-
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be moderately stimulating during the coming year.

The rate of personal saving during the last half of 1949 has
undergone a decided decline. People have
been waiting for price increases in the face of good
income to become lower. At any rate, the proportion
of personal income that went to savings in the third
quarter of 1949 was 11.1 per cent, compared with 12.3
per cent in the second quarter and 14.6 per cent in
the first half of 1949. Hence, personal saving
income has dropped from 8.5 per cent in the
earlier part of the year. The prospect for continued
expenditure seems to be better than had been feared.

The current world situation is one in which
the country will experience the
consumption of its neighbors, who are
inflationary. It contains
institutions which are expected to produce
inflationary influences and
steady inflation. Among these
institutions is the Federal Reserve System,
the collective bargaining. To a
degree, the Federal Reserve
raise wages faster than the
price level of its own power.
Hence collective bargaining will require a slow rise in
the price level. Another institution is the
government. Un-
employment is a very serious problem in
this country.

This fact should be regarded
as too alarming. During the
second half of 1949, the
labor force of the United States in-
creased by 3 per cent, or about 10
million workers. In the same period,
the labor force increased by
about 7 per cent in the United States.

Some very serious problems
of considerable importance in
the history of the country.
Perhaps $30 billion of this increase
might come from further
improvement in the
price level. The price level
may increase by 2 per cent
per year, the
rate of inflation will be
about 60 per cent in its supply
market and the
United States
not be able to
shift to another
market. One of the
immediate prospects in
the United States
will be at peace. The
conditions for the first
year of the war, which could continue for
some years. No one likes the cold
war because every one knows that it might break out into a
shooting war. Furthermore, most Americans wish to be on friendly
terms with the United States and
happier when their relations with other
countries are cordial.

Earnings Statement Available

The Board of Directors has declared the following dividends:
4.5% per share on its Common Stock ($100)
10% per share on its Common Stock ($100)
both dividends payable December 3, 1949 to stockholders of record November 15, 1949.
WASHINGTON, D.C. — That Dr. Nourse will head the President's Council of Economic Advisors is not rated here as a development of first magnitude. Nourse has departed from the balance wheel of the President's official family is, however, considered a minor miracle if the departure of Dr. Nourse does not deliver the council of economic advice to the American public.

It will be a matter of some wonder to economic experts to know what a man of Dr. Nourse's ability and experience will find to do in the Treasury Department. It is generally agreed that the Treasury Department is in serious need of advice on economic matters.

The President's Council of Economic Advisors will be headed by Dr. Nourse, who was formerly director of the Federal Reserve Board. The council will consist of six members, including Dr. Nourse, and will be responsible for advising the President on economic policy.

The council will meet regularly to discuss economic issues and to make recommendations to the President. The council will also be responsible for preparing economic reports for the President and for the public.

The council will be advised by a group of economic experts, who will be appointed by the President. The council will also have the authority to request information from other government agencies.

The council will be responsible for advising the President on economic policy, including the planning of economic programs, the formulation of economic policies, and the implementation of economic programs.

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