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Russia's "Multiple" Nation Status May Upset Bretton Woods

Rep. Jessie Sumner Tells "Chronicle" Representative of Queries Regarding Its Effect on Voting and Executive Control of Fund and Bank. House Banking Committee Vote on Measure Expected Soon. Treasury's Interpretation of Scope of International Fund Cited in Support of Amendment to Limit Lending Power.

WASHINGTON, May 23.—In view of the Russian demand at San Francisco Tuesday for 16 votes in the Assembly of the new Security Organization, the question is being asked in Congressional circles: "What about the 16 Soviet Socialist Republics and the Bretton Woods Agreements?"

Hon. Jessie Sumner

Representative Jessie Sumner (Rep.-Ill.) today informed the "Chronicle" representative that she has raised this question with the Treasury and that "they do not consider it important or affecting Bretton Woods, and I can-

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Index of Regular Features on page 2308.

Dangers of Dominated International Trade

By J. HOWARD PEW*
President, Sun Oil Company

Oil Executive Condemns Trend Toward Treaty Dominated Trade and Cartels as a Phase of the Attack on Free Enterprise. Holds It Reverses the Basis of American Economic Progress and Denies the Lessons of Trade Freedom of the Last Century and a Half. Cites Proposed Anglo-American Oil Agreement as Example of a "Super-State Capitol" That Would Lead to "Nationalization" of Oil and Other Industries. Asserts Government Sponsored Cartels More Dangerous Than Private Agreements, "Because There Is No Means for Their Eradication" and Favors Lower Tariffs and Less Trade Restrictions.

An Army officer recently told me that in flying from Labrador to the other side, his airplane encountered a terrible storm. As he sat in the cockpit the pilot told him that they were approaching "Point-No-Return," and that before that point was reached he must decide whether to return to a safe landing or go forward into the unknown. How his heart-strings pulled as the pilot made the decision!

J. Howard Pew

Now, there is a point in our voyage toward economic collectivism which aptly may be termed Point-No-Return. We have done much unorthodox economic experimenting in this country. Individual freedom and personal

*An address by Mr. Pew at the Annual Meeting of the National Industrial Conference Board, Waldorf-Astoria Hotel, New York City, May 17, 1945.

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Cooperation of Government And Business For Prosperity

By BEARDSLEY RUML*
Chairman, Federal Reserve Bank of New York
Treasurer, R. H. Macy & Co.

Mr. Ruml Maintains That to Have Full Employment With 55 Million Jobs and $140 Billions National Income, We Must Have in the Transition Period a Commitment on the Part of the National Government That, Through an Explicit Fiscal and Monetary Policy, It Will Act When Private Business Cannot Sustain the Employment Demand. Recommends Changes in Executive Branch of Government So as to Consolidate All Agencies Associated "in Giving Reality to Fiscal and Monetary Policy" Speaks Favorably of Murray Bill and Says Its Ideas Deserve Support.

Today most business men agree that the elimination of mass unemployment is the first requirement for the post-war period. The demonstration of what we and others are able to produce under the rules of a war-time economy is unanswerable evidence of what machines and men and organization can accomplish if their technical capacities are given full rein. And we know that at the present time, with the newness of the war-time con-

Beardsley Ruml

*An address by Mr. Ruml at a luncheon of the Business Men's Council of Liberal Party, Hotel Astor, New York City, May 22, 1945.

(Continued on page 2306)

Employment of Economic Sanctions Among Current Parley Problems

By A. WILFRED MAY
Special Correspondent of the Commercial and Financial Chronicle

Place of Economic Sanctions in Combating Aggression. Expressed Objectives on "Education" and "Full Employment" Contested as Smacking of "Totalitarianism." Social Welfare Problems and International Trade to Be Taken Up by Supplementary Conferences. "Affiliated" Organizations Not To Be Specifically Designated in Charter. U. S. Chamber of Commerce Expects to Be "an Affiliation." Dutch East Indies Status Under Trusteeship. Ukraine Desires Trade With U. S.

SAN FRANCISCO, CAL., May 23.—The manner of waging economic warfare through sanctions will be taken up during the coming week. . . . As soon as the big powers finally resolve the nettlesome trusteeship and regional controversies, they will determine the exact manner of prescribing the use of this very important weapon against aggressors, your correspondent was assured by one of the United States delegates last night. . . .

A. Wilfred May

The Dumbarton Oaks proposals mention economic sanctions in a general way, as a measure to be applied under the aegis of the Security Council. . . . However,

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Secretary Morgenthau Discusses Management Of Public Debt in Post-War Period

In Adjunct to Latest Annual Report on the Finances of the Nation, Showing Federal Expenditures for 1944 Fiscal Year at $95.3 Billions and Net Budgetary Receipts at $44.1 Billions, Treasury Secretary Says Policy of Concentrating a Large Proportion of the Wartime Debt in Securities of Short Maturity Will Continue in Time of Peace as the Liquidity Element Thus Injected Into Debt Structure Will Be Important Factor in the Maintenance of Full Employment. Holds Funding of Major Portion of the Short-Term Debt Into Longer-Term Securities Would Merely Serve to Increase the Interest Cost to the Government and to Shift the Risk of Future Changes in Interest Rates From the Government to Private Investors Thereby Making for Instability in the Post-War Economy "As the Government Is in a Better Position to Bear the Risk Than Most Classes of Investors." Calls for U. S. Participation in International Financial Measures as Means of Reviving and Increasing World Trade.

Secretary of the Treasury Henry Morgenthau Jr. in the opening pages of his annual report to Congress for the fiscal year ended June 30, 1944, makes public a summary of the important data relating to the Federal finances and gives brief comments on the present and proposed fiscal and monetary policy to be followed by the Government. The text of this portion of the Secretary's report, just released, follows:

Sec. Morgenthau

ANNUAL REPORT ON THE FINANCES

Treasury Department,
Washington, D. C.,
January 3, 1945.

Sir: I have the honor to make the following report on the finances of the Federal Government for the fiscal year ended June 30, 1944.

From the commencement of the national defense program in 1940 to the end of the fiscal year 1943, the Federal Government's expenditures for war purposes and its receipts each advanced steadily and rapidly. Expenditures for peacetime purposes declined substantially, expressed as a percentage of their former level; but this contraction was small in amount compared with the huge totals of wartime outlays and taxation.

By the beginning of the fiscal year 1944, the annual rate of war expenditures had nearly stabilized, as the Nation approached its effective production potential and this stability is likely to continue at least through the fiscal year 1945.

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Central Banking and Bretton Woods

By A. M. SAKOLSKI

Writer, Calling the Bretton Woods Agreements a Treaty Between Governments and Not Between Central Banks Which Regulate Domestic Currency and Credit, Points Out That Adherence to the International Monetary Fund by a Nation Will Make Central Banking an Arm of Its Government. The Effect of This Will Be to Subject Central Bank Policy to the Political and Financial Needs of the Government Rather Than to the Needs of Business. This, in Turn, Will Lead to More Economic Regimentation and Control and a Trend Toward "Statism."

The proposed Bretton Woods international pact is an arrangement between governments. Yet, it concerns matters normally handled either by private banking and commercial institutions or by central banks. Central banking, itself, is a development of the last century. Although the leading and most conspicuous of central banks, the Bank of England, has been in existence two and one-half centuries, it did not assume the functions of central banking until about the middle of the last century. Its progress in this field, moreover, has been gradual, and only in recent years has it ceased to extend credit directly to business concerns, and has confined its lending operations to banks and other financial institutions.

A. M. Sakolski

Spread of Central Banking

Central banking, though relatively recent in the evolution of finance, has spread rapidly throughout the industrial and commercial world. It has become almost universal in this sphere, since the creation of the German Imperial Bank following the Franco-German War in 1871. Practically all trading nations now have central banks or a system of central banking. By a central banking system is meant the assumption by one institution or a related group of institutions of the privilege (usually, an *exclusive* privilege) of issuing currency consisting of circulating notes, and, at the same time, of receiving the monetary deposits and cash reserves of commercial banks to whom it furnishes credit accommodation.

As a rule, central banks do not deal with the public. They are essentially banks for bankers. The impelling factor that led to the widespread and rapid development of central banking during the last century was the adoption of gold as a monetary standard by almost all the leading nations. This movement became manifest after the Napoleonic Wars. It ushered in a period of rapidly expanding domestic and foreign commerce and greatly intensified international financial relations by facilitating the movements of capital and the flow of credit. The impact of the progress is demonstrated in the final establishment of the Federal Reserve System in the United States in 1913, despite

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Federal Taxation in Post-War

By ROY BLOUGH*
Assistant to the Secretary of Treasury

Asserting That Wartime Tax System Will Not Serve as Post-War System, Treasury Tax Expert Points Out That Immediate Program Is Designed to Aid Reconversion by Easing Financial Burdens of Small Concerns and by Advancing Dates of Excess Profits Tax Refunds. Holds Basic Problems of Tax Revision and Reduction Still Remain, but That the Level and Shape of Post-War Taxes Are Being Officially Studied, Including Repeal of Excess Profits and the Double Taxation of Corporations. Predicts Continued High Tax Levels With Changes to Ensure Equity and Fairness as Well as Simplification Measures to Ease Administration.

It is an honor and a pleasure to be here in Buffalo today to speak to you on problems of post-war taxation. Taxation, like the weather, has perennial interest if only as a convenient excuse for the good old American custom of casual grumbling. But today the interest in taxation is greatly intensified, and so it should be. Public interest in public matters ought always to be commensurate with the importance of the problem. Surely few will deny that the adjustment of the wartime tax system to the transition and post-war periods is a national problem of the very first magnitude.


Roy Blough

Wartime Taxes and Post-War Planning

Not so long ago, we were confronted with another and less inviting tax problem—the expansion of the tax system to meet the vast needs of war. Some people forget at times that our present tax system is a far cry from the one in effect before the war. The gi-

*An address by Dr. Blough before the Buffalo Chamber of Commerce, Buffalo, N. Y. May 18, 1945.

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New York Foreign Trade Zone Vital in War and Peace

By THOMAS E. LYONS*
Executive Secretary, Foreign Trade Zones Board
Department of Commerce

Mr. Lyons Describes the Functions of Foreign-Trade Zones or "Free Ports" and Enumerates Their Advantages in Developing Foreign Trade. He Points to the Success of the New York Foreign-Trade Zone, the Only Such Organization Thus Far Established Under the Celler Act Passed in 1934. Holds That a Distinct Advantage of the Foreign-Trade Zone Is That It Brings a New Competitive Facility Into Field of Foreign Trade, and Is More Convenient and More Economical Than Bonded Warehouse. Urges Canada Establish Foreign-Trade Zones.

Now that the paramount task of defeating the Axis is well on its way to completion, both the Dominion of Canada and the United States are faced with the responsibility of readjusting their giant industrial machines to meet peacetime needs and what is even more important, to providing new jobs for war workers and former service men and women. The immensity of this task must not be understated.


Thos. E. Lyons

Secretary of Commerce Wallace says that 60 million jobs must be provided in the United States and that this payroll would translate into an annual national income of from 140 to 170 billion dollars. The Department of Commerce believes that a substantial increase in foreign trade, both imports and exports, is essential to the achievement of these goals.

Consequently, every device capable of accelerating our trade relations with other nations will be utilized fully in attaining this important post-war objective.

In searching for ways and means of this character, we in the

*Address by Mr. Lyons before the Lions Club of Quebec, at the Chateau Frontenac, Que., May 16, 1945.

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Lee Limbert Named for N. Y. Bond Club Pres.

Jas. Coggeshall, Jr. for V.-P.

Lee M. Limbert, of Blyth & Co., Inc., has been nominated for President of the Bond Club of New York for the coming year to succeed Henry G. Riter, 3rd, of Riter & Co. The election will be held at the club's annual meeting on June 22, at the Banker's Club.

James Coggeshall, Jr., of The First Boston Corporation, has been nominated for Vice-President to succeed Mr. Limbert, who has held that post for the past year.

Archie M. Richards, of Estabrook & Co., has been nominated for Secretary, and Paul F. Hay, of W. C. Langley & Co. has been nominated for Treasurer.

Nominations for members of the Board of Governors, to serve three years, are Wright Duryea of Glore, Forgan & Co.; Frederick L. Moore, of Kidder, Peabody & Co., and Alfred Shriver, of Morgan Stanley & Co.

Continuing Governors will be: Frederic H. Brandi, of Dillon, Read & Co.; Henry C. Brunie, of Empire Trust Co.; T. Jerrold Bryce, of Clark, Dodge & Co.; Adrian M. Massie, of the New York Trust Co.; Charles L. Morse, Jr., of Hemphill, Noyes & Co.; Henry G. Riter, 3rd, and Edward K. Van Horne, of Stone & Webster and Blodget, Inc.

The Nominating Committee consisted of Joseph A. W. Iglehart, Chairman, Richard de La Chapelle, E. Fleetwood Dunstan, H. H. Egly and Francis T. Ward.

Some Opinions on Bretton Woods

By M. S. SZYMCZAK
Member, Board of Governors, Federal Reserve System

Mr. Szymczak Calls Attention to the Interest of Federal Reserve System in Both the International Fund and the Bank. Since Operations of Both Will Affect Our Currency, He Upholds Recommendation Congress Provide an Advisory Council for Country's Representatives on the Two Institutions. Analyzes Criticisms of Bretton Woods and Concludes That the Alternative, viz: (1) Return to the International Gold Standard and (2) Deferment of the Fund Until After the Transition Period, Are Not Desirable. Holds Rigid Gold Standard Is Impracticable and Need for Currency Stabilization Is Imminent.


M. S. Szymczak

The Federal Reserve is necessarily interest in both the technical and the policy aspects of the Bretton Woods Agreements. The technical aspects are very important. Both the Fund and the Bank, whose head offices would be in this country, would have a multitude of transactions to be handled and recorded. They would possess valuable assets such as gold and securities that must be kept safe. Their fiscal agency and depositary functions would be many and varied and would require the special and technical skill of trained and experienced executives. In the United States they

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Corporate Relations

By BENJAMIN F. FELDMAN, Economist

Noting That Corporate Relations Have Expanded Tremendously in Scope and Importance, Author Suggests That From the Standpoint of Strengthening the Position of Private Enterprise, It Would Be Advisable for Programs of Corporate Relations to Consider Practical Contributions to the Overall Economic Needs and Welfare of Nation. Comments on Corporate Relations With Important Groups.

Corporate Relations broadly construed refer to the relations and policies maintained by the management of a large business organization in its dealings with such important groups as employees, stockholders, customers, general public, other business organizations, and government. The problems of corporate relations are not limited to any particular industries, since they are encountered in such diverse fields of finance (commercial banks, etc.), manufacturing industry, trade and distribution, transportation, and public utilities, etc.

Ben. F. Feldman

The problems of corporate relations have expanded tremendously in scope and importance since the Twenties, and if we were to look back and note the conditions which then existed, we would find, for example, that concern about government activities or regulation or taxes was of a relatively minor nature; that employee relations presented fewer problems and involved much less consideration and expense; that it was seldom necessary to account to stockholders in much detail or to gain their good favor and approval; that a recent situation, wherein one large corporation

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Wartime Trade of Latin America

Large Increase in Exports, Particularly to the United States, Reported. Imports From the United States Also Enlarged and Great Intra-Latin-American Shipments Noted

The International Trade Unit of the U. S. Bureau of Foreign and Domestic Commerce has just published in the Journal of International Economy an analysis of the wartime foreign trade of the Latin American Republics. According to the publication "the total exports of the Latin American republics, measured in dollars, rose from $1,720,000,000 in 1938 to $2,575,000,000 in 1943, a gain of almost 50%. Preliminary estimates place their exports in 1944 at approximately $3,000,000,000, representing a further rise of 23%.

Trade With United States

"These increases are, to a considerable extent, a reflection of the advance in commodity prices during the war period. An indication of the importance of the price factor may be obtained from an analysis of exports from the Latin American republics to the United States. The increase in value was from $548,000,000 in 1938 to $1,373,000,000 in 1943, a rise of 150%. In terms of constant (1940) unit values, however, the increase was only one-half as great, or 75%.*

"The dollar value of total imports into the Latin American republics remained relatively steady at $1,400,000,000 — $1,500,000,000 from 1938 through 1943. Preliminary indications are that imports in 1944 rose to approximately $1,900,000,000, a gain of 28% over 1938. If allowance is made for the rise in import prices, however, it is evident that there has been a substantial decrease in the physical volume of imports during the war period.

"Latin America's total imports from the United States rose from $498,000,000 in 1938 to $830,000,000 in 1943, an increase of 67%. The increase in the physical volume of

*The calculation is based on the relative unit values of imports into the United States from Latin American countries as recorded in United States statistics.

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The Anglo-French Financial Agreement

Document, Dated March 27, 1945, Provides for Currency and Commercial Settlements Between the "Sterling" and the "Franc" Areas, Extending for About a Year. Mutual Credits Established and Provision Made for Withdrawal of French Cash Balances in London. Official Exchange Rate of Frs. 200 to £ Retained.

The agreement made in Paris on March 27, 1945, between the Government of Great Britain and the Provisional Government of the French Republic providing for the settlement of financial balances and the facilitating of current, especially commercial payments between the sterling area and the franc area, was published recently in a White Paper (France No. I, 1945) by the Secretary of State for Foreign Affairs of the British Government. It abrogates similar previous agreements between the two Governments and sets up a mechanism for claims, settlements and currency transfers between the two so-called "areas."

The full text of the Agreement follows:

Financial Agreement Between the Government of the United Kingdom of Great Britain and Northern Ireland and the Provisional Government of the French Republic.

Paris, 27th March, 1945

The Provisional Government of the French Republic (hereafter called the French Government) and the Government of the United Kingdom of Great Britain and Northern Ireland (hereafter called the Government of the United Kingdom):

Desirous of developing to the maximum commercial exchanges between the franc area and the sterling area, and of facilitating current settlements, especially commercial payments, between the two areas: and, further,

Desirous of reaching a final settlement of the various financial claims which have arisen between the two Governments since the beginning of the war,

Have agreed as follows:—

SECTION I.

Article I.

1.—*(a)* The Government of the United Kingdom shall make available to the French Government

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Credit Problems of Small Business

By EMIL SCHRAM*

President, New York Stock Exchange

Urging That Measures Be Taken to Encourage Risk Capital in Smaller Enterprises, Mr. Schram Recommends Listing on Regional Exchanges Prior to Listing on the New York Stock Exchange. Advocates That Regional Exchanges Should Be "Opened Wider" to Provide Markets for Local Securities and That Advice and Encouragement Should Be Given to Marketing Securities Locally by Having More Security Dealers. Favors Taxation Relief, Local Lending Corporations, and Supplemental Government Assistance in Form of Guarantees of Loans to Small Business by the Reconstruction Finance Corporation.

Emil Schram

May I say, first of all, that the financial problems of small business, to which this Committee is addressing itself, are among the most important problems that confront us today. When I was invited to appear before your Committee, I went over some of the testimony which you have taken and I find that the ground has been very well covered. You have collected a large body of information; you have examined the problems, objectively and painstakingly, and you have, through your field hearings, made it convenient for interested persons or groups to present their views. All shades of opinion have been expressed, and I have no doubt that, with the material before you, you will come up with solutions to many of the problems which you have been studying.

I doubt whether there is very much that I can add to the information you already have assembled. Certainly I cannot offer you any ready-made answers to the questions that are involved here.

I note that you have had ample testimony with reference to high and discriminatory taxes, and that several of those who have appeared before you have discussed at length the problem of renegotiation as it affects smaller manufacturers. I also note that a great deal of time and attention have been given to the fact that smaller business is severely handicapped in its access to capital, more so, of course, in respect to equity capital, than in the form of loans.

When you consider that small business before the war represented about one-third of our commerce and industry, and thus was responsible for about one-third of our employment, the matter can be appreciated in its true light and in its full significance. This is a situation which must be corrected if we are to have a sound post-war economy. It is gratifying that Congress is seeking to find solutions through consultation with business, industry and labor.

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*Statement by Mr. Schram before the Select Committee on Small Business of the House of Representatives, May 22, 1945.

Public Utility Securities

Trends in the Electric Power and Light Industry

The annual statistical bulletin on the electric light and power industry recently issued by the Edison Electric Institute, contains a mass of statistical data, from which we summarize the highlights as follows:

In 1944 the electric utilities earned net income of $509,000,000 compared with $512,000,000 in the previous year and $539,000,000 in the pre-war year 1939. The amount earned was exactly the same as in 1937 although in the interim gross revenues increased 46%. It is less than the $526,000,000 earned in 1928 although gross has increased since that year by 75%. While the utilities generated nearly two and one-half times as much electricity last year as in 1928, they were not able to make as much for stockholders as 17 years ago.

This was due principally to taxes, which last year took 23.8¢ out of every revenue dollar, compared with 9.9¢ in 1928. Another reason was the extremely low profit margin on electricity sold to munitions plants; industrial power was sold to average only .91¢ per KWH., compared with 1.40¢ in 1928. Residential consumers paid 3.51¢, compared with 6.63¢ in 1928, a decline of 47%. The average rate for all ultimate consumers was 1.65¢, compared to 2.66¢.

Another reason is the increased cost of fuel. Complete data for the entire period is not available, but in 1943 utilities paid out $363,000,000 (about 13¢ out of each revenue dollar), compared with $97,000,000, or 6¢ out of the revenue dollar in 1933.

Due to pressure from regulatory authorities, utilities have also had to increase the amount of depreciation charges. Last year this took over 10¢ of the revenue dollar, compared with some 8½¢ in 1928. Maintenance also has apparently been stepped up in relation to revenues.

Stockholders would have been even worse off, however, had not the utilities been able to economize on two items—labor costs and interest. Total fixed charges (including amortization) were only slightly larger in 1944 than in 1928, due to declining interest rates and the fact that added plant capacity has been financed principally out of earnings.

Wages and salaries took only 13¢ out of the revenue dollar in 1943, compared with 19¢ in 1933. The utilities have instituted many economies during the war period, and are doing a bigger business with a smaller personnel.

The composite balance sheet of the electric utility companies has shown relatively little change in recent years despite the huge growth in kilowatt sales. During the period 1927-1943 net utility plant increased from $9,900,000,000 to $12,200,000,000, a gain of only 23% as contrasted with the increase in KWH output of 157%, and in revenues of 80%. In the years 1941-43 net plant account actually declined although generation increased 26% and revenues 14%. The slow growth of net plant account is due to (1) substantial write-offs for certain companies ordered by Federal regulatory agencies, (2) rapid increase in depreciation reserves resulting from higher depreciation and amortization rates and, (3) the fact that the utility plant has been used more intensively in recent years.

The great increase in plant use has been made possible by our wonderful "grid" system of integration and interconnection, permitting the flow of power from one system to another to serve varying peak loads. The holding company systems were largely instrumental in building up this intercorporate network of transmission lines. Little or no credit is given to them, however—the financial abuses of the 1920s, being largely centered in the holding companies, have led to the present program for breaking up the holding companies into small systems, limited in geographic area. It is hoped that this will not diminish the "pooling" of power resources.

During the war the huge hydro-electric developments financed or sponsored by the Federal Government have been of great help in producing huge blocks of centralized power for use in reducing aluminum and magnesium and aiding the chemical industries. Last year Government power districts produced 31,450,000,000 KWH compared with 27,640,000,000 in the previous year and only 1,287,000,000 a decade ago. What will happen to this huge output of Government power after the war, when the demand for aluminum and magesium will be reduced to a small proportion of war-time needs? There have been some indications that the Government may seek new outlets, such as use of electricity for house-heating, air-conditioning, etc. But the Federal hydro projects have only wholesale distributing facilities, except where (as with TVA) they have bought up retail distributing systems. Hence cooperation with the private utilities would seem essential if new residential outlets are to be developed.

The Government may also try to draw big industrial plants into the areas where hydro power is abundant. This is perhaps one reason for the campaign to revise rail rates in favor of the "neglected" southern and western industrial areas, which the ICC has now supported with a broad revision of the freight rate structure. Our national industrial setup may be radically changed, over a period of years, by the development of cheap power in neglected areas, where this can be combined with lower rail rates and a good labor supply (not too thoroughly unionized).

U. S. Part in Soviet Reconstruction

By E. C. ROPES*

Chief, the Russian Unit of the U. S. Department of Commerce

Russian Expert Traces Construction Developments in the Soviet Union, and Points Out Trend Toward High Speed Construction Activities Prior to War. Says New Soviet Reconstruction Plans Have Been Developed and Rebuilding Will Again Make the Soviet Cities the Centers of Industry and Culture. Describes U. S.-Soviet Trade Mechanism and Predicts an Immense Increase in Trade Between the Countries With American Architects, Builders and Manufacturers Assisting in Reconstruction.

It is a particular pleasure to participate in this meeting, which concerns itself with the many problems of post-war construction and reconstruction in the Soviet Union. I have for so many years followed the developments in the USSR in the field of building, and watched the improvements introduced in this field, that I am looking forward to a continuation and acceleration of this improvement, as a direct result of the kind of cooperation between Russians and Americans which this meeting represents.

E. C. Ropes

It was back in 1934 that I first became familiar with the importance which construction was taking on in the eyes of Soviet planners. In 1938, when I last visited the Soviet Union, rebuilding was the keynote, and new building was decidedly secondary: Old methods were good enough, and new ideas, new materials were not considered important. But in the second Five-Year Plan, new building was scheduled to

*An address by Mr. Ropes at the American-Soviet Building Conference Dinner, Hotel Biltmore, New York City, May 4, 1945.

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Status of Bretton Woods Bill

By HERBERT M. BRATTER

Despite the Controversies Regarding the Bretton Woods Agreements, It Is Generally Expected That the House Banking and Currency Committee Will Report the Bill Out Without Any Crippling Amendments. Although the House Bill Contains Provisions for Repeal of the Johnson Act, the Senate Finance Committee Has Under Consideration a Separate Bill for This Purpose.

In this country, since last year's international monetary conference in New Hampshire, Bretton Woods has been synonymous with controversy, and vast aggregations of publicity effort have been poured out to insure the launching of the program as handed down from the mount; while an impressive wordage has been applied to secure the opposite result. Much of the seeming controversy has existed primarily in the minds of commentators and columnists who, conceiving themselves as chosen defenders of the peace of the world, look to Washington officialdom for their cues.

Herbert M. Bratter

Since almost without exception the proposed International Bank for Reconstruction and Development is viewed with equanimity in this country, such controversy as there has been, has centered on the proposed International Monetary Fund. Leaders of organized banking have been critical of the Fund from the start, but, to keep the issue out of the entanglements of party politics, did not express themselves publicly until after the election. These bankers wanted the Fund rejected and its stabilization functions turned over to the Bank. But that view is not prevailing in Congress or the country, for the Administration has made on this issue as hard a fight as could possibly be made, taking advantage of the great and numerous advantages which lies in Government access to publicity channels of considerable diversity, and other devices too numerous to mention here. Bretton Woods is being "sold" to the Nation, to use Secretary Morgenthau's expression, primarily under the labels "international cooperation" and "post-war jobs."

The jockeying which has been going on the past week behind the House committee's doors, therefore, is not over the question of keeping or abandoning the Fund plan, as the ABA suggested, or even over changing in any respect the language of the Bretton Woods Fund and Bank agreements. Rather, it concerns relatively minor changes in the enabling bill, HR 2211, and whether or not to include among these changes something by way of American Government interpretation as to what the Bank agreement will authorize the Bank to do and, more controversial, what the Fund agreement will authorize the Fund to do.

Interpreting the Agreements

It is generally expected that the

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Tomorrow's Markets Walter Whyte Says—

Four point rally doesn't cancel reaction indications; it just postpones it. Technical formations continue pointing to setback.

By WALTER WHYTE

Since the previous column was written the market has moved up about four points. Last week the Dow averages were hugging the 162 levels. At this writing they are back to approximately 166. During the same period the rails moved up from about 54 to 56.

* * *

From cursory glance of the past seven days' performance it looks as if the alarm raised here last week was just another one of those things. For didn't the market refuse to break? And didn't it go up instead? The answer to both is obviously yes. But the reversal can't by any stretch of the imagination be interpreted as bullish. There are too many things in the market picture formed in the past three to four weeks to be cancelled by a few day's better action.

* * *

Last week I spoke of something called divergence and said that the column had no space to discuss it. I merely referred to its presence and let it go at that. With the current recovery in prices, I think it might be timely to tell you something about this thing called divergence; how it works and what it means.

* * *

According to experience markets which have finally established a trend follow a pattern with but minor changes. Certain levels are formed as days, weeks and months pass. In all cases both averages, rails and industrials, move together though not necessarily as a unit. So long as both averages manage to stay within a certain pattern, with neither violating long term resistance levels, the market is okay. It is when one average decides

(Continued on page 2305)

Dealer-Broker Investment Recommendations and Literature

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

Effects of the Unification of Railroad "Class" Rates—Memorandum—**H. Hentz & Co.**, 60 Beaver Street, New York City.

Also available are leaflets of research comment on **Low Priced Speculations**, etc., and a study of **International Telephone and Telegraph Corporation.**

Insurance and Bank Stock Evaluator—Comparative analysis of 81 insurance companies and 38 banks—**Huff, Geyer & Hecht**, 67 Wall St., New York 5, N. Y.

Monthly Stock and Bond Summaries—May be had at a cost of $72 each per year, or a total of $144 a year for the complete service which includes two cloth bound volumes and ten paper bound issues—a special free trial offer is available—**National Quotation Bureau**, 46 Front Street, New York, N. Y.

New York Curb Exchange Common Stocks With Long Dividend Records—Tabulated list—**Herbert E. Stern & Co.**, 30 Pine Street, New York 5, N. Y.

Preferred Stock Guide—Comparative data on public utility preferred and common stocks—**G. A. Saxton & Co., Inc.**, 70 Pine Street, New York 5, N. Y. Also contains discussion of **Post-War Markets.**

Quarterly Canadian Review—Includes a Review of current Canadian Conditions and brief analyses of six Canadian Provinces—**Dominion Securities Corporation**, 40 Exchange Place, New York 5, N. Y.

Road to Serfdom—Reprints of the Readers' Digest condensation of the book by Friedrich A. Hayek—**B. S. Lichtenstein & Co.**, 99 Wall Street, New York 5, N. Y.

American Bantam Car—Circular on this situation—**Hoit, Rose & Troster**, 74 Trinity Place, New York 6, N. Y.

American Window Glass Co. and **Detroit Harbor Terminal, Inc.**—Dealer circulars available—**Kneeland & Co.**, Board of Trade Building, Chicago 4, Ill.

Benguet Consolidated Mining Co.—Analysis—**F. Bleibtreu & Co., Inc.**, 79 Wall Street, New York 5, N. Y.

Boston Terminal 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.**, 37 Wall Street, New York 5, N. Y.

Boston Elevated Railway Co.—Analytical study—**Maxwell, Marshall & Co.**, 647 South Spring Street, Los Angeles 14, Calif.

Boston Wharf Co.—Descriptive circular—**du Pont, Homsey Co.**, Shawmut Bank Building, Boston 9, Mass.

E. G. Brooke Iron—Descriptive memorandum—**Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Lukens Steel** and **Eastern Corp.**

Brown Rubber Co.—Analysis—**Price, McNeal & Co.**, 165 Broadway, New York 6, N. Y.

Central Iron & Steel—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Kingan & Co.** and **Riverside Cement.**

Chicago, Milwaukee, St. Paul & Pacific Railroad—Complete arbitrage proposition—**Sutro Bros. & Co.**, 120 Broadway, New York 5, N. Y.

Chicago Traction System—Memorandum—**Kitchen & Co.**, 135 South La Salle Street, Chicago 3, Illinois.

Conde Nast—Discussion of interesting outlook—**Laird & Co.**, 61 Broadway, New York 6, N. Y.

Continental Bank & Trust Co.—Late bulletin—**Laird, Bissell & Meeds**, 120 Broadway, New York 5, N. Y.

Cross Co. Common Stock—Analysis of reasons for considering this an attractive low-priced situation—**F. H. Koller & Co., Inc.**, 111 Broadway, New York 6, N. Y.

Also available are memoranda on **Liquidometer Corp.**, **Great American Industries**, **Hartman Tobacco** and **New Bedford Rayon.**

Denver & Rio Grande Western—Study of recent developments—**Vilas & Hickey**, 49 Wall Street, New York 5, N. Y.

Also available a leaflet discussing the **Completion of the St. Paul Reorganization.**

Electronic Co. Common—Report discussing this stock as an attractive low-priced dividend payer—**Hughes & Treat**, 40 Wall Street, New York 5, N. Y.

Empire Steel Corp.—Annual report—**Hill, Thompson & Co., Inc.**, 120 Broadway, New York 5, N. Y.

Flour Mills—Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y.

Also available is a circular on **Foundation Co.**

Foundation Company—An Illustrated circular—**Seligman, Lubetkin & Co., Inc.**, 41 Broad Street, New York 4, N. Y.

Four Wheel Drive Auto Company—Four-page illustrated brochure, for dealers only—**Comstock & Co.**, 231 South La Salle Street, Chicago 4, Ill.

Garrett Corporation—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

General Industries Co.—Recent report—**Mercier, McDowell & Dolphyn, Buhl Building**, Detroit 26, Mich.

Also available a report on **National Stamping Co.**

Howell Elec. Motors—Circular—**Adams & Co.**, 231 South La Salle Street, Chicago 4, Ill.

Interstate Aircraft & Engineering Corp.—Information on possibilities of the firm considered attractive by **Bennett, Spanier & Co.**, 105 South La Salle Street, Chicago 3, Ill.

Kingan Company—Descriptive circular—**C. E. de Willers & Co.**, 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Laclede-Christy Company—Memorandum available—**Herzog & Co.** 170 Broadway, New York 7, N. Y.

Lea Fabrics—Discussion of interesting post-war situation—**Dunne & Co.**, 25 Broad Street, New York 4, N. Y.

Lipe Rollway Corporation—Circular—**Herrick, Waddell & Co., Inc.**, 55 Liberty Street, New York 5, N. Y.

Magnavox Company—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Analytical discussion—**Steiner, Rouse & Co.**, 25 Broad Street, New York 4, N. Y.

Mid Continent Airlines—Discussion of interesting possibilities—**White & Company**, Mississippi Valley Trust Building, St. Louis 1, Mo.

Also available are reprints of an article by Mr. Julian M. White entitled **"An Appraisal of Insurance Stocks."**

Mid Continent Airlines, Inc., memorandum—**Kitchen & Co.**, 135 South La Salle Street, Chicago 3, Ill.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Nekoosa-Edwards Paper Co.—New Memorandum—**Loewi & Co.**, (Continued on page 2308)

Real Estate Securities

News Items Reference Various Issues

WE HEAR THAT:

London Terrace, Inc. earnings are sufficient to allow for the payment on June 1st of the fixed 3% annual interest plus 1% cumulative for the year and the total unpaid accumulations of 3%. The total interest payment will be $55.00 per 1,000 bond, and in addition, surplus earnings of approximately $60,000 will be available for sinking fund operation.

New York Majestic earnings for the six months period ended March 31, 1945, together with the undistributed portion of the earnings for the previous six months period, provides on June 1, 1945 a sum sufficient to distribute as interest equal to 1% on the outstanding Income bonds. This payment is ½% more than the December 1, 1944 payment.

Master Printers Building will make an interest distribution on June 1, 1945 of 2½% from earnings for the six months period ended April 30, 1945. This payment might indicate that annual payments will be 5% or better as they have been gradually increasing, a total of 3¼% paid in 1941, 3½% in 1942, 4⅝% in 1943, and 4¾% in 1944.

Equitable Office Building Corp.—Reorganization Plan Amended—The proposed plan for the reorganization of the Equitable Office Building has been changed. The trustee has filed amendments to his own plan to give debenture holders additional securities. Under the amended plan there is no change in the first mortgage. That issue will be undisturbed. Debenture holders, however, will receive for each $1,000 bond, $600 in a new 5% Cumulative Income Convertible Second Mortgage Bond, plus 60 shares of stock. Previously debenture holders were to receive $500 in bonds and 50 shares of common. As before, the common stock allotted to debenture holders will comprise the entire issue. The new bonds will mature in 35 years and will be convertible into common at $10 a share.

The restrictions on the use of cash—for the accumulation of a $250,000 reserve for capital improvements, a $750,000 reserve for interest and amortization on the first mortgage and for other debt purposes—will prevent the payment of dividends on the common stock until the total debt is reduced to $14,000,000.

Broadway Barclay will make an interest distribution of $24.00 per $1,000 bond on June 1, 1945 and will ask for tenders to exhaust the sum of $24,355 in the purchase and retirement of bonds.

Harrison & Co. to Be Formed in Cincinnati

CINCINNATI, OHIO—Harrison & Company, will be formed as of May 31st with offices in the Union Trust Building. Partners will be Edmund W. Harrison, William F. Dohrmann, and Gilbert A. Davis. The new firm will be members of the New York Stock Exchange, Mr. Harrison holding the membership which he will acquire from Donald G. Geddes.

Mr. Davis and Mr. Dohrmann were previously with W. E. Hutton & Co. and prior thereto with Dominick & Dominick.

Ohio Brevities

Two Cleveland houses were in the Halsey-Stuart & Co. group offering $58,000,000 New York, Chicago & St. Louis Railroad Co. refunding mortgage series E bonds. The Halsey bid was 99.779 for a 3¼% coupon rate, an average annual interest cost of approximately 3.256%.

The Cleveland firms were First Cleveland Corp., which was alloted $150,000 of the bonds, and William J. Mericka & Co. with $100,000.

President J. W. Davin said sale of the new bonds marked the final step in the program of refunding announced by the road's directors last September. The bonds will replace the present refunding 4½s of 1978, outstanding in the amount of $59,875,000, with September 1 set as the refunding date.

On completion of the refunding, the road will have a non-equipment debt of $100,000,000, a reduction of $50,505,000 since the end of 1937, Mr. Davin stated.

* * *

In a secondary offering, 80,000 shares of $5 par value common stock of May Department Stores Co., was heavily over-subscribed. The shares were offered by Goldman, Sachs & Co. and Lehman Bros. The dealers said the shares were part of a total of 2,460,792 shares now outstanding, exclusive of stock in the treasury, and that the company will receive none of the proceeds.

Sixty thousand of the shares were bought by the underwriters from a trust created by the late Louis Dudley Beaumont and the remainder were sold by four separate trusts created by the late Rosa May. The Beaumont trust constituted 37% of its holdings and the May trusts 56%.

* * *

Five Cleveland firms participated in the $50,000,000 offering of 20-year 3¼% debentures of Joseph E. Seagram & Sons, Inc., Harriman, Ripley & Co. headed the underwriting group.

The Cleveland group was made up of Curtiss, House & Co., Hayden, Miller & Co., Hawley, Shepard & Co., Merrill, Turben & Co. and McDonald & Co.

* * *

Field, Richards & Co. and Otis & Co. were in the Halsey, Stuart & Co. group awarded $1,250,000 refunding 2¾% bonds of the City of Detroit. The bonds, due 1951 to 1960, were bought from the Aetna Life Insurance Co. and were reoffered at prices to yield from 1.00 to 1.60%. No bid price was announced.

Otis & Co. was in the Van Ingen & Co. account which won $5,534,000 of 2¾ and 2¼% refunding bonds of North Bergen, N. J. Bonds were reoffered at prices to yield from $102.30 for the first maturity to $97 for the last maturity. The bonds are due from 1961 to 1967.

* * *

McDonald & Co. and Smith, Barney headed a group of 42 investment houses which offered 15,000 shares of Thompson Products, Inc., 4% cumulative preferred stock, sold at $107 per share.

* * *

Sam H. Sampliner, a veteran of the Cleveland financial scene and office manager for J. S. Bache & Co. since 1933, was named as one of seven new general partners in the firm.

(Continued on page 2296)

Paul H. Davis Opens Branch in Cleveland

CLEVELAND, OHIO—Paul H. Davis & Co., members of the New York Stock Exchange and other Exchanges, have opened a branch in the Union Commerce Building, under the direction of Dean D. Francis, a partner in the firm. Edwin W. Gass is assistant manager; his association with the firm was previously reported in the Chronicle of April 5th.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

At a meeting of the Directors of The Security Traders Association of New York, Inc., held May 17, 1945, Stanley L. Roggenburg of Roggenburg & Co. was elected a director to fill a vacancy.

DALLAS BOND CLUB

The Dallas Bond Club will hold its annual outing at the Lakewood Country Club on May 30. Golf, swimming, and other events are scheduled.

Reservations may be made with John L. Canavan and Rogers Ray of Rauscher, Pierce & Co., or with James Jacques of Dallas Rupe & Son.

BOND TRADERS' CLUB OF CHICAGO

Chicago Bond Traders will hold their annual outing on June 23 at beautiful Lincolnshire Country Club south of Chicago. It is expected to be one of the best outings sponsored by the traders in many years and golf enthusiasts will have an opportunity to play Lincolnshire's sporty No. 3 golf course. The Club affords ample facilities for the varied activities traders like, such as golf, tennis, baseball, horse-shoes, and riding horses are available for equestrians.

President Paul Yarrow and his Directors are working overtime to make this party something to remember. Mort Scott's entertainment committee has done a good job and SOMETHING NEW HAS BEEN ADDED.

For those who are in Detroit on June 19th, or in the Twin Cities on June 21, it will afford an opportunity to stop in Chicago.

Calendar of Coming Events

May 25, 1945—Bond Traders Association of San Francisco annual spring party at the Orinda Country Club.

May 30, 1945—Dallas Bond Club Annual Spring Outing, Lakewood County Club.

June 15, 16, & 17, 1945—Security Traders Association of Los Angeles annual spring party at the North Shore Tavern, Lake Arrowhead.

June 19, 1945—Securities Traders Association of Detroit and Michigan annual summer outing at Western Golf and Country Club.

June 23, 1945—Bond Traders Club of Chicago annual outing at Lincolnshire County Club.

August 28, 29 & 30, 1945—National Security Traders Association, Inc. annual business meeting and election of officers.

Ohio Municipal Comment

By J. AUSTIN WHITE

Last Thursday night Bexley School District, in Franklin County, sold $310,000 of bonds due 1946-65 as 1% bonds at 100½, and thus set a record for theh ighest price at which any Ohio issue of comparable maturity has ever been sold. But of even greater interest, perhaps, is the fact that before noon of the day the bonds were offered ⅔ of the issue had already been placed (and the balance has since been sold).


J. Austin White

Bexley is of course, a high grade residential suburb of Columbus, with quite a low debt burden, and the quality of the bond is indeed high. With bonds of similar quality and maturity selling in other states as 1's, or with even lower coupons, it was not particularly surprising to see these Bexleys command a similar price. Nevertheless it does represent the first new issue in the state, with such maturities, that has sold as 1% bonds.

Other recent sales also indicate quite a strong demand for new Ohio issues. On April 25th, $278,000 bonds of Franklin Township School District, in Franklin County, sold as 1¼s at 100.31, with maturities of 1946 through 1970. On April 30th, East Franklin School District, in Summit county, sold $92,000 bonds as 1¼s at 100.14, with maturities of 1946-65. On last Saturday bids for 1¼s were submitted for $75,000 Geauga County bonds due 1946 through 1970.

Obviously the Ohio municipal market touched new high levels in the past month. However, it is difficult to picture the present condition of the market.

V-E Day brought up the subject of tax reductions, and possibly of a greater supply of municipals. However, the Ohio market apparently gave no heed to such talk. But the opening of the Seventh War Loan Drive, about a week after V-E Day, certainly witnessed a noticeable decline in activity in Ohio municipals. This dullness has contined to date.

The market level of certain municipals in other states had definitely declined within the past two or three weeks. There is talk that the market on some names has declined up to 30 basis points in yield. Certainly there has been no such drop in the price level of Ohio municipals. Some of the more noticeable market declines on names outside Ohio, have been in bonds of which sizable blocks have been, or are still being liquidated by holders who are preparing to buy U. S. Governments in the Seventh War Loan Drive. There has been a noticeable lack of such liquidation of Ohio municipals. (As a matter of fact, during the past several war loan drives there has been very little liquidation of Ohio names.) With no such pressure tending to push prices lower, the market for Ohio names has held more steady than for many names elsewhere.

Yet somewhat greater caution is noticeable in bidding for Ohios, at least in the secondary market if not in bidding for new issues, with the result that bids are somewhat easier. It is, perhaps, too early to tell whether or not this slight easing of prices is due principally to the inactivity incident to the War Loan Drive, or to expectation of lower prices in anticipation of lower tax rates and/or a greater supply of municipals when final V-Day comes.

There is still a strong demand, indeed, for Ohio municipals, and especially for high grade names. Moreover, there has been little if, in fact, any increase in the supply of Ohios. Nevertheless, business has been dull since the opening of the War Loan Drive, and inactivity usually engenders cautious bidding. Moreover, the market for several active municipal names outside Ohio has definitely declined, and the price level of Ohios cannot be isolated from the level of municipal prices generally.

Perhaps this is an appropriate time to reiterate a point long and frequently argued in this column, and well mentioned in the regular "Municipal News and Notes" of the May 3rd issue of the "Chronicle." Entirely aside from the question of whether final V-Day will bring

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Reynolds Is Chairman Of Cincinnati Exchange

CINCINNATI, OHIO — J. B. Reynolds of Benj. D. Bartlett & Co. was elected chairman of the Board of Trustees of the Cincinnati Stock Exchange. Charles H. Steffens was retained as President and Secretary. Other officers chosen were L. J. Nussoch, W. E. Fox & Co., Inc., Vice-President; and A. W. Korte, C. H. Reiter & Co., Treasurer.

Members of the Trading Commitee are H. A. Jones, W. D. Gradison & Co., Chairman; M. W. Lepper, A. Lepper & Co.; and J. L. Barth of the J. L. Barth Co. W. D. Gradison of W. D. Gradison & Co., and J. M. Hutton of W. E. Hutton & Co. make up the Auditing Committee.

H. B. Cohle of H. B. Cohle & Co. was named to fill the unexpired term on the board of Ben. Lowenthal, absent for the last nine months because of illness.

Ohio Municipal Price Index

Date—	*	†	‡	§
May 16, 1945	1.19%	1.35%	1.02%	.33%
May 9	1.18	1.34	1.02	.32
May 2	1.18	1.34	1.02	.32
Apr. 25	1.18	1.34	1.02	.32
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17, 1945	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov. 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.48	1.15	.33
June 14	1.31	1.46	1.16	.30
May 17	1.31	1.46	1.16	.30
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 higher grade bonds. §Spread between high grade and lower grade bonds.

Foregoing data compiled by J. A. White & Co., Cincinnati.

Prescott Adds Herman

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Raymond A. Herman has become associated with Prescott & Co., Guardian Building, members of the New York and Cleveland Stock Exchanges. Mr. Herman in the past was with McDonald-Coolidge & Co. and Soucy, Swartswelter & Co.

Whitwell with Greany

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Clarence W. Whitwell has become connected with L. M. Greany & Co., Fidelity Building. Mr. Whitwell in the past was with Wm. J. Mericka & Co. and Cunningham & Co.

Corporate Relations

(Continued from page 2280)

took up the cudgels for a smaller competitor on fundamental principles of management, might have been formerly regarded as poor business, and so on. Although many specific factors and influences have contributed to the evolution of the present state and condition of corporate relations, basically they reflect in varying degree the dynamic changes which have occurred in the broad pattern of thinking and action in our economic, political and social structures—which structures are interdependent and closely linked together, although frequently regarded and treated as separate and independent entities.

The serious and constant attention now being given to the many aspects of corporate relations is well evidenced in the deliberations at meetings of executive committees or boards of directors. In one sense the broad policies governing corporate relations constitute the framework within which are fitted or adjusted the more specific plans for production, sales, distribution, research, etc. The practical necessity for a constructive plan of corporate relations is that it contributes to the attainment and continuity of satisfactory profits. From the standpoint of improving and strengthening the position of private enterprise generally, it would seem advisable that plans or programs for corporate relations might also consider what contributions—practical, not charitable—can be made to the overall economic needs and welfare of the nation. Indicative of the growing recognition of this concept, it is noteworthy that the Ford Motor Co. in an advertisement in the New York "Times" of April 21, 1945, stated as follows: "American business is not performing its complete function unless it makes available to every family traditional American standards of living. American business also must serve social order and social advance."

Comments on Corporate Relations With Important Groups

As stated, the ultimate purpose of any plan or program of corporate relations is to maintain or enhance the profit possibilities of a company, and, consequently, the costs incurred and the gains derived have to be evaluated. While the costs or expenses applicable thereto are reasonably determinable, the gains therefrom cannot be specifically measured in dollars, but their value and effectiveness can be generally appraised.

To evolve an integrated and coordinated plan for corporate relations, it is necessary to analyze the various policies now being followed with various groups (employees, customers, stockholders, etc.) in order to eliminate or reconcile conflicting or contradictory aims. There are no simple rules or methods of procedure, since the formulation of practical policies of corporate relations comprehend the proper evaluation of various factors such as nature of organization set-up, objectives and philosophy of management group, competitive situation, government laws and activities affecting the particular industry, volume and profit elements, etc.

The following comments are intended only to indicate briefly a few aspects of corporate relations with different groups so as to show the advisability of an integrated plan. Obviously, the requirements vary with different industries as well as with individual companies, and in the overall approach it is important to note which aspects of corporate relations are already well fortified and thus require little consideration, and which require improvement or more decisive action.

Relations With Customers

Obviously, a constructive and satisfactory program of corporate relations with customers is the cornerstone upon which are built policies for corporate relations with all other groups. A successful approach depends largely on operating policies which determine the relative quality and price of products or services offered. (For utilities and railroads, where the price for service rendered is not subject to the usual flexibility of management decisions, there are other considerations requiring special treatment.)

Business organizations should look beyond the immediate postwar period of flush demand when the competitive situation will again become quite vigorous and undoubtedly bring about a very decided change from emergency or full production at almost any cost to a peacetime policy of profits through production economies. As against a short-run policy of maximum prices under favorable demand, a few progressive companies are already planning maximum volume with reduced unit costs of production—the equivalent of a long-term investment in customers and customer relations. Recently, a prominent industrialist said: "We plan to market numerous post-war products by setting prices low enough to appeal to the consumer; we may take a beating for a while, but we're willing to gamble that our eventual sales will make it worthwhile."

Relations With Employees

The cardinal principle here is that the other factors being roughly equivalent, that company which has a more cohesive and united organization from management down to the average employee, will, in time, show better results than competitors who are not as favorably situated in their employee relations. An alert, judicious and aggressive management cannot achieve its goals without enthusiastic support of its average employee. The old adage "A chain is no stronger than its weakest link" is equally applicable to the personnel elements of a business organization.

The broad patterns of dealing with labor or employees below executive rank are, of course, fairly well established and influenced by labor organizations, government regulation and general industry practices. Nevertheless, each company can institute measures to create a better spirit and elicit a greater interest on the part of the average employee in his routine and monotonous job—which, in financial parlance, should pay off in dividends. While wage rates are the most important determinant, the degree of satisfactory employee relations is also indicated by the amount of labor turnover (excluding company layoffs) in normal times, and ultimately, in the trend of unit production cost per dollar of capital investment. In the views of a leading industrialist, "no wage is too high that is earned."

Relations With Stockholders

The questionnaires being sent out by some companies to their stockholders to determine the kind of information most desired in annual reports reflect the efforts being made to develop more permanent and more satisfied stockholders. Satisfactory relations with stockholders facilitate approval of management plans on important matters, reduce controversies and are most helpful when the need for additional common stock capital funds arises.

A fundamental weakness in the present state of corporate relations with stockholders results from "absentee ownership," and while this situation is inevitable in the practical scheme of things, some efforts should be made to lessen this weakness for the interests of industrial companies and of private enterprise generally.

To supplement the usual routine contacts with stockholders via the media of brief annual meetings and periodic financial statements, attention should also be given towards eliciting a more practical and active interest on the part of stockholders.

Relations With General Public

The nature and extent of the approach to this aspect will depend largely but not entirely upon whether the product or service is for use or consumption by individuals or by other companies. Building and maintaining the public's goodwill need not be limited to a company's products or services but may also be utilized advantageously in such objectives as creating favorable investment attitude toward the company's securities, emulating the desirability of employment with the company, soliciting approval on controversial issues, etc.

Relations With Government

The individual company can accomplish very little by itself on this very difficult and complex aspect of corporate relations. The approach must necessarily be through the trade association of each industry and through national business organizations. Private enterprise generally is more favorably situated to maintain constructive relations with government if it can adequately adjust its relations with the various groups of the economy on its own initiative and volition.

Relations With Competitors

The attitude of dealing with competitors should be one of fostering cooperation on those specific matters which are helpful to the welfare of the industry as a whole and of course beneficial to the company in question. This is a realistic and practical consideration entirely within the framework of competitive private enterprise, and is deserving of more attention because the volume of business and profitability of operations of a single company usually follows closely the average pattern of industry results. A few significant examples of such practical cooperation follow: three leading locomotive manufacturers have pooled their research activities in order to develop jointly a more efficient engine which will stimulate railroad purchases and thereby help the industry as a whole; a non-profit organization of the principal beet sugar processors of United States is being formed which will work exclusively toward full mechanization of the crop and to which funds and skilled personnel will be contributed, and this step will expedite the splendid progress already made.

Other areas of practical cooperation might be the elimination of costly industrial practices and methods which obstruct progress or keep prices inordinately high, but only an objective and critical analysis will indicate wherein cooperation, if at all, is feasible.

Relations With Other Companies

In the broader interest of maintaining the smaller but efficient business companies as separate entities, the very large business organization can render practical assistance by contract sub-letting; and this approach has advantages over increased concentration and growth in the size of business units.

Summary Comment

Any program of corporate relations with various groups has to be justified over the long run by the nature and extent of its contribution to the company as to profits, competitive situation, stockholders' approval, coordination of personnel, and goodwill of customers and public. The specific measures to be undertaken are best formulated after an objective analysis free from predilections, and such an approach is usually attained through the medium of outside experts.

Benj. Philipson Back At Desk in Utica

UTICA, N. Y.—Lt. (j. g.) Benjamin Philipson has been honorably discharged from the U. S. Navy and is now back at his desk with Philipson & Co., 219 Genesee Street. Mr. Philipson was in the service for thirty-nine months and served in the invasions of North Africa, Salerno and Normandy.

Philipson & Co. have specialized in upstate New York securities since 1923. Benjamin Philipson is manager of the dealers service department for the firm.

Firm Name Will Be Chas. Slaughter & Co.

Slaughter, Horne & Co., 66 Beaver Street, New York City, announces that it has changed its firm name to Charles Slaughter & Co. H. Rudolph Shepherd will be admitted to general partnership on June 1, 1945.

The firm has membership in the New York Stock Exchange and other exchanges and will engage in a general brokerage business in securities and commodities.

Bache Firm to Expand; To Change Name June 1

The partners of J. S. Bache & Co., 36 Wall Street, New York City, announced that, effective June 1, the firm of J. S. Bache & Co. will be known under the new name of Bache & Co. At the same time, it was stated that, as of June 1, all interest of the late Jules S. Bache held by his estate will cease, and that Captain Clifford W. Michel will withdraw as a general partner.

Bache & Co., it is proposed will simultaneously admit seven new general partners and six limited partners. The firm will have a capital in excess of $4,000,000.

Harold L. Bache

The four Ryan Brothers, John J. Jr., James C., Joseph M., and Frank T. Ryan, are among the proposed partners; the Ryans are owners of John J. Ryan & Sons, Inc., a corporation dealing in cotton and rayon textile products. They are well known in this country and abroad and maintain offices in Troy, N. Y., New York City, Boston, Mass., Chicago, Ill., Hebronville, Mass., and Greenville, S. C. They have been for years leading figures in the domestic as well as the import and export field of cotton and rayon products, John J. Ryan, Jr., James C. Ryan and Frank T. Ryan are to enter the firm as general partners. John J. and Frank T. will be associated with Bache & Company's main office at 36 Wall Street. James C. will make his headquarters in Troy, N. Y. Joseph M. Ryan, at present a lieutenant in the U. S. Naval Reserve, is to enter the firm as a limited partner. The business of John J. Ryan & Sons, Inc., will continue as heretofore.

The other new proposed general partners will be A. Charles Schwartz, James A. Fayne, Laurence B. Rossbach and Sam H. Sampliner. The new limited partners, in addition to Lt. Ryan, are to be Charles A. Blackwell, Charles R. Blakely, Adrian C. Israel, Russell E. Sard and Lt. Adolph Woolner, U. S. N. R.

The firm of Bache & Co., was originally founded by Leopold Cahn in 1879 and its name was changed to J. S. Bache & Co. in 1892 when Mr. Cahn's nephew, Jules S. Bache, became a partner. Harold L. Bache, the son of the late Leopold S. Bache, and the nephew of the late Jules S. Bache, will now carry on as head of Bache & Co.

The firm is one of the largest brokerage houses in the country, having branch offices or correspondents in fifty-three cities and holding membership in the New York Stock Exchange and 23 other security and commodity exchanges. It was the first member firm of the New York Stock Exchange to install a private wire system. This was the private wire opened in 1892 between New York City and Albany, N. Y. The firm does an international business, with offices in Toronto and London, and correspondents in Mexico City, Alexandria, Egypt, and Paris, France. In peacetime, branches or correspondents are also maintained in other principal foreign cities, especially the capital cities of Europe.

Mr. Schwartz, a former Kentuckian, was responsible for the purchase of the Dodge Company from the motor car family of that name and its later resale to Chrysler. Mr. Schwartz, with his brother, Morton, have been well known in the financial community for many years. He has served as a consultant on public relations for a number of companies, including Remington Rand and United Aircraft Products Company.

James A. Fayne was formerly one of the leading figures of Wall Street. After he retired from the firm of Hornblower & Weeks in 1930, he left the Street and transferred his activities to Washington where, during the first year of its existence, he acted as technical advisor to the chairman of the Securities & Exchange Commission. Subsequently, he was engaged in making private surveys and studies of corporations. Among such reports was the survey which resulted in the recapitalization of the Radio Corporation of America in 1936.

Laurence B. Rossbach, a nephew of the late Jules S. Bache, is a member of the New York Stock Exchange and has made his office with the Bache firm for 18 years. He will be associated with the investment phase of the firm's business.

Sam H. Sampliner has managed the Cleveland office of the firm since the Ohio group of branches was taken over by the Bache wire. Mr. Sampliner is a director of several Ohio companies, including Joseph & Feiss and Galion Metallic Vault Co., and has been a member of the Cleveland Stock Exchange for many years.

Of the proposed limited partners, Russell E. Sard was formerly a general partner of Clark Childs & Company and later managing partner of Redmond & Co. Before moving to New York to enter the brokerage business, he was a resident of Albany where he was a director of the National Commercial Bank & Trust Company and the Albany Insurance Co. Mr. Sard was the first Commander of the New York State American Legion.

Charles A. Blackwell, of New York, who also was formerly associated with Redmond & Co., is to come in as a limited partner. He will make his headquarters in the Bache office in the Chrysler Building.

Adrian C. Israel is a commodity expert who has been with the Government in various food activities. He is of the New Orleans family of that name. Mr. Israel is head of the A. C. Israel Commodity Co., specialists in the importation from South America and the Far East of coffee, cocoa and spices, and in peacetime, of rubber and other commodities.

Lt. Adolph Woolner is also a member of the New York Stock Exchange. At present he is serving with the United States Naval Air Forces.

In commenting on these developments, Harold L. Bache said that the firm would continue to emphasize its commission business in securities and commodities and, at the same time, was preparing itself to participate in the increasing demands for new capital by American business in the postwar period.

"Our new partners to be admitted on June 1st will bring a wide range of experience in the commodity as well as the security business, with a background that will permit us to expand our scope of activities both nationally and internationally."

Wartime Trade of Latin America

(Continued from page 2280)

this trade was only about 30%.†

"The United States has become by far the major export market, as well as the principal source of imports for Latin America. The proportion of Latin American exports going to the United States, and the proportion of Latin American imports from the United States rose from about one-third in each case in 1938 to more than one-half in 1943.

Trade With Europe

"While trade between Latin American countries and Europe has in general been drastically reduced by the war, there has been a growing export trade with the United Kingdom. Exports to the United Kingdom increased in dollar value by 45% from 1938 to 1943, and the United Kingdom maintained its relative position as a market for Latin American exports by taking approximately 17% of the total in each of these years.

"Imports into the area from the United Kingdom declined by 37% in dollar value between 1938 and 1943. The United Kingdom's share of total Latin American imports declined from 12% in 1938 to 8% in 1943, with a drop of less than 4% indicated for 1944.

Intra-Latin-American Trade

"The war has brought about major changes in trade among the Latin American countries. In the past, intra-Latin-American trade has been of minor importance. Total exports to other Latin-American countries accounted for only 6% of the total Latin American exports in 1938 but rose to approximately 15% in 1944 according to preliminary estimates. Imports from other Latin American countries showed a rise from 9% of total Latin American imports in 1938 to 28% in 1943 and 1944. Changes in the intra-Latin-American trade of individual countries are even more striking.

†Calculated on the basis of the relative unit values of exports from the United States to Latin American countries as recorded in United States statistics.

Preliminary 1944 Data

"A summarization of preliminary 1944 trade of some countries and projections to an annual basis from various monthly periods for other countries, showing totals and trade with the areas under consideration, is given below (in thousands of United States dollars):

	Exports	Imports
Total *	2,968,000	1,853,000
Trade with:		
United States	1,570,000	1,076,000
United Kingdom	460,000	66,000
Other Latin American Republics	457,000	498,000

Limitations of Data

"Any analysis of the foreign trade of the Latin American republics in the aggregate is subject to numerous limitations resulting from difficulties encountered in converting data reported in national currencies to United States dollar equivalents and from differences in the statistical practices of the various countries.

"In most instances where conversion to United States dollar equivalents is required, yearly average exchange rates have been applied to the original values in terms of the units of national currency. In a few cases, namely, Venezuela's exports, and both exports and imports of Bolivia, Uruguay, and Argentina, multiple conversion rates calculated on the basis of various rates of exchange governing export and import transactions have been used.

"Among the differences in statistical practices affecting comparisons of the trade of Latin American with other areas and with itself are:

1. Differences in methods of valuing commodities exported and imported.

2. Inclusion or exclusion of certain charges, such as duties and consular fees.

3. Differences in treatment of gold and silver. Most of the precious metals exported from Latin America are newly mined and as such represent to the exporting country commodity shipments similar to exports of other minerals. To exclude these amounts from the foreign trade of Latin America would be to distort its position in world trade, yet their inclusion precludes strict comparison with United States merchandise trade, from which gold and silver are excluded.

4. Differences in the time at which transactions are recorded for statistical purposes. While one country may record imports at the time of entry into the country, another may record them at time of entry into consumption channels. The latter practice may involve for a portion of the trade a time lag of months or, for some countries, even years after actual entry into the country.

5. Variations in reporting countries of destination for exports and of origin for imports and differences in geographic designations.

6. Inability or failure to adjust trade by countries to include shipments leaving the country marked "To order" (notably Chile, which also withholds country of destination of nitrate and iodine) or "In transit." (From one-fourth to one-half of Paraguay's exports are reported as "In transit" through Argentina.)

7. Differences in annual periods for which foreign trade is reported, i. e., for calendar years or various fiscal years.

A Three-Year-Old Bull Market

This bull market, which is the thirteenth since 1896, was three years old on April 28. As bull markets go, it has attained a fairly mature age. At least it is older than ten of the previous 12 major uptrends in the last 49 years. The one from 1932 to 1937 however lasted for four years and eight months while the longest one on record, from 1923 to 1929, lasted for six years and one month.

As is usual with bull markets, this one was born during a time when news and sentiment were anything but stimulating. Hitler's troops had raced through most of Europe, the Japanese were overrunning the Pacific, industry was adjusting itself to a war basis and heavy war time taxation was being planned by Congress. But stocks were historically cheap following a two and a half year bear market. Seldom had they been as low in the preceding twenty-five years.

News and sentiment at the present time are quite the reverse of what they were three years ago. Germany is a defeated nation, the Japanese are being driven back at a faster pace than we had dared hope, there is confidence in the new Administration in Washington, there is hope of tax relief when the Japanese phase of the war is over, there is large demand for consumers' goods, and never before in history has the public had so much money to spend.

Because the outlook appears so promising, at least on the surface, it may be well to take stock of what has happened in the market in the last three years and see how much the improved conditions have been discounted marketwise so we can adjust our investment programs accordingly.

As a result of the 77% rise in prices during the last three years, the Dow Jones industrial average is now at a level that is above the low of every year since 1896, with the exception of 1928 and 1929. Only two of the previous 12 bull markets have reached this level, judged by the industrial average. The one that ended in 1929 was, however, 132% above current levels, while the 1937 advance rose 18% higher than the market is today. This average is now selling at four times the lowest level reached in 1932. In other words, it has been possible to buy Dow Jones average of industrial stocks lower than it is now, in 47 out of the last 49 years.

The Dow Jones rail average today is up 139% from its level of April 28, 1942 and has gained 145% from its low made in June of that year. Ten of the previous bull markets have shown smaller percentage gains. In the 1920's the upturn was 146% and in the 1930's the advance was 385%. However all of the previous bull markets in the rail average ended at higher levels than at present with the exception of those of 1938 and 1939. At its highest level in history which was 189.11 in 1929, this average was 230% above current levels. At its 1937 top it was 12½% higher than it is today. From its low in 1932 it is up 330%.

At present it costs approximately 30 billion dollars more to buy the stocks listed on the New York Stock Exchange than it did when the bull market started. $100,000 will buy about 51% as many shares as it would have bought three years ago. Historically speaking, therefore, stocks do not appear on the bargain counter, although we realize that the big question in the minds of most investors is how much the dollar is worth. There is a vast total of uninvested capital in the country and there has also been only a meager increase in the supply of stocks. This, in conjunction with the low yields on bonds and preferred stocks, has been a big influence in supporting rising prices for common shares and will probably continue as a favorable factor.

	April 1942	April 1945	Percentage Change
Dow Jones Industrials	92.92	164.71	+ 77%
Dow Jones Rails	23.85	57.19	+139
Dow Jones Utilities	10.58	30.41	+188
Defaulted Rail Bonds	19.78	54.17	+174
Barrons Low Priced Stocks	97.22	355.75	+266
Market Value of All Listed Shares N. Y. S. E.	$31,449,000,000	$61,497,000,000	+ 95
Short Interest	531,000 shares	1,361,000 share	+156
N. Y. S. E. Membership	$18,000	$60,000	+232
Yield on Dow Jones Averages:—			
30 Industrials	7.68%	4.03%	— 47½
20 Railroads	8.07	4.51	— 44
15 Utilities	10.25	4.07	— 60
40 Bonds	5.20	3.24	— 37½
10 Highest Grade Bonds (Barrons)	2.74	2.56	— 6½
Earnings on Dow Jones:—			
Industrials	$10.65	$10.07	
Price X Earnings	8.75 times	16.4 times	
Federal Reserve Board Index of Industrial Production	189	236	+ 25
Total Brokers Loans N. Y. S. E.	$335,000,000	$874,000,000	+160
Gross Federal Debt	$71,000,000,000	$241,000,000,000	+238

We are interested in this observation of historical levels at the present time because the stock market will soon be called on to appraise the value of securities as we shift back to the more competitive conditions of a peace time economy. Never before in history has the market had to discount and reflect changes of such magnitude. Until we get further into the reconversion period, until we know what the attitude of labor will be and until we know what the tax changes are, it will be impossible to appraise the effect on the total value of all stocks listed on the New York Stock Exchange.

But we feel confident in predicting that events of the next year or two will cause a reorientation of values of individual stocks. In the last three years practically every corporation has been able to make money and some inefficiently operated companies have shown greater percentage gains in profits than many efficient ones. Tax laws have also favored the less efficient companies. But with a return of competitive conditions and more normal tax laws this should change and investors should favor the strongly financed, efficiently operated and well managed corporations.

Seldom, if ever, have investors and speculators paid as big premiums for stocks of companies whose records during peace times have been erratic. Seldom, if ever, has money taken out of the general list of stocks been able to buy as many shares of the higher grade stocks. Many of the holders of lower quality shares will become nervous if the reconversion and early postwar periods do not come up to expectations. The shares of well managed companies are probably in more permanent hands and will tend to meet demand from funds derived from called bonds and preferred stocks.

Before the last war ended in 1918 our market had been appraising the effects of peace on our economy for only one year. This time we have had three years in which to appraise peace time prospects of various industries. The result is that many peace beneficiaries have been discounting good postwar prospects well ahead of time. Naturally some of these groups will deserve to sell at higher premiums if their earnings continue to increase or if postwar results come up to expectations. In other cases however there is danger in buying groups that happen to be popular at the time and in which one is competing with many other anxious buyers.

On the other hand there have been many unpopular groups that are today selling at low levels compared with their normal price relationships to the general market. Not all stocks that are low in such ratios are cheap, but it is possible that some of the best bargains today exist in these depressed sections especially since many of them are conservative groups that will appeal to people shifting from bonds and preferred stocks. Many of them will also be in a better position when the tax laws are changed. Among them are the soap and vegetable oil companies, shoes, chain stores (5c. and 10c. to $1.), chemicals, steels and iron, metals, rail equipments, tobaccos, electric equipments, containers, soft drinks, utilities, telephone, finance and golds.

This seems an ideal time to improve the quality of stocks held in portfolios and to weed out any questionable issues that have been stimulated mainly by high wartime earnings. Fortunately this can be done at a time when high quality stocks are low relative to the general market. Also it is time to consider carefully to what extent some groups have overdiscounted their post-war earnings. In general the depressed groups listed above have less to lose if the market declines and they should return to favor if the market continues to attract buyers in the post period.—HARRIS, UPHAM & CO.

Hinshaw Elected Gov. Of N. Y. Stock Exchange

The Board of Governors of the New York Stock Exchange has elected Joseph Hinshaw, a partner of Watling, Lerchen & Company, Detroit, a member of the Board of Governors, for one year, to fill a vacancy created by the withdrawal of John W. Watling, of the same firm, who had been nominated as a candidate by the Nominating Committee. Mr. Watling withdrew his acceptance of the nomination after being requested to undertake a special assignment for the American Red Cross.

Cruttenden & Co. to Admit Four Partners

CHICAGO, ILL.—Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit James H. Murphy, Conrad Tuerk, William R. Mee, and Walter P. Norris to partnership in the firm as of June 1st. Mr. Murphy is manager of the trading department and Mr. Mee is in charge of the sales department. Mr. Norris who recently became associated with Cruttenden & Co. was formerly vice-president of the Commerce Union Bank of Nashville.

Mitchell, Hutchins Adds

CHICAGO, ILL.—Arthur C. Harrison, previously with Goodbody & Co., has joined the staff of Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges.

N. L. Jarvis Heads N. Y. Analysts Group

At the annual meeting of the New York Security Analysts Association, N. Leonard Jarvis, special analyst for Hayden, Stone & Company, was elected President, to succeed Charles Tatham, Jr. Pierre R. Bretey, of Baker, Weeks & Harden was elected Vice-President. Glenelg B. Caterer of Lionel D. Edie was chosen Secretary, Irving Kahn of J. R. Williston & Co. was chosen Treasurer. Lucien O. Hooper of W. E. Hutton, Oscar M. Miller of General American Investors and Harold H. Young of Eastman, Dillon were chosen Members of the Executive Committee. A code of ethics for the organization drawn up by a committee headed by Benjamin Graham was adopted, as were several amendments to the Constitution.

N. Leonard Jarvis

Mr. Jarvis, formerly Vice-President and Chairman of the Society's Program Committee, has for several years lectured on the subject of investment analysis before the New York Institute of Finance.

Railroad Securities

Minneapolis, St. Paul and Sault Ste. Marie General 4s, 1991

Marketwise the Soo General Income 4s, 1991 have done practically nothing since the beginning of the year, despite the fact the bond is attractive on the basis of earnings coverage and doubly attractive because of the amount of net liquid resources available at the present time.

The Soo reorganization was unusually drastic, old fixed interest obligations being reduced from $132.1 million to $2.46 million and including First and Second Mortgage Income bonds to $30.64 million. Old fixed charges of $7.26 million were reduced to $50,859 and including contingent interest on both the First Mortgage and Second Mortgage bonds, excluding capital fund and sinking funds to $1.21 million.

The new Soo Company took over the management on Sept. 1, 1944 and the new securities were issued Oct. 27, 1944. At the time of the delivery of the new securities, current assets amounted to $28,834,000, current liabilities to $12,079,000, with the result that working capital amounted to $16,755,000.

Since Sept. 1 equipment obligations in the amount of $1,475,450 and notes issued to the RCC of $510,567 have been paid off, and some $417,000 of Second Mortgage Income bonds have been retired through the sinking fund. The net result of this debt reduction is to leave the corporation without any fixed charges and to reduce contingent interest from $1,167,000 to $1,150,000. As of the year-end, net current assets amounted to $15,304,000. Included in net current assets is an item of $6,850,000 of United States Government securities.

For a carrier with gross revenues of $15 million throughout the 1930s and $22 million throughout the war period, it would appear that a working capital in excess of $15 million is more than adequate and that the company could conceivably utilize two-thirds of this working capital for debt retirement purposes.

In the reorganization Canadian Pacific was given the option to purchase one-third of the common stock at $2 per share. As yet the road has not exercised this option, but in all probability will do so some time within the next year, especially as the Class A stock is selling at $17 per share. Inasmuch as Canadian Pacific will, in effect control the road when its option is exercised, the bonds are automatically raised to the status of a semi-investment, since it is doubtless the purpose of the Canadian Pacific to establish the greatest value possible for the new common stock which practically compels them to feed traffic in sufficient amount to show adequate coverage of both of the two Income bonds.

Since May 1st the First Mortgage 4½s have been traded "and interest" on the New York Stock Exchange and appear to be attractively priced. Liquid resources are sufficient to permit retirement of the First Mortgage issue, outstanding at the year-end in the amount of $8,051,630, if the directors should deem such action wise, or to purchase in the open market a considerable portion of the $19,712,000 General Mortgage Income 4s. It would seem financially desirable to retire a 4% bond at a 25% discount rather than to continue owning Government securities which yield but 2%.

Overall interest coverage in recent years has ranged from three to five times and in a normal post-war year we expect it to be in excess of three times. These General Mortgage Income bonds selling around 72 to yield 5.55% appear unusually attractive in the current money market.

G. J. Weir Joins Dept. Of Hughes and Treat

Hughes & Treat, 40 Wall Street, New York City, announces that Gerald J. Weir has become associated with them in their syndicate department. Mr. Weir was formerly manager of the industrial department of L. D. Sherman & Co.

Whittier Securities Corp. Is Formed in New York

Whittier Securities Corporation has been formed with offices at 1 Wall Street, New York City, to act as underwriters, participating distributors and dealers in industrial, and municipal securities. Officers are Carl L. V. Exselsen, president and treasurer, and S. E. Winfree, secretary.

Central Banking and Bretton Woods

(Continued from page 2278)

the political opposition to centralization of economic power which had long prevailed in the nation.

The period of central banking under the gold standard is characterized by a relative stability of the exchanges. It was also a period of gradual easing of trade barriers and a trend toward freedom of commercial intercourse.

Relationship of Government and Central Banks

The vast power, privileges and influence of central banks throughout the world created, in a number of categories, problems of the relationship of these institutions to their respective governments. As the holder and guardian of the nation's metallic monetary reserves, as creator and dispenser of currency, as the chief dispenser and regulator of credit, as a regulator and adjuster of interest rates, each of these organizations could and did exercise in their respective countries a dominating economic and political influence in national affairs and on the nation's welfare. Largely upon its judgments and policies the welfare of the people was not only shaped and determined but the integrity and the stability of the government itself was also dependent on its policies and its success.

It is to be expected, therefore, that even when created and given the status of private business organizations, central banks should be subjected either to close supervision or to absolute government and political control.

France, in planning the Bank of France, made this institution essentially a government department. Great Britain, on the other hand, has followed a policy of free action for the Bank of England, except in times of emergency, or when political or economic conditions required interference in the bank's affairs. Germany though, influenced by the set-up of the Bank of England, when it established the Imperial Bank, followed the policy of France, in imposing political control, but maintained the institution (until Hitler's regime) as a private institution with considerable discretionary freedom of action. In our own country, there was a similar line of policy with a tendency to tighten political control over central banking action. The changes made by the Roosevelt Administration in the Federal Reserve System were clearly along the line of merely making the Federal Reserve Banks an arm of the national government's monetary and fiscal policies.

Central Banking Theory

At this point, it may be well to examine some aspects of central banking theory in the light of recent governmental policies with respect to the central banks themselves.

From the viewpoint of economic action, it is quite clear that a central bank, if it is to perform its functions as a regulator of currency and of credit, should be untrammeled by governmental interference to the extent that these functions can be performed properly. In other words, the bank's policy should be to serve the business interests of the public and not the political or financial needs and exigencies of the government. In its fiscal operations, a government may have a problem in which its own needs can be met only to the detriment and disadvantage of the business of the country. An illustration of this is when the government is sorely pressed for funds and forces a loan (in the form of printed bank notes) from the central bank. Action of this kind is the prime source of monetary inflation. Practically all the monetary breakdowns which followed World War I were the result of such action. Hence, it would appear that a central bank, if it is to perform its functions safely and satisfactorily, in its dealings with the government, would require the same credit standards as when dealing with its member banks or with other business concerns. In fact, a model of perfect central bank structure would be one which prohibits loans to the government altogether.

But, because of the power of governments both as the creator and as supervisor of central banks, and because of the exigencies of government fiscal demands, the theoretical conception of central banking functioning separately and distinctly from political influences has never been practical. Moreover, in the last quarter century the conditions of both war and of peace have brough about a closer connection than ever before between government finance and central banking policies. This was noted clearly by the late Professor H. Parker Willis, who, more than anyone else was responsible for the contents of the first Federal Reserve Act. In his book on

"The Theory and Practice of Central Banking," he wrote (page 44):

"Among the changes . . . in contemporary central banking is that of the relationship between the central bank and the State, which is to be noted in practically every country. The World War almost necessarily resulted in great drafts upon the central banks of the world, it being regarded everywhere as a patriotic duty for these banks to assist their respective governments in the financing of the war. While, in return, the governments themselves exempted the central banks from those basic requirements of liquidity and responsibility for solvency of the community which had been previously regarded as indispensable. War financiers and their immediate successors regarded them as a temporary aberration — a fact fully established by the effort made in most industrial countries to return to something like the independence which had existed in earlier days.

"These efforts have not been successful. Partly as a result of the responsibility accepted by central banks in their capacity as fiscal agents for the proper placement of public debt and for its continuous refunding and reorganization and partly owing to efforts to re-establish a stable currency standard of some kind, the connection between the various central banks and their respective governments has, if anything, been confirmed, and in some countries has grown in closeness, while in others, after a struggle to bring about a restoration of the former separation, the central bank has slipped back into the war position of a branch of the Treasury, or fiscal department of its government."

Another eminent financial writer, the British economist, Wm. A. Shaw, who has severely criticized the policies of the Bank of England, agrees in the main with Dr. Willis' view. In urging a change in the relationship between the Bank and the Treasury, Dr. Shaw, in his book, "The Theory and Principles of Central Banking," published in 1930, stated "that not only have we to free the London money market from the domination of the Treasury" but it also must "be free from the domination of the Bank of England." And he added that "the true relationship which should exist between the State and an ideal central bank is coming to be regarded as a matter of political expediency." He further points out significantly that "there is no greater danger awaiting modern democracy than the deductions which can be drawn from this assumption."

Much has been written in recent years on the preponderate influence of central bank policy on national affairs and popular welfare. That this influence of a central bank is supremely potent in the economic life of a nation is generally admitted. Just as in the days of the Second Bank of the United States, around the 1830's (which bank, by the way, was not essentially a central bank), all the complaints regarding bad business conditions and credit stringency was laid on the doorstep of this national private institution, just as in earlier as well as in more recent times, trade disturbances, tight money conditions, price fluctuations and the like, have been charged against the Bank of England. The records of Parliament and of the British press, as well as the numerous pamphlets on banking that have been published in England during the last two centuries are evidence of this.

It is not surprising, therefore, that governments all over the world have shown a tendency from time to time to enforce their own policies on central banks and to amend the charters of these institutions so as to completely control their actions.

The Effect of Bretton Woods

Now, we come to the relation of all this to the Bretton Woods Pacts!

As already stated, the Bretton Woods proposals constitute treaty arrangements between governments. None of the great central banks were represented directly at the conference. Yet, it has been and still should be the prime function of a central bank, to keep the purchasing power of a nation's currency stable both at home and abroad, in so far as it is permitted to do this without Government interference or adverse action. Of course, under a system of irredeemable bank notes or a government paper currency, central banks cannot be held responsible for inflation or devaluation. But, even in the period of so-called "Bank Restriction" in England extending from 1797 to 1822, when the Bank of England notes were not redeemed, the directors of the bank were criticized and held responsible for the depreciation in the value of the pound sterling. They were, indeed, rightly accused of issuing an excessive amount of bank notes in order to increase the profits of the bank, and, because of this, the Bank Act of 1844 placed severe restrictions upon the maximum amount of unsecured issues of its notes.

One of the provisions of the International Monetary Fund is the requirement that each Government maintain stability of its currency. Whether this means merely "external stability" or "internal stability" as measured by purchasing power of the monetary unit makes very little difference. One area of stability cannot be maintained without the other, under normal conditions with freedom to engage in international transactions.

A nation engaged in foreign trade cannot long maintain one value for its currency at home, and another value in terms of foreign currencies unless it fixes a rate between the two values, making them separate units, or unless its foreign trade transactions are severely controlled and restricted.

Now, if a nation has a central bank, which either because it supplies money or credit, or holds the monetary reserve, practically has control of foreign exchange transactions, it will devolve on this institution to perform the duty of keeping the currency stable. And it should be noted, that following the last war, as pointed out by W. Randolph Burgess in a recent address, currency stabilization was brought about through cooperation of central banks and through consultation with private bankers, who set the groundwork for such stabilization by making the required loans under conditions stipulated by them. Of course, if the bank is under the control and direction of the government, as presumably it must be under the terms of the International Monetary Fund, it will, in all such activities be merely functioning as an agency of the government and will have no rights of independent action.

It can be readily concluded, therefore, that if the Bretton Woods Agreements are adopted, there will be an end of all semblance of independent central banking. The whole system, built up under such favorable auspices over the last century and which has contributed so much to commercial stability, to industrial expansion, to international trade and to capital movements throughout the world, will either be abandoned entirely or will become merely a political instrument, similar to a department of governmental administration.

What effect all this will have on future economic developments, of course, cannot be foretold. But this seems almost certain! It will mean more regimentation of business and credit! It will have a tendency toward a Socialistic State! It may mean the return to mercantilism, to restrictive trading and to bureaucratic domination of all economic activities of the individual! It is a new approach to "Statism," against which millions of our youth have fought and died.

Truman Favors Repealing Johnson Act

Reading from a message to Congress by the late President Roosevelt advocating repeal of the Johnson Act, which places restrictions on private loans to countries in default on World War I debts, in order that an adequate flow of essential trade be achieved, President Truman told his press conference that he agreed with Mr. Roosevelt's views, the Associated Press stated from Washington, May 15, and added that he personally had never been for the Johnson Act in the first place.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

While most fire and casualty insurance companies cover dividends by substantial margins, there are a few whose dividends over a period of years have not been fully earned. A review of the operations of the past five years of a long list of insurance companies, whose stocks are daily quoted in the market section of leading newspapers, shows that five classifications can be made with respect to dividend coverage, viz: (1) generous, (2) good, (3) moderate, (4) narrow and (5) not earned. It is perhaps of interest to illustrate each class with actual cases. Aggregate net operating earnings and aggregate cash dividends disbursements are shown for the five year period 1940 to 1944 inclusive.

In the first classification of "generous" dividend coverage are the following five companies:

Name—	Aggregate Dividends	Aggregate Earnings	No. of Times Earned
American Surety	$3,750,000	$10,364,000	2.77
Fidelity & Deposit	3,600,000	10,518,000	2.92
Hartford Fire	15,000,000	47,060,000	3.14
Insurance Co. of N. A.	17,700,000	41,940,000	2,37
National Union	1,375,000	3,482,000	2.53
Average			2.75

The five companies noted below belong to the second classification of "good" coverage:

Name—	Aggregate Dividends	Aggregate Earnings	No. of Times Earned
Aetna (Fire)	$6,750,000	$12,487,000	1.85
Boston	3,150,000	5,556,000	1.76
Continental Insurance	20,400,000	35,100,000	1.72
Fidelity-Phenix Fire	15,900,000	29,987,000	1.88
Great American Insurance	9,780,000	18,419,000	1.89
Average			1.82

In group three, which is classified as "moderate," the following five companies are cited:

Name—	Aggregate Dividends	Aggregate Earnings	No. of Times Earned
Agricultural	$1,980,000	$3,078,000	1.55
Camden	2,000,000	2,960,000	1.48
Fire Association	2,500,000	3,820,000	1.52
Hanover	2,400,000	3,388,000	1.41
Phoenix	9,000,000	14,024,000	1.55
Average			1.50

In the fourth classification of "narrow" coverage are included companies with ratios that average between 1.00 and 1.50, as follows:

Name—	Aggregate Dividends	Aggregate Earnings	No. of Times Earned
Bankers & Shippers	$890,000	$977,000	1.10
Home	22,800,000	27,281,000	1.20
New Hampshire	2,700,000	3,144,000	1.16
North River	4,000,000	4,631,000	1.16
Westchester Fire	3,200,000	3,416,000	1.06
Average			1.14

In the last group, five companies are shown which have not covered their total dividend disbursements over the five year period. In all instances, poor underwriting experience has been the cause, particularly in the past two years. Dividends have been within net investment income, however.

Name—	Aggregate Dividends	Aggregate Earnings	No. of Times Earned
Franklin Fire	$3,960,000	$3,546,000	0.89
Georgia Home	500,000	290,000	0.58
Merchants & Manufacturers	500,000	320,000	0.64
New York Fire	800,000	693,000	0.87
Preferred Accident	1,000,000	389,000	0.39
Average			0.67

The above twenty-five stocks have been picked more or less at random, and the number could be well extended in each of the five categories. The purpose of this very incomplete presentation is merely to call to the attention of the investor how necessary is a moderate amount of factual research before purchasing. As has been remarked before in this column, long term market appreciation tends to follow equity growth, and equity growth derives from the plough-back of earnings.

The Securities Salesman's Corner

By JOHN DUTTON

Our Friends in Canada Have a Few Words to Say Concerning the SEC

On Monday, May 14, 1945, the Toronto "Globe & Mail" carried a feature article by Sidney Norman concerning the effect of the policies of the SEC upon the mining industry of the United States. The article was headlined "SEC POLICIES PROVED RUINOUS BY THE RECORD." The article begins: "Here is the record setting forth in plain figures what the SEC, the super-bureaucracy of the United States—which now has a foot in the door of Canada—has done to and for the mining industry."

Then figures are quoted showing that in the five years 1939-43, inclusive, there have been only 51 mining registrations, of which 17 of these originated in Canada. Of the 51, there were only 19 dealing with gold mining, and the article goes on to show that out of this 19 it is safe to assume that all 17 Canadian issues were gold mines, which leaves but two gold mining registrations in the five-year period, for the United States, "once the home of free enterprise—the land of Coloma, Mother Lode, Goldfield, Cripple Creek, and Lead."

The "Globe & Mail" continues: "In 1939 there were 23 registrations, of which 8 were Canadian; in 1940, 12, with 2 in Canada; in 1941 the score was 7, with 2 Canadian; in 1942, 6, with 3 Canadian, and in 1943 but 3, with none in Canada. This is the measure of the "benefit" the SEC has brought to the industry and to the people of the United States with regard to one of its most important assets. Financing of mines has been killed. There is no guesswork about the figures. They were dug from the records by a special committee of the American Mining Congress, of which Samuel H. Dolbear, M.E., well known in Toronto, was the Chairman, and which included other prominent mining men from 13 States."

The article continues: "It is true that the record covers the year 1942 when gold mining was banned in the United States, but that does not affect the figures for the four previous years. They tell a tale of destruction and account for the real cause of the present position of the country among possibly near-by 'have nots' insofar as certain metals are concerned."

Then our friends in Canada lay it on the line. Possibly they see the handwriting on the wall for them—they are our closest and best-informed neighbors—and if this is the effect upon a nation's productive enterprise that our SEC has brought about, THIS WRITER DON'T WANT ANY PART OF A SIMILAR ARRANGEMENT FOR CANADA. (QUOTE): "The tide of condemnation of the super-bureaucracy among the financial men is rising, and since the death of President Roosevelt, creator of the organization that has proved itself the most destructive agency of the now largely abandoned New Deal, has definitely alarmed the swivel-chair artists in Philadelphia. Far-seeing people realize that this organization must be abolished or its powers radically clipped if the country is to regain any part of its former preeminent position as a metals producer, and maintain place as industrial leader among the nations of the world."

Reference is then made to the SEC's recent effort to counteract public recognition of its regulations and its results in its recent defense of its position made to the Congress. This report runs to 184 pages, with 88 pages of tables and charts, and a 20-page foreword. "Within its pages," continues the article, "it is asserted that new concepts of fair dealing, of adequate disclosures and of the duties of management have been inculcated into financial channels"—also, "that during the first decade of its existence 2,000 formal orders were issued, and only 100 petitions for review have been filed. Reasons for the paucity of the latter are not given but are quite unnecessary for the guidance of those who know something of the brow-beating tactics of bureaucracy." Continuing: "So far as the released press 'puffs' of this apologetic work are concerned, there is no mention whatever of THE TREMENDOUS DAMAGE THE COMMISSION HAS DONE BY SUPPRESSION OF THE SPIRIT OF VENTURE THAT MADE THE COUNTRY GREAT, NOR IS THERE ONE WORD ABOUT THE DECLINE TO THE VANISHING POINT OF MINING APPLICANTS FOR REGISTRATION. It is at best a tiresome review of the Commission's "patriotic" efforts in protection of the public, which, if swallowed whole, might convince a numbskull that it has saved the nation untold millions in dollars and grief. Not one word in protection of the spirit that makes nations great."

This is the way a financial writer in the business and financial center of our progressive and growing neighbor republic of Canada sees the picture in these United States. Maybe we have MORE NUMBSKULLS HERE!

Francis duPont to Admit

Francis I. duPont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Albert M. Austin to limited partnership in the firm as of May 31st.

DeLancey Rochester Co.

BUFFALO, N. Y. — DeLancey Rochester is doing business as DeLancey Rochester Co. from offices in the Liberty Bank Building. He was formerly manager of D. Rochester Company.

Trundle Chosen Pres. of N. Y. Wesleyan Alumni

Henry C. Trundle, secretary of the New York Wesleyan Alumni

Henry C. Trundle

Club for the past two years, was elected president at the club's annual dinner meeting held Thursday, May 17, at the Yale Club. Mr. Trundle is vice-president of G. A. Saxton & Co., Inc., 70 Pine Street, New York City, dealers in investment securities.

Textron Co. Debentures Placed on Market

A nation-wide group of 22 underwriting houses headed by Blair & Co., Inc., and Maxwell, Marshall & Co., on May 22 offered $5,000,000 Textron, Inc., 15-year 4½% convertible debentures, at 100 and accrued interest.

Textron is one of the first integrated companies in the synthetic textile field, and performs every operation except dyeing and finishing of cloth from the processing of synthetic yarns to the manufacture and sale to the retail trade of finished textile consumer goods.

Consolidated gross sales were $26,578,010 in 1944 and profit available for interest charges before income and excess profits taxes was $2,347,756, compared with $23,871,561 and $1,697,681, respectively in 1943.

Credit Problems of Small Business

(Continued from page 2281)

When Chairman Patman invited me to appear before your committee he had in mind, I gathered, that the New York Stock Exchange might help in the solution of some of the financial problems of small business. If the Stock Exchange can be of assistance, it stands ready to do so. While the Stock Exchange list is made up of the securities of what may be called the large corporations of the country, we are very well aware of the fact that all business has to be small before it becomes big. The Stock Exchange, as you know, provides an auction market where the securities of established companies are dealt in after their original distribution to the public. A company, in order to list its securities on our Exchange, must be a going concern or be a successor to a going concern; and must have substantial assets or demonstrated earning power, or both. While assets and earnings are a consideration, we put greater emphasis upon such questions as the degree of national interest in the company, its standing in its particular field, the character of the market for its products or services, its relative stability and position in its industry, and whether or not it is engaged in an expanding industry with prospects of maintaining its position. Securities, in order to qualify for listing on our Exchange, must have a sufficiently wide distribution as to afford reasonable assurance that an adequate auction market for the securities will exist.

You will understand, of course, that the fact that we list only the securities of large or moderate sized companies does not denote any discrimination against smaller companies. We are constantly looking for suitable new listings. The Stock Exchange would be doing a disservice to a company by listing its securities before that company is ready for our national market.

Let me say here that a healthy market on the New York Stock Exchange facilitates the flow of capital, and thus benefits all types of legitimate enterprise.

Regional Exchange Listings

In 1944 the Stock Exchange admitted to its list the securities of 23 additional companies. It has always seemed to us that, by a rough approximation, there are about 200 companies eligible for listing and which should be listed. This figure may be considered to remain fairly constant, since as additional companies are listed other companies grow in size and in national importance. Many of the new listings on the New York Stock Exchange were previously on one or more of the regional Stock Exchanges. We of the New York Stock Exchange would prefer that securities have enjoyed a prior listing on one or more of the regional Exchanges before being admitted to our list. This would be a normal and healthy process from the standpoint of the general economy. The growth process is usually gradual; and a seasoning period on one of the regional Exchanges would have the effect of making a company more widely known until, by reason of its increased size and earning power and the broader distribution of its securities, it has a national interest, at which time it would be in accordance with the normal trend to list on the national market.

In recent years listings on the regional Exchanges have been much less numerous than they should have been. The doors to the regional Exchanges should be opened wider in order that they may fulfill their function in providing markets for the securities of local industries. Many of these local industries are, no doubt, concerned with the effort and expense of registration under the Securities Exchange Act of 1934. I am not prepared to say to what extent registration is a deterrent to the listing of local companies. I do feel, however, that if more local companies were listed on our regional Exchanges their securities would have a better and broader market, with the result that capital for expansion purposes could be more readily obtained.

Since the Congress has recently increased the exemption under the Securities Act of 1933 from $100,000 to $300,000, it would appear that a study should also be made as to granting an exemption under the Securities Exchange Act of 1934 to smaller companies on the same ground and reasons for increasing the exemption under the 1933 Act. Smaller companies then might be permitted to enjoy a listed market under the requirements of the Exchange themselves.

Aid of Reconstruction Finance Corporation

In connection with the capital needs of the smaller units of business, my experience in the Reconstruction Finance Corporation, in considering applications for loans to small business, was that you could not always solve a small business man's problem by simply advancing him money. He is often in great need of advice in the management of his business. Since it is impossible for the smaller units to go to the large financial centers, where they are unknown, it is my opinion that we must find a way to encourage the use of capital that is to be found in communities throughout the country. I am sure we would all be surprised to know how much capital there is in our local communities seeking investment opportunities.

Due to the pre-war depression and the extensive amount of Government financing that has taken place for the past 15 years, there has been a great reduction in the number of investment dealers who formerly performed a real service to their local communities in the financing of local industries. I look with much favor upon plans such as the Louisville Industrial Foundation; and there are other similar organizations in other communities that have worked very successfully.

I have in mind, for example, Terre Haute, Ind., in which an industrial corporation was set up and was most helpful in financing and bringing industries to that city. I used to refer to it as the Reconstruction Finance Corporation of Terre Haute. I am not familiar with the present status of that organization, but three or four years ago, when last I came in contact with it, it was still doing an excellent job. They created a fund locally which was reinvested in small local businesses. I think a plan of that sort, working in cooperation with the local banks and the lending agencies of the Government, would go a long way toward meeting the needs of small business.

If a man is well known and has a good reputation in his own community, he should be able to raise the capital that he needs in that community, and I have always found that when capital goes into a business a certain amount of management goes with it. One reason I have never approved of the Government furnishing equity capital for any business is that it is not in a position to supply management along with the capital.

I would like to say this, however, that in my experience with Government in lending money in small amounts I have come to the conclusion that practically all of the American people who borrow money from their Government want to pay it back, and will pay it back if given an opportunity to do so. One of the great difficulties, of course, in lending money in small amounts is the cost of making such loans. We found that was especially true with the Disaster Loan Corporation, which loaned money in small amounts, on the advice of local committees and with very little effort in collection. Practically all of the money so loaned was repaid, but the cost was terrifically high. It was perhaps well worth the cost when computed in terms of the good the loans did.

So, if I were going to suggest a program for helping small business, I would set it down about as follows:

(1) Relief in taxation in order that anyone lending money to a business would have some chance of getting it back out of earnings and would have the prospect of a reward comparable to the risk taken. I think the ground has been pretty well covered on this phase of the problem.

(2) Encourage the organization of local lending corporations, preferably with money raised in communities by the citizens themselves, supplemented by bank loans in cooperation with the Government, or by the Government itself where the local bank is unwilling to make the loan. I heartily indorse the present plan of the Reconstruction Finance Corporation in offering to take up to 75% of any loan that a bank is willing to make, but the borrower should first exhaust the possibilities of local lending agencies before applying to the Government.

You have before you the Louisville Plan, which I think is good, and if properly augmented with Government assistance, perhaps in the way of relief from taxation over a period of four or five years, you will perhaps find the key to the solution of the problem.

As I have stated many, many times, I do not approve of Government in business, but I do feel that there are great possibilities in closer cooperation between Government and business. We have had too little of that in the past.

W. W. Finney & Sons

W. W. Finney and Sons, Inc. is engaging in a securities business in Peru, N. Y. and Plattsburgh, N. Y.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The technical position of the Government bond market improved substantially in the past week. . . . The low point of the decline was reached about the middle of last week with the drying up of selling, for "normal portfolio adjustment," by the savings banks. . . . Commercial banks and dealers were also instrumental in halting the recession as they came into the market to add to their portfolios and inventories at levels that were considered attractive. . . . The issues that showed the largest recoveries were the ones that had gone off most from their recent highs, namely, the intermediate and long-term taxables. . . .

The 2s due 1951/53 and 1951/55 together with the June and December 2s of 1952/54 registered sharp gains from their lows of last week to move within striking distance of their old highs. . . . The demand for the 2½s due 1967/72 resulted in advancing the price of this issue to its previous top. . . .

RESTRICTEDS ALSO GAIN

The restricted issues improved with gains of more than a quarter of a point being made from last week's lows. . . . It was reported that the new money as well as the reinvestment of funds realized from the sale of other securities by savings banks and insurance companies, was mainly responsible for the betterment in these bonds. . . .

The partially exempt were steady to better with interest being evidenced in the longer maturities. . . .

SELLING PRESSURE

It is believed that for the balance of the Seventh War Loan the market will be subjected to selling pressure from time to time as changes are made in portfolios to meet the needs of the current financing. . . . It is indicated that there will be some selling by individuals of the outstanding issues as the first of June approaches, the date that interest accrues on the new securities they will be buying. . . . Also it was pointed out that corporations will probably let out some of their holdings between June 18 and the end of the drive. . . . Insurance companies may likewise make some "normal portfolio adjustments" near the closing of the drive. . . .

Based on these ideas, the opinion is held in certain quarters that the Government bond market will be a more active trading affair as we move along in the drive, with good opportunities appearing at intervals for portfolio adjustments. . . .

Accordingly, banks and other institutions are being advised to watch the market closely and to take advantage of price movements to make the necessary changes in their holdings. . . . It was also recommended that the longer maturities of the 2s, along with the 2½s due 1967/72, be taken on during periods of price weakness. . . .

CAUSE AND EFFECT

One of the principal reasons for the demand that is being evidenced in the 2¼s due 1956/59 is that this bond will be eligible for purchase by the commercial banks on Sept. 15, 1946. . . .

Although the market is beginning to discount this somewhat, many are of the opinion that this issue will sell at levels in excess of those currently prevailing as the time approaches when these institutions can buy this security. . . .

The savings banks and insurance companies, both of whom are substantial holders of this bond, are not expected to exchange many of them for the new issue. . . . While some liquidation may be forthcoming from individuals and corporations, the largest owners of the issue, it is believed that this selling will be well taken and will not have any marked effect on the price of this obligation. . . .

5½ YEAR RANGE POSSIBLE

Certain students of the money market hold to the belief that the ten year maturity range of financing, formerly used by the Treasury, for commercial banks, will be replaced by a 5½ year range of maturities in future financing with these institutions. . . . This means more and larger amounts of short-term low rate issues with no long-term high coupon bonds being offered to these banks. . . .

This policy will not only maintain the liquidity of the banks but it will tend to cut debt charges. . . . At the same time, it will limit the increase in earnings that the commercial banks can obtain from their large holdings of Government bonds. . . .

Such a program will have no material effect on the big banks with their large deposits and substantial holdings of short term issues. . . . On the other hand the smaller banks, many of whom are more largely savings banks than commercial banks will be adversely effected by such a development. . . . Because the indicated policy of future Government financing does not seem to give adequate consideration to the peculiar position of the smaller commercial banks, the point is raised as to what may be done to rectify this situation. . . .

It is the opinion of many of these institutions that they should be allowed to purchase limited amounts of the 2¼% and 2½% bonds. . . .

PORTFOLIO CHANGES

It was reported that some of the large portfolio managers have been making the following exchange:

Sell
2½s due 3/15/56/58 at 106.27 to yield 1.80%
Buy
2½s due 9/15/67/72 at 103.26 to yield 2.27%

It was pointed out in this switch that income is increased, while the premium is reduced by three points. . . . Also the shorter 2½s does not have the same appreciation possibilities as the longer term issue. . . .

Assuming no change in the money markets, the longer 2¼% bond, as it approaches maturity, will advance in price corresponding to that presently prevailing for the 2½s of 1956/1958.

Dangers of Dominated International Trade

(Continued from first page)

opportunity, while seriously interfered with, have not been extinguished. In the majority of cases we still maintain freedom of action in economic activities. But we only escaped passing beyond Point-No-Return a few years ago when the Supreme Court declared the NRA unconstitutional. As a result we still have the option of turning away from the economic will-of-the-wisps that we have been pursuing. We are still masters of our fate.

Unhappily, not all of the peoples of the world in the last few years have found themselves with such options. Their voyages along the road of economic experimentation took them beyond Point-No-Return, long before they realized what had happened. Too late they found themselves in the tightening coils of bureaucracy which stamped out the last vestige of freedom remaining to them. Germany, Italy and Japan now are experiencing the final agonies of the consequences of their failure to turn back. Other nations are steering an economic and political course, which, unless reversed, will carry them beyond Point-No-Return.

In the journeys which nations make in the economic and political spheres, Point-No-Return, unfortunately, cannot be precisely determined as it is in charting an airplane's course. No man can say with finality how far a nation may go along the road of collectivism or Socialism without passing Point-No-Return. But we do know that once this point is reached, there is no turning back toward the progress which has marked civilization until the transgressors have been forced to suffer the tortures of the damned. for writ in the skies, just beyond Point-No-Return, are Dante's immortal words: "Abandon hope, all ye who enter here."

Likewise we know that it takes many years for the culmination of broad economic and political movements. Hitler did not originate the philosophy which has destroyed Germany. He merely seized a ready-made system forged during several generations by the Germans out of a philosophy preached in that country by Karl Marx almost a century ago. Not so many years ago, as Friedrich Hayek points out, the Socialist policy of Germany was hailed by progressives in this country as a model for democracy, just as Sweden today is eulogized as a model worthy of imitation. And today much of the German philosophy of the pre-Nazi years has become imbedded in American and English thinking. Amazingly, not even the tragic end of the German system has been able to shake it loose.

Tests in Nation's Economic Decisions

Our Nation now is engaged in making decisions which may influence our course of action for many generations to come. Yet most of the thinking of the day is being done from a short-run viewpoint. Lord Keynes thinks it clever when he sneers that we live only for the short-run and that in the long-run we shall all be dead. But this month we are witnessing the long-run overwhelming the present generation of Germans, just as history saw the French Revolution destroy the sons of that Aristocracy who said: "Apres moi, le deluge." So our sons shall suffer from that which history demonstrates can lead only to the destruction of all individual freedom.

For 25 years and more the germs of economic collectivism or Socialism have been fermenting throughout virtually the entire world. Governments have exerted pressures, in varying degrees, to fetter the free functioning of markets and to restrict the activities and opportunities of men. Russia, Germany and Italy succumbed to absolute Statism or totalitarianism in which individual freedom for all practical purposes was extinguished. In other European countries, in the Far East and in Latin America, the trend has been toward monetary manipulation, cartels, both private and governmental, subsidies, unduly high tariffs, import quotas, bartering and governments trading with other governments.

All of these activities have been retrogressive, backward to the mercantile age of the eighteenth century, back along what Hayek calls "The Road to Serfdom" and what Rufus Tucker has labeled "Enlightened Despotism." This retrogressive movement, in varying degrees in individual countries, has had common characteristics—namely, the expansion of bureaucratic power over the economic activities of people, a lessening of competition and constant restriction of individual freedom.

I suspect this is what our Program Committee had in mind when they asked us to discuss the place of "American Business in a Planned World." By the phrase "A Planned World" they undoubtedly mean "a bureaucratically managed world"; that is to say, a system where the governments of the world undertake to substitute their judgments and decrees for the decisions and desires of free men that have in the past controlled economic activities.

In such discussions it has become the fashion to stress that we are living in one world. Truly, science has made this globe one world in the geographical sense, but in the geographical sense only. Economically, politically and spiritually we are living in two worlds, each basically different. One is a world of compulsion, the other a world of free men. One is the old world that has turned back to the mercantile system. The other is the competitive enterprise world of America which, with the Declaration of Independence, freed itself from mercantilism.

Our American Revolution actually was fought to throw off the strangling hand of mercantilism—that system under which the Kings of England sought to impose monopolistic restraints of trade upon the thirteen American Colonies for the purpose of enriching the mother country. This was established as a land of opportunity for all persons to achieve the rewards of their initiative, ingenuity, skill and industry. In places of mercantilism, in which one man's profit was another man's loss, and under which all individual activities were controlled for the benefit of the State, there was established a system which created and multiplied wealth through encouraging men to exercise their initiative. Here, as a result, for the first and only time in history, an overwhelming majority of a great mass of people could enjoy decent standards of living.

In the comparatively short span of our national existence we have achieved the most powerful economy on earth. Though at the beginning of this war our people numbered but 7% of the world's population, this country possessed 35% of the railroads on the earth, 45% of the radio sets, 50% of the telephones, 70% of the automobiles. Our people consumed 50% of the silk, 59% of the petroleum, 50% of the rubber and 53% of the coffee in the world. Yet we are told that the economy which produced this standard of living for the American people must be abandoned and that we must embrace economic collectivism in order to live in hamony and prosperity with nations that have chosen such a course.

How the utterly ridiculous such assertions become when we remember that at the time this nation was established it was weak and economically unimportant, and yet as an island of free enterprise and democracy in a world of autocracy it grew and flourished to become the hope for the aspirations of mankind everywhere. If we could exist and make progress during the first 100 years of our national life when our strength primarily rested upon an ideal, surely today with our enormous economic and military power we need not fear the opposing idealogies of any nation.

Competitive Enterprise Will Prevail

Again, we are told, that those who plead for the maintenance of our competitive enterprise system are bucking the inevitable—that with all the world committed to economic collectivism, our fight is a hopeless one. But was not the same thing said back in the Thirties when voices were raised in protest against Fascism? Was it not argued then that the political democracies of the world would have to compromise with the forces of Hitler and Mussolini? Was it not said then that those who urged resistance to the German, Italian and Japanese Philosophies were unrealistic and wishful thinkers, living in a bygone age? But in the end we met the challenge squarely and straightforwardly and within the month the two leaders of the Fascist world have met their mortal doom.

In passing, it should be noted that the crushing defeat of Germany, and that which will soon come to Japan, would not have been possible but for the great industrial and agricultural productivity of America operating under a comparatively free enterprise system. The same forces that gave the people of America in peacetime a standard of living three times as high as that which prevailed in Nazi Germany gave to the enemies of Fascism the weapons of war for its destruction.

Nevertheless, much of our Government's approach to the world's post-war economic problems is away from this tried and true American system and toward restrictive collectivism. In the background of our Government are men who have little faith in the efficacy of competitive enterprise to continue to serve the needs of our people. They contend that thet ime has come when the Government must guide and direct our activities; that our country can achieve high levels of employment and purchasing power only if the Government adopts huge spending programs; that in order to obtain prosperity the Government must tell the people what they can produce, where they can produce it, and in general, at what price they can sell it.

These men contend that the world competition is a synonym for chaos; that the free enterprise system was all right in the age of geographical expansion, but now that our economy has matured we are threatened with widespread unemployment unless the Government assumes the role of economic regulator by stabilizing and giving order to the market place. In short, they insist that we must have "cooperation" and "planned economy," both at home and abroad.

How alluring are those words: Stability! Order! Cooperation! Planned Economy! But out of the bitter experience of the last few years we have learned that such words were the sheep's clothing under which the wolf of National Socialism hid. We have learned that such specious phrases point toward governmental controls that crushed the freedom of individuals and point toward an economic collectivism which is the antithesis of the American competitive enterprise system.

Many of these men for the last twelve years have been seeking to force a system of collectivism upon us with only partial success. How they use the opportunity of establishing such a system in this country through the rear door of international treaties and agreements. In this way, they apparently hope to achieve in a constitutional manner what otherwise would be unconstitutional. The Constitution makes treaties the supreme law of the land, on a par with the Constitution itself, overriding other Federal laws, and State constitutions and laws which may be in conflict with the treaty. In this period when our Government is in the process of negotiating a multitude of treaties and international agreements, we should be very alert to the possibility that through such activities the entire political and economic structure of this country may be radically changed.

The Anglo-American Oil Agreement

As a matter of fact an attempt already has been made in this direction. Last August our Government suddenly promulgated a proposed Anglo-American Oil Agreement. Under the guise of assuring equal opportunity for the Nationals of these two countries to develop oil resources in their respective jurisdictions, this agreement provided a framework for restrictions on the production of petroleum and its products, the fixing of prices and the allocation of marketing quotas upon the recommendations of an International Petroleum Commission. Inherent in the implications of the agreement was the assumption of an obligation by our Federal Government, when it concurred in such recommendations, to undertake to carry them out in the domestic field. Now the fulfillment of such an obligation would necessitate the exercise by the Federal Government of an authority which it does not now possess under our Constitution, because jurisdiction over natural resources is among the powers reserved to the States in the Tenth Amendment.

But once a treaty such as the Anglo-American Oil Agreement were concluded, our Federal Government would attain the authority through the treaty-making powers to assume virtually an absolue authority over the production and distribution of petroleum and its products in this country.

The Anglo-American Petroleum Agreement as it was submitted to the Senate last fall constituted nothing short of a super-state cartel. Such cartelization would constitute national socialization of the petroleum industry here and abroad. Fortunately the unanimous protest of the American petroleum industry succeeded in blocking the effectuation of the scheme, at least for the time being.

Throughout the controversy over the Oil Agreement, it was difficult to avoid the conclusion that those who had proposed it were desirous of taking a short cut designed to change our American system over-night to the status of the German system of National Socialism. If you regard that as a fanciful thought, just remember that the advocates of Socialism long have proposed the promotion of cartels in the conviction that a system of extensive monopolies controlled by the State paved the way for a socialist economy. Hitler and Mussolini never could have risen to positions of absolute control had they not had a ready-made system of cartels to work on.

Other "Commodity" Cartel Agreements

Much of what I have said speccifically in regard to the Oil Treaty is applicable to similar undertakings affecting other industries. This use of the treaty-making power to over-ride constitutional limitations and set the stage for transforming our American system into National Socialism is a danger that may engulf all of us. During the controversy over the Petroleum Agreement, it was reported that similar international agreements were contemplated covering approximately 60 commodities and services in international trade. These were said to cover grain, rubber, tin, sugar, coffee, shipping cargo space and global airways. Undoubtedly, others had to do with metals, leather, wool, cotton, chemicals, as well as manufactured articles that could be fitted into a cartel framework. All would be knit together into an integrated whole under the direction of an International Trade Authority.

Those plans are sufficiently broad, if pursued, to encompass a large part of world trade in a super-state cartel system. More alarming, however, this movement would entangle a large part of our domestic economy in the tentacles of the vicious cartel system, with destructive repercussions upon every other line of economic activity.

The amazing thing is that this scheme for super-state cartels has won the support of men who agree that the private cartel is evil and reprehensible. Yet they profess to believe that an undertaking that is against the public welfare and thus bad, can be made good if it is conducted under the aegis of government. The private cartel contains the competitive germs of its own destruction. The government-sponsored cartel, such as the N. R. A. codes, and the super-state cartels, are far more reprehensible because there are no means for their eradication.

Lest there be any misunderstanding, I favor world collaboration—cooperation among nations—establishment of an organization to keep the peace. But instead of undertaking to restrict world production and world trade we should seek to free that trade from the strait-jackets of cartels, unduly high tariffs, import quotas and all other restraints that do not come from the free choice of a free people.

We cannot but view with concern the tendency of government to control more and more of industry and thus continually to narrow the field that is left open to free enterprise. In this country the railroads, with their rates, wage scales and finances under control of government; the other public utilities; the banks, insurance companies and investment concerns; and the Merchant Marine — these are all practically closed to free enterprise and the operation of natural economic law. Even in that most elemental and least integrated of all industries—agriculture—the hard, unimaginative authority of government, experimenting this year with one nostrum and the next year with another, has produced all the symptoms of creeping paralysis.

This persistent effort to bring industry, business, commerce and enterprise, under government domination is a flat denial of all the lessons of the last century and a half. Within that short period the institutions of political democracy and economic freedom here have grown up side by side. They have grown together and lived together; their epoch has been marked by the emancipation of the comman man and by the most impressive advances in the arts and sciences. Free enterprise has always made the greatest contributions to recovery from depressions by lowering the prices at which its products are sold. And just to the extent that expanding government controls narrow the area within which enterprise and initiative are free, to that extent be borne by those who are still they add to the burden that must be borne by those who are still their own masters.

In conclusion, I appeal to you men of business to stand firm in defense of the American system of free and competitive enterprise. The truth is that no economic planning authority, national or international, could have foreseen, planned, plotted, and organized such an amazing spectacle of industrial progress as this country has witnessed in the last century. No trust or cartel combination, private or governmental, could have accomplished it. It could have been achieved only under conditions of wide open invitation to all the genius, inventive ability, organizing capactiy and managerial skill of a great people.

Nobody must be barred, no invention rejected, no idea untried; everyone must have his chance. Under our American system of free enterprise and equal opportunity everbody gets just that chance. It is our freedom that has brought us to this high estate—intellectual freedom, religious freedom, political freedom, industrial freedom; freedom to dream, to think, to imagine, to experiment, to invent, to match wits in friendly competition; freedom to be an individual.

That is our great American heritage. With so many political witch doctors abroad in the land teaching Communism, Fascism, planned and dictated economies, governmental paternalism and all the other isms, I urge you to guard well that heritage and to turn a deaf ear to all their sophistries. When a people come to look upon a government as the source of all their rights, there will surely come a time when they will look upon that same government as the source of all their wrongs. That is the history of all planned, dictated economies. That is the history of tyranny. To each of us is assigned a part to play in the great drama of life; and we can only play our parts with the greatest measure of perfection as free, unhampered individuals. Surely it is unthinkable that in the light which this Twentieth Century has rekindled, a great progressive people will be beguiled into turning back to the ways of controlled economies and dictated social programs.

Food Plans for Europe

President Truman has assured Mrs. Dwight W. Morrow, President of food for Freedom, Inc., an organization formed two years ago to promote the use of food in building the peace, and the leaders of 21 other organizations, who had appealed for the President's aid in sending food to the liberated peoples of Europe, that the United States would find a way to share its supplies with the starving millions in need of help, according to the Associated Press from Washington, May 12.

A few days earlier Herbert H. Lehman, director general of the United Nations Relief and Rehabilitation Administration, stated that UNRRA was not planning to supply any food to Germany, adding that the statement was made in reply to an implied charge in a report circulating from Paris that UNRRA would supply Germans with food. The American Broadcasting Station in Europe has reported in a broadcast that German civilians will get 25% less food under the Allied occupation than they were allowed by the Nazis.

Mutual Funds

Over the Billion Dollar Mark

The National Association of Investment Companies, in a current release, announces that total net assets of the 70 open-end member companies crossed the billion dollar mark in April—by a good margin. The estimated figure on April 30 was $1,030,000,050, compared with $882,191,000 on Dec. 31, 1944.

"The Stock Market is Many Markets"

A new folder from **Distributors Group** bearing the above title makes a revealing analysis of just what the stock market is—and what it isn't.

Charts and tabular comparisons are used to prove—

1. that the stock market is many markets, and
2. that for good investment results it is important to own stocks in well situated **industries.**

The folder goes on to illustrate that stocks **within an industry** also show wide variation in performance. Conclusion: "The investor needs experienced guidance in both respects—selection of industry and selection of stocks within the industry. Such guidance must be **continuous."**

Help Wanted

North American Securities Co. employs a "Help Wanted" ad in its current memorandum on **Commonwealth Investment Co.** to emphasize what the average person with money to invest needs in the way of help. The memorandum then points out that the investment dealer can answer this need satisfactorily with Commonwealth Investment Company shares.

Wellington Fund

"How many neglected customers do you have," asks Walter L. Morgan in a current memorandum on **Wellington Fund.** He suggests that dealers check over their inactive accounts to see how much of each account would be better protected if the money were in shares of Wellington Fund.

"Don't forget our big book, 'Beyond the Headlines'," he adds, "which makes it easy to explain the whole story about Wellington Fund. If loaned to your customers it will produce orders."

Monthly Income

Hugh W. Long & Co., in a new folder, announces that monthly income is now available through an investment in **Manhattan Bond Fund, Fundamental Investors** and **New York Stocks,** and adds:

"It is easier to plan programs tailored to individual investment requirements because these three funds cover almost every investment need."

The folder itself is a handsome job with a picture of 12 monthly dividend checks available to an investor in these three funds. A dividend calendar on the back page of the folder facilitates in the planning of a tailor-made investment program.

Bond Redemptions

Keystone Corp., in the current issue of **Keynotes** dramatizes one of the major investment problems of our time resulting from the steady decrease in interest rates and the disappearance of higher coupon bonds through redemption prior to maturity. This problem of maintaining investment income is emphasized by a list of 15 well-known bond issues which have been called for redemption over the current period.

Keystone Corp. presents a solution to the problem of maintaining a "living" wage on investment funds released by these calls through "a diversified and supervised program in 155 bonds" available in **Keystone Bond Funds B-2, B-3 and B-4.**

Economic Gains vs. Security Prices

National Securities & Research Corp., in the current issue of **National Notes,** presents a chart comparing the economic gains this country has made since the outbreak of the European War with the advance in stock prices. The chart illustrates strikingly the lag in stock prices as compared with our financial progress.

"Experience indicates lag will be reduced," concludes the memorandum and the three **National Common Stock Funds** together with **First Mutual Trust Fund** are recommended for taking advantage of this adjustment.

Common Stocks for College Funds

Selected American Shares, in the current memorandum of its series on investment company shares for trust investment, reports the holdings of the University of Chicago and Northwestern University.

Since 1941 the University of Chicago has held the proportion of common stocks in its investment portfolio at approximately 28%. Northwestern University, in 1944, had stock investments amounting to 26.5% of the total portfolio as compared with only 18.2% in the previous year. In the case of Northwestern, this sharp increase in the common stock portion of its funds resulted mainly in a decrease in real estate and mortgage investments.

Post-war Aviation

In a current mailing on **Aviation Shares, Distributors Group** quotes the following from the recent joint survey of four leading financial institutions on post-war aviation:

"In the next five years the American domestic and international airlines will spend nearly $750,000,000 for flying equipment and non-flying equipment and facilities, and may have to borrow as much as $350,000,000."

Commenting on the results of this survey, **Distributors Group** writes: "Investors who diversify and buy values should do extraordinarily well in aviation securities."

Boston Fund

In its quarterly report, **Boston Fund** shows net assets of $15,915,176 on April 30, 1945, compared with $11,863,738 a year ago. During the quarter, holdings were increased mainly in the chemical, merchandising, rubber, aviatiton, oil, railroad equipment and metal stocks.

Employment of Economic Sanctions Among Current Parley Problems

(Continued from first page)

it seems advisable to spell out their exact manner of application in the new Charter for the following reasons:

(1) Economic sanctions are much more important than many other functions of the new Security Organization (e.g., as the promotion of culture) that are listed;

(2) If the technique is not spelled out now in the Charter, there may be disagreement after the formation of the World Organization, with a resulting serious hiatus;

(3) **It will enhance the attractiveness of the Charter, to elaborate in detail on the prior use of a relatively peaceful persuasion, before the actual shooting begins. . . .**

* * *

The technique will follow either the Dumbarton Oaks proposals, or else a plan about to be promulgated by some influential advisers in the American delegation. . . . The Oaks program has contemplated that planning and technical advice on sanctions be done by the Economic Council, which would be passed up vertically to the Security Council for formal invocation by the latter. . . . The new alternative plan proposes a special technical committee for the purpose, as part and parcel of the Security Council (which of course is charged with the use of force), and on the same level as the designated military staff committee. . . . **This "Economic Sanctions Staff Committee" would assist and advise the Security Council on all questions relating to the employment of the required weapons in the economic field. . . .**

The arguments for such an additional specialized body, working as part of the Security Council, are:

(1) The real orientation on economic sanctions renders the sanctions weapon a Security Council function. . . . As an instrument of force, they should be coordinated with, and directed by, the force-using body, in contrast to the Economic and Social Council which is a peace-promoting agency;

(2) The Economic and Social Council is to further peace through measures such as full-employment promotion, tariff measures, and exchange stabilization, whereas sanctions definitely disrupt the peace, and hence belong elsewhere;

(3) Sanctions are directly relevant to the settlement of international disputes;

(4) **In contract to the peace-promoting Economic and Social Council, the body invoking sanctions is typical of existing war-making agencies, such as the Board of Economic Warfare and Foreign Funds Control. . . .**

The League of Nations applied sanctions through ad hoc appointment of a special committee by the Assembly. . . . When Italy went on the rampage, this main committee, consisting of 18 members, had the technical details worked out by a large number of subcommittees. . . . **Our prospective supplanting of the ad hoc system by continuing machinery surely seems preferable. . . .**

* * *

In discussing the prospects for the Economic and Social Council with your correspondent yesterday, Commander Stassen vigorously expressed the conclusion that the current deliberations in the financial, economic, and social spheres, will ultimately add up to this Conference's most important accomplishment. . . . **Governor Stassen feels that the impossibility of getting nations to hand over law-making powers to an international body, will be counter-balanced by the spotlighting prestige of the World Organizations, particularly with the passage of time. . . . The lofty obectives will become effective through a process of "gradualism", he feels. . . .**

Harold E. Stassen

This emphasis on extra-legal effectiveness is also voiced by another American delegate, who is vitally concerned in saying that the Council's recent elevation to a "principal body" of the World Organization will result in greater prestige rather than in world power . . .

* * *

But the Council's crucial difficulties will remain in being necessarily unable to acquire powers of compulsion and of enforcement. . . . The only occasions when actual directives can be imposed on countries or even on the affiliated agencies will come when they are specifically permitted through direct special bilateral agreements with them. . . . These assuredly will be few and far between. . . . **The Bretton Woods Organizations, for example, are so devised that there can be no interference with their loan decisions. . . .**

Hence the Council's procedural functions in financial, economic, and social matters will remain:

(1) Recommendatory;
(2) Coordinating;
(3) Advisory. . . .

Mutual Fund Literature

Lord, Abbett—Current issue of **Abstracts** featuring the Seventh War Loan Drive; **Investment Bulletin** on rubber stocks. . . . **Calvin Bullock**—May issue of **Perspective** discussing the position of the electric utilities. . . . **Broad Street Sales Corp.**—Mid-month letter on **Broad Street** and **National Investors** analyzing the construction industry. . . . **Vance, Sanders**—Current issue of **Brevits,** including notes on "capital" and tax news. . . . **Selected Investments Co.**—April 30 portfolio breakdown of **Selected American Shares** showing diversification of a $10,000 investment in that fund. . . . **Hare's Ltd.**—A new issue of Current Considerations.

Dividends

Fundamental Investors, Inc.—Quarterly Dividend No. 46 amounting to $.22 per share payable June 15, 1945 to holders of record May 31.

Union Trusteed Funds, Inc.—The following quarterly dividends payable June 20, 1945 to stock of record June 11:

Union Bond Fund A	$.24
Union Bond Fund B	.18
Union Bond Fund C	.10
Union Preferred Stock Fund	.17
Union Common Stock Fund	.07

The preservation of nationalist rights and autonomy, and its relation to the increasing fears of Congressional displeasure is now being extended from the political field of regionalism and territories to the formulation of social objectives. . . . Proposals to include education by name in the Charter, as well as the objective of full employment, have been vigorously opposed through fear of nationalization as well as by worry over interference in domestic affairs. . . . However, education was unanimously approved at a Committee meeting late last night. . . . **In the case of full employment Dean Virginia Gildersleeve presented a redraft in such devious and compromising language, that it was turned down with only Chile concurring with the United States vote.** . . . Other reasons for opposition to the full employment specification, which is now left in midair, are:

(1) It no doubt would prove a snare and delusion in promising the impossible to the world's population;

(2) It implies endorsement of totalitarian methods. In fact it was actively promulgated by M. Molotov;

(3) It is bad semantics, a defect the legal luminaries here are still confident they can satisfactorily repair. . . .

* * *

It will be most unfortunate if the public's impression is further emphasized that the controversy represents a vote for compulsory employment or not. . . . Surely America and its Conference delegation favor full employment as strongly as any one, but want it promoted through the application of international social welfare on a world-wide basis, and want to make certain that it does not interfere with domestic policies. . . .

Actually interference with domestic affairs will now be prohibited by the four-power proposed amendment to Chapter 2 of the World Organization Charter. . . .

* * *

It is now learned that the very controversial regional question, insofar as "functional regionalism" is concerned, will be promptly thrown into the lap of the committee formulating the Economic and Social Council. . . . In the fields of trade agreements and economic measures in general, as in the political sphere, basic conflicts between regional and world-wide interests exist and must be reconciled. . . .

In order to fan the flames behind the present international spirit, and to keep lofty objectives alive and before the public during the prospective long interval between the Conference's end and the initial functioning of the new Security Organization, and to perpetuate Mr. Roosevelt's policy of continuing "fluidity" of international conversation, two more conferences will be called within the next few months—one on educational and social matters, and one on trade. . . . **It is hoped that the continuity of conferences during the preratification interval may counteract the effects of possible radical changes in the governments of some countries, as China, Greece, Italy, France, Holland or Belgium.** . . . This danger is pointed out here by a former high government official who has recently returned from missions to Europe and the Far East. . . .

* * *

The controversy between the vociferous supporters of the CIO-Soviet controlled World Trade Union Organization, and the backers of the International Labor Office as favored by the AFofL, about designating the ILO in the new Charter by name, is still wide open. . . . Although the American delegation decided to favor the naming of none of the affiliated bodies of the Economic Council, surprisingly the British have in committee been aggressively advocating the naming of the International Labor Office. . . . **In this they are being supported by some of the Latin-American Republics—possibly as a slap at Russia, which wants the WTUO represented.** . . .

* * *

Perhaps the explanation of Britain's going so far beyond the American position in pushing the ILO lies in the domestic political situation in England, and in the coming elections. . . .

In any event it can be predicted that the decision of the Conference finally will be to name no affiliated organizations specifically, but to describe them in covering language for designation later by the International Organization, according to the following three categories:

(1) Official government agencies (would presumably include one on Food and Agriculture Organization, International Bank and Fund, and probably the International Labor Office);

(2) Private organizations and groups (as the World Trade Union Congress, CIO, representatives of agriculturists, consumers, et al) who would function in an advisory and consultative manner;

(3) Specialized economic and other technical sub-agencies to service the parent body as did some of the League of Nations' staffs. . . .

Backed by the American delegation, this represents the best compromise on procedure, without sacrificing principle, that seems possible. . . .

* * *

Harper Sibley, who is officially representing the United States Chamber of Commerce here on the Consultants Group, feels that, on balance, the prospective organization will actively further the interests of American business, and maintain the traditional international aspects of the Chamber. . . .

In fact the Chamber expects to be actively represented in the Security Organization in two ways:

(1) By having a representative designated by the Chamber participate in the tri-partite business-labor-government set-up of the affiliated International Labor Office;

(2) As one of the autonomous consultative bodies, to be affiliated with the World Organization's Economic and Social Council. . . .

In any event this "steaming-up" of a group like the Chamber of Commerce of the United States over a six-week interval proves the excellent public relations technique which the State Department is practicing. . . . In bestowing encomiums of praise for saving world civilization on the 42 groups of consultants, the Department is undoubtedly gaining the good will of many communal groups that may be needed for later Congressional ratification. . . .

* * *

On the trusteeship question, it is becoming increasingly evident, apart from legal wizardry and word-artisanship, that very few territories will go under trusteeship—practically only conquered territories and solely those which are not needed for strategic reasons. . . .

At his recent press conference, for example, the Lieutenant-Governor General of the Netherlands East Indies, Van Mook, became quite angered when queried regarding the Indies' future status. . . . Of course, determination of their status is outside the terms of reference of this Conference. . . . The Indies supply 86% of the world's pepper, 37% of its natural rubber, 27% of its cocoanut, 19% of its tea, and 91% of its cinchona bark. . . . Their post-war requirements will be textiles, fertilizers, machinery and railway and harbor equipment. . . . They will welcome foreign capital for their heavy industrialization program. . . . **There will be no discrimination against any foreign country, foreign enterprises being subject to the same rules as Dutch business.** . . . **The country will need vast exports to supply its capital needs, occasioned by the bomb destruction of railroads, harbors and oilfields.** . . . Such aggressive destruction met only the weakest defense, due, according to Dr. Van Mook, to the over-emphasis of the colony's economy on social reform (as happened in the French Front Populaire experience). . . . Although the problem of access to the Dutch East Indies' raw materials has been broached in some quarters, actually they have no such problem. . . . The only problem is access to their export markets. . . .

* * *

Referring generally to the new trustee system, Dr. Van Mook feels there is no relationship of it whatever to the access-to-raw-materials status. . . Existing cartel and other trade agreements cannot be affected by trusteeship. . . . **In any event it can be reliably stated that this Conference will neither spell out nor otherwise prescribe any regulations for the control or distribution of raw materials or trusteed territories.** . . .

* * *

A significant reaction to the possibility of Russian-American trade was furnished by Foreign Minister Maniluski of the Ukraine Government at his "double-talk" press conference, staged to explain why the Ukraine is now a sovereign country. . . . The Ukraine will need finished goods badly and in substantial qualities, but for export it has mainly grain, metals, chrome and cattle, none of which we need. . . . Hence it is difficult to see how trade can be conducted without some kind of subsidy. . . .

Asked whether the Ukraine expects to trade directly with the outside world or by means of arrangements negotiated through Moscow, the Minister was characteristically evasive. . . .

* * *

Although Assistant Secretary of the Treasury Harry White has departed, Bretton Woods is being "protected" at the Conference by Assistant Director Ness of the Department of Monetary Research. . . . The Treasury professes to be encouraged by last week's favorable reporting of the foreign trade agreements by the House of Representatives. . . .

* * *

A typical instance of the drain on Chairman Stettinius' time and one reason for the length of the Conference is contained in the visit of a second group of zealous Philadelphia citizens. . . . Four strong, they have taken the ride out here to present their plea formally to the Chairman to have the United Nations World Organization permanently established in the Quaker City. . . . The Secretary informed the pleaders that he will report their suggestion to the appropriate Committee at "the proper time." . . . The request was referred to Secretary-General Hiss, who will later pass it on to the interim organization, which will ultimately pass it on to the Assembly, where it will be settled after some years. . . . The public's unwillingness or inability to realize the limited purview of this Conference has probably lengthened it about 50%.

Registration Denied

The application of Russell Maguire to register a new company, Maguire, Inc., as a broker-dealer has been denied by the SEC, which in 1941 found two firms under his control guilty of manipulating the market.

The Commission declared, in denying the application, that "prior revocation proceedings were based on flagrant violations of the anti-manipulation and anti-fraud provisions of the laws we administer. They were neither casual nor inadvertent. They were planned, wilful and persistent. They bespoke, not ignorance of the law, but a knowledge of its requirements and an attempt to use devices (dummy accounts) to evade it."

The Commission was urged by Mr. Maguire's attorney to approve the application because of the war production record of Russell Maguire & Co., Inc., which in 1939 acquired control of the Thompson Automatic Arms Corp., and Maguire Industries, Inc., which manufactures the Thompson submachine gun. Excerpts from letters written by high military and Government officials attesting to the performance of Mr. Maguire's companies were read by his attorney.

The SEC declared however, that while letters "attest amply to the capacity of his organization to make sub-machine guns quickly" . . . they have little bearing on the question whether he should be permitted back into the securities business where he will face again the same temptations to which he succumbed in the past."

Registration Revoked

The broker-dealer registration of the General Securities Corp. of Richmond, Va., has been revoked by the SEC, which found the company guilty of wilful violations of securities of the Securities Exchange Act prohibiting fraud in the purchase or sale of securities. The Commission charged that the fraudulent transactions took place while the company was acting as broker for the trustees of two decedents' estates and were effected through Pres. E. R. Jones.

City Stores Stock Marketed by Lehman

An underwriting group headed by Lehman Brothers on May 18 ofered to the public 100,000 shares of ($5 par) common stock of City Stores Co. at $13 a share. All of the shares are being sold by the Bankers Securities Corp., a parent of the company, and City Stores Co. will receive none of the proceeds from the sale. On Jan. 31, last, Bankers Securities owned beneficially 1,046,075 shares of common stock, or approximately 86% of the total outstanding, and all of the 400,000 shares of outstanding class A stock.

City Stores Co. is a holding company owning directly or indirectly all or a substantial majority of the stocks of corporations engaged primarily in the operation of six department stores, in Philadelphia, New Orleans, Memphis, Birmingham, Louisville and Boston.

Outstanding capitalization of the company consists of $4,900,000 funded debt, including promissory notes; 400,000 shares of class A stock, and 1,208,401 shares of common.

Baltimore Porcelain Steel Stocks Offered

Public offering of 100,000 shares of convertible preferred stock (par $5) and 100,000 shares of common stock of the Baltimore Porcelain Steel Corp. was made May 21 by Kobbe, Gearhart & Co., Inc., and Newburger & Hano in units of one share of each at $5 a unit.

Each share of preferred stock is convertible into 2½ shares of common. Preferred is redeemable at $5.50 a share. The money will be used for new equipment and additional working capital, to facilitate conversion and finance peace-time production.

Canadian Securities

By BRUCE WILLIAMS

Although the Federal elections are less than one month away, there is a curious absence of political excitement north of the border. It would appear that the result is already discounted with the consensus of opinion decided that Mackenzie King will be returned to power.

In spite of the considerable publicity in this country on the subject of a supposed violent swing tto the left in Canada and a formidable challenge by the C. C. F., recent Dominion-wide testings of the popular political trend clearly indicate that since the end of 1943 the power of the C. C. F. has steadily waned, whereas the Liberal cause has slowly regained ground previously lost.

There is no reason at this stage, therefore, to depart from the conclusions reached at the beginning of the year, that there is still a distinct possibility of Mackenzie King returning to power with an overall majority. Neither the C. C. F. nor the Progressive Conservatives have made headway in the meantime and the threat of a large scale Quebec defection from the Liberal ranks has not been realized.

Furthermore, the results achieved by C. C. F. Government in Saskatchewan are not likely to encourage the electorate in other provinces to follow this example and it is more probable that the voters in Saskatchewan will demonstrate that they have repented their previous decision.

If at the worst there is an undecisive result, it is fairly clear that the Liberals will be able to count upon the support at least of the Social Credit party in order to control a majority, and in any case should hold the balance of power as the other major parties, the Progressive Conservatives and the C. C. F., are unlikely to combine on any vital issue.

Another Canadian subject that has received considerable attention here is the activities of a few high-pressure Toronto gold stock salesmen in this country, it would appear that this problem is not going to be solved satisfactorily by individual states taking various drastic steps that penalize the legitimate mining interests in Canada. With spectacular mineral discoveries there is always a wave of undesirable speculation, and there is thus the danger that the importance of recent mining developments in Canada will be obscured by this worthless froth.

It is increasingly clear that Canada is at last commencing to exploit fully the tremendous mineral resources of the fabulous Laurentian Shield which is destined to play a great part in the shaping of the Canada of the future.

In spite of the unethical conduct of a certain undesirable minority of Canadian security dealers, there has been decidedly more money made than lost in this country by investment in Canadian mines, and those who take reasonable precautions and follow developments intelligently will profit accordingly in the future. However, the whole problem would be best solved by the Ontario Government taking requisite action to curb the offenders within its borders.

Turning to the market for the past week, general strength still persisted with interest centered on Alberta issues, which, as anticipated, moved further ahead. High grades continued in demand although Quebecs were quoted slightly off their recent highs. Manitobas were again in especial demand but scarcity of supply restricted turnover.

Internal securities, especially gold shares, were strong and active. It is to be expected that as soon as weather conditions permit in early June the Yellowknife issues will recapture the interest recently held by the Quebec and Ontario mines.

With regard to possible future prospects, in the absence of any unfavorable election developments which are not anticipated, the market should continue generally strong with an increasing demand for internal securities.

Thornton & Co. Formed In New York City

Announcement is made of the formation of Thornton & Co. with offices at 60 Wall Street, New York City, to conduct a general securities business. Partners are Charles J. Thornton and Patricia Thornton. Mr. Thornton was formerly a partner in Thornton & Curtis of Boston.

Louis Heller in N. Y.

Louis Heller is engaging in a securities business from offices at 233 Broadway, New York City.

Ohio Brevities

(Continued from page 2284)

Mr. Sampliner began his careeer in the investment field with Otis & Co. in 1918, later taken over by E. A. Pierce & Co. He is a director of several Ohio companies, including Joseph & Feiss Co. and Galion Metallic Co. of Galion. He has been a member of the Cleveland Stock Exchange since 1927.

* * *

The List-Eaton-Daley interests, operating as the Albert Realty Co., has purchased practically all of the stock of the William Whitman Co. of Boston and New York, the second largest textile interest in the country.

William R. Daley, president of Otis & Co., declared "it is the intention to develop it rapidly."

The Whitman Co. holds around 30% of the stock of Arlington Mills at Lawrence, Mass., and also has an interest in Calhoun, Nonquitt, Nashawena and Monomac Mills, processors of woolen and rayon goods. The management and officers at the mills will remain unchanged. Net worth is placed at $35,000,000 while the annual business is reported around $60,000,000.

* * *

J. S. McCombe, financier of Akron, O., has purchased the M. Hommel Wine Co. of Sandusky, O., producers of champagne and wines for 67 years. Mr. McCombe said plans are to completey remodel and increase substantially the production capacity of the company which will be known as the M. Hommel Co.

* * *

A 43-year-old man who started at the bottom of the ladder has now reached the top rung as president of the Cleveland Electric Illuminating Co., one of the top concerns in the North American system.

He is Elmer L. Lindseth, a graduate of Case School of Applied Science, Miami University and the graduate school of New York University.

Mr. Lindseth, who was named executive vice president last March 7, succeds the late Eben G. Crawford, who died April 17.

He started with the company in 1924 as a test helper. Later he became production engineer, assistant to the executive engineer, assistant to the president, and in 1942 was made vice president in charge of sales.

Dean C. Ober, who has been chosen to succeed Mr. Lindseth, also is a Case graduate and began his career with Illuminating Co. in 1913. In 1917 he was assistant in charge of electric engineering department, executive engineer in 1933 and later was manager of operations. He was elected a vice president a year ago. Both worked for the company while attending Case School.

* * *

C. M. White, vice president in charge of operations, has assumed the presidency of Republic Steel Corp., third largest steel company in the nation. Board Chairman T. M. Girdler announced that R. J. Wysor resigned to engage in a new activity abroad. E. M. Richards was elected to Mr. White's former position.

Mr. White has been in the steel industry since 1915, two years after graduation from the University of Maryland. He started with Jones & Laughlin Steel Corp., later becoming associated with Girdler, one-time president of Jones & Laughlin Steel Co. He came to Republic in 1930 when Girdler was chosen as president. He was made a vice president in 1935. Mr. Richards, also a former J. & L. official, was made chief industrial engineer of Republic in 1930.

New Faces in High Cleveland Places

Robert C. Lee, treasurer of **White Motor Co.** since 1936, is now vice president-treasurer of the company, President **Robert F. Black** announced Lee had long experience in the banking and financial field prior to joining White. . . . **Dwight P. Joyce**, vice president who for several years has been general manager of the **Gildden Co.'s** paint and varnish division, has been made assistant to the president, Adrian D. Joyce. . . . **Alexander D. Duncan**, vice president and managing director of the **Glidden Co., Ltd.** of Toronto, Canada, succeeds Dwight Joyce as manager of the paint and varnish division while **Charles Morrison** is acting managing director director of the Canadian business. . . . **Mowry E. Goetz**, manager of **Republic Steel Co.'s** Chicago district for the past five years, has been transferred to Cleveland headquarters as assistant to the vice president in charge of operations, **E. M. Richards**. . . . **William J. Gorie** is the new manager of the Cleveland branch of **International Printing Ink** division of **Interchemical Corp.**, replacing **Carl A. Schill** who is retiring after more than 43 years in the graphic arts industry. . . . **Otto G. Schwenk** industrial engineer of the **Weatherhead Co.** since last August, has moved into the post of comptroller of the company. He was associated for ten years with **Albert Raymond & Associates** of Chicago, consulting industrial management firm, before coming to Weatherhead. . . . Cleveland Chapter, National Association of Cost Accountants, elected **Otto Gammel** of **Locke Machine Co.**, president at its 25th annual meeting.

Forde U. Steele, departmental manager of **Central National Bank**, is tops among the public speakers in the Cleveland banking fraternity.

Mr. Steele has been awarded a gold trophy for winning the annual public speaking contest of the Cleveland chapter, American Institute of Banking, for three successive years. His latest victory was on the topic "The Bank's part in Financing the Reconversion of Industry." Trophy was donated by the Cleveland Clearing House Association.

U. S. Part in Soviet Reconstruction

(Continued from page 2282)

absorb 133,000,000,000 rubles, and the magnitude of the undertaking stimulated a search for new ways to build cheaply yet solidly, more quickly, and in new fields never before studied. It was then in 1939 that for the first time a definite plan for the whole construction industry was drawn up involving a complete reorganization of the Government apparatus responsible for the execution of the huge, country-wide program. Emphasis was put on a large staff of professional builders, trained in modern methods, and the use of machinery, under the guidance of specialized engineers. The utilization of local materials was stressed. The staff at that time consisted of 2,500,000 workers, and the whole reserve of equipment was valued at only 250,000,000 rubles, small numbers and amounts for the tremendous job that had to be done.

In 1934, also, the first mention of pre-fabricated houses was made in the press: A barracks for 100 people, complete with plumbing, sewer connections, and electric wiring, made of pre-cast concrete slabs, was erected in ten days.

Construction Speed Becomes Goal

But for the next few years, the construction industry made only slow progress, although many factories, housing projects, and other structures were completed. The building workers, it was reported, often remained at the plants they worked on after the structures were completed, and under those circumstances it was impossible to hold construction gangs together, for transfer to other jobs. New methods were slow to be adopted, and in particular, the devices and mechanisms for cutting down the time of building had not been generally assimilated. But the idea of high speed construction was rapidly percolating, and in individual cases new records were hung up: A synthetic rubber plant, for example, was erected in 12 days, instead of the four to six months usually required for the job. The third Five-Year Plan raised the sights of the building industry, which was called upon to spend a total of 180,000,000,000 rubles. A new Commissariat for building materials was established, to organize and stimulate the production of local deposits of lime and gypsum, to build brickyards and cement plants, and in every way avoid the long-haul delivery of building materials. As part of the work of the new Commissariat, a number of schools were organized to prepare workers for the industry, with a research institute to investigate and develop materials, finishes, paints, and so forth. The keynote of the construction plan was sounded by "Izvestia" as follows:

"When once Soviet architects realize the possibilities of high speed construction there will be built, on a mass scale, hundreds of good looking, practical buildings, produced by the friendly cooperation of the workers in the building industries, in the building material industry, and in the architect's office."

I quote this passage to draw your attention to the extent to which American speed had become a goal in Soviet building plans as early as 1939. You are probably all familiar with the way in which, during the war, whole factories, and housing for hundreds of thousands of workers, were rushed to completion in months or even days, behind or in the Urals, where huge quantities of munitions, guns, tanks and other necessities of modern warfare were manufactured. Sometime the story of this tremendous accomplishment will be told.

Growth of Soviet Construction Industry

So far I have told you a little about the background and growth of the Soviet construction industry. You are probably now familiar, from your association with the members of the Russian Commission sent over to familiarize themselves with the latest developments in American building practices, who have investigated, I know, many plants, building and housing projects, with some of the plans for post-war building in the USSR and some of the structures for which the United States is famous. I understand that Mr. Gousev will tell us about the present organization of the construction industry in the Soviet Union, and perhaps something of the plans for building that will be put into effect as soon as the concentration of effort on war can be swung over to peacetime enterprise. In this connection, I am glad to be able to say that my Bureau will soon publish in our "Foreign Commerce Weekly," a special article on Soviet reconstruction plans, which have been in preparation for many months, and which involve a tremendous amount of rebuilding of war-shattered cities, buildings, schools and hospitals, public utilities, and all else that made the Soviet cities the centers of industry and culture for the country. You will find, I am sure, the new Soviet "garden cities" of great interest, and the Government organization for restoring them very complete.

But reconstruction will not be the only field where American building science can be used to good effect. Back in 1933 plans were published in Moscow for the erection of hundreds of new plants, from sawmills to iron and steel plants, in the area east of Lake Baikal, where the expansion of industry and agriculture under the second Five-Year Plan was scheduled to be large and rapid. What has happened there during the war we do not know in detail. But it is certain that those planned developments were only the beginning of intensive development of the eastern districts, where natural resources are abundant, and where the population had probably doubled during the war. Already some definite projects have been announced, and others are rapidly taking shape.

U. S. and Soviet Trading

Your Chairman has suggested that a few words on the mechanics of trading between the United States and the Soviet Union might be of interest. On this subject I may say that in a week or so I hope to have for distribution a circular, in our "International Reference" series, called "Doing Business With Russia," and describing the various steps to be taken by an American firm in selling to or buying from the Amtorg Trading Corporation, which will soon be the chief Soviet trading agency in the United States. But I can describe briefly the guilding principles that underlie the actual trade movements, for they are simple.

In essence, the Amtorg is the buying and selling representative of the Commissariat for Foreign Trade in Moscow, which is the agency through which the Soviet Government exercises its control over the movement of goods across Soviet frontiers. Technically and legally, the Amtorg, an American corporation, is the agent for the Export and Import "Combines" in Moscow, corporations formed to do the actual buying and selling, and shipping of goods. Through those are funneled the goods requested by the Soviet plants, mills and other ultimate consumers, and also the Soviet products allocated to be sold in foreign markets. The Amtorg, an agent, makes the purchases, stocks and sells the imports, and ships its American purchases, after inspection and formal acceptance when these are necessary. While the order usually stands in the name of the Soviet import "Combine," the contract of purchase often includes the signature of the Amtorg itself, as the Soviet party of interest in the United States.

This in brief, is the mechanism through which American-Soviet business has been handled, with general acceptance, for 20 years. The credit of the Amtorg is high, and before the war, American firms sold freely on terms of payment 45 days after shipment. It seems probable now that in the near future Congress will approve an open credit of a large amount, as a loan to the Soviet Government on a long-term basis. If that is accepted, the Amtorg can make its own arrangements to purchase, and the firms selling will collect from the Export-Import Bank or some other Government agency.

The system or machinery whereby the Soviet Government sells its export goods abroad, in sufficient quantities to pay for all the goods it must import, has been worked out through years of trial and error, and before the war functioned smoothly. In operation it does not hinder but rather facilitates the exchange of goods between the United States and the USSR, once the mechanism is understood by the American firms concerned.

That there will be an immense increase in trade between the two countries after the war, which is practically over in Europe, seems to be expected by every one, in Government and out, American or Russian. It is, of course, a well-known fact that more modern industries in the Soviet Union are based on American models, methods and equipment than on those of all other countries put together. During the war, several thousand Soviet engineers, technicians and other highly trained Russians have visited the United States, and have become intimately familiar with American manufacturing processes and products, many of which are eminently suited to adoption in the Soviet Union. Already contracts have been signed with the General Electric Company and others, and many more are doubtless in the making, awaiting only the establishment of the terms of payment.

In no other field of American manufacture are the prospects for business brighter than in the numerous and varied industries represented by the members of the Architects Committee, and those of the Construction Commission headed by Mr. Novozhilov. As some of you know, I have been in close touch with both the American and the Russian discussions in this field since last fall, and have followed closely the contracts made between individuals and groups of Russians on the one hand, and different American manufacturers and architects on the other. The interest of the Russians I have found, and I am sure you have, to be extraordinarily keen and catholic, embracing every part and kind of construction, including always the most important factor, how to speed up building, in order to obtain results in the shortest possible time. I have described to you the steps taken in the Soviet Union to modernize their construction industry, with the accent on speed. I am sure that continued and rapid progress in this direction can safely be left in the hands of your Committee, and of the Russians now in close touch with the men and firms who can be most valuable in the undertaking. For the USSR is going to rebuild and continue to build, and it is to their interest to do so in the quickest and best way. And to whom could they come for assistance and ideas better than to American architects, builders, and equipment and materials manufacturers.

I leave that question to those present at this meeting, asking only the privilege, as a representative of the Bureau of Foreign and Domestic Commerce, of aiding in any way I can in this work of international reapproachment and cooperation, in the interest of both the United States and the Union of Soviet Socialist Republics.

John Whitney to Be Riter & Co. Partner

John Whitney will become a partner in Riter & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, and other exchanges. Mr. Whitney was formerly a partner in Baker, Weeks & Harden and Thomson & McKinnon.

Borrowings Increase In Month of April

The New York Stock Exchange announced on May 2, 1945, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business April 30 was $873,950,956, an increase of $42,023,786 over the March 31 total of $831,917,170.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $293,963,308; (2) on all other collateral, $579,987,648; reported by New York Stock Exchange member firms as of the close of business April 30, 1945, aggregated $873,950,956.

The total of money borrowed, compiled on the same basis, as of the close of business Mar. 31, 1945, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $236,845,057; (2) on all other collateral, $595,072,113. Total, $831,917,170.

Plans Announced for AIB Council Meeting

In the absence of the annual convention of the American Institute of Banking, canceled this year because of wartime travel restrictions, the essential business of the Institute usually transacted at its convention will be transacted at a meeting of its Executive Council in Cleveland, June 3-6. This meeting will bring together the 12 elected members of the Executive Council, plus the President, Vice-President, and immediate past President of the Institute, who are ex officio members of the Council; several members of the headquarters staff and a few others whose presence is required.

The meeting of the Council will be held under the emergency provisions of the revised by-laws adopted at New Orleans in 1942, which authorize the Executive Council to elect and install a President, Vice-President, and four members of the Executive Council in the event that it is impossible to hold a convention.

Municipal News & Notes

Portfolio sales by private institutions and public trust funds has been the outstanding feature of the municipal bond market since opening of the 7th War Loan drive on May 14. Furthermore, the prospect is for a continuance of such liquidation on an important scale while the drive is on.

Evidence of this is available in the currently known operations of this nature, not to mention the various deals which will likely take place without benefit of any advance publicity. These latter, it seems, are occurring with increased frequency, with the amounts involved in some instances running into the millions. Transactions on such a scale, however, are not likely to be numerous, being limited for the most part to offerings of bonds of one or perhaps several issuers.

As a general rule the larger offerings include obligations of a large number of taxing units, in diverse geographical areas and, for this reason, it is to the advantage of the seller to make known the details of the offering to the trade in general.

An outstanding illustration is afforded by the John Hancock Mutual Life Insurance Co. of Boston, which is scheduled to receive sealed bids until May 29 on a total of $52,379,000 various State and municipal bonds. This is undoubtedly the biggest single undertaking of its kind and, as is usually the case with respect to such liquidation, the company intends to employ the proceeds in the purchase of Government bonds, and particularly in furtherance of the 7th War Loan.

Included in the offering are approximately $20,000,000 long maturity, high coupon corporate stock of the City of New York. In this connection it may be noted that a substantial amount of similar old city securities has reappeared in the market of late, thereby aggravating, if that's the word, the perennial large floating supply of "city's." This fact has served to occasion a softening of prices for some New York City issues, such as the 3s of 1980.

In addition to the New York City securities, the John Hancock offering also includes substantial amount of bonds of such "names" as Baltimore, Detroit, Cleveland, Jersey City, Louisvills, Philadelphia and Westchester County, N. Y. A virtual "heirloom" is represented by a block of $4,000,000 State of New York, Erie, Oswego and Champlain Canal improvement 4½s of Jan. 1, 1914, maturing Jan. 1, 1964.

Penn Mutual Offering

Among other important liquidation undertakings is the $5,535,000 offering by the Penn Mutual Life Insurance Co., Philadelphia, which is also scheduled to take place on May 29. Here again there is a diversity of "names" which enjoy nation-wide recognition.

The list includes obligations of the States of California, Illinois, New York, North Carolina and Oregon, and of such debtors as the Boston Metropolitan District, Mass.; Cedar Rapids, Iowa; Hillsborough County, N. H.; Jersey City; Milwaukee County, Wis.; Nashville, Tenn.; Oakland, Calif.; Pittsburgh; Roanoke, Va.; Sacramento, Calif., and St. Louis, Mo.

Pennsylvania Turnpike Refunding Possible

Among large prospective items of new business being hinted at in the trade is the possibility that the Pennsylvania Turnpike Commission may anticipate refunding of the approximately $42,000,000 of outstanding 3¾s, the first optional date on which is Aug. 1, 1947.

Illinois Removes Restrictions on Trust Fund Investments

The phrase "legal for Illinois trusts" will sink into oblivion as of July 1 next, this being the effective date of the "prudent man rule" bill signed by Governor Dwight H. Green recently. Under the new measure, trustees are authorized to invest in "every kind" of property and are to be guided by what "prudent" men would do under the same circumstances. The primary aim underlying their decisions rests in the permanent disposition of funds in consideration of probable income and safety of capital.

Under the old statute, trust guardians were restricted to investments which were largely the product of arbitrary "legal standards," with the result that the scope of investment material was extremely narrow. Under the circumstances, trustees were obliged to sheer away from many worthwhile sources of investment solely because they were persona not grata under the law. The new Illinois code, it is pointed out, was modeled after the Massachusetts investment rule bill, which is now in force in 12 States.

Its interest to the municipal fraternity lies in the possibility that some of the trustees may want to either dispose of some of their present holdings of municipals or make new additions to their portfolios. The latter is viewed as being the most likely prospect, according to Chicago press advices.

Brooks D. Weber Mgr. Of Davies Mejia Dept.

SAN FRANCISCO, CALIF.—Brooks D. Weber has become associated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges, as manager of the sales department. Mr. Weber was formerly vice - president of Heller, Bruce & Co., with which he had been associated for a number of years.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following change:

Transfer of the Exchange membership of George P. Smith to H. John Bechler will be considered by the Exchange on May 31st. Mr. Bechler wil continue as a partner of Smith & Gallatin.

Ohio Municipal

(Continued from page 2284)

lower tax rates, a greater supply of municipals and lower prices for municipals as a group, there is the more fundamental and more important question of the effect of post-war conditions on the financial condition of municipalities, and, therefore upon the status of their credit.

There are some prognosticators who predict booming business from now on. There are others who predict greater profit for business in the post-war period, for periods ranging from two years upward.

There are also considerable cut-backs already made in war production and even larger cut-backs yet to come, perhaps even before V-J Day. There is already a movement to cut working hours from 48 hours per week to 40 hours. It would be well to remember that when the 48 hour week was made mandatory, it was also provided that the additional eight hours would be paid for at time and a half. Thus cut-backs that merely reduce the work week from 48 to 40 hours, actually mean a 25% cut in wages. To this cut in wages, which has already been effected for thousands of wage earners, must be added the consideration of thousands more who have been or will be laid off entirely.

Now there is one important fact that the municipal investor must realize, and must consider, far more than perhaps the investor in stocks. It may very well be true that corporations will be able to earn more "take-home" profits when they are engaged in producing less for private consumption than when producing more for Uncle Sam, especially when Uncle Sam renegotiates its contracts and levies excess profits taxes on those profits it does not take back by renegotiation. And it may very well be that corporations will make more "take-home" profits operating at 40 hours per week at regular time, rather than at 48 hours at time and a half for the extra eight hours.

But municipalities, and perhaps most governments from states on down, live principally off money collected from Tom, Dick and Harry, rather than from the profits of corporations. The financial condition of local governments has been such during recent years that practically all of them, good and bad, have been able to meet their obligations promptly. But the reasons for such a financial condition for all, are threefold:

(1) Money has been flowing free and easy with the result that taxes are easily collected in large volume; (2) there has been practically no poor relief or unemployment problem to finance; (3) the market for municipals of any shade of quality has been so high that those communities that cannot meet their requirements because of easy money and no burdensome financial problems, have been able to borrow what money they needed.

It would be well to ponder: (1) whether money will continue to flow so free and easy in the face of 25% wage cuts and lay-offs; (2) whether there will not again be serious numbers of people asking for poor relief and "make-work" (though it may never again be called "poor" relief); (3) whether in the face of such developments the communities that find themselves in serious financial conditions will be able to borrow whatever funds are needed to meet their requirements (whether they will still be able to borrow from Peter to pay Paul.

Indeed, it seems to be high time to ponder the question of quality in one's municipal portfolio, far more so than to fret about the market value of one's portfolio.

New York Foreign Trade Zone Vital in War and Peace

(Continued from page 2279)

Department of Commerce and the Foreign-Trade Zones Board were again impressed by the possibilities of foreign-trade zones, known in some countries as "free ports."

A foreign-trade zone is a sort of hospitable fenced off vestibule in or adjoining the customs port, where products from abroad may be deposited and stored indefinitely, rehandled, assorted, relabeled, reclassified, processed, repackaged, manipulated and transshipped to foreign climes—without passing through the customs gates or barriers. While the goods remain in the foreign-trade zone they may be regarded as still in foreign territory and not subject to duty or customs requirements. Vessels entering the zone may discharge foreign cargo without delay incident to customs entry.

One of the little known but highly significant acts in the field of foreign trade was the establishment of a foreign trade zone on Staten Island in 1937. Congressman Emanuel Celler, who sponsored the 1934 legislation which made this development possible, had hoped that in addition to New York, other zones would be established on the several coastal regions of the United States. Unfortunately, the war intervened before other zones could be developed and even the Staten Island Zone had to be removed to temporary locations in the New York Harbor to make way for war needs.

In spite of these setbacks, preparations are now being completed for the opening of a foreign-trade zone at New Orleans, Louisiana, and a similar facility will be established in one of the leading California ports as soon as war conditions permit.

It should be understood that the Celler Act is merely permissive legislation. Under the law, corporations—both public and private—may apply to the Federal Board for a license to operate a foreign-trade zone. Private corporations first must be authorized by the State Legislature before making application for a license.

Ports of the United States are controlled by the States or municipalities rather than by the national Government, as in the case of the harbor here in Quebec and certain other Canadian ports. Therefore, the Federal Government can do little to develop these foreign-trade zones except encourage our major port officials to provide such facilities in the interest of international trade. When a zone has been authorized and established, the Foreign-Trade Zones Board, created under the Celler Act, and of which the Secretary of Commerce is Chairman, supervises the operation as a public utility. The other members of the Board are the Secretaries of War and Treasury.

In my capacity as Executive Secretary of this Board I have had ample opportunity to observe first hand the operations of the New York Foreign-Trade Zone since it was established on the municipally-owned piers on Staten Island early in 1937. Built shortly after the First World War, these facilities had seldom been used during the intervening years.

Like any other commercial activity undertaken during a major business depression, the zone was slow to get under way. Because there was little cargo attracted during the first days or weeks of its existence, skeptics quickly pointed out that the zone idea was without merit. They refused to recognize the obvious—that the zone's prospective customers and merchandise were located in distant foreign countries and that time and energy would be required to acquiant foreign business men with the advantages and purposes of the zone. Later on when an effective zone operation had been created, business began to clamor for admission to the foreign-trade zone. Even before war clouds began to hover over Europe, 152 different commodities from 50 foreign countries had already been handled successfully in the New York Foreign-Trade Zone.

That this zone has successfully performed its function of fostering and promoting foreign commerce is clearly reflected in the cumulative summary of activities for the first five years that it was in operation on Staten Island. During this period, 11,790 lots of merchandise, weighing 451,000 tons and valued at $205,000,000, have passed through the zone. Duties collected on that part which entered the Unietd States amounted to $6,688,745. The gross operating income for the five-year period totaled more than $1,500,000.

During one year (1940) 70,000 tons of foreign merchandise, valued at more than $13,000,000 or 50% of all foreign goods handled that year was transshipped to 60 foreign countries.

Alongside its transshipment trade, the New York Foreign-Trade Zone has built up an important consignment market for imports. This market has proven a bonanza for small importers who heretofore have been dependent on larger buyers to import and parcel out their raw material requirements. At the foreign-trade zone an importer, however small, deals direct with the foreign owner. In a number of instances this practice has already proved a distinct advantage to both foreign suppliers and to small American manufacturers.

Canadian farmers have been materially benefited by the New York Foreign-Trade Zone. In former years substantial quantities of potatoes were shipped direct from the ports of the Maritime Provinces to the Caribbean region and to South America. War needs necessitated the suspension of this service. As an emergency measure, thousands of bushels of potatoes were shipped by rail to the New York Foreign-Trade Zone, where as a protective measure they were repacked in baskets and loaded aboard steamers for forwarding to final destinations.

Following are a number of other important activities which have been carried on in the New York Foreign-Trade Zone: Critical ores, including tungsten and antimony from China and South America, are classified, sampled, refined, mixed, and repacked in drums of domestic manufacture. Prior to the outbreak of the war we depended on Germany for refining and processing these vital ores.

Tobacco from the Netherlands East Indies is matured, reconditioned, sampled, weighed, repacked, and auctioned according to the age-long custom of the Dutch.

Diamonds from South America are examined, graded and repackaged for industrial purposes.

Brazil nuts are ripened, ventilated, sorted, cleaned, bagged, weighed and repacked.

Drugs, grains and seeds are cleaned and graded.

Cotton and woolen piece goods from the United Kingdom are examined, cut, sampled, and various lots are combined for re-export.

Spirits, brandy, rum, wine, and whiskey are stored to age, containers are examined for leakage, barrels recoopered and reconditioned.

An exporter of Scotch whiskey at Glasgow may ship hogsheads of that now-precious liquid to New York's Foreign-Trade Zone, where they can be emptied into bottles, cased, and shipped into customs territory, to State dispensary and bottle stores for sale to the consuming public. That canny Scot exporter could save the cost of excess sea freight on bottles and cases and avoid damage resulting from glass and case breakage.

South American canned meats are inspected, labeled, keys are affixed to cans and cans repacked in cartons for domestic markets or re-export.

Manipulations may change the customs classification of a commodity. For example, Peruvian and Chilean peas processed and split at the zone enjoy an especial advantage since duty on split peas is less than on whole ones.

Importers find it advantageous to use the zone when the tariff classification of merchandise is undetermined or subject to dispute. The formalities of adjustment between the amount of duty assessed on entry and that finally determined to be correct are eliminated.

Fish-liver oils are a case in point. Several weeks are required for the Federal Government to conduct tests to gauge the vitamin potency of these medicinal products. Only then is it known whether the oil is dutiable or non-dutiable.

Imported merchandise affected by consumption quotas, pure food and drug regulations or other laws can be kept at the zone until such regulations are complied with. For example, while the restriction quota is in effect the goods may still come into the zone to await the lifting of said quota.

Despite the handicaps of the war, here is an excellent illustration of how the zone operates. During the year 1943, 5,000,000 pounds of plain, ordinary cotton thread was shipped from the United Kingdom to the New York Foreign-Trade Zone, where it was redistributed to 26 foreign countries, including all of Latin and South American countries as well as Soviet Russia and British West Africa. This one shipment was valued at nearly $6,000,000.

Here is another illustration which should appeal to the ingenuity of every foreign trader. Prior to the outbreak of the war, Japan had taken over the market for cheap cotton textiles worn by the natives of the Belgian Congo and East and West Africa. These articles of clothing, shirts and so-called singlets had, in times past, been supplied by British mills. When the Jap supply was cut off, orders again reverted to Great Britain, which was unable to manufacture them. New sources of supply were sought to no avail in the United States and finally the United States prevailed upon Mexico to manufacture these particular cotton articles. This business, estimated at approximately $15,000,000 a year, has been carried on to a considerable extent through the New York Foreign-Trade Zone. During the past year, over 15,000 cases of these goods, destined for the natives of Africa and valued at $1,500,000, have been shipped to the zone for repacking and transshipment. As Mexico has no direct services with Africa, obviously if this business is to be continued after the war, it will have to be transshipped from New York or some other foreign-trade zone on our east or gulf coast.

A distinct advantage of the foreign-trade zone is that it brings a new competitive facility into the field of foreign trade. In years past, the Congress of the United States has recognized the need for segregating that part of our foreign trade known as transshipments and re-exports as far as possible free from the application of our customs laws. To accomplish this purpose, bonded warehouse and drawback laws were early enacted. I will not get into a technical description of these measures for I understand that similar provisions have been made in Canadian Tariff Laws.

Shortly after the close of the First World War considerable agitation arose in the United States to authorize foreign trade zones. Bills were introduced to this effect but Congress compromised or temporized by authorizing bonded warehouses to permit manipulation of foreign merchandise under customs supervision. (Sec. 562 of the Tariff Act, 1922). Despite the granting of the privilege to manipulate in customs bonded warehouses, few importers took advantage of this provision. As in the case of the drawback laws, many importers considered there were too many formalities involved. Warehousemen generally had little desire to encourage importers to utilize this newly authorized privilege until the foreign trade zone came into operation on Staten Island.

Records show that few customs bonded warehouses offered manipulating facilities until the foreign-trade zone announced this service to the shipping public. A comparison of 1937, the year the zone opened, with 1944 bonded warehouse listings in the "Customs House Guide," published in New York City for the past 75 years, will serve to illustrate this situation. Although the 1937 "Guide" does not have a single listing of a Class 8 manipulating warehouse in the Port of New York, note this: the 1944 "Guide" lists 39 warehouses in the Port of New York offering this service.

This belated additional service to shippers was not restricted to New York for bonded warehouses in other ports obtained customs manipulating privileges to minimize arguments advanced by local foreign trade zone proponents. For instance, according to the "Guide," Boston did not have a single warehouse authorized to permit merchandise manipulations in 1937 but in 1944 this class of service was offered by 18 bonded warehouses. Philadelphia had only three manipulating warehouses in 1937 but by 1944, 22 warehouses had obtained authority to manipulate. For the country as a whole, the number rose from 38 in 1937 to 140 in 1944, an increase of 270%. Prior to the enactment of the Foreign-Trade Zones Act, warehousemen in only one U. S. port (New Orleans) attached importance to the manipulating privilege of the Tariff Act. In 1937 New Orleans had 21 manipulating warehouses, although strangely enough, by 1944, this number had been reduced to 18.

The advantage of manipulating imported merchandise in the New York Foreign-Trade Zone is mainly because of the fact that the importer has free access to his merchandise at all times. If he desires, he may carry on manipulations and any other activity short of manufacturing on a 24-hour basis. If the occasion arises, he may erect his own building to meet his peculiar requirements. Bonded warehouse regulations limit manipulations and examinations of goods to regular working hours.

Merchants who have established operations in the New York Foreign-Trade Zone state that it is akin to the satisfaction of owning your own home. On many occasions, upward of 500 people have been engaged in the various zone manipulations at the same time. Some operations have been conducted on a 24-hour basis.

You may ask: Why encourage us to establish facilities which may adversely affect the New York Foreign-Trade Zone or other trade zones which may be planned in the United States? I frankly admit that a few years ago a selfish desire to retain zone benefits exclusively for our own ports would have made this assignment quite unattractive to me. Today, however, I have a somewhat different viewpoint and I am happy to be here to counsel with you, at your request, on the possibilities which the foreign-trade zone offers in the post-war period.

Should Quebec decide to go ahead with such plans, I entertain no fears that they would injure our own ports. On the other hand, I think the results would serve to stimulate them. If foreign-trade zones or free ports are authorized in Canadian harbors, our own gateway ports will of necessity be put "on their toes" to meet the requirements of modern commerce. Furthermore, if a foreign-trade zone or free port is established in Canada, there is every reason to believe it would substantially contribute to increasing trade between the two countries, a trade which is already greater than the total commerce between any other two countries on the face of the earth.

If Canada and the United States are to maintain national incomes on the scale needed to sustain employment and the standard of living to which both countries have attained, then their existing interchange of commerce must not only be maintained but substantially increased. While foreign trade is important to the economy of the United States, it is even more vital to Canada. A recent bulletin of the Royal Bank of Canada pointed out that in the years between the two World Wars, Canada's exports represented an average 30 to 35% of her national income, while less than 10% of the United States national income accrued from export business.

My records include considerable data regarding efforts which have been made to authorize foreign-trade zones in Canada. An examination of this material shows that most of the arguments advanced against the foreign-trade zone program in Canada were strangely similar to those employed in the United States when the legislation was before the Congress. Here is a typical example:

The geographical position of Canada is not analogous to European nations, being removed from other countries to which imported merchandise might be re-exported.

Whoever developed this theory surely overlooked the United States which is right at Canada's front door and where nearly 140 million people comprise the greatest market in the world. One enterprising U. S. firm appreciated this opportunity 20 years ago as official Canadian documents show that in 1927 a New York concern offered to expend 30 million dollars to build foreign-trade zone facilities on the St. Lawrence.

Improved surface and air transportation will also bring other areas into Canada's trading orbit, all of which will serve to aid in overcoming this so-called geographical disadvantage.

Another argument which we have all heard before is "that foreign-trade zones would encourage smuggling and add to the cost of administering the customs laws." The U. S. Treasury Department has stated that the foreign-trade zone is the safest area in the New York Harbor as far is smuggling is concerned. In the United States the cost of customs policing the zone is borne by the operator. This is somewhat similar to the present practice wherein U. S. bonded warehousemen must reimburse the Government for storekeepers' salaries.

Another argument advanced in opposition to the zone is that local merchants and importers are satisfied with existing privately-owned bonded warehouse facilities. Well, maybe they are, but the traders who will utilize the foreign-trade zone or free port are usually located abroad and as far as a proposed Canadian zone is concerned, some may be United States importers. I hope we can feel the same about Canadian importers in respect to the use of our own foreign-trade zones.

Since colonial days, the St. Lawrence River has served as a broad highway to the heart of North America. I am sure that its usefulness to industry and commerce will become more important as time goes on. When it was agreed that I would make this trip, I eagerly reviewed some of Canada's early history. In Donald Grant Creighton's recent book, "Dominion of the North," the exploits of Jacques Cartier, the Breton from St. Malo, were vividly recalled. Cartier first explored the St. Lawrence estuary in 1534 and immediately recognized the tremendous trading possibilities which this area offered. Seven years later he returned to the St. Lawrence region to develop this trade, but hurriedly sailed for France because he feared the hostility of the Indians. Those who are interested in introducing this new principle into the field of foreign trade may also encounter hostile Indians in the guise of selfish interests. Unless the sponsors have the courage to meet and overcome such opposition, it would be better to abandon the idea altogether.

In conclusion, let me say that it has not been my purpose to come here to sell you on the foreign-trade zone plan, or to influence any possible legislation in your country. Rather, my intention has been to try to clear up the misunderstandings which have been associated with this facility. If you good people of Canada decide to go ahead with such plans, you may rest assured that you will have our full cooperation.

New Orleans Bond Club Will Hold Field Day

NEW ORLEANS, LA.—The annual "Field Day Outing" of the Bond Club of New Orleans will be held at the Metairie Golf Club on May 30th.

Program planned will consist of a golf match, under the chairmanship of Walter Kingston of Lamar, Kingston & LaBouisse; horse shoe pitching contest of which John Zollinger is chairman; Gilbert Hattier, Jr., of White, Hattier & Sanford is chairman of the dinner committee; and Claude Derbes, of Couturier & Derbes, is head of the bar committee.

Tickets for the Field Day are $3.50 for members of the Club and $5.00 for guests. Orders should be placed with J. W. Kingsbury of Kingsbury & Alvis.

With New York Office Of Mellon Securities

Donald S. MacFadden, formerly with Blair & Co., Inc. has joined the Municipal Bond Department of the Mellon Securities Corporation, in the New York Office, 2 Wall Street.

Secretary Morgenthau Discusses Management Of Public Debt in Post-War Period

(Continued from page 2278)

The annual rate of Federal receipts during the fiscal year 1944 covered somewhat less than half of total expenditures, and it appears that approximately the same relationship will obtain during the fiscal year 1945.

I said in my report last year, and I still believe, that it would be better for the economy of the United States and fairer to the men in the armed forces if a larger portion of the current cost of the war were paid for by taxation. Congress has decided otherwise, however; and there appears to be little likelihood of a substantial upward revision in our tax system during the continuance of the present conflict. I believe that the time is opportune, therefore, to review the impact of the wartime fiscal operations of the Federal Government on the national economy, and to consider, in broad outline, some of the steps which should be taken to adjust these operations to the new conditions which will prevail when victory is finally achieved.

The following table summarizes the receipts and expenditures of the Federal Government for the fiscal years 1940 through 1945:

***Summary of Federal Finances, Fiscal Years 1940 Through 1945**

(In billions of dollars)

Item—	1940 (Actual)	1941 (Actual)	1942 (Actual)	1943 (Actual)	1944 (Actual)	1945 Estimated
A. Expenditures:						
1. War:						
a. Budgetary	1.7	6.3	26.0	72.1	87.0	88.0
†b. Government corporations	--	.4	2.3	3.2	2.7	1.0
c. Total	1.7	6.7	28.3	75.3	89.7	89.0
2. Other:						
a. Interest on the public debt	1.0	1.1	1.3	1.8	2.6	3.8
b. Refunds of taxes and customs, including excess profits tax refund bonds	.1	.1	.1	.1	.3	2.2
c. Veterans' pensions and benefits	.6	.6	.6	.6	.7	1.3
d. Other budgetary expenditures	5.7	4.6	4.5	3.6	3.1	3.7
‡e. Government corporations	.3	.7	— .4	—1.7	—1.2	— .2
f. Total	7.6	7.1	5.9	4.4	5.6	10.7
3. Total expenditures	9.3	13.8	34.2	79.7	95.3	99.7
§B. Receipts	5.4	7.6	12.8	22.3	44.1	45.7
C. Excess of expenditures	3.9	6.2	21.4	57.4	51.1	54.0

*Figures are on the basis of classifications appearing in the 1946 Budget Message. They include net expenditures of Government corporations and the totals are not, therefore, the same as the figures in certain other tables in this report. They exclude statutory debt retirements and trust funds.

†Includes only Treasury outlays for the war activities of the Reconstruction Finance Corporation and its affiliates. Figures are excess of expenditures over receipts.

‡Comprises principally Treasury outlays for Commodity Credit Corporation, Home Owners' Loan Corporation, and nonwar activities of Reconstruction Finance Corporation and its affiliates. Figures are excess of expenditures over receipts. Negative figures indicate excess of receipts.

§Net budgetary receipts, i.e., total receipts less net appropriation to Federal old-age and survivors insurance trust fund.

Note—Figures are rounded and will not necessarily add to totals.

The figures on expenditures shown in the table include both budgetary expenditures and net outlays made by the Treasury for the operation of Government corporations. The figures for the fiscal years 1940 through 1944 reflect actual results. Those for the fiscal year 1945 are the estimates presented in the Budget Message of the President.

The table shows that Federal Government expenditures for war purposes rose rapidly from $1.7 billions in the fiscal year 1940, the last fiscal year before the beginning of the national defense program, to $89.7 billions in the fiscal year 1944. For the fiscal year 1945, war expenditures are estimated to remain almost unchanged at $89.0 billions.

Net receipts advanced from $5.4 billions in the fiscal year 1940 to $44.1 billions in the fiscal year 1944, and are estimated to remain almost unchanged at $45.7 billions for the fiscal year 1945.

The excess of expenditures over receipts amounted to $51.1 billions for the fiscal year 1944, and is estimated at $54.0 billions for the fiscal year 1945. This excess of expenditures had been as high as $57.4 billions in the fiscal year 1943, however.

A rough measure of the impact of Federal fiscal operations on the national economy may be made by relating expenditures and receipts to the total production of goods and services, known as the gross national product.* This is done in the following table:

Proportion of gross national product represented by expenditures, receipts, and excess of expenditures of the Federal Government, fiscal years 1940 through 1945.

Fiscal year	Gross national product (in billions)	Proportion represented by— Federal expenditures	Federal receipts	Excess of expenditures
1940	$93	10%	6%	4%
1941	106	13	7	6
1942	134	26	10	16
1943	172	46	13	33
1944	194	49	23	26
1945	198	50	23	27

*Federal Government receipts and expenditures are not strictly comparable with gross national product estimates without certain technical adjustments. These adjustments, however, are sufficiently small, for the period covered, to permit them to be omitted in this discussion. See section on Sources of Funds for Federal Borrowing, which begins on page 79, for further discussion of the relationship of Federal fiscal operations to the rest of the economy.

The gross national product has tended to stabilize at about $200 billions, apparently reflecting the approach to our effective wartime productive capacity. It is estimated that Federal expenditures during the fiscal year 1945 will be about 50% of the gross national product. Federal receipts will amount to about 23% of the product; and the excess of expenditures, to about 27%. These proportions are approximately the same as in the fiscal year 1944.

An excess of Federal Government expenditures over Federal Government receipts amounting to 27% of the gross national product, means that an amount of income corresponding to that proportion of the gross product is paid out, which the recipients may spend or save as they choose; but that the earning of this income gives rise to no corresponding flow of civilian goods and services upon which it can be spent. A corresponding proportion of the total income flow created by the gross national product must, therefore, be saved by the people if a rise in prices is to be averted.

The experience of the past three years has shown us that, with the aid of appropriate controls, and thanks to the common sense of the American people, this higher rate of savings can be attained in fact, and economic stabilization thereby achieved. I believe that, with suitable controls, and with the continued cooperation of the people with the stabilization program, inflation can and will be avoided throughout the rest of the war period and during the post-war adjustment.

Factors in the Stabilization Program

Federal receipts from taxation have increased eightfold since 1940. The major proportion of the remaining excess money incomes that might otherwise have exerted an inflationary pressure has been invested in war bonds, or retained unspent as liquid savings. And the direct controls over consumption and prices—rationing, allocations, price ceilings, etc.—have prevented the cumulation of cost and price increases. While the removal of purchasing power from the market by wartime taxes and savings campaigns has contributed greatly to the success of the direct controls, the direct controls at the same time have facilitated and strengthened the effectiveness of the taxation and savings programs. In short, the wartime level of taxes, the war loans and other savings campaigns and the direct controls have formed an interrelated program, each part of which has been essential to the whole.

The following table shows the increase in the gross public debt and guaranteed obligations during each of the fiscal years 1940 through 1944, the amount of this increase held unspent in the General Fund of the Treasury, and the amount absorbed by nonbank investors, respectively. The remainder of the debt increase, after making the deductions just referred to, represents funds borrowed directly or indirectly from the banking system and actually spent by the Government during the period. This includes the entire portion of the expenditures of the Federal Government which resulted in the creation of currency and deposits in commercial banks (including time deposits) during each period. As shown in the table, Federal expenditures resulting in an increase in currency and deposits amounted to 7% of the gross national product in the fiscal year 1944, as compared with 14% in the preceding year. This sharp fall was caused in part, however, by the fact that two complete war loan drives and the major portion of a third fell within the fiscal year 1944, with the result that the proportion of nonbank absorption of the debt in that year was higher than it would have been otherwise.

Comparison, with the gross national product, of the portion of the increase in the Federal debt which resulted in the creation of bank deposits and currency in the hands of the public

(Dollars in billions)

	Fiscal year 1940	1941	1942	1943	1944
Gross national product	$93	$106	$134	$172	$194
Increase in gross public debt and guaranteed obligations	2.6	6.8	21.7	63.8	61.8
Less increase in General Fund balance	— .9	.7	.4	6.5	10.7
Expended portion of increase in public debt and guaranteed obligations	3.6	6.1	21.3	57.3	51.2
*Less net absorption of debt by nonbank investors	1.9	3.6	14.8	32.5	38.0
†Debt which resulted in an increase in commercial bank deposits or currency in the hands of the public	1.7	2.5	6.5	24.8	13.2
Percent of gross national product	2%	2%	5%	14%	7%

*Interest-bearing debt absorbed by nonbank investors, as shown by the table on page 91, plus the entire increase in United States savings stamps, excess profits tax refund bonds, and matured debt.

†Interest-bearing debt absorbed by commercial and Federal Reserve Banks, as shown in the table on page 91, plus the increase in deposits in the Treasury for the retirement of Federal Reserve Bank notes and national bank notes, less the increase in the General Fund balance in the Treasury.

Note—Figures are rounded and will not necessarily add to totals.

By no means all of the increase in the debt absorbed by the banking system has contributed to net inflationary pressure. A large increase in currency and bank deposits was required by the doubling of the gross national product which took place during the period; and this necessary increase in money supply could be furnished, under existing statutes, only by a substantial absorption of debt by the banking system. Also, individuals and corporations paid back substantial amounts of debt, including debt held by the banking system, offsetting in part the increase in commercial bank holdings of Government securities; and increased their savings deposits in commercial banks substantially during the period. In the case of many business enterprises, the proceeds of inventory liquidation and depreciation are held in the form of deposits to facilitate reinvestment in the post-war period. Furthermore, experience has shown that a large proportion of the demand deposits and currency accumulated by individuals and corporations during this period has been regarded by its owners as part of their permanent savings and has not entered into active circulation for the purchase of goods and services.

Tax Policy

Our wartime tax policy has been to adopt the tax structure to achieve important wartime objectives.

Through heavy wartime taxes a large part of the financial cost of the war is being paid currently by wartime civilians instead of being deferred to be met by returning service men and women. The large revenue collections during the war are restricting the growth of the debt, thereby moderating post-war fiscal and economic problems. By channeling billions of dollars of spending power into the Treasury, wartime taxes are strongly buttressing the program of economic stabilization. Civilian demands are thereby made more controllable and the strain is eased on direct controls, such as priorities, rationing, wage ceilings, and price ceilings. High taxes on war profits and on large incomes, moreover, have helped to gain popular acceptance of the stabilization program.

The eightfold increase in tax yields has been accomplished in successive stages, thus minimizing shock to the economic system. Moreover, standards of equity in taxation have not been sacrificed. The test of taxation according to ability to pay has been met through heavy reliance on progressive taxes, through special relief provisions to alleviate hardships, and through continued efforts to close avenues of escape from just taxation. The budgeting and payment of taxes have been made more convenient through the introduction of withholding and current payment methods. Individual income tax returns and compliance have been greatly simplified.

Wartime taxes must continue as long as war conditions require. For the post-war period, however, the tax system must be readjusted to the then existing fiscal and economic needs. A strong tax system must be maintained, for post-war expenditures will be far higher than pre-war expenditures and we should plan to reduce the debt as rapidly as economic considerations permit. But selective tax reductions and adjustments will be needed to encourage private enpenditures for consumption and investment. Such measures are essential to the realization of full employment in a peacetime economy of free enterprise and competition.

Timing the changes from the wartime tax structure to the post-war tax structure will present an important and difficult problem. Little, if any, reduction in tax rates should be anticipated until after the cessation of major hostilities on all fronts. An important factor affecting timing of downward adjustments is whether the transition and immediate post-war periods will involve continued inflationary pressures and, if so, at what point of time these will disappear. The premature relaxation of our efforts on the tax front might jeopardize the continuing success of the economic stabilization program. On the other hand, too great delay in adjusting the tax structure and rates might jeopardize the post-war maintenance of high levels of employment and business activity.

The problem of adjusting taxes to match the shift of emphasis from wartime objectives to post-war objectives will require foresight and coordinated action. The Treasury has been cooperating with other executive departments and agencies and with the Congressional Joint Committee on Internal Revenue Taxation in the study of tax adjustments for the transition and post-war periods.

Debt Management

It is certain that the present war will leave the United States with a large public debt. There is no question of the ability of the country to service this debt. As the previous tables indicate, estimated expenditures on account of interest on the debt, for the fiscal year ending June 30, 1945, amount to less than 2% of the anticipated gross national product for the same period. Production will probably be at a lower level, and the debt will certainly be somewhat larger after the war than now. The interest charge will thus represent a larger proportion of the national product; but it will still be a relatively small proportion. The payment of interest on the debt, furthermore, does not decrease the amount of the gross national product available for consumption or capital expansion. It is a transfer operation by which the amount of the interest is collected from taxpayers and paid to the holders of the debt, who are also numbered among the taxpayers.

The burden of the debt, therefore, consists of the necessity of collecting a large amount of money from some persons and repaying it to others, and of the possible adverse economic effects of the resulting redistribution of income upon the amount of the national product. This burden is a real one, however, and it should be a major object of fiscal policy in the post-war period to reduce the amount of the debt in so far as this is compatible with the maintenance of full employment.

All borrowing during the wartime period has been by the issuance of securities, the interest on which is subject to the Federal income tax. The exclusive issuance of such securities, which is now a permanent part of our public debt policy, has been achieved without any substantial increase in the interest rates on Federal securities above the rates which it would have been necessary to pay on tax-exempt securities. The taxability of the interest on the wartime debt will both ease the problem of public debt management in the post-war period and make possible a more equitable and better balanced Federal tax system.

The low level of interest rates on the public debt (the computed interest rate on June 30, 1944, was 1.93%) lightens the burden of the debt and will tend to simplify debt management in the post-war period. Moreover, the fundamental factors underlying interest rates on Government securities, which apply also to interest rates in other fields, give no indication of a change in the direction of a higher level of rates in the foreseeable future. Continued low interest rates will be a major contribution to economic stability and the maintenance of full employment after the war, for low interest rates stimulate business and encourage new enterprise.

Borrowing during the war period has been carried on with a constant eye to the transitional and post-war effects of the types of securities offered and the classes of investors appealed to. The Treasury has so diversified its offerings of securities as to provide a security adapted to the requirements of each major class of investors. Long-term marketable bonds have been sold principally to insurance companies and savings banks. Commercial banks have been offered more liquid marketable obligations having terms of 10 years or less. One-year certificates of indebtedness, and Treasury savings notes having a maturity of three years, but redeemable at the owners' option after six months, have been especially attractive for the investment of temporary accumulations of business concerns. The principal emphasis in sales of securities to individuals has been upon series E savings bonds, which have a maturity of ten years, but which are redeemable at the owners' demand after 60 days.

In offering securities to different classes of investors, the Treasury has always borne in mind the fact that the time which the original purchaser of a security will hold it will depend, principally, upon his own future needs and convenience, and to a very minor extent upon the nominal maturity of the security. The indiscriminate issuance of long-term securities to all classes of investors would not insure their being held to maturity by their original purchasers, but would result merely in premature market liquidation. The adaptation of the securities offered to the particular needs of different classes of investors, taken in conjunction with appropriate open market policy, obviates the possibility of a disorderly liquidation of securities through the market, such as might have occurred had a single type of marketable security been issued to all. Such liquidation as is inevitable in the post-war period will take the form principally of the redemption of securities by the Treasury, either at maturity or at the owners' demand, rather than by sale in the open market. The refinancing of these obligations, to the extent that a net reduction in the outstanding debt is not possible, can be conducted in an orderly manner by the sale of new Treasury securities adapted to market conditions at the time. Thus one factor of economic instability, the demoralization of the security markets, will be eliminated.

Smooth transition to a peacetime economy will be promoted by the distribution of public debt securities of different types among various classes of investors. Corporations which have invested their reserves for reconversion and post-war expansion in certificates of indebtedness and Treasury savings notes suffer no impairment in the liquidity of their reserves by such investment. After the war they may sell or allow their holdings of certificates to run off and may present their savings notes for redemption without loss of principal.

The composition of the public debt will also contribute to economic stability by releasing purchasing power when the stimulus of increased spending is needed. Although individuals will probably not liquidate their savings bond investments on a large scale in the post-war period, they are likely to spend more freely of their current incomes because of the sense of security afforded by their savings bond holdings. The distribution of savings bonds among many individuals in the relatively low income groups will enhance the contribution of such spending to the maintenance of economic stability.

The same circumstances which have made it advisable to concentrate a large proportion of the wartime debt in securities of short maturity will continue in time of peace. The contribution which such a structure of the public debt furnishes to the liquidity of the whole economy will be an important factor in the maintenance of full employment in the post-war period. The funding of a major portion of the short-term debt into longer-term securities, on the other hand, would serve merely to increase the interest cost to the Government and to shift the risk of future changes in interest rates (and corresponding movements, in the opposite direction, of bond prices) from the Government to private investors. Such a policy would increase, rather than reduce, the factors making for instability in the post-war economy, as the Government is in a better position to bear the risk of changes in interest rates than most classes of investors, and—unlike any class of investors—is also in a position to minimize it. I see no need, therefore, for any large-scale refunding of short-term Government securities into long-term ones during the transition or post-war periods.

International Monetary and Financial Cooperation

During the past year further steps have been taken to assure cooperation among the United Nations in dealing with international monetary and financial problems after the war.

For more than a decade we have tried to secure currency stabilization through cooperation with friendly governments. In 1936 we joined with England and France in the Tri-Partite Declaration, to which Belgium, the Netherlands, and Switzerland adhered, to maintain stable exchange arrangements and to consult on important exchange problems. The Treasury also entered into bilateral stabilization agreements with a number of American Republics and other friendly countries. These measures, while helpful, were not adequate to assure stable exchanges in a world of restriction and economic aggression.

On the basis of this experience the Treasury came to the conclusion that international monetary and financial problems could be dealt with only by broad cooperation among all countries. After extended study by the Treasury, with the cooperation of other departments of this Government, tentative proposals were formulated for an international stabilization fund and an international bank. In 1943, drafts of these proposals were sent to the Ministers of Finance of the United Nations for consideration by their technical experts. After a year of discussion among the technical representatives of some 30 countries, a joint statement was published recommending an international monetary fund. In May, 1944, President Roosevelt called the United Nations Monetary and Financial Conference which was held at Bretton Woods, N. H., in July. The Conference prepared articles of agreement for an international monetary fund and an international bank for reconstruction and development for submission to the participating governments.

World prosperity and world peace will depend in large measure upon the existence of a high level of balanced international trade in the post-war period. All nations are economically dependent upon one another, both as consumers and as producers. With stable and orderly exchanges world trade can be increased. Productive foreign investments will make possible reconstruction of the war-torn areas of Europe and Asia, and the development of new countries. As one of the leading foreign trading countries of the world, we have a special interest in these measures for international monetary and financial cooperation which will facilitate the revival and growth of world trade.

The United Nations have shown that they regard international monetary and financial problems as an international responsibility that can be dealt with by cooperation through the fund and the bank. By providing stable and orderly exchange arrangements and encouraging productive international investment, the fund and the bank will make possible the balanced growth of international trade. Together, they can help provide a sound foundation for a prosperous and peaceful world.

Russia's "Multiple" Nation Status May Upset Bretton Woods

(Continued from first page)

not get them to discuss the subject." Earlier, during the hearings, Representative Smith of Ohio asked Assistant Secretary of State Dean Acheson whether the 16 countries would each get a quota in the Bretton Woods Fund. The latter answered in the negative.

In view of the statement this week by Dimitry Z. Manuilsky, Chairman of the Soviet delegation at San Francisco, that each of the 16 Soviet Socialist Republics is an independent nation, Miss Sumner is inquiring how this will affect a loan guaranteed by the proposed International Bank for Reconstruction and Development. Such loans must carry the guaranty of the Government of the borrower.

What Miss Sumner is asking is: Will a loan for a dam in the Ukraine be guaranteed by the Government of the USSR, as was understood at Bretton Woods, or by the Government of the Ukraine alone, which may have no credit standing? There are also such questions as the following: What happens to the quotas and the voting power when before or after the Bretton Woods Fund and Bank are set up, the USSR informs the World that it is 16 countries instead of one? What happens to the place guaranteed Russia on the Board of Executive Directors of the Fund and Bank? In the case of the two places on the Fund's Board guaranteed to the American Republics there is a prescribed voting procedure to insure rotation. Will there have to be a similar system to insure representation of the 16 independent Soviet Republics? What about the devaluation and exchange control provision of the Fund? How will they operate when the USSR is recognized as 16 separate countries each possessing, presumably, monetary autonomy? Miss Sumner, or rather Mr. Manuilsky, has raised some interesting questions.

Committee Vote

Chairman Spence announced today the Committee will vote on Bretton Woods tomorrow. Some other members, however, seem not so sure that the discussions can be completed tomorrow. Mr. Spence states the Committee members are getting together.

Representative Thom (D.-Ohio) informs the "Chronicle" that "the Committee as a whole is coming close to an agreement on changes in the Enabling Bill."

Treasury's Interpretation Is Cited

In view of the Treasury's recent reluctance to countenance any amendment to the Bretton Woods legislation having as its purpose to limit in any way the powers of the Fund, some Committee advocates of the introduction of "interpretative language" are citing the Treasury's own publication as proof what they are asking is no more than the Treasury has publicly said about the Fund. The publication in question is called "The Bretton Woods Proposals, Questions and Answers on the Fund and Bank." The aforementioned Committee members quote and underline that publication as follows:

"The Fund will provide a supplementary source of foreign exchange to which a member, embarrassed because its international outpayments exceed its international inpayments, may apply for temporary assistance. This assistance will give the member a breathing spell which may be all that is required to bring its international payments into balance."

The Treasury pamphlet goes on to say that the Fund is required to "keep the member's current international payments in balance. After a limited period, the member will be required to reverse the process.

Thus, it is pointed out, the whole case for the Fund is predicated on its loans being temporary.

C. J. Rieger Succeeds Father as Bond Mgr. at Jamieson & Company

C. C. Rieger V.-P. of Bank

MINNEAPOLIS, MINN.—Jamieson & Co., First National Soo Line Building, members of the New York Stock Exchange and other principal exchanges, announces the appointment of Charles J. Rieger as manager of their bond department.

Mr. Rieger succeeds his father, C. C. Rieger, who has been elected Vice-President of the Marquette National Bank. Before engaging in the securities business in Minneapolis in 1920 C. C. Rieger had been Vice-President of the largest state bank in North Dakota.

Charles J. Rieger is President of the Twin City Bond Traders Club.

Plohn Named Director

Charles Plohn, a partner of Newborg & Co., has been elected a director of General Finance Corporation. He is also a director of Industrial Finance Corporation and Universal Laboratories, Inc.

Treasury to Redeem

The Secretary of the Treasury announced on May 14 that all outstanding 2¾% Treasury bonds of 1945-47 are called for redemption on Sept. 15, 1945. There are now outstanding $1,214,428,950 of these bonds.

Federal Taxation in Post-War

(Continued from page 2279)

gantic increase in Federal tax revenues from $5,400,000,000 in the fiscal year 1940 to $44,100,000,000 in the fiscal year 1944 reflects, along with a rising national income, the great changes that were made in converting a pre-war into a wartime tax system. Those changes were made not in one fell swoop, but in stages to which the expanding war economy could adjust without endangering its stability and productivity. Our wartime taxes are doing much more than financing a large proportion —currently almost half—of the cost of the war. They are helping to distribute that cost equitably. They are reducing inflationary pressures growing out of a war economy operating under forced draft. They are capturing excessive war profits. They are supporting the price and wage stabilization program. They continue today, as they have been, an essential part of the war program.

We are still very much at war and must therefore continue to live with war taxes. But at the same time we must plan our post-war taxes or run the risk of being caught unprepared for the eventual return to peace. With the cutbacks and shifts of production incident to the end of hostilities in Europe, the first impact of transition is already upon us. We are faced with the immediate question of what, if anything, should be done taxwise in the interim period between V-E Day and the final end of the war. Facing us in the future but not requiring immediate action are the basic problems of post-war taxation; what long-run changes in tax structure are desirable? How much can taxes be reduced? How should the reductions be distributed? In what order should changes be made? How soon should they begin? How rapidly should they proceed?

Even while focussing on war finance, the Treasury and the Congress have continuously kept the problems of post-war taxation in their field of vision. Although the wartime tax system will not serve and was never intended to serve as a post-war tax system, many of its provisions have a post-war orientation. Thus, to permit costs and losses which are properly chargeable against wartime income to be deducted from such income even though they are not incurred until after the end of the war, the Revenue Act of 1942 provided for a carryback of unused excess-profits credits and a carryback of business losses. Furthermore, that act set up a post-war credit or refund of 10% of the excess-profits tax, to be evidenced by non-interest-bearing bonds payable at certain designated times soon after the end of the war.

The post-war problems of the individual also loomed large in the minds of the Treasury and the Congress, especially in the 1943 legislation providing for withholding and current payment of income taxes. These measures removed the specter of overhanging tax liabilities which would otherwise plague millions of individuals when incomes shrink because of cutbacks to peacetime production.

Congressional and Treasury Tax Studies

Moreover, post-war tax studies have long been under way by both Congressional and Treasury tax staffs. Although a good deal of spade work had gone before, a resolution by the Congressional Joint Committee on Internal Revenue Taxation on June 15, 1944, marked the beginning of formal work on tax adjustments for the transition and post-war periods. The Committee, adding a member from the minority party in each House to achieve equal representation for both parties, constituted itself the Joint Committee on Internal Revenue Taxation for Post-War Taxation. Its resolution called on the Joint Committee staff and the Treasury tax staff to work as a unit on the study of post-war tax problems and to report their results and suggestions to the Committee.

The resolution of the Joint Committee was followed to the letter. The tax staffs of the Committee and the Treasury undertook a series of joint studies relating to various aspects of the transition and post-war tax problem. Representatives of business, labor, agriculture, and other groups, many of whom had undertaken their own post-war tax studies, were invited to Washington to the present their views. Out of the many off-the-record conferences with these groups grew a body of information and suggestions that has proved extremely valuable in our post-war tax work. Together with the continuing studies of the Joint Committee and Treasury tax staffs, it has served as the background for a number of confidential reports submitted to the Joint Committee in meetings throughout this past winter.

The Program for the Interim Period

The first formal results of this work are reflected in the report of the Joint Committee made public a week ago, recommending certain tax changes for the interim period between the end of the European war and the end of the war with Japan. These recommendations, while not calling for any reduction in tax rates, will materially improve the cash position of business in the reconversion period.

It has come as a surprise to some observers that, after several years of substantial war profits, there should be official concern over the cash position of business in the period just ahead. It is true that business, taken as a whole, appears to have enough cash and working capital to finance reconversion and to carry on into peacetime production. There are firms, however, many of them small businesses, which are not in this fortunate position. Some of them, because of the termination of war contracts and the extraordinary expenses and adjustments involved in reconverting to peacetime production, will experience financial difficulties and at least temporary shortages of cash and working capital. The program which the Joint Committee has outlined in its first report is designed primarily to aid reconversion by easing the financial problems of these firms.

The recommendations involve a five-point program. First, the specific exemption for the excess-profits tax, which was raised from $5,000 to $10,000 in 1943, would be raised to $25,000 for 1946 and subsequent years. This would relieve 12,000 small corporations from the burden of the excess-profits tax, leaving only 19,000 larger corporations still subject to this tax. Small corporations have found the excess-profits tax to be particularly burdensome, and the Committee felt it advisable to lift this burden during the critical reconversion years and thereby to give small business every opportunity to reestablish itself. Of the several recommendations made for the interim period, this relief to small corporations is the only one involving any ultimate revenue loss. Even here the net loss will be only about $160,000,000 annually, or less than 2% of total Federal corporate taxes.

The other four recommendations for the interim period are designed to speed up the payment of certain tax refunds and credits to which businesses are entitled under existing tax laws. They would make available more promptly cash which would in any event ultimately have to be paid out by the Government.

Two recommendations deal with the post-war credit under the excess-profits tax. You will recall that 10% of the excess-profits tax is in the form of a post-war credit to be returned to the taxpayer from two to six years after hostilities cease, the length of time depending upon the year for which bonds evidencing this credit were issued. The bonds issued for 1942 are estimated to run to $480,000,000 and those for 1943 to $820,000,000, a total of about $1,300,000, for the two years. The Committee proposes that the maturity date of these bonds be advanced to Jan. 1, 1946, and that cash payments would be substituted for bonds which had been certified but not yet issued with respect to these two years. It is estimated that post-war credit bonds applicable to 1944 liabilities will total about $830,000,000, and to the 1945 liabilities about $710,000,000. Under the Committee program, these post-war credits would be taken currently in the form of reduced tax payments. The effect would be to lower the gross excess-profits tax rate of 95% to a net rate of 85½% after post-war credit.

The fourth recommendation would accelerate the refunds resulting from carrybacks of net operating losses and unused excess-profits credit. Normally, these refunds would be payable over an indefinite period from 1947 to 1950. But this may not be soon enough. After the cutback of war production, many corporations face falling incomes or extraordinary expenditures, or both. Their incomes may shrink below the level of normal profits or even turn into losses. At the same time, many corporations in these circumstances may have tax liabilities for the preceding year hanging over them. In extreme cases their financial solvency might be imperiled, while others would hesitate to go forward boldly with their plans for reconversion. Under the Committee program, taxpayers anticipating carryback refunds arising out of current year operations would be permitted to postpone payment of a corresponding amount of their taxes currently due on prior year income. Thus the benefit of the carrybacks would accrue to them almost immediately. Refund with respect to the years 1943, 1944 and 1945 would be made available during 1946 and 1947. In addition to granting this privilege of deferring payment of taxes currently due, the Committee program provides for speedier settlement and payment of refund claims filed by taxpayers at the close of the taxable year. It has been estimated that the refunds resulting from losses and unused credits for 1945 and 1946 will amount to perhaps $1,000,000,000.

The fifth and final recommendation of the Committee is to speed up the refunds which result from recomputing amortization on war facilities. Under present tax law, emergency facilities certified as necessary for national defense may be amortized over a five-year period. But if the emergency ends before such a facility has been fully amortized, the taxpayer may elect to have the amortization deductions recomputed on the basis of the shorter amortization period. Shortening the period gives rise to tax refunds. In the normal course of audit and administration such refunds would be spread over many months, with a little being paid in 1946 and the bulk being paid during the years 1947 to 1950. Adoption of the Committee proposal would speed up these refunds arising from recomputed amortization to such an extent that an estimated $1,700,000,000 of overpayments of tax for the years 1941 to 1945, inclusive, would be repaid in 1945 and 1946.

As stated, this interim program for the period between V-E Day and V-J Day will not for the most part reduce ultimate tax liabilities. But it will materially strengthen the cash and working capital position of businesses by speedier return of moneys due them under wartime tax laws. The Committee felt that to defer such settlements might jeopardize chances of sustaining a high level of business activity and employment during the difficult transition years just ahead.

The program would seem to be noncontroversial. It is to be hoped that the Congress will find it practicable to enact it speedily. If this is done, I believe that business men will go ahead with their production schedules and plans for the future, reassured that their special problems will receive every consideration consistent with the country's needs.

It has been pointed out that the recommendations of the Joint Committee do not encompass any reduction in tax rates. Moreover, the Administration has taken the position that taxes should not be lowered until the end of the war with Japan. There are strong grounds for this position. The Joint Committee, in explaining why they do not recommend that existing tax rates be reduced at the present time, make the following statement in their report:

"1. Federal expenditures can be expected to remain at a high level after victory in Europe, and thus the need for revenue will not be greatly lessened. With the war continuing on one front, it has been estimated that the Federal Government will spend for war alone at the annual rate of about $70,000,000,000.

"2. It appears unlikly that there will be any serious general unemployment during the period of the Pacific war. This period can be expected to be one of reasonably full employment, since the pent-up demand for goods and services is expected to offset the anticipated cutback in war production. Such unemployment as may exist will largely be caused by unavoidable delays in the reconversion of plants to peacetime production. It is likely to be limited to a few areas in which large cutbacks in war production will be made. General tax reductions could do little to help these isolated areas.

"3. Inflation will continue to be a danger during the period of the Pacific war. Tax reductions at this time might be an important factor in starting a runaway inflation, since they might increase the demand for civilian goods and services which is already in excess of limited production. Furthermore, tax reductions at this time might weaken other anti-inflationary controls.

"4. The armed forces are still called upon to endure personal and economic hardships."

We are still engaged in a bitter and costly war with Japan. Federal expenditures are continuing at levels never thought possible before the war. A larger sector of our economy is still devoted to production for war instead of turning out the goods and services normally consumed in peace. As long as these conditions prevail, I believe it is generally accepted that no program of tax reduction could be undertaken without risking serious inflation and endangering morale on both the home front and the war front.

Basic Problems of Post-War Taxation

On the principle of first things first, I have thus far been discussing the interim period, its tax problems, and the proposals for solving them. But these proposals are recognized by all concerned as only the opening chapter of post-war taxation. The basic problems of tax revision and tax reduction for the post-war period still remain. You will note that I bracket the problem of revision of the tax structure with the problem of tax reduction. I am sure you have also noted that all of the post-war tax plans thus far advanced by private groups, e.g., the Twin Cities Plan, the Ruml-Sonne Plan, the Committee for Economic Development Plan, and the CIO Plan have coupled structural changes in the tax system with downward revision of tax rates. Tax reduction serves as an effective lubricant for tax readjustment. The goal towards which people both inside and outside the Government are working is thus not only lower taxes, but better taxes.

Let me hasten to add that although the direction of tax rates will clearly be downward, how far down they will go is not yet apparent. However, any realistic appraisal of the Federal Government's post-war revenue requirements makes it clear that reductions will be far less than many people have allowed themselves to believe. Estimates of these requirements almost universally run three and four times as high as our pre-war Federal tax yield. If we are to avoid a large and chronic Federal deficit, we will have to retain a strong and productive tax system after the war. Taxes can and will be reduced, but the reductions will have to be selective and will have to be made with an eye to maintaining a high level of business activity and employment. The limited scope of possible tax reductions makes it all the more important that every reduction be carefully geared into a tax program designed to strengthen the post-war economy.

Questions of the level and shape of taxes to come are receiving the full attention of the Treasury and the Joint Committee tax staffs. The level of post-war taxes will, of course, depend on the volume of Government expenditures and on changing economic conditions. With the final revenue goal unknown, study and planning as to tax levels must proceed in terms of alternatives — alternative rate schedules, exemptions, and the like—to meet the various situations which may develop. On the other hand, past experience in taxation provides a number of guide-posts as to the structure of future taxes. Hence, advance planning as to the kinds of taxes suited to our post-war needs can more readily go forward in concrete terms. You may be interested in an account of some of the problems the tax staffs are studying and some of the considerations they are taking into account in their search for solutions.

From our many conferences and extensive correspondence with taxpayers, certain impressions emerge as to which problems are uppermost in the minds of the taxpaying public. Probably the major concern of business men is whether—and when—the excess-profits tax will be repealed. Business men have generally expressed the belief that they could not live with this tax as a continuing post-war measure. In this connection, one may observe that the tax was adopted solely as a tax on excessive war profits and that there is no evidence of any intention to continue it after war profits disappear.

The so-called double taxation of corporation dividends is another major concern of taxpayers who are looking at the shape of the post-war tax structure. As you know, it is claimed that the imposition of one tax on the corporate income and another tax on the dividends received by the stockholder results in unfair double taxation. This assumes, of course, that the stockholder bears the final burden of the corporation income tax as well as of the tax on the dividends. To the extent that this assumption is correct, double taxation is a real problem. But to the extent that the corporation tax is shifted away from the stockholders in the form of higher prices to consumers or lower wages to employees; double taxation is more apparent than real. This question of who, in the last analysis, bears the burden of the corporation income tax cannot be ignored in grappling with the double taxation problem.

Numerous alternative methods of treating corporate income have been suggested. Some would virtually abolish the present corporation taxes. Others propose tax credits under the individual income tax with respect to dividends received. Still others would subtract from the corporation's taxable income the amount of dividend payments made to stockholders. These different approaches reflect more than merely the personal idiosyncracies of their proponents. They flow from sharp diferences of opinion regarding three basic questions, namely: (1) whether or not it is proper and desirable to tax income to corporations at all; (2) who bears the final burden of the corporate tax, and (3) how difficult it would be to administer and comply with the various proposed solutions.

If corporations could always be counted on to distribute all of their income, the same final tax result could be achieved by any one of the several methods. It would be immaterial, for example, whether we simply abolished the corporation tax, or converted it into a withholding tax, or allowed dividends, like interest, to be deducted in computing corporate taxable income. But in fact, corporations do not, and cannot be expected to pay out all of their earnings. The setting aside of reserves for contingencies has long been a recognized procedure, and the reinvestment of earnings serves as the principal method of financing the growth of new, expanding enterprises. Any attempt to eliminate double taxation thus raises the vexing problem of what tax treatment should be applied to retained earnings.

Another major tax problem is that of devising a scheme of taxing small business which will help preserve a growing competitive economy. The objective of smoothing the tax road for small business is widely accepted, but there is no general agreement on a precise method of achieving this end.

An aspect of business taxation which is not concerned with tax rates but has fully as great an impact on business incentives is that of averaging income for tax purposes. The adverse effect of taxes on the willingness to incur risks can be materially reduced by allowing businesses to offset their net losses in one year against their net profits in other years. A five- or six-year carry-forward of net losses has many proponents. Reduction of the risks of business by more liberal loss offsets may be a more effective means of stimulating business investment than a decrease in the rate of tax on profits. Moreover, especially at high rates of taxation, businesses with widely fluctuating incomes must be given the protection of loss carry-forwards or carry-backs, or both, if taxes intended as levies on income are not to eat into capital.

With these complex questions in view, it is almost with a sense of relief that one turns to the capital stock tax and declared-value excess-profits tax. For here is one tax, or perhaps I should call it a dual tax, on which a consensus can truly be said to exist. All are agreed that this tax should be repealed, and only the question of timing remains.

I have talked principally of business taxes, both because they raise the issues which concern this audience most immediately and because they constitute such a crucial part of the post-war tax programs. But it goes without saying that they are by no means the whole problem. The rates and exemptions of the individual income tax and the composition and rates of our excise taxes, for example, play an equally important role in the post-war tax picture. They affect the entire population and have a direct impact on consumer purchasing power and markets. To strike the proper balance between the various types of taxes requires that each be appraised, not in a vacuum, but as an integral part of an overall tax system.

Underlying Considerations in Tax Planning

In approaching the task of reducing and adjusting taxes for the post-war period, certain broad considerations appropriately control most of the basic decisions. These considerations are well known, but they bear repetitition in the present context.

We have already noted that post-war tax levels will need to be high to meet the revenue needs of Government. The primary concern in post-war tax planning is to raise the necessary revenues with the minimum restrictive effect on production and employment. High levels of business investment and consumer spending are required to ensure a healthy, full-employment economy. This consideration calls for appraising the impact of each tax or tax change upon business incentive on one hand and consumer purchasing power on the other.

Although the economic effects of taxation are of first importance, the demands of equity and fairness must at the same time be satisfied. Accordingly, the revenues needed to finance Government should be raised according to the long-established principle of ability to pay. This principle underlies Federal tax policy of the pre-war and wartime and remains the standard for the future.

Ease of administration and compliance is also a vital consideration in devising post-war taxes. Simple and uniform laws are the best bulwark against expensive administration and costly and irritating compliance burdens. Much progress has been made in the direction of simplification, but much remains to be done. In attempting simplification, however, one is forcibly reminded that the demands of equity in the tax system set a limit beyond which simplification cannot go. Thus, one criterion of a well-designed tax system may clash with another, and the tax designer is charged with the task of reconciling the two.

Stability in the post-war tax system is another widely desired end. But it is important to distinguish between stability in structure and stability in rates. The tax system should be responsive to changes in economic conditions. Taxation is an instrument designed to serve organized society. If it is to be of maximum service, it must be adapted to the changing economic and social needs of that society.

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would be handled by the Federal Reserve Banks under the supervision and direction of our Board of Governors.

But the Federal Reserve has a much more fundamental interest in the operation of the proposed institutions. Broadly stated, the goal of the Federal Reserve is to help maintain through monetary and credit action a high level of production and employment. The monetary and credit structure of this country, however, is continually affected by international transactions. The Fund and the Bank would work toward a high and stable level of world trade and would therefore help attain our goal.

The disruptive practices that attended the reduction of world trade by about one-half between 1929 and 1934 and the periodic flights of "hot money" in the period between the wars contributed greatly to our difficulties and aggravated the monetary and credit problems of the Federal Reserve System. Through achieving a better international balance, the Fund would help prevent a recurrence of the great gold inflows of the 1930s with their attendant problems for the Federal Reserve System.

Just how the Fund's operation would affect our monetary reserves depends on several factors. One of these is the form of initial subscription.

The effect of the initial subscription would depend on the source of the funds. The total subscription quota set for the United States is $2,750 million, one-quarter of which must be paid in gold. The enabling legislation now before Congress proposes that ultimately we should pay $1,800 million of the subscription from our Stabilization Fund and the remaining $900 million by Treasury borrowing in the market. At the outset, however, the Fund Agreement permits members to deposit non-interest-bearing demand notes in place of that portion of their currency which is not needed by the Fund in current operations. Initial payment of our subscription, either from the $1,800 million in our Stabilization Fund or by the temporary deposit of non-interest-bearing notes, would not affect our money market, since funds would be neither withdrawn from nor transferred to the market.

If other members used funds they owned here to pay for the gold portion of their subscription, they might affect our market. There would be no effect, of course, if they simply utilized gold held here under earmark since that has already been removed from our gold stock. Use of any deposits they might have at the Federal Reserve Banks would result in a reduction in the gold reserves of the Reserve Banks but would have no direct effect on our money market. To the extent that gold subscriptions by member countries drew funds from our money market, however—either directly through drafts on deposits at commercial banks, or indirectly as through sales of U. S. Government securities—they would have the same effect as an export of gold through commercial channels. Such operations might call for Federal Reserve action in the open market of elsewhere in order to prevent disturbances in the credit situation.

Effect of Fund on Currency Supply

More interesting are the possible effects of the Fund's activities as a going concern. Over the long run, of course, it is hoped that the Fund's use of the currency of any member country would not be so extensive as to have temporarily unsettling effects on the domestic money market, and there are numerous automatic and discretionary controls in the Fund to achieve this result. But there would certainly be substantial use of the Fund's dollars from time to time.

When other members in their current transactions paid the United States with dollars acquired from the Fund, the effect would be to increase our money supply. The Fund could acquire the dollars from our initial currency subscription or through sales of gold to us, or, to mention a somewhat remote possibility, by borrowing. To borrow here, the Fund would need our Government's consent.

Use of our initial currency subscription, to the extent that it would be provided from the $1.8 billion in our Stabilization Fund, would increase the supply of money in our market. To the extent that dollars were provided by Treasury borrowing in the market, no net effect would be produced since the Fund would, through its members, return the money to the market. Similarly, provision of dollars through the Fund's borrowing in our market would have no net effect. Acquisition of dollars through sales of gold would have the same effect on our money market as an import of gold.

The International Bank and the Money Market

Operations of the International Bank would have less complicated effects in our money market than would those of the Fund and in general would leave the money supply and member bank reserves unaffected. They would, however, influence the capital market and the course of the business cycle. To use American resources the Bank would need to have the consent of this country; and before consent was granted, presumably full consideration would be given by the monetary authorities to the effect of the proposed borrowing on the credit situation in the United States.

It is clear that the Federal Reserve System would be not only deeply concerned with the proper administration and success of the Fund and the Bank but immediately affected in many ways by their technical operations. If these institutions achieved their objectives, the Federal Reserve authorities would be greatly assisted in their task of applying monetary and credit policies that would encourage high production and employment in the United States.

On the other hand, they should render substantial assistance to the attainment of the objectives of the Fund and the Bank in whatever way consistent and possible. The Reserve authorities should be fully informed with regard to the technical operations of both institutions so as to be in a position at all times to present their considered views to the U. S. Governors and Executive Directors of these two institutions.

The Board of Governors of the Federal Reserve System favors Congressional ratification of the Bretton Woods proposals, for reasons given in a statement forwarded to the House Banking and Currency Committee on March 21, 1945. In this statement, as indicated by the following excerpt, the Board recommended addition to the enabling legislation now before Congress of provision for a council or committee charged with the responsibility of interpreting American international financial policy to this country's representatives on the Fund and the Bank:

"In connection with the enabling legislation now before Congress (Bretton Woods Agreements) the Board is strongly in favor of the addition of a provision for the establishment of a Council or Committee to provide the necessary direction and guidance to the representatives of the United States on the governing bodies of the Fund and the Bank and to interpret to them the international financial and monetary policies of the United States. Members of this Council or Committee should consist of the heads of the appropriate agencies of the Government to be designated by the President. It should be a small group comprising not more than five members. Since the proposed institutions are to be permanent, it would be advisable to have the Council provided by law rather than by Executive order or informal arrangement. The Council would not only advise the American Governors and Directors on the Fund and the Bank of its views with respect to the financial and monetary policies of the United States but would also be authorized to act for the United States in matters which require approval under the agreements, except in cases in which the right to decide will be retained by Congress. Establishment of such a Council would assure reasonable continuity in the interpretation of American International financial policy to this country's representatives on the Bank and the Fund. Provision for such a Council in the enabling legislation would not call for any change or modification of the Articles of Agreement of the Fund or Bank."

Criticisms of Bretton Woods

Many specific criticisms have been leveled against the Fund. Other ways of dealing with the problem of international monetary stabilization have been proposed. Alternative suggestions range all the way from reestablishment of the international gold standard as proposed by Kemmerer and Winthrop Aldrich to the recommendation of the Committee for Economic Development, which is quite consistent with the Agreements as they stand.

A return to the international gold standard is neither feasible nor desirable. The standard was too rigid. It could be altered only at the cost of a national crisis. The British found this out in the '20s, when they returned to the standard at too high an exchange rate for the pound and as a consequence experienced depression and unemployment in their great exporting industries. Every time a domestic expansion program was undertaken with a view to absorbing the unemployed there was a tendency for British imports to expand and for an adverse balance of payments to develop. The adverse balance put pressure on British gold reserves, and in order to remain on the gold standard the domestic program had to be interrupted. The Labor Government was repeatedly frustrated by this situation.

But when England was forced off the gold standard in 1931 it was no longer necessary to retain the pound in its fixed relation to gold. The British discovered they were free to pursue a domestic expansion program year after year, and they did it very successfully. England was well on the way to prosperity by the end of the 1930s. This experience has made a deep impression on the British public, and as they look ahead to the uncertainties of the post-war years, the last thing they are prepared to do is to bind themselves irrevocably to a fixed exchange rate under the international gold standard.

Many other countries feel the same way. There is no method by which they can be forced to return to that standard. Nor would it be wise to try to force them to do so. No one can name with confidence at this time a system of exchange rates that would prove permanently appropriate under the shifting conditions of the post-war world. The Monetary Fund, if adopted, would accomplish the utmost that can be achieved in this direction.

Individual members would be bound to maintain stable exchange rates and free convertibility for trade purposes as under the old gold standard; but with the permission of the international group they could depart from this fixed arrangement without a national crisis. That is, if they could make so good a case for exchange adjustment or exchange control that the Fund agrees it would be in the interest of the membership as a whole, action along these lines could be taken. Under the gold standard such action could not be taken even if necessary to correct a fundamental disequilibrium.

Alternatives

Two alternatives to Bretton Woods have been suggested that are consistent with the Fund and Bank Agreements as they stand. The Committee for Economic De-

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velopment has proposed that the Bank be given specific power to make long-term stabilization and general purpose loans. The Committee is afraid that without such a power the temptation to abuse the privilege of drawing on the Fund would be irresistible during the early post-war years. Reconstruction and other needs will be so great during this period that many countries might find it impossible to use the Fund for temporary purposes only. They would fail to replace the strong currencies they had taken out of the common pool and become chronic debtors. These fears of the CED are understandable; but the fact is that the Bank Agreement already contains a provision which is intended to permit the Bank to make the type of loans the CED desires. Possibly this provision could be clarified to advantage.

The second alternative suggested would avoid the use of the Fund altogether during the transitional period. That is the proposal of Murray Shields, economist of the Irving Trust. He would have this country approve the Fund immediately, along with the Bank, on the understanding that the Fund would not begin business until after the transition from war to relatively stable peace economies had been achieved. Meanwhile he would rely upon relief, reconstruction loans, and other forms of assistance to meet the immediate post-war situation. He would preserve the Fund intact to deal with the more normal problems of the ensuing decades. This could be done without any change in the agreements, since the Fund is under no compulsion to begin operations until it regards the situation as right. The fact that the Fund organization had been set up with adequate resources would meanwhile constitute an assurance to its members that they could safely plan for a multilateral world in the future. The difficulty with Mr. Shields' position, however, is that the immediate postwar problems are likely to be such that all available instrumentalities will have to be used in order to cope with them successfully.

The ABA Criticism

In between the futile longing for the old gold standard and the measures that involve practically no change in the Agreements as they now stand are the proposals of the type made by the American Bankers Association. They are based on the supposition that the members of the Fund have automatic drawing rights which they are sure to abuse. Hence the ABA has proposed that this system of providing assistance be scrapped altogether and that the job of currency stabilization be given to the Bank, which would make funds available only after preliminary investigation and subject to conditions tailored to fit the individual country.

This view misinterprets the very essence and purpose of the Fund. The core of the Agreement is that members should know in advance the conditions they must meet to be eligible to use the Fund. Members could proceed with confidence only if assured that they could come to the Fund and receive help in meeting payments for foreign goods and services without delay. Since members could confidently expect assistance from the Fund, they would be able to undertake to maintain stable exchange rates and to eliminate restrictions on foreign exchange transactions. In many cases the fact that assistance would be forthcoming without delay would prevent temporary disturbances from having serious repercussions on the international position of other countries. If a drop in any single country's exports leads to defensive deflationary measures, and restrictions on imports, that country's exchange difficulties will spread to other countries and a vicious circle of restrictions on trade and of deflation will ensue.

To prevent abuse of the privilege of drawing on the Fund's resources a series of specific controls have been written into the Agreement. Some of these are automatic. They come into play immediately without requiring a vote of the Fund's management. The Fund could not be drawn upon at all to finance a large or sustained capital outflow. It could be used only to meet a deficit in a country's balance of trade and services. A country that wished to obtain foreign exchange from the Fund to meet a trade deficit would have to pay a service charge of ¾ of 1%. This charge was deliberately fixed so as to make it cheaper for the country to obtain foreign exchange by using its own gold rather than by drawing on the Fund. It would cost less for a country to ship gold to the United States and convert it into dollars than to obtain dollars from the Fund. If, however, the country did not have sufficient gold to enable it to do this, or for various reasons wished to conserve its gold stock, and therefore drew upon the Fund, it would not only have to pay the service charge but also a progressive annual charge on the amount of its drawings. This progressive charge would increase the longer the draft remained outstanding and the larger the amount that was drawn. Increasing pressure would be put upon the country with each passing year or with each additional draft to repay to the Fund the foreign exchange which it had taken out of the common pool. If this check were not sufficient, the country would find itself subject to an absolute limitation. It could not draw more than 25% of its quota in any year without the Fund's consent. Finally, there are the so-called repurchase provisions which require any country which has gold or other monetary reserves in excess of its quota to start paying back at the end of the year any foreign exchange it has drawn from the common pool.

Should these automatic controls which require no vote to put them into operation prove insufficient a more powerful set of controls could be brought into play. They are so powerful that they must be left to the discretion of the managers of the Fund. The Fund could postpone the beginning of its exchange operations until it was satisfied that most members were in sufficiently stable condition to warrant use of the Fund's resources. Furthermore, after it had commenced general exchange transactions it could postpone transactions with any individual country which was not in a position to make appropriate use of the Fund's resources. Even after it had commenced transactions with a particular country, it could stop that member from drawing additional amounts if the member was not using the Fund's resources in accordance with the purposes of the Fund. The purposes as stated in the Agreement make it quite clear that the Fund is to be used to help countries meet temporary deficits and to give them time to correct more deep-seated maladjustments. If a country did not take advantage of the time gained by drawing on the Fund to put its house in order and correct its position, the Fund could deny further access to that country.

The different attitudes toward the Bretton Woods Agreements and the reasons given for these attitudes are indicative of the wide interest aroused by the public in the International Monetary and Credit proposals adopted by 44 nations at Bretton Woods, New Hampshire, in July, 1944. The discussions provoked by this interest are healthy and fruitful so long as their purpose is constructive. No informed person can successfully disagree with the purposes of the Fund and the Bank, and, as a matter of fact, criticism is directed for the most part to the methods suggested for achieving the objectives, especially in the case of the Fund. These methods were adopted after long and serious study and discussion before and during the International Monetary and Financial Conference and many of the objections now being raised were carefully considered before agreement was reached at the Conference. Agreement by 44 nations on two effective economic instruments is no small achievement in the history of the world and should not be thrown away lightly. To meet the problems facing us after this war, we will need the Fund and the Bank and many other instruments as well to win the kind of peace we have been fighting for.

The Anglo-French Financial Agreement

(Continued from page 2281)

a non-interest bearing credit up to £100 millions, to be available up to the 28th February, 1946. The Bank of England shall open in the name of the French Government an account to be called Account A, to which instalments of this credit shall be paid at the request of the Bank of France (acting as the agent of the French Government). This Account A will be utilized by the French Government in order to provide funds, so far as this is necessary, for the account of the Bank of France at the Bank of England.

(*b*) The French Government shall make available to the Government of the United Kingdom a non-interest bearing credit up to Francs 20 milliards, to be available up to the 28th February, 1946. The Bank of France shall open in the name of the Government of the United Kingdom an account to be called Account A, to which instalments of this credit shall be paid at the request of the Bank of England (acting as the agent of the Government of the United Kingdom). This Account A will be utilized by the Government of the United Kingdom to provide funds, so far as this is necessary, for the account of the Bank of England at the Bank of France.

(*c*) If the figure of £100 millions mentioned in sub-paragraph (*a*) above, or the figure of Francs 20 milliards mentioned in sub-paragraph (*b*) above, should prove insufficient, the two Governments shall consult together with a view to increasing these figures as necessary in order that there shall always be sufficient funds in the account of the Bank of France at the Bank of England and in the account of the Bank of England at the Bank of France.

2. On the 28th February, 1946, a balance shall be struck by comparing the drawings to date of the Government of the United Kingdom and the French Government on their respective A Acounts. This balance shall be struck in the currency of the creditor Government. To this end the drawings made in the currency of the debtor Government shall be converted into the currency of the creditor Government on the basis of the official rate of exchange in force at the date of each drawing.

Article 2

1. If, on the 28th February, 1946, the calculation referred to in Article 1 (2) above results in a balance in sterling due from the French Government to the Government of the United Kingdom, this balance shall be settled as follows:

(*a*) The French Government shall discharge the balance in gold up to the equivalent of one-third of the gross total of the payments in franc or sterling currencies made during the year ending the 28th February, 1946, from the franc area to the sterling area, excluding those payments made out of Account B referred to in Article 4 below. This total shall be determined by agreement between the Bank of France and the Bank of England.

(*b*) If Account B referred to in Article 4 below shows on the 28th February, 1946, a balance in sterling in favor of the French Government, the French Government shall utilize this balance, in so far as is necessary, to pay the remainder of the amount due by them after the payment in gold mentioned in sub-paragraph (*a*) above.

(*c*) If the payment mentioned in sub-paragraph (*b*) above shall not be sufficient to liquidate the remainder of the amount due by the French Government, the balance which shall not have been reimbursed on the 28th February, 1946, shall be carried forward on conditions to be agreed between the two Governments.

2. If, on the 28th February, 1946, the calculation referred to in Article 1 (2) above results in a balance in francs due from the Government of the United Kingdom to the French Government, this balance shall be settled as follows:

(*a*) The Government of the United Kingdom shall discharge the balance in gold up to the equivalent of one-third of the total of the payments in sterling or franc currencies made during the year ending the 28th February, 1946, from the sterling area to the france area, excluding those payments which are made into Account B referred to in Article 4 below. This total shall be determined by agreement between the Bank of France and the Bank of England.

(*b*) If the payment mentioned in sub-paragraph (*a*) above shall not be sufficient to cover the total amount due by the Government of the United Kingdom, the balance which shall not have been reimbursed on the 28th February, 1946, shall be carried forward on conditions to be agreed between the two Governments.

Article 3

As from the date of coming into force of this Agreement settlements between the franc area and the sterling area as well as the general monetary relations between the two areas shall be regulated by the technical provisions set out in the Annex to this Agreement.

SECTION 2

Article 4

1. The Bank of England (acting as agent for the Government of the United Kingdom) shall open a sterling account to be called Account B in the name of the French Government.

2. The following sums shall be credited to Account B:

(*a*) As soon as possible after the signature of this Agreement the French Government shall pay into Account B, by drawing on Account A mentioned in Article 1 (1) (*a*) above, the sum of £40 millions, which shall be deemed by the two contracting Governments to be the equivalent of the excess of the sterling monies in the United Kingdom belonging at the date of this Agreement to persons resident in Continental France over the franc monies belonging at the same date in Continental France to persons resident in the United Kingdom.

(*b*) The Government of the United Kingdom shall pay into Account B the following sums:

(i) The balance in the Franco-British Liquidation Account established in July, 1940.

(ii) Sums due by the Government of the United Kingdom resulting from the use since June, 1940, of French merchant ships and from the disposal of cargoes belonging to persons resident in the franc area.

(iii) Sterling sums due by the Government of the United Kingdom to the French Government in connection with the expenditure of the British Armed Forces in the franc area during the period prior to the entry into force of the present Agreement.

3. The French Government shall pay out of Account B, as soon as funds are available, the following sums:

(*a*) The sum due by the French Government to the Government of the United Kingdom as reimbursement of the advances made by the latter to the French National Committee in accordance with the terms of the Agreement of the 7th August, 1940,(1) between the British Prime Minister and General de Gaulle. This sum shall be determined by agreement, between the two Governments.

(*b*) Sums due by the French Governments to the Government of the United Kingdom for the period prior to the entry into force of the present Agreement in connection with supplies furnished for the civil population of Continental France by the Allied Armed Forces.

4. Any further sums may be paid into or out of Account B by agreement between the two Governments.

Article 5

1. The Anglo-French Financial Agreement of the 12th December, 1939, is hereby abrogated, and no claims shall be made by either contracting Government against the other in respect of its provisions.

2. The two Governments being desirous of waiving all further financial claims against one another arising out of the prosecution of the war have agreed as follows:

(i) The French Government shall waive their claim to all payments by the Government of the United Kingdom for—

(*a*) The transfer to the Government of the United Kingdom on the 16th June, 1940, of the munition contracts in course of execution in the United States for the account of the French Government.

(*b*) The repayment of sums disbursed by the French Treasury in respect of debts contracted in France prior to June, 1940, by the British Expeditionary Force.

(*c*) Repayment of the balance in favor of the French Government in the Reciprocal Advances account set up in 1940.

(*d*) War material made available in 1940 by the French Government to the Finish Government on behalf of the Government of the United Kingdom.

(ii) The Government of the United Kingdom shall waive their claim to all payments by the French Government for—

(*a*) War material furnished to the Turkish Government by the Government of the United Kingdom on behalf of the French Government.

(*b*) War material furnished prior to the 1st July, 1940, by the Government of the United Kingdom to the French Government.

(*c*) Expenditure of the Gov-

(1) "France No. 2(1940)." Cmd. 6220.

ernment of the United Kingdom on the maintenance of French troops in the United Kingdom in 1940, other than expenditure incurred under the provisions of the Agreement of the 7th August, 1940, between the British Prime Minister and General de Gaulle.

(iii) (*a*) The Government of the United Kingdom shall make available to the French Government, free of cost, in accordance with the Annex to this Article, supplies of goods and services of agreed categories which shall be estimated by common agreement to represent a total value of £45 millions.

(*b*) No part of the above supplies shall be sold by the French Government outside French territories.

(*c*) The two Governments shall co-operate to ensure that the total deliveries arranged under this paragraph shall reach the agreed amount.

(*d*) The two Governments shall also co-operate with a view to determining which supplies and services shall fall within the scope of this paragraph, and which shall fall within the scope of Mutual Aid.

(iv) In application of the provisions of paragraph 2 (i) (*a*) above, the French Government shall refund to the Government of the United Kingdom the sums which the latter has paid in dollars to an account at the Bank of Canada in connection with the transfer of the said munition contracts. This repayment shall be made by instalments pari passu with the implementation of the programme of deliveries referred to in paragraph 2 (ii) (*a*) above.

Annex to Article 5

(1) The two Governments will consult together from time to time to draw up the lists of supplies, materials, euipment and services referred to in Article 5, paragraph 2 (iii). They will draw up the first list as soon as possible.

(2) The supplies, materials and euipment referred to may include any new or second-hand article (apart from raw materials), which is, or which may become, the property of the Government of the United Kingdom, and has been produced or acquired for war purposes.

(3) The deliveries of the supplies, materials and equipment referred to in the preceding paragraph may be either for the use of the French Military, Naval and Air Forces, having regard to Article 5, paragraph 2 (iii) (d), or for the satisfaction of French civilian needs, and may include such categories as materials, equipment and installations for ports, railways, inland waterways, road, sea and air transport, public works, telecommunications, mines, public utilities, hospitals, housing, & etc., as well as for manufacturing industries. This enumeration is purely indicative, and is only intended to show those classes of French civilian needs which are most pressing.

(4) The services may include in particular those required in connection with the shipment and delivery of supplies, to which reference has been made above, and to changes for hire of such goods.

(5) The two Governments will do all in their power to see that the programme is implemented with the least possible delay.

(6) The global value of the supplies, materials and equipment included in each list will be determined by common agreement, on the basis of original cost, after making suitable deduction for depreciation due to wear and tear.

SECTION 3

Article 6

1. The Government of the United Kingdom shall make available to the French Government any information which, by virtue of the British regulations regarding trade with countries in enemy occupation it may possess concerning assets in the sterling area belonging to French nationals residing in the franc area.

2. The French Government shall make available to the Government of the United Kingdom on a reciprocal basis any information which it may have regarding assets in the franc area belonging to persons of British nationality residing in the sterling area.

SECTION 4

Article 7

The Financial Agreement of the 8th February, 1944, between the French Committee of National Liberation and the Government of the United Kingdom shall be abrogated as from the date of the signature of this Agreement.

Article 8

1. The present Agreement shall be deemed to have entered into force on the 1st March, 1945.

2. The provisions of Section 1 of the present Agreement and the Annex attached thereto shall be valid for one year. At least three months before the end of that period (that is to say before the 1st December, 1945), conversations shall take place with a view to examining the possibility of prolonging the provisions of Section 1 and the Annex for a further period of one year, account being taken of any modifications which circumstances may render necessary.

In faith whereof the undersigned plenipotentiaries, being duly authorized thereto, by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done this 27th day of March, 1945, at Paris in duplicate, in English and French, both texts being equally authentic.

On behalf of the Government of the United Kingdom of Great Britain and Northern Ireland:

JOHN ANDERSON

On behalf of the Provisional Government of the French Republic:

R. PLEVEN

ANNEX TO ANGLO-FRENCH FINANCIAL AGREEMENT.

I.—(i) The Bank of England shall open an account No. 1 in the name of the Bank of France which shall be credited with:—

(*a*) Sterling amounts drawn from the credit placed at the disposal of the French Government by the Government of the United Kingdom in accordance with Article 1 of the Financial Agreement;

(*b*) Sterling amounts accruing to the Bank of France as a result of sterling settlements in accordance with the exchange regulations in force in the Sterling Area.

(ii) The Bank of France shall open an account No. 1 in the name of the Bank of England, which shall be credited with:—

(*a*) Franc amounts drawn from the credit placed at the disposal of the Government of the United Kingdom by the French Government in accordance with Article 1 of the Financial Agreement;

(*b*) Franc amounts accruing to the Bank of England as a result of franc settlements in accordance with the exchange regulations in force in the Franc Area.

(iii) Each of the two Banks is required at all times, on the request of the other, to re-purchase at the official rate the balance on No. 1 Account standing in the name of the other, even though such re-purchase would necessitate drawing on the credits referred to above.

II.—To the extent required for the execution of the Financial Agreement and of the present Annex the Bank of France and the Bank of England shall sell each other gold on a basis agreed upon between them.

III.—(i) The Government of the United Kingdom shall not restrict the free use of sterling which may be at the disposal of residents of the Franc Area for:—

(*a*) All transfers to other residents of the Franc Area.

(*b*) All payments to other residents of the Sterling Area.

(*c*) Transfers to residents of countries not included in the Franc or Sterling Areas to the extent that they may be sanctioned by the Government of the United Kingdom in application of the arrangements contemplated in paragraph VII (iii) (*a*) below.

(ii) The French Government shall not restrict the free use of francs which may be at the disposal of residents of the Sterling Area for:—

(*a*) All transfers to other residents of the Sterling Area;

(*b*) All payments to residents of the Franc Area;

(*c*) Transfers to residents of countries not included in the Franc or Sterling Areas to the extent that they may be sanctioned by the French Government in application of the arrangements contemplated in paragraph VII (iii) (*a*) below.

IV.—(i) To the extent that the Bank of France requires currencies of territories of the Sterling Area (other than sterling) in order to make payments in such territories the Bank of France shall purchase such currencies through the Bank of England against payments in sterling.

(ii) To the extent that the Bank of England requires currencies of territories of the Franc Area (other than the French franc) in order to make payments in such territories the Bank of England shall purchase such currencies through the Bank of France against payment in francs.

V.—The Authorities responsible for Exchange Control shall mutually assist one another to keep capital movements between the two areas within the scope of their respective policies and in particular in order to prevent transfers which would not serve direct and useful economic or commercial purposes.

VI.—Any sterling held by the Bank of France may be held and invested only as may be agreed by the Bank of England and any francs held by the Bank of England may be held or invested only as may be agreed by the Bank of France.

VII.—(i) If during the period of application of the present Annex the two Governments become parties to a general international monetary agreement, they shall review the provisions of the present Annex with a view to making any amendments which may prove necessary.

(ii) So long as the present Annex remains in force the two Governments shall mutually assist one another to ensure its application with the necessary elasticity as circumstances shall require. The Bank of France and the Bank of England, acting for account of their respective Governments, shall maintain contact on all technical questions raised by the Agreement and shall collaborate closely on questions of exchange control affecting the two areas.

(iii) The French Government and the Government of the United Kingdom shall endeavour with the consent of the other interested parties—

(*a*) To make the francs which may be at the disposal of residents of the Sterling Area and sterling which may be at the disposal of residents in the Franc Area available for payments of a current nature to residents of countries not included in the Franc and Sterling Areas.

(*b*) To permit residents of countries not included in the Franc and Sterling Areas to use the sterling which may be at their disposal to effect payments of a current nature to residents of the Franc Area and francs which may be at their disposal to effect payments of a current nature to residents of the Sterling Area.

(iv) Notwithstanding that each of the two Governments shall be alone responsible for its monetary relations with third countries, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

VIII.—All sterling transactions in the Franc Area and all franc transactions in the Sterling Area shall be settled on the basis of the official rate of exchange.

The official rate (at present Frcs. 200= £1) may only be modified after mutual consultation.

IX.—For the purposes of the application of the Financial Agreement dated this day and of the present Annex—

(i) The expression "Sterling Area" shall have the meaning assigned to it from time to time by the Exchange Control Regulations in force in the United Kingdom.

(ii) The expression "Franc Area" shall comprise the following territories:—

Metropolitan France (which includes Corsica and Algeria).
French West Africa.
French Equatorial Africa.
Madagascar and its dependencies.
Reunion.
French Somali Coast.
French Guiana.
Guadeloupe.
Martinique.
St. Pierre and Miquelon.
French Establishments in India.
Indo-China.
New Caledonia.
French Establishments in Oceania.
The Condominium of the New Hebrides.
The Protectorates of Morocco and Tunisia.
The French Mandated Territories of Cameroon and Togo.
Syria and Lebanon.

(iii) Notwithstanding paragraph (ii) above, the provisions of the Financial Agreement dated this day and of the present Annex shall only apply to Indo-China when the whole of its territory has been liberated.

(iv) The foregoing provisions shall not modify the existing arrangements under which the Condominium of the New Hebrides and the French Establishments in India which from part of the Franc Area defined in paragraph (ii) shall be regarded for certain purposes of exchange control as forming part of the Sterling Area.

(v) Settlements effected by the Government of any territory included in one of the two areas defined above shall be regarded as settlements effected by a resident of the said area.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2282)

to become independent that trouble begins. For though the industrials and the rails may have little in common so far as the stock market is concerned, they are an integral part of the country's economy and are interrelated so closely to become almost indistinguishable. So what effects one is bound to effect the other in the long run.

* * *

When one or the other of the averages sets off on its own, and its action is not followed within a reasonable period of time by the other, what is called divergence occurs. Sometimes it is without significance. But in the years I have watched and studied markets this occurence has been rare. So whenever I see evidences of lack of confirmation by one average or another I pull in my horns.

* * *

Frequently a market which has indicated a move in a certain direction will paradoxically move in the opposite direction. For example last week's action pointed to decline. The latter part of the same week strength rather than weakness dominated. Such moves, however, are breathers, postpone the major upheaval and are usually false. But even false moves can take stocks in opposite directions for some distance. Such moves can be of benefit to in-and-out traders, particularly if they are agile. But to the rank and file such moves are loaded. Profits seldom amount to anything and more often turn into losses before any safeguards can be applied.

* * *

One way of holding on to profits, though it is by no means perfect, is through stops. Every issue recommended here has these stops. Right now you still hold Hudson Motors at 18. Stop is now 28. Jones & Laughlin bought at 29 carries a stop of 30. U. S. Rubber came in at 56. Stop is still 57. U. S. Steel should be stopped at 65. It was bought at 56.

No other stocks should be bought at present. And if any of the above break their critical levels they will be considered sold.

* * *

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.]

Cooperation of Government And Business for Prosperity

(Continued from first page)

ditions under which we are working, the organizational and administrative arrangements are of much less effectiveness than they might become with longer experience. And so, for these good reasons, much thought is being given to the ways and means whereby private enterprise may do its full part in achieving high production and high employment in the post-war period.

We must have some general idea of what a satisfactory level of employment in peace-time would be. Some people call such a level "high employment"; others prefer to use the term "full employment," although they are careful to point out that there will always be a certain number of people unemployed at any particular time in a country where men and jobs are not strictly regimented.

There is much agreement, fortunately, that a satisfactory level of employment means about 55 million people at work on an average work week of about 40 hours in ordinary peace-time occupations. It might be a little less or it might be a little more, but this standard is close enough to the realities to give us a start on our thinking.

The question is frequently asked, "How do you reconcile these figures, calling for 55 million people employed in ordinary peace-time occupations, with President Roosevelt's figure, 'close to 60 million productive jobs'?" I do not presume to give an authoritative reconciliation, but for my own part it does not seem difficult. The 60 million figure may properly include two and a half million men and women in the armed forces, since if any jobs are "productive," these certainly are. Then, too, there must always be more jobs than there are people actually employed. There are jobs that are not yet filled; part-time jobs and seasonal jobs. So when we take all these considerations into account I think there is very little difference between "close to 60 million productive jobs" and "55 million people at work in ordinary peace-time occupations."

If we should have 55 million people employed on a 40-hour week, and if the price level is about where it is today, we would have a national income of about 140 billion dollars. I am not predicting that we will in fact have a national income of 140 billion dollars, or any other figure. What I am saying is that if we have a satisfactory level of employment and the present price level, the arithmetical consequence is a national income of 140 billion dollars. It is toward the attainment of this level of national income that our peace-time economic program should be directed.

Plans for Reconversion and Expansion

Private business men in their own companies and in their local and national associations are actively at work on plans for reconversion and expansion. One organization of business men of which I am sure you all have heard, the Committee for Economic Development, has as its single purpose the achieving of a high level of productive employment after the war. The committee recognizes that if we are to have jobs at all, the job-makers have to go to work first.

The agencies of government are active, too. Federal, State and local governments, the executive and the legislative branches are concerned with the problem; and things are beginning to happen.

One measure in particular must be carefully studied. This is the proposed "Full Employment Act of 1945," commonly referred to as the "Murray bill."

The Murray bill is not a legislative accident. It did not suddenly spring from nowhere on to the floor of the Senate. As a matter of fact, the Murray bill has a long and respectable intellectual and political history.

One of its early beginnings was in September, 1921, when a Conference on Unemployment, of which the then Secretary of Commerce, Herbert Hoover, was Chairman, made some very explicit recommendations favoring the use of public works as a means of attacking unemployment. The language of the recommendations which were adopted at that time is interesting.

"Public construction is better than relief. The municipalities should expand—to the fullest possible volume compatible with the existing circumstances. The Governor should unite all State agencies . . . in expedition of construction of roads, State buildings, etc. The Federal authorities should expedite the construction of public buildings and public works covered by appropriations. A Congressional appropriation for roads would make available a large amount of employment.

"The Conference under existing circumstances, notwithstanding various opinions as to the character of the legislation and the necessity for economy, recommends Congressional action at the present session in order that work may go forward."

Curiously, no reference to taxation is made in the report of this 1921 Unemployment Conference.

The unemployment crisis of 1921 proved to be a short one; but the danger of unemployment lived on, and reappeared once more in 1929. This time Federal action became imperative, and in February of 1931 President Hoover signed the "Employment Stabilization Act of 1931" which was sponsored by Senator Wagner of New York.

The Wagner Act of 1931 also contains some language with a curiously modern flavor. I quote from the Act:

"Whenever the President finds that there is likely to exist, in the United States or any substantial portion thereof, a period of business depression and unemployment, he is requested to transmit to the Congress by special message such supplemental estimates as he deems advisable for emergency appropriations. . . . It is hereby declared to be the policy of Congress to arrange the construction of public works so far as practicable in such manner as will assist in the stabilization of industry and employment. . . . The President is requested . . . to take into consideration the volume of construction in the United States, the state of employment, and the activity of general business. The Board shall collect information concerning advance construction plans and estimates by States, municipalities, and other public and private agencies."

Again, in the Wagner Act of 1931, no reference is made to taxation.

The Murray bill, coming some 14 years later, reflects the experience of the depression of the 1930s and our growing knowledge of the factors that are relevant to the maintenance of high employment. Much more explicit reference is made to the stimulation of private enterprise, no longer are public works the exclusive method of attacking the danger of under-employment, and now we find mentioned, among other things, as part of the program, "Federal policies . . . with reference to . . . taxation."

Thus the Murray bill is an evolution from earlier American thinking on the subject of unemployment. It is in the groove. The basic ideas of the Murray bill have had bi-partisan sponsorship and deserve non-partisan standing.

The Murray bill is the American expression of a world-wide recognition that the people, working together through their national Government, must protect the individual against the hazard of undeserved unemployment.

The Murray bill should be widely discussed, subjected to every kind of honest criticism, and strengthened and improved in every section, paragraph and sentence. But it should not be interpreted as a step toward totalitarian regimentation nor as an inspiration of the New Deal to be opposed as such.

Murray Bill Not Sufficient

My own feeling about the Murray bill is that, standnig alone, it attempts to do too much. It should be buttressed by other measures in the areas of public works, social security, and taxation that will tend automatically to bring the economy into reasonable stability at high levels of private, productive employment. With these other measures operating automatically, the problem remaining to be attacked by the methods of the Murray bill will still be difficult, but not, in my opinion, insoluble.

Business must guard itself from dangers from two quarters—on the one side from the regimenters, and on the other from the economic appeasers. The regimenters would attacks the employment problem by overall and underall regimentation of supply and demand, wages, prices and profits, forgetting that the end result would be regimented employment.

The economic appeasers would get rid of the problem by saying that mass unemployment is inevitable and that we might as well make the best of it. To them eight million unemployed is the statistical consequence of a private, free enterprise system. The appeasers forget that the unemployed, and their families, and those who fear they, too, may soon be out of work, are not interested in being the statistical consequence of anything and that there are more of them than there are of the appeasers.

Business today does not accept either the necessity of regimentation, on the one hand, or the inevitability of mass unemployment, on the other. But it would be folly to expect that business can make the transition from full war-time employment to high peace-time employment without cooperation from public government at every level—Federal, State and local.

A Commitment by Government Needed

As part of this cooperation we require among other things for success in the attack by business and government on the danger of mass unemployment, a commitment on the part of the national Government that, through an exaddition to a sound fiscal policy, it will act when business, as business, cannot act to sustain employment and effective demand.

Business knows that fiscal policy alone cannot produce a healthy condition of high employment and high production. In addition to a sound fiscal policy, there must be government stability, protection against illegal aggression, confidence in the outlook for profitable relationships between volume, costs and prices, access to markets and to capital and to the means of production. But sound fiscal policy will aid strongly in getting the high production and high employment we all want; it will also check tendencies toward restrictive practices that spring from fear of insufficient effective consumer demand.

Business wants a fiscal program that will help it create good products, good jobs and good investments. Business does not expect a national fiscal policy to do the work of business for it. It does ask for cooperation in maintaining a flow of purchasing demand that will have some general correspondence to what agriculture, labor and business are able to produce and distribute.

To put it another way, the national State, through a clear and workable fiscal and monetary policy, must complement and supplement the activities of private business in the maintenance of high production and high employment.

Governmental Changes Recommended

To make this proposition more effective than a mere statement of intent, there are a number of corrective measures that the Government must adopt. At the present time, even if a fiscal and monetary policy to complement and supplement the activities of private business were generally agreed upon, there is no possibility under the present organization of the Federal Government of its being made operative or effective.

The first change that needs to be made is in the organization of the executive branch of the Federal Government. The administration of any fiscal policy at all calls for cooperation among agencies and for singleness of policy in at least several respects: the Federal budget; the Federal lending policy at home and abroad; the credit and monetary policies under the jurisdiction of the Federal Reserve System; the creation and refunding of Federal debt, which is now managed by the Treasury; the tax program, and, possibly, the activities of the Securities and Exchange Commission. These several functions are all intimately associated in giving reality to any governmental fiscal and monetary policy. Today these functions are still scattered among several departments and agencies, and, during the 30s there was clear evidence of conflict in basic policy. This meant that during that period the Administration could have no consistent or continuing fiscal policy and was unable to use the full power of fiscal measures to support its attempts to reach the humane goals it had set for itself in other fields.

A similar situation exists in Congress with the several committees of both House and Senate that must consider legislative policy on fiscal and monetary matters. Even if a consistently strong policy should emerge from the administrative branch, it would be subject to delay and possible damaging amendment before the necessary legislation would be forthcoming. As far as taking the initiative is concerned, Congress is handicapped both by organizational and procedural difficulties and also by grossly inadequate staffing of its technical services.

Here, at the point of fiscal and monetary policy, where the relations between government and business are of the greatest importance for the working out of the post-war employment and production problems, business may properly be apprehensive. It may be apprehensive, not that the intentions of government will be hostile or even indifferent, but that, unless the preparatory organizational work is done now, the Federal Government will be helpless in executing even the most elementary collaborative program.

What should our national fiscal program be? Just as the Murray bill springs from an authentic American tradition, so too we should draw on American custom and experience in taking the next steps in American fiscal policy.

A Nine-Point Proposal

With this in mind I have drawn on a number of sources and put together a suggested nine-point post-war national fiscal program. Perhaps it would be more accurate to call it a framework rather than a program. I believe that it is general enough to be acceptable to a majority within all groups—business, labor and agriculture, Republicans and Democrats.

Many of you are familiar with these nine points, but for completeness let me take a few minutes to repeat them once again:

First, we want no public spending for its own sake and no projects merely because they support purchasing power in general. Let us base our budget estimates on the efficient and economical carrying out of worthwhlie activities to accomplish our national purposes.

Second, let us lower our tax rates to the point where they will balance the budget at an agreed level of high employment. We do not want a deflationary tax program at times of less than standard high employment. Taxes should be reduced where it will do the most good in creating demand and in encouraging private investment.

Third, having set our tax rates to balance the budget at high employment, let us leave them alone, except as there are major changes in national policy. When employment goes beyond an agreed level, or if, with high employment, we have a boom in prices, let us hold the surplus or use it to reduce the national debt, not as an excuse for further tax reduction.

Fourth, let us hold on to the principle of progressive income taxes and estate taxes as the best way of reversing the tendency of purchasing power to come to rest. Let us reduce the rates on the individual income tax to stimulate consumption and to make possible investment in new enterprise on a business basis.

Fifth, let us plan our public works, not to balance the whole economy, but to help toward stabilizing the construction industry. Our objective should be to provide in this basic industry continuous activity within agreed limits throughout the year and over the years. This would require advance planning of public works—Federal, State and local—scheduling, and the holding back of a large reserve of optional projects.

Sixth, let us modernize the social security programs as far as their fiscal influences are concerned. Since their beginning they have been highly deflationary. For old age security, let us set our rates and benefits so that they come somewhere near balancing; and for unemployment insurance, let us set our rates so that intake and outgo balance at high levels of employment as it may be defined.

Seventh, let us keep the important excise taxes for the time being, and get rid of the rest. If employment and production lag overmuch, let us get rid of these, too, except when they have some social purpose, since they are deflationary. We need no general sales tax for fiscal policy purposes, now that the individual income tax is on a broad and current basis.

Eighth, let us arrange our loans and expenditures abroad, whether for stabilization, relief, or long-time reconstruction, so that they will support rather than contradict fiscal policies adopted to strengthen our domestic economy.

Ninth, and indispensably, let us press for a reorganization of the parts of the Federal Government that have to do with fiscal policy and administration. We want clarity in policy, consistency in administration, and cooperation between the executive and legislative branches. We shall expect that necessary cooperation of fiscal policy and monetary policy at the Federal level will be attained easily along the way.

This nine-point program raises some questions, and leaves a great deal to be filled in. But if the program makes sense, there are no constitutional or technical reasons why it could not be adopted as a framework now, to be ready once peace is declared and we are able to resume our peace-time way of life. During the transition period after the war the nine-point program itself cannot be expected to eliminate the need for important public expenditure for relief and rehabilitation. But it will provide a flow of purchasing demand, which springs authentically from the tens of millions whose tax burdens will have been reduced. It will express in a mosaic aggregate the popular interpretation of the American way of life as pictured in consumer preferences. Against this background the readjustments of employment and the reconversion of business and industry can more readily occur. I have remarked elsewhere: "Why not leave at home, for expenditure by the individual, money that would have to be pumped out again to sustain employment?" The nine-point program is a way of carrying out the policy implied in this simple question.

A doctor friend of mine, some years ago, told me that if a patient was suffering from both tuberculosis and diabetes, the proper procedure is to treat the diabetes first. "First correct the disorder of metabolism, so that the body may be properly nourished and may help rather than hinder attack on the second disease."

This rule of medicine can be extended to a wider field. The body politic has long been suffering from undernourishment, caused in large measure by disorders of fiscal program. This undernourishment has brought with it restrictive practices that lead inevitably to Government-controlled monopoly, class prejudice and international tension. The first step is to control the undernourishment, and to make sure that the life-blood of purchasing demand is adequately maintained. Only then can we truly appraise the nature of the other evils that afflict us; only then can we decide with confidence on the other measures that ought to be applied.

Plans for world economic relationships have recently received a great deal of governmental attention and public discussion. For the success of all these international plans, a high level of employment and production in the United States is everywhere conceded to be indispensable. With high prosperity, we shall require large imports of raw materials, and we may even welcome the economic advantages of lower tariffs on foods and manufactured goods. With high prosperity, we shall be less greedy for foreign outlets to take up low-cost excess capacity and we shall be more willing to see our exports directed to the world's essential needs.

The critical program for high prosperity for the United States has been too little emphasized in official circles. The problem of domestic recovery and long-term prosperity should no longer be so neglected nor should it be relegated to the private agencies of agriculture, labor and business. Much as these private agencies can and must do, they cannot do all; indeed, they cannot even do their part, without proper governmental leadership and cooperation.

We must succeed at home if we are to succeed abroad. Our great contribution to world peace and freedom can only be made if we are able to use our unparalleled advantages in establishing here, at home, a high standard of prosperity and democracy.

Calendar Of New Security Flotations

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, MAY 24

HEWITT RUBBER CORP. on May 5 filed a registration statement for 190,000 shares of common stock ($5 par). The registration includes 10,000 shares being offered by a stockholder.

Details—See issue of May 10.

Offering—The 190,000 shares registered include 120,000 shares offered in exchange for the 75,000 outstanding shares of capital stock of Robins Conveyors, Inc. on the basis of 1.6 shares of Hewitt for each share of Robins. The remaining 70,000 shares, including 10,000 shares being sold by a stockholder, are underwritten. Price to the public will be filed by amendment.

Underwriters—F. Eberstadt & Co. is named•principal underwriter.

SUNDAY, MAY 27

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

WEDNESDAY, MAY 30

RICHMOND RADIATOR CO. on May 11 filed a registration statement for 333,333 shares of common stock (par $1).

Details—See issue of May 17.

Offering—The company is offering to holders of its common stock of record at the close of business May 31, 1945, the 333,333 additional shares of common at $3 per share, in the ratio of one share for each two shares held. Reynolds Metals Co., which owns 61.47% of the common stock of Richmond, will, if necessary, waive rights to the extent required to provide shares for stockholders other than itself, since on a mathematical basis the stockholders, including Reynolds, would be entitled to about 97/100 of a share for each two shares. Otherwise Reynolds will subscribe to its full share, and will also purchase at $3 per share any stock not subscribed for by other stockholders. The rights to subscribe will expire July 5.

Underwriters—None named.

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.

AMERICAN ENGINEERING CO. on Feb 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures and 200,000 shares of common stock Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $8.50 per share

Underwriters—Van Alstyne, Noel & Co heads the underwriting group, with the names of others to be supplied by amendment.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

ATLANTIC CO. on March 23 filed a registration statement for $10,600,000 5% sinking fund debentures, due April 1, 1980, and 274,868 shares of common stock (no par).

Details—See issue of March 29.

Offering—Under reorganization and recapitalization plan company is offering to the holders of outstanding 6% cumulative preferred stock the privilege of exchanging their shares on the basis of $100 par value of stock for $100 par value of 5% debentures and one share of common stock; to holders of 7½% cumulative preferred stock the privilege of exchanging their shares on basis of $100 par value of preferred stock for $100 of debentures and 5 shares of common and to holders of outstanding 6% Class A preference stock the privilege of exchanging their shares on the basis of $50 par value of stock for $50 par value of 5% debentures and two shares of common stock.

The holders of the 6% preferred and 6% Class A stock offering their stock for exchange shall receive dividends on April 1, 1945, at the same rate of dividends paid on the stock on Jan. 1, 1945, but shall receive no dividends thereafter, the debentures bearing interest from such date.

Any debentures not issued in exchange for stock shall then be offered to holders of presently outstanding first mortgage 5% sinking fund bonds on the basis of $100 par of debentures plus an amount not exceeding $3 in cash for each $100 par value of bonds exchanged. The 5% sinking fund bonds are callable at 103. All of the outstanding 5% sinking fund bonds not exchanged for debentures and all of the first mortgage 3% serial bonds shall be called for redemption.

The company contemplated that about June 1, 1945, it will issue not exceeding $3,400,000 3% notes and use the proceeds either for the purpose of calling all 3% serial bonds and the outstanding unexchanged 5% sinking fund bonds or to reimburse the company for funds previously used for that purpose. Any debentures not taken in exchange for stocks or bonds may be sold by the company at not less than par plus accrued interest.

Underwriter—Courts & Co., Atlanta, is named as underwriter.

BENDIX HELICOPTER, INC. on Feb. 2 filed a registration statement for 1,200,000 shares of capital stock, par value 50 cents

Details—See issue of Feb. 8, 1945.

Offering—Of shares registered 1,000,000 are to be offered presently proportionately to holders of outstanding stock on basis of four additional shares for each five shares held at $1.60 per share; 200,000 shares are reserved to be issued when, as and if certain outstanding options are exercised. Such shares of stock as are not subscribed for by the stockholders will be offered to the public by the underwriters at $2 per share.

Underwriters—Bond & Goodwin, Inc.

CENTRAL OHIO LIGHT & POWER CO on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

CLYDE PORCELAIN STEEL CORP. on April 27 filed a registration statement for $500,000 first mortgage 15-year 5½% sinking fund convertible bonds and 100,000 shares of common stock reserved for convertion of the bonds.

Details—See issue of May 3.

Offering—Price to the public is 100.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano are principal underwriters.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

ELECTROMASTER, INC. on March 29 filed a registration statement for 107,923 shares of common stock, par $1. All of the stock is issued and outstanding and is owned by Nash-Kelvinator Corp. (being 55.17% of total outstanding stock).

Details—See issue of April 5.

Offering—Offering price to the public is $8 per share.

Underwriters—S. R. Livingstone & Co., and Mercier, McDowell & Dolphyn, both of Detroit.

EUREKA VACUUM CLEANER CO. on April 30 filed a registration statement for 122,500 shares ($5 par) common stock.

Details—See issue of May 10.

Offering—The price to the public will be filed by amendment.

Underwriters—Hornblower & Weeks and Kebbon, McCormick & Co. are named principal underwriters.

EVERSHARP INC. on May 4 filed a registration statement for $3,000,000 4½% convertible income debentures due 1965.

Details—See issue of May 4.

Offering—Price to the public will be filed by amendment.

Underwriters — Lehman Brothers was named principal underwriter, with names of others to be filed by amendment.

A. HARRIS & CO. on April 23 filed a registration statement for 7,000 shares of 5½% cumulative preferred stock (par $100).

Details—See issue of April 26.

Offering—The new preferred will be offered initially to the common stockholders at $100 per share on the basis of one share of preferred for each share of common. Any shares not subscribed will be offered pro rata to the former holders of the 7% preferred shares which shares have been called for redemption on May 1, 1945. Any balance will be offered to the public by the underwriter at $102.

Underwriters—Dallas Rupe & Son of Dallas, Texas.

LAISTER-KAUFFMAN AIRCRAFT CORP. on April 19 filed a registration statement for 17,702 shares first preferred stock, 6% cumulative (par $25), 262,314 shares class A common (par $1), 250,000 shares class B common (par 5 cents) and 260,136 shares class C common (par 5 cents).

Details—See issue of April 26.

Underwriters—John R. Kauffman Co. is named principal underwriter.

MAJESTIC RADIO & TELEVISION CORP. on April 24 filed a registration statement for 69,965 shares of common stock, one cent par value. Of shares registered 66,965 are already issued and outstanding and being sold by certain stockholders and 3,000 shares will be issued by Majestic upon exercise of an option at $2 per share.

Details—See issue of May 3.

Offering—Price to the public will be filed by amendment.

Underwriters—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

PACIFIC GAS & ELECTRIC CO. on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

Details—See issue of May 10.

Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

(This list is incomplete this week)

Status of Bretton Woods Bill

(Continued from page 2282)

bill will be changed to include as this Government's understanding that the Bank has the power to make general stabilization loans. What is very doubtful at this writing is that the Committee will agree to include also an interpretation to the effect that the Fund's activities shall be limited exclusively to short-term transactions. Even if such an interpretation is included in HR 2211, there is no assurance that other countries will fall in line, or, if they do agree to our interpretation, that the Fund in operation will live up to it. After all, a short-term loan, once paid off, can be immediately renewed, and so becomes a longer-term loan.

For a while there was talk of including in our acceptance of the agreements a proviso that such acceptance would be contingent on all the other member countries also accepting this interpretation of the Fund's powers, but the Treasury has been adamant against any conditional ratification of BW by this country, and Assistant Secretary Harry D. White came back from San Francisco to make sure that there are no "crippling amendments."

It is thus apparent that all the recent fighting has been over only a minor part of a part of the Bretton Woods program. And Bretton Woods is itself only a small part of a much vaster campaign for pouring out American "investment" money abroad more or less continuously from now on. Most recent manifestation of this campaign appears in the Sixth Report of the House Special Committee on Post-War Economic Policy and Planning, House Report 541. The report is obtainable free from the committee, and the reader's attention is invited especially to Chapter IV. This seemingly unanimous report, which carries the name of one prominent member of the House Banking and Currency Committee, may be cited in years to come as Exhibit A in the current propaganda campaign to get Americans to close their eyes to the lessons of the past and solve their "excess savings problem" by letting other countries pick up the marbles. What experience tells us is that we are playing this game for keeps.

The fact is that this country has an enormous capacity to produce, one which exceeds its capacity to distribute the product on a business basis *at home*. In advocating devices to distribute the surplus product abroad the Administration, and the public, too, are moved by various considerations. Thus, large exports help make full employment. This pleases the export industries, management and labor. Financed by loans and investments, such exports make business for financial institutions. This helps explain the general acceptance of the proposed Bank—although a few witnesses before the House Committee, notably Palyi, revealed more apprehension over the Bank than the Fund. Exports of American goods financed by long-term loans and investments of course please those whose goal is tangible "international cooperation." These will be dollars of goodwill. Then, there is the view that the alternative would be depression and chaos at home, followed by new Government controls which would alter our pattern of life in the United States. To those who share this view the loans-and-exports program, including BW, is the alternative to an economic and social revolution at home.

Johnson Act Repeal

Although the Bretton Woods enabling act contains a provision for the repeal of the Johnson Act, so far as concerns members of the Fund and Bank, the Senate has before it a separate bill be repeal the Johnson Act. On the day this article is published, the Senate Finance Committee will hold a hearing. At the Committee the writer was advised that the members are interested in obtaining the views of the State Department and the SEC, but of no one else. And, so far as the writer is aware, no one has expressed an interest to be heard. Thus facilely are the unpleasant lessons of the past being expunged, in favor of new experiences.

One common thread may be traced through our international financial relations since the last war, the overwhelming desire of the people to sell more abroad than this country buys abroad. There were the well-known war debts of the last war and post-war period. Then there came the private bond issues, many of which also went into permanent default. Our programs overvaluing gold and silver in 1933 and 1934 were newer ways of cheapening the dollar and making American exchange available to foreigners. Lend-lease, a war measure, was a still more novel method. Today's formula includes Bretton Woods, expansion of the Export-Import Bank, repeal of the Johnson Act, and large permanent direct investments abroad by businesses. The general effect is to share this country's natural and productive wealth with other countries which are either less favored by nature and circumstances, or which do not set so much store by "jobs" as we do.

Broker-Dealer Recommendations

(Continued from page 2283)

225 East Mason Street, Milwaukee 2, Wis.

Panama Coca-Cola—Discussion of this situation—**Hoit, Rose & Troster,** 74 Trinity Place, New York 6, N. Y.

Pfaudler Co.—Recent analysis discussing outlook for the company which manufactures glass lined and stainless steel tanks and equipment—**Caswell & Co.,** 120 South La Salle Street, Chicago 3, Ill.

Pittsburgh Railways—Current study—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

Public National Bank & Trust Company—Analysis and current notes—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

Reed Drug Co.—Discussion of class A convertible stock for income and possible appreciation, and the common stock as a speculation—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

H. H. Robertson Co.—Report on attractive possibilities of common stock—**Walston, Hoffman & Goodwin,** 265 Montgomery Street, San Francisco 4, Calif.

Unlisted Brokers Organize Division in N. Y. Fund Campaign

For the first time, brokers who deal in unlisted securities have organized their own division to support the Greater New York Fund campaign in behalf of 408 local hospitals, health and welfare agencies.

C. E. Unterberg

"We're going to make our work in securing support for the Fund a tribute to our gratitude for V-E Day," Clarence E. Unterberg, the chairman, said. "We know the boys who fought in Europe, and who are fighting on the Pacific front, are just as much concerned over the health and welfare of the home front as we are concerned about theirs."

Meeting last week at the call of Mr. Unterberg, who is president of C. E. Unterberg & Co., 61 Wall St., six leading security dealers completed campaign plans, and, according to Mr. Unterberg, "decided to set a mark for contributions the division will have a hard time matching in ensuing appeals."

The division leaders for 1945 include: Frank Blair, of Allen & Co.; Howard S. Hoit, of Hoit, Rose and Troster; Alfred E. Loyd, of the New York Security Dealers' Association; Arthur Marx, of Wilson & Marx, Inc.; Richard C. Rice, of J. K. Rice & Co., and Bertram Seligman, of Ward & Co.

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