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Taft Agrees With Aldrich Views On Bretton Woods

Because of the widespread attention which is being given to the Chicago address of Winthrop W. Aldrich, in which the noted banker severely criticized the Bretton Woods proposals and advocated an alternative program designed to achieve international exchange stability and financial readjustment, the "Chronicle" asked Senator Robert A. Taft, Ohio Republican, for comment. Although a pre-election truce is said to exist on Congressional discussion of the Bretton Woods plans, the Ohio Senator permitted the following quotation:

Robert A. Taft

"I agree with all of Mr. Aldrich's criticisms of the Bretton Woods program for an International Monetary Fund and an International Bank for Reconstruction and Development. I think we shall have to make an entirely new start on this subject." (Mr. Aldrich's address in full text is given in these columns, starting on this page.—Editor.)

Regular Features' Index on page 1272.

Some Aspects Of American Foreign Economic Policy

By WINTHROP W. ALDRICH*

Chairman, Board of Directors
The Chase National Bank of the City of New York

Leading Bank Executive Calls Bretton Woods Agreements Basically Contradictory And Inadequate To Accomplish Their Purposes. As An Alternative, He Proposes The Implementation Of The Solemn Commitments Contained In The Atlantic Charter And Lend-Lease Agreements To Eliminate Trade Barriers And Give Free Access To Raw Materials. Urges U. S. And British Enter Into Conversations To Fix A Parity Between Their Currencies And Recommends That Export-Import Bank Grant Stabilization Loans.

I—Introduction

As the military power of the Axis crumbles, problems of peace rush upon us with compelling speed. They press for solutions and solutions cannot be deferred. In finding these solutions, the United States must play a leading role. Our economic and financial position will not permit us to evade this responsibility, even if we would. Our sources of raw materials, although heavily drawn upon, have not been seriously depleted. Our industrial plant, although now dedicated to the winning of the war, will, once the internal problem of reconversion has been solved, be greater and more efficient than ever before. We have been saved from the devastation which has visited a

W. W. Aldrich

*An address delivered by Mr. Aldrich before the Executives' Club of Chicago, Chicago, Ill., Sept. 15, 1944.

(Continued on page 1262)

Allied Military Currency In Italy

By DONALD L. KEMMERER* and T. EUGENE BEATTIE

Writers Describe Allied Military Currency Issued To American Soldiers In Italy And Although Admitting Its Issue Has Been Fairly Well Handled, They Point Out The Dangers Of Its Over-Issue, The Uncertainties About Its Redemption And The Ease Of Counterfeiting. They Recommend That Money Issued To Soldiers Should Have Same Backing As American Dollars, And Should Have Congressional Approval And Be Counted As Part Of "Money In Circulation."

T. Eugene Beattie

Donald L. Kemmerer

The money received by the American soldier on pay day in Italy is a special kind issued by the army for use in that war theatre. It is in eight denominations of 1, 2, 5, 10, 50, 100, 500 and 1,000 lire and is convertible into American exchange, if the soldier wants to send some of his pay home, at the rate of one cent to the lira. The four smaller

*Dr. Kemmerer is Assistant Professor of Economics, University of Illinois.

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Outlook For Post-War Interest Rates

By DR. IVAN WRIGHT*

Professor of Economics, Brooklyn College

Economist Predicts A Post-War Loss Of Gold By The United States With A Reduction In Excess Bank Reserves Incidental Thereto Causing Banks To Sell Securities And Charge Higher Rates On Loans. Asserts A Period Of Rapid Business Expansion Accompanied By Rising Prices Would Boost Interest Rates Sharply And Therefore Recommends That Savings Banks Hold Surplus Funds In Short Term Investments. Holds Government Cannot Keep Interest Rates Down When Rates Do Not Comply With Economic Conditions.

Interest rates are a function of money reserves. For many years excess reserves have provided an abundance of loanable funds. The low money rates have lasted so long that many people are beginning to accept them as permanent or normal.

Dr. Ivan Wright

Our last experience with high interest or money rates was during the speculative and financial inflation boom of the late 20's. The collapse of this boom brought a liquidation of bank loans and invest-

*An address by Dr. Wright before the Convention of the Savings Banks Association of Massachusetts, Swampscott, Mass., Sept. 20, 1944.

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Keynes At Bretton Woods

By HERBERT M. BRATTER

Correspondent Furnishes Excerpts From Press Conference In Which Lord Keynes, Leading British Delegate, Explains That Bretton Woods Agreement Does Not Restore The Gold Standard, But Creates "A Currency Standard Based On Gold." Keynes Also States That International Fund May Control Capital Movements, And That Britain's Blocked Balances Are A War Debt To Be Met By Exports.—He Also Maintains That International Fund Can Alleviate Disruptions Arising From Scarce Currencies Due To Unbalanced International Trade But Cannot Remedy Them.

At the Bretton Woods monetary and financial conference Lord Keynes made his one and only appearance at a press conference a few days after the delegations had assembled. To minimize the possibilities of the newspaper reporters eliciting statements which might seem to be inconsistent with other statements made on different occasions by spokesmen for the American delegation, this particular press conference was held jointly by Lord Keynes and Dr. Harry White, and so was one of the highlights of the international meeting, so far as the press were concerned.

Lord Keynes

From the voluminous record, this correspondent has excerpted some representative passages, reprinted below. The first question touched on a fundamental point, the relationship of the United Nations monetary fund plan to the gold standard, inasmuch as the American proponents of the Fund, aware of the strength of gold-standard sentiment in the United States, emphasize the Fund's 'stabilization" characteristic whereas to sell the plan at home Lord Keynes has had to describe it as the exact opposite of the gold standard. Naturally, the press conference was not a debating forum. Everything was very dignified and respectful. How well Lord Keynes answered the question the reader may judge for himself.

Press: Lord Keynes, I believe that in 1923, in your book "Monetary Reform", you wrote—I quote: "In truth the gold standard is al-

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STANY Bowling Season Opens October 5th

The bowling season will open for the Security Traders Association of New York on Thursday, Oct. 5, and will continue every Thursday except holidays. Bowlers will meet at the Bowlmor Alleys, 12th Street and University Place, New York City. Arrangements may be made with any one of the Committee.

Arthur Burian, Strauss Bros., Chairman; John Ohlandt, J. Arthur Warner & Co.; Otto Berwald, Berwald & Co.; George Leone, Frank C. Masterson & Co.; William Kumm, Dunne & Co.; Duke Hunter, Hunter & Co.; Jack Manson, Phillips & Wellington.

"Post-War Employment, Flexible Costs And Profits"

In an article published in the "Chronicle" of Aug. 10, 1944, entitled "Post-War Employment, Flexible Costs and Profits," Elisha M. Friedman, Consulting Economist, contended that full employment cannot be maintained at all times under a rigid wage system and presented a series of recommendations designed to make it possible for both capital and labor to achieve their respective objectives. These included the adoption of a flexible wage structure and application of the profit-sharing principle between industry and labor.

Since publication of the article, we have received a considerable number of expressions from individuals in various fields of endeavor setting forth their views with respect to the thesis propounded by Mr. Friedman. Some of these expressions can be accommodated in today's columns and are given herewith; others will appear in a subsequent issue.

S. D. TOWNSEND,
Chairman of the Board, Wilmington Trust Co., Wilmington, Del.

I think that "Post-War Employment, Flexible Costs and Profits" by Elisha M. Friedman, is a very able article.

FRED W. ELLSWORTH,
Vice-President, The Hibernia National Bank in New Orleans

Mr. Friedman's discussion on "Post-War Employment, Flexible Costs and Profits," is indeed an interesting presentation, in which he has refreshingly simplified a complex subject, the keynote of which is in this sentence: "A free economic system cannot be rigid." And this, of course, applies not only to costs, selling prices, and prifts, but to wages, as well — and in no uncertain manner.

JOHN J. ROWE,
President, The Fifth Third Union Trust Co., Cincinnati, Ohio.

I was enormously impressed with Mr. Friedman's article, and feel that it should go on the must column to be read by corporation officers. I wish it could be written in a form for employees to read. It has so much meat packed into several short paragraphs that it occurred to me that you could quote from it in your own editorial column, and suggest that corporations ask for reprints for their junior officials to read.

John J. Rowe

GUSTAVE HENRY GLUCK,
Palisade, N. J.

I have read with great interest Mr. Elisha M. Friedman's article in the Aug. 10 issue of the "Commercial and Financial Chronicle" and his courageous plea for flex-

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Progress In Surplus Property Disposal

By E. L. OLRICH*

Treasury Official States That Every Effort Is Being Made To Dispose Of Merchandise In A Manner And At A Rate That Will Not Undermine The National Economy. Says Aim Is To Sell Through Regular Channels And To Insure Small Store Participation. By Use Of An Excellent Inventory Accounting System, By Evaluating Potential Markets, And By Wide Publicity Of Offerings He Predicts An Orderly Marketing Of Surpluses "In A Way That Will Do The Country And The Business Community Good."

This topic of surplus war property disposal probably interests most of you from two chief points of view. In the first place, you entertain some anxiety that disposal may be carried out in a manner that will do harm to the economy as a whole. As the national economy is hurt so will your individual businesses be adversely affected. In the second place, you are interested in this subject because you believe that there may be an opportunity for you to participate in the marketing of the merchandise which will be sold by my organization, the Office of Surplus Property of the Treasury Procurement Division.

Ernest L. Olrich

My talk today does not deal directly with the probable economic consequences of our disposal activities nor with the profit possibilities which our program may offer to you. I hope, however, that my remarks may enable you to judge for yourself whether we are likely to be a favorable or

*An address made by Mr. Olrich before the Controllers Conference of the National Retail Dry Goods Association, Chicago, Ill., Sept. 14, 1944. Mr. Olrich is President of Munsingwear, Inc., Minneapolis, and now on leave as Assistant to the Secretary, U. S. Treasury Department.

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Dewey To Preserve Collective Bargaining And Labor's Rights

In Address At Seattle, He Lays Blame For War Strikes To Administration, And Claims National Labor Act "Has Been Smothered Under A Welter Of Agencies, Boards, Commissions And Bureaus"—Hits Indispensable Man Theory In Portland Campaign Speech And Says Roosevelt's Record Belies Assumption That He Alone Is Capable Of Guiding Nation Either In Domestic Or International Affairs.

Governor Thomas E. Dewey, Republican candidate for President, on Sept. 18 delivered an address at Seattle, Wash., in which he set forth his proposed policies with reference to labor. The text of Gov. Dewey's remarks follows:

Thomas E. Dewey

Within the past ten days I have renewed what is for every American a great experience. I have come across the broad sweep of this country of ours many times before but each time it is a new and rich experience to talk with the people who are America, to learn their problems face to face.

It is good to come again to the State of Washington and to have once more the thrill of seeing close at hand this vital, pulsating, growing West Coast which symbolizes the magnificent future of the United States. It is good to find the State Administration in the able hands of your constructive and forthright Republican Governor, my good friend Arthur Langlie.

Today, the first thoughts of all of us are on the war—the war in Europe and the war in the Pacific. It seems already clear that this year will see the end of the war in Europe. Then as we have so long wanted to do, we shall be able to throw all of our energies

(Continued on page 1259)

Bill Exempts Issues Up To $300,000 From SEC Registration

Senator Arthur H. Vandenberg (Republican), of Michigan, on Sept. 19, introduced legislation to change the level under registration provisions of the Securities and Exchange Act from $100,000 to $300,000, Associated Press advices from Washington reporting this said:

A. H. Vandenberg

He said his proposal was in the interest of stimulating flow of capital into small enterprises after the war.

The bill was in line with comments of Chairman Ganson Purcell of the SEC made public last week, in which the Chairman said if "it should be deemed by Congress to be sound policy to relax the registration provisions of the Act in an effort to stimulate the flow of capital into small business enterprises, we believe it would be preferable to do so by raising to $300,000 the exemption provided * * * rather than by relaxing the disclosure requirements generally."

SEC Delays Decision On 5% Spread

Oral argument on whether the "5% spread yardstick" constitutes a rule, took place before the Commissioners of the Securities and Exchange Commission at Philadelphia on June 13, 1944.

All briefs on the subject were in by July 5, 1944.

Two and a half months have passed and as yet there is no decision.

Let us test to see whether this interim of time is reasonable or whether it constitutes an inordinate delay.

The issues raised by the Securities Dealers' Committee were numerous, important and complex.

Here they are verbatim, as set forth in their petition:

"The said rule is illegal upon the following grounds, among others:

(a) It was not submitted to the vote of the NASD membership as required by Article VII, Section 1 of the by-laws of said NASD.

(Continued on page 1251)

Gold—A Barbarous Relic

By SANTIAGO FERNANDES*

Brazilian Economist Criticizes Gold Standard And Asserts That If The United States Had Abandoned It In 1933 And Issued "Fiduciary Money," It Would Have Been More Advantageous And Would Have Avoided Budgetary Deficits. Predicts European Nations Will Adopt Managed Currencies And If The Bretton Woods Plans Go Into Effect More Gold Will Flow To The United States To The Exclusive Benefit Of The Gold Producing Countries. Believes This Country Will Discontinue Its Monetary Policy "Which Results In Giving Away Goods And Services And Burying Gold Received In Exchange"

The adjectivation of this title is not ours. It was Lord Keynes, the most prominent economist of our time, who used it in his sarcastic and witty arguments against the gold standard in 1923.

Discussions for and against gold in monetary systems have been frequent and heated, particularly since leading nations suspended the gold standard. With the Bretton Woods Conference, gold again came into the news.

Its role in international finance appears to have been settled by the proposed plans of the International Monetary Conference. But let us consider whether the settlement is likely to be final. What part has gold played in history, particularly during the period since the last World War, in the three great nations, the United States, Great Britain and the Soviet Union? Is gold a barbarous relic destined for eventual abandonment?

I

If all the stocks of gold officially existent in central banks and treasuries of the nations of the world were melted down, they would fill a cube measuring 38 feet on side. The geometric image gives us an idea of the physical quantity of the so-called rare metal which lies idle in underground strongholds supposedly exercising a collateral function in monetary systems. Valued at about 31 billion dollars; weighing around 29 thousand tons, it represents the accumulated production of gold from the most remote epochs until the present day. Sixty-seven per cent of it, 21 billion dollars worth, is stored in the United States in the famous vaults of Fort Knox, Kentucky.

Because of its brilliance, durability and rarity, gold had an exceptional enchantment for men of primitive societies—a fascination which has extended to our time. At first it was used for adornment and decoration but by reason of its prestige and the demand for a limited supply, it also came to be used for the acquisition of goods and services, thus evolving into the most valuable form of money. Ever since, by force of the extraordinary value given to it by human fantasy, the yellow metal has been the arbiter of destiny for peoples and continents. Man has launched himself upon epic adventures and struggles, crossing oceans with but rudimentary means of navigation, exploring and settling new lands, braving danger and death in the hope of discovering gold. The tale of the Argonaut and the Golden Fleece symbolize its fascination. The conquest and development of the American continents are examples of the history-making movements it set going.

As money, gold was coined in small discs of prescribed values and weights. With the development of trade and banking institutions, the use of gold coins as a medium of exchange was largely replaced by paper notes, the issu-

(Continued on page 1266)

*While Mr. Fernandes is a member of the staff of the Banco do Brasil the views expressed in this article are his own and not those of this institution.—Editor.

Social Security And A Dynamic Capitalism

By ERIC A. JOHNSTON*

President, Chamber of Commerce of the United States

Though Defending Social Security As "A Public Necessity In Our Kind Of Economy" And As "A Shock-Absorbing Cushion To Our Dynamic Capitalism," Mr. Johnston Maintains That Complete Economic Stability Can Be Obtained Only At The Price Of Complete Regimentation. Holds It Is Not A Question Whether We Shall Meet Social Security Costs, But How We Shall Meet Them, And He Advocates A More Equitable Division Of The Expense Between Employers And Employees, As Well As State And Local As Opposed To Federal Control.

Social security is a public necessity in our kind of economy. It fulfills a vital need which can be met in no other way.

Eric A. Johnston

To make it fully effective, it must keep step with an ever-changing economy. From time to time it must be extended and improved.

There is one job that business can do. That job is to guide social security into workable channels and keep it on a realistic basis. It will be a constant job, a difficult job.

However important social security may be, it can never be a substitute for productive employment. We must, for the postwar period, emphasize production of useful goods and services more than ever. We must have employment, not unemployment. If we fail to encourage labor, tax and other policies which will promote high levels of output and employment, we may find the social security burdens becoming unbearable.

We must reduce the need for social security benefit payments. At best, social security constitutes only half rations.

Organized society always has provided for its less fortunate members. That is one of the earmarks of civilization. Our own forefathers, following the English pattern, set up poor farms and almshouses. Like them, the people of the United States today want to care for their citizens who are in need.

Our mode of life grows more

(Continued on page 1270)

*An address made by Mr. Johnston before the Executives' Club, Chicago, Ill, September 8, 1944.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Louis E. Corrington** is now connected with **Otis & Co.**, Field Building. In the past Mr. Corrington was with Straus Securities Corp. and A. G. Becker & Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**Morgan P. Hunter** has joined the staff of **Bond & Goodwin, Inc.**, Union Mutual Building.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **George W. Hawkes** has become associated with **Coburn & Middlebrook**, 465 Congress Street. Mr. Hawkes was previously with F. L. Putnam & Co. for many years.

(Special to The Financial Chronicle)

SEATTLE, WASH.—**Donald H. Brazier** is now affiliated with **John R. Lewis, Inc.**, 1006 Second Avenue. Mr. Brazier was formerly connected with Dean Witter & Co.

J. E. Lambick Joins Edward D. Jones Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—John E. Lambick has become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and St. Louis Stock Exchanges and other leading exchanges. Mr. Lambick was for many years with Friedman, Brokaw & Samish and prior thereto was trading manager for Dietz Chamberlain & Co.

Cyrus Lawrence To Admit

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, will admit Paul C. Andersen to partnership on Oct. 1. Mr. Andersen has been associated with the firm for some time.

Bottling Co. Attractive

Hoit, Rose & Troster, 74 Trinity Place, New York City, have prepared a circular discussing the situation in Panama Coca-Cola Bottling Company. Copies of this interesting circular may be had from the firm upon request.

Outstanding New Developments concerning Interstate Aircraft & Engineering Corporation

The importance of management has been fully demonstrated in this engineering company. First the complete conversion to war — then the complete planning for the post-war period. On July 24, 1944, Interstate signed contracts with one of the largest soft drink dispensing machine organizations in the United States for full rights of manufacture.

Further contracts were signed making Interstate the distributor and the sales agency in the States of Washington, Oregon, California, Nevada, Idaho, Montana, Wyoming, Utah, Arizona, New Mexico, Colorado, Nebraska, South Dakota, North Dakota, Kansas, Oklahoma and Texas.

Under this phase of the contracts, Interstate can operate either directly or indirectly as a service company in any or all of the States referred to in the placement and servicing of the machines.

The phenomenal growth of the soft drink dispensing machine is well and favorably known to every one. Machines are seen every day in theatres, clubs, office buildings and manufacturing concerns. War conditions prohibited manufacture, thereby creating a tremendous pent-up demand. A survey indicates that literally thousands of good locations for profitable operation will require capacity operations for a long period.

Profits to Interstate will accrue from both the manufacture of the machines — and — from the installation and operation in certain selected localities.

In the switch-over to war Interstate immediately became a factor in the manufacture of precision actuating units in the aircraft industry. Careful planning developed exceptional volume and even though this company was in the top tax bracket for the fiscal period ending April 30, 1944, the net earnings per share exceeded $5.70 per share. The ratio of profit was under 4½%, which in conjunction with the high tax bracket makes the likelihood of renegotiation unimportant. As of July 31, 1944, the net current assets equalled approximately $11.00 per share and the book value about $13.50.

This excellent financial position builds for the successful reconversion to peace without the worries of the inadequate capital for expansion. In selecting its peacetime venture, Interstate not only picked for manufacture an item having exceptional profit-making possibilities, but one that could be built with a minimum of reconversion problems. The facilities of Interstate are such as to lend themselves to the immediate switch-over with practically no problems of tooling up.

And then too, the financial capitalization of Interstate is confined to only 128,000 shares of common stock, there are no bonds or preferred stock outstanding. This single common stock capitalization builds for unusual earning leverage. Interstate appears destined to become an outstanding factor in the modern method of soft drink dispensing.

Lt. Provosty Elected By Fed. Intermediate Credit Bank

Lt. Olivier O. Provosty, well known in banking circles in the Northeast, has been elected Vice-President and Treasurer of the Federal Intermediate Credit Bank to take the place of George M. Stebbins, who has resigned to enter the field of commercial banking. Lt. Provosty, who is on military leave from the bank, has served as Secretary of the organization since 1934. A graduate of Tulane University in New Orleans, he has seen active service in the Pacific and is now attached to the Naval Air Station at New Orleans, La.

Olivier O. Provosty

The promotion of Lt. Provosty was one of three promotions which became effective Aug. 21. Percy W. Pickard of Northampton was made secretary of the bank to take Lt. Provosty's place, and will also serve as acting Vice-President during his absence. Mr. Pickard is a graduate of Massachusetts State College and served as sales manager for the Bowker Chemical Co. for 10 years. In 1934 he entered the employ of the bank as a credit examiner. In 1942 he was made Assistant Secretary, a position he has held since that time.

Montague W. DeWolfe of Longmeadow, who has been connected with the bank since 1933 and who has served as a junior officer for the past 10 years, has been named Assistant Secretary to take Mr. Pickard's place. Mr. DeWolfe will retain his post as Assistant Treasurer of the bank. A graduate of the Bentley School of Accounting and Finance, Mr. DeWolfe has had many years of experience in the commercial banking field both in the United States and in Canada.

Jenks, Kirkland To Admit Donald Lovejoy

Donald M. Lovejoy, member of the New York Stock Exchange, will be admitted to partnership in Jenks, Kirkland & Co., on Oct. 1. Mr. Lovejoy, formerly a partner in Foster, Brown & Co., will make his headquarters at the firm's New York office at 30 Pine Street.

George Estabrook Brown, who has been resident manager in New York for Jenks, Kirkland & Co., will retire from the firm as of Sept. 30.

Wm. White Trustee Of East River Savs. Bank

The East River Savings Bank announces the election of William White to the Board of Trustees.

William White

Mr. White is President of the Delaware, Lackawanna and Western R. R. Co., and its subsidiary companies. He is also a Director of the Manufacturers and Traders National Bank of Buffalo, New York.

Attractive Situations

Cleveland-Cliffs Iron $5 preferred and Interstate Bakeries $5 preferred offer attractive situations according to circulars just issued by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies may be had from the firm upon request.

Trend Of Rail Earnings

McLaughlin, Baird & Reuss, 1 Wall Street, New York City, have prepared an interesting discussion entitled "Interpretation of Narrowing Trend of Rail Earnings Decline." Copies of this discussion may be had from the firm upon request.

Real Estate Securities

By JOHN WEST

Commercial Rent Ceilings Important To Bondholders

The many thousands of real estate bondholders might do well to take cognizance of the current agitation for a ceiling on commercial building rents in the City of New York.

Name calling of landlords has always had a popular appeal by politicians. After all for each single landlord's vote lost there is always the possibility of securing a hundred tenants' votes.

Many bondholders collectively are now relegated to the position of landlords. Their income is dependent on rentals derived from their properties. The very security of their investment is not only dependent on sufficient income to pay them interest, but also a surplus of income with which to amortize their investment. After all, buildings do depreciate, and unless the investment in them can be amortized over a period of years, the investment will ultimately be lost.

In a radio broadcast this past Sunday, the Mayor of the City of New York placed much emphasis on the fact that some landlords were raising rents and at the same time trying to get a reduction in assessments for the purpose of saving taxes. Later in the article we will illustrate how much of income is required to pay taxes and how through the years this percentage has increased.

Much ado is made about the fact that landlords, in addition to raising commercial rents, are requiring long leases as an inducement for renewals. It is claimed that these long leases will force many firms into bankruptcy if business declines. No fuss was made when tenants insisted on year-to-year leases and insisted on lower rents each time a renewal was made. No fuss was made when these lower rents forced real estate bond issue after bond issue into default and bankruptcy. No cry was made by our politicians at that time to regulate rents.

The history of 61 Broadway and the figures of that building made public by Harry Forsyth, Esq., trustee in bankruptcy of that property, are very interesting. They illustrate the sharp continual decline in rental received per square foot, the decline in occupancy of the property, the inevitable real estate taxes (reduction of which did not keep up with decline in income) and the increasing proportion of rental income necessary to pay taxes.

Record of 61 Broadway

	Rent Rate Per Sq. Foot	Percent Rented	Rent Roll	Real Estate Tax	Assessment	% of Rental Income Required to Pay Real Estate Taxes
1931	$4.454	100	$2,008,936	$307,360	$11,300,000	14.7
1932	4.455	94.46	1,897,744	302,840	11,300,000	13.0
1933	3.619	73.64	1,201,837	255,150	10,500,000	17.3
1934	3.953	65.11	1,160,628	266,560	9,800,000	20.4
1935	3.703	54.08	903,087	266,490	9,450,000	26.6
1936	3.199	65.71	948,000	255,150	9,450,000	27.7
1937	3.027	73.78	1,007,220	260,820	9,450,000	26.5
1938	2.935	76.80	1,016,622	276,884	9,450,000	27.5
1939	2.685	77.83	941,946	278,775	9,450,000	29.7
1940	2.515	73.33	832,423	268,200	9,000,000	33.2
1941	2.545	67.08	771,041	253,820	8,575,000	35.3
1942	2.23	65.72	663,311	255,535	8,075,000	34.3

You will note that rent received per square foot from 1935 to 1939 decreased from $3.703 to $2.685, while assessed value of property remained the same—yet no agitation from the politicians to stabilize rents or reduce taxes.

The result was two bankruptcies of the property, the first in 1935 and the second in 1942. The last bankruptcy resulted in cutting the first mortgage bonds 50%—from $1,000 bond to a $500 bond.

Can you see any justification now to restrict the rents these bondholders may ask for their property?

Oregon-Washington R. & N. Bonds Offered By Kuhn, Loeb & Co.

A banking syndicate, headed by Kuhn, Loeb & Co., on Sept. 18 awarded $54,750,000 refunding mortgage 3% bonds, series A, of the Oregon-Washington Railroad & Navigation Co., on a bid of 102.089%. The bonds guaranteed unconditionally by the Union Pacific RR., are being reoffered to the public at 102⅞% and accrued interest. They will be dated Oct. 1, 1944, and mature on Oct. 1, 1960.

The company will also issue and sell to the Union Pacific, simultaneously with the sale of the series A bonds, $17,440,000 principal amount of refunding mortgage bonds, series B, at the same price bid by the bankers for the series A bonds.

Proceeds from the sale of both series, together with other funds, will be used to redeem on Jan. 1, 1945, approximately $54,750,000 first and refunding mortgage bonds due Jan. 1, 1961, outstanding in the hands of the public, and $17,444,000 owned by Union Pacific.

The bonds are redeemable at the option of the company as a whole on any date or in part on any interest payment date on 40 days' published notice, at the principal amount plus a premium of 5% for redemptions made on or before Oct. 1, 1945, and on a sliding scale downward to a premium of ¼% for redemptions made on or before Oct. 1, 1958. The bonds are also redeemable for the sinking fund on any semi-annual interest date. Sinking fund redemption premiums will be one-half the regular redemption premiums.

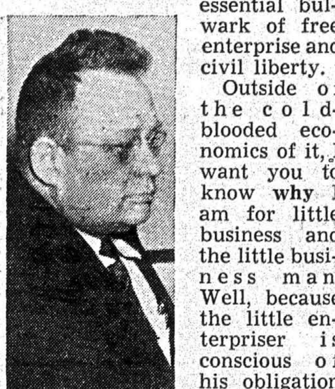
The Place Of Small Business In A Democratic Society

By MAURY MAVERICK*

Chairman, Smaller War Plants Corporation

Government Small Business Agency Chief Denies That Little Business Has Been Coddled Or That Aim Is To Eliminate Big Business. Holds Government Controls Essential In Post-War Period To Protect Small Business And Presents A Ten Point Program For Reconversion, Of Which Adequate Financial Opportunity And Tax Exemptions For Small Business Are A Part. Recommends A System Of Technical Assistance And A Method To Make New Products Available To Small Business.

It is quite elementary—but important—to say two things. One, small business is a great economic force in America. Two, it is an essential bulwark of free enterprise and civil liberty.



Maury Maverick

Outside of the cold-blooded economics of it, I want you to know **why** I am for little business and the little business man. Well, because the little enterpriser is conscious of his obligation to the life and welfare of his home town. Because he builds, puts money in the home town bank, and talks pretty much as he pleases. Because he knows his business will be better if the community grows, if its schools, churches, parks, and charitable organizations are active and well supported.

Townsmen point with pride to the independent business establishments within their community. Their children get their first concept of how the economic wheels of America go 'round from the enterprises in their home town. These young people resolve to make their own mark—to be independent, whether in a trade or a profession.

The very nearly 3,000,000 small businesses of our country represent the foundation of local and state taxation. The taxes they pay support the schools, along with the local and county governments throughout the nation.

Independent business, big or little, means expansion. New business in the main is small business. The giant industries of today began as small enterprises. However, when a concern becomes huge and strongly established, it often tends to become conservative, or static. Thus in a healthy economy there must always be little businesses. The real competitive urge to try something completely new and different comes from the man with a reputation to build. He must outproduce the older concern; he must do a better job if he is to capture his share of the market.

The significance of small business in terms of civil liberty is probably its most important feature. The best example of loss of freedom is indicated by what happened in Germany during the period the Nazis rose to power. From 1932 on, cartels and monopolies were encouraged more than ever and became prevalent. Small business was eliminated. Then the Nazi leaders clamped more regulations on the giants, saying it was necessary for national safety. Soon only "Ayrans" were allowed to work in the government or government-dominated concerns; rights of racial, religious, or economic minorities were wiped out.

Labor organizations disappeared. Then the Nazis took over the bigs, at which time economic freedom was gone for the bigs as well as the littles. Economic freedom was **gone**, period.

Any schoolboy knows that economic liberty and human freedom march side by side, or neither marches at all. Therefore, if we want to preserve true freedom, we must preserve unlimited opportunity for small business and free enterprise.

Recently I have seen articles and have read statements urging that business "be let alone." They say: "Let's keep politics out of business and industry." Another says business will take care of the business man who takes care of his business. What does this really mean? There seems to be an implication that when war is over, we should do away with all laws relating to business and let some magic Dame Fortune wave a wand and bring back Prosperity by a miracle or something.

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*An address by Mr. Maverick before the Research Institute of America, Waldorf-Astoria Hotel, New York City, September 14, 1944.

Tomorrow's Markets Walter Whyte Says—

Lack of market to confirm Sept. 7 lows indicates nearby rally. Bearishness unjustified by technical market performance.

By WALTER WHYTE

Just as last week's column went to press the market again became wobbly and threatened to emulate its action of Sept. 7. But, unlike its predecessor, the current downswing of market prices didn't bring out the confused selling that characterized the first breakdown.

* * *

On the surface, this failure, if it can be called that, is without particular significance. The obvious answer is that the sellers had accomplished their liquidation and were standing pat. But to take that as the basic reason would be to disregard all technical fundamentals. First of all, most of the selling on the first drive, during the latter portion of it, anyway, came from outsiders, or the board-room crowd. I grant the possibility that such selling may be well informed. At best, however, that is a possibility and not a probability. The large mass of public in the market is seldom guided in its buying and selling by motives other than those of hope and fear. Erudite analyses purporting to show fundamental value are seldom the basis for public participation. In fact, these analyses are quoted only when a particular stock is hit.

* * *

Reading newspapers quoting people in authority offers very little to fire the imagination of either the holder or the potential buyer of stocks. Reams and reams of newsprint have been devoted to the difficulties facing industries once post-war conversion hits them in the eye. The removal of a war stimulus of anywhere from $7 billion to $8 billion is cited as a sobering fact that makes for pessimism. Yet, this fact, if it is a fact, has already been weighed by the market. For long before columnists or market analysts begin "viewing with alarm" it is axiomatic that somewhere, somebody has evaluated the possibilities and has acted accordingly.

* * *

No, the answer to "what of the market" is not to be found in the study of conversion figures, post-war hopes or academic surveys. It is to be found right in the market itself.

* * *

On Sept. 7 the familiar industrials made a low of 142.53; the rails, 38.75. On the secondary reaction the industrials went to 142.65; rails, 38.58. The latter lows were made on Sept. 14.

* * *

On the rallies, following each break, figures reached (on the first rally) were 145.09 and 39.61. On the next upward move the averages advanced to 144.58 and 39.28, respectively. A casual glance at these figures shows little. But a second look will disclose that during the Sept. 14 reaction the industrials did not go under the lows of Sept. 7. According to Dow, and his best known exponent, Peter Hamilton, ". . . when one average breaks through an old level without the other . . . the inference is almost invariably deceptive." That bearishness returned with the secondary reaction (assuming that it had been dissipated) is taken for granted. Yet, according to the classical theory there was no basis in market action for this bearishness. On the contrary, cautious bullishness should have replaced it.

Practical market applica-

(Continued on page 1265)

Railroad Securities

For some time past there has been considerable difference of opinion among rail men as to the probable effect upon the market for rail securities of the end of the European war. One school of thought has visualized a sharp decline in traffic accompanying the cutback in war production, and lasting perhaps a year or more. Railroads traditionally have been relatively slow to bring their expenses into line with the reduced level of traffic, when the decline in traffic is sharp and sudden. A period of unduly low earnings is therefore expected by this group, which further has contended that speculative enthusiasm can not be supported under such prospective earnings conditions. This is particularly true of lower grade bonds which have reaped the greatest benefits, at least marketwise, from the war boom. Followers of this trend of thought, even though extremely bullish over the longer term outlook when reconversion has been completed and a normal economy reattained, have been highly suspicious of the interim trend of the market.

On the other side of the fence there have been the exponents of the theory that rail earnings would be well sustained throughout the reconversion period. If this is so, and if the outlook for civilian production after completion of reconversion remains favorable, it is claimed that there is no background for any prolonged decline in prices for railroad securities. Arguments in favor of a continuation of good earnings are many and varied. It is pointed out that inasmuch as virtually all of the railroads are in the excess profits tax bracket the impact of at least any initial decline in gross will have little influence on net after taxes. Continued lend-lease shipments are expected to support traffic to a considerable degree. The opportunity to release obsolete and expensive equipment from service, and a decline in overtime payments, are expected to facilitate the reduction of costs more rapidly to a reduced level of traffic.

The arguments can go on endlessly but only time will tell which school of thought is correct. So far, however, those looking for lower prices have had all the best of it so far as actual market performance is concerned. The action of railroad securities as a whole has been far from inspiring, except for special situations and better grade bonds. As measured by the Dow-Jones averages defaulted bonds have recently been selling closer to their 1944 low than the year's high. Second grade bonds have, on the average, done somewhat better—the recent price was approximately five points below the high and some eleven points above the 1944 low. This section has been supported to some extent by the favorable action of individual issues which have been affected by specific developments such as system refunding operations or prospects, and company purchases in the open market.

Considering that there have been no sustained significant market breaks and that at no time has really heavy selling developed, declines in prices for individual issues have been quite substantial. The gradual nature of the recession has apparently obscured in many quarters the fact that at least a moderate bear market has been with us for some time, and that where bonds of questionable investment caliber are held for income the income potential for two or more years can quite readily be offset by principal depreciation in a short period.

In such an orderly decline as we have been experiencing it is difficult at times to realize that such interest paying bonds as Southern Pacific Debentures, New York Central junior mortgages, Northern Pacific junior mortgages (except the 6s which have been fairly heavily bought by the company), etc., have fallen off eleven or twelve points from their 1944 peaks. In the defaulted section Frisco and Rock Island liens have declined eight or nine points and the St. Paul's nine to 13 points despite favorable reorganization progress and without even making any interest payments. Missouri Pacific system obligations are down ten points or more and New Havens as much as thirteen, although in these two instances the declines were compensated for in part by cash payments on account of past due interest. If this trend continues even those railroad analysts with a gloomy outlook may begin to feel that the prospects have been adequately discounted.

Public National Attractive

Stock of the Public National Bank & Trust Co. of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Situations Of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana Limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

Public Utility Securities

Effects On Utility Earnings If Excess Profits Taxes Are Decreased

Beardsley Ruml, Treasurer of Macy's and Chairman of the Federal Reserve Bank of New York, recently proposed that corporation taxes should be eliminated altogether, except for a 5% franchise tax and a 16% tax on undistributed earnings—and the proposal was echoed by Leon Henderson, former OPA head. However, the war with Japan is expected to continue for some time after the end of the European war and it is unlikely that Congress will "go all the way" when a German armistice is signed. It seems more likely that the excess profits tax, which now amounts to 95% less a 10% postwar credit, will be substantially reduced—possibly cut in half. Even if it were discarded altogether, the income on which it is paid would automatically become subject (under the present law) to the 40% normal and surtax payments; hence the result would be only slightly more favorable than halving the E. P. T.

Utility companies have borne such a heavy burden of taxes as compared with other industries (largely for technical reasons rather than congressional intent) that they should be among the principal beneficiaries of any such tax reduction. Of course, on the other hand, gross revenues are expected to decline; but the huge amount of power sold to war industries has not been very profitable and its loss may be offset, in the course of a year or so, by more profitable residential business.

Federal tax calculations are among the most intricate which the security analyst is called on to attempt. Also many utilities do not segregate total taxes, or do not show income and excess profits taxes separately (the Electric Bond and Share sub-holding companies, for example). Where figures are available, it is not always clear whether the postwar tax credit has been deducted or not. Then, of course, there is a mixture of tax rates due to the fact that interim statements include parts of two calendar years. The accompanying table, therefore, reflects merely a rule-of-thumb attempt to adjust recent share earnings for cancellation of half the excess profits taxes. The adjusted share earnings are then related to the recent price, obtaining a revised price-earnings ratio. The figures for Standard Gas & Electric, Niagara Hudson Power and Columbia Gas are not perhaps of much value for comparative purposes because of pending reorganization plans; and in lesser degree this may be true for most of the other holding companies here listed.

There are, of course, some companies (omitted from our table) which do not pay any E. P. T. A conspicuous instance is Consolidated Edison, which expected a year ago to have to pay some E. P. T. this year, but has staved it off thus far.

Holding Company Systems (Consol.):	12 Months Period	Half of EPT per Share	Recent Share Earnings	Adj. Earn. per Share	Recent Price About	Ratio price to Adjusted Earn.
American Gas & Electric	July	$1.35	$2.27	$3.62	31	8.6
*Columbia Gas & Electric	June	.64	.42	1.06	4½	4.3
Engineers Public Service	July	2.11	1.99	4.10	14½	3.5
Federal Light & Traction	June	.94	1.62	2.56	16	6.3
Middle West Corp.	Dec.	.70	1.21	1.91	11	5.8
*Niagara Hudson Power	June	.28	.29	.57	3	5.3
North American Co.	June	.53	1.85	2.38	18	7.6
Public Serv. Corp. of N. J.	Dec.	.88	1.10	1.98	16½	8.4
*Standard Gas & Elec., $7 pr. pfd.	June	7.75	12.70	20.45	67	3.3
Operating Companies (Elec.-Gas):						
Central Ill. E. & G.	June	1.00	1.88	2.88	19	6.6
Commonwealth Edison	June	.20	1.78	1.98	28	14.2
Connecticut Light & Power	July	.62	2.59	3.21	44	13.7
Delaware P. & L.	June	.45	1.07	1.52	15½	10.2
Detroit Edison	July	.95	1.34	2.29	20	8.8
Indianapolis P. & L.	June	1.97	1.84	3.81	18½	4.9
Philadelphia Electric	June	.33	1.35	1.68	19½	11.6
Public Service of Indiana	June	1.38	1.94	3.32	18	5.4
†Empire District Electric	May	.54	1.56	2.10	14⅞	7.1
Community Public Service	June	.63	2.84	3.47	21	6.1
Newport Electric	June	.57	2.07	2.64	23½	8.9
Missouri Utilities	June	.45	1.33	1.78	13	7.3
Gas Companies:						
†Oklahoma Natural Gas	July	2.11	2.82	4.93	26	5.3
Peoples Gas L. & C.	June	4.67	4.87	9.54	63	6.6
Southern Natural Gas	June	.10	1.77	1.87	15¾	8.4

*Reorganization plan pending. †Pro-forma figures based on recent financing.

Ayres Sees Difficulties Ahead In Reconversion

Holds Rapid Military Advances Make Plans For Gradual Reconversion Of Industry To Civilian Production Begin To Look Sadly Theoretical.

In the Sept. 15 issue of the Cleveland Trust Company's "Business Bulletin," Brig. Gen. Leonard P. Ayres, Vice-President of that institution predicts that because of the "dazzling rapidity" with which the war is being fought in Europe, the plans proposed for gradual reconversion from war to civilian production does not fit in with "The kind of warfare General Eisenhower is waging."

Leonard P. Ayres

"Now that our armies are fighting on German soil," states the "Business Bulletin," "the plans for gradual reconversion of industry to civilian production begin to look sadly theoretical. Gradual reconversion, gradual release of war controls, and gradual increases in civilian production would fit in nicely with a gradually fought war, but that is not the kind of warfare that General Eisenhower is waging in Europe. During the past month great developments have followed one another with continuous and dazzling rapidity, and there is every likelihood that they will continue to do so right up to the final climax.

"Executives in most large industrial corporations have been reexamining their own postwar plans in recent weeks, and in many instances these reviews have increased their worries. The plain fact is that for most industries now engaged in producing munitions the conversion back to civilian production is going to be a good deal more difficult than was the conversion from making peacetime goods to making war goods. It is much simpler to have one wealthy customer who knows exactly what he wants than it is to compete for the patronage of large numbers of customers having widely diversified views of their wants.

"During the months of 1944 we have had in this country fewer business insolvencies than in any previous period of similar length in our history. The demand for goods and services has been so great and so general that it has become almost impossible for businesses to fail. We had a somewhat similar period of business immunity from failures during the first World War, and in the months of price inflation immediately following it. At that time the number of failures was extraordinarily low, but now there are still fewer of them.

"Before long we shall be hearing much discussion of cut-backs and terminations of war contracts. Each termination will cause some unemployment, at least temporarily. Most cut-backs will not immediately cause unemployment because the manufacturer whose contracts are reduced in amount will keep his employees at work, and even increase their number if he can, in the attempt to complete his war orders just as fast as possible. Probably there will be in most of our industrial areas numerous islands of unemployment surrounded by still prevailing labor shortages. In the transition period the islands will become more numerous.

Industrial Production

"Outputs of factories and mines have been declining in volume since last October according to the index of the physical volume of industrial production compiled by this bank. In October the combined production was 40.8% above the computed normal level. By June it had declined to 34.8% above normal, and preliminary figures for July show a further decline to 32.7% above. These figures may be used to bring up to date any of the long diagrams of business activity published by this bank.

"Total industrial production in the first year following the last war was only about 3% less than it was in the final year of war. It seems improbable that we shall be able to sustain the volume of production equally well this time in the first 12 months following the defeat of Germany. Our industry has been much more fully converted to war production this time than it was in the last war, and we have taken into factory work so much larger a proportion of our population that it seems inevitable that large numbers of them must turn to other sorts of occupations.

"During the past year there has been a shrinkage of more than one million in the number of wage earners employed in manufacturing industries. This shrinkage has been almost equally divided between those workers producing durable goods and those making nondurable goods. Within these broad subdivisions the shrinkages have not been notably concentrated in a few classes of industries. They have been widely distributed. Probably this indicates that the decreases in the numbers of workers in manufacturing have in large measure been caused by the taking of many men into the armed services, and the difficulty of replacing them with other workers."

Halsey, Stuart Offering Two Equipment Issues

Halsey, Stuart & Co., Inc., were the successful bidders Sept. 14 for two issues of railroad certificates of indebtedness aggregating $7,680,000. The sales were marked by unusually close bidding on the part of several investment firms and commercial banks.

For an issue of $5,180,000 Chicago & North Western Ry. the bankers and associates bid 99.229 for a 1¾% coupon, with maturities running one to ten years. The same group submitted an alternative bid of 100.183 for an equal amount of certificates carrying a 2¼% coupon and running one to 15 years. On reoffering by the winning group the certificates were scaled from 0.90% for obligations maturing in 1945 to 2.10% for obligations maturing in 1954. Associated with Halsey, Stuart & Co. Inc. on the reoffering were Otis & Co.; L. F. Rothschild & Co.; First of Michigan Corp.; Gregory & Son, Inc.; Schwabacher & Co.; First Cleveland Corp.; Hirsch, Lilienthal & Co.; Singer, Deane & Scribner; F. S. Yantis & Co., Inc.; Bioren & Co.; Hill & Co.; Mason, Moran & Co.; Wm. J. Mericka & Co.; Mullaney, Ross & Co., and Alfred O'Gara & Co.

Halsey, Stuart & Co., Inc., received also the award of an issue of $2,500,000 Chesapeake & Ohio equipments, maturing from 1945 to 1954, on a bid of 99.75 for a 1¾% interest rate. These certificates were reoffered at prices to yield from 0.85 to 1.925%, according to maturity. Other members of the offering group included Hornblower & Weeks; Otis & Co., Inc.; L. F. Rothschild & Co.; Bioren & Co.; Gregory & Son, Inc.; Moore, Leonard & Lynch; Peters, Writer & Christensen, Inc.; Schwabacher & Co.; Singer, Deane & Scribner; Stein Brothers & Boyce; the First Cleveland Corp.; Hill & Co.; Mason, Moran & Co.; William J. Mericka & Co., Inc.; Mullaney, Ross & Co.; F. S. Yantis & Co., Inc., and Alfred O'Gara & Co.

Allen & Co. Opening Jersey City Office

Allen & Co. are opening an office at 15 Exchange Place, Jersey City, N. J. Murray R. Lavin, who has been associated with the New York office of the firm for the past eighteen years, will be in charge.

Forming Greenberger & Co.

Greenberger & Co., New York Stock Exchange member firm, will be formed as of Oct. 1 by Eugene Greenberger, Exchange member, general partner, and Julius Garfield and George Garfield, limited partners. Offices will be at 120 Broadway, New York City. Mr. Greenberger has been active as an individual floor broker.

Arnold Bernhard & Co. In New Quarters

Arnold Bernhard & Co., investment advisers, and publishers of the Value Line Investment Survey, announce the removal of their offices to larger quarters on the 24th floor of 350 Madison Ave., New York City. New telephone number is VAnderbilt 6-3965.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

Investment Trusts

Roger W. Babson Advises Against Switches

BABSON PARK, MASS. Investment trusts are useful for small investors. After one buys a home and some life insurance and has a small savings account, I now advise him to divide the balance between War Bonds (Series "E") and some good investment trust stocks. When one has his first $500 to put into securities, it is very necessary to get diversification. It is considerable of a bother to divide $500 up among ten stocks; but one can get the same results by putting $500 into a good investment trust stock.

Roger W. Babson

Advantages

Investment trust stocks, like everything else in this world, have their advantages and their disadvantages. In addition to their advantage of diversification already outlined, there is the advantage of supervision. Every investment trust has a manager who takes considerable pride in securing for his trust the highest possible rate of interest combined with fair safety. I like those without any preferreds or bond issues so that you will have a first lien on the assets. Although these managers make mistakes at times, yet you should be much better off in having your holdings watched in this way. Otherwise, you should employ a personal investment advisor. Stocks and bonds cannot be put away in a safe deposit box and forgotten any more than can eggs, fruit, or even clothing. Remember what the Bible says about "where moth and rust doth corrupt and thieves break through and steal."

The SEC Is Helpful

Many bankers and corporation officials like to throw mud at the Securities and Exchange Commission who at times are very slow and provoking. On the other hand, I am certain that they are honest and that their intentions are of the best. Their difficulty is that they are "biting off more than they can chew" and are perhaps suffering from a bad case of indigestion. The cure for this is for them to trust more details to the judgment of those needing their approvals.

The Securities and Exchange Commission is certainly doing much for investors in connection with investment trusts. Some years ago some of the investment trusts did very wicked things. Insiders loaded them up with securities which they knew were no good, and purchased from them for themselves securities which they felt were valuable and would go up in price Of course, this was very wrong but it has all been stopped by the Securities and Exchange Commission. Investment trusts are now watched almost as carefully as are State banks.

Loading Charges

In order to get this diversification and management, investors must pay a "loading charge." The sponsors of an investment trust—or the "manufacturers" so-called—usually take a commission of 1/4 of 1% plus the cost of supervision. They, in turn, usually allow 2% to the wholesalers plus 5% to the retailers from whom you buy the investment trust stock. This means that there usually is a loading charge of about 7 1/2%, equivalent to about $75 per $1,000, which is included in the price of the stock.

If you will be content to buy the stock and hold it, this loading charge is not unreasonable; but if you—say once a year—switch into some other investment trust then you will be paying this loading charge unconsciously every year and it finally could eat up all of your investment.

Avoid Switches

As soon as a person buys an investment trust stock and it goes up in price, or some other stock goes down, the salesman will come around and want you to switch in order for him to get another commission. There are a hundred different good investment trusts and these salesmen watch them all with the eye of a hawk. If they find one that yields a trifle more or shows a little more rapid appreciation, they may advise you to sell what you have and switch into this other investment trust stock. They fail to tell you that the slight increase in yield or appreciation may be but temporary. ALSO THAT WHAT THEY SWITCH YOU INTO HAS PROBABLY GONE UP AS MUCH OR MORE THAN WHAT THEY WANT YOU TO SELL.

Halsey, Stuart Offers $30,000,000 Brooklyn Union Gas Bonds

Halsey, Stuart & Co., Inc., headed a large group of investment bankers that publicly offered Sept. 20 $30,000,000 Brooklyn Union Gas Co. general mortgage sinking fund bonds 3 1/2% series due 1969 at 102 1/2. The company plans to refinance its entire outstanding funded debt by the issuance and sale of the bonds and $12,000,000 of debentures which are being offered by a syndicate headed by Harriman Ripley & Co., Inc.

Net proceeds from the sale of the new securities, together with general funds of the company, will be applied and deposited as follows: $14,000,000, plus interest to May 1, 1945, to provide for the payment at maturity on that date of the first consolidated mortgage 5% bonds; $6,000,000 in U. S. Treasury notes to provide funds for the payment at maturity of $6,000,000 principal amount of first lien and refunding mortgage bonds, series A, 6%, due May 1, 1947; $10,000,000, plus a premium of $300,000 and interest, for the redemption on Nov. 1, 1944 of the first lien and refunding mortgage bonds, series B, 5%, due May 1, 1957; and $18,000,000, plus a premium of $360,000 and interest, for the redemption on or before Nov. 1, 1944, of the 20-year 5% debentures.

The funded debt and capital stock of the company outstanding after completion of the proposed financing, will consist of the bonds, $12,000,000 of sinking fund debentures, and 745,364 shares of no par common stock.

Operating revenues for the year ended June 30, 1944, unaudited, were $25,843,449, and gross income before interest and other deductions, was $4,423,813. Corresponding audited figures for the year ended Dec. 31, 1943, were $25,510,328, and $4,375,172; and for 1942, $24,948,753 and $3,975,084.

The Brooklyn Union Gas Co. serves 30 of the 32 wards in Brooklyn, and two of the five wards in Queens, in New York City. It serves a territory with an area of about 105 square miles, and a total estimated population of 2,800,000. For 1943, approximately 79% of its operating revenues were derived from residential customers. The company's manufacturing facilities have an aggregate estimated daily capacity of 110,000,000 cubic feet for units in active service and 14,000,000 cubic feet for units maintained principally for standby purposes. Purchases of refinery gas, based on figures for the past five years, have the effect of increasing the company's total estimated daily capacity by 10,000,000 to 12,000,000 cubic feet.

The Securities Salesman's Corner

By JOHN DUTTON

Nearly Every Salesman Has Made This Mistake

Sometimes you can like a security TOO MUCH! There comes a time when even the best of securities should be sold. There is a time when accounts should liquidate even the most attractive situations—general economic conditions at times demand it. Then there are securities that have an attractive outlook one year and, due to extraneous or other unavoidable circumstances which make their appearance a few years later, should also be sold.

No firm should neglect to notify its customers when these conditions arise, wherein prudent investment procedure indicates that securities should be sold. Most progressive retail organizations keep a running checkup constantly behind every security they have recommended and sold to their clients—this is the way to keep clients and build a business.

However, their clients at times have to be unsold on a security which **the salesman sold so well** when the original offering was made and it then becomes a difficult procedure to do this. Sometimes the salesman has done such a thorough job of selling the client on the merits of a particular situation that it is impossible to persuade the customer to sell regardless of all the evidence that can be placed before him which should prompt him to take such action. This condition can be avoided if the salesman himself takes the time and trouble to do a little missionary work himself. His clients should be informed that the policies of his firm are such that they will be advised regarding the status of their investments AFTER THEY HAVE BOUGHT THEM. This is nothing more than an opportunity to sell a service and do a bit of intelligent educational work regarding sound investment procedure that every salesman can accomplish day after day as he makes his regular calls on his customers and prospects.

There are times when securities should be sold at a loss—better a small loss than a large one. It would be a great world if every security you sell your clients over a period of years should make profits for them—but this is an impossible accomplishment. The best results that any security dealer can procure for his clients is to do better for them than the average investors can do for themselves. This is the proper approach in soliciting retail accounts. If you don't promise the impossible you'll never be placed in the unfortunate position of fulfilling the impossible.

So it all boils down to selling a service—sell sincere intentions—sell the desire to help and assist the investor in doing a good job for himself. Don't be afraid to go back and face a client if a security you have sold begins to look sour. Lay the facts on the table—be frank about it—show that customer that you and your firm have his interest foremost in mind by facing the facts. He'll appreciate it more if you do this when it is right and necessary to do so. If you don't call the turn when a security begins to go sour you'll find that it will be much more difficult to do so after it has curdled.

And don't oversell anything—no matter how much you like it—it isn't necessary to marry people to securities to get them to buy them in the first instance. There may be a time when a divorce is too difficult to procure.

Canadian Manufacturing Lower In Aug. States S. M. Wedd of Canadian Bank of Commerce

"A general decline, affecting most branches of manufacturing is recorded by our index of industrial activity, which fell from 224 at mid-July to 221 at mid-August (1937=100), while the percentage of factory capacity utilized fell from 125 to 123. The food and clothing groups were both slightly lower; many textile mills, among others, were closed altogether for a period to allow all employees to take their summer vacation at one time. The wood products and pulp and paper groups were again more active, although less so than a year ago. The automotive and steel groups receded, heavy industries recording a net decline for the first time this year. The non-ferrous metal trades also were less active.

"Our wage payroll index fell from 222 (revised) in June to 212 in July, compared with 226 in July, 1943 (1937=100). The decline extended to almost all major branches of industrial employment. Part of this was due to the pre-payment in the previous month of wages to cover holidays taken in July, but it is obvious that for some months past the trend of payrolls has been downward."

NYSE Firm Changes

Transfer of the New York Stock Exchange membership of Francis X. Deery to Edward H. White, Jr. will be considered by the Exchange on Sept. 28. Both are partners in Deery & White, New York City, which is being dissolved as of Sept. 30, 1944. Mr. White will act as an individual floor broker, it is understood.

Missouri Pacific Analysis Of Interest To Investors

A. W. Benkert & Co., Inc., 70 Pine Street, New York City, has made an original investment analysis of the reorganized Missouri Pacific Lines, in which holders of securities of any kind should be interested. A copy of this study is available to private investors on application to the firm's statistical department.

Reconversion Myths

Strauss Bros.' latest bulletin, "Reconversion Myths," lists selected securities in various industries, which the firm believes are favorably situated. Copies of this interesting bulletin may be had upon request from Strauss Bros., 32 Broadway, New York City.

Connecticut Brevities

On Sept. 12, a banking group of twenty-one firms headed by **Putnam & Co.** of Hartford and **Chas. W. Scranton & Co.** of New Haven offered to the public $10,000,000 **The Connecticut Light and Power Company,** First and Refunding Mortgage 3% bonds, Series I, due Sept. 1, 1974. Priced at 105¾ and accrued interest, the bonds yield 2.72% to maturity.

Proceeds from the sale will be used to refund the $7,000,000 first and refunding 3½s of Sept. 1, 1966, which were called for redemption on Sept. 1, 1944, at 106 and interest, and to reimburse the company's treasury for the recent purchase of $3,336,000 first and refunding 7% bonds, due May 1, 1951, at 125 and interest.

* * *

The annual report of the Torington Company for the fiscal year ended June 30, 1944, showed net income after taxes of $2,706,992.27 against $2,933,-749 a year ago (both figures exclude provision for contingencies). Earnings per share of $1.66 compare with $1.80 last year. Total Federal income taxes and excess profits taxes were $6,756,181.62. This is $965,-391.56 more than for the preceding fiscal year—an increase equivalent to 60¢ a share.

The balance sheet as of June 30, 1944, shows that current assets were $18,132,575 and net working capital, $8,859,815. The volume of sales and net income before taxes exceeded any previous year.

Torrington will not be confronted by many complicated reconversion problems due to the fact that their peacetime products are being used for war purposes. The changeover of the plant at South Bend, Ind., now engaged in the production of heavy type bearings, will probably require the most time, although it is estimated that the cost will not be substantial.

* * *

The midyear statement of **Hartman Tobacco Company** showed net income totalling $167,416 which compares with $140,477 a year ago. The company paid out $127,845 in dividends during the past year against $71,025 for the period ended June 30, 1943. Consequently, a smaller balance was transferred to surplus—$39,571 against $69,452 in 1943.

Earnings per share on the $4 prior preference stock were $11.79 against $9.89 for the period ended June 30, 1943. Earnings on the $3 preference stock and common stock for the same periods were $7.79 against $5.89 and 32¢ against 19¢, respectively.

As of June 30, the equity per share of prior preference stock was $129.49, which represents an increase of $20.43 over the past year.

* * *

On Sept. 7, it was announced that the fuse division of the **Federal Electric Products Co.** of Newark, N J., had been sold to the **Royal Electric Co., Inc.,** of Pawtucket, R. I. This division is a section of the electrical products division which Federal Electric Products recently purchased from Colt's Patent Fire Arms Manufacturing Company.

* * *

North & Judd Manufacturing Company for the fiscal year ended June 30, 1944, showed net income of $307,646 which compares with $413,483 for the preceding fiscal year. Earnings per share were $3.19 against $4.29 a share (before renegotiation) for the corresponding period a year ago. After renegotiation, last year's earnings were equal to $3.29 a share.

More than $100,000 was added to surplus.

* * *

The Bank Commissioner of the State of Connecticut has published the following list of additions to the list of legal investments for Connecticut:

Connecticut Light & Power Co., First and Refunding, Series I, 3s, Sept. 1, 1974.

Chesapeake & Ohio Railway Co., Second Equipment Trust 1¾s, due serially to July 15, 1954.

Chicago Union Station Co., First (Guar.) Series G, 2⅞s, due July 1, 1963.

Cincinnati Union Terminal Co., First (Guar.) Series G 2¾s, due Aug. 1, 1974.

Union Pacific Railroad Co., Equipment Trust, Series H, 1¾s, due serially to Aug. 1, 1954.

Wheeling & Lake Erie Railway Co., Equipment Trust Series J, 2¾s to 1s, due serially to Aug. 1, 1954, and Series K 2½s to 1¼s, due serially to Sept. 1, 1954.

Three issues, called for redemption, are withdrawn:

Providence Gas Co., First Series B, 4s of Feb. 1, 1963, Chicago Union Station Co., First (Guar.) Series E, 3¾s, due July 1, 1963, and Cincinnati Union Terminal Co., First (Guar.) Series D 3½s, due May 1, 1971.

Fiske Nat'l Sec. Of Cost Accountants

Announcement has been made of the election of Wyman P. Fiske as Secretary of the National Association of Cost Accountants, an industrial accounting association with 75 chapters and over 15,000 members. Mr. Fiske comes to the Association on leave of absence from Massachusetts Institute of Technology where he has been Professor of Accounting and Director of the Sponsored Fellowship Program. He was National President of the Association in 1942-43.

R. G. Horn President Of Customers Brokers

At the annual meeting of the Association of Customers' Brokers, Richard G. Horn of Peter P. McDermott & Co. was elected President. Other officers chosen were Donald C. Blanke, Eastman, Dillon & Co., Vice-President; Archie F. Harris, Merrill Lynch, Pierce, Fenner & Beane, Secretary; John A. Hevey, Ira Haupt & Co., Treasurer. Robert J. Davidson, Fahnestock & Co.; Spencer Phillips, Tucker, Anthony & Co.; Richard Ross, Dean Witter & Co., and John Duff, Craigmyle, Pinney & Co., were elected for four year terms on the Executive Committee; Frank Saline of James M. Leopold & Co. was elected for a one-year term.

The constitution and by-laws were also amended at the meeting to enable the membership to set up a group insurance plan. Mr. Horn announced that an intensive membership drive would start on Oct. 1.

CIO Electrical Workers To Meet In New York City

A week's convention representing workers in war industry producing one-fifth of all metal war materials made in this country will open on Monday Sept. 25, at Manhattan Center, 34 Street and 8th Avenue, New York, at 10 a.m.

The convention is that of the United Electrical, Radio and Machine Workers of America, third largest CIO affiliate, representing 700,000 men and women in war industry.

The union has 161,000 men and women in the Armed Forces and itself has earned the special commendation of Under Secretary of War Patterson and the Army publication "Stars and Stripes," for its record of uninterrupted production of war goods.

The convention, to be attended by more than 1,000 delegates, is regarded as particularly important because it will formulate a program on such vital questions as jobs and employment now and after victory. Discussion is expected to take place on questions involving the welfare of returning servicemen, of women in industry, breaking down undemocratic racial and religious prejudice in our nation, developing domestic and world markets as a means to full employment in America, etc.

Osier Resident Mgr. Of First Of Michigan

GRAND RAPIDS, MICH.—The First of Michigan Corporation announces that John T. Osier has been appointed resident manager of the Grand Rapids office in the Michigan Trust Building.

Mr. Osier has been in the municipal bond business for nearly 20 years, except for the past two years with the Salvage Division of the War Production Board at Washington, D. C. Prior to joining the WPB he was representative of Crouse, Bennett, Smith & Company in Grand Rapids and before that was with the Michigan Trust Company.

S. R. Livingstone Co. To Resume Business

DETROIT, MICH.—It is understood that S. R. Livingstone & Co. are contemplating re-opening their investment business in Detroit. Associated with Seabourn R. Livingstone will be George O'Brien, who was Manager of the bond department of the firm in the past. Mr. O'Brien has recently been with Straus Securities Co. and Allman, Everham & Co. of which he was Vice-President.

Michigan Brevities

The Board of Directors of the Standard Accident Insurance Co. of Detroit has announced that it will call a special meeting in October in order to permit the company to enter the fire insurance field through the medium of a new fire insurance company to be formed for that purpose.

To finance the move the company plans to issue 175,938 additional shares of capital stock which will be offered to present stockholders for $10 a share for each share now held.

Planned dividend rate on the increased number of shares is $1.45 a share.

* * *

Highlight in banking circles was the election of William A. Fisher, one of the famous Fisher Brothers, as a director of the Wabeek State Bank.

Detroit financial circles were trying to determine the significance of the move inasmuch as another brother, Charles T., is a director of the General Motors controlled National Bank of Detroit, and a nephew, Charles T., Jr., a President and director of that bank.

* * *

First local stock offering in many weeks was the offering of 50,000 shares of $1 par common stock of Lincoln Park Industries, Inc., of Lincoln Park, Mich., for $1.75 a share by Baker Simonds & Co.

Lincoln Park industries has been engaged for the last 16 years in the manufacture of high-precision inspection and production equipment.

The financing represented a portion of the holdings of certain individuals formerly identified with the company.

* * *

Beneficial Management Corp. of Delaware, whose public relations counsel is under indictment by the State grand jury, announced that it was withdrawing from business in Michigan.

The corporation gave no reason for the move.

Indicted was Armand Robichaud in connection with the passage of the intangibles tax law in 1939. His return to Michigan was ordered after an extradition hearing in New Jersey.

* * *

John W. Mulford, President of the Gray Marine Motor Co., which was recently purchased by Continental Motors, announced that his firm has made arrangements with a group of banks for the regulation V-loan of $12,000,000. The agreement was prepared by The Detroit Bank.

Interest will be at the rate of 3% with a ¼ of 1% commitment fee on the unused portion.

* * *

The State Administrative Board transferred $2,151,000 in payment by the Grand Trunk Western RR. on the Wider Woodward construction settlement to the highway sinking fund to permit final payment of $4,536,000 of the 17-year-old Michigan highway bonds, due Sept. 15, 1944.

Bond Club Of Detroit Elects New Officers

William M. Adams, Vice-President, Braun Bosworth & Co. was elected 29th President of the Bond Club of Detroit for the year 1944-45 at a special meeting of the Board of Directors. Mr. Adams has been engaged in the security business in Detroit since he graduated from Ohio State University with a degree of Bachelor of Science in Business Administration in 1927. Mr. Adams started his business career in Detroit with the Guardian Detroit Co., became associated with Braun Bosworth & Co. in 1932, and was elected Vice-President in 1941. In 1929 to 1931, he served as instructor in Investments with the American Institute of Banking, was acting Chairman of the Education Committee of the Investment Bankers' Association of America in 1942 and 1943. He was elected to the Board of Directors of the Bond Club in 1942, and has served as Secretary & Treasurer, and as Vice-President.

Other officers elected were: Howard L. Parker of M. A. Manley & Co., Vice-President; Douglass R. Campbell, First of Michigan Corp., Secretary and Treasurer.

The other members of the Board are: H. Russell Hastings, Chairman of the Program Committee; Joseph J. Getz of McDonold Moore & Co., Chairman of the Entertainment Committee; and Ralf A. Crookston of Hornblower & Weeks, Chairman of the Publicity Committee.

Shader Winckler Co. Is 23

DETROIT, MICH.—The firm of Shader, Winckler Co., Penobscot Building, members of the Detroit Stock Exchange, celebrated its 23rd birthday on Sept. 3.

SEC Delays Decision On 5% Spread

(Continued from page 1243)

(b) Neither it nor the manner of its passage has been approved by the Securities and Exchange Commission.

(c) It is monopolistic in its operation, contravenes the anti-monopoly statutes in that it tends and will tend to eliminate the small dealer in securities and thus cripple competition.

(d) It was promulgated by an organization, to wit, NASD, created under an illegal statute, to wit, the Maloney Act, which contravenes the law of the land because it is special legislation in effect giving to the NASD certain exclusive and monopolistic privileges amongst them that of having its members participate in certain financial advantages and dealings to the exclusion of non-members; as a result, the NASD is a body which is not legally constituted and is therefore without any rule-making power.

(e) It constitutes the exercise of a legislative function which the Congress had neither the intention nor the power to delegate to NASD, and which the Congress in fact never so delegated.

(f) It is a modification of the law and of trade custom and usage, which the NASD is without legal right to effect.

(g) It is unconstitutional because confiscatory, since it disregards the profit motif in business.

(h) It constitutes an illegal exercise of legislative powers and governmental functions by a private association.

(i) It constitutes a burden upon and impairment of interstate commerce.

(j) It is contrary to the common law and to trade practices and usage by inferring fraud merely from the spread between purchase and sales price of securities despite the fact that no representations of any kind accompanied such purchases and sales.

(k) It tends to limit and destroy the markets for securities of the smaller corporations of the country and is therefore against public interest and against public policy.

(l) It is unconstitutional because it deprives securities dealers of property rights without due process of law."

However, those issues were considerably limited by the Hearing Order of the SEC dated June 1, 1944, which in effect posed the following two simple, very simple issues:

(1) Is the "5% spread" principle a rule?

(2) If it is, what shall the SEC do about it?

BASED UPON THE LIMITED AND SIMPLE ISSUES FIXED BY THE COMMISSION, WE ARE OF THE OPINION THAT TWO AND A HALF MONTHS WITHOUT DECISION, CONSTITUTES AN UNREASONABLE DELAY, AND THERE IS NO TELLING HOW MUCH MORE TIME WILL BE WASTED.

The importance of this case to the public and to the securities field should have urged the necessity of a prompt determination.

Of course, the Commission finds itself in an anomalous position. During the hearing the suggestion was made that its representatives may have had a hand in the promulgation of the "5% spread." The hearing panel avoided any declaration on this subject. If the suggestion is true in fact, the Commission is sitting on an appeal involving its own product. It is to be hoped the Commissioners will have the courage, in their opinion, to make a clean breast of this situation.

Delays of the type here involved cause general dissatisfaction with administrative bodies and make us feel that our rights are safest with the courts.

THERE SHOULD BE AN IMMEDIATE DECISION.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A" Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument: Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Purolator; Brockway Motors; Mohawk Rubber, Moxie, Scoville Mfg.; Douglas Shoe; Bird & Son; Cons. Cement "A"; Riley Stoker; and American Export Airlines.

Attractive Prospects

American Hardware and Perfection Stove offer interesting possibilities for a prospective increase in earning power and dividend payments, according to a memorandum issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this memorandum may be had from the firm upon request.

Mid-Continent Airlines Situation Of Interest

Mid-Continent Airlines offers an attractive situation, according to a memorandum issued by White & Company, Mississippi Valley Trust Building, St. Louis, Mo. Copies of this memorandum may be had from the firm upon request.

Missouri Brevities

Commerce Trust Company Stock Distributed

To Kansas City and St. Louis dealers one of the more interesting pieces of business during the recent period of increased underwriting activity was the 37,315 share offering of Commerce Trust Company, Kansas City, Missouri, capital stock. This stock was owned by Transamerica Corporation, Pacific Coast Mortgage Company and Premier Insurance Co., and was underwritten by a group of investment firms headed by **Merrill Lynch, Pierce, Fenner & Beane** and included the following Missouri houses: **A. G. Edwards & Sons, Metropolitan St. Louis Co., Newhard, Cook & Co., Inc., and Stix & Co., all of St. Louis;** and **Baum, Bernheimer Co.** and **Stern Brothers & Co., of Kansas City.**

Commerce Trust Company, incorporated in 1906, traces its original formation back to 1865 when the Kansas City Savings Association was established. Today it ranks as the largest banking institution in the Tenth Federal Reserve District and is numbered among the 50 largest banks in the United States. On June 30, 1944, total resources amounted to $387,063,755. The capital stock was recently split five for one, par value being reduced to $20 per share from $100. A dividend of 60¢ per share has been declared, payable Oct. 2, 1944, to stock of record Sept. 25. Net current operating earnings were equal to $5.24 per share in 1943 and net profit was $6.01 per share including recoveries.

Kansas City Public Service

Sufficient assents were obtained by **Kansas City Public Service Company** at the recent stockholders' meeting to change the Articles of Incorporation in line with the new Missouri Corporation Code. **Irwin R. Harris**, partner in the St. Louis investment firm of **Scherck, Richter Company** was elected a director, replacing D. B. Eyer. In view of the greatly improved financial position of the company and continuation of the recent high level of earnings, interests close to the company expect the directors to declare a full year's dividend on the preferred stock at the November meeting and to also give consideration to the question of some payment on the common.

Laclede-Christy Preferred To Be Redeemed

Laclede-Christy Clay Products has notified holders of its 6% preferred stock that it is calling the entire issue as of Oct. 1, 1944, at 100 and accrued dividend. A long term bank loan with the First National Bank in St. Louis will provide the necessary funds. The common stock reached a new high recently of 9¼ largely reflecting out-of-town buying interest and is currently selling in the 8½-9 range. It is understood that William P. Hemphill, President, has acquired 8,000 shares of common under his option agreement.

Other Underwriting Activities

Several Missouri dealers were members of the underwriting group, headed by **Halsey, Stuart & Co., Inc.**, which purchased the **$100,000,000 Great Northern Railway Company General Mortgage Bonds.** Included were **Baum, Bernheimer Company of Kansas City, Metropolitan St. Louis Company, Reinholdt & Gardner, I. M. Simon & Co., Stifel, Nicolaus & Co., Inc., and Stix & Co., all of St. Louis.**

The First Boston Corporation of New York and **G. H. Walker & Co. of St. Louis** were joint managers of the underwriting groups which purchased **$10,600,000 Empire District Electric Company First Mortgage 3½s, due 1969** and **350,000 shares of common stock.** Other **Missouri dealers** in the common stock underwriting group were **Metropolitan St Louis Company** and **Stifel, Nicolaus & Co., Inc.** The company serves a compact area in Missouri, Oklahoma and Kansas centering around Joplin, Missouri.

A. G. Edwards & Sons and **Taussig Day & Company, Inc.**, St. Louis dealers, were among the underwriters of a **90,000 share offering of Solar Manufacturing Corporation Convertible Preferred Stock.** The syndicate was headed by **Van Alstyne, Noel & Co. of New York.**

Howard F. Detmer Co. Formed In Chicago

CHICAGO, ILL.—Howard F. Detmer and John F. Detmer have formed Howard F. Detmer & Co. with offices at 105 South La Salle Street, to act as distributors and dealers in preferred and common stocks, utility and railroad bonds. Howard F. Detmer was formerly with Dempsey-Detmer & Co.

Hare Has Two For Show

E. Waln Hare, of Hare's, Ltd., 19 Rector Street, New York City, is the proud daddy of a son, Nixon Waln Hare, born Aug. 31, 1944. This makes two for him.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Directors of the Bank of the Manhattan Company last week declared a quarterly dividend of $0.25 per share, payable Oct. 2, to holders of record Sept. 21, thus bringing the annual rate to $1 per share. This action is significant, in that it represents the first increase in dividend rates made by a New York City Bank during the course of the war. It will be recollected that in 1937 Bank of Manhattan paid quarterly dividends of 37½ cents per share, but that in the second half of 1938 this rate was reduced to 20 cents, while in 1939 a year-end extra of 10 cents was added, making the annual rate 90 cents per share. Since this bank's net operating earnings, exclusive of security profits, amounted to $1.81 per share in 1942 and $2.01 in 1943, and are probably running moderately higher this year, the new dividend rate of $1 appears conservative.

Bank of Manhattan's action naturally arouses some speculation as to whether other banks, whose dividend rates have been reduced in recent years, may not take similar action and increase their rates or even restore them to former levels. For example, in 1941 three prominent New York City banks reduced their dividends, viz: Corn Exchange Bank Trust Company, First National Bank and New York Trust Company, while in 1942 Bankers Trust Company cut its dividend. It may be of interest to review recent operations of these banks and see how they stand with regard to dividend coverage by net operating earnings.

Banker's Trust reduced its quarterly dividend payments in 1942 from 50 cents per share to 35 cents per share, thus making its annual rate $1.40 compared with the former $2. Its net operating earnings exclusive of security profits, have covered dividends by generous margins, as the following figures show:

Year—	Net Operating Earnings $	Dividends $	Times Earned
1940	3.36	2.00	1.68
1941	3.20	2.00	1.60
1942	3.40	1.40	2.43
1943	3.80	1.40	2.71

Corn Exchange Bank Trust paid three quarterly dividends of 75 cents per share in 1941, but cut the fourth quarter dividend to 60 cents, thus reducing the annual rate from $3 per share to $2.40. This bank's net operating earnings, exclusive of security profits, and the calculated dividend coverage, have been as follows:

Year—	Net Operating Earnings $	Dividends $	Times Earned
1940	1.44	3.00	0.48
1941	2.58	2.85	0.90
1942	3.30	2.40	1.38
1943	3.56	2.40	1.48

It will be noted that dividends were not entirely earned by so-called operating profits in either 1940 or 1941. Corn Exchange, however, appears to have leaned somewhat more heavily on security profits to make up total net earnings than have most of the other Wall Street banks. If security profits are added to the above figures we find that the bank earned $4.95 in 1940, $5.60 in 1941, and $3.55 in 1942, with no difference in 1943. In general, the margin of earnings beyond dividends is considerably less than that of Banker's Trust and consequently the outlook for a resumption of the former rate of dividends does not appear as favorable.

First National Bank reduced its long-maintained $100 rate to $80 in the first quarter of 1942. Dividend coverage by net operating profits in recent years has been as follows:

Year—	Net Operating Earnings $	Dividends $	Times Earned
1940	102.41	100	1.02
1941	100.58	100	1.01
1942	97.66	80	1.22
1943	106.16	80	1.33

Here again, the margin of earnings beyond dividends is somewhat moderate so that, though the $80 rate appears adequately protected, the figures lend little encouragement to the hope of an early resumption of the $100 rate.

New York Trust Company paid its usual $5 dividend in 1941 in four equal quarterly instalments of $1.25 per share, but in 1942 it reduced the quarterly rate to 87½ cents, or $3.50 per annum. Its record of net operating earnings, exclusive of security profits, and of dividend payments during the past four years is as follows:

Year—	Net Operating Earnings $	Dividends $	Times Earned
1940	5.11	5.00	1.02
1941	5.36	5.00	1.07
1942	6.06	3.50	1.73
1943	6.51	3.50	1.85

Earnings and dividends in 1943 are on 600,000 shares, compared with 500,000 shares in previous year.

It is also of interest to refer to the record of Public National Bank & Trust Co., whose regular dividend rate is $1.50 per annum, but which paid an extra of 50 cents per share in 1941. Its recent record is as follows:

Year—	Reported Earnings $	Dividends $	Times Earned
1940	3.09	1.50	2.06
1941	3.29	2.00	1.65
1942	2.85	1.50	1.95
1943	3.30	1.50	2.20

In this case it will be noted that dividend coverage is generous and that the rate of earnings would appear to justify a more liberal dividend policy.

In considering the possibilities of increased dividends by the five banks discussed above, or by any other banks, the necessity for building up the banks' capital funds, in order to protect the present high level of deposits, must not be overlooked. New York Trust recently increased its capital funds through the issuance of 100,000 new shares. Other banks are augmenting surplus and undivided profits, and thus capital funds, through the retention of a high proportion of net operating earnings, plus all security profits. Nevertheless, it does not seem too unreasonable to expect some moderate dividend improvement before long, in a number of instances, now that Bank of Manhattan has broken the ice.

Outlook For Post-War Interest Rates

(Continued from first page)

ments and released reserves resulting in an excess of available funds with the low money rates which are usually significant of depression conditions.

The Federal Reserve System's over-all reserve ratio fell as low as 51.3 during the bank holiday of 1933. The continuation of depression conditions with the steady liquidation of bank loans and lack of confidence in, and the uncertainty of the business outlook released reserves, and the surplus of funds available further reduced rates to borrowers on gilt-edged security. The subsequent devaluation of the dollar increased the purchasing power of gold in the American markets. Prior to this devaluation a foreigner could buy $2,000 worth of United States Government bonds at par with a 100 ounces of gold. After the value of gold had been raised to $35 an ounce the same 100 ounces of gold would buy $3,500 worth of American Goverment bonds at par. The prices of all other American commodities and property were reduced in proportion to that of bonds for the foreigner who had gold. As a result foreign gold was sent to this country because it would buy more here than any place else in the world. This was only the working of a well known economic law that gold flows where it will buy most with the largest degree of safety. Another force which sent gold to this country was the justifiable rising fear of war in Europe and Asia. Both economic and social forces directed the flow of gold to the United States until we had accumulated more than 75% of the world's monetary gold. This vast surplus of gold increased the excess bank reserves during the decade of the Thirties when loanable funds were in excess because of the slack demand for loans as a result of business uncertainty. This supply of funds made money rates very low to safe borrowers.

Since the coming of the war these excess reserves have been put to work rapidly. While bank loans to private business have declined loans to the Government, through the purchase of Government bonds have increased until bank deposits have more than doubled and the end of this increase in bank purchases of Government bonds and bank deposit liabilities is not in sight. Currency in circulation has risen to more than 22 billion dollars. Since the peak of gold imports more than 2 billion dollars have been lost through gold exports. The Federal Reserve System's reserve ratio, which was above 90 in 1942 has already declined to below 55.

This reserve ratio is a very specific indicator of excess reserves. In March, 1920 this ratio was down to 40.6. The legal minimum required is 40% against Federal Reserve notes and 35% against the reserve deposits of member banks. The present reserve position may be improved by reducing the reserve requirements or by increasing the reserves. The reserves may be increased through some plan of taking the excess money out of circulation or by gold imports or by reducing bank deposits through the sale of Government bonds now held by the banks to depositors. The present position of the bank reserves from the standpoint of maintaining low money rates seems reasonably assuring. But the trend of all factors bearing upon bank reserves may easily deplete the excess reserves within another year.

The Outlook for Post-War Bank Reserves

Undoubtedly the banks will of necessity purchase large blocks of the Government bonds offered as long as the war and post-war deficit financing continues. These purchases will further increase bank deposits and reduce the reserve ratio. Just what can be done to return the hoarded money to the bank reserves is an unsettled question. But in this surplus money in circulation is a large amount of money reserves which would be far more useful to the country as bank reserves than as excess money in circulation. Further large imports of gold seem improbable for the present. On the other hand large exports of gold are expected as soon as stable economic conditions are restored in Europe. There is a large amount of refugee gold which will be returned to the home countries of its owners as soon as economic conditions provide reasonable safety. Then there will be the natural tendency for Americans and others with surplus funds in the United States to seek investment opportunities in foreign countries where prices and costs are lower and where there will be constructive opportunities for rehabilitation work and new enterprises. In addition the American travelers and tourists will spend billions abroad in the post-war years as they did in pre-war years and these expenses must be paid from the bank reserves or offset by the purchase of our goods and services by foreigners. Then the United States will be called upon to make contributions and loans for the reconstruction of the economic systems of the war-torn countries. This is in addition to the contributions to the International Stabilization Fund and the International Bank for Reconstruction and Development.

It would be quite impossible to say with accuracy how much gold or bank reserves this country will be called upon to deliver in the immediate post-war years. But it seems a reasonable estimate to expect our gold reserve to shrink 50% within five years after hostilities. This loss of gold will wipe out the excess reserves and no doubt require a large reduction in bank deposit liabilities and note circulation. Unhappily this transition may come at exactly the time when the banks will be called upon for a large expansion of their loans to private business in this country. With these demands for money and assuming a reasonable period of post-war business activity in the United States the probabilities are that we will scrape the bottom of the barrel on bank reserves and rising interest rates will indicate the premium we are willing to pay for loanable funds in all money markets.

Vanishing Excess Reserves Raises Interest Rates

As these excess reserves are used up banks will seek to strengthen their reserve position by selling securities and by charging higher rates on loans. These rising interest rates will discourage some borrowers and drive the price of high grade securities down until depositors are tempted to become investors because of the attractive yields. This growing scarcity of available funds will increase the rates in all money markets. Even depositors will find that their time deposits and savings bank deposits will yield higher returns at other uses and draw down these deposits when they are available. The rates on time and saving deposits will then have to be increased to attract these funds.

Business Conditions and Interest Rates

If our excess reserves hold out through the war financing and enable the Government to keep interest rates low an increase in rates can be expected with the general improvement of private business conditions, a rising demand for bank loans and the loss of gold from the reserves as pointed out. How soon this will take place after the end of the war will be determined by the state of business activity and confidence. A rising period of recovery and business prosperity will bring rising interest rates. The rapidity with which interest rates will rise will be governed by the level of bank reserves, the demand for loanable funds, and gold. A period of rapid business expansion accompanied by generally rising prices would boost interest rates sharply in all money markets. Interest rates on loanable funds are governed by the same laws as are the prices of other tools of production. If loanable funds are scarce interest rates will rise and investments in less liquid markets, and at less profitable rates, will be liquidated and the funds used where the most profitable rates can be obtained.

The Outlook for Savings Banks

Assuming that the post-war outlook for interest rates is as indicated by the declining bank reserves and the expected demand from business activity it would seem wise for savings banks to hold surplus funds in short-term investments so that they will be able to adjust to the increased interest rates and improve their earnings.

It would be no surprise to see interest rates within three to five years after the war back to the level of the early Twenties when long-term Government bonds yielded from 4 to 5%. Monetary conditions which would bring about this adjustment in interest rates would force a whole cycle of readjustments in the financial markets.

Permanent Low Interest Rates

You will hear it said that the Government will keep interest rates low in order to keep the costs of servicing the Government debt low. No doubt the Government would like to keep interest rates low for these reasons. But the Government will ultimately have to comply with economic conditions as they are rather than the economic conditions of the money market complying with the Government wishes. I am, of course, assuming that we are going to keep democracy and private business.

There is another way out of the shortage of reserves or rather a way of replenishing the gold reserves for a long time to come. For example, the Government could increase the price of gold by 100% and that would quickly raise the reserve ratio from 50 to 100%. Prices would not adjust to this depreciation of the currency for a long time and gold might again flow to this country from every corner of the world to buy our useful goods at half their cost. Any such operation is to be heartily condemned. Such a devaluation will probably not take place unless a crisis develops in which the great majority of voters will approve anything that seems to promise relief. This method of calling 50 cents a dollar in order to replenish the bank reserves is a fraud against everyone who saves and invests in credit investments of any kind, bank deposits, insurance or bonds.

To make a blueprint of the trend of interest rates for the next three to five years, it seems practical to assume that interest rates will tend to harden as the reserve ratio declines further from the present level. The present structure of rates will probably be held until the end of the war. For the first year after the war the demand for bank credit may not be large because of the necessary time delay in reconversion and interest rates probably will not change much during this year. Each year thereafter the trend of interest rates can be considered in the light of the foreshadowed conditions of bank reserves and the demand for loans. An able student of the money market can forecast the rates with reasonable accuracy from six months to a year.

It would be foolhardy to lay down any such working time table for interest rates and construct an inflexible policy to harmonize with it. A time table of interest rates and investment management policy must be flexible and constantly under review based upon economic trends affecting interest rates six months to a year in advance. Coming economic events affecting interest rates cast their shadows far ahead of actual happenings. In the excitement of rapidly changing gold movements and money market transactions the fluctuations in interest rates may be extreme at times. The practical manager of funds will anticipate these conditions and time his transactions according to the purposes of his funds.

Latest Developments In Interstate Aircraft

Fred W. Fairman & Co., 208 So. La Salle St., Chicago, Ill., members of the Chicago Stock Exchange, have an attractive illustrated brochure discussing the latest developments in Interstate Aircraft and Engineering Corporation and containing photographs in color of the new soft drink dispenser. Copies are available on request from Fred W. Fairman & Co.

Mutual Funds

Reconversion To Peace

"In August the securities markets continued the sideways movement, without significant change, that has persisted for some months. Such movement indicated that most investors were **reserving judgment**, that is, waiting for some tangible development which will reveal unmistakably the next major trend.

"What is now being waited for is not the end of the war (for that is now in plain sight) but evidence that we are going to handle intelligently the reconversion to peace.

"There is good reason to expect that the transition will be smoother than last time. We have learned by that experience what not to do. Demobilization should be more gradual and hence less unsettling. Price controls and wage controls should prevent both runaway prices of 1919 and the collapse of 1920.

"Each of our major wars in the past was followed by a brief period of hesitation and uncertainty and then by a 'replacement boom' of considerable proportions. We appear now to be experiencing our hesitation and uncertainty. **Unless political stalemate or gross economic stupidity on the part of our leaders—political, business or labor—should intervene, the securities markets should soon enter on a rising trend.**"—From the monthly **Investment Report** of **Distributors Group's** Investment Research Department.

"Cushions for Reconversion"

Selected Investments Co., in the current issue of **Selections** devotes seven pages to an itemized listing of 14 major "cushions" for reconversion. They lead to the following succinct conclusion: "All these cushions will not prevent the reconversion blow from being struck. They should, however, tend to modify the shock and produce a prompt and vigorous rebound for the economic structure."

Which Bonds?

By means of a chart and tables, **Lord Abbett**, in the current issue of **Abstracts**, emphasizes the viewpoint of its research organization with respect to the relative attractiveness of high-grade and second-grade bonds. Union Bond Fund "C," which is currently diversified 50% among public utilities, 45% among rails and 5% among industrials, is suggested as a more attractive investment than a concentration in the second-grade rail group alone.

Getting Bigger

The growth record of **Manhattan Bond Fund** is given in the current portfolio folder of that fund and shows net assets as of Sept. 1, 1944, amounting to $19,886,940. This compares with net assets of $13,631,453 on July 1, 1943; a splendid record for a fund only six years old.

Quarterly Report

Maryland Fund, Inc., reports net assets of $6,372,632 at the close of business Aug. 31, 1944, compared with $5,769,989 a year earlier.

In the Mailbag

Calvin Bullock—A revised edition of the folder, "A Brief Description of Dividend Shares." . . . **National Securities & Research Corp.**—Letters No. 6 in the current series on **National Stock Series** and **Industrial Stocks Series.** A revised portfolio folder on **Income Series. . . . Distributors Group**—A revised edition of the dealer mailing leaflet, "Advantages of Profits Over Income." Current monthly portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low Priced Shares. . . . Broad Street Sales Corp.**—The mid-September issue of the **Broad Street Letter.**

Dividends

Affiliated Fund, Inc.—A regular quarterly dividend of 3¢ a share and an extra dividend of 8¢ a share, payable Oct. 14, 1944, to stock of record Sept. 30.

Dr. Nadler To Speak At First STANY Forum

The Forum Committee of the Security Traders Association of New York under General Chairman Richard Abbe of Van Tuyl & Abbe, and Sub-Chairman John Kassebaum, of Ingalls & Snyder, has arranged for the first Fall Forum to be held in the Board of Governors Rooms of the New York Curb Exchange on Thursday, Sept. 28, 1944 at 4:30 p.m.

One of the country's outstanding Economists, Doctor Marcus Nadler, Professor of Finance at New York University and Consulting Economist of the Central Hanover Bank & Trust Company, and other financial institutions, has been secured as speaker.

Dr. Nadler's topic will be "The Economic Outlook" and a question period will follow his address.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have prepared memoranda on Acme Wire Co.; Veeder-Root, Inc.; Scovill Mfg. Co.; Arrow-Hart & Hegeman Electric Co.; Landers, Frary & Clark, and United Illuminating Co., Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co. upon request.

Post-War Rail Outlook Seen Reassuring

The outlook for post-war railroad operations, earnings and finances is reassuring, according to a study of the industry just released by Baker, Weeks & Harden, which says that "in light of this prospect the market position of many railroad securities seems curious. Throughout the entire war-time period of improving railroad operations, none but the exceptional railroad security (including defaulted and reorganized rails) has advanced, except in the wake of developments, and in almost reluctant recognition of changes already accomplished."

With regard to other competitors for freight, the study says that wage costs of ocean steamship operators have risen far more than for any other major transportation agency; the trucking industry has been a major casualty of war-time cost increases, and of material and manpower shortages, and "competition with motor carriers will probably be more favorable to railroads after the war than in the pre-war period"; and pipelines will undoubtedly make further gradual inroads into gross after the war by transporting more and more refined petroleum products.

"Evidence that railroads need not fear competition from freight cargo planes comes from officials of the airplane transport companies themselves." According to the present estimates, the report says that the difference in rail and air costs is too great, with rail costs less than a cent per ton-mile, against 17 cents for airplanes now, which may not be reducible for many years below five cents per ton-mile.

A special compilation of the financial changes in 41 leading railroads since 1938 is included in the report. Copies are available from Baker, Weeks & Harden, 52 Wall St., New York City, members of the New York Stock Exchange.

Stocks Most Widely Held By Investment Companies On June 30, 1944

Investment companies on the average were in a slightly higher cash position on June 30 this year than at the end of 1943, a study issued yesterday by the National Association of Investment Companies indicates. The majority of companies, however, were found to be substantially invested at the mid-year.

Cash and U. S. Government securities held by 86 member companies which follow a policy of broad diversification amounted to $124,000,000, or about 9½% of combined total assets of $1,298,000,000, compared with aggregate cash and Governments of $101,600,000 at the 1943 year-end. Differences of opinion among individual managements were shown by variations ranging from virtually full investment in equities to a cash position, in the case of one of the largest companies, of approximately 35%.

Oil producing and refining company shares were sold on balance more heavily during the first half of 1944 than those of any other industry. This group constituted the most substantial single investment company holding at the start of the year, and despite fairly concentrated liquidation this year, still accounted for nine out of the 50 individual stocks which were most widely held at the mid-year. Among these issues, the largest decreases in holdings occurred in Pure Oil, Continental Oil, Standard Oil of California, Texas Company and Standard Oil Co. (New Jersey).

Holdings of motion picture company shares were also decreased by a good many investment companies, combined holdings of Paramount alone being reduced nearly one-third during the six months period. Loew's was also sold on balance, though to a much smaller extent. Other issues among those widely held in which sales have predominated this year include U. S. Steel, Montgomery Ward, International Nickel and Commonwealth Edison. Some reduction in holdings of defaulted rail bonds was also noted.

Rubber manufacturers, automobile accessory companies, banks, and utilities were the principal groups in which purchases exceeded sales by a good margin in the first half of the year. Holding company preferred issues predominated in the utility group, though combined holdings of North American common increased by over 50,000 shares in the period. Considerable buying also took place in Standard Brands, Greyhound and du Pont.

The Association points out that since the statistics cover the period of six months ended June 30, they do not necessarily indicate current opinion regarding the industries or specific securities mentioned. In addition, the study was based upon the 50 stocks most widely held by investment companies, the combined market value of which accounts for only 30% of the total assets of the funds analyzed. Many purchases and sales were of the less well-known issues.

Based upon the number of individual funds which hold the issues, the 50 common stocks most popular with investment company managements as of June 30, 1944, were the following:

No. of Funds Holding	Name of Stock	No. of Shares Held	Market Value of Shares Held	% of Outstanding Stock Held
54	Standard Oil Co. (New Jersey)	295,163	$16,824,000	1.1
54	Montgomery Ward	318,125	15,071,000	6.1
49	General Motors	235,750	15,206,000	.5
48	Chrysler	174,595	16,499,000	4.0
47	North American Co.	1,421,680	26,302,000	16.6
47	Socony-Vacuum	725,512	9,794,000	2.3
43	General Electric	210,660	8,005,000	.7
42	Deere & Co.	256,800	11,524,000	8.5
40	American Gas & Electric	373,950	10,844,000	8.3
40	Union Carbide	126,555	10,251,000	1.4
40	International Nickel	291,600	9,258,000	2.0
39	Texas Company	242,804	11,594,000	2.2
39	Gulf Oil	228,924	10,931,000	2.5
35	du Pont	68,685	10,921,000	.6
34	Common. & Southern, $6 pfd.	139.170	11,447,000	9.4
34	Commercial Investment Trust	133,440	6,288,000	3.7
33	Sears Roebuck	145,500	14,186,000	2.5
33	Goodyear	168,900	8,213,000	8.2
33	Westinghouse Electric	63,195	6,635,000	2.0
33	Ohio Oil	226,014	4,125,000	3.4
32	Goodrich	141,250	7,380,000	10.8
32	U. S. Rubber	140,400	7,371,000	8.0
32	American Radiator	361,900	4,252,000	3.6
31	Paramount Pictures	252,600	7,262,000	6.7
31	Greyhound	262,860	6,046,000	9.4
30	Kennecott	167,700	9,957,000	1.5
30	International Harvester	103,300	8,161,000	2.4
30	Continental Oil	114,684	3,612,000	2.4
29	U. S. Steel	95,555	5,673,000	1.1
29	Great Northern Ry. pfd.	153,320	5,443,000	6.1
29	Youngstown Sheet & Tube	89,100	3,608,000	5.3
27	Guaranty Trust	21,238	7,306,000	2.4
27	National Dairy Products	196,790	4,723,000	3.1
27	Pure Oil	245,124	4,106,000	6.2
26	National City Bank	189,380	7,291,000	3.1
26	Pennsylvania Railroad	136,530	4,096,000	1.0
25	Standard Oil of California	159,748	6,010,000	1.4
25	Johns Manville	53,120	5,159,000	6.2
24	Atchison, Topeka & Santa Fe	89,930	6,205,000	3.7
24	Philip Morris	67,662	6,123,000	6.8
24	Pan American Airways	168,685	5,482,000	8.7
24	Borg Warner	97,700	3,957,000	4.2
24	American Power & Light pfds.	81,700	3,840,000	4.5
24	Phillips Petroleum	82,800	3,643,000	1.7
24	Standard Brands	92,850	2,809,000	2.9
24	Western Auto Supply	78,500	2,728,000	10.5
23	Loew's	170,800	11,358,000	10.2
23	Electric Power & Light pfds.	73,630	6,847,000	8.7
23	Pacific Gas & Electric	68,848	2,272,000	1.1
23	Electric Auto Lite	49,600	2,213,000	4.1

Wall St. Legion Post Celebration Sept. 25

The 155th anniversary of the Bill of Rights will be celebrated by the American Legion with a program during the noon hour, Monday, Sept. 25, on the steps of the Sub-Treasury Building in Wall Street, historic site of the Bill's enactment.

Commander Clement D. Asbury of Wall Street Post says that the National Commander of the American Legion is expected from the Chicago Convention, the County Commander and 125 uniformed Commanders of New York County Posts with Color Guards from their commands are appearing and music will be provided by John Phillip Sousa Post Band.

The War Department is sending a decorated hero from every fighting front and the United War Fund will add a soldier in uniform from the armies of every United Nation. A flag from a Japanese battleship will be shown the public for the first time.

Importance of celebrating our Bill of Rights' birthday has grown annually during a war for fundamental rights of human beings until today the American Bill is proposed for extension to an international bill of rights to end all wars.

The American Legion protests that, whereas it is linked in everyone's mind with sponsorship of a GI Bill of Rights, the Legionnaries as warriors in two wars, feel deeply that they were defending our Bill of Rights above all other proclaimed reasons for those wars.

Membership of Wall Street Post consists of 160 veterans, mostly brokers and bankers, from World War I, 40 from World War II and 10 who fought in both wars. Veterans out of World War II are increasingly joining—most members have one or more sons in the conflict—and it is easy to see a trend to youth and vigor in the ranks of the Legion, now approaching a membership of two million Legionnaries.

Wall Street's Post meets in Federal Hall, site of the Nation's first capitol. Commanders of the Post take oath of office by the stone on which George Washington took oath as First President. The Legion Commanders' hands rest on Patrick Henry's own Bible. Commander Asbury's ancestors have held posts in Wall Street for 287 years. One of them was Dutch Schout or Mayor in 1673, the one year the city was New Orange. Another, during the Leisler Rebellion in 1693, held the Broadway blockhouse on the Wall Street Wall.

Two American Legion medals for outstanding citizenship will be awarded during Monday's celebration. The recipients are Carl Gerdau of 770 Park Avenue for his work in initiating blood donations from the Financial District, and Mr. Gardner Osborn, Executive Director of Federal Hall Museum for his patriotic public rallies on the steps from which Wall Street has drawn enjoyment, color and throbbing Americanism.

Iowa Investment Bankers To Meet At Des Moines

The Iowa Investment Bankers Association will hold its annual fall party at the Wakonda Club, Des Moines, Iowa, on Sept. 28. This party will consist of lunch, dinner, golf and all the forms of amusement that constitute such a party. All the members of the Investment Banking Business are invited.

NY Analysts To Hear

On Tuesday, Sept. 26, the New York Society of Security Analysts will hear Joseph Bowlby, president of Eagle-Picher Lead Co. The meeting will be held at 56 Broad Street, New York City, at 12:30 p.m.

Canadian Securities

By BRUCE WILLIAMS

At last the limelight of publicity is beginning to play on the long-ignored Canadian situation.

For the second time Quebec was chosen for the meeting-place of the President and the British Prime Minister, and public attention has been directed northwards. The first plenary session of the UNRRA is being held at Montreal, and "Mike" Pearson, the head of the Canadian delegation, who has proved his worth at previous international conferences, was appointed Chairman. During the week also considerable publicity has been given to the Canadian Northwest with its vast potentialities for rapid development in the immediate post-war era.

As previously mentioned, familiarity with the situation in the Far North dispels many popular fallacies with regard to living and working conditions in this region. For example, at the highly promising new gold camp at Yellowknife, on the Great Slave Lake, prospecting has been less rigorous than in the gold districts of northern Quebec and Ontario.

Precipitation near the Arctic Circle is very slight, and the hard-frozen surfaces prove no obstacle to modern machinery but, on the contrary, are an aid to sled and air transport. Power is now more easily and cheaply available following the development of the Norman Wells oil fields in the Mackenzie Basin, and the yield from the Yellowknife ore bodies so far discovered has been far above the average of the older fields in Ontario and Quebec.

Strangely enough, the area can be agriculturally self-supporting, for in the short, hot season, when the sun shines 24 hours a day, crops grow quickly and luxuriously and the long winter provides natural refrigeration.

Only about 5% of the Northwest Territories has so far been surveyed, but already this district has yielded rich prizes in gold, platinum, radium and oil. Many other rare metals, in addition to coal and iron, are known to exist, but already many experts believed that, eventually, no area in the world will surpass the Canadian North in the production of gold and oil.

Turning to last week's market developments, there was again little activity but the undertone was mainly steady. As anticipated, there was a selective demand for the National 5s of October 1969-1949, which was hard to satisfy.

Albertas weakened slightly following the report of the relinquishment of the office of Provincial Treasurer by Solon E. Low, the foremost advocate of an early refund of the Alberta debt. However, it is possible that this development is not as bearish a factor as it appears at first glance. The Treasury portfolio has been taken over by the Premier, Mr. Manning, who led the Social Credit Party to a sweeping victory over the C. C. F. in the recent election.

It is natural, therefore, that Mr. Manning, who incidentally also gained something in the nature of a personal triumph, would wish to be associated intimately with a great event in the Province's history, namely, the restoration of the credit of Alberta.

Internal issues were again in the doldrums and the Canadian dollar in the "free market" was slightly better at 10¾%. Now that the weak bull positions have been liquidated and the rate has declined 2 points, there is likely to be an indeterminate narrow market until offerings in connection with the called and maturing issues on Oct. 15 exert their influence.

Meanwhile the greater problem of general exchange stabilization still looks no nearer solution in spite of the Bretton Woods conference.

With regard to possible future developments, it is likely that the market will continue quiet and selective. However, there is still scope for movement in Albertas and Montreals, and it should soon be possible to take advantage of the period of technical weakness in the Canadian exchange by the purchase of internal issues at interesting discounts.

Keynes At Bretton Woods

(Continued from page 1242)

ready a barbarous relic . . ." If you still hold those views how can they be reconciled with the views of the United States?

Lord Keynes: I was bold enough a few weeks ago in speaking to the House of Lords to requote my former statement on gold, and the fact that it was the view I had taken. The difficulty about this discussion is that it is like inflation; that the term "gold standard" is capable of more than one interpretation, just as inflation is. Now at that time, when I wrote that book, the gold standard meant a rigid link with gold, which there was no attempt to alter, and in which there was high moral obligation not to make a change except under *force majeure.*—In that sense of the gold standard—I should be bold to claim that I had made some efforts to take the view that it was an out of date system. People who want to create prejudice against our present proposals try to make out that they are reinstituting that rigid link, not to be altered except under *force majeure,* and I am then forced to point out that the scheme is of an entirely different character. The scheme is for retaining a link with gold but one which is changed from time to time to changed circumstances. This stabilization fund wants the countries to pledge themselves not to suggest changes except for very grave cause; but an important part of the scheme is to provide a machinery, through consultation and agreement, by which changes can be made. Now, I have claimed it was a barbarous standard, that is, the link with gold by which gold becomes the common denominator of values, the common reserve metal of the world. And in that book which I published nearly twenty years ago, when I was opposing the rigid standards, I then made definite proposals for retaining the link with gold. I think in that book, which again does not quite represent—it was a very long time ago—I said what we were making of gold was a constitutional monarch. That is to say, a monarch which was subject to constitutional practices. The maintenance of the gold link is that—any departure from the gold link would be most foolish to propose, from a practical viewpoint. The great holders of gold are the United States and certain countries in Western Europe. The great producers of gold are the British Commonwealth and Russia. While these four groups between them comprehend—and of sourse Canada should be added to South Africa as a gold producer—they cover a very great part of the world. No one in their senses would suggest that they wish to make the gold resources of the world, the reserves, worthless. On the contrary, it is absolutely essential for the working of this scheme that gold should play a predominant part. But the resources to be made available for the fund would be small compared to the gold resources, and those resources would be having a handsome increment year by year; if not, our problem would be more difficult. The people of Great Britain do regard making gold the fundamental money as essential. What we want, and a great many people do, we have to have this vital backing of gold together with certain reasonable and agreed arrangements for making it work. The old system was so rigid it ceased to work in every country of the world, and then came a period in which every one did what seemed best, and when we had exchange disorder and depreciation. One of the signal purposes of this Fund is to return to good order and discipline, to bring back gold as the fundamental reserve money and make it clear that we are all going to trade together, and not indulge in arbitrary or unreasonable changes, and in any case to act in conjunction. So that the only confusion, I think, arises between these two senses, the rigid gold standard and a currency standard based on gold—based on gold without the rigidity.

Dr. White: I would like to add something here. You who are at all familiar with the American history of the 20's and 30's know that in the 20's England was having a considerable degree of unemployment, and though not an intense depression a steady one, and Lord Keynes was among the first to point out that the reason for that was the rigidity of gold which prevented an adjustment of their exchange rate. The par value of sterling to the level which was appropriate to the circumstances, which had changed so drastically during the war, and for a number of years in the 20's—and because of that feeling the people of England became—were insistent that that situation would never arise again, and when the rigid gold standard, the rigid link that he speaks of and which continued until the late 20's and early 30's broke, the British people naturally said "we are never going to weld a chain that is so rigid and will again break." Now, look at the United States; we here in the 20's fared very well. And though we were sympathetic with England's troubles, they were not ours. Now then, we get into the 30's and what do you find? The gold standard broke down in every country and we had disorder and chaos. In the United States it was determined that that would never happen again; that that kind of depreciation, competitive depreciation of currencies which resulted only in lower trade for everybody must be avoided. Now comes the new Fund by which we hope to avoid a repetition of the 30's. The British, and others, are looking to avoid a depression from rigid exchanges. Along comes the Fund, and we say we are going to avoid both things, the depression from rigidity and the depression from chaotic exchange conditions, and the Fund is the joint effort designed to accomplish both things, but we look at it from different points of view. On this side we had it in the 30's, and the other side of the water in the 20's. Informed people on both sides are determined that it should be—

Lord Keynes: We also disliked the 30s as much as the other.

Exchange and Capital Controls Under the "Fund"

The question of countries, members of the Fund, controlling foreign exchange and capital movements was another matter that interested the press, because one of the stated purposes of the Fund is to do away with such controls. Here again, Dr. White assisted in the clarification. The subject of the disposition of present blocked currencies took more explaining, particularly because the original White plan made provision for their liquidation by the Fund. At British request, the present Fund plan makes no provision for liquidating the blocked balances, to the outspoken disappointment of the British Indians and certain others who cannot get their funds out of London and see no prospect of doing so for the indefinite future. After the war the blocked-currency problem will not be limited to sterling and other "friendly" currencies, but will include notably funds blocked in Germany. To return to the press conference:

Press: I would like to ask Lord Keynes if he could explain some of the discrepancies on the points. It is thought here the purpose of the Fund is to eliminate foreign exchange restrictions, but in your speech—a great point was made that the Fund will allow each country to control all capital and its domestic rate—

Lord Keynes: There was no discrepancy. The object of the Fund is to remove exchange restrictions as soon as possible. It provides that capital movement must be controlled, and indeed that is an essential condition—with the countries who have any large gold resources.—I think you will find there is no possible doubt about that in the provisions of the Fund.

Dr. White: I want to make certain what Lord Keynes has in mind, that these restrictions on capital movements exist in countries which choose them—the United States does not wish to have them and they do not exist.

Press: But can you have control of capital movements without control of foreign exchange trading?

Lord Keynes: It depends on how strict you want to be. You can do a certain amount on capital controls by market controls.—How any country will do it is not laid down by the Fund; I think different countries will have different techniques, and some countries will be come complete than others.

Blocked Balances a Form of War Debt

Press: Say something about the question of blocked balances.

Lord Keynes: It is rather a big subject; I don't know just how much you would like me to say about it.

Press: Go right ahead.

Lord Keynes: Great Britain alone of the Allied nations has incurred during the war a very large external war debt. What is striking is that a very large proportion of that has been incurred to other Allied and associated nations—some to neutrals, but not an important part. In the case of the United States, and in the case of Canada, the lend-lease system and the mutual aid system have prevented that state of affairs from arising—Great Britain, after Dunkirk, had to fight this war with reckless disregard for the future; we could not stop to argue and make terms; we were only too pleased if anyone would help us at all, and we therefore accepted without hesitation arrangements which in any other situation would have been extremely improvident, but we were fighting for our lives and we decided at that time—we had few allies left in the field apart from our Dominions, and we felt that the future must be entirely subordinated to the needs of the present, so that we started at that time on the method of getting resources wherever we could without wasting precious time in trying to get really favorable terms. Now that indebtedness was partly discharged by our parting with assets; we had certain securities—the proceeds of earlier foreign investments—which were easily available to liquidate some part of this. We also lost a great quantity of our gold, but after we had used these tangible reserves there still remained a very large amount which could not be covered. I think by the end of this year our aggregate—that part we have not discharged, will be in the neighborhood of 12 billion.

Press: 12 billion pounds?

Keynes: Dollars. No, thank God, not pounds; it's bad enough. That's a war debt, and we shall be greatly strained in dealing with it. It is perfectly evident that it can't be dealt with in a short time. It is no good anybody suggesting otherwise. Moreover, we take the view that this is our own obligation which we can't put on anybody else and we are going to deal with it as time and opportunity offers. If it is regarded as liquid money we should say that great confusion has arisen. It is true we have not yet funded it, but anybody can see that there is no means whatever by which we can make 12 billions available in cash; we have no cash. We can make it available in the form of goods in the course of time. Our problem is whether in our future course we can attain an honorable settlement of this. If anyone makes the suggestion that perhaps we have borne a very large and disproportionate share—we should greatly appreciate it, but our stand is that this is an obligation which we have taken on and which in the course of time we have to meet and that it is our responsibility. It will be a great mistake, we think, to mix up this issue, which is an important one, with provisions for the normal functioning of world trade. This is a burden which we perhaps improvidently took on and which we have got to see how we can carry ourselves, but I think it is important that we have waged this war on a different basis from anyone else, on unlimited liability. I think I can say there is no other country which owes anything materially as we owe to those Allies and associates who have helped us with this quite prodigious sum. That is the background. If anyone would like to develop it I should be glad to see what I can do about it.

It is a simple proposition—here is the large war debt which cannot be available in free cash, and a good many of the suggestions one sees seem to be that there is some device by which we can be prepared to repay this big war debt out of some small number of years. Other arrangements have to be made. As soon as you see that I don't think the relationship of that with the problems here is close. The only closeness is this—is that the discussions here are successful if world trade is stabilized. And getting back to convertible—it will enable us to carry this terrific load which we have taken on our shoulders, and the fact that we alone have taken on this load—I think leads to a great deal of misunderstanding. But let me not say any more at this point.

Press: Does that mean that the nations which have these credits will have to spend the full amount with Great Britain or do you hope to make some of the credits available in the form of foreign exchange—

Keynes: We can only make it available by exports. How far these exports can be triangular trade and how far direct depends upon how far our creditors overlap with our natural markets. It can only be made available by goods.

Press: Is it clear, then, that the point you are making—it is not Great Britain's wish to have this problem injected into the stabilization fund machinery from the British point of view—the aim is to keep this thing separate and handle it yourselves?

Keynes: Yes. I think the purpose of the Fund is different; it is not to take care of this past indebtedness but to be an averaging out or smoothing out organization to enable future current operations to go on smoothly so that countries can average bad years with good, and so on. But it is not a Fund that any country can expect to live off of. It does not cover all the indebtedness; it would have to be about ten or twenty times as large for that.

Is Quota Our Total Contribution To Fund?

Press: In the experts' published plan you don't state the matter of liability of the United States. You state a quota and you also, as I remember, say that the Fund can borrow additional dollars from the United States.

Lord Keynes: That is entirely at the option of the United States. If the Fund would wish at some time in the future to borrow and if it would wish to borrow from the United States, that is not sufficient. The United States has to be willing to lend. There is no obligation for her to lend.

Press: It is a moral, contingent liability, I assume.

Dr. White: You are using terms I am not able to apply.

Lord Keynes: I don't think there is any moral obligation at all. If at any time the United States doesn't think it to be in her own interest—we think it will be and I think that it will but it depends on circumstances. If it is not thought to be in her own interest I think there is no moral obligation whatever.

Dr. White: And, I assure you, if she deems it not to be in her interest she will not do it, and if she does it it will be because she deems it to be in her own interest. But that is looking pretty far into the future.

Prosperity Through Fund Artificial?

Supporters of the Bretton Woods program regard the cost to the United States as insignificant—citing our quotas in the Fund and Bank—when compared with the cost of waging the present war. Some persons have been wondering, therefore, whether the contribution the United States makes under its quotas is all that this country will be called upon to make. A related point is whether the program does not depend on an endless stream of dollar credits over the years. These two points were brought out in questions reporters asked Lord Keynes. We quote:

Press: Lord Keynes, the predominant criticism of a large group of bankers in the United States of this plan is that it is simply a disguised method of creating after this war the same situation that existed after the last war. That is, as long as America was willing to make dollars available to other countries we had prosperity because the dollars were spent here; as long as we were willing to make loans, prosperity kept up. They criticize this further on the basis that as long as there are dollars in the Fund or the dollars that were originally put into the Fund are exhausted and we lend additional dollars to the Fund, you will precipitate the same sort of situation if some day the American people would refuse to put more dollars in the Fund. Then prosperity will cease. There will be no more dollars to spend.

Lord Keynes: Isn't the best way to answer that to compare the situation with the Fund and without the Fund? The United States will have a certain amount of imports. If you are successful in keeping up employment that may be large. You will be wanting—you will be willing to lend the world a certain amount. On the other hand, you will also want to have a large volume of exports. Well, now in the long run, there must clearly be a balance between those two. After the last war there was still a very considerable quantity of gold outside the United States, so that it could be bridged for a time by gold. Well, now, the amount of leeway that exists on this occasion is very small in relation to what your exports might be. Suppose that you are balancing your position fairly accurately. Then no trouble arises with the Fund and no trouble arises without the Fund. All your dollars remain intact in the Fund because, you see, because it is not balanced with a single, individual country. If you balance with the world as a whole, if you buy goods from anywhere in the world, then you won't be drawing on the Fund on balance, so that in that contingency the situation which we fear has not arisen and a remedy is not required, and it is the same.

Now take the other hypothesis, in which there is a tendency for your position to be an unbalanced one. Without the Fund a crisis is produced almost immediately owing to the inability of the rest of the world to pay for your exports. They have to start depreciating their exchanges, prohibiting trading—heaven knows what. Well, now, if you go on forever and ever exporting more than you are buying, of course, there is no remedy, and in relation to your exports the amount you would be putting into the Fund is not very large. It wouldn't enable you to keep an unbalanced position on a large scale for more than a short time, but what it does is to give everybody a breather when they can sit back and say, "We lose nothing," the situations which anyhow would have to be solved, instead of depreciating their exchanges forthwith, of interrupting dollar remittances and throwing your export trade into difficulty. For the moment all is peaceful and provided it is only a temporary situation it remains peaceful.

If, on the other hand, it gets worse and you continue to export on a very much larger scale than you are importing or lending, then everybody is up against arriving at a place where everybody joins together at a concerted solution and without having had a premature, forthwith crisis connected. That is all the Fund can do. The Fund can't solve continuing problems of this sort. It can just give the opportunity for settling it in an orderly way. And if you don't run into this position after the war, then the Fund is entirely harmless so far as you are concerned because all your dollars remain there intact. On the other hand, if you do run into this situation then you are given an organization to find a rational approach, a friendly way out of it and a little time to think it all over, and that seems to me from the point of view of the United States perhaps the major contribution that the Fund can make towards the stability of your economy.

Just one other thing that arises out of that question and I think it arises out of a great many of the questions, and that is that you can't justify this fund purely on the ground of its own extraordinary beauty. It must be by comparison with the alternatives. And my own advocacy of the Fund is primarily based on how very much worse, indeed how dreadful, nearly all the alternatives that I have ever seen put down in a sufficiently precise form to criticize them are. I think if I was to set myself to criticize this Fund I should do quite a good job of it, but I should be doing no one a service unless I could produce something materially better. I think in the course of the last two years that we have all been working very hard and a great number have been working on it and we have been constantly improving. The Fund is quite a different thing in many respects from how it started and that is the result of a tremendous clash of brains of many, many countries. You are brought up against different angles. You have to have something that is suited to different conditions, and I will say this, still as it is today I could make a pretty good job of criticizing it. I could make a better job of criticizing anything else, and that is really what one must depend on.

Stability Or Mobility?

Press: Will the Fund favor the efforts of a government to appreciate, increase the value, of its currency, a certain currency at a depressed time or will it prefer to have it remain unchanged, the exchange?

Lord Keynes: I think the whole bias of the Fund is stabilization. That is to say, that you stick where you are unless there is real, serious necessity calling for change. I am not quite sure whether I caught your question.

Progress In Surplus Disposal

(Continued from page 1243)

unfavorable factor in the general business picture during the next few years and whether we shall be a worthwhile source of supply for any of the departments in your stores.

Organization Composed of Business Men

Undoubtedly the most reassuring thing I can tell you at the outset is that men with considerable business experience are and will be responsible for the disposal of the merchandise in which you are interested. You are all aware of the high rank among American business men of Will Clayton, the Surplus War Property Administrator. In my own organization in Washington I have brought together to head up our various merchandise divisions men highly respected in their fields. One of your own number has been with me for some months in charge of our operating and control division. In our 11 regional offices, too, we are fast acquiring personnel which is thoroughly familiar with the problems of distribution and which is experienced in solving them. In other words, you need have no worry that the important decisions which will have to be made in this program of surplus property disposal will be made by men unacquainted with commercial practices.

Orderly Disposal the Goal

Next I want to assure you that every effort is being and will continue to be made to dispose of surplus merchandise in a manner and at a rate that will not undermine in any degree the health of the national economy. We are conducting continuous studies which will put us in a position to exercise good judgment as to how much property we should offer for sale, when, and at what price, from the standpoint of market effects.

In instances where we have inventories of merchandise in large quantities, we test the market in order to ascertain its capacity for absorbing our offerings without inflicting undue injury on the producing and distributing activities of the industries involved. In the case of some types of property surpluses will probably be declared in amounts equal to two or three years' normal output of the industries involved. Research has been initiated in an attempt to ascertain what the effect of releasing these surpluses at various rates will be.

We endeavor to sell through regular trade channels, and to avoid selling to speculators. However, we do not class as a speculator a concern which will pay as high a price for merchandise as a regular dealer in that merchandise, assuming service rendered in the resale to be equal. Nor does this policy necessarily mean that we will not sell to new concerns. Our real aim is to avoid selling to concerns at a price which means too small a return to the Government and unduly large profits to the purchaser.

Insuring Small Store Participation

Although most of you represent stores which are classed in the "large" category, I know you will be sympathetic with our policy of offering merchandise in a manner that will insure an opportunity for small stores to buy. This we accomplish by giving attention to lot sizes, to our price differentials, and to our advertising methods. We by no means attempt to sell direct to small retailers in all cases. Rather we believe we can best serve the interests of these small dealers by making sure that wholesalers, large and small, are attracted to our offerings. Wide wholesaler participation in buying results in distribution among small retail outlets.

Our Problems Unique

The problems we must solve may seem to you to be no different from those which must be solved by any manufacturer, wholesaler or retailer. However, let me point out some of the aspects of this job which make it more than ordinarily difficult and at the same time, I must confess, more than ordinarily interesting.

Imagine yourself in the position of having no control over the *kind* of merchandise stocked on your shelves and counters, in forward stock and in reserve. And no control over the *amount* of merchandise! And no control over the *time* when merchandise moves into your store! And no net profit figures, nor even gross profit figures, to use as a guide to your merchandising activities! That is exactly the position we are in.

In the Office of Surplus Property we have no control over what types of merchandise we are required to sell nor over the quantities. We cannot be regarded by prospective buyers as a regular resource for specific items, for we may have large quantities of an item today and none tomorrow. We have merchandise for which there is a ready market, merchandise for which there is a small or doubtful market, and merchandise for which there is simply no market at all. Let me list a few examples in the latter two categories—disc wheels for gun carriages, ice grousers to be attached to special rubber-tired treads of high-speed military tractors, bolo scabbards, smoke generators, and World War I spurs. Ingenuity now and then takes an item out of the "no market" classification, as for example in the sale of the spurs for use as a premium on a kid's radio program. Numerous are the items, however, which no amount of ingenuity can move out of our hands. On top of all this we have to act within the limits of certain Government restrictions. I hasten to add that I am not unaware that now and then you, too, must heed Government regulations.

I hope you will not infer that I am complaining about the nature and size of our problems. My purpose in presenting them is rather to solicit your patience if we do not always seem to conduct ourselves exactly like your other sources of supply. We cannot because we are surrounded by different conditions. However, we do use the same general approach as any business concern operating under modern management methods.

We recognize that we must take three broad steps before we can effect a transfer in ownership of merchandise from us to such buyers as yourself. First, we must have an accurate knowledge—a complete description—of our inventories. We must know what we have to sell. Second, we must determine who is likely to be interested in the various items in these inventories. We must know our potential market. Third, we must convey information regarding our stocks on hand to the potential buyers.

Recent Progress

During the past few months we have been working day and night in an endeavor to put ourselves in a position to take the three foregoing steps. First, we have established an excellent inventory accounting system in each regional office and a master control in Washington. We have been cooperating with the Army and Navy for the purpose of obtaining from them adequate descriptions of the property they turn over to us. Our own appraisers have been impressed with the importance of basing their decisions and recommendations on careful inspection as regards specifications and conditions.

Secondly, we have placed ourselves in a position to locate and evaluate potential markets for our goods, through acquiring the services of men long familiar with those markets, as I have previously pointed out, and through the establishment of a research department which will concentrate its attention largely on the study of markets. At this point I should also mention the fact that we are continually obtaining advice from business groups, advisory committees, trade associations, and others—and from individual business men who are generous in their offers of counsel to us.

Thirdly, we are making use of press releases and direct mail to carry information about offerings to prospective purchasers. Plans are being laid looking forward to the use of paid-space advertising just as soon as this kind of expenditure seems justified. We are also in the process of setting up display rooms in our Washington and our regional offices where buyers will have an opportunity to inspect items in our inventory.

My remarks thus far give you, I hope, an adequate idea of our philosophy and thinking as we proceed to establish the policies and procedures governing the disposal of surplus property. I hope also that you accept our philosophy and thinking as being sound. We shall make some mistakes just as any business does, but we intend to do all in our power to keep them at a minimum.

Methods of Sale

Before closing there are two or three more points I want to touch on because I think they answer questions you have on your mind. As to the methods of sale we are using, there are three—sealed-bid, negotiation and auction. The auction method has been resorted to in the case of property customarily sold by this method, such as horses, and of property available in heterogeneous lots where sale by either of the other two methods would be slow, cumbersome and uneconomical. This method will be limited to similar situations in the future.

The sealed-bid method has been used more than the other two up to the present. This method has an appealing element of fairness about it and seems to be the "safe" method to use to insure all interested buyers an opportunity to participate. Actually, this method is not attractive to many potential buyers, and it does not ease the problem of equitable allocation when there are more bidders at ceiling prices than there is property to be distributed. Recently there has been greater emphasis on the negotiated-sale method because, if carefully employed, it can result in distribution as equitable as the sealed-bid method, and because it may bring a higher price and involve less expense. Finally, it has the marked advantage of speed at a time when every effort is being exerted to see to it that merchandise in short supply reaches the hands of consumers as quickly as possible. Not only does this speedy movement of property at the present time serve the very commendable purpose of satisfying urgent consumer needs, but also it probably results in a higher return to the Government. Further, it decreases the amounts of property which may hang heavy over the market in the years ahead.

Size of Surpluses

There is universal interest in, and much wild guessing about, the size of the surplus which we and the other disposal agencies will be called upon to take over and sell. It is our policy to make no predictions regarding the quantity of future surpluses for the very good reason that we have no idea how large they will be. There are many factors which will determine the size of surpluses, and most of these factors are surrounded by large question marks today. Regardless of the size of the surpluses, we are confident that their disposal can be managed in a way that will do the country and the business community good. We do not share the worries of these people who see great quantities of merchandise literally dumped on the market without regard for the interest of the taxpayer, the manufacturer, the merchant, and the employee. This is not said in a spirit of boasting, but rather one of plain common sense. The disposal of these surpluses can be controlled for the good of everybody if those in charge are determined to establish and maintain the control.

In closing I will assume that there may still be some of you who do not yet have the answer to a very practical question: "How to do business with the Office of Surplus Property." The answer is simple. Write to one of our regional offices—the one serving the area in which you are located—and ask to be put on the mailing list to receive notices of offerings of the kinds of merchandise you are interested in. We have offices at present in Boston, New York, Washington, Atlanta, Chicago, Cincinnati, Fort Worth, Kansas City, Denver, Seattle and San Francisco.

We hope your stores will become good customers of ours. Which means we intend to be a profitable source of supply for your stores. Be assured that we shall do our utmost to be of service to you! Thank you.

Dewey To Preserve Collective Bargaining And Labor's Rights

(Continued from page 1243)

and all of our might into the war in the Pacific.

This year, also, we are called upon to hold a national election. Does that mean that there must be the slightest hesitation in our forward march to victory? It means exactly the contrary.

Our military leadership in this war has been superb. I have made it plain and I cannot emphasize it too strongly that a change in the National Administration next January will involve no change in the military leadership of the war.

What this campaign will do is prove to our enemies that we can fight total war and speed final victory by changing and strengthening our administration.

It will drive home to Japan—and to Germany also if that country should still be in the war on Nov. 7—the bitter lesson that every day they delay their surrender will make more onerous by just that much the terms of their defeat.

This election will also bring an end to the quarreling and bickering and confusion in the Nation's Capital which has hampered our war effort from the beginning to the end.

Among the things which have been holding us back here at home is an Administration Labor Policy which has bred class division, hate and insecurity. I can say without qualification that the labor policy of this administration has been one of delays, bungling and incompetence. It has put untold obstacles in the way of labor's effort to avoid wartime strikes. It has fostered strife between one labor group and another, between labor and business and between both and government. It has affronted the wage earner by reducing his basic rights to the level of political reward. It has made the wage earner's pay envelope and his hours and conditions of work a football of politics. The labor policies of this administration are another reason why it is time for a change.

Where are we today in the field of labor? We are adrift. There is no course, no chart, not even a compass. We move, when we move at all, to the shifting winds of the caprice of one man. Is that the fault of the law—of the National Labor Relations Act? Not for one minute. The National Labor Relations Act was the work of a bi-partisan majority of both Houses of Congress. A majority of the members of my party voted for it. That act was modeled on The Railway Labor Act of 1926, a measure which was written, passed and approved by a Republican Administration.

The National Labor Relations Act is a good and necessary law. It acknowledges the trend of our times and will continue to be the law of the land. But that law has been working badly. It has failed to secure the industrial harmony we sought. It has failed because under the present administration, the whims of bureaucrats take the place of government by law. Why, even on the railroads where an orderly system of mediation has been painstakingly created, we stood last December on the brink of a paralyzing strike. That was only because one-man government could not keep its hands off established, previously successful legal processes.

There is another reason why the National Labor Relations Act has not worked as it should. Our Labor Relations right down the line have been smothered under a welter of agencies, boards, commissions and bureaus.

Let me give you a list of just some of them:

There's the War Manpower Commission, the War Labor Board, the Office of Labor Production, the Wage-Hour and Public Contracts Division, the National Labor Relations Board, the Conciliation Service, the Fair Employment Practice Committee, the Retraining and Reemployment Administration, the War Production Drive Division, the National Mediation Board, the Shipbuilding, Lumber, and other special industry commissions.

In addition, there are labor sections of OPA, WPB, OES, OWI, The War Shipping Administration, Selective Service, and a jumble of others too numerous to mention.

This towering confusion of agencies has marked a serious backward step for the working people of the country. A Republican, President Taft, was the first to recognize that labor's problems were of cabinet importance. Under him the Department of Labor was created. That new department was soundly administered under four national administrations. Neither labor nor the nation had any quarrel with its operation. But for 12 straight years of New Deal bungling the Department of Labor has been left in the hands of an estimable lady who has been Secretary of Labor in name only. For all practical purposes we have neither a Secretary of Labor nor a Department of Labor today. We need a Secretary of Labor. We need a Department of Labor. Twelve years is too long to go without them. Sixteen years would be intolerable.

Let me give you a concrete example of what has been going on in every part of the country. A while ago an election was held to decide the collective bargaining agency in an important industry engaged wholly in critical wartime production. A dispute arose and both workers and employer found themselves forced to deal with the following agencies in that one dispute:

1. The United States Conciliation Service.
2. The Shipbuilding Commission of The National War Labor Board.
3. The Regional Office of The National War Labor Board.
4. The National War Labor Board.
5. The Regional Office of The Labor Division of The War Production Board.
6. The Washington Headquarters of The Labor Division of The War Production Board.
7. The Labor Division of The Regional Office of The Procurement Agency of The United States Maritime Commission.
8. The Washington Headquarters of The Procurement Agency of The United States Maritime Commission, Labor Division.
9. The Regional Office of The National Labor Relations Board.
10. The National Labor Relations Board.

Ten different government offices all presuming to settle one labor dispute. There were four formal hearings in Washington. Both sides had to file seven different briefs and I may add, fifteen copies of each.

Finally, one year and five days after a union was certified by The National Labor Relations Board, there was a final order issued by The War Labor Board. At last things seemed clear and the agreement was sent to the printer.

But before the printer's proof was received, both sides were notified by The National Labor Relations Board that a new petition had been granted for a new election. So they were right back where they started.

Is it any wonder, in the face of that record, that the leaders of organized labor have found their jobs very nearly impossible? Is it any wonder that the workingmen and women of this country have felt they had just grievances? With more than 25 Federal agencies pulling in opposite directions, we have been yanked from crisis to crisis in the field of labor.

So, Democratic Congressman Smith and Democratic Senator Connally produced The Smith-Connally Act which they promised would solve all problems. Honest men were willing to believe that nothing could make the situation worse. So the statute was passed.

It has not solved the problem. In the 12 months prior to the passage of The Smith-Connally Act there were 3,359 strikes. In the 12 months following the passage of that act there were 4,448 strikes. In other words, the number of strikes after The Smith-Connally Act was passed increased by one-third. That law — The Smith-Connally Act—will expire with the termination of the war, as it should. The provisions of this law and the other New Deal interferences with free collective bargaining should never be renewed.

The right of workers to leave their jobs individually or together—the right to strike—is one of the fundamental rights of free men. It has sometimes been abused. But what has caused that abuse?

Let's get the answer to this one straight for the record, too. The New Deal is exclusively responsible for most of the serious wartime strikes. The chief blame goes directly into the White House and to its agency created at the top of all this chaos of agencies—The War Labor Board. That board has supreme power over the vital matters of wages and conditions of employment. Whether by design or sheer incompetence, its practice has been to stall weeks, months, sometimes years before issuing decisions. For that reason, too, the working man and working woman and their families have had to suffer.

One month ago today, on Aug. 18, The War Labor Board had pending before it, still undecided, 22,381 cases. One of the oldest of these involves the rights and wages of 600,000 workers. Another one directly affected half a million wage-earners. The other 22,379 cases involved literally millions of working people living in every industrial center of this nation. That's why it's time for a change.

Now who gains by this planned confusion? The workers don't gain. The public is always in the middle. The war effort has been constantly hampered. Who does gain? There can be no doubt of the answer. This policy of delay, delay and more delay serves only the New Deal and its political ends. It puts the leaders of labor on the spot. It makes them come hat in hand to the White House. It makes political loyalty the test of a man getting his rights. Personal government instead of government by law, politics instead of justice prevails in the labor field in this country and I am against that kind of administration and always will be.

This strategy of delay sets the stage for a great gesture—a big favor to labor before election day—a gesture carefully designed to make labor believe that something it is justly entitled to is a special gift from on high from the New Deal.

I refuse to believe that workers in this country will play the role of supplicants to any throne. I refuse to believe that any man or group of men can deliver any section of our people by holding the power of government over their heads as a club.

I do believe the American people when they go into the secrecy of the voting booth will insist on government by law and not by special favor and political extortion.

I propose that we shall have government by law after Jan. 20, 1945. Here is the first thing to be done. We must have, from the ranks of labor, an active, able Secretary of the Department of Labor.

Second, the functions of the Department of Labor must be put back into the Department of Labor. It will not be necessary for the workingmen and women of America to knock on door after door and sit in waiting room after waiting room to find out what their rights are.

Third, we shall abolish many of these wasteful, competing bureaus filled with men quarreling for jurisdiction while American citizens stand and wait. We shall put their powers and their duties into the one place where they belong, in the Department of Labor.

Finally, just as we shall abolish unnecessary bureaus and agencies, we shall abolish privilege for one group over any other group. We shall see that every working man and woman stands equally in that department created to serve them, not to rule them. And there will be no back door entrance to special privilege by one group over any other group of Americans.

There is no question where we

(Continued on page 1264)

Municipal News & Notes

At its recent annual meeting in Chicago the American Bar Association recorded its intention to advocate before the proper committees of Congress, adoption of Congressman Lyle H. Boren's bill (H. R. 1502), which is designed to specifically exempt municipal bonds from the regulatory activities of the Securities and Exchange Commission, also legislation which would perpetuate the Municipal Bankruptcy Act. The Association also announced its intention to sponsor a series of nine amendments to the bankruptcy bill which time and experience has demonstrated are necessary to strengthen the law. The municipal law section of the ABA is headed by John D. McCall, Dallas, Texas, attorney and also includes Charles D. Frierson, drainage district law specialist, Jonesboro, Ark.; David M. Wood, municipal attorney, New York City; Stephen W. Downey, irrigation district law specialist, Sacramento, Calif., and J. Bowers Campbell, litigation attorney of the Reconstruction Finance Corp. Previous proposals for amendments to the municipal bankruptcy act presented to Congress by this group during the last six years that it has operated have invariably been adopted, Mr. McCall said.

Among amendments currently advanced is one that would strike out the present provision that the law expire June 30, 1946. This, Mr. McCall said, indicated a reversal of attitude on the part of lawyers since original enactment of the law which they had generally opposed.

Other amendments would extend the coverage of the law to certain types of revenue bonds not specifically included now and also to bring in certain subdivisions of governments not presently named such as "incorporated authorities."

Others are: Simple definition of insolvency as, essentially inadequate assets available to pay interest and principal due on bonds; elimination of requirement for notice to real estate owners unless directly affected through assessments; clarification of the trial court's duty as to findings to be made in proceedings for municipal debt compositions; limitation of the court's authority to appoint special masters and also limitation of court's responsibility for detecting potential fraud in proposed debt settlement plans.

The Federal statute would be made to supersede all State laws on municipal bankruptcy under another amendment. This, Mr. McCall said, was to prevent the possibility of 48 different bankruptcy laws if at some future time there was a wave of municipal insolvencies.

Florida Road And Bridge Debt Data Available

J. Edwin Larson, Treasurer of the State Board of Administration, announces that the report of the statutory Board of Administration of Florida, for the three-month period ending Dec. 31, 1942, and of the constitutional State Board of Administration for the year ending Dec. 31, 1943, is available in limited supply at a cost of $5 per copy. The report contains operations of the respective State agencies, is arranged alphabetically and gives comprehensive information relative to the several hundred county and special road and bridge district bond issues in Florida, all of which are now under the jurisdiction of the SBA. The data given includes the following:

Name, date, interest rate, original amount of each bond issue, and balance principal, interest and total outstanding.

The amounts received from each principal source of revenue for the interest and sinking fund of each bond issue.

Cash balance on hand, and itemized list of investments of the sinking funds.

Total road and bridge bonded indebtedness due by each of the 67 counties for each year.

Schedule of all securities purchased with gasoline tax money under Chapter 15891, known as the Kanner Bill, including par amount and price paid.

Consolidated statistical data, comparative statements and recapitulations, following very closely the style and arrangement of prior reports, and containing similar information.

The final pages of the report relate to several bridge bond issues administered under Chapter 21853, Acts of 1943, which do not participate directly in the second gasoline tax.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was concluded Sept. 18 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $30,010,000 0.85% consolidated debentures dated Oct. 2, 1944, due July 2, 1945. The issue was placed at par. The proceeds, together with cash funds of $14,015,000, will be used to retire $44,025,000 of debentures due Oct. 2, 1944. As of Oct. 2, 1944, the total amount of debentures outstanding will be $271,700,000.

Now Dempsey & Co.

CHICAGO, ILL. — Announcement is made of the change in the name of Dempsey-Detmer & Co. to Dempsey & Company. The firm, which is a member of the Chicago Stock Exchange, has its main office at 135 So. La Salle Street. Branches are maintained in Cedar Rapids and Muscatine, Iowa.

"Post-War Employment, Flexible Costs And Profits"

(Continued from page 1242)

ible wage rates which would allow the adjustment of costs to prices obtainable for the products of industry.

His other recommendations are equally to the point. That they are listed under 11 headings, serves to indicate how difficult our problem will be to maintain business activity and employment on high levels in the years ahead. Yet that problem has to be solved —for the material well-being of our nation, and also because our huge public debt makes it a necessity.

Where we are concerned with maintaining or restoring the fairly well balanced function of our economy on adequate levels, it is not merely the type of remedies or preventives we choose that matters; their dosing in application is of equal importance. All business cycle correctives and control devices might bear the warning label: "Use sparingly." Like any delicately balanced organism, the industrial economies of free nations are highly allergic to harsh interference.

In the field of business cycle control, cause and effect have a disconcerting way of interacting. By measures to restore balance, we may cause disequilibrium or contraction elsewhere. It is partly for this reason that, as in wartime price control, so in peacetime business cycle control many remedies applied gently are more likely to serve the desired purpose than would the drastic application of a few. As in effective price control, so in business cycle control the goods and services have to be watched as well as the money. In short, we must be circumspect.

Let us consider wage rate flexibility, for instance. The need for it can hardly be disputed. As Mr. Friedman points out, if the cost of a product exceeds the price at which it can be sold, the manufacturer has to close his plant and dismiss his workers, or else he loses his working capital and, finally, goes bankrupt. If the Government were to assume operation of the plant, the losses would continue and would have to be covered out of taxation — a solution hardly available in times of business contraction when public revenues decline. And, as Mr. Friedman further points out, the worker is better off with a slightly reduced wage than he would be on a dole, not only financially but also because in most cases an unemployed worker is an unhappy man.

On the other hand, salaries and wages constitute the bulk of our national income. A general price decline would be aggravated by a widespread downward movement of wages. Such contraction of the most active type of purchasing power, namely, money in the pockets of the spending public, would almost unavoidably arouse in the masses of our people those fears of economic insecurity which cause retrenchment all around, cause prices — so far as flexible — to decline further, and so on. We should, therefore, not rely too much on wage rate flexibility, necessary though it is to have this means of adjustment available for isolated cases here and there, say for conditions involving part of an industry or one factory.

An altogether different matter, of course, is the adjustment of war-time wages to peace-time conditions, which in the foregoing and below I assume as accomplished. Incidentally, this transition to a peace-time regime of hours and wages seems to offer an excellent opportunity for our industry to follow where Messrs. Procter & Gamble pioneered more than half a century ago, by instituting profit-sharing for their workers. Apart from benefiting employer-labor relations generally and giving the workers an added interest in the successful operation of the enterprise, profit-sharing would make a part of labor's remuneration automatically flexible.

We do not want rigidity in our price and wage structure. Sooner or later it breaks down anyhow or causes the whole system to jam. It has to be enforced by bureaucratic control while it lasts. The advanced industrial nations bordering on the North Atlantic are guided by sound instinct in finding unattractive the idea of a national economy run or ruled by the civil service.

The size of our public debt leaves hardly any scope for further deficit financing of public works programs in the years ahead. We shall probably be compelled to operate on balance budgets, yet shall have to achieve a high level of employment and national income and have to maintain it by means of that fair state of balance of production and consumption, labor demand and supply, costs and prices, which makes for stability and allows gradual wholesome expansion. Our rapidly but unevenly increasing productive efficiency, usually coinciding with declining man-hour needs per unit of output, forever tends to disturb that balance. Only by sharp vigilance can the equilibrium be maintained, through the good will and wholehearted cooperation of the management and workers of industry, agriculture and the transports. Such cooperation will need the leadership and support of an unprejudiced, impartially friendly and able administration who keeps in constant consultation with expert committees of both management and labor.

Fortunately, the prospects are that business will be on high levels for a few years following the end of the European war and the reconversion of our economy to peace-time uses. That will be our opportunity to devise simple, inexpensive machinery for genuine progress in business cycle control "at the source," as it were — chiefly by means of

(1) the inventory and capital expenditure policies of corporations;

(2) the public works programs of the Federal, State and municipal authorities;

(3) improved diversification in agriculture where there has been an unreasonable dependence on certain weak staple crops like cotton;

(4) guidance of the general public in consumption and saving;

(5) consumer credit manipulation and taxation policies to fit prosperity and depression.

During the period of post-war prosperity, certain public and private projects can be held up and merchandise inventories be kept low. Thus the post-war boom can be restrained and "prosperity reserves" established for use in later years when the problem may be reversed, namely, to check a subsequent downward movement.

Careful planning is required, and equally careful dosing in execution. The planning would include the preparation of complete, well analyzed lists of

Government and municipal building requirements to arise within a certain period, say, three or five years ahead;

The replacement and expansion requirements of railroads and ocean shipping;

Fairly well matured development projects such as canals, roads, pipelines, slum-clearance, river regulation, power projects, reforestation, etc.

In years of great prosperity, these projects would be postponed to the extent considered advisable. At the same time, the passenger motor car output could be held down to moderately high figures by a more or less drastic increase of the down-payment requirements on instalment sales — a procedure which might also be applicable to sales of radio sets, washing machines, agricultural equipment, and furniture. Furthermore, private industry could be advised to keep their capital expenditures within moderate limits.

If all this should not be sufficient to keep business from expanding to dangerous levels, the income tax rates could be raised by, say, 1% and the additional amount thus collected could be refunded in years of recession, after the index of industrial activity had remained for some time below a certain stipulated level.

In times of receding business, the procedure would necessarily be reversed. The catalogued prosperity reserve would be drawn upon to a greater extent than would have been done during the period in question had business remained stable. Instalment sales would be facilitated by down-payment reduction, more liberal credit allowed for home building, and business concerns encouraged to raise their annual capital expenditure by a certain proportion, say 25%.

We might prevail upon friendly nations to work along the same lines of control within their territories. The wider the area over which moderate prosperity can be maintained, the better for all the countries comprised in it, because depression areas radiate disturbance which makes things more difficult elsewhere.

It cannot be emphasized too strongly that much depends on expert planning and execution of the program. It could, therefore, not be altogether an affair of the civil service or, still less, of politicians subject to machine control or committed to fanciful election promises. Throughout the country, business leaders with a record of high ability and integrity would have to be won over to loyal support. Their advice should be asked and seriously pondered for important decisions.

Beyond mere advice, the active cooperation of business would have to be secured for the best possible results, as pre-war experience may have taught us. Where there is very great need for reversing a downward trend, private enterprise might even have to be encouraged to venture into new fields at substantial risk. Responsible business managers cannot be expected to do so unless they can feel sure of a fair deal, of conditions in which enterprise can go ahead confidently, without fear of disagreeable surprises from the government side.

The avoidance of violent fluctuations in business activity would be a great boon to labor and might induce them to enforce strict discipline within their ranks. Being the group likely to benefit most from successful operation of the arrangements to stabilize business, they would for their own sake have to regret it, if it were wrecked through ill-considered action on their part and the experiment should end in that most deplorable of failures where a sound, promising move is discredited through the insufficiency of those concerned with its execution.

JOSEPH OBERGFELL,
General President and Secretary-Treasurer, International Union of Brewery, Flour, Cereal, and Soft Drink Workers of American, Cincinnati.

Mr. Friedman's article on post-war employment, flexible costs and profits offers some new and startling theories, and merits a deeper study before I can say whether or not I agree with it in general.

My own thoughts on the subject of maintaining a steady economic balance for the worker based on equitable returns for the employer incline toward a guaranteed annual wage.

RENO ODLIN,
President, The Puget Sound National Bank, Tacoma, Wash.

I have read with much interest the article by Elisha M. Friedman called "Post-War Employment, Flexible Costs and Profits" which appeared in the August 10 "Chronicle."


Reno P. Odlin

It was an extremely interesting and stimulating article which I have passed to several of my friends, knowing it would interest them.

H. C. MATZKE,
President, The City National Bank of Duluth, Minnesota.

I read with a great deal of interest the article written by Elisha M. Friedman entitled "Post-War Employment, Flexible Costs and Profits." I thoroughly agree with the conclusions of Mr. Friedman.

W. A. FAIRBURN,
President, The Diamond Match Company, New York

I have read Mr. Friedman's recent article with a great deal of interest and find it most excellent, courageous, and productive of thought in the right direction.

WILLIAM A. ROBERTSON,
National Board of Fire Underwriters, New York

Mr. Friedman's fine article is above praise. It comes at a time when such teaching is badly needed, and it speaks the truth plainly and forcibly. I am in accord with its teaching throughout. The notion that by some clever arrangement on the part of the Government, every one can be kept employed continuously, at some agreeable and profitable line of industry or activity, is one of those false lights, will-of-the-wisps, wandering fires that ovehang bogs and marshes of thought, which are numerous enough at all times, but especially so in times of great disturbance and unrest. Mr. Friedman has punctured more effectually than I can, the arguments which are so constantly advanced in behalf of the notion. I wish his views could be spread as widely as possible throughout the land.


Wm. A. Robertson

In my judgment there are no substitutes for hard work, constant forethought, vigilant scrutiny of business conditions and especially of changing forces and currents in the world of commerce and business. It is the exercise of such qualities that make some men so successful in life, while so many others fall by the wayside because they will not make use of their own brains. They hate to think. I can not help remembering a story of the great English artist, Mr. Opie, who flourished about a hundred and fifty years ago, and who gave instruction, as well as actually painting pictures himself. One day a young student came to him and said, "Pray, Mr. Opie, how do you mix these colors?" The great painter is said to have made this famous reply: "With brains, sir."

W. C. ARKELL,
President, Beech-Nut Packing Company, New York

The article on "Post-War Employment, Flexible Costs and Profits" is interesting but only common sense. I do think, however, that the clear presentation will be helpful.

GEORGE M. CRAIG,
President, Merchants National Bank, Port Arthur, Texas

The article, "Post-War Employment, Flexible Costs and Profits" by Elisha M. Friedman is very much to the point, but the trouble is that the people who need to read it most will never see it or read it.

OUR REPORTER'S REPORT

From a straight business point of view, the investment banking fraternity is in a cheerful mood these days, encouraged by the splendid performance of the market in the test it has undergone during the last fortnight.

All told, an aggregate of approximately $250,000,000 of new securities have been brought on the market in the interval with underwriters and dealers reporting a remarkably good investment demand.

In some instances there are unsold portions still to be distributed but, by and large, the bulk of the new material has been moving out in a manner which not only pleases the investment distributing industry but makes it hopeful of ability to complete a goodly portion of the large calendar which is ahead before the Treasury enters upon its Sixth War Loan Drive.

There are still bonds to be had in the Great Northern setup, namely, the 3⅜s of 1970 and the 3½s of 1980 and Empire District Electric 3½s are around while Oregon and Washington Railroad and Navigation bonds could be had. It was the consensus, however, that judging by the steady absorption indicated for such issues, the cleaning-up process would not require any great amount of time.

Meanwhile it was indicated that recent omissions, such as Mississippi Power & Light 3⅛s, the Armours, Chicago Union Station 2⅞s and the Northern Indiana Public Service Co.'s 5% preferred had been well placed with those issues ruling at their offering prices or at slight premiums.

Brooklyn Union Gas

Brooklyn Union Gas Co.'s refinancing program went through in a manner destined to stimulate interest of bankers in other utility issues which are on the future books.

Demand for the $30,000,000 of new 3½% first mortgage bonds was of such proportions that bankers reportedly found it necessary to scale down on allotments.

Meanwhile it was indicated that the $12,000,000 of 4% debentures would clean up without important delay.

Huge Job Still Ahead

Between now and the time for the next War Loan Drive, and provided nothing happens to change the picture, it is now indicated that something well in excess of a half billion of new securities could reach market.

Largest undertaking on the forward list, of course, is that of the Commonwealth Edison Co. calling for the sale of a total of $155,000,000 of new mortgage bonds to provide the bulk of funds needed for retirement of outstanding bonds of that company and its subsidiary.

Only slightly smaller in proportions is the refunding operation projected by the Philadelphia Electric Co. which recently registered for a new issue of $130,000,000.

Among the other potentials are Chicago, Burlington & Quincy's $40,000,000 refunders; Arkansas Power & Light's $30,000,000; a similar program slated by Ohio Edison and Western Union's $24,603,000 of new debentures which are now destined for the auction block.

A late addition to the list would put Pacific Gas & Electric Co. well up on the roster from a standpoint of size, since this company is reported planning for a refinancing program which would run to approximately $115,000,000.

Easing Up on Small Issues

One of the most encouraging moves in the direction of assuring small industry of necessary capital in the post-war period developed this week when Senator Vandenberg (Rep., Mich.) offered a bill designed to modify the provision of the Securities and Exchange Act.

Under his proposal new issues up to $300,000 would be exempt from the registration provisions of the act which now require the registration of all issues above $100,000.

The proposal is in line with suggestions recently made by Ganson Purcell, Chairman of the Securities and Exchange Commission. He urged that should such relaxation be considered by Congress that it do so by raising the exemption rather than "by relaxing the disclosure requirements generally."

Montgomery Scott Partner

PHILADELPHIA, PA. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges and other leading Exchanges, will admit Herman K. Grange to partnership in the firm as of Oct. 1.

New Canadian Mining Shares Exchange Being Launched In Toronto

According to advices received from Gordon Jones of Gordon Jones & Company, Toronto, there is a movement on foot in Toronto to form a new Stock Exchange to be known as The International Stock Exchange. It is proposed to deal mainly in Canadian mining shares.

"United States investors," Mr. Jones reports, "for a great many years have bought and sold Canadian mining securities but the promoters behind the new Exchange feel that by adopting certain policies this trend could not only be increased but likewise could be made more attractive for United States brokers and the public. Under present conditions, the Toronto Stock Exchange more or less has a monopoly and they refuse to give any part of commissions to an outside broker with the result that frequently the public has to pay double brokerage. This, we feel, is detrimental not only to the industry but also to the public. The new Exchange would encourage United States brokers to become members and receive the full commission. At the same time it is proposed to have a lower scale of commissions than the Toronto Stock Exchange which should be another inducement to encourage the public to trade more.

"Without going into too much detail, I have tried to give you the highlights here, and in using the word promoter I did not wish to give the impression that there is any one group promoting it. That is one of the things it is proposed to avoid. There is no one who will receive any promotion cut or favours, the idea being that the seats should be sold at a minimum of expense and made as attractive as possible for those joining."

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Newman, Baum, Rand & Hollander To Open

The New York Stock Exchange firm of Newman, Baum, Rand & Hollander will be formed on Oct. 2 with offices at 120 Broadway, New York City. Partners will be Charles M. Newman, formerly with Newborg & Co.; Abbott L. Baum, previously with Ira Haupt & Co.; Alvin L. Hollander, in the past with Leopold Spingarn & Co.; William Rand, member of the Exchange, heretofore active as an individual, and James M. C. Newman.

The Business Man's Bookshelf

Control of Germany and Japan, The — Harold G. Moulton and Louis Marlio—The Brookings Institution, Washington 6, D. C.—cloth—$2.00.

Economic Almanac for 1944-45 —The National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y.—cloth—$5.00.

Europe's Uprooted People, The Relocation of Displaced Population—National Planning Association, 800 21st Street, N. W., Washington 6, D. C.—paper—25c.

Inflation And The Post-War— No. 10 in a series on Post-War Readjustments — Chamber of Commerce of the United States— Washington, D. C.—paper—5c.

Paine & O'Connor With Cohu & Torrey In Fla.

MIAMI, FLA.—Leon A. Paine, Jr., and Bernard Francis O'Connor have become associated with Cohu & Torrey, Alfred I. du Pont Building.

Some Aspects Of American Foreign Economic Policy

(Continued from first page)

large part of Europe and Asia and from which Great Britain has suffered so heavily. We must not only participate in the difficult task of world reconstruction, but we must bring to this task a leadership commensurate with our material power. Our best efforts will be called for in helping to create in the world a decent political and economic environment in which the arts of peace can flourish.

At the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, during July, we witnessed an effort to find a solution for certain international financial problems—those concerned with currency stabilization and long-term foreign investment. Important though these problems are, they logically come second in point of time to other questions of a political and economic character which beset the world. Such other questions include the political reconstruction of the nations which have been occupied by the Axis powers, the redrawing of the maps of Europe and Asia, the resettlement of populations, and the establishment of some form of international political organization to preserve peace. Closely allied to these problems are such basic economic questions as trade barriers, the reconversion of industry from war to peace, a reasonably full utilization of the labor supply by peace-time production, and the adoption of sound domestic monetary, credit and fiscal policies. Less urgent in their claim upon our consideration are problems of international currency stabilization and foreign investment.

The Bretton Woods conference met upon the initiative of the United States and, in extending the invitation, President Roosevelt made it clear that proposals adopted by the conference would not be binding either morally or legally on the governments represented. Any agreement reached would have to be referred to the governments of the signatory powers for adoption or rejection.

Prior to the convening of the conference, the problem of international currency stabilization—the concern of the International Monetary Fund — had received much more consideration than that of international investment—the concern of the International Bank for Reconstruction and Development. Active discussion of monetary questions was initiated early in April, 1943 with the simultaneous release of two draft plans by British and American experts, commonly termed the Keynes and White plans.

Through the latter half of 1943 and the first half of 1944 the stabilization proposals of the Treasury experts were widely discussed and subjected to searching criticism and analysis. Innumerable articles appeared in scientific journals and in the daily press. A carefully prepared brochure on the subject, giving emphasis to the "key-nation" approach, was issued by the Economic Policy Commission of the American Bankers Association.

About a year after the publication of the original White and Keynes plans, a Joint Statement by Experts on the Establishment of an International Monetary Fund was given endorsement by representatives of certain of the United and Associated Nations. Although in structure the Joint Statement resembled the White more than the Keynes plan, in actual substance it showed close affinity to the British proposal.

Prior to the meeting at Bretton Woods, the American delegates to the conference were instructed by the President to adhere to the Joint Statement in formulating definite proposals for an international monetary fund. Modifications were to be permitted only if they did not fundamentally alter the proposals. Thus from the outset the American delegation was committed to a particular monetary plan and was not free to work *de novo* on the problem and to consider an alternative approach. The same situation applied, of course, to the delegations of all the other nations represented at this conference.

As I have indicated, less consideration has been given to the plan for the International Bank for Reconstruction and Development than to proposals for monetary stabilization. In both the White and Keynes plans, statements were made that an investment institution would be required to provide credit for long-term economic development. It was not until November 24, 1943 that the United States Treasury released the preliminary draft of its proposals for such an institution. British experts issued no comparable plan. The American delegation to the Bretton Woods conference was given no freedom to develop independently a plan for an investment bank. As in the case of the Fund, they received instructions that they were to be governed by the principles agreed upon by the American Technical Committee.

II

The International Monetary Fund

The stated purposes of the International Monetary Fund, which is to be engaged primarily in the purchase and sale of currencies, reveal that functions have been delegated to it that reach far beyond the problem of currency stabilization. The Fund is charged not only with the duty of promoting international monetary cooperation and exchange stability, but also with the duty of facilitating the expansion and balanced growth of international trade, and of contributing thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all member nations. In these respects the powers of the Fund seem to be indirect and of doubtful economic validity. The Fund is also charged with the duty of helping to correct maladjustments and of shortening the duration and lessening the degree of disequilibrium in the international balance of payments.

The objectives of the Fund lack the focus essential to its success. The objectives are so broad and so all-inclusive that the Fund, if it were established, would probably become enmeshed in its own contradictions of policy. For example, are the credit operations to be short- or long-term in character? Are they to be for purposes of currency stabilization or economic development? Are they to be of a commercial or an investment character?

The Fund, which is to accomplish the diverse purposes set forth in the monetary agreement, is to have assets that will consist in small part of gold and in large part of non-negotiable, non-interest bearing demand obligations and currencies of member nations. These assets are to be supplied by each member nation in an amount equal to its quota, which varies from $500,000 in the case of Liberia and Panama to $2,750,000,000 in the case of the United States. Total quotas come to $8,800,000,000.

As a practical matter, it should be noted that the size of the quotas is not so much a measure of each nation's contribution to the Fund as a measure of its access to the Fund's benefits. This point was fully recognized during the debates at Bretton Woods and gave rise to the unedifying spectacle of nations competing to obtain larger and larger quotas. Since the United States will have the least need to use the Fund's resources, our position becomes mainly that of a contributor, and by far the largest contributor.

The bulk of the assets of the Fund, perhaps 80% of the total, will in all probability consist of the obligations of member governments and of deposits with the central banks of member nations. If the member country so decided, the first could be created by the printing press, and the second, by the simple expedient of book entries.

Obviously the assets created in this manner will not be of uniform quality. A few of the local currencies, including, we hope, the American dollar, may be convertible into gold, at least for foreign transactions. The majority will probably not be convertible into gold, and some may not even be convertible into goods because of the controls over export trade which will persist in many member nations. Inasmuch as the Fund gives nations with relatively poor currencies access on an automatic basis to relatively good currencies, the good currencies may be pulled down to the level of the poor currencies.

The gold holdings of the Fund plus its holdings of those currencies likely to be in greatest demand will, it is estimated, approximate $4,000,000,000. Of this amount, the United States will supply about 70%. In other words, our relative contribution to the lendable assets of the Fund will be more than twice as large as our contribution to the total assets of the Fund.

For all practical purposes, the credit transactions of the Fund are to take place on a purely automatic basis. Credit transactions occur when a nation offers its currency in return for another currency in greater demand. A member will normally be allowed each year to sell its own obligations or currency to the Fund in an amount not exceeding 25% of its quota and to continue to do so year by year until the Fund's holdings of its currency equal 200% of its quota. Sales are to be consistent with the objectives of the plan, but these are so broad that few transactions would seem to be excluded.

Automatic borrowing provisions have from the beginning been an essential feature of the proposals of the Treasury experts. In the Bretton Woods proposal, as in former versions of the plan, the exchange of one currency for another is to be permitted on an automatic basis without reference to the credit worthiness, the internal budgetary situation, or the monetary or financial position of the applicant nation. There is no assurance that the currency acquired will be used intelligently, productively, or in such a way that foreign exchange will be provided for repayment.

One of the stated purposes of the International Monetary Fund is to promote exchange stability. This is a laudable objective and one which must eventually be attained if international trade is to be given greatest encouragement and if international capital movements are to be promoted. Despite the emphasis on this particular objective, however, the plan includes liberal provisions for alterations in exchange rates. In consequence, the Fund in all probability will become a mechanism for instability rather than for stability. Member nations are free to propose changes in the initial par value of their currencies, if these are to correct a "fundamental disequilibrium." They must consult with the Fund on proposed changes, but the Fund may raise no objection based on the social or political policies of the member nation, even though such policies may have provoked the disequilibrium which induced the member nation to request the change.

If a proposed change, inclusive of all previous changes, does not exceed 10% of the initial par value of a currency, the Fund may raise no objection. The requested change must be granted forthwith. If the proposed change does not exceed a further 10%, the Fund may either concur or object, but it must render its decision within 72 hours. If additional changes are requested, the Fund is given a longer period in which to state its attitude. Should the Fund not concur, is it likely that a sovereign power would continue its membership?

In addressing the House of Lords on similar provisions in the Experts' Proposals, Lord Keynes stated that "it is the duty of the Fund to alter the gold value of any currency if it is shown that this will be serviceable to equilibrium." He added that these provisions made the plan the exact opposite of the gold standard and confirmed and approved the dethronement of gold as the fixed standard of value in the United Kingdom.

The provisions of the plan permitting changes in exchange rates are so liberal that exchange depreciation would undoubtedly become an accepted and normal procedure in international financial affairs. Nations could employ exchange depreciation as a substitute for internal fiscal reform and for internal adjustments of costs and prices. Proposals for exchange depreciation from one nation would be quickly followed by similar proposals from others. All proposals could be made in the name of disequilibrium to which the Fund and the member nations would doubtless give an elastic definition.

Proposals for exchange depreciation would be inevitable since the plan attacks the symptoms rather than the basic causes of exchange instability. True exchange stability presupposes the absence of internal inflation and the existence of freely competitive forces. Budgets must be balanced, commercial banking systems divorced from deficit financing, floating debts refunded, interest rates unpegged, and price and rationing controls removed. Then and only then can exchange rates reflect basic conditions and true exchange stability be achieved. If these measures are not taken, a spurious exchange stability may exist, which for its maintenance will require recurrent recourse to the Fund or reliance on trade controls not less severe than those enforced in Nazi Germany prior to the outbreak of war.

Another stated objective of the monetary plan is to bring about the removal of exchange controls on current account. Laudable as this objective is, it is extremely doubtful whether the Fund itself will be able to succeed in this purpose. By the provisions of the plan, exchange controls on current account are permitted through the transitional period, a term which is not precisely defined. The plan simply requires that a member nation consult with the Fund, beginning the fifth year following its organization, concerning the retention of such restrictions. In exceptional circumstances the Fund may make representations that conditions are favorable to their removal. In making such representations, however, the Fund must give the member nation the benefit of any reasonable doubt.

Not only are nations permitted to maintain exchange controls on current account through the transitional period, but they are also permitted to impose restrictions on current account which did not previously exist, provided that a particular currency is declared "scarce." Moreover, member nations may permanently maintain exchange controls on capital transactions, which are often not easily distinguishable from current transactions.

The Fund, of course, lacks the power to effect the removal of trade controls. These may be continued indefinitely and, to the extent that they are continued, any effort towards the removal of exchange controls on current account may be nullified.

The financial contribution of this country to the Fund will consist not only of our quota of $2,750,000,000 but also of any additional advances that we may make. Our ultimate financial contribution cannot at the present moment be determined. This will depend upon the demand for American dollars, which it is generally assumed will be heavy and which, in the course of time, may exhaust our quota contribution and require the supplying of additional American currency to the Fund.

If the demand for dollars proves sufficiently strong, the Fund will eventually be confronted with the necessity of invoking Article VII of the agreement and of declaring the dollar a scarce currency. Now this section has particular pertinence to the United States, for, as the London "Economist" declared, the term "scarce currency" must be taken to mean the American dollar since "there is no currency in the world where the risk of scarcity is so great." If the dollar is declared a scarce currency, member nations are permitted to impose general exchange restrictions on dollar transactions. In referring to a somewhat similar provision in the Experts' Proposals, Lord Keynes declared, in effect, that this action would release countries from the obligation of taking American exports or, if taken, of paying for them.

The economic sanctions are of such a character that Lord Keynes doubted whether any nation would permit them to be put into effect. He concluded that a creditor nation on the "imperative grounds of its own self-interest" would always find "a way to square the account." To avoid recourse to these provisions the United States, therefore, might hasten to extend loans to the Fund, an action which might tend towards domestic inflation. This result, Lord Keynes implied, is not undesirable, apparently because credit expansion and inflation in creditor nations prevent deflation in debtor nations. Just why inflation in creditor nations is preferable to deflation in debtor nations has never been made clear.

One cannot study the Bretton Woods proposal for an International Monetary Fund without coming to the conclusion that many of its provisions and purposes are basically contradictory. The Fund wavers between the objectives of currency stabilization and economic development. Emphasis is given to the need for currency stabilization, yet currency depreciation is made an easy and normal process. In England the proposal is termed the opposite of the gold standard; in the United States, a further application of the gold standard. Credit extensions by the Fund are to be made on an automatic basis and for a great diversity of purposes. In consequence, the Fund's assets may eventually take the form of long-term, non-self-liquidating credit grants. Good currencies will have been depleted in support of the poor. I am convinced that the plan in the course of time will supply another illustration of the operation of Gresham's Law, which, as you know, is simply the familiar rule that bad money drives out good. But, in this case, the currencies of all the world would be weakened, and the stabilization attained through this means would seek the lowest level.

III

The International Bank for Reconstruction and Development

According to a statement by Lord Keynes, the idea of the International Bank for Reconstruction and Development originated in the United States Treasury. As its title implies, the purpose of the Bank is to finance reconstruction and development. Emphasis was laid on each objective at Bretton Woods in order to meet the desires both of those delegates whose countries had been devastated by the enemy and those whose countries had not been invaded.

Once it has been organized, the Bank is permitted to make direct loans out of its own funds, to make or to participate in direct loans from borrowed funds, and to guarantee in whole or in part loans made by private investors. The limit placed on total loans and guarantees is 100% of unimpaired subscribed capital, reserves and surplus. Apparently, it is contemplated that the major part of the Bank's operations will consist in the guaranteeing of securities.

In its credit operations, the International Bank for Reconstruction and Development must require that loans be guaranteed by a member nation or by an acceptable agency, must be convinced that the funds cannot be obtained at reasonable rates in the private investment market and must give due consideration to the ability of the borrower or guarantor to repay the loan. Credits are to be extended for specific purposes and only after a competent committee has rendered a favorable report. If the safeguards inherent in these provisions were strictly observed, the question arises whether the subscribed capital of the Bank ($9,100,000,000) might not be too large. This same point was mentioned by the London "Economist" when it inquired whether there were many loans safe enough to meet these standards and yet not safe enough to float in the private market.

The scope of the Bank's operations will doubtless depend upon the interpretation given to the provisions which I have cited and, in particular, upon the definition of "reasonableness of charge" as applied to interest rates prevailing in private capital markets. The American proponents of the plan apparently are of the opinion that the facilities of the Bank will be used, especially in the immediate post-war period. Surely if Treasury experts were of the belief that the Bank would not be used extensively, they would never have originated and given support to the proposal.

The International Bank for Reconstruction and Development has particular pertinence to the United States. To the extent that its facilities are used, both direct and guaranteed loans, certainly in the beginning, will be extended mainly in the form of dollars. While the approval of the American Executive Director must be obtained before the Bank may use the dollars initially paid in, before the Bank may make dollar loans from funds borrowed in this country and before the Bank may guarantee loans floated privately in this market, it is obvious that refusal would be difficult. Failure to grant such permission would cramp, perhaps even suspend, the Bank's operations and would, in addition, provoke bitter international recrimination and dissension.

There are many questions which must be answered before this country can decide to become a stockholder in the Bank. The first concerns the general and yet very fundamental question of the effect of a large volume of loans granted to foreign borrowers upon the international balance of payments. I raise this question because the advocates of the plan apparently are of the opinion that the establishment of the Bank will lead to large capital exports from the United States and that large capital exports are an indispensable means of maintaining employment in this country and of reconstructing and developing the economic systems of other nations.

My own opinion is that capital exports on a large scale are not required under present circumstances and will be detrimental to debtor as well as to creditor nations. Most of the capital for domestic reconstruction and development should come from local sources. Local labor and local materials should be relied upon to the greatest possible extent in rebuilding devastated areas and in the industrialization of undeveloped regions. Foreign funds should be used sparingly and only where their use will create foreign exchange for the repayment of the loan. If foreign funds are used when local capital is available, a needlessly heavy burden is placed on the debtor's balance of payments. Capital accumulation, like currency stability, is largely a product of domestic policy.

Unless capital exports are kept at a minimum and are limited to projects which produce foreign exchange, debtor nations may resort to the International Monetary Fund to meet interest and perhaps even a portion of the amortization payments due on foreign borrowings. In this event we may find ourselves supplying dollars to the International Monetary Fund in order to enable borrowing nations to service their dollar debts to the International Bank for Reconstruction and Development.

A second question of a less general nature, concerns the relationship of the proposed Bank to existing governmental institutions. What, for example, is to be its relationship to the Export-Import Bank? The suggestion has been made that the facilities of the Export-Import Bank with expanded borrowing power, could still be employed. If this new institution is established, is the Export-Import Bank required? Exactly what function will it serve? And if both institutions function, what will be the aggregate volume of foreign credits which this nation may find itself extending either directly or indirectly?

A final question has to do with a fundamental point in international policy, namely, whether in the post-war period the United States Government should extend long-term dollar loans indirectly through an international bank, or directly through one of its own agencies. This question is based on the premise, which I accept, that our Government will itself be called upon to make a moderate volume of foreign loans in addition to our contributions to the United Nations Relief and Rehabilitation Administration. According to its advocates, the advantage of an international institution is that risks are shared. But it is difficult to see how this advantage can exist inasmuch as the bulk of the free assets of the proposed Bank are provided initially by the United States and inasmuch as the majority of the loans will be floated in this market.

I am convinced that to the extent our Government feels called upon to extend foreign loans, these should be granted through the Export-Import Bank, which has accumulated valuable experience in foreign credit operations. The loans extended should not be large and need not be large in view of the size of dollar assets held by many foreign nations.

IV

An Alternative Approach

In my opening remarks I suggested that political and economic problems take precedence over those of an international financial character. International financial questions are extremely important and must eventually be solved, but to attack them first may cause us to lose sight of the more basic problems.

The Bretton Woods proposals are no substitute for the real job of economic reconstruction. They are unrealistic and unnecessarily complex. They are unrealistic in their implied assumption that the creation of credits, the counterpart of the creation of debts, will, in the absence of appropriate fiscal, credit and commercial policies in each member nation, solve those complicated international monetary problems that beset the world. Their technical provisions are needlessly complex, a defect which stems in part from the fact that more fundamental problems remain unsolved.

The all-important economic problem of the post-war world is the removal of trade barriers. One of the general resolutions of the Bretton Woods conference gave recognition to the problem but detailed consideration, even if the delegates had been so inclined, was precluded by the fact that the conference was called to formulate plans for a Fund and Bank.

Prior to this war, international trade was hampered not only by various tariffs but also by arbitrary import quotas, regional preferences, linked utilization arrangements, bilateral barter agreements, import monopolies, export subsidies and arbitrary customs procedure. Unless the channels of international trade can be reopened, currency stabilization and foreign investment will rest on an ephemeral basis. The world will have been lulled into a false sense of security. We shall have the shadow of stability without the substance. We shall eventually realize that the solution of our basic economic problems has become infinitely more difficult. Perhaps the most dangerous aspect of the Bretton Woods proposals is that they serve as an obstacle to the immediate consideration and solution of these basic problems.

In two important documents, the United Nations have solemnly committed themselves to the immediate removal of trade barriers. The first was the Atlantic Charter and the second, the Master Lend-Lease Agreement. President Roosevelt and Prime Minister Churchill agreed in the fourth article of the Atlantic Charter that they would endeavor "with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity". It is interesting to note that Sumner Welles in his recent volume, "The Time for Decision", states that the well-known reservation, "with due regard for their existing obligations", was inserted at the insistence of Mr. Churchill in order to take care of "what was hoped would be merely temporary impediments to the more far-reaching commitment originally envisaged in that article". Mr. Welles quotes Mr. Churchill as stating that while he himself opposed imperial preference and favored the liberal trade principles of the latter half of the nineteenth century, "he was not empowered constitutionally to enter into any commitments of this character without the consent of the other members of the British Commonwealth of Nations".

The Master Lend-Lease Agreement signed by the Governments of the United States and the United Kingdom provided in Article VII, that in the final determination of the benefits to be provided, "the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provisions for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration (the Atlantic Charter) made on Aug. 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom." Identical or similar Lend-Lease agreements have been signed with practically all of the United Nations.

The time has come to implement the solemn commitments contained in the Atlantic Charter and in the Lend-Lease Agreements. Unless tariffs are substantially reduced and other trade barriers eliminated now and unless all nations are given equal access to the trade and raw materials of the world, the economic basis for currency stabilization or international investment will not exist.

I suggest that the plans advanced by the Bretton Woods conference should not be adopted by the United States. I propose instead, that the United States, the United Kingdom and other members of the British Commonwealth of Nations enter into immediate conversations on such problems as tariff barriers, imperial preference, export subsidies, bulk purchasing and regional currency arrangements. Our own delegation to this conference should include leaders of the majority and minority parties in Congress so that the decisions reached will be assured of Congressional support.

The success of such a conference will depend in no small measure upon the attitude of the United States. We must be prepared to effect substantial reductions in our tariff rates. We must convince the world of our sincerity of purpose. The quality of our leadership may easily determine whether the world will move towards free enterprise or towards collectivism. Never shall we have a better opportunity to reduce trade barriers than in the period of transition from war to peace, when the markets of the world, including our own, will be short of goods, and the exportable products of every country will be in great demand. Under such conditions tariff reductions should be feasible, not only because protection for domestic markets becomes less necessary, but because payment for exports in the long run must be made in imports. Credits, however generously given, must in the end be balanced in terms of goods received or in losses taken.

If the proposed conference proves successful, and it will if there is a readiness to make reciprocal adjustments and to seek international solutions for international problems, then I propose that the United States go as far as possible in making common cause with Great Britain and the British Commmonweath of Nations in meeting their financial needs arising from the war. Financial assistance would thus follow the joint modification of trade barriers, both of which are essential to the stabilization of the dollar-pound rate and to the subsequent stabilization of world currencies.

England's post-war financial situation is complicated by two problems, the one associated with her balance of payments and the other with the wartime accumulation of blocked balances. We can assist in the solution of the first problem; England plans to solve the second by direct negotiation with the creditor nations.

England's difficulties in connection with her balance of payments will persist until she has been able to reconvert her industries and to re-establish connections with foreign purchasers of her products. In the meantime, she will need foreign funds in order to import food and essential raw materials. Before the war Britain would have been able to pay for many of these essential imports by utilizing the return on her foreign investments, or, if need be, by selling part of them. But those foreign investments are now greatly reduced. Lend-Lease did not come into effect until Britain had already been serving as the bastion of democracy through a period of about a year and a half. During that time she spent a very large sum of money in this country, converting the resources of her citizens into dollars to support her armies and her people. If Lend-Lease had then been in effect, we would have provided many of the things she was forced to buy. Without attempting to calculate the benefits she would have thereby obtained, I propose that in lieu of a retroactive application of Lend-Lease, and as an essential element in world economic reconstruction, the United States provide England with a grant-in-aid sufficiently large to establish stability between the dollar and the pound. The sum needed may be a large one—but the problem is large and we must show courage in its solution. It should be borne in mind that my proposal rests upon the assumption that the trade conference has proved successful, that both England and the United States shun totalitarian tactics in international trade, and that both give full support to the principles of economic liberalism.

Once the dollar-pound rate is stabilized, attention can and should be directed immediately to the problem of stabilizing other currencies. The prerequisites for such stabilization are internal political stability, a constructive solution of the problem of trade barriers, a reasonable measure of economic well-being and the absence of inflation. Once the political and economic prerequisites are attained, the financial problem of currency stabilization becomes relatively simple. Many nations possess sufficient assets in the form of gold and dollar or sterling exchange to stabilize their currencies without external financial aid—a fact which seems to be widely overlooked. Only a few nations will have to seek outside financial assistance.

Certain of the nations, which will have to borrow for purposes of currency stabilization, will probably not be able to do so in the private market. I suggest, therefore, that the Export-Import Bank be given increased borrowing powers, so that it will be in a position to grant long-term stabilization loans of a meritorious character. Along with these increased responsibilities, the Export-Import Bank in accordance with my earlier suggestion could be given the power to extend intermediate and long-term reconstruction and development loans to foreign borrowers where funds for productive purposes cannot be obtained privately.

Moreover, once the dollar-pound rate has been stabilized, consideration could be given to the desirability of organizing an international institution, where central bankers could meet regularly to discuss monetary and credit problems of mutual interest. The initiative in the organization of such an institution could be taken by our own Federal Reserve Banks. Its capital stock, owned by central banks and paid for entirely in gold, would not have to exceed $500,000,000. This may seem a modest figure in terms of the Bretton Woods proposals, but if international trade is moving freely, the amount need be no larger than this to accomplish the purpose of the institution. International trade will move freely if the proposed trade conference with the United Kingdom and the other members of the British Commonwealth of Nations proves successful and if other nations follow our joint leadership.

The objectives of this new institution would be simple and

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Some Aspects of American Foreign Economic Policy

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definite. It would extend short-term seasonal stabilization loans to central banks, serve as a genuine clearing house for central banks, advise nations on monetary and credit problems, collect and distribute pertinent statistics, and make research studies. Its influence would be exerted by persuasion, not coercion.

Implied in what I have said is the thought that the problem of the economic reconstruction of the world will largely devolve upon the United States. We can exercise constructive leadership not only by initiating and sponsoring the reduction of trade barriers, but also by lifting from the international economy the burden of intergovernmental war debts. These debts serve only to retard economic reconstruction and to muddy political waters. As a further impetus, therefore, to world reconstruction we must be willing to cancel the inter-government debts remaining from World War I, to repeal the Johnson Act of 1934, and to follow a liberal and even generous policy in connection with the settlement of the Lend-Lease obligations due to us in World War II.

Also implicit in what I have said is our responsibility to establish a currency in the post-war period in which other nations can have confidence and in terms of which they will be willing to conduct their trade. This will not prove easy. The road back to sound currencies is difficult economically and seldom popular politically. We must be willing to repeal all silver purchase legislation, to repeal the Thomas Amendment of 1933 and to repeal Sections 8 and 9 of the Gold Reserve Act of 1934, which allow the buying and selling price of gold to differ from the gold content of the dollar. We must be prepared to reintroduce gold redemption. We must unblock the dollar assets of foreigners as rapidly as political considerations permit. The dollar must be free of all foreign exchange controls. We must balance the federal budget and refinance the federal floating debt. Without these measures, we cannot establish the dollar as an international currency.

To promote well-being abroad as well as at home, the United States also has the responsibility of achieving a reasonably high level of national income and of avoiding the excesses of boom and, in consequence, the dangers of depression. The attainment of a high level of national income will depend to a considerable extent upon governmental policies in the fields of taxation, labor and corporate regulation. The avoidance of boom and of subsequent depression is largely a matter of preventing post-war inflation. If we succeed in achieving these objectives, the United States will offer a good market for foreign products and will not prove a disturbing factor in other economies.

In closing I wish again to give emphasis to the fundamental truth that credit extension cannot serve as a substitute for the adoption of appropriate commercial policies. For this reason it is unfortunate that so much time and energy were given to the Bretton Woods proposals rather than to the main task of economic reconstruction. Currency manipulation will not solve the basic economic problems of a war-ridden world. Once a solution of fundamental problems has been effected, the stabilization of currencies and the extension of international loans will become integral parts of the over-all pattern of world reconstruction.

Dewey To Preserve Collective Bargaining And Labor's Rights

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want to go during these peacetime years for which we are electing a new President. We must establish equality between business, labor and agriculture, we must have full employment. It must be at a high wage level. We must have protection of the individual from loss of his earning power through no fault of his own. We must have protection of the individual against the hazards of old age. We must have these things within the framework of free—and I mean free—collective bargaining.

To reach these goals we must increase, not decrease, our standard of living. We must increase, not decrease our production.

If there be those who would turn back the course of collective bargaining, they are doomed to bitter disappointment. We are not going back to anything, not to bread lines, not to leaf raking, not to settling labor disputes with gun fire and gas bombs, not to wholesale farm foreclosures, not to another New Deal depression with 10,000,000 unemployed. We are going forward. The American workingman and his family can go forward. They will go forward in the size of their pay envelope, in the improvement of working conditions, in their possession of more and more of the good things of life.

We are going to establish fair, even-handed government with competent, orderly administration.

American working people know that with the restoration of freedom they will have their greatest opportunity to build better and stronger free labor unions. They will have unprecedented opportunity to bring genuine freedom to the members of the labor movement. They know that with such freedom, the workingmen themselves will drive both the racketeers and the communists from positions of power, in the labor movement. That is why the racketeers and communists are against a change of administration. That is another reason why it's time for a change.

The all-out peacetime effort of your next administration will be to encourage business, both large and small, to create jobs and opportunity. We shall establish conditions which will make it not only possible but good business for management to join hands with the great, free labor movement of this country in bringing about full employment at high wages.

Those who come home from the war and those who have produced for war—all our people—have earned a future with jobs for all. Nothing less can be considered victory at home to match our victory abroad. We must build a just and lasting peace. We must go forward, a courageous and united people, determined to make good the limitless promise of America.

Mr. Dewey speaking at Portland, Oregon, on Sept. 19:

Governor Snell, fellow Americans:

We are very thankful to be with you tonight, to be able to be here, and we thank you very much for your cordial reception.

It is good to come again to the great state of Oregon. It is a privilege to have the opportunity to thank you in person for the friendship your people have shown to me in the past, and it is gratifying to have been welcomed so cordially by your friendly and able Governor, Earl Snell.

It's gratifying also to know from him that you will return to the United States Senate your senior Senator, Guy Cordon, and that you will elect to the Senate the distinguished leader of the cause of good labor relations, Wayne Morse.

Four years ago, when I spoke here in Portland, I pointed out the danger which I believe has now become apparent to all—the danger of one-man government in a free country.

At that time Mr. Roosevelt represented himself as indispensable to the peace of America. Now, four years later, he seeks a fourth term, for a total of 16 years as President, upon the claim that he is indispensable to the entire world. In the carefully supervised words of his own running mate, Mr. Truman, and I quote his words, "The very future of the peace and prosperity of the world depends upon his re-election in November."

Now, peace and prosperity are, of course, the objectives of both parties. My opponent claims to be indispensable to peace and prosperity. In other words, he claims that the United States and the world cannot get along without him. That is his claim through the lips of his own nominee for Vice-President, Mr. Truman. He has chosen that as the issue of the campaign. I accept the issue, and I challenge it.

Let's find out what are the essential elements of that peace and prosperity we all seek.

We know that victory in Europe is close at hand. Soon we shall be able to throw our full strength into the Pacific for the total crushing defeat of the Japanese. If we in America are to do our share in helping to make secure the peace that will follow victory over both Germany and Japan, we must be a strong and united people.

The first requirements for peace and prosperity are unity in our government and strength and unity among our people. Is a fourth term indispensable to that?

The plain fact is that for 12 straight years the New Deal has given this country a continuous demonstration of quarreling, dissension and disunity. It has set group against group, race against race, and class against class. Under this administration, business and labor have been set against each other and labor's own house became divided.

We have listened without surcease to the shrill, abusive tirades of Mr. Ickes. We have heard Vice-President Wallace recklessly denouncing unspecified Americans as fascists. We have been treated daily to blow-by-blow accounts of innumerable feuds within the New Deal itself. You will recall the long quarrel between the Vice President and the Secretary of Commerce in which they publicly called each other "obstructionist" and "liar."

Then, there was the long series of quarrels within the War Production Board—quarrels we now know to have been promoted by the New Dealers who have at length succeeded in taking it over. This running feud recently culminated in the resignation of several top officials of the WPB, while the head of the board was shipped off to China by Mr. Roosevelt himself.

I do not believe in that quarreling, bickering kind of government—an administration which cannot unite its own house even in war can never unite the nation for the tremendous peace tasks ahead of us.

We must have the strength and unity within our government and among our people if we are to contribute to the building of a lasting peace. As a first step to that end we must have a government in which the lines of responsibility are clearly laid down.

We must have the kind of administration that inspires teamwork and devotion to the service of the country. I propose that we install that kind of administration next Jan. 20.

The one indispensable thing to achieving this teamwork and devotion, this unity in government we have so long lacked, is a change from the indispensable man. With that new unity in our government, we will achieve the unity among our people so essential to the peace and prosperity of America and of the world.

Now there is a second thing that is essential to achieving our agreed objective of peace and prosperity. That essential thing is joint, harmonious action between the President and Congress. Is a fourth term indispensable to that?

The steps we take in these critical years ahead must have the joint support of the Congress and the President. Can any such joint action and harmonious relationship be achieved under this Administration?

It is a matter of common knowledge that the New Deal has continuously sought for 12 years to bring the Congress of the United States into popular disrepute. As a result, no bill which this Administration can propose to Congress is today received with anything less than suspicion. The nation is now reaping the bitter fruit of executive arrogance toward the elected representatives of the people.

We need only recall the recent episode when Mr. Roosevelt vetoed the tax bill. On Washington's Birthday he sent to the Congress a veto message so savage and unjust that even the long-suffering and subservient Senator Barkley, Democratic majority leader, rebelled. You remember the moving and impassioned speech that Senator Barkley made. You remember how, provoked beyond endurance, he rose in the Senate to denounce the words of the veto message of Mr. Roosevelt as "more clever than honest" and as "a calculated and deliberate assault on the legislative integrity of every member of Congress." You remember how the other Senators, regardless of party, rose as one man to cheer this declaration of independence by Senator Barkley, and the members of the House, regardless of party, crowded into the Senate chamber to shake Mr. Barkley's hand.

But this dramatic episode was only an example of a long continued trend. There exists today a hopeless division amounting to open warfare between the Congress and the President. We cannot enter this critical period ahead with a chief executive at war with Congress.

It is a part of the job of a President to work in harmony with Congress just as it is part of the job of a governor to work in harmony with the legislature. I can speak with feeling on that point. I have worked closely with the Legislature of my own state. We have had many difficult problems to work out. But we have not found it impossible to reach agreement when we sat down together to discuss these problems. If we cannot agree at the first meeting we meet again, and often sit together far into the night talking the whole thing over and eventually reaching a meeting of minds.

If we have learned any lesson from watching the rise of Fascism elsewhere in the world, surely we should have learned the need for strengthening, not undermining representative government.

My opponent has demonstrated that he cannot work with the present Democratic Congress. How in the name of the future of our country can he be expected to get along with the Republican Congress which will certainly be elected this fall?

We need in this country an administration that wants to work with the elected representatives of the people and that knows how to do it. We can get such an administration only by getting a new chief executive.

There is a third thing that is essential to achieving our agreed objective of world peace and prosperity. This absolute essential is a strong and vigorous America with jobs for all. Is a fourth term indispensable to that? Once again let's look at the record.

When this administration took office in 1933, the depression was already more than three years old. By 1934 that depression had lasted longer than any other in the previous 100 years of American history. Yet, there were then 12 million unemployed in the United States. By 1940, after the New Deal had been in office a full seven years, it had enjoyed unprecedented power, it had spent 58 billion dollars, and there were still ten million unemployed. My opponent had succeeded only in the incredible accomplishment of making a depression last nearly 11 years, twice as long as any depression in the previous century. Under the New Deal, we had to have a war to get jobs.

What is the use of going back to the methods of the New Deal which failed so completely for seven years? We need a whole new approach to the relationship between the government of the United States and its people.

I will introduce the new approach on the radio from San Francisco on Thursday night of this week. I shall present the philosophy by which I believe we can achieve our two great goals for America, freedom and security for all.

Meanwhile it is entirely clear that we need a new approach to the problem of the operation of our government. We need to revise and radically reduce the unnecessary burdens and handicaps placed by government upon the job-making machinery of our economic system. We need to revise our present tax policies which now deter every kind of business enterprise which makes jobs. We need a drastic change in government policies which now incite labor disputes and place handicaps upon responsible labor leaders in their work. Some of these changes I outlined at Seattle last night.

We need above all, a government which believes in the future of the American people.

These, then, are three elements essential to achieving our agreed objective of peace and prosperity in America and in the world: if we are to have unity we obviously need a new Administration to bring it about, if we are to have harmony between the President and Congress, if we are to have a strong and vigorous America with jobs for all, then we need a new Administration to bring it about.

Let's have no more of this pretense about indispensable men. There are no indispensible men. If our Republic after 150 years of self-government is dependent upon the endless continuance of one man in office then the hopes which animated the men who fought for the Declaration of Independence and the Constitution have indeed come to nothing.

The peace and prosperity of America and of the world can never depend on one man.

The American people know that peace will be the work of many, many people all over the world for many years. We must build a structure of peace which our people and all people will support not merely this year or the next four years, but for twenty-five, fifty, and many more years to come.

It is for these reasons that I

The Place Of Small Business In A Democratic Society

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If this philosophy were actually followed, it would mean—just for instance—immediate repeal of the "Contract Settlement Act"—the dropping of all Surplus Property and Demobilization legislation which might be passed, and all laws dealing with transition from war to peace.

Also there are those who expound the theory that all you need to do to help little business is to "let it alone." This would include abolition of the Anti-Trust Acts, and permitting little business to be snuffed out by cartels and monopolies. It would leave little business in a situation where it couldn't compete and couldn't get any money. It would leave them in a predatory society where the big predatory animals would eat them up like rabbits and sheep and cattle who had no one to give them any protection.

All of these dream suggestions would be letting business alone with a vengeance. My idea is the result would not be entirely desirable—that is, it would mean the destruction of all competitive business as we know it. Then we would fall to pieces. There would be financial chaos and unemployment. Then economic collectivism in the form of some type of totalitarianism. Then war.

Of course, I carry all these conclusions to the ridiculous. But to actually "let alone" anything is to abandon our economic order to anarchy, and such suggestion is worse than ridiculous. Affirmatively, I suggest these unhappy circumstances in order to bring ourselves to thinking about laws which will be of a fair nature, and promote free enterprise, little and big business, competition, and whatever it is we want in America.

As Chairman of the Smaller War Plants Corporation, I want to make it plain that our interest in little business is not based on any fear of, or hostility toward, big business, as such. We have no quarrel with honest, efficient, big—and **competitive**—organizations. We don't want to destroy mass production. We don't want anything to happen to big business, because, if it falls, it will pull down others. But big business obviously needs the little concerns.

Now one thing makes me positively sick—that is the non-sense about the little business man getting "coddled." Without going into details, one single big business had its credit guaranteed to a billion dollars in the beginning of the war. There were other billions and billions loaned out. And this was absolutely all right. But—for the sake of comparisons—the entire capitalization of the Smaller War Plants Corporation for all little business was a hundred and fifty million dollars! **Little business distinctly never has been coddled.** All the little business man asks is a fair chance—where he can work freely and will not be discriminated against.

Small Business Has Been Hard Hit During War

Half a million small concerns have gone out of business during the war. Many were forced out because of shortage of materials. Others were forced to close because of labor shortages. In other cases, the owners went into the armed services or took jobs in war industries.

Regardless of the fact that some closures were not hardship cases, factually we have lost one half a million small businesses. This trend must be reversed. We must not only bring back the 500,000 which have gone out, but plan for a net gain of a million new businesses.

In the metal trades industry the bigs got the bulk of war production. From 1939 to 1944, the proportion of the total dollar value of shipments produced in plants of less than 500 employees was cut in half.

Congress Acts in 1942

The danger of losing the values of small business was recognized by Congress when it unanimously created the Smaller War Plants Corporation. The House and Senate Small Business Committees spoke the voice of the people in taking steps to help small business.

SWPC Fights For Little Business

The Smaller War Plants Corporation has brought about a much wider spreading of war work. It has urged subcontracting, and in some few cases has taken prime contracts in order to spread the work among the little concerns. More business has gone to small producers than would have otherwise been possible. We have made loans for war production, furnished technical advisory services and represented the interests of small business in all government boards and agencies.

Much of this experience will be valuable in the future. I am frank to say that our know-how should not be thrown away.

One thing is sure: the SWPC has not coddled, nor attempted to coddle, little business, whatever that is. And another thing is, we don't want to, and wouldn't get to, even if we wanted to. What we want to do is to offer a plan for America based on our experience in small business.

We Look Ahead. X-Day Approaches

Germany is collapsing. We should quit talk-talking about V and X-Days before its y, then z, and get z'd into chaos because we have not planned ahead. We, therefore, offer ten points for immediate action.

Program for Reconversion to Save Us From Economic Collapse

I. The principle of free enterprise and private initiative must be accepted as the basis of our future society. This initiative must be shown through the American worker, farmer and business man, but all accepting governmental responsibility.

II. Monopolies and cartels must be wiped out and kept out, as free enterprise cannot exist at the same time.

III. In connection with relaxation of WPB controls little business must gain full and fair access to materials. If not, the imposition of controls and quotas will and should be inevitable.

IV. There must be full speed ahead in matter of contract termination. Business men, both large and small, must not be made to wait unduly for settlement of claims.

V. Policies concerning disposal of all types of surplus properties should be established and put into operation at the earliest possible moment. These policies must include wide distribution of goods, broken down in small lots.

VI. Small business must get adequate financial opportunity. This includes interim financing, reconversion loans, and removal of hardships which now exist in field of equity capital, intermediate and long-term financing. Because of recent relaxations it is imperative that Congress legislate at once to grant guaranty and financial power to SWPC for small business.

VII. There must be a tax program which will encourage venture capital. For small, new business, exemptions to encourage risk taking.

VIII. For small and all business, a system of technical advisory assistance, and a method to make new products available to small business must be established. Developments from government financed war plants, and latest methods should be accessible to all.

IX. Every aid and encouragement should be given to veterans in setting up independent business.

X. Possible unemployment must not be allowed to weaken confidence and curtail expansion. Reasonable unemployment compensation, with no discrimination against government workers, and a program of necessary public works to be put into operation.

Optimism, Boldness, And Courage Are Essential

In discussing the ten-point program, I plead for courage and aggressiveness to face the new problems. This is vital, for we must now be ready to act quickly in many new ways. Unless we meet the first months of reconversion successfully, we may face serious political and economic convulsions.

Although we are not unmindful of the lessons of the past, nevertheless, our main reliance must be upon the future, for total war has totally changed the world. But here are the ten points.

I.

Private Enterprise Built America. It Must Rebuild a War-Torn Economy

We Americans want capitalism. However, merely saying over and over again that we want free enterprise and parroting catch-words is not going to solve all our problems. The point I want to make is that our economic problems are going to be tough.

Further, we must do whatever it takes to strengthen this system, and **this must include as many reasonable laws as are necessary.** Moreover, as I have said, this must be supplemented by public works, which I shall later discuss.

II.

There Can Be No Expansion If Monopolies, Or Cartels Restrict Production And Stifle Business Opportunity

The present program of the Department of Justice in prosecuting illegal restraints of trade should be broadened and expanded. Honest big business wants this. Small business must be assured this freedom from unlawful combinations and restraints.

The war has revealed that our national safety was threatened by the existence of German cartel arrangements with American concerns. Let us have nothing to do with cartels except to wipe them out.

Now we look ahead to **full production, high wages, and low costs.** We want expansion so that ALL business can move ahead and explore new fields of economic activity.

To mention only a very few industries, in the fields of plastics, air conditioning, low-cost housing, television, air transportation, and many others, we have only scratched the surface. Capital will flow into these and dozens of other industries if competition is free.

More production will mean more jobs, more purchasing power, and more comforts of life for all people.

And it will mean opportunities for small business.

III.

Relaxation Of Controls So That Civilian Production Can Begin At Once

It is admitted that when Germany is defeated, there will be 30%, and more, in cutbacks. But now, in the meantime, civilian production must get under way without further talk-talk. Only controls necessary to insure uninterrupted flow of war goods to the Pacific should be continued.

Speed into reconversion of little usiness, which should have started yesterday, is imperative so as to prevent a dangerous lag in production.

So I emphasize, let small business start in civilian production **immediately.** Right now in some areas there are pockets of surplus labor. In certain areas there is labor which is not adaptable to war production. In some cases, the men and women are not free to move to tight labor areas; they may not be physically suitable for factory production. There are surpluses in many materials. Bring the labor and materials together.

The more production which can be begun now, the more it will cushion the shock of reconversion.

IV.

Business Can't Afford To Have Funds Held Up Awaiting Settlement Of Contracts. Long Waiting Will Squeeze Out Small Concerns

The Contract Settlement Act of 1944 was a magnificent piece of legislation, one of the most intelligent jobs Congress ever did. Without it all business, big and little, would face confusion and widespread bankruptcies.

This Act illustrates the absolute necessity of governmental action in settling the policy for reconversion, and, for that matter, all policies. In any event, this important legislation is being put into operation. No expense should be spared in making it possible for the machinery of this Act to move with the utmost speed.

(Continued on page 1269)

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have taken unprecedented steps to put the present conferences at Dumbarton Oaks on a nonpartisan basis. It is my hope—my earnest hope—that in this we have laid the sound ground-work for a future American policy which will always be non-partisan regardless of the party in or out of power.

Now what will come after these conferences? Tentative agreements will be reached. Then each of the members of the conferences will go back to his own government for discussion of points of agreement and the solution of points of disagreement.

Then we hope that the other nations of the world will be invited to conferences at the earliest possible moment. For there will be no peace unless it is a just peace in which the small and the weak participate as well as the great and the mighty.

The diplomats of these nations also will work long and hard. Then they, too, will report to their governments. Through that process will come the sound, common understanding on which we move toward a strong, a just and a lasting peace.

That is the way to build a lasting peace. In this method there is no indispensable man. The peace we seek must not hang by the slender thread of personal acquaintance of any two or three men. The pages of history are littered with treaties proclaiming permanent peace made privately by rulers of nations and quickly and publicly broken. This case is too important to be trusted to discredited methods or to be dependent upon the life span and continued friendship of two or three individuals.

I want to see a people's peace come at the end of this war. I want to see a peace which has been worked out in the full light of day before all the world. We all want to see a peace which has been labored over by trained experts of all the nations who will be involved in it.

We want, most of all a peace which all freedom-loving peoples of the world have had a part in creating, a peace they have labored for, and believe in, a peace they will be willing to sacrifice and work for in all the years to come.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1247)

tion doesn't permit of "cautious bullishness." One is either in or out of the market. A loss in a ten-share lot can be equally disturbing to a small trader as the loss in a thousand-share lot for the large one.

* * *

To me, the signals are plain that bullishness is warranted by recent and current market action. Carrying this forward to specific stocks those recommended here in the past still show better than average action.

* * *

Allied Mills, bought at 30, stop at 28, still looks good. Hold.

* * *

Bendix, bought at 38¼, stop at 38. Hold.

* * *

Crown Zellerbach, bought at 18, stop at 17. Hold.

* * *

Lockheed, bought at 17, stop at 15. Hold.

* * *

U. S. Steel, bought at 58½, was to have been stopped at 55. Last week it crept through the latter figure on a single lot when it went to 54¾. But this minor violation was not enough to call for disposal. So, if you still hold Big Steel, advice is to keep your position.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Gold—A Barbarous Relic

(Continued from page 1244)

ance of which by banks being conditioned upon deposit of the metal. This practice, overcoming the disadvantage of weight and risk of robbery, gave the holder of notes the right of conversion into specie in the issuing institutions at any time. This was a step forward in the empiric monetary science and formed the basis of the gold standard, elaborated later on.

Today the gold standard has been virtually abandoned by all nations. Nowhere in the world are convertible notes in circulation. But there are still countries, like the United States, which create notes or bank credit, in other words, money, at the rate at which gold is received by the treasuries and central banks. The yellow metal is then stored in subterranean vaults where it remains idle, securing, it is said, the currency and credit outstanding.

It is puzzling in this scientific-minded world, that man, after the strenuous task of extracting gold from the entrails of the earth, processing it and shipping it across the seas, should reach the irrational conclusion of burying it again for reasons of monetary order. It is particularly incongruous in view of the fact that since gold has been withdrawn from circulation, few people in advanced countries have kept track of its movements or worried about its existence. When we realize that gold may become more of an upsetting factor than a useful one in the economies of countries which stick to the orthodox principle of acquiring it without limit in the creation of money, we see its demonetization looming. In fact a survey of the changes and reforms lately introduced in the field of money by leading countries, indicates that gold as a monetary necessity is being abandoned. Although it is not openly declared, certain nations have already ceased to link their currencies to the metal. An analysis of their policies shows that they have been remitting their gold to those countries which accept it, thus creating credits abroad with which to obtain the real values, goods and services.

II

The gold standard was unwittingly introduced when bank receipts and notes issued against deposits of gold began to circulate as a medium of exchange. Its classic principles, however, were born in Great Britain. In 1797, in the face of the threat of invasion of England by the armies of Napoleon, great withdrawals of gold were made from the Bank of England, for hoarding. The reserves of the institution were reduced at such a rate that English authorities found themselves forced to suspend payments in specie. The suspension, which lasted until 1821, provoked a great rise in the price of gold and a depreciation in Bank of England notes. This caused so much agitation and debate in the financial circles of London, that Parliament judged it necessary to create a committee to study the phenomenon. It was from discussion about the famous "Bullion Report" of that committee that the classic principles of the gold standard were enunciated.

The Bank of England resumed in 1821 full redemption of its notes in gold, assuming as well the obligation to acquire at a determined price all the metal presented to it. Thus the automatism of the gold standard was established and it functioned smoothly in that country until 1931, except for an interruption between 1914 and 1925, resulting from the first World War.

England's prestige as the financial center of the world caused other nations to follow her monetary philosophy. Great Britain was the greatest bulwark of the gold standard until 1931 when she, herself, began to act contrary to the principles she had instituted.

In 1929, at the beginning of the world depression, foreign owners of sterling balances in British banks started to make withdrawals in gold, transferring it to other countries. This drainage, which threatened to reduce the supply of gold in the Bank of England to such an extent that it would have been unable to meet its liabilities at the established parity, was largely responsible for the suspension by British authorities of payments in gold in September 1931. A depreciation of the pound sterling in terms of other currencies followed, stimulating the export of British goods until other nations, too, depreciated their currencies. The British people did not lose confidence in their money, despite the absence of the traditional right of conversion.

With the abandonment of the gold standard, the British were benefited by America's gold buying policy which accompanied the devaluation of the dollar in 1934, particularly during the five years preceding the passage of the Lend-Lease Act in March 1941. An examination of gold movements to the United States shows that from 1934 to 1941 the United Kingdom remitted $8,175,544,000 of gold to this country, if we include the $2,633,330,000 that came from Canada in 1940, which probably had a similar origin.[1]

By 1941 the currency of the United Kingdom was practically without gold backing. According to the last figures made public, the gold reserves of Great Britain, now maintained secret in the Exchange Equalization Fund, dwindled from $2,689,600,000 in 1937 to $151,000,000 in September of 1941.[2]

Professors Frank D. Graham and Charles R. Whittlesey of Princeton University, criticizing the gold policy of the United States in their book "Golden Avalanche," published in 1939, in which they state that "gold has value because the United States buys it" (page 116) allude to the possible intention of the British to abandon the gold standard completely:

"In 1923 certain British economists, in characteristic half-serious, half-humorous vein, proposed that, in the process of paying reparations and inter-allied debts, Europe should send her monetary gold to the United States, should then turn her back on the gold standard once and for all and leave this country quite literally, holding the bag. In the relatively tranquil period that followed, this suggestion, even as an economist's whimsy, fell into the limbo of forgotten things. Today, however, the suggestion is becoming altogether too real. In consequence the United States is confronted with a gold problem of the gravest character, one that is almost certain to plague us for many years to come."

By the Currency and Bank Act of 1939, enacted in Great Britain, the Treasury authorized the Bank of England to issue fiduciary money up to 580 million pounds, a limit which has since been increased over one billion pounds. Professor W. A. Morton of Wisconsin University in his recent work "British Finance 1930-40" said that "if one wished to emphasize the dramatic aspect of the Act, one might say that it was the official end of the gold standard and the adoption of a managed currency."

The present mentor of the British monetary policy, John Maynard Keynes, expressed his disbelief in the necessity of a gold-backed currency in his "Monetary Reform" published in 1923. Opposing the resumption of the gold standard at that time, he said, on page 187:

"In truth the gold standard is already a barbarous relic. . . . Advocates of the ancient standard do not observe how remote it now is from the spirit and the requirement of the age. . . . A regulated non-metallic standard has slipped in unnoticed. **It exists.** While the economists dozed, the academic dream of a hundred years, doffing its cap and gown, clad in paper rags, has crept into the real world by means of the bad fairies—always so much more potent than the good—the wicked Ministers of Finance."

In his suggestions, however, Lord Keynes does not dispense with gold entirely but speaks of its utility in regulating the unfavorable balances of foreign trade. Recently, expressing his views on post-war international stabilization in his plan for an International Clearing Union, he dealt vaguely with the "psychological value" of gold and the advantage the world could make of it.

It does not seem difficult to understand why Lord Keynes does not wish to eliminate completely the use of gold. The British Empire, as the largest producer of that metal, has in it a permanent source of income as long as its value is maintained and through its remittance to other nations may meet the large liabilities incurred during this war. It is obvious, therefore, that open statements favoring the complete abandonment of gold will not come from British official authorities, although the demonetization domestically is already being carried out **de facto** in Great Britain.

III

The role of gold in the Soviet Union, a country conducting itself according to an economic philosophy totally different from that of other nations and aiming at a society in which even the function of money is supposed to disappear, has never been made clear.

Although Russia is the second producer of gold in the world, neither gold coins nor convertible notes have ever circulated in the currency system of the "dictatorship of the proletariat." The Soviet Union has never furnished precise data on her stocks and since 1935 she has maintained absolute secrecy as to her reserves and production. By virtue of her strictly managed economy, it is obvious that the circulating medium is not conditioned upon the existence of gold as collateral. Why then does the USSR maintain such secrecy concerning her gold and the role it plays? An explanation can be attempted.

Following the revolution, Russia suffered political and economic isolation. Her exports were cut off and in the tremendous effort to consolidate internally, her unfavorable balance of trade reached between 1920 and 1934, according to official figures, the amount of 709,700,000 rubles.[3] To cover this, Russia resorted to the export of gold which had immediate acceptance in the international markets. This was the way in which she was able to purchase machinery and hire foreign experts in the creation of her modern productive system.

Considering the great benefits which the Soviet Union derives from gold, it is clearly to her interest to see its value maintained among the capitalistic nations. To admit openly that she uses gold only to obtain goods and services abroad might strengthen the forces in other countries already opposing its acceptance. Thus the advantage of secrecy, especially after 1935 when the automatic gold standard was generally suspended and the value of gold more widely questioned, becomes apparent.

Significant evidence of the Soviet secrecy is given to us Mr. Joseph Davies, former United States Ambassador to Russia, in his book "Mission to Moscow." Notwithstanding the special welcome he received in Moscow and despite his penetrating powers of observation, Mr. Davies could neither obtain information about the gold reserves of the USSR nor gain her cooperation in the stabilization of the price of gold, a mission that it seems he was charged to fulfill by Secretary of the Treasury, Henry Morgenthau. The interesting correspondence included in his book is a valuable document for the interpretation of the gold question.

On March 15, 1937, Mr. Davies wrote from Moscow to Mr. Morgenthau:

"Since my arrival I have been making every effort to get a line on the gold reserve here. It is practically impossible to get anything definite. It is more or less a military secret which is guarded with care and it is available, of course, as a matter of propaganda to project the idea of their power vis-a-vis Germany and Japan. From the best information I can get . . . the production of the USSR is approximately 175,000 fine kilograms. These data come from a study which has been made by the legation at Riga. The general information here is that the 1936 production of the Soviet Union is considerably in excess of the amount hereinbefore stated and runs between 200,000,000 and 250,000,000 dollars. The gold reserve of the State Bank is stated to be 350,000,000 dollars."

On June 1, 1937, Mr. Davies, in London, wrote in his diary:

"Maisky, the Russian Ambassador, asked Ambassador Bingham and myself to luncheon. Both Bingham (at my request) and I stressed to Maisky that the Soviet Union as the second largest gold producer had a very real interest in the world price of gold and that it was to their interest to cooperate with Secretary Morgenthau in his effort to sustain the world gold market as a means of maintaining the stability of world trade and exchange. The point was that it was alleged that Russia had been forcing very large gold shipments on the New York market this spring. It was, in fact, enough to depress the market. I told Maisky that I had spoken to Litvinov about it and had stressed that it was evidently to Russian interest not to 'break the market price' of one of their most valuable products. I did not tell him nor did I tell Litvinov that Morgenthau was concerned about their shipments. Bingham made a fine statement and a persuasive one. Maisky was, I think, impressed."

On Aug. 12, 1937, en route to Riga, Mr. Davies wrote to Mr. Morgenthau:

"When in London in June, Bingham and I had lunch with the Russian Ambassador, Maisky, who is a very able, shrewd man, and we deliberately set out to emphasize under the appearance of casualness the great interest which the Soviet Union had in the protection of the price of gold, I think that we got over to him quite clearly (without direct approach) the wisdom of the Soviet government's cooperating with the United States, particularly with the Treasury of the United States. I am sure that he reported it to the Government.

"When in London I also had quite an extended conference with Litvinov and discussed with him at length the gold situation of the world. . . . I asked him the direct question as to what the actual production of gold was and what their present gold reserves were. He hedged on the reply. He did say, however, that he could state confidentially to me that the current estimates were rather exaggerated."

The failure of Mr. Davies' mission and the shrewdness and graveness with which the gold question was dealt give us an idea of the intrigue connected with the shiny metal and demonstrate the pre-occupation it causes in responsible circles.

Were the Russians interested in "breaking" the New York markets or were they afraid of losing the opportunity of creating dollar balances, suspecting that America might change its buying policy because of the great influx occurring at that time? It is hard to believe that outsiders had to remind the Russians about their interest in gold.

Another expression of Soviet sagacity was given us recently when Russia found herself in the uncomfortable position of being invited to discuss plans of monetary stabilization touching the neuralgic point of gold. In the magazine "War and the Working Class," Dec. 1, 1943, the Soviet Economist Professor E. Varga, analyzing the original White and Keynes Plans, manifested the Russian point of view on them by concluding in a discreet and somewhat innocent tone that "if all the foreign trade of the Soviet Union could be conducted with a basis of gold currency with a fixed value, then undoubtedly international trade could be greatly facilitated."

Nothing could be more consistent with the interest of the USSR. Yet the statement was received with enthusiasm in some capitalistic circles, which saw in it a denial of communist doctrine and a retreat to capitalistic monetary ideas.

If we take into consideration the important part gold has played in the development of Russia, that interpretation reveals a certain naivete. The Soviet Union knows well the advantage she will lose the day other nations cease to believe in gold. While, therefore, they ascribe such extraordinary value to it, we must not expect any opposition from the USSR.

IV

Some of the measures suggested by President Roosevelt's advisors to overcome the last depression were in the monetary field. In 1933 the government suspended conversion of notes into gold. Following this, New Deal economists proposed a devaluation of the dollar by reducing its gold content, based on the theory that a rise in the price of gold would automatically raise the commodity price level, thus stimulating business activity and fostering the return of prosperity.

This monetary policy aroused considerable opposition from reputable groups of economists, bankers and business men. The government had on its side only a small number of economists, led by Professor George Warren of Cornell University who were convinced that the reform would be favorable to the whole American community.

Outstanding men in the university world like Kemmerer, Sprague, Anderson, Nadler, and Spahr, to mention only a few, started a campaign in the press, classroom, public platform and radio against the government-proposed monetary measures, predicting a ruinous inflation if they were adopted. Some idea of the intensity of the fight can be obtained by perusing the periodicals of the time.

In November, 1933, 44 leading economists founded the Economists National Committee on Monetary Policy to oppose the government policy. Upon its creation it published the following statement (New York Herald-Tribune, Nov. 25, 1933):

"We believe (1) that the country is today threatened with serious inflation; (2) that inflation would be harmful to the nation; (3) that the interests which would suffer most from serious inflation are our working people, whose wages would rise less rapidly than their cost of living; the beneficiaries of life insurance policies, our bank depositors, hospitals, colleges and other great scientific and public welfare institutions, most of whose endowment funds are invested in bonds and mortgages; (4) that, while we recognize that the gold standard is far from being the perfect standard, as it has heretofore existed, it is the best standard with which the world has had any extended experience and is the only standard which offers any immediate hope of becoming the international standard. . . ."

Another example of the campaign is the statement which appeared in the New York press, Nov. 28, 1933, signed by 38 professors of Columbia University:

"The undersigned members of economics and business faculties of Columbia University wish to express their deep concern over the widespread pressure that is being brought to bear on the United States Government in favor of drastic inflationary measures. . . . Three main forms of inflation are now being proposed or are already being experimented with: (1) issue of fiat money; (2) inflation of credit and (3) depreciation of the external value of the dollar. All three forms are not only fraught with danger but are almost certain to fail to attain their major objectives."

So overwhelming were the forces opposing the administration's policy that, looking back, it is hard to understand how the reforms were put into effect. Had not a wave of desire for reform and experiment been passing over the nation, had not the depression made the people lose faith in traditional names and procedures, had not the President, backed by Congress, possessed enormous political prestige, the reforms certainly would not have been adopted.

In 1934 the Gold Reserve Act was passed. It embodied the devaluation of the dollar. The Act stipulated that the monetary gold stock of the nation should be estimated at the rate of $35 an ounce, instead of the former $20.67 an ounce. With simple arithmetic and bookkeeping the value of the gold stock, which was $4,033,300,000, increased to $6,828,800,000. The "profits" of about $2,795,500,000 was transferred to the Treasury Fund.

Under the new price, a stream of gold to the United States was established which grew greater and greater with the increasing political instability of Europe. The gold inflow to this country from 1934 to 1939, the year of the outbreak of war, was $11,120,970,000 and by 1941, when Lend-Lease was enacted, the total had reached $16,847,000,000. Between 1934 and 1939, with the domestic production, the gold money supply of the country increased from $4,033,000,000 to $17,644,000,000 or 330%! By Pearl Harbor it had increased to $22,737,000,000, more than 430%.[4]

Analyzing the period from the devaluation to the outbreak of the war, we see that notwithstanding the tremendous increase in the gold supply, neither the prophecies of the New Deal group nor those of its opponents were found to be correct. The domestic purchasing power of the dollar continued practically the same. The price level did not go up as much as expected. There was no real inflation. Not until the entry of this country into the war with the subsequent shift of the economy from peace to war production did the threat of inflation appear. This, however, has been practically checked by price control, rationing and sale of bonds.

Although the New Deal's expectation that devaluation would result in a rise of price did not materialize, its ultimate goal, which was to turn the nations toward the road to recovery, was not impaired by the measure, despite the lack of confidence on the part of the business community, influenced by the alarming predictions of so many influential authorities. The following statistics are explanatory:[5]

Percentages of 1929—	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
National income	100%	83.1%	65.5%	48.3%	51.2%	60.7%	67.4%	78.6%	85.9%	76.7%	83.7%
Income paid out	100	92.1	77.9	61.1	56.5	64.2	69.3	79.6	87.2	80.6	85.1
Cost of living	100	97.5	89.1	80.2	76.2	79.1	81.1	82.1	84.7	83.4	82.6
Wholesale price	100	90.7	76.6	68.0	69.2	78.6	83.9	84.8	90.6	82.5	80.9

In Millions of $

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
National income	82,885	68,901	54,301	40,074	42,430	50,347	55,870	65,165	71,172	63,410	69,378
Business savings	2,274	5,310	8,506	9,215	3,085	1,441	26	1,014	910	1,397	778

If, according to the general concepts of inflation, the above figures show that inflation did not occur in this country after 1934, despite devaluation and the tremendous increase of the gold money supply, refuting prevailing theories, it is obvious that following the bank credit contraction of 1929, the money supply of the United States was in need of an expansion to help recovery. But when we take into account the fact that the expansion which occurred resulted largely from the huge influx of foreign gold in exchange for American goods, it seems it would have been more advantageous for this country to have achieved an expansion with fiduciary money. With it the government could have met budgetary obligations, chiefly for relief and public works, thus avoiding an increase in the public debt. The production stimulated by such an expansion would have gone to American consumers, instead of abroad, as did much of the production paid for with the expansion of the money supply arising from the huge influx of gold.

This remark is not intended as an apology for limitless rolling of the printing presses as a panacea for economic ills. But could not the saturation point of money be determined by such inflation-measuring devices as indices of price levels, cost of living, production, employment, etc? Would they not furnish a more scientific basis for maintaining an optimum supply of money than uncontrolled movements of gold?

Perhaps America's gold policy can be justified on the basis of international political considerations. It resulted in aiding foreign nations in their struggle against the Axis. It is the duty and necessity of democracies to provide such help, but should it not be given directly rather than through unsound monetary practices?

V

The stream of gold to American shores was stopped in 1941, after the passage of the Lend-Lease Act. On Dec. 7, 1941, the Japanese atacked Pearl Harbor and the United States entered the war. Although the cash export trade was virtually suspended, this country continued to import large quantities of strategic materials and foodstuffs from nations not dominated by the enemy, chiefly Latin America. These purchases and the expenditures incurred in the construction of military bases throughout the Western Hemisphere, at a time when Latin American countries, because of shipping shortages and war priorities, were unable to buy the products they needed from the United States, contributed toward a considerable growth of their dollar balances here.

Some of the Latin American countries, since they cannot use their balances, are converting part of them into gold. These conversions are interpreted by some as measures intended to "strengthen" the currencies which traditionally lacked sufficient gold collateral. Others see in them a suspicion that the American government will devalue the dollar again.

Up to the moment these conversions have reduced the monetary gold stock of the United States from 22 billion dollars to 21 billion dollars. Financial and banking circles, worried by the enormous stockpile in Kentucky, have shown satisfaction with this reduction, believing that it marks a reversal of the past inflow. Examination of the political and economic situation in the United States and other countries, however, indicates that the phenomenon is temporary and that the stream of gold to the United States may be reestablished after the war.

That the United States will again devalue the dollar seems unlikely considering that the American Congress last year refused to extend the President's power to the effect this, and that the nation has a monetary supply considered sufficient by authorized circles.

Latin American countries probably will give up the intention, if indeed they have it, of retaining their recently acquired gold to back up their currencies when they are faced with the possibility of utilizing it for purchase of products which they need, such as consumer's goods, tools and heavy equipment for developing their industries, building roads and exploiting their resources.

After the war, the United States will be the only highly industrialized country whose resources have not been destroyed by the war. The extraordinary capacity she has shown for fast conversion from peace to war production indicates that reconversion can also be achieved without delay. She will be, therefore, the main country in a position to supply not only Latin American needs but also those of the European nations, Russia and China.

As the arsenal of democracy, the United States will come out of this conflict with a tremendous internal debt. If the public today is disturbed about indebtedness and taxation, further increases certainly will not be favored after the war. Comments to the effect that Uncle Sam cannot indefinitely play Santa Claus to the world at the expense of the American taxpayer are already being heard. To avoid greater debt, Congress probably will first discontinue the Lend-Lease program. The UNRRA, which is attempting to create a relief fund, even if it succeeds in putting through its program, will certainly not be able to meet all the demands of needy nations. Under conditions of international finance that have existed up to the present, devastated countries will find it difficult to get credits from America, because of the bitter experience with European loans after the last war.

How, then, might they get the funds to reestablish their economies? It is a general conviction that they will emerge from the war with regimes of strictly controlled economies and managed currencies, in which gold will be of secondary importance. Those who possess gold, therefore, may have recourse to shipping it to countries which accept it in exchange for credit and goods.

If the Bretton Woods plan for the International Monetary Fund and the International Bank for Reconstruction and Development are carried out, foreign countries will be assisted in obtaining American goods and capital. Through the Fund they will be entitled to buy dollars with their own currencies, just as the United States will be entitled to obtain the currencies of other countries.

The International Bank for Reconstruction and Development is destined to make loans to devastated countries and to those having potential resources undeveloped. Such loans will be made primarily by borrowing funds in the money markets of member countries, the Bank guaranteeing their settlements.

Through the operations of the Fund and the Bank, the immediate necessity of foreign countries to remit gold to the United States in payment for their imports may be overcome. But the flow of gold to America will only be permanently stemmed if the United States imports enough to offset her exports. If she does not, the supply of dollars in the Fund will be exhausted and member countries and the Fund will have to resort to shipping gold to obtain dollars for settlement of their imports and loans made through the International Bank.

Should the present opposition in Congress and Wall Street to the Bretton Woods plans be successful in preventing their adoption by this country, the flow of gold to American shores may be expected to resume sooner.

If a continued influx increases the money supply of this country to an inflationary level beyond the power of the Federal Reserve System to control, Treasury authorities may be obliged to reduce the price of gold in order to stem the inflow and check the inflationary process. Should this be unsuccessful, America might even be forced to suspend the acquisition of additional gold. Such a step would be the greatest blow gold could receive. It would put the United States on the same path which United Kingdom and Russia already appear to have taken towards the demonetization of the yellow metal.

Present-day economics, probably hardly more advanced as a science than were alchemy and astrology, cannot predict with precision. Nobody can foresee when gold will be completely abandoned in favor of a more scientific monetary system which does not leave the development of countries' economy so largely at the mercy of the production and uncontrolled movements of a somewhat useless metal. Gold still has for many of us an aura of sanctity which makes its prestige tenacious. To shatter and destroy the old myth of its intrinsic value, it would be necessary for a country in the position of the United States to refuse further acceptances of the metal.

If this country approves the Bretton Woods plans, decides to abolish certain tariffs and starts buying more from abroad, the gold question may remain in suspension. This would leave gold on its present senseless footing. On the other hand, this country's astounding economic capacity coupled with modern devices of credit and money control, may make it possible for her to add to her money supply all the gold existing in the world plus the new production for years to come, just as in the brief course of seven years the increase from 4 billion to 22 billion dollars in its gold money supply did not cause any real disturbance. The gold producing countries would continue to benefit by such an unintentional altruistic of the United States. But it does not seem possible that the United States will continue indefinitely a monetary practice which results in giving away goods and services and burying the gold received in exchange.

1 Federal Reserve Bulletin, May, 1944, page 511.

2 Banking and Monetary Statistics, Federal Reserve Board, pages 553 and 526.

3 Arthur F. Arnold—"Banks, Credit and Money in Soviet Russia," page 415.

4 "Banking and Monetary Statistics."

5 "Statistical Abstract of the U. S. 1940."

Farm Production Loans Available For 1944

Most New York State farmers who borrow use banks as a source of credit, according to George J. Sluyter, Chairman of the Committee on Agriculture of the New York State Bankers Association, who is also President of the First National Bank of Herkimer. "Reports made by 377 of the agricultural banks of the State indicate that they have $123,815,000 available for farm production loans in 1944," Mr. Sluyter said. "This is four times the amount needed to take care of the estimated financial needs of all New York State farmers in 1944." In making this announcement the State Bankers Association on Sept. 17 stated:

"Non-real estate farm loans held by the New York State commercial banks at the beginning of 1944 totaled $45,005,000, Mr. Sluyter pointed out. Of this amount, $22,342,000 represented loans covered by Commodity Credit Corporation purchase agreements, while $22,663,000 represented direct loans to finance crops, livestock, production, machinery, and equipment. For the same period, New York State loans by the Production Credit Association, a Federally subsidized credit agency making loans on conditions and terms comparable to banks, totalled about $8,200,000.

"The figures on farm borrowing were developed in a national survey made by the Agricultural Commission of the American Bankers Association to determine '1,000 plus' service ratings of agricultural banks on a state-by-state basis. New York banks have just been awarded this rating for the fifth consecutive year.

"According to Mr. Sluyter, all of the 377 agricultural banks which responded to the ABA survey indicated that they are providing services to agriculture over and above normal banking routine. These services include helping build up livestock, working for erosion control, assisting 4-H clubs, Future Farmers and other farm youth organizations, encouraging farmers to build financial reserves in War Bonds, working out farm receipt and expense budgets, promoting the use of farm credit statements, and attending and sponsoring agricultural meetings.

"The banks, according to the report, are also carrying on a campaign against wartime speculation in farm land. Banks have cautioned farmers about rapidly rising land prices in many parts of the state and have urged them not to contribute to inflation and create hard-to-pay-back debts by paying too much for land now."

"That the effort to prevent speculation in New York State farm lands has been successful to date," Mr. Sluyter said, "is evidenced by the fact that farm real estate values in New York rose only 4% during the past year compared to a 15% average increase for all farm land prices in the United States. During the five-year war period, New York farm land prices have risen about 18% while those over the nation have risen 42%."

In helping farmers with their financial affairs, New York State banks, it is indicated, carried on 29,290 projects, making contacts with more than 100,000 farmers and their families. In 1943, the banks made 54,676 farm loans.

Allied Military Currency In Italy

(Continued from first page)

denominations of 1, 2, 5 and 10 lire are half the size of the American dollar bill and have, respectively, blue, lavender, green and black borders surrounding a brownish picture of what is apparently a wheat field. The four larger denominations of 50, 100, 500 and 1,000 lire are the size of the American dollar and also have, respectively, blue, lavender, green and black borders around a powder blue center with an ornate design in the middle. All look like cigar coupons. Because the money originally had to be prepared in a short time it is only lithographed. The special but mediocre-appearing grade of paper used does not have long wearing qualities but it is more attractive and durable than the Italian currency. The money is marked Allied Military Currency although it is issued by the United States Army. The British Army has its own military currency marked British Military Currency. Nowhere do the American notes give any exact information as to who issued them or how or when or where they will be redeemed. Each note bears the obvious statement that it is "Issued in Italy" and has a series date and a number. One of the four freedoms is propagandized *in English* in each of the four corners of the back of every note. Only the value of each note is printed in both Italian and English.

Allied Military Currency is prepared in Washington at the Bureau of Printing and Engraving and shipped over in sealed and coded boxes. The first consignment of seven tons of the money left this country in two planes on July 19, 1943. To keep transportation costs to a minimum our soldiers are generally paid in the largest denominations possible. For example, a soldier entitled to $46.50 on pay day will get four 1,000 lire notes, one 500 lire note, one 100 and one 50. Because of this practice making change in dealing with Italians is often difficult and incidentally stakes in crap games are kept high.

Allied Military Currency has been made legal tender in Italy. Indeed possession of real American money by soldiers is unauthorized and at staging points they are encouraged to convert their American currency into Allied Military Currency. Many American post exchanges and other centers refuse to accept Italian money.

Reasons for Allied Military Currency

There are some sound reasons for issuing the Allied Military Currency. First, it is said to simplify the countless dealings of American military authorities and soldiers with Italian civilians if payments can be made in lire which the Italian already understands. In this connection, however, it is strange that more of the writing on the notes is not in Italian as well as English—certainly the propagandizing of the Four Freedoms would have been more effective if stated in Italian. Second, the United States Army authorities could hardly use Italian money exclusively because they have no accurate records of how much has been issued or withdrawn by fleeing armies or might appear in the future from German-held areas to the north. Since our authorities have to redeem whatever money they pay American soldiers, they must know the amount issued and be in a position to control it. Third, they do not wish to issue American money because easy access to it would simplify enemy espionage and sabotage activities. In this connection, a basic reason for rushing through the first issues of Allied Military Currency, according to Under Secretary of War Patterson, was our discovery that the Germans had flooded Sicily and Italy with counterfeit American money. (*N. Y. "Times,"* Dec. 18, 1943, p. 10).

Legal Basis

The legal authority for the Allied Military Currency has been questioned several times. For example, Professor Walter E. Spahr of New York University, who is Secretary of the Economists' National Committee on Monetary Policy, has pointed out that under the Constitution of the United States Congress alone is empowered "to coin money, regulate the value thereof . . . ." (*Allied Military Currency—Some Queries and Observations,* 1943, p. 4). Yet according to a press release by the War and Treasury Departments of Aug. 2, 1943 plans for issuing this currency were made "in a series of extraordinary conferences held in utmost secrecy." Although in session, Congress was never consulted. The excuse for by-passing Congress is that "under international law, the Hague Conventions and the decisions of the Supreme Court of the United States, the Military Commander in areas occupied by the Forces under his command has all the powers necessary for the carrying out of governmental functions." (*Treasury Release of Aug. 17, 1943*). The War Department's *Basic Field Manual on Military Government* (FM 27-5) states that military occupation of a foreign nation suspends the enemy's civil government therein and makes it necessary for the occupying army to take over schools, sanitation and many other civil functions including that of coinage. Since the Treasury Department obviously was more experienced in issuing currency, the War Department sought its cooperation. In short, supporters of the program point out that the currency was not issued, indeed is not current, in the United States or in territory owned by us, but in a foreign land whose civil government is not functioning fully during the war. Furthermore, say Treasury officials, according to international law, a country occupied by invading forces must pay the costs of occupation as well as the costs of normal domestic functions in the occupied areas. When the war is over Italy will get a large bill from us. (*"N. Y. Times,"* Oct. 25, 1943, p. 4. See also May 14, 1944, p. 8). In short, it is for Italy to worry about, not for us. To this critics reply that the basic fact cannot be overlooked that the War Department had a new type of money issued without securing Congress' approval, that the money is issued largely to American soldiers, and that if the Italians should fail to redeem it in full our Government would be honor-bound to do so.

What the American Soldier Thinks of It

Since public confidence in a currency is essential if it is to circulate successfully and maintain its value, we should inquire what the people who use the Allied Military Currency think of it. What they think and say may or may not be in keeping with the facts, but if enough people think the same way, right or wrong, it is important. The very war itself against the false Nazi philosophies is proof of that principle. One of the authors of this article has been in Italy in the past few months in a position to observe and investigate the public's reaction to Allied Military Currency. The following conclusions are based largely on his findings:

The average American soldier who is paid in Allied Military Currency trusts it but is curious about it. The G.I. finds the money convenient for it is in lire at the easily understood rate of one cent to one lira and so simplifies dealings with Italians. Furthermore, it is cleaner and easier to handle than the much worn and quickly torn Italian notes which range in size from the 2 x 3 inch one lire note to the cumbersome large denominations twice the size of our dollar.

But there are many tent "bull sessions" about the army's money. Soldiers are concerned about its "backing," whether it will all be redeemed after the war, whether the United States or Italy will redeem, whether Italy could redeem it, if it is intended to replace Italian money, whether it will become inflated, how easy it is to counterfeit, etc. Some of the more suspicious regularly convert their large bills into money orders and send them home. The men are particularly curious as to why so many post exchanges and other offices are refusing to accept Italian currency. Not everyone is satisfied with such explanations as the following offered by one clerk: "You fellows get paid in Allied Military Currency so it's no inconvenience for you, is it? Sure, native Italian currency is still good. But Finance won't accept it from us. Just how would you like to count $5,000 of this stuff (waving several tattered and bulky 100 lire notes)." A few men want to know why the Allied Military Financial Agency won't accept the Italian money in view of the fact that the army went to so much trouble to simplify dealings with Italians. Accepting Italian money at current exchange rates, they argue, would seem a reasonable corollary to the army's simplification program. Some college graduates nod wisely and venture the opinion that the army is trying out a "managed currency experiment." The probabilities are, however, that many of these rules are the product of the army's red tape mill and are chiefly intended to simplify matters for the army's administration officers.

What the Italians Think of It

The Italians seem not to fear that the Americans will use their Allied Military Currency as the Germans and Japanese used their invasion money, as an easy method of confiscating property by seeming to buy it. In fact, the majority of Italians themselves prefer the Allied Military Currency to their own money for a number of reasons. Their own currency is mutilated, cumbersome and has a background of depreciation. The Allied Military Currency is easy to trade with and the soldiers have lots of it and are lavish spenders. It has been introduced under pleasant circumstances — the departure of the Nazis and the approach of peace. Italians doubt if their own Government will back up their own issues but they have every confidence that the fabulously wealthy American Government will back up its army currency.

There are, of course, a few dissenters. According to one prominent Red Cross director, some natives blame the Americans for the exchange rate of 1 lira to the cent and talk nostalgically of the good old days when the lira was worth more—5 cents before the war. They think they should have gold or silver money or at least a written guarantee on the note of the United States' intention to redeem them after the war. They doubt if Italy "will be able to dig up enough money to redeem."

In Naples, suspicious people are offering 200 to 300 lire for real American "blue-seal" dollars. Our silver certificates, such as the $1 bill, have a blue seal. Asked why they are willing to pay such a premium for "blue-seal" money they answer evasively, "We want it for a souvenir," or "We want to use it after the war to go to America." Some Americans suspect it is being gathered by the German or Fascist underground for espionage purposes. It seems more likely, however, that the Italians offering this premium have greater confidence in genuine American money than in dollars which are not legal tender in America like the "yellow-seal" spearhead money we first used when invading or the Allied Military Currency, since both of the latter have to be redeemed by American authorities who might some day refuse to redeem them from Italians. But whatever the reasons for this premium the American authorities don't like it. Five Neapolitans were fined 500,000 lire ($5,000) in April for so demonstrating their greater "faith" in the real American dollar. (*N. Y. "Times,"* April 20, 1944, p. 7).

Criticisms of Allied Military Currency

The issuance of the Allied Military Currency in Italy appears so far to have been fairly well handled. Whether this will remain true in the long run is hard to say. Certainly there are a number of dangers inherent in the whole system as it is set up. What are some?

Dangers of Over-issue

Foremost, what is to prevent over-issue of the Allied Military Currency. It has no metallic backing. Congress has set no limit. The amount issued is not periodically published so interested persons may express an opinion. The Finance authorities apparently issue whatever amount is needed to pay troops and to buy supplies locally. They insist that they keep a strict account of the amounts issued and redeemed but that is not exactly the point. Perhaps an analogy will explain matters. Suppose our War and Navy Departments in this country bought all supplies and paid for all services by printing money. We would have scores of billions of dollars in circulation—the cost of the war and the total money in circulation would be approximately the same. At present our money in circulation is $22 billions, our national debt is $200 billions. Prices would soar, as they did under such a system in Revolutionary War days when taxes and war loans produced little revenue. Just such a condition on a small scale could be created by the over-issuing of Allied Military Currency in Italy. Once money gets into circulation it is used over and over again and competes for goods with any new currency the army may have ordered printed. War and Treasury authorities are not blind to such possibilities, and if pressed will answer that inflation is believed to be unavoidable in war, but perhaps can be controlled somewhat by price regulation and rationing (*N. Y. "Times,"* May 14, 1944, p. 8).

Presumably the currency has not yet gotten out of hand because so far really large amounts have not been issued, because the soldiers redeem the large bills in order to send home their pay—indeed the almost calculated mystery about the money's eventual redemption may be intended to encourage that—and because the natives apparently prefer the Allied Military Currency to their own. But certain danger signals of inflation may be looked for. One is a discount of native currency in terms of the Military Currency. Refusal to accept Italian currency at post exchanges, etc., may hasten that. Another danger signal is the discount of Italian and Military Currency in terms of American "blue-seal" money. That signal has already been hoisted in Naples.

Doubts About Redemption

A second danger is in the matter of redemption of the Allied Military Currency. Although the authorities are strangely silent on this point it seems obvious that the money will eventually be redeemed but whether at the existing rate and by whom is not certain. If the burden of redemption is eventually shifted to the Italian Government, it is at least questionable if redemption will be in full. Even Treasury officials have admitted this. (*N. Y. "Times."* Oct. 25, 1943, p. 4). If it is not in full, then many Italians and some Americans will feel themselves cruelly cheated. If it is attempted to redeem money in full for American soldiers there arise possibilities, difficult to deal with, of soldiers buying native-held Allied Military Currency at a discount and making a profit. Who is to say that a G.I. turning up with a wad of bills did not win them at a crap game? If the American authorities intend to redeem the money eventually, why not say so now? Why all the mystery? But if we are to redeem, then we have the dangerous precedent of the War Department issuing money without Congressional authority which the United States Government through the Treasury must redeem to preserve its good name. Suppose Congress decides at this point that too much has been issued. There will be rather little satisfaction in being told that a beautiful accounting system has been set up and the army knows exactly how much is out. And if we do not redeem in full we will put ourselves in exactly the position of the Germans and Japs who exploited defeated nations and bled them by means of special currency issued for the purpose.

Attitude of the Italian Government

A third and lesser consideration is that the new Italian Government might resent the invasion of its money-issuing prerogative as the De Gaullist regime did a few weeks ago in France. So far there has been little if any complaint on this score. The Italian Government knows it exists largely on the sufferance of the United Nations, feels just strong enough to stay alive and has no extra strength to expend in useless resentments. However, there would seem to be little point on our part in handicapping a government we want to see succeed, and to succeed any government must retain the respect of its people.

Counterfeiting

A fourth danger is the ease of counterfeiting. The bills are lithographed on a mediocre-appearing grade of paper and contain no silk threads. Soon after the first issue was brought out Italians found it simple to add a neat black ink zero to the 1 lira note and turn it into a 10, or better, do the same to a 50 lire note and turn it into a 500. Most persons were not well enough acquainted with the different colored borders to detect the fraud. The American authorities had to introduce a new series (1943A) harder to alter. However, it would appear that the chief danger is not so much the raising of note values as it is the wholesale counterfeiting of the notes themselves either by the Italians or the Germans. This is not difficult and can be annoying and embarrassing. Recently a value of about $340,000 in 1000 lire notes was found to have been counterfeited. Since much was in circulation in the hands of innocent parties, it was decided to redeem a large part of them.

A Possible Solution

By this time a few persons may have asked themselves if anything can or should really be done about the Allied Military Currency. We submit that the program, although so far successful, is fraught with dangers. We agree that our soldiers fighting on foreign soil should be paid in marked American bills but believe that the money first used as spearhead currency, American dollars distinguished only by a special yellow seal, constituted a better solution than the cheap Allied Military Currency. The bills paid the soldiers, we insist, should have the same backing as other American dollars and be redeemable in the same way. Where new issues, such as smaller denominations in paper, require Congressional approval, it should be obtained. The money should be issued by the Treasury and be counted as part of the "Money in Circulation" as

The Place Of Small Business In A Democratic Society

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V.

Surplus Properties Must Be Widely Disposed Of In Broken Lots. Otherwise Big Business Gets All The Advantages

All consumer goods which become surplus should be disposed of through normal types of business channels—wherever possible. In public sales, such sales should be widely advertised, goods offered in small lots, and under financial arrangements which allow small and large to buy.

Billions were poured into government financed war plants. Now we face the question of what to do with them.

Certainly, it is agreed that they should not all be scrapped. Neither should they go, at bargain prices, to dominant or monopoly type concerns.

Likewise, steps should be taken for making plants available to small business through the multiple-rental plan.

Further, every effort must be made to get properties into the hands of local and regional ownership.

VI.

Small Business Must Not Be Shackled By Lack Of Money. It Is Now. Money Should Be Available To The Small Concern As It Is To Big Business

Interim and reconversion financing are necessary NOW, not three months from now. Recent events and quite recently adopted policies of the War Production Board make it imperative that money be available to little business without delay. If controls are to be relaxed, little business has to have two things even before the relaxations actually go into effect:

It is presumed that the policy of relaxation will keep the materials available. Many of the materials are available now, and civilian production can only be held up because of the absence of manpower.

But money will not be available unless Congress legislates. Since it has legislated on most other reconversion problems, it should do so without delay in reference to money.

Generally speaking, small business is handicapped in investment markets because the name and position of small concerns are not widely known. Banks must be vigilant in their use of depositors' money, and if conditions are uncertain, banks may not be able to make loans. Also, under present banking conditions, long-term loans are not available for small business.

The answer lies, in the establishment of a system of credit insurance similar to the plan used by FHA in which the banks make the loans and the loans are insured through small, individual fee. This brings the 15,000 banks directly into the program with the business man dealing directly with the bank—**not** the government.

In brief, there must be loans to sound, enterprising business. Now and hereafter small business must have money as easily available as big business.

VII.

Taxation To Encourage New Business Should Be Enacted

When we get to taxation, nobody but a miracle man could present a plan in a few words. Leon Henderson says there should be NO corporation taxes. The Committee for Economic Development has a plan. So has Beardsley Ruml. Congress should get together and give each of these three plans a three day hearing. Then Congress should give tax relief to little business.

As to exactly what should be done, I have no final answers. But I do believe that at least the following are true:

1. Tax exemptions for new business should be allowed so as to encourage risk taking. There should be exemptions over a period of years with carry-overs and carry-backs for losses and gains. This would help new business to get started.

2. Exemptions under the excess profits tax should be increased beyond the present amount of $10,000—to something like $50,000. This exemption might be restricted to corporations with excess profits net income—before exemption—of not over $50,000.

This would encourage thousands of small businesses to plow earnings back into business or create reserve against a downward spiral of business.

There is one thing certain: The needs of small business in the financial field and field of taxation are urgent.

VIII.

Small Business Should Have Every Opportunity to Benefit From Technological Advances

Small business has always labored under a heavy differential when it comes to research and technical development. I propose a service for small business comparable to that which the Department of Agriculture now gives to the American farmer. The SWPC has a Technical Advisory Service which gives the service its name implies. This or some agency should expand this activity. We have found small business has ideas, but too often no money with which to perfect the ideas. Good business suggests assistance here.

New products have developed greatly in this war. These should be made available to small business. The Department of Agriculture informs farmers of new agricultural products, thus benefiting everyone.

New techniques developed during the war and in plants financed by public funds should not become the sole possession of any single concern. Rather they should be made available to all business through non-exclusive licenses. What the people have financed should be for the use of all the people.

A mechanism should also be established whereby inventors and small businesses in post-war Europe can offer their patents for sale in this country for acquisition by small businesses here on a royalty basis. In the past European inventions have fallen only into the lap of the largest companies—American cartels—which I have already mentioned. This must not be allowed to happen again.

The small business man cannot afford large sums for his own laboratories. And if the government renders any other than ordinary laboratory services, it should be understood that the small business man would pay a reasonable fee for these services. Primarily the aim here is to give the small man a chance to develop new techniques.

As to the non-confidential technical services, the purpose is to get the great new knowledges in technology down into the hands of small business men so that they can compete more effectively, as well as to provide big business with better products in their subcontracts.

All of these technical services will mean greater production and more goods for all our people.

IX.

Give the Veterans Who Go Into Business Every Opportunity. If Their Businesses Succeed, They Will Be Self-Supporting, and Our Economy Will Be Strengthened

Tens of thousands of veterans will go into business for themselves. Many may never have operated their own businesses—but that is not a reason to keep them out. Therefore, we must not let widespread failures ruin the hope of our soldiers and sailors for economic independencce. Special consideration should be given to favorable but careful methods of financing. Technical advisory services should be established for veterans so that lack of "know-how" will not wipe them out before they have had a reasonable chance to get started.

This is certain. The more small businesses veterans begin, the better will be our economy, and the more certain we will maintain a free enterprise economy. I am told that there will be many veterans who will go broke—that the losses will be high. I doubt this, if we are careful in making the loans, in giving management and technical advice. BUT, even if there are fairly high losses, the aggregate gain in our economy will be sure to be more than the money loaned out.

X

Mass Unemployment Can Upset All Plans. It Must Be Prevented. Public Works Is One of the Answers

To repeat, private enterprise is our first reliance.

But should mass unemployment set in because of the suddenness of victory, with its resultant flood of terminations, then we spiral down to the bottom. It will then be hard to get out of the hole.

Transition from war to peace will, of course, create lags in production. If unemployment on any big scale begins, people will become afraid. When fear spreads, purchasing power always drops. This will bring on additional unemployment.

Thus positive action to take care of the first days of unemployment is essential. This is the responsibility of Congress. The issue must not be clouded by smear words intended to divert the real issues, such as "doles," "relief," "loss of initiative." We simply can't afford nation-wide unemployment.

There must be provision for unemployment compensation as a check against the growth of fear and panic which develops when unemployment begins.

And this brings us to a consideration of public works. Public works must be considered for various reasons. One is that the full resources of the nation must be

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the yellow-seal dollars were reported to have been. If it is desired to prevent their circulation in America, well and good, but the fact that they will be redeemed should be made abundantly clear.

The army's excuse that a special Allied Military Currency is needed to facilitate trade with the Italians appears overdone in view of the facts that: (a) the bills are largely in English; (b) the soldiers are paid in large denomination bills and the frequent lack of small bills makes it difficult to do business; (c) barriers are put in the way of using and accepting Italian money; and (d) the public is allowed to believe that the money may not be redeemed in full. Furthermore, one of the authors knows from experience and considerable travel that people in most parts of the world are well acquainted with American money and glad to accept it. After World War I there was for several years in Warsaw, Poland, a bank which did business and kept accounts only in American dollars. It was reported from Switzerland a year ago that in Italy "large business transactions have for some time been carried out on a basis of English and American currencies" (N. Y. "Times", Sept. 20, 1943, p. 29). Italian preference for the real American money is evident right now in Naples from the premium placed upon the "blue-seal" dollars.

Conclusion

The army has attempted to solve its currency problem in a complicated and somewhat objectionable way when a simpler method would have done better. Although Allied Military Currency has so far been issued on a relatively small scale and without any conspicuous difficulties, fears concerning the experiment should not be dismissed lightly. The gain to be made from easier business dealings between Italian civilians and the American army is less than the possible loss of prestige if the monetary experiment fails. The President admitted to reporters in February that a variety of military currencies was being prepared against the days when our troops entered other countries now occupied by the enemy (N. Y. Times, Feb. 16, 1944, p. 4). It is a dangerous precedent to let the American army issue its own money without Congress' permission. For centuries Anglo-Saxon peoples have kept the military in hand by their control of the purse strings. That is a sound philosophy for a peace-loving people and should not be abandoned.

Social Security And A Dynamic Capitalism

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complex. Society therefore recognizes the need of new forms of protection. Moreover, the trend is toward an increasing social consciousness. Thinking people recognize, too, that new forms of protection are necessary to keep society stable. Isolated cases of misfortune can safely be left to charity, but mass misery requires organized protection or else the pressure of discontent may build up to explosive proportions. Hastily improvised measures are rarely satisfactory. As an example, look at the WPA of depression days.

The development of workmen's compensation laws illustrates this process of evolution. At the turn of the century, a worker crippled in the course of his normal employment could sue his employer or look only to private charity for aid. In 1911 the State of New York pioneered in recognizing in law the fact that some industrial workers inevitably suffered temporary or permanent disability. Those men and their families needed financial help. So, a system of compulsory insurance was set up to provide cash for medical expenses and living costs for the injured workers from a fund built up by assessments on all employers. The cost of disability became a part of the cost of production.

Now every state but one has adopted this same principle to cover industrial accidents. In many cases it takes in occupational diseases as well. Workmen's compensation is accepted as an orderly way of meeting one of the great economic hazards inherent in modern society. Show me an employer who advocates its abolition.

Yet, workmen's compensation is only one aspect of social security. If it is safe to extend it to combat this industrial hazard, has it been dangerous to apply it to alleviate other forms of insecurity so inherently a part of modern life such as unemployment and old age?

Yet I find among some uneasiness and alarm, whenever the phrase "social security" is mentioned. Doubts can be summed up in three broad questions:

1. Why does the United States need social security?
2. Can the United States afford the cost of a broad social security program?
3. Does social security remove the incentive to work and turn us into a nation of drones, each striving to live at the expense of the others?

There can be no categorical answer to these three questions.

The term "social security" is relative, not absolute. The answers can not be phrased in the simple "Yes", or the definite "No", but rather in the uncertain "To what degree?"

A degree of uncertainty and, therefore, of **insecurity**, is the price that we in the United States deliberately pay for **progress**. Historians tell us that the Middle Ages were characterized by great stability and security but showed little progress. Our system has been characterized by enormous progress coupled, however, with considerable insecurity. There always is a conflict between progress and security. But this conflict need not be irreconcilable. I say that we can provide greater economic security for the individual without sacrificing our characteristic march forward. The preservation of our economy depends upon that solution.

A competitive enterprise system, coupled with freedom of consumer choice and freedom of investment decisions, is an unstable system precisely because it is free. New inventions, new techniques, new businesses are built up at the expense of the old. The railroad supplants the canal; the automobile displaces the horse. The consumer may spend his money for this product or that, and sales curves rise and fall by his collective decisions. We sold a million motor cars in 1932—five million in 1937. People generally—and perhaps unconsciously—may decide that new housing is too expensive; then we have a construction collapse. The investor may lend his savings to one company or to another, or he may choose to hoard. The investment of new capital, whether producers' capital in the form of new plant and equipment, or consumers' capital in the form of housing, automobiles, and refrigerators, always has moved by fits and starts.

Complete economic stability can be obtained only at the price of complete regimentation. It would demand a master plan imposed upon producer and consumer alike. The remedy would be worse than the disease.

Monopoly and cartels are frequently praised for the stability which they are alleged to bring to an economy. There may be something to this argument. But whatever stability monopoly may establish can easily be offset by the stagnation which generally ensues. This encourages underemployment. We must understand that if we really want to preserve free enterprise—and all the individual benefits that flow therefrom—we must preserve competitive business. This means that we must be willing to endure the risks of that competition.

We are accustomed to view our production fluctuations in terms of business graphs alone; we must not forget that they also are measured in numbers of jobs.

The business man relies most heavily on his own initiative, his resourcefulness and his individual effort. There are some risks, however, which he lets insurance companies underwrite, such as the hazards of fire, flood or fraud. Without these insurance carriers, the worries of the business man would be greatly multiplied and some risky enterprises could not be undertaken at all. Business believes in insurance.

Any business man has an overwhelming interest in the continuity of his production, and thereby jobs and wage payments. He knows he has certain inescapable overhead costs regardless of the volume. Therefore, when his business goes into a tailspin, he knows that overhead costs will soon convert profits into losses. These losses will bankrupt the enterprise if persisted in long enough. Overhead costs are the business man's constant worry.

I like to compare the situation of the business man with that of the workingman. I am convinced that they have common interests and that these common interests outweigh conflicting ones.

For instance, in modern society a worker also has an overhead. It is his constant worry. Previously under an agricultural society, the individual could rely on his garden, his orchard, his flock or his woodlot for minimum needs. But in a 20th Century industrial system, the worker's sole income is his wage. The worker finds he also has a minimum overhead which persists whether he is on or off the payroll. His unavoidable expenses such as rent, or mortgage payments, installment contracts, grocery, light, gas and telephone bills must be paid monthly. If he is idle long enough, he also goes bankrupt—or even worse—on relief. This process destroys his way of life; disorganizes his family and its relationships; destroys his community credit standing. Furthermore, if the worker must finance periodic unemployment, it is more difficult for him to provide for the other economic hazards of life such as old age, illness and disability. Isn't there some way of avoiding these evils of modern industrial life?

So, what should we do about it? Adopt a policy of laissez-faire? Let George do it? I say, NO!

I say that our dynamic capitalism must have the shock-absorbing cushion of a practical, working social security system.

The deny this is to deny the economic hazards of modern life, to deny the vulnerability of the wage-earner to unpredictable misfortune, and to deny the validity of the principle of insurance.

Since we in business admit the value and necessity of insurance for our own protection, should we not grant its value as a protection for our employees?

Let us move quickly to the next question: What kind of a social security system should we have and what about its cost?

I think that further development in our social security system should be in so far as possible, by state and local governments rather than at the national levels. Such programs should be kept close to the people, to the employers, the employees and the taxpayers. Local and administrative interest is of the essence of the democratic process. It helps to minimize the evil effect of bureaucracy and remote Washington control.

Too frequently States' Rights is used as an excuse for a do-nothing policy. If we really believe in States' Rights and really want to keep this program close to the people, then we must see that the states assume the responsibility.

As to the cost. Can we afford it? This is a fair question. It deserves a fair answer. The overall amount of money required for any nationwide social security plan is sure to run into big figures. In these days of staggering national debt, the first instinctive reaction to any social security proposal is that it will be too expensive.

I am all for governmental economy and the elimination of unnecessary expenditures. But to think of the cost of social security as a new and unprecedented expenditure is inaccurate. As a nation, we have been paying such costs for years; we will continue to pay them so long as the American people are unwilling to ignore human misfortune.

The decision is not whether we shall meet social security costs, but how we shall meet them.

Social security substitutes an orderly, systematized setup for the hit-or-miss private charity, local poor relief, the federal boondoggling of an earlier day. To me, this makes sense. We will get far more for money invested in social security than from the billions spread for relief during the late depression.

Social security is not solely an expenditure. Properly set up, it is an actuarial proposition in which the out-go should be substantially balanced by the income. Carried to extremes, it can degenerate into a governmental dole and those who advocate such heavy-handed largess at government expense are doing social security a disservice.

Broadly speaking, there are only two ways of financing social security: from general revenues, or by pay-roll taxes. Each has its disadvantages.

Take the first. If you rely upon general revenues to meet social security payments, you place an additional burden on corporate and individual income taxes, the chief sources of those revenues.

Our national debt and fiscal requirements already have driven income tax rates to heights which threaten to destroy the incentives to invest, or to undertake risky enterprise, or to launch new ventures. What we must have is reduction, not further increases in these levies. Furthermore, general revenue financing would destroy the direct relationship between benefit payments and payroll deductions. This relationship, inherent in the insurance concept of social security, serves as a necessary check against excesses.

As for payroll taxes, they serve as a deterrent to greater employment. Certainly in the postwar world, we must provide every possible incentive to our 2,000,000 job-making employers to put more men on their payrolls. Payroll taxes do not come under the classification of incentives.

But a payroll tax affects all employers more or less equally, and can be absorbed into the cost structure. On the whole, I say it is by far the lesser of two evils. It should not unduly discourage employment or investment, especially if any rate increases are imposed slowly and spread over a period of time.

How to divide the cost of social security between employer and employee is a puzzler. If we include workmen's compensation, unemployment compensation, and old-age annuities, the present contribution of the typical employer toward social security totals about 5½% of his payroll, in addition to the cost of any voluntary plans he may have adopted. In contrast, the worker himself now has a compulsory deduction of only 1%. This means that the employer pays 84% of the total, as compared with only 16% contributed by the worker. I think this proportion is out of balance and I am happy that many labor people agree.

The adjustment of this proportion has aroused much discussion in and out of Congress. I would like to point out that one plan under consideration proposes to increase the employer's tax rate from the present federal levy of 4% (1% for old age annuities and 3% for unemployment compensation) to a total of 6%, an increase of 50%, while the employee contribution would jump from the present 1% to 6%, a rise of 500%. Business and the country could do much worse than to accept this 50-50 arrangement.

Why don't we give the whole matter careful attention and devise a business program taking into consideration the desirability for preserving our most valued resource—the human one.

Thus far I have said nothing about voluntary group insurance and insurance policies taken out on an individual basis as a means of providing against misfortune and old age. I would be remiss if I failed to pay a tribute to the insurance industry. We have 68,000,000 persons with private life insurance. Twenty million carry some form of voluntary or group hospital insurance. Casualty insurance protects us on many fronts. Other insurance programs are doing their part.

Despite the growth of government-sponsored social security, the bulk of the load is still being carried by individuals through their own decisions and savings. I hope this always will be the case. We should never attempt to do collectively, by law and coercion, what we can do as well or better by voluntary effort. Freedom of decision and self-reliance in action have made America. The achievements of our great private insurance carriers have been great. The success of private health and hospitalization group operations, privately conducted, proves that group medicine can be provided through private initiative, under the guidance of private physicians and with free choice of physician and patient.

However, we are considering this problem from the broad standpoint. We are looking at the necessity, in a risk-taking economy, of providing minimum protection for all of our people.

Some may say that social security will make unemployment more attractive than productive work. That is based upon a misconception of what can be provided by even the most liberal system of benefits.

Social security's only purpose is to provide a **minimum** level of **basic** protection to prevent the plane of living from falling below the subsistence level.

It is an insult to the American worker to assert that he would rather have a dole than a job. I am convinced that the vast majority of the American people want productive employment and that they will produce better when their haunting fears of unemployment have been alleviated.

Of course, there may be a few individuals who prefer mere existence at the expense of others to the greater satisfactions to be won through productive work, but our course cannot be governed by this negligible minority. No one proposes to suspend operations on the railroads because a hobo sometimes gets a free ride.

No society could possibly provide as good a standard of living for its needy as they themselves could attain by exerting their own efforts. Incentives for thrift and work must be maintained. Business men and other groups in society, by taking an interest in social security, can help to keep the social security program realistic and thus safeguard the incentive system.

The utmost that we can expect of social security is a minimum level of basic protection.

Social security is here to stay. The principal countries of the world have it. All polls of public opinion show the vast majority of the American people demand it. The recent Chicago platform of both political parties endorse it. The Republican party, to which many business men belong, happens to have gone as far or farther in the promise of adequate social security than the Democratic party.

Under these circumstances, do any business men really believe that social security will be repealed?

Business is now paying most of the costs of social security. But the credit is going to the welfare worker, the social uplifter and the politician. I want American business to receive its share of the credit. But in order to do this, business must take the lead in providing a sound, workable program.

Business must recognize that a dynamic capitalism is a risky capitalism both for the investor and the worker. To preserve and advance this dynamic capitalism, we should do all we can to reduce its risks, providing we can do so without destroying its drive, its energy and its expansion. Unavoidable risks should be insured. In many cases private insurance or group effort is the best remedy; in other cases public action is desirable. Business men should use their experience and knowledge to assist in the formulation of social security policies and in the administration of adequate programs.

As business men we know that a chain is no stronger than its weakest link. Always remember, therefore, that society is no stronger than its least secure members.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

The Place Of Small Business In A Democratic Society

(Continued from page 1269)

developed. Labor, production, and private capital can flow into projects which are for widespread public use, such as airports, sewer systems, schools, hydro-electric projects, highways, and all types of irrigation and reclamation projects. Thus, public works, constructive in nature, are a part of the modern free enterprise system.

I hear reasonable men say that reconversion must be accomplished immediately the war is completed by "free enterprise" as though there must be no public works. I cannot believe people really mean this, or even want this, because public works are an essential part of any kind of society, capitalistic or otherwise.

As to public financing, or public spending, which may or may not be the same thing, I will give no answers. But I ask, can we suddenly stop spending eight billion a month, as we are now doing for war? Will private enterprise suddenly jump up and take up all the slack at once?

Roughly speaking, our economy is double; you know the figures. It may be said that then with men in the service, and the people employed at home in civilian or government occupations, that probably 20 more million are now gainfully employed than ever in our history.

When military production ceases, and there is nothing in its place, it would be possible to have a great many million unemployed. Therefore, besides civilian production, we must have the public works program. This should include all the obvious necessities of the local, state and Federal governments. Specifically, however, the present bill in Congress for three billion dollars in highways should be adopted without delay.

Mr. Chairman, the presentation of these ten points is a program not only for little business, but for the United States. These ten points naturally don't cover everything.

But implicit in this plan is the idea of "go ahead"—and go ahead NOW. We talk about D, X, V, VE and other days, as though when some letter has flashed in the sky, we will do certain things. The point is that without benefit of the alphabet or any abacadabra, that we must wait no longer on these ten points—we must **move in** now. Everybody talks about reconverting little business first, but we keep waiting on the alphabet, or is it big business?

Two more points must be emphasized: One, governmental service, and the other, the idea of expansion.

About government service. All citizens should honor it. The rush, both psychological and physical, away from government service as though it were endured as a plague during the war, must be stopped. Government service was honorable before the war, during the war, is now, and always will be. It should not be regarded as either fashionable, cute or clever to look down on service to one's country.

This is important because if good people run out on the government, and the "let business alone" idea really takes root—business and the entire economy of the nation, will get the worst deal they ever got. What we ought to develop is that intelligent and patriotic men of all faiths and walks of life should attempt to build a government which is reasonable, workable, fair, with a minimum of restraints but which acts with a firm hand when it involves doing the right things.

Now about expansion. Cartels, monopolies, unreasonable restraints means contraction and therefore less opportunities. They mean concentration of power and wealth in the hands of a few. Therefore we favor expansion—that is, new ideas, new products, always the idea of more, not less, and all this spread around. Some people fear that too much will be built and made for the people. But the answer is you can never build or manufacture too much if the people **do it themselves** and **get wide distribution themselves.** On top of this there will be just as many, and I believe more, risk people than before.

This nation has done a mighty good job in this war. In fact, the joint efforts of labor, industry and the professions over the nation and of the leaders in Washington in the legislative and executive branches, have produced results the like of which were never accomplished in any nation in the history of the world.

What I want to see is that we find a substitute for war both psychologically and actually, and go on and win the peace. Let's not give up after we've won. Let's keep fighting!

Calendar Of New Security Flotations

OFFERINGS

ATHEY TRUSS WHEEL CO. has filed a registration statement for 71,590 shares of common stock (par $4). The shares are issued and outstanding and do not represent new financing by the company. 12,500 shares may be reoffered at private sale at $6 per share and 26,323 shares are to be offered to public. The balance, 32,767 shares are to be retained for investment or resold to certain family trusts for investment at $5.25 per share. Brailsford & Co., and C. O. Kalman, Paul R. Doels and Edwin White are considered to be principal underwriters. Filed July 27, 1944. Details in "Chronicle," Aug. 3, 1944.

Brailsford & Co. and Kalman & Co., Inc. offered 26,323 shares on Sept. 20, 1944 at $7 per share.

BROOKLYN UNION GAS CO. June 29, 1941 filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company planned to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 debentures and the concurrent issuance and private sale of $30,000,000 general mortgage sinking fund bonds, 3¾% series, due Aug. 1, 1969.

In amendment filed with SEC Aug. 10 company proposes the issuance of $30,000,000 general mortgage sinking fund bonds due 1969 and $12,000,000 25-year sinking fund debentures due 1969, to be sold pursuant to Commission's competitive bidding rule U-50.

Offered—The $30,000,000 general mortgage sinking fund bonds, 3⅛% series due 1969 were offered Sept. 20 at 102½ and interest by Halsey, Stuart & Co., Inc. and associates. The issue was awarded Sept. 18 at 101.10.

The $12,000,000 25-year 4% sinking fund debentures due 1969 were offered Sept. 20 at 102.875 and interest by Harriman, Ripley & Co., Inc. and associates. The issue was awarded Sept. 18 at 101.0796.

THE UTAH RADIO PRODUCTS CO. has filed a registration statement for $1,175,000, 10-year, 4½% convertible debentures and 146,875 shares ($1 par) common stock for issuance upon conversion of the debentures at any time prior to Sept. 16, 1954 at rate of 12½ shares of common for each $100 in debentures. Underwriters are Cruttenden & Co., $200,000; Bankamerica Company, $200,000; Mackubin, Legg & Co., $200,000; Paine, Webber, Jackson & Curtis, $100,000; A. G. Edwards & Co., $100,000; Dempsey-Detmer & Co., $100,000; The First Trust Company of Lincoln, $100,000; First Securities Kneeland & Co., $100,000; First Securities Co. of Chicago, $75,000. Common stockholders of record Aug. 24 are offered right to subscribe to the debentures in ratio of one $100 debenture for each 25 shares of stock at 103 plus interest from Sept. 14, 1944. Rights expire Sept. 24. Unsubscribed debentures will be offered to the public at the same price. Net proceeds, estimated at $1,159,029, are to be used for expansion purposes and as an addition to working capital. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24, 1944.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, SEPT. 21

ARKANSAS POWER & LIGHT CO. has filed a registration statement for $30,000,000 first mortgage bonds series due 1974. Proceeds together with cash from general funds, if necessary, will be used to redeem company's first and refunding mortgage gold bonds as follows: $30,800,000 5s series due 1956 at 102¾; $276,000 of 2.88% series due 1956 at 100, and $185,000 of 2.73% series due 1959 at 100. Bonds will be offered for sale at competitive bidding. Names of underwriters, interest rate and price to public will be filed by amendment. Filed Sept. 2, 1944. Details in "Chronicle," Sept. 7, 1944.

TUESDAY, SEPT. 26

CENTRAL VERMONT PUBLIC SERVICE CORP. has filed a registration statement for 37,856 shares of 4¼% dividend series preferred stock, ($100 par). Company is offering to holders of its 37,856 shares of $6 dividend series preferred the opportunity to exchange their stock on a share for share basis for the new 4¼% dividend preferred stock, with a cash payment and accrued dividends on the $6 preferred to the date of exchange. The cash payment which is to be filed by amendment is equal to the difference between the initial public offering price of the 4¼% preferred stock and the redemption price of $107.50 per share of the $6 preferred. All shares of $6 preferred stock not surrendered in exchange will be called for redemption at $107.50 per share plus accrued dividends. Any shares of 4¼% preferred which stockholders do not take under the exchange offer are to be sold to underwriters at a price to be filed by amendment for resale to the public. Offering price to the public will be filed by amendment. Filed Sept. 7, 1944. Details in "Chronicle," Sept. 14, 1944.

MONDAY, OCT. 2

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances.

Address — 1009 West Harrison Street, Chicago.

Business—A new corporation. Eugene Freeman, according to the registration statement, perfected a revolutionary method of dry separation and concentration of ores.

Underwriting—To be supplied by amendment.

Proceeds—Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc.

Registration Statement No. 2-5468. Form S-1. (9-13-44).

THURSDAY, OCT. 5

RESISTOFLEX CORP. has filed a registration statement for 100,000 shares of common stock ($1 par).

Address—39 Plansoen Road, Belleville, N. J.

Business—Manufacturing products from a chemical composition called Compar.

Underwriting—Herrick, Waddell & Co., Inc., New York.

Offering—Price to the public $4 a share.

Proceeds—For additional working capital.

Registration Statement No. 2,5469. Form S-2. (9-16-44).

LIBERTY AIRCRAFT PRODUCTS CORP. has filed a registration statement for 80,000 shares of $1.25 cumulative convertible preferred stock (par $20) and 160,000 shares of common stock (par 50 cents). The common shares will be reserved for issuance with respect to the exercise of the conversion rights of the preferred stock.

Address — Motor Avenue, Farmingdale, N. Y.

Business—Engaged in the manufacture and processing of parts and equipment for aircraft to customer's specification, upon order.

Underwriting—E. H. Rollins & Sons, Inc., and Van Alstyne, Noel & Co., both of New York, are named principal underwriters. Others will be named by amendment.

Offering—The shares of new $1.25 cumulative convertible preferred stock will be first offered to the company's common stockholders at the rate of one share of preferred for each 3½ shares of common stock. The record date and the subscription price will be filed by amendment.

Proceeds—Net proceeds will be applied to the reduction of a bank loan of $1,000,000, and excess proceeds, if any, will be added to working capital. A portion of the excess net proceeds might be used for the acquisition of part or all of the manufacturing facilities presently being leased from a governmental agency. The prospectus stated the company anticipates that its volume of business after the war will be in excess of its peacetime business prior to the war, requiring working capital in exces of that required for its former peacetime business. As of July 31, 1944, unfilled orders of Liberty Aircraft Products Corp. amounted to approximately $13,200,000. Liberty owns 41% of the outstanding common stock of the Autocar Co., and as of June 30, 1944, unfilled orders of the Autocar Co. were approximately $30,126,000. As of June 30, 1944, unfilled orders of the Highway Trailer Co., another subsidiary, amounted to approximately $9,500,000.

Registration Statement No. 2-5470. Form A-2. (9-16-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund note. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. No underwriter named. Filed Aug. 8, 1944. Details in "Chronicle," Aug. 17, 1944.

BIRMINGHAM ELECTRIC CO. has filed a registration statement for $10,000,000 first mortgage bonds, series due 1974. Interest rate will be supplied by post-effective amendment. Price to the public will be filed by post-effective amendment. Company is a subsidiary of National Power & Light Co. which is the sole owner of the 545,610 shares of its outstanding common stock. The net proceeds, together with such additional cash from its general funds as may be required, will be used for the redemption, at 101 and accrued interest, of all of the company's first and refunding mortgage gold bonds, 4½% series due 1968, outstanding in the principal amount of $10,000,000. The bonds will be offered by the company for competitive sale pursuant to the Commission's competitive bidding Rule U-50. The names of the underwriters will be filed by post-effective amendment. Filed July 22, 1944. Details in "Chronicle," July 27, 1944.

Company is inviting bids to be opened at noon Sept. 25 on the offering of $10,000,000 bonds.

ELECTRONIC LABORATORIES, INC., has filed a registration statement for 150,000 shares of common stock (par $1). Of the total 100,000 shares are to be offered for the account of the company and 50,000 shares for the account of stockholders. The proceeds from the sale of 100,000 shares will be used for additional working capital. Proceeds of the sale of the remaining 50,000 shares will accrue to Norman R. Kevers as owner of 27,000 shares and to William W. Garstang as owner of 23,000 shares. Brailsford & Co., and Shillinglaw, Crowder & Co., Inc., Chicago, are principal underwriters. Offering price to the public is $5 per share. Registration Statement No. 2-5463. Form S-2. (8-29-44).

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

GULF STATES UTILITIES CO. has filed a registration statement for 120,000 shares of $4.60 dividend preferred stock. Stock is to be offered in exchange for old $6 dividend preferred stock and old $5.50 dividend preferred stock plus an amount of cash (to be named by amendment) and accrued dividends. Net proceeds from sale of any new preferred not exchanged and from sale of 20,006 additional shares to be used (1) to provide cash required for exchange offer; (2) to retire $1,000,000 in bank loans; (3) for other corporate purposes. Preferred not taken in exchange offer to be sold at competitive bidding. Filed Aug. 22, 1944. Details in "Chronicle," Aug. 31, 1944.

Company will receive bids up to 11 a.m. EWT Sept. 22 for sale of 20,006 shares of preferred stock. The bidder to name the dividend rate.

The exchange offer is to be made Sept. 23 and is to expire Oct. 4, unless further extended.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York. Proceeds will be applied to the reduction of bank loans. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

MIDLAND COOPERATIVE WHOLESALE has filed a registration statement for $250,000 subordinated debenture notes, bearing interest at rate of 4% per annum and maturing in five and ten years from date of issue. Notes are to be sold at their face value, only to members of the issuing corporation and individual members of its corporate stockholders. Proceeds will be used to increase working capital and reduce bank loans. Filed June 12, 1944. Details in "Chronicle." June 22. 1944.

THE MUTUAL TELEPHONE CO., HONOLULU, HAWAII, has filed a registration statement for 100,000 shares ($10 par) capital stock. Stock will be offered to holders of presently outstanding 500,000 shares of capital stock at par on basis of one share for each five held. Any stock not taken by stockholders will be sold at public auction. Proceeds for working capital. Filed Aug. 16, 1944. Details in "Chronicle," Aug. 24, 1944.

THE NARRAGANSETT ELECTRIC CO. has filed a registration statement for $31,500,000, first mortgage bonds, series A, 3%, due 1974. Bonds will be offered at competitive bidding. Proceeds will be applied to redemption of outstanding series A, 3½% first mortgage bonds, due 1966. Filed Aug. 17, 1944. Details in "Chronicle," Aug. 24, 1944.

OHIO EDISON CO. has filed a registration statement for $30,962,000 first mortgage bonds, series of 1944, due 1974 and 180,000 shares of cumulative preferred stock (par $100). Proceeds together with $10,000,000 in bank loans, and $17,000,000 of treasury funds will be used to retire $43,962,000 4% series of 1935 first mortgage bonds due 1965 at 103¾%; $8,484,000 4% series of 1937 first mortgage bonds due 1967 at 106%; 197,585 shares of $6 series preferred stock at $110, and 1,367 shares of $5 preferred stock at $105. Both issues are to be sold at comptitive bidding. Interest, dividend rate and offering price will be supplied by amendment. Filed Aug. 26, 1944. Details in "Chronicle," Sept. 7, 1944.

Written proposals for the purchase of $30,962,000 1st mortgage bonds and 180,000 shares of preferred stock will be received at 20 Pine St., N. Y. City before 12 noon EWT on Sept. 25, 1944. Successful bidders are to name the interest rate on the bonds and dividend rate on the stock.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

TEXTRON, INC., has filed a registration statement for $2,000,000, 15-year, 5%, convertible debentures. Debentures will carry detachable stock purchase warrants entitling bearer to purchase 40 shares of common stock for each $1,000 debentures at $12.50 to Oct. 1, 1945, $15 to Oct. 1, 1946 and $17.50 to Oct. 1, 1947. Debentures will be convertible into common stock on basis of 50 shares of common for each $1,000 debenture of the proceeds $1,500,000 will be used to purchase U. S. Government tax anticipation notes making general funds of company available for expansion of consumer products business and other corporate needs. In event stock purchase warrants are exercised, proceeds will also be placed in company's general funds. Blair & Co., Inc. and Maxwell, Marshall & Co. are named underwriters. Filed Aug. 24, 1944. Details in "Chronicle," Aug. 31, 1944.

VERTIENTES-CAMAGUEY SUGAR CO OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

WESTERN UNION TELEGRAPH CO. has filed a registration statement for $24,603,000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase $100 principal amount of the new debentures for each 5 shares of class A stock or each 8⅓ shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of $25,000,000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24.

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue.

Due to a decision of the N. Y. Public Service Commission that it has jurisdiction over the proposed issue, the company has decided to defer the issue temporarily.

"Our Reporter On Governments"

By DONALD MacKINNON

Of late, observers have manifested a heightened interest in the price performance of partially-exempts, which interest has been induced by the several plans which propose reductions in taxes—especially excess profits taxes. . . . We doubt that one will witness any reduction of excess profits taxes until the excesses produced by our two wars have ended. . . . If the present Administration is re-elected, we believe it reasonable to assume that all forms of present taxes will continue virtually unchanged for some time after Japan is completely defeated; that while intermediate and long partially-exempts may continue present declines, a Democratic victory in November might mark the start of an advance in such issues from whatever levels then exist, if such a rally does not start prior to that time. . . .

EPT OVEREMPHASIZED?

Is it possible that the decline in partially-exempts, which started about July 10, unduly stresses the value of exemptions from excess profits taxes? We believe this may be true, and know that it is true in many instances; but hasten to add that we are not familiar with any process or method which will permit one to compute or estimate the total value to all owners of partially-exempts, the exemption from excess profits taxes alone. . . .

As yet, we have not heard or read of any proposal to "eliminate" excess profits taxes the day the war in the European theatre ends—and feel that estimates of reduction are the result of wishful thinking rather than realistic analyses. . . .

However, let's assume that excess profits taxes are reduced within the immediate future. . . . The loss of such exemptions is known to be of greater value to X than to Y. . . . X is in the high excess profits brackets—Y is subject only to 16% surtax; but X may pay some excess profits taxes for an indefinite time, while both X and Y will continue to enjoy exemption from normal tax. . . . Even with a reduction of excess profits taxes there are at least four factors, among others, to be considered when one starts to think about selling partially-exempts. . . . These are: (1) When were the partially-exempts originally purchased? (2) What is the cost? (3) What is present amortized book value? (4) What will amortized book value be in one year, two years? . . .

PAST PERFORMANCE

Not only recently, but over a period of the past two years, we have had the opportunity to talk with many owners of partially-exempts, some of whom are subject to excess profits taxes, and others who expect to be this year and in 1945. . . .

Most of them, having bought partially-exempts for some years have an average cost somewhat below present market prices, and through amortization have established book values materially below current levels. . . .

To be specific, X, after amortization carries a block of $2\frac{7}{8}$s at 105.8—and he is not completely isolated among those investors with whom we happen to be familiar. . . . To these men the thought of lower prices in partially-exempts is considered academically. . . . Believing that the market is not going to disintegrate, the prospect of lower prices induced by a reduction of taxes leaves them indifferent. . . .

Events may prove them wrong, but an increasing number are beginning to wonder whether the present time may not offer another opportunity to buy moderate additional amounts of the $2\frac{7}{8}$s or the three longer $2\frac{3}{4}$s. . . .

TAX REDUCTION PROSPECTS

Returning to the possibility of any early tax reductions, let us follow the suggestion of one of our contemporaries and "look at the record." . . . On Sept. 11, Mobilization Director James F. Byrnes made public a reconversion outline which, among other things, promises business freedom from the excess profits tax, **but not until after Japan is defeated. . . .**

A day or two prior to this announcement, Roy Blough, Treasury Tax Research Director, told the National Tax Association meeting in St. Louis that "Without getting into detailed estimates, it is clear that post-war needs will call for Federal tax collections three or more times as large as those of the immediate pre-war period." . . .

Mr. Blough explained that the Treasury does not anticipate that the amount of revenue needed after the war will be as great as wartime tax collections, which will possibly reach their wartime peak of more than $43 billion during the current fiscal year. . . . That same meeting heard a message read from Chairman Doughton of the House Ways and Means Committee which stated, in part: "No business, not even the business of the great Government of the United States, can long pursue a continued policy of spending more than it collects. . . . We cannot afford to make tax reductions merely for the purpose of reducing the tax of any taxpayers, or for the purpose of removing any taxpayer from the tax rolls. . . .

Adjustments, which may be made in our tax system prior to reaching the goal of a balanced budget, should be solely for the purpose of increasing our national income, providing for business expansion and employment, and making, if possible, a more equitable distribution of the tax burden." . . .

So we believe that taxes will be reduced when our wars are ended, when the problems of reconversion are being solved systematically and satisfactorily, when the millions of men and women in the Armed Services are being absorbed into the plans of reconversion practically and sympathetically, when the national income remains higher than pre-war years, and when a determined attempt is made to balance the budget.

Ray Gidney New Head Of Cleveland Reserve

Appointment of Ray Millard Gidney, Vice-President of the Federal Reserve Bank of New York, as President of the Federal Reserve Bank of Cleveland, effective Sept. 16, was announced on Sept. 11 by George C. Brainard, Chairman of the Board of Directors of the Cleveland Reserve Bank. Mr. Gidney was chosen by the Board, with the approval of the Board of Governors of the Federal Reserve System, to succeed President M. J. Fleming, retired Sept. 15 after 30 years as an officer of the Reserve Bank of Cleveland, the last nine years as President.

Ray Millard Gidney

Mr. Gidney, who was born in Santa Barbara, Calif., began his banking career at the age of 16 as a messenger in the Commercial Bank of Santa Barbara, where he worked until 1908. He attended the University of California and was graduated in 1912 with a B. S. degree. Following his graduation, Mr. Gidney became general assistant of the First National Bank of Bakersfield, Calif. Two years later he joined the Federal Reserve System as Secretary to A. C. Miller, then a member of the Board of Governors. From 1917 to 1923 he was associated with the Federal Reserve Bank of New York, successively as Assistant Federal Reserve Agent, Manager, Buffalo Branch, and Controller-At-Large. After a brief period as Vice-President of the Citizens Trust Co. of Buffalo, N. Y., Mr. Gidney returned to the New York Federal Reserve. He became successively Controller-At-Large, Controller of Loans, Assistant Deputy Governor, and Assistant Federal Reserve Agent. In 1936 he was appointed Vice-President, which office he now holds.

Mr. Gidney has been residing in Ridgewood, N. J., where he is President of the Board of Education in Ridgewood; Second Vice-President and Chairman of the budget committee of the Community Fund of Ridgewood, and past President of Robert Morris Associates. He will take up his official duties as President of the Federal Reserve Bank of Cleveland on or shortly after Sept. 25.

President Fleming, in tendering his resignation, which was accepted reluctantly by the board of directors, said:

"I should like to say that my association with you gentlemen and with the Federal Reserve Bank of Cleveland will always remain in my memory as one of the happiest periods in my life. As you know, I have lived with the System continuously for about 30 years. I believe its inauguration was the most forward step economically that the country has ever taken, and I am proud to have been associated with it since its inception."

Mr. Fleming, who was born at New Albany, Ind., began his business career when not quite 18 years of ago on Jan. 22, 1898, when he entered the service of the Third National Bank of Pittsburgh; he resigned from post of teller in 1903. His later activities are indicated as follows:

"In 1903, entered service of the Farmers Deposit National Bank of Pittsburgh—resigned from post of auditor in 1914. Nov. 16, 1914, entered service of Federal Reserve Bank of Cleveland as Auditor; was promoted to position of Assistant Cashier, Jan. 1, 1916; Assistant to Governor, Jan. 15, 1919; Deputy Governor, Sept. 28, 1920; Governor, Jan. 19, 1935; President, March 1, 1936 to Sept. 16, 1944. Organized Cleveland Loan Agency of the Reconstruction Finance Corporation and served as Manager from Feb. 2, 1932, to Dec. 1, 1932."

Mr. Fleming is now at St. Petersburg, Fla.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

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