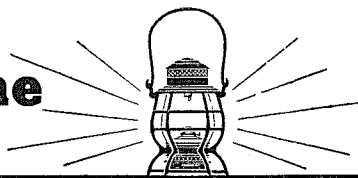


# The Main Line



With apologies to Washington Irving, the picture above might well be captioned, "The Legend of Sleepy Hollow." At any rate, the comfortable-looking lady is ensconced in a "sleepy-hollow" chair.

In this case, however, the "sleepy-hollow" is not a legend. It's real. And it doesn't have to apologize to Washington Irving or anybody else.

## News Photo

Actually, this is virtually a news photo. It's hot out of the camera of a photographer the Budd Company engaged to give us an advance peek at one of the chair cars for our new *Sunset Limited*.

To be perfectly honest, though, one of the reasons the lady looks so comfortable is that she was hired to look that way. The car is real enough but the people aren't. Because the train won't be completed and in service until August, we had to get some models to "round out" appearances. Nevertheless, that picture is a pretty accurate indication of how things will be in the chair cars aboard the new *Sunset Limited*.

But don't take my word for it. Come August, ride it and see for yourself. Of course, the train is only part chair car. For the folks who want privacy, or who want to crawl into bed and sleep, the new *Sunset* will rise to still greater heights.

## All Rooms

Sleeping car accommodations will be all rooms. You'll have a choice of

roomettes, bedrooms, or palatial bedrooms en suite (the most spacious of all Pullman accommodations). All sleeping accommodations for two or more have their own private, fully enclosed washroom. (Bedrooms en suite have *two*.) Each bedroom has a clothes closet with lights that come on automatically when the doors are opened. (We aren't sure, but we suspect that Frigidaire must have subcontracted for this part of the job.)

## Pressure's Off

This probably won't mean much to you as a traveler, but new car deliveries for the *City of San Francisco* have now reached the point where we have one "extra" set of equipment. What it means to us is that we don't have to work quite so frantically to get the train "turned around" and ready to go out again. Now, even if we're unlucky enough to have the *City* come in late, the next departure for Chicago will still be on time. Admittedly not a world-shaking event—but we thought you might like to know.

## New Stuff

We're getting lots of other new cars, too. The *Golden State* is a 100% streamliner now between Los Angeles and Chicago. Right on the heels of the new *Sunset*, the *Cascade* between San Francisco and Portland, and the *Overland* between San Francisco and Chicago will be fully streamlined, too.

Even if there isn't any such word, by the end of the year we'll be the streamlinest railroad you ever saw.

# LETTERS

## Marshall Plan

In a talk on "World Economic Prospects" at the annual meeting of the Caltech Alumni Association in June, 1949, Horace Gilbert, Professor of Business Economics, pointed out what he considered to be the shortcomings of the Marshall Plan.

In the fall of 1949 Prof. Gilbert took a year's leave of absence from the Institute to serve on the staff of the U. S. High Commissioner of Germany, in the Office of Economic Affairs, supervising imports, exports and monetary payments made by the Republic of Germany.

In the following excerpts from a letter written to Dr. DuBridge, Prof. Gilbert takes another look at the Marshall Plan—a year later.

## Dear Lee:

Little did I think when I spoke to the Caltech alumni about a year ago that during the year to follow I would be in the middle of the Marshall Plan program over here. On the whole it has been a good year and I have had a remarkable opportunity to study and participate in the high drama of the economic reconstruction of a great industrial nation.

In this letter I propose to bring up to date the thinking I presented at the alumni meeting. First, some simple reporting.

1. The direct beneficial effects of ECA aid are even more impressive than I expected. I have visited France, Britain, Ireland, Holland, Belgium, Italy, Greece, Switzerland, and I have seen a great deal of all parts of Western Germany. The flood of food, tobacco, petroleum products, and industrial raw materials, especially cotton (these are called soft goods), has produced a condition of well-being that certainly would not otherwise have been possible. I fear that in Italy, Greece, and perhaps France, the level may be higher than any possibility of maintenance when aid is ended.

2. It has been the supply of soft goods, not capital equipment for reconstruction and advanced technology, that has raised the level of physical well being so high in so short a time. The beneficial effects of the investment program in capital equipment will only be known in years to come.

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3. The amount of Marshall Plan money that is going into soft goods as compared with capital equipment, varies widely among countries. In this respect Germany and France present a strong contrast: Germany is using less than 5% of its dollar aid for the latest machines, etc., from the U.S. while France is using about 30%. France is setting itself up with steel and automobile plants incorporating the most modern design.

4. The important consideration is the *total* amount of investment in capital equipment, including that using Marshall Plan funds, that is taking place. In this respect Germany and France are more nearly on a par. Germany has the industrial sophistication with which to produce her own capital equipment, while France and the other continental beneficiaries of Marshall Plan aid have not. The United Kingdom is much like Germany in this respect. In these two countries, U.S. dollars buy food and raw materials for the most part, to supply sustenance for the population and grist for the industrial mill, while an effort is being made to build up the productive capacities of the two economies to the point where they can support satisfactory standards of living. Total investment, including that paid for with Marshall Plan dollars, is going on at a good or excellent rate, in most countries.

5. Up to this point the picture I have painted reflects a satisfactory state of affairs. It is the story that

Paul Hoffman has been telling. It is probably good enough to warrant the appropriation by Congress of \$3,100,000,000 additional to finance the ECA during 1950-51.

Now I come to the second part of my comments. The real test of whether the Marshall Plan is succeeding is still in the future. A year ago, you may remember, I expressed some serious doubts about the prospects. I emphasized especially that Europe needed the U.S. market in which to sell, as much as it needed dollar aid with which to figure out some other way to earn a living. Here are my latest ideas:

**The Situation Today**

1. Little progress has been made toward the attainment of an integrated Western European economy. The explanation is principally the same as that for the U.S. protectionism: the political influence of industrial, agricultural, and labor groups that cannot, or think they cannot, compete under unprotected conditions. These ideas are strong in all kinds of countries: Britain, France, Italy, Germany, Portugal. It is a sorry reflection on democratic processes that minorities are able to hold their positions against the best interests of the clear majorities.

2. A great deal of capital investment, including Marshall Plan dollar aid, has been made in the expectation that integration could be

taken for granted. This reflects soft thinking or undue optimism on the part of some ECA officials in the echelons below Paul Hoffman.

3. Much of the capital investment of Marshall Plan funds has been in France, Italy, Austria, and Belgium, in industries competitive with Germany, Britain, and even the U.S. In this respect the ECA has assisted the interests favoring economic isolationism in these countries. If my forecast is right that these projects will prove high cost, there will be great pressure to protect them from foreign competition. This is exactly the reverse of the outcome the ECA intends.

4. The Schuman Plan for the integration of the French and German steel and coal industries is a fresh approach to the goal of Western European economic integration. It is free of the taint of U.S. dollar compulsion, and it makes use of cartel ideas which are so widely accepted over here. It is not so ideal as the straightforward goal Hoffman has been urging Europe toward, but it holds promise of succeeding where he has failed. It will be an interesting study in the emotional versus rational approaches to the solution of a problem if the Schuman Plan succeeds. I am hopeful.

In brief, then, a year ago I was pessimistic principally because of U.S. protectionism. Now I am pessimistic in addition because of the dismal prospects of Western European economic integration. The Schuman Plan offers some hope.

The eventual outcome might be

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something like this: 1) a little improvement in U.S. imports, thereby permitting Europe to pay its way by that much more; 2) a little improvement in intra-European trade, thereby gaining a part of the advantage of integration; 3) a U.S. agricultural surplus problem which might be relieved by gifts of cotton, wheat, tobacco, and corn products to Europe; and 4) a lowering of the living standard in some countries to a point more near to what can be supported. It is really too bad that better results are not in prospect; but the critical period of postwar adjustment will have been bridged not too badly.

Now, some specific points about Germany.

1. The German productive economy is on an operating basis that corresponds reasonably well with prewar. It is quite remarkable that the huge influx of refugees and expellees has created no more unemployment than exists.

2. Living standards are low, but tolerable. Housing is really bad, but the supply of savings is not adequate to maintain full employment in the construction industry. The number of automobiles is about 1/3 of pre-

war. Incomes are low and prices tend to be high. Business profits quite generally are high, but they are being reinvested in business. The cost of rubble clearance and reconstruction is being charged to current operations.

3. Industry in general is in great need of modernization, both with respect to technical design and manufacturing methods. Under Hitler capital for reinvestment was channeled into munitions production, especially state-owned plants. The know-how is here along design and manufacturing lines, but capital in general is critically short.

4. Germany's industrial prospects in relation to other Western European countries are good. Trade liberalization, however, is desperately needed. In relation to the U.S. the prospects are not good. Bridging the dollar gap by 1952 in a fashion that will permit Germany to become self-supporting with respect to food and some materials is beyond my present expectations.

5. British and French commercial rivalry with Germany is a real obstacle to our ECA program here. About 80% of German industry is

in the British zone: the carrying out of the dismantlement and the reduction of the level of industry there have cowed and embittered the Germans. The attitude of industrialists is not what it should be to parallel ECA efforts in the direction of recovery.

6. Mr. McCloy is doing a fine job at his level. The nurturing of a German government that really represents the people is a most delicate matter. Adenauer's administration does not enjoy wide popular support, but it is probably stronger than another would be. Mr. McCloy has not had time to build up a strong Office of Economic Affairs, and it is in that area that the U.S. is doing a poor job.

I hope very much that you will ask friends of Caltech who are traveling in Europe this summer to drop in to see us.

Our home address is 7 Schoenbergerfeld, Kronberg in Taunus, telephone Kronberg 310.

Horace N. Gilbert

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