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Bretton Woods Bill Improved as Result Of Amendments, Says Burgess

Amendments adopted by the House Banking and Currency Committee on May 24 to the Bretton Woods Agreement Act constitute a substantial improvement over the provisions of the original bill, it was stated on May 28 by W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, and President of the American Bankers Association. Mr. Burgess commented further as follows:

W. R. Burgess

Certain of the amendments are those recommended by the American Bankers Association, including: (1) the setting up of a Council, consisting of the Secretary of the Treasury, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of

For text of amended bill see page 2393.

Governors of the Federal Reserve System, and the Chairman of the Export-Import Bank, the duties

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For index of Regular Features see page 2420.

Reconversion and Foreign Trade

By HENRY A. WALLACE*
Secretary of Commerce

Asserting That Foreign Trade Will Be Even More Affected by Reconversion Than Domestic Trade, Secretary Wallace Urges a Liberal Policy for a Two-Way Commerce and Foreign Investments. Although Stating That Some Export Licensing May Be Continued to Prevent Inflation, Avers That to Avoid Criticism, the Government Should Withdraw From Business Supervision "When This Can Be Done Without Harming General Welfare." Advocates Lowering Trade Barriers, Reasonable Stability of Foreign Exchanges, Larger Imports and Greater Tourist Expenditures as a Means of Expanding Exports. Says There Will Be No "Planned Economy." In Another Address Deals with Peace Essentials.

Sudden peace brings as many problems as sudden war. Victory in Europe forces everyone in the United States to face the rapidly changing problems of reconversion. Foreign trade will be even more affected by reconversion than domestic trade.

Henry A. Wallace

The United States contributed mightily to the winning of this war. We probably used in battle more than a hundred times as much in the way of American produced munitions as in World War I. We demonstrated that we could double our output, that we could give our civilians a remarkably normal life, while at the same

*An address by Secretary Wallace before the World Trade Luncheon of the New York Foreign Trade Week Committee, Waldorf-Astoria Hotel, New York City, May 24, 1945, supplemented by an address on same date before the Institute of World Affairs at the New School of Social Research.

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Domestic Politics Overshadow Security Conference Deliberations

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

Delegates Becoming Increasingly Concerned Regarding Reaction of Congress to Various Proposals Advanced in the Social and Economic Spheres. Full Employment Issue Compromised, Although Not to Complete Satisfaction of American Delegation. Varying Interpretations of Meaning of Charter Still Bedevil Conferees and Question of Assuring "Free Access" of All Nations to World's Raw Materials Awaits Clarification. Further Conferences on Variety of Topics Expected to Be Held.

A. Wilfred May

SAN FRANCISCO, May 29.—The growing impact of domestic politics on the Conference is evidenced by its latest controversy. . . . This flared up here in great bitterness between the Americans and Australians yesterday. . . . Price Minister Forde and Foreign Minister Evatt, who at home are the leaders of Australia's strong Labor Government, had succeeded in inserting a "pledge" for strong social action in the draft for the incipient Economic and Social Council. . . . All nations were to pledge themselves "jointly and severally for action, both national and international, for improved labor standards, economic advancement, social security, and employment for all who seek it." It is being as-

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The Prospects of Inflation

By J. AUSTIN WHITE

Holding That Price Fluctuations Arising From Changing Positions of Demand and Supply Have Natural Checks, Mr. White Contends That Disastrous Inflation Is Due Mainly to Lack of Confidence in Monetary Stability, and That This Situation Is Developing Through Declining Gold Reserves Accompanied by Excess Monetary Circulation. This is Serious, Because Inflation Will Destroy the Purchasing Power of the Accumulated Cash, Savings and Investments. Sees Deficit Financing Contribution Toward Further Loss of Confidence and Says if Budget Is to be Balanced There Must Be Full Employment Without "Compensatory Spending" Which Does More Harm Than Good. Maintains That Prosperity or Depression in Post-War Will Depend on Fiscal Policy.

In the current plethora of discussion about "inflation," there has been all too little discussion of the most insidious and most dangerous cause of inflated prices, namely, an artificial demand for goods that is prompted by a lack of confidence in the soundness and stability of the money that the people own and use.

J. Austin White

Practically all of the discussion to date has centered around the possibilities of inflated prices, due to a small supply of goods and a huge demand that is quite genuine. This demand is genuine because it is based upon a real need for goods, since millions of people have for several years not been able to buy those articles that they would have bought long ago, had they

(Continued on page 2410)

President Tells Congress Larger Unemployment Benefits Would Constitute "Prosperity Insurance"

Truman Urges Congress to Extend Unemployment Insurance Benefits to 26 Weeks in Any One Year; to Up Rate to $25 a Week at Least for Those Having Dependents and to Extend Coverage to Federal Employees and Other Workers. Says These Provisions Are Essential for the Duration of the Reconversion Emergency to Insure Maintenance of Consumer Spending Power.

The full text of Mr. Truman's message of May 28 to Congress seeking emergency legislation to broaden unemployment compensation benefits as reported in an Associated Press dispatch from Washington follows:


President Truman

To the Congress of the United States: The Congress and the executive branch of the Government have already moved to prepare the country for the difficult economic adjustments which the nation will face during the transition from war to peace.

1. The Congress has created the Office of War Mobilization and Reconversion to coordinate the reconversion activities of all Federal agencies, and that office has established basic reconversion policies.
2. Specific laws have been enacted by the Congress setting forth the policies and providing the administrative machinery for contract termination, plant clearance, financial aid to business, and the disposition of surplus property.
3. Our military and civilian agencies have prepared themselves to expedite industrial reconversion and reemployment.
4. As part of an over-all program for returning veterans the G. I. Bill of Rights provides "readjustment allowances," weekly cash benefits to veterans until they are able to obtain jobs.
5. Congress has permitted business to carry back post-war losses against profits tax payments during the reconversion period.
6. Congress has established support prices for agricultural products so that farmers will be protected against a post-war collapse of income.

Reconversion Gap

There remains, however, a major gap in our reconversion

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Outlook for Foreign Trade in A Stable Post-War World

By AMOS E. TAYLOR*
Director, Bureau of Foreign and Domestic Commerce

Commerce Department Official Holds That the Far Reaching Changes Produced by War Emphasizes Need for International Economic Cooperation. Asserts Our Prosperity Requires World Wide Economic Health and That for Full Employment Post-War Exports Must Be $10 Billions Annually. Advocates Foreign Investment for Industrialization of Undeveloped Areas and for Raising Foreign Living Standards to Secure Prosperity and Promote Peace, and Says Our Experiments in Foreign Lending Have Been Generally Profitable.

I have just come from Savannah whence the steamship bearing that city's name sailed on May 22, 1819, on what was an historic mission. We have good reason to celebrate this event, the real significance of which was hardly understood at the time. The intervening period of 126 years, though representing perhaps a relatively short span in the history of our nation, has bridged a wide gap in our industrial history. The period encompasses our growth from a nation of less than 10 million facing a broad western frontier to an ocean-to-ocean economic empire of more than 130 million. In 1819 we were engaged in the development of a system of internal transportation which after another half century carried us to the Pacific. At the time "The Savannah" set sail the Erie Canal was in process of construction and, like most undertakings of that type, it was financed largely by European capital. The Atlantic was not a barrier but an avenue of contact.


Amos E. Taylor

The economic development of the United States during the 19th century was accelerated and in fact made possible largely through the use of capital borrowed abroad. It was as a debtor nation that this country began its rapid physical growth and development. With a rapid increase in wealth and national income and a growing foreign demand for our agricultural products the meeting of interest and dividend payments was simply part of a happy process which assured ready and profitable world markets.

Our ability to produce and transport goods in large volume was clearly demonstrated to the world during the first world war when the weight of our participation quickly made itself felt on both the economic and military fronts. Private and public loans granted to foreign governments with which we eventually became associated in a common effort, together with a substantial liquidation by Great Britain, France and other foreign countries of their holdings in the United States shifted our international position almost over night from that of net debtor to net creditor.

I shall not be surprised if the historian of the future should find that the year 1945 marked the

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*An address by Mr. Taylor before the Chamber of Commerce and Propeller Club of the Port of Charleston, S. C., May 23, 1945.

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Where to Questionnaire?

NASD Questionnaire Now Avowedly An Annual Feature. This Inquisition An Unwarranted Burden and Tends to Undermine Investment Industry. Membership Should Be Advised of Purposes and Vote on the Question

From time to time we have castigated the so-called regulatory bodies for saddling upon the securities field burdensome questionnaires.

It has been our view that the securities industry is not a sick one, and we have felt that prying into the affairs of dealers and brokers was not the function of self-regulatory bodies.

The power of visitation enjoyed by the Securities and Exchange Commission it seemed to us, annoying as it frequently can be, was adequate to insure fair and equitable trade practices.

In connection with its numerous questionnaires, we have asked where the National Association of Securities Dealers was going and whither it was tending.

The last issue of the NASD News is enlightening on this subject.

The Association makes it plain that the "examination of members" is considered to be an annual affair.

We quote:

"The Board of Governors at its meeting in January, after considering experience and results of questionnaire examinations in 1944 and 1943, favored continuation of the program in the current year."

"Instead of 50 consecutive principal transactions on which pricing information was obtained in 1944 and 1943, members are being asked this year to report on a maximum of 75 transactions, agency as well as principal."

"Members are also being called upon this year to supply completed sample confirmations on certain types of transactions."

It must, therefore, be clear that the program of inquisition is being extended, not only as to the number of transactions, but also as to additional information that is required, and yet, we are naively told in the same article that every effort is being made to simplify the examination.

Why does the Board of Governors of the NASD find it necessary to continue and extend this program?

There is an effective way of determining the reaction of NASD membership to the present practices.

Why doesn't the Board of Governors of the NASD poll the membership to ascertain whether by and large, they approve of this practice annually of being compelled to answer pricing questionnaires?

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Post-War Spending and Inflation

By HARLEY L. LUTZ*

Professor of Public Finance, Princeton University

Professor Lutz Contends That of the $121.8 Billions of "Liquid" Savings Reported by the SEC, Only About $26 Billions May Be Destined for Consumer Spending. Holds Greatest Danger of Inflation Would Arise From Loss of Public Confidence in Purchasing Power of the Dollar and He Recommends Following Policy: (1) a Moderate Budget Financed on a Cash Basis; (2) a Taxation Just Sufficient to Cover Budget and Provide for Some Debt Retirement; (3) Repeal of All Legislation "Tinkering" With the Currency; and (4) a Green Light to Private Enterprise. Urges Relaxation of Wartime Controls.

"Inflation is just around the corner." "Inflation is inevitable." "Inflation is here."

Dr. Harley Lutz

Statements like these are being made with increasing frequency as the war progresses. They can be, and to many probably are, very alarming. Since both buying and selling stampedes are matters of psychology as well as of money and finance, it is desirable that some facts be clearly understood.

The economic phenomena which are called "inflation" and "deflation" express, in exactly opposite directions, the results of certain changes in purchasing power and prices. Taking a description of inflation as an example, it is possible to understand deflation by reversing the conditions. An inflation is ordinarily manifested in two stages. The first stage is an increase in the volume of credit, the second stage is an advance in prices. Credit rather than paper currency is the important factor in this country because so large a part of the purchasing power

*Reprinted from "The Tax Review" of May, 1945, issued by the Tax Foundation, New York, N. Y.

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Practical Aspects of Foreign Trade Financing

By A. M. STRONG*

Vice-President, American National Bank & Trust Company, Chicago

Bank Executive Maintains That Most Countries Will Be Able to Finance Their American Purchases by Accumulated Balances of Gold and Foreign Exchange and by Our Heavy Post-War Imports, Which May Reach $10 Billions per Year. Says Banks Can Better Finance Normal Foreign Trade Than Government, Since They Have Facilities for Checking the Integrity of Buyers and Sellers. Holds Removal of Government Control Measures Are Essential to a Normal Foreign Trade, But Sees No Prospect for Their Early Elimination. Advocates Foreign Trade on a Sound Basis.

A. M. Strong

The nations of Europe are now faced with the hard task of rebuilding their devastated countries, of reestablishing their production facilities and of supplying their people with the needs of every-day life. Plans for international financial arrangements have been under discussion for quite some time. In July, of last year, representatives of 44 nations held a monetary and financial conference at Bretton Woods, New Hampshire. Agreements were reached for the estab-

*An address by Mr. Strong at the Foreign Trade Session of the Indianapolis, Ind., Chamber of Commerce, May 21, 1945.

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Bretton Woods: Some Questions Still Unanswered

By HERBERT M. BRATTER

Passage of the amended BW enabling bill in its present form will still leave unanswered various technical questions which were raised during the consideration of the Fund and Bank agreements.

Will the Fund assure stability among different currencies, or flexibility? This question, which is at the bottom of the British and Anglo-American debate over BW, has been given no definite answer by the House Banking and Currency Committee. To give the question a different form: Is the Fund based on the gold standard, or on the opposite? If this question bothered the House Banking and Currency Committee, the fact is not evident in any of its amendments to the enabling bill.

Herbert M. Bratter

Is BW part of a carefully-considered plan for post-war U. S. loans and investments abroad; and if so, just what is that plan and what is its scope? This question, which was most effectively and carefully expounded during the committee hearings by Repr. Jesse Wolcott, of Michigan, has not been answered. Mr. Wolcott raised objection to the Administration's making 30-year loans through the device of Lend-Lease. Subsequent action by Congress only increased the size of Mr. Wolcott's question mark. Yet the committee endorsed the BW program, as Chairman Spence has put it, in a manner that does not "change a word or alter a punctuation in the basic agreements." [For further questions raised, see additional advices on next page. Editor]

Have we any plan to assure that we will accept enough imports to make possible repayment of the vast foreign loans and investments intended through BW, repeal of the Johnson Act, expansion of the Export-Import Bank, etc.? Repr. Fred L. Crawford, of Michigan, repeatedly raised this question during the hearings on the BW bill. Obviously, the answers he received showed that there is not such a plan; and in the light of political realities in this country, there cannot be. Yet the committee reported out the bill, leaving this question to be answered by some future Congress and generation.

Will Russia be permitted to use the Fund for capital purposes, which is contrary to the expressed purpose of the Fund? The committee had before it, when voting for the American interpretation that the Fund shall be limited to truly short-term transactions, statements by two of this country's delegates to the BW conference—Mr. Edward E. Brown and Repr. Wolcott—to the effect that it was the understanding at BW that Russia would be permitted to use the Fund for capital purposes. The United States cannot unilaterally, or without making it up in some other way, undo an understanding reached among the delegations at BW. If Russia at BW demanded to use its $1,200 million quota in the Fund for capital goods purchases, it must be because Russia needs the capital goods and does not need that much short-term credit to balance its normal payments. We must assume, therefore, that before Russia consents to the "short-term" interpretation of the Fund now written into the American

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Resurgence of Business Enterprise

By MURRAY SHIELDS*
Economist, Irving Trust Company

Business Economist, Asserting That We Are on the Edge of a Period of Resurgence of Private Enterprise, Predicts That We Are Shifting Away From the Pre-War Defeatist and Radical Doctrines to a General View-Point on Fiscal, Monetary Investment and Regulatory Policies That Will Be Middle of the Road. Sees Vast Potentialities for Industrial Expansion.

For many years business enterprise in this country has been a prisoner of its environment. In the late twenties it was smothered by the speculative excesses of the stock market boom. In the early thirties it was subjected to one of the most violent deflations the nation has ever experienced. Later in the thirties it was sacrificed to a program of social reform and economic experimentation which froze into immobility the forces making for expansion in a profit economy. But we seem now to be on the edge of a period of resurgence of private enterprise based in part on a vital change in the climate of public opinion and in part on war-born technological advances capable of opening up new vistas of growth and progress.

Murray Shields

Public opinion is in the process of shifting away from the defeatist doctrines so fashionable in the pre-war decade — doctrines that owed their popularity to the fact that a large part of our people lost their homes, insurance, securities, cash and self-respect in the early thirties. And when they

*An address by Mr. Shields before the Metropolitan League of Savings Associations, Hotel Astor, New York City, May 24, 1945.

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Oliver Goshia Forms Own Firm in Toledo

TOLEDO, OHIO.—Oliver Goshia announces the formation of Goshia & Co., 517 Ohio Building, to operate as dealers and brokers in investment securities. In withdrawing as a partner in the New York Stock Exchange firm of Collin, Norton & Co., Ollie severs a long association that began July 31, 1924, with his first job as board marker. Through the years he held various positions and was made manager of their trading department in 1934. He became a partner in the firm April 1, 1942.

Oliver Goshia

As head of the new firm, Goshia will continue to make markets in all local securities and conduct a general investment business.

He was president of the Bond Club of Toledo in 1944 and is currently a member of the Board of Governors. In 1941-42 he served as a member of the executive council of N.S.T.A.

Is There A Joker in the Fund Interpretation?

WASHINGTON, D. C., May 29 —One of the amendments which the House Banking and Currency Committee has added to the Bretton Woods enabling bill has for its purpose to limit the Fund's operations to "temporary assistance to members in connection with seasonal, cyclical and emergency fluctuations in the balance of payments of any member for current transactions."

In view of the inclusion of the word cyclical in this amendment, the question may be raised as to whether the amendment really limits the Fund in any way. The supposed purpose of the amendment is to restrict the Fund to short-term operations. But "short-term" and "cyclical" are two mutually exclusive concepts.

This raises the question, therefore, whether the inclusion of the word cyclical may not make this entire amendment meaningless, even if it is adhered to by the Fund after the Fund begins operations.

H. M. B.

Editor's Note: The above report by Mr. Bratter should be considered in conjunction with his article on the adjoining page.

Bretton Woods Bill As Amended

Full Text of Enabling Measure Reflecting Changes Approved by House Banking and Currency Committee

Below we give the official text of H. R. 3314, covering the Bretton Woods Monetary Agreements, and incorporating the amendments to the original proposal. The amended bill was adopted by the House Banking and Currency Committee by a vote of 23 to 3 on May 24.

79th CONGRESS
1st Session
H. R. 3314
IN THE HOUSE OF REPRESENTATIVES
May 25, 1945

Mr. Spence introduced the following bill; which was referred to the Committee on Banking and Currency:

A BILL

To provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Short Title

Section 1. This Act may be cited as the "Bretton Woods Agreements Act".

Acceptance of Membership

Sec. 2. The President is hereby authorized to accept membership for the United States in the International Monetary Fund (hereinafter referred to as the "Fund"), and in the International Bank for Reconstruction and Development (hereinafter referred to as the "Bank"), provided for by the Articles of Agreement of the Fund and the Articles of Agreement of the Bank as set forth in the Final Act of the United Nations Monetary and Financial Conference dated July 22, 1944, and deposited in the archives of the Department of State.

Appointment of Governors, Executive Directors, and Alternates

Sec. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint a governor of the Fund who shall also serve as a governor of the Bank, and an executive director of the Fund and an executive director of the Bank. The executive directors so appointed shall also serve as provisional executive directors of the Fund and the Bank for the purposes of the respective Articles of Agreement. The term of office for the governor of the Fund and of the Bank shall be five years. The term of office for the executive directors shall be two years, but the executive directors shall remain in of-

(Continued on page 2402)

Public Utility Securities

Columbia Gas & Electric Plans

Columbia Gas & Electric Corp. on Dec. 20 filed an integration program with the SEC which proposed to (1) reclassify the four classes of stock into one new common, and (2) distribute that common together with the common stocks of the two electric companies (Cincinnati Gas & Electric and Dayton Power & Light). This would have the effect of separating the gas and electric properties. The new common would be distributed to each old share in the following ratios: 6% preferred stock, 4 shares; 5% preferred, 3½; 5% preference, 3; common stock, 1/5. The number of shares received in each of the electric companies would be one-seventh as much as the new shares of Columbia. The three preferred stocks together would get 63.55% of the entire issue, and the old common would receive 36.45%.

While offhand this ratio would look very generous to common stockholders as compared with the 95-5 ratio for United Light & Power and the pending 85-15 ratio for Commonwealth & Southern, the situation is entirely different from the majority of holding company recapitalizations. The Columbia preferred stocks have always received their regular dividends and there are no arrears to encroach on the common stock's equity. Yet under the plan the 6% preferred stock would get 20 times as much as the common, the 5% 17½ times and the preference stock 15 times as much.

Over a period of years the claim on earnings of the three preferred stocks combined has had the following ratios to consolidated net income and parent company net income:

Year	Consolidated	Parent
1944	47%	65%
1943	46	65
1942	60	118
1941	62	79
1940	50	58
1939	64	60
1938	63	74
1937	49	57
1936	53	--
1935	59	--

In assigning 63.55% of the new common stock to the preferred issues, the maangement apparently paid more attention to parent company earnings than to the consolidated figures. Moreover, the calendar year figures for 1944, released after the plan was filed, made a much better showing for the common stock than did the Sept. 30th report, and the 1943 figures were also revised upward substantially in favor of the common.

Common stockholders now apparently feel that they should receive a "better break" in the final plan. President Hickey of United Corporation, holder of 20% of the common, entered a protest against the plan and received permission from the SEC to participate in the hearings. According to press reports Mr. Hickey favors issuance of rights to Columbia's common stockholders, permitting the company to sell the Cincinnati and Dayton equities and use the proceeds, with corporate cash, to pay off the outstanding $77,000,000 debentures.

On May 16th 12 holders of 23,000 shares of Columbia common, represented by Alfred Berman, urged the SEC to have the company placed under Federal trusteeship, if the management refuses to change the present plan substantially. The new group proposes that refunding operations for Cincinnati and Dayton should be consummated and that purchase rights should then be issued (as per the United Corp. suggestion), with proceeds used to retire debentures. The new plan goes a step further and proposes that $110,000,000 of new 1st mortgage and collateral trust bonds should be issued to redeem all the outstanding preferred and preference stocks. Obviously, this would greatly improve the Federal tax picture for the system (it is a heavy payer of excess profits taxes).

Assuming that new 1st mortgage 3s could be issued, in effect replacing the present 5s but with a larger amount, the interest requirements would be lower by about $550,000. Common stockholders would then have a 100% equity in net income instead of the proposed 36.45% interest. They would, however, have to pay out a substantial amount to exercise their rights—probably some $60,000,000, or about $5 a share. Also, they would be penalized with respect to Federal taxes, which would aggregate more on the three corporations when separated, than on the present combined system; though this loss might well be offset by refunding savings and reduced holding company expenses. As regards future earnings, there would be gains resulting from tax relief, sufficient perhaps to offset loss of heavy war business.

On the basis of 1944 net income of about $13,700,000, the common stock equity (100%) might be capitalized at say 12 times or $164,000,000. From this should be deducted the estimated amount to be paid in by common stockholders, leaving $104,000,000. This would be equivalent to approximately $8.50 per share estimated value. This, of course, is based on a number of assumptions and estimates as outlined above. (The official plan did not give a pro forma income account but estimated that in a "typical normal post-war year" the earnings available for the existing common stock—from the package of three stocks which he would receive—would be 46¢, compared with last year's earnings of 59¢; the figure would appear to be on the conservative side).

Argus Research Corporation, using a different method of statistical analysis recently arrived at "a conservative valuation of $7 per share." The stock is currently selling around 6¼, this year's range being 6⅝-4⅛, and the all-time adjusted range 112-1.

Dealer-Broker Investment Recommendations and Literature

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

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.

Planning for the Future—Current Economic Problems and Finance and the Stock Exchange—By Ludwig Bendix of Bendix, Luitweiler & Co.—The International Press, 121 Varick Street, New York City.—$1 per copy.

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.

Successful Investment Planning—Discussion of opportunities for more income and profit in bonds —**Security Adjustment Corporation,** 16 Court Street, Brooklyn 2, New York.

War and Post-War Bond Trends —Discussed in the "Fortnightly Investment Letter," by **H. Hentz & Co.,** 60 Beaver Street, New York 4, N. Y.

What Hope for Railroad Security Holders?—Address of Arthur C. Knies before the Philadelphia Securities Association—**Vilas & Hickey,** 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on the **Baltimore & Ohio Reorganization Plan.**

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

American President Lines, Ltd. — Timely statistical report — **Kaiser & Co.,** 20 Pine Street, New York 5, N. Y., and Russ Building, San Francisco 4, Calif.

Ampco Metals, Inc. — Current bulletin—**Sills, Minton & Co., Inc.,** 209 South La Salle Street, Chicago 4, Ill.

Also available is a report on **Maryland Casualty Co.**

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

Boston & Maine RR. — Prior preferred—Descriptive circular—**Adams & Peck,** 63 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 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.**

Carolina Insurance Company—Analytical Study — **Mackubin, Legg & Co.,** 22 Light Street, Baltimore 3, Md.

Also available are memoranda on **Agricultural Insurance Co., Firemen's Fund Insurance Co., General Re-insurance Corp., Home Insurance Co., Insurance Co. of North America, National Fire Insurance Co., National Union Fire Insurance Co.,** and **New Brunswick Fire Insurance Co.**

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.**

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Tomorrow's Markets Walter Whyte Says—

Penetration of both averages, into new highs puts market back into bull trend. Hold all positions until further advice.

By WALTER WHYTE

Last week I made a noise like a stock market expert. I sounded off about technical formations and wasted a lot of white paper to define something called divergence. I did all this to prove without a shadow of doubt, the market was going down. And after it was all over, what did they do? You don't have to guess. If you say them in the last few days, you know. Uh, huh, they went up. But not only did they just go up, they went and established new highs.

Actually the first sign of a turnabout occurred Thursday (May 24) shortly after the noon hour. Industrials opened that day at about 164. They moved up slightly in the next hour. At about 1 p.m. they reacted again. That was the last reaction. For the 164 price seemed solid and from it they went up. During the same day the rails firmed before the industrials. Thursday's lows were the openings. When the industrials slumped during the noon hour, it was

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Capital and Time Required for Reconversion

WPB Sees Wide Variation Among Industries in Capital and Lapse of Time Needed for Reconversion. Automobile Industries Lead in New Construction Needed and in Time Required for Reconversion.

A study of the industries judged to be most seriously in need of preliminary reconversion help of a kind designed to prevent "bottlenecks" in return to peacetime production was released recently by the War Production Board.

All of the industries concerned, WPB said, have now had an opportunity to discuss their reconversion problems with the industry division of WPB under which they operate. Discussion has, in many cases, materially reduced "break-even" requirements. The automotive industry, for example, now finds that $29,000,000 will cover its immediate construction needs rather than the original estimate of $35,000,000. Similarly, the mechanical refrigerator industry has been able to reduce its construction requirement from approximately $6,000,000 to $1,929,000. Again, the non-jeweled clock and watch industry will need only $85,000 for construction at this time rather than the earlier figure of $227,500.

Seventy-two industries were surveyed, but not all 72 reported on all tables. This does not mean, WPB emphasized, that no other industries will be considered. The door has not been shut and the number of industries as well as the estimates of their needs are merely the best available at the moment, WPB officials said.

The studies reveal a wide variance in both needs and time required to get the wheels of peacetime production revolving. WPB cautioned that the time studies are particularly liable to change and that the actual time needed will differ not only from industry to industry, but, in some cases, from plant to plant in the same industry.

The following four tables published by the War Production Board indicate the prospective reconversion situation of various industries with respect to (1) the value of current production compared with the contemplated peacetime production; (2) new construction (in dollars) required for reconversion; (3) the value of equipment and tools needed for this purpose, and (4) the estimated time required for reconversion, in months:

Table I.

CURRENT PRODUCTION COMPARED WITH CONTEMPLATED PEACETIME PRODUCTION INDUSTRIES REPORTING

		Contemplated Peacetime Production	
Industry—	Current Production Per Quarter	Minimum or Breakeven Rate of Production Per Quarter	"All-Out or Capacity Rate of Production Per Quarter
Passenger Automobiles	$2,152,500,000	$620,500,000	$1,127,400,000
Powercycles	3,096,000	633,000	2,168,000
Appliances, Small Electric	8,000,000	6,000,000	9,000,000
Band Instruments	3,000,000	1,375,000	2,750,000
Bedding Industry	25,000,000	25,000,000	62,500,000
Bicycles	11,222,000	5,271,000	10,255,000
Caskets & Vaults, metal	6,000,000	3,750,000	7,500,000
Clocks & Watches, jeweled	19,886,000	9,183,000	19,750,000
Clocks & Watches, non-jewel.	16,555,000	9,717,000	12,008,000

(Continued on page 2408)

Real Estate Securities

City Center Building First Mortgage Bonds
A Low Price Bond Speculation

The current market on the first mortgage bonds of the City Center Building is 7½ bid, 9½ asked with the latest sale we know of having taken place close to the bid side of the market. At the current offering of 9½, a value of only $161,500 is placed for the first mortgage of $1,700,000.

Tax arrears on the property currently amount to $196,581.29 exclusive of penalties. In April, 1944, the Courts appointed a Sequestrator of rents, and the profits from operation of the property have been used to reduce the amount of back taxes.

The property is assessed at $978,200 for 1945. With the property 86.08% rented, the gross income of the property during 1944 was $125,030.24 and operating expenses $75,710.25, leaving a net income of $49,710.25 before taxes and insurance. During 1944, in addition to paying current taxes, $20,000 was paid on account of tax arrears.

Poor occupancy in the past resulted in the accumulation of tax arrears. Continuation of present occupancy, or betterment thereof, should aid future prospects for this property. Tenancy of the building is diversified with the exception of the three floors that are occupied by the Goverment; two of these floors are occupied by Social Security Departments and the other floor by the Navy Department.

The bonds are secured by a first mortgage on land owned in fee, situated at the corner of Broad and Cherry Streets, about three blocks from the Broad Street Station of the Pennsylvania Railroad in Philadelphia, Pa. The plot, irregular in shape, fronts 120 feet on Broad Street with a depth of 170 feet along Cherry Street, and comprises an area of approximately 20,000 square feet. The building was originally erected as an 8-story fraternal clubhouse. In 1923 three stories were added, making it an 11-story building. The structure was practically rebuilt at that time and now appears as modern and up-to-date as the average office building erected approximately 20 years ago.

The building is of steel, concrete and brick construction. The exterior is faced with a granite base, 2 ins. x 12 ins. brick walls above the decorative terra cotta horizontal bands. On the Broad Street front, the first story is faced with limestone. The main entrance of the building is from Broad Street with a service entrance on Cherry Street. The opposite space on the north side of Cherry Street is occupied by a filling station so that the building has excellent light on the front and there is a light court on the south side of the building. Unusually high floor heights are characteristic of the building, the first floor having a height of 20 feet 4 inches and the remaining floors ranging from 12 feet to 17 feet 6 inches.

The Broad Street entrance, through a set of bronze and plate glass doors, leads into a large vestibule from which a marble stairway extends to the basement along the south wall. From the vestibule through another set of bronze and plate glass doors, there is a large and spacious lobby which extends to a large room extending the full width of the building.

The lobby has a floor of travertine, the walls have a Tennessee marble wainscoting and imitation travertine to the ceiling. The ceiling is coffered and set with rosettes. A wide open winding stairway, finished with Tennessee marble, extends from the first floor lobby to a lobby on the second floor. The lobby is two floors in height. On the upper floors above the second floor the corridors have terazzo floors, marble wainscoting and plaster walls to the ceilings. Offices open on both sides into the corridors. Ample toilet facilities are provided on each floor. The toilets has terazzo floors, marble wainscoting, and a good grade of facilities, installed at the time of remodeling. Electrical fixtures are fairly modern. Each office is equipped with, or has facilities available for wash basins with hot and cold water. The offices are large, have concrete floors, and are well arranged for suites with good light and ventilation. Doors ad trim are wood (mahogany stained) and in excellent condition. The building has recently been redecorated.

On the first floor facing Broad Street are two large stores with mezzanine floors and with bulk show windows with plate glass in copper frames. These show windows extend a short distance along Cherry Street. The rear of the stores is used for storage and, in addition, part of the basement area is utilized by the stores.

The heating system of the building is a low-pressure steam vacuum system supplied by two 150-h.p. Galloway boilers.

Rentable Space	Office Units Variable	
Basement	10,261 sq. ft.	
First floor (two stores)	15,010 " "	and 1,100 sq. ft. in Mezzanine
Second floor (offices)	11,435 " "	and 1,102 sq. ft. in Mezzanine
Third floor—11th floor (offices)	107,442 " "	
Total	144,148 " "	2,202 " "

After the payment of operating expenses, insurance and other necessary charges, there remained accumulated funds during the year 1943 to pay the major portion of the current taxes for that year and during the year 1944, to pay the entire 1944 taxes. As of Jan. 1, 1944, the delinquent taxes, exclusive of penalties and interest, were as follows:

(Continued on page 2418)

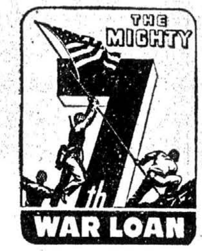
Rehabilitation Week Set

The week of June 2 has been procaimed by President Truman as National Rehabilitation Week for the aid of civilian handicapped in becoming self-supporting, it was announced according to the Associated Press from Washington, May 8.

The President asked the country to aid in locating civilians who are entitled to Government benefits so that they may be fitted to take their place in the ranks of the American working.

Quoting from the President's proclamation:

"On June 2, our nation-wide program for the vocational rehabilitation of such disabled men and women will have been in operation a quarter of century. Less than two years ago, the Congress expanded this program by amending the Vocational Rehabilitation Act in 1920. The new law — the Barden-LaFollette Act, passed in 1943—makes it possible for the Federal and State governments, working as a team, to bring to the mentally disabled and the blind and all other groups of the disabled, the many services necessary to make them employable, including physical restoration, vocational training and placement in suitable employment."



Gold Brothers to Be Formed June 1 in N. Y.

Irving Gold, formerly a partner of P. F. Fox & Co., will form Gold Brothers, with offices at 15 William St., New York City, as of June 1. Other partners will be Benjamin and Samuel Gold, who were also with P. F. Fox & Co. Telephone of the new firm will be HAnover 2-5383.

Hewitt Rubber Common Stock Offered at 23½

F. Eberstadt & Co. on May 25 publicly offered 79,773 shares of common stock of Hewitt Rubber Corp. at $23.50 a share. The 79,773 shares are part of 199,773 shares registered with the Securities and Exchange Commission, the remaining 120,000 shares being reserved for exchange for the outstanding 75,000 shares of Robins Conveyors, Inc.

According to the prospectus, of the 79,773 shares being offered to the public, the proceeds of 60,000 shares offered for the account of the Hewitt company will be used to purchase additional machinery for plant expansion and for additional working capital. The remaining 19,773 shares are being offered for the account of certain stockholders of Robins who will acquire such stock as a result of the exchange offer.

Although operated independently, the Hewitt and Robins companies have been allied for more than two decades.

Giving effect to the financing, Hewitt's entire capital, after reacquiring 69,474 shares of its own stock owned by the Robins Co., will consist of 273,714 shares of common stock outstanding.

Railroad Securities

Norfolk Southern Railway Income 5s, 2014

Past earnings record alone entitles this bond, cheapest in price of all Income issues of companies having emerged from reorganization, to sell at much higher levels. However, numerous potentialities exist, which if realized, will alter the status of this issue considerably and raise it to a level equal to that currently enjoyed by —to name but a few—Erie, Gulf Mobile & Ohio, North Western and St. Paul Incomes.

Reorganization of Norfolk Southern was severe, fixed debt being cut, as of emergence from reorganization in 1942, to $7.25 million (from $18.29 million, old company) and fixed and contingent debt to $14.14 million. From 1942 to the end of 1944, $1.94 million of securities have been retired, and capitalization then consisted of the following:

Equip. trust certif.__	$1,288,000	*$38,640
1st mortgage 4½s__	3,602,900	*162,090
Income mortgage 5s	6,271,300	*313,550

*Interest charges (at annual rate of).

Interest rate on equipment trust certificates is estimated at 3%. The above interest charges compare with $892,000 (old company) and $303,704 fixed (including $65,000 rent for leased road) and $344,615 contingent interest as of Dec. 31, 1942. Fixed charges in two years have been reduced $38,000, or 16%, and fixed and contingent interest (excluding lease charges), $69,000, or 12%.

Earnings of Norfolk Southern ranged from an overall coverage (on basis of estimated current charges) of over three times in the late 20s to an operating deficit in 1932, sole year in which this carrier was unable to earn something towards its charges. In the 30s, overall charges were covered approximately 0.8 times. During the war period such coverage has averaged 1.85 times (peak 2.53 times in 1942).

Financial position is satisfactory, net working capital totaling $1.45 million as of Dec. 31, 1944. This working capital position does not take into consideration Government bonds of $139,000, not carried as current asset, nor, more importantly, does it take into consideration possibilities of obtaining full title to monies claimed by the Treasury Department and carried as a current liability. These sums amount to $652,000 for Norfolk Southern proper and $518,000 for Norfolk Southern Bus Company, wholly-owned subsidiary.

On the basis of earnings record alone, taken in conjunction with moderately favorable post-war prospects, the Income bonds are undervalued. But an economic transformation in the company's territory looms as a result of (1) development of truck farming (rich muck soil in the Tidewater area); (2) industrial growth of paper and textiles, as well as favorable post-war lumber prospects; (3) development of coal in the Deep River area adjacent to Norfolk Southern's right of way; and, lastly, of considerable importance, (4) possibilities of oil, both Standard Oil of New Jersey and Shell having leased substantial acreages in counties bordering upon Albemarle Sound.

Admittedly, the above are only probabilities. Should any of these potentialities be realized, substantial post-war earning power can be developed, possibly exceeding the period of the late 20s. But excluding ultimate possibilities, Norfolk Southern owns two assets of great value, a lease through 2029 of property to Virginia Electric & Power from which NFS obtains $130,000 annual revenues (less $4,000 or $5,000 taxes paid by the latter) and ownership of the Norfolk Southern Bus Company which earned, after taxes, $239,000 in 1944, $149,000 in 1943 and distributed as dividends to the parent company $52,800 in 1944 and $26,400 in 1943.

Nor must there be excluded possibilities of ultimate merger with Norfolk & Western with which carrier connection is made at Durham, and at Norwood, the latter through the Winston Salem Southbound RR. jointly owned by Norfolk & Western and Atlantic Coast Line. Merger developments, if ever realized, are not of the immediate present, but of the more distant future.

The 1st Mortgage 4½s, available several points below call price of 103, are distinctly attractive, representing as they do, a combination first mortgage on a utility (three-quarters of interest income from a company whose credit is rated AA and whose bonds sell on a 2.75% basis), a bus company, and a rail property that can support this issue in its own right.

The Income 5s, still available around 60, appear attractive in their own right on an earnings basis, but gain in investment stature through giving due weight to the incidence of ownership of a bus line, an electric power lease and to the territorial growth possibilities. A favorable convertible option into 40 shares of common, currently selling at 13½, with 1943 and 1944 earnings at $9.59 and $5.97 and dividends for these years $2 and $1, respectively, lends speculatitve flavor to the bonds, especially as there are but 61,091 shares of the common outstanding. Recent declaration of a $1 dividend payable June 14, 1945 to holders of record June 1, 1945 further enhances speculative possibilities of these junior bonds.

Allan M. Pope Pres. of Com. & Ind. Association

Allan M. Pope, President of The First Boston Corporation, was elected President of the Commerce and Industry Association of New York at a meeting of the Board of Directors on May 21. Elected Vice President was John K. Whitaker, President of Neuss Hesslein & Co. Philip D. Reed, Chairman of the Board of the General Electric Co., was elected a Director.

Allan M. Pope

Re-elected Vice Presidents were Herbert L. Carpenter, President of the Carpenter Container Corp., and Francis L. Whitmarsh, President of Francis H. Leggett & Co. Samuel D. Leidesdorf, head of S. D. Leidesdorf & Co., accountants, was re-elected Treasurer. Thomas Jefferson Miley is Secretary of the Association.

Col. Pope, who was born in Boston, is a West Pointer with a distinguished military and business career. At West Point he was a classmate of General Douglas MacArthur. He resigned from the Army in 1919 with the rank of Lieutenant-Colonel. After service in the Philippines he served in World War I, during which he was appointed to the General Staff in France, was an instructor at the General Staff College and a staff officer at General Headquarters, and upon his return to the United States was appointed secretary of the General Staff in Washington. He became connected with The First Boston Corp. in January 1920 and has since been associated with the organization. He became President, Director, and member of the Executive Committee in June, 1934. Among other civic activities he is President of the Welfare Council of New York, a member of the Executive Committee of New York University, a director of the New York War Fund, a director of the Pan American Society, and a member of the Advisory Council of the Better Business Bureau of New York City.

George Taylor Opens Own L. A. Office

LOS ANGELES, CAL.—George Hooper Taylor is engaging in an advisory and securities business from offices at 215 West Seventh St. Mr. Taylor was previously with Carter H. Corbrey & Co., Conrad, Bruce & Co., and Bayly Brothers.

Bretton Woods Bill Improved by Amendments, Says Burgess

(Continued from first page)

of which will be to lay down broad policies for the guidance of the American representatives on the Fund and Bank and to act for the United States in those matters in which the articles of the Bank and Fund call for a decision by this Government; (2) the provision that the lending powers of the Bank should be definitely recognized as including the power to make stabilization loans.

The American Bankers Association in its report particularly stressed the need for safeguarding the operations of the Fund against possible freezing or exhaustion. The amendments by the House committee attempt to meet this difficulty first by specifying clearly the limits within which the Fund should operate, — that is, "current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions." The clarification of the power of the Bank to make stabilization loans also helps to relieve the Fund from the danger of being frozen.

Furthermore, the legislation provides a thoroughgoing review by the Council to the President and Congress every two years of the operations and policies of the Fund and the Bank with a view to determining whether these operations and policies are consistent with the policies and interests of the United States.

These proposals go some distance in safeguarding the Fund against possible abuse, though not as far as the proposals originally made by the American Bankers Association.

The proposal made by the Association for the merger of the two institutions to assure coordination in policy is met by the new legislation only to the extent that it provides that as far as the United States is concerned a single person will represent us as governor of both the Bank and the Fund, and the general coordination through the Council.

The hearings before the Banking and Currency Committee of the House were an excellent example of the operation of our democracy. The committee devoted about two months to the hearings. The attendance was extraordinarily good. The witnesses were received courteously and with open-minded attention. The careful study and thought which the members of the committee gave to this complex and technical subject were notable.

It may well be emphasized again that the American Bankers Association from the beginning has approved the Bretton Woods plan in principle, and its whole interest in the matter has been to aid the committee and the Congress in making the legislation as practical and effective as possible both in safeguarding the interests of the American people and in promoting international financial collaboration.

Small Business Warned About Post-War Taxes

Says Reduction in Post-War Taxes May Be Slow but Gradual

NEWARK, N. J., May 28.—With high post-war federal budgets a drastic reduction in post-war federal taxes is improbable, declared Peter Guy Evans, of Janis, Bruell & Evans, Certified Public Accountants and Tax Consultants, at the Federal Tax Forum of the New Jersey and Essex County Bar Associations held at the Federal Tax Court here.

Peter Guy Evans

Mr. Evans, a member of the New York Bar and Lecturer on Taxation at Columbia and Rutgers Universities, stated that since 1940 the tax burdens have fallen more and more upon the small or moderate-sized business. The close corporation, partnership and business individual, said Mr. Evans, "will be in a poor cash position when war contracts are cancelled and taxes have to be paid. Since their investment in inventory, machinery and equipment is unusually high, they will lack working capital or reserves necessary for conversion into peace time production." He urged that the benefits of the carry-back provisions be hastened so that small business, the foundation of American business, will be able to carry on.

"To induce new capital," he asserted, "the carry-forward provisions should be extended to four years. The first few years in new business being the most difficult, are usually loss years, and therefore, the two year present carry-forward provision is wholly inadequate."

In detail, he compared the tax liability of a business operating as a corporation and as a partnership. Pointing out the advantages and disadvantages of each, he warned, "since there's no easy way to choose the right form of enterprise, each set of facts must be compared in detail."

"Despite promises to drastically reduce both the corporate excess profits tax and personal income tax after V-J Day, our taxes will most likely be decreased only about 10% each year. Although we anticipate five to seven years of good business and prosperity, we cannot close our eyes to the fact that with a National Debt of nearly $300 billions our post war budgets perforce will run around $22-25 billions. They will provide $7-8 billions for interest on Government Bonds, relief for veterans, aid to farmers, expenditures for military establishments, etc."

Consequently, the 85½% net excess profits tax will be so reduced that in four years it will be a flat 40% tax. With the elimination of the present 10% credit, the rate for 1946 would be about 73%, for 1947—62%, for 1948—51%, and for 1949—40%. Such a gradual but planned reduction will siphon off the high profits which will be earned by industry when it returns to peace time and civilian porduction. The backlog for civilian goods is the largest ever, and since it is a war result, it is urged to subject such high profits to excess profits tax but at declining rates. Let us be realistic about this! Since profits of going concerns will be the greatest during the earlier post war period years, it is proposed to collect high taxes at that time. Industry can best meet high taxes when its profits are high. As profits fall off because of disappearance of the backlog, the rate should decline accordingly.

With such an excess profits tax, the Government could raise the specific exemption to $25,000, or in the alternative, grant corporations a 10% increase in the excess profits tax credit.

Finally, he strongly recommended "immediate elimination of both double taxation on dividends, and of the capital stock and declared value excess-profits taxes. The present personal surtax exemptions should be retained, but the surtax rates must be reduced so that individuals will get an effective reduction of 10-11% per annum for the next three or four years.

"A gradual reduction in taxes will keep the American taxpayers so tax conscious that they will keep an eye on Governmental expenditures and put to account those officials who are not prudent in expenditures."

Willard Livingstone Opens in San Francisco

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Willard H. Livingstone has opened offices at 203 Sansome Street to engage in a securities business. Mr. Livingstone was formerly president of Bankamerica Company.

Bilateral "Sterling" Agreement Between Great Britain and Peru

As an illustration of the bilateral "Sterling Area" exchange agreements that have been made by the British with other countries, the "Chronicle" prints below the agreement entered into on Nov. 17, 1942 between the Bank of England and the Central Reserve Bank of Peru covering the methods of payments between Peru and the "sterling area." It will be noted that this agreement bases the exchange rate of Peruvian currency and the British Pound on the Bank of England's buying and selling rates for U. S. dollars, and prohibits the transfer of Peruvian sterling balances to "non-resident's account," i.e. "an account of any person resident outside the sterling area." It also provides that "sterling accruing to Peruvian Special Accounts may only be used for payment of commercial and financial services in sterling due from Peru to the sterling area." Though the agreement was for a period of one year, it could be continued indefinitely or until one party gave the other six months' notice of intention of termination.

Payments Agreement

1. The Bank of England and the Central Reserve Bank of Peru will take all steps open to them to secure that all trade and financial payments between Peru and the Sterling Area shall be settled in sterling. Payments in respect of debts expressed in soles due from persons resident in Peru to persons resident in the Sterling Area shall be converted into sterling on the basis laid down in Clause 3 and settled by debit of Sterling to a Peruvian Special Account.

2. In the case of debts due to Peru necessarily payable in soles, e.g. dock dues, shipping expenses, etc., from persons resident in the Sterling Area, soles may be purchased from the Central Reserve Bank of Peru by Sterling Area debtors against credit of sterling to a Peruvian Special Account. Payments between Peru and the Sterling Area expressed in other currencies shall be converted into and settled in sterling on the basis laid down in Clause 3.

3. The Central Reserve Bank of Peru shall quote rates for sterling based on the official middle price for gold in London, viz., 168 shillings and 6 pence per fine ounce (the Bank of England's buying and selling rates for U. S. Dollars on this basis being 4.03½ and 4.02½ respectively), and the current quotation for dollars in Lima.

4. (a) Payments to Peru, as referred to in Clause 1, from persons resident in the Sterling Area shall be made to the Special Account of the Central Reserve Bank of Peru at the Bank of England or to Special Accounts of the Central Reserve Bank of Peru with their correspondents in the United Kingdom registered at the Bank of England or to Special Accounts of other banks operating in Peru which may (subject to prior agreement of the Central Reserve Bank of Peru and of the Bank of England) be opened with their United Kingdom correspondents after registration at the Bank of England. Sums standing to the credit of a Peruvian Special Account may be freely transferred from one Peruvian Special Account to another but may not be transferred to a non-resident account. A non-resident account means the account of any person resident outside the Sterling Area.

(b) It is understood that all payments for purchases made by the Sterling Area will be in sterling. Export taxes or other charges in connection wtih these purchases will be paid in the currency specified by the Peruvian Government regulations and if this is not available in the Lima market against special account sterling at official rates, namely 4.025 to 4.035 United States dollars per pound then the Peruvian Government will accept payment in special account sterling at the above mentioned official rates.

(c) Export taxes due from Lobitos will continue to be paid in the currency specified by Peruvian regulations. If this currency is U. S. Dollars and there are sellers of these dollars in Lima for Special Account Sterling, dollars will be bought and paid to the appropriate Peruvian department, but if U. S. Dollars are not available against Special Account Sterling, then the Peruvian Government will accept this sterling. It is implicit in this arrangement that the Lobitos Oil Co. shall only be obliged to sell Special Account Sterling for U. S. Dollars at the official rates, namely, 4.025 to 4.035 dollars per £.

(d) As regards payment for oil sold by Lobitos Oilfields, Peruvian Special Accounts will be credited with the proceeds of the sterling drafts of the Cia. Petrolera Lobitos drawn in Peru on the Lobitos Oilfields Ltd. in respect of export tax.

5. Sterling accruing to Peruvian Special Accounts may only be used for payment of commercial and financial services in Sterling due from Peru to the Sterling Area such as

(a) Payments through the usual service bankers in respect of Public Debt;

(b) Other sterling requirements of the Peruvian Government;

(c) Interest and dividends and other remittances or other Sterling Area investments in Peru.

(d) Shipping freights and insurance;

(e) Sterling Area exports to Peru;

(f) All other payments by Peru to the Sterling Area.

6. The Central Reserve Bank of Peru shall take all possible steps in cooperation with the United Kingdom Exchange Control to ensure that all payments and remittances to the Sterling Area will be made from a Peruvian Special Account and not otherwise.

If the balance on the Peruvian Special Accounts should at any time be insufficent to meet Peruvian Sterling requirements, the Central Reserve Bank of Peru will purchase sterling from the Bank of England against U. S. Dollars at the current official buying rate of U. S. Dollars in London as laid down in Clause 3, and/or will authorize persons or firms in Peru having sterling liabilities to the Sterling Area to utilize their balance in U. S. Dollars to meet such obligations to the Sterling Area. It is understood that sterling from a Peruvian Special Account will always be accepted in payment of exports from the Sterling Area.

7. The balances of the Peruvian Special Accounts shall carry a guarantee based upon the official middle price of gold in London (at present 168 shillings and 6 pence per fine ounce) and in the event of any change of such price, balances standing to the credit of these Peruvian Special Accounts shall be established as at the close of business on the day preceding such change. The total of Peruvian Special Account balances so established shall be adjusted to accord with the new official London price of gold by credit or debit of the Special Account of the Central Reserve Bank of Peru at the Bank of England.

8. Notwithstanding the foregoing provisions of this agreement the Bank of England may authorize the opening or maintenance of accounts with Banks in the United Kingdom, to be denominated "Peruvian Sterling Area Accounts," in the names of individuals resident in Peru but having close connections with any territory in the Sterling Area. These accounts will be available for use in accordance with the regulations for the time being in force in the United Kingdom regarding Sterling Area Accounts. Payments from Peru for Sterling Area Accounts may not be made to any other account (other than a Peruvian Special Account) of a person resident outside the Sterling Area, and transfers between one Peruvian Sterling Area Account and another will not be permitted. Transfers from a Peruvian Special Account will be freely permitted.

9. Upon expiry of this agreement:

(a) The provisions of Clause 7 shall continue to apply to balances held on Peruvian Special Accounts.

(b) Balances remaining in Peruvian Special Accounts shall be utilized for the purposes laid down in Clause 5.

10. In this Agreement the expression "The Sterling Area" shall have the meaning assigned to it by the regulations in force from time to time in the United Kingdom in regard to exchange control, that is to say, at present the United Kingdom of Great Britain and Northern Ireland (including for this purpose the Isle of Man) together with the following territories, excluding Canada and Newfoundland:

(a) any Dominion,

(b) any other part of His Majesty's dominions outside the British Islands,

(c) any territory in respect of which mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion,

(d) any British Protectorate or Protected States,

(e) Egypt and the Anglo-Egyptian Sudan,

(f) The Belgian Congo and Ruanda-Urundi, Syria and Lebanon,

(g) The following territories under the control of the Council of Defence of the French Empire; French Equatorial Africa, Cameroons under French Mandate, French Oceania, French Establishments in Indiana, and

(h) Iceland and the Faroe Islands; provided that, if His Majesty's Government in the United Kingdom shall at any time amend the definition of the Sterling Area in force for

OUR REPORTERS' REPORT

The already substantial backlog of potential corporate issues slated to reach the market in the months following completion of the current Seventh War Loan was boosted $175,000,000 in one fell swoop when the American Telephone & Telegraph Co., revealed plans for registration of that amount of new 40-year 2¾% debentures.

This projected refinancing opens up a whole new vista in the utility field since the big communications company, at the end of 1944, had a total funded debt outstanding in the amount of $1,345,900,000, much of it carrying a 3¼% coupon, which makes its cost appear out of line in the present money market.

A. T. & T. has not been especially active in the money market since the latter part of the 30's when it refinanced a good portion of its debt on a 3¼% basis.

Certainly on an issue such as projected here the Securities and Exchange Commission cannot look for any host of bids. It now appears as though the investment banking fraternity will be able to muster, at most, two banking syndicates with the resources to embark on an undertaking of this size.

There is always the possibility of an "Agency bid" being entered for a group of major insurance companies, but in this case it looks as though bankers who would be likely to represent such buyers, would be in one or the other of the two prospective syndicates.

Turn to Big Job

The road-block against further corporate offerings, during the balance of the current War Loan Drive, was not firmly in place as the month ended today. From here through to the finish the underwriters and their distributing groups go all-out for the Treasury.

And it's just as well that way, since the reception accorded the last one or two new issues was not such as would be conducive to any substantial undertakings. In fact such offerings ran into investor resistance, large as well as small.

The situation is best summed up by John Hancock Mutual Life Insurance Company's call for bids on a total of about $52,400,000 of assorted tax-exempt bonds from its portfolio and Penn Mutual Life's call for bids on some $5,000,000 with both companies planning to put the proceeds into War Bonds.

They Shall Not Pass

The action of the Securities and Exchange Commission in putting up the "stop" sign against the consummation by North American Company of the sale of its 700,000 share block of Pacific Gas & Electric Corp., common stock, did not sit too well in underwriting quarters.

Some people, who would not be quoted, seemed to feel that considerations other than the purely basic financial elements weighed heavily in the commission's action.

The contention in such circles was that the scope of the deal, it involved some $26,000,000, was such that the job could best be handled by a single group, particularly one headed by a firm located within the company's territory. The commission, however, took its stand on the contention that the element of competition was not present.

Texas Power & Light 2¾s

The last sizeable corporate issue to reach market before bankers signed off to join up with Treasury forces, Texas Power & Light Co.'s $26,600,000 of 2¾s have been moving out, but slowly, it was indicated today.

Those in a position to gauge the market, calculate that the issue is about little more than 50% sold.

This issue was priced unusually close, being offered at 100¾ against the figure of 100.1529 at which it was purchased from the company.

Two July Possibilities

Two substantial corporate undertakings appeared likely to be in condition for marketing early in July, one an issue of utility bonds, and the other an industrial stock offering.

Portland General Electric Co.'s application to sell $34,000,000 of new bonds and $5,500,000 of notes will be subjected to Securities and Exchange Commission hearing on June 12.

Meanwhile Colgate-Palmolive-Peet Co. has set in motion plans to replace its outstanding $4.25 dividend preferred stock through a new issue carrying a lower dividend.

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the purpose of the said regulations, such amendment shall apply to the definition of the Sterling Area for the purposes of this Agreement as from the date of the notification to that effect from the Bank of England to the Central Reserve Bank of Peru.

11. This Agreement shall take effect immediately and shall remain in force for twelve months from the date of signature. If neither the Central Reserve Bank of Peru nor the Bank of England shall have given notice to the other six months before the above mentioned date of their intention to terminate the Agreement, it shall remain in force until the expiration of six months after the date on which either the Central Reserve Bank of Peru or the Bank of England shall have given the other notice of termination.

Lima, 17 de Noviembre de 1942
Banco Central de Reserve de Peru
(fdo) (fdo)
Clemente de Althaus, Gerente General
J. Fernando Gazzani, Presidente
Bank of England
(fdo)
M. Norman, Governor

Armstrong Adds Hurtgen

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Anthony B. Hurtgen has been added to the staff of *F. H. Armstrong & Co., Inc.*, 120 South La Salle Street.

Sec. Commissioners Meet With Inv. Cos. Association in Chicago

CHICAGO, ILL.—A representative group of state Securities Commissioners on May 24th completed a two-day meeting with a committee representing the National Association of Investment Companies. Principal purpose of the meeting was to discuss investor problems arising from the present war and steps which might be taken to help educate new investors and protect them from swindlers. It was pointed out that World War I created millions of new investors who, having bought Liberty Bonds during the war, turned to corporate securities in subsequent years. War Bonds have been even more widely sold to the public during the present war. Especially in the light of present bank deposits exceeding $140 billions, it was considered probable that as many or more new investors would take an active interest in general securities as 25 years ago. Both defensive and constructive measures for the protection and education of this group were discussed.

Among the Securities Commissioners attending the two-day meeting were Clarence H. Adams, Connecticut, President of the National Association of Securities Commissioners; John F. Hueni, Michigan, Chairman of Investment Company Committee of the NASC; Harold Johnson, Nebraska, Chairman, Education and Publicity Committee of the NASC. Commissioners from Indiana, Illinois, Ohio, Minnesota, and Wisconsin were also present.

The National Association of Investment Companies was represented by Paul Bartholet, Executive Director; Colonel William Tudor Gardiner, Chairman, Incorporated Investors; Hugh W. Long, President, Manhattan Bond Fund, Inc.; and S. L. Sholley, President, Keystone Custodian Funds, Inc.

Swiech With O'Rourke

CHICAGO, ILL.—Stanley I. Swiech has become associated with J. P. O'Rourke & Co., Board of Trade Building. Mr. Swiech has recently been with the State of Illinois Department of Revenue. In the past he was with Rogers & Tracy, Inc.

Claude Baker Pres. of Union League Club

CHICAGO, ILL. — Claude F. Baker, who is well known in middle west telephone and public utility circles, was installed May 22 as 59th president of the Union League Club of Chicago. A member of the Club since 1922, he has served in many official positions including the past two years as treasurer and finance committee chairman.

Claude F. Baker

Mr. Baker is president of Baker, Walsh & Company, investment bankers, Chicago, and of Investment Bond and Share Corporation. His public utility interests include: President and director, Kansas State Telephone Company; director, Jacksonville Gas Comany, Kansas City Public Service Company and the Central Indiana Telephone Corporation; Vice-President and director, Investors' Telephone Company, and Vice-President of the following: Central Missouri Telephone Company, Central Carolina Telephone Company, Arkansas Associated Telephone Company, Iowa State Telephone Company, and the Sussex County Telephone Company; he is also director of Chicago Stadium Corporation.

F. D. Hogan Associated With Mercier, McDowell

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Francis D. Hogan has become associated with Mercier, McDowell & Dolphyn, Buhl Building, members of the Detroit Stock Exchange. Mr. Hogan has recently been with the Circuit Court Commission of Wayne County, Mich. In the past he was sales manager for R. W. Reilly & Co.

Davis, Skaggs & Co.

SAN FRANCISCO, CALIF.—Raimund B. Wurlitzer has retired from partnership in Davis, Skaggs & Co., 211 Montgomery Street, and a new partnership consisting of Chester W. Skaggs and George W. Davis has been formed.

Municipal News & Notes

The vulnerability of the municipal price structure to any substantial volume of bonds reaching the market has been clearly indicated in the decline in prices that has accompanied the sizeable amount of portfolio offerings over the past several weeks. As a result, prices are now down on an average of 10 to 20 basis points, and more in some cases, from the levels which prevailed earlier in the year.

The largest declines appear to have been registered in bonds of the more prominent debtors, including New York City, Detroit, Philadelphia, and the States of Louisiana, Arkansas and Mississippi. This is attributed in part at least to the fact that bonds of such units have re-entered the market in large volume via portfolio sales. Under the circumstances, some softening in prices was to be expected if only because of the psychological reaction prompted by such a development.

This is to the contrary, the municipal market, like other markets, has its bellwethers, or leaders, and any change in their status is inevitably transmitted to the list as a whole. Regardless of whether or not the continuing portfolio operations by private institutions and public trust funds has any real significance, it would be illogical not to expect a reaction of some degree in the market as a whole.

The State of Mississippi, incidentally, affords a partial illustration of the current standing of the market as contrasted with that which prevailed earlier in the year. The State just recently, on May 25 to be exact, awarded an issue of $1,812,000 highway refunding bonds, maturing 1961-63 and optional in 1950, on a net interest cost basis of 1.59%. By way of contrast, the record discloses that in disposing of a $2,000,000 issue for the same purpose and with similar maturity characteristics on March 13, the State achieved a net cost of 1.358%.

In marketing the latest issue, the State found it necessary to ask for bids on successive days, the 24th and 25th, having turned down the offers received on the earlier date. Although five groups competed in the original instance, only two accounts were represented at the second offering, with the successful syndicate having been the highest bidder on both occasions.

By way of completing the record, it may be noted that a substantial portion of the $2,000,000 issue sold by the State last March just recently were re-offered at prices reflecting a considerable markdown from the levels established by the original purchasers. The new price scale was from 101.50 to 99.50 as against the initial offering terms of 102.50 to 100.25.

It might be well to say in passing that it is not our intent or purpose to single out Mississippi as an "abject lesson", nor to imply that the market experience for its bonds has been entirely unrelated to the course of municipal prices as a whole.

The fact is that the experience of its bonds has been duplicated in more or less the same degree by bonds of other States and municipalities during the past several weeks. It so happens that the State, having appeared in the market before and subsequent to the recent downward price trend, serves to demonstrate the impact of the decline from the levels that obtained several months ago.

That much of the reaction has been due to the exceptionally large volume of portfolio sales in recent weeks is unquestionably true. This, however, points up the question of how the market would react should the expected flood of new municipal issues materialize in the near future. The extent of the financing in prospect, to provide for war-deferred improvements and new projects, is generally figured in the billions. Even conceding that the disposal of such offerings will be spread over a period of several years, the volume that already awaits the go-ahead signal is considerable.

Furthermore, signs multiply that the initial flow is not too far distant. With reconversion of industry to a peacetime basis seemingly quickening each day, there is a possibility that public bodies will find it expedient to implement their post-war plans.

The case of Oakland, Calif., gives some evidence of such a possibility, the city having announced its intention to consider bids June 21 on a total of $15,754,000 bonds for various new capital purposes. This financing was approved by the electorate on May 8 and the city's decision to effect the sale at the earliest possible date was undoubtedly influenced by the desire to take advantage of the prevailing attractive interest rates.

Minneapolis Not Contemplating Any Bond Financing

The City of Minneapolis does not contemplate offering any bonds in the near future, according to advices from City Comptroller O. J. Turner, who states that the city has $910,000 presently invested in U. S. Treasury bonds. This amount, Mr. Turner writes, has been set aside over a period of three years to assist in financing the city's portion of the cost of the proposed Upper River Harbor project. At the present time, the Comptroller says, no sale dates have been set or amounts determined of any possible future bond sales.

Outlook for Foreign Trade in A Stable Post-War World

(Continued from page 2390)

close of one era and the beginning of another. For it so happens that we are on the threshold of important decisions. Whatever the final import of those decisions, I believe that the conference at San Francisco reflects a universal acknowledgment that the relationship of each part of the world to all others requires not only a code of law and order but a permanent basis of mutual understanding. We have long been conscious of a growing degree of economic interdependence among the nations of the world but it is somewhat ironic that it required two destructive world wars and a world depression to impress upon us the need for concerted action. While nations were moving closer and closer together they were totally unprepared to live together in peace. The failure to understand the nature of the world we live in led us to the brink of disaster and we cannot afford to repeat.

The War and Economic Cooperative Action

The war itself has produced far-reaching changes which have emphasized the necessity for cooperative action and organization. Compelled by the necessity to utilize our human and natural resources to the maximum we have found new means for applying energy drawn from nature's bounties for the production of goods and services in ever-increasing volume. This fact alone is of tremendous significance as we contemplate utilizing these same sources of power in time of peace. There is virtually no limit to what we can produce, but if the machinery of production is to be kept operating at full capacity we must find means whereby each person able and willing to work can contribute his share and participate in the final result. It is only by making possible such contribution that all of us can enjoy the things which we produce. If we achieve this desirable end it will necessarily mean a higher standard of living for all of us. Such an accomplishment cannot be achieved, however, by one region within the country at the expense of another. Nor can it be achieved by one country or world area at the expense of another.

If we assume, then, that a maximum level of employment and a system of international collaboration are both essential we can appropriately turn our attention to the importance of foreign trade as a means of achieving effective results. For it is in the field of foreign trade where the practice of making a living and instruments of international understanding can be most effectively combined into a practical formula. The free flow of goods and services in large volume is the only means whereby all nations can hope to participate in common opportunities for maintaining high standards of living. Countries dependent, for example, upon shipping as an important source of national income will find a necessary means of livelihood cut off if world trade falls to the low levels experienced, for example, during the early '30s. Moreover, it is only under conditions of unhindered world trade that many countries can find real opportunities for acquiring the foreign buying power so essential to the purchase of essential consumer products in foreign markets.

The primary requirement in such a program is the development of a state of economic health throughout the world. Export trade cannot be looked upon as an end in itself; it is part of a process which, if it is to be maintained, requires a good economic climate and sound economic conditions at each end of the transaction. It is only under such conditions that business can long be maintained on a basis of mutual confidence and benefit.

The United States constitutes the most important free marketing area in the world. Our unhappy experiences under the Articles of Federation prompted us to guard against any system of tariffs or trade restrictions between the States under the Federal Constitution. We have thus been able to develop our resources and to exchange goods and services freely throughout the whole nation. That even national frontiers need not be viewed as difficult barriers to the exchange of goods and services in the larger world community is evidenced by the high volume of trade between the United States and Canada. Our heavy expenditures for travel in Canada and the large net purchases by Canadians of our merchandise represent reciprocal processes whereby the individual demands of thousands of people on each side of the border are met to the benefit of all.

The breakdown of the international financial machinery in 1931 and the subsequent developments were the by-products of an unstable world order that we are finally, let us hope, in the process of reconstructing on a firm foundation. While we may differ on details we are generally agreed on the necessity for establishing by international cooperation a program for stabilizing world currencies. We view with sympathetic understanding the need for other steps such as the establishment of an international bank which would by direct action or by its guarantee of private loans assure the availability of long-term funds for the development of resources wherever such development can be profitably undertaken. The proposed legislation providing for the renewal of the Trade Agreements Act of 1934 is designed to make it possible for us to exchange further concessions with other countries to the benefit of all.

If we should view the period of a century and a quarter since the historic crossing of "The Savannah" as a cycle in our economic history we may perhaps be justified in hoping for a new Era of Good Feeling such as our political historians have long associated with the close of the second decade of the 19th century.

An examination of the statistics of our foreign trade shows that our prosperity index and the volume of our imports follow parallel lines. Since foreign buying power in the United States depends largely upon the dollar payments made by us when we import, it follows that our ability to develop and maintain a prosperous economy determines in large part our success in developing foreign markets for our products on a sound and sustaining basis. Because of the importance of our export and import trade in the total stream of world commerce it is evident that our post-war level of domestic business activity will materially influence the degree to which the outside world will be free of the pressure which might otherwise perpetuate a system of tariffs, quotas, and other restrictions.

Assuming a sound international investment policy and the effective reconversion to full civilian production and employment after the war we believe, in the Department of Commerce, that this country may look forward to total merchandise exports of $10 billion or more a year. On the basis of an estimated national income of $150 billion, which a program of full employment should make possible, such a goal reflects a conservative ratio of export to total output. Also with our expanded industrial capacity as a result of the war, major American industries will necessarily expect wider world markets if they are to operate at maximum capacity and under full employment. They will look for larger markets abroad for capital goods produced in this country. Any sound program of industrialization in undeveloped areas will mean not only a wider demand for equipment produced in this country but will also contribute toward the attainment of higher standards of living and thus broader world markets generally. The history of the United States during the nineteenth century as a world borrower bears ample testimony to this kind of mutually profitable development.

It is only under conditions of a rising level in world trade that we can hope to achieve these objectives. If we should assume that larger and larger markets for American goods were to be developed under conditions of a stationary level of international commerce, we would have to view international trade as necessarily a form of economic warfare and plan our trade promotion problem accordingly. Unfortunately in the past national trade policies were too frequently formulated on the assumption that the volume of total world trade was more or less fixed and that if we allowed the other fellow to get into a market we would be deprived of such a market in direct proportion to his success.

Foreign and Domestic Trade Go Together

Foreign trade and domestic trade cannot be cataloged in separate compartments. They go together, since imports in the long run provide the means of paying for exports. To us in the United States many of the former are essential and are not produced at home. Foreign markets absorb a relatively large proportion of the output of certain industries as well as of certain regions even though total exports may be a comparatively small part of our total national output. You are all familiar with the truth of this statement as it relates, for example, to such export commodities as cotton and tobacco. As has been demonstrated during periods of national adversity a decline in exports and imports deprives our consumers and our industries of many products and raw materials which we can either not replace at all or replace only with difficulty. At the same time American industries are deprived of profitable outlets for their products.

Under conditions of full employment in the United States our ability to save is enormous. Our industries have achieved a much more advanced stage of development than have those of other countries. In many countries capital is relatively scarce and opportunities for profitable investment will be open to us throughout the world. Such opportunities if directed along sound lines are bound to result in higher levels of employment and income, higher standards of living, and stable social and economic conditions. The net result is a sure contribution to world peace.

The resources of all parts of our country are essential to the maintenance of a sound national economy. The industrial capacity of certain sections has risen sharply as a result of wartime developments. In these newer industrial areas labor and resources are available for continued development after the war. This is true, for example, in the South where the possibilities for expanded world trade are enhanced by the existence of excellent ports open throughout the year — ports located at what we might call our gateways to Latin American and other markets. A sound development of these markets will contribute to higher standards of living, both at home and abroad.

In its recent report, "The Post-war Foreign Economic Policy of the United States," the House Special Committee on Postwar Economic Policy and Planning emphasized the fact that our foreign trade, even though small in relation to national income, is bound to have a very important impact upon economy of foreign nations. Many countries depend heavily upon international trade as a national source of income. Since the United States is in position to contribute most to United States and world prosperity, the full utilization of our enormous capacity to produce, to consume, and to save must result during the post-war years in an expansion of exports, an expansion of imports, and an expansion in foreign investments. It is important, therefore, that national policies relating to foreign trade and foreign investments be properly synchronized in order that we may avoid the unfortunate consequences of the 1920's. The scarcity of capital in undeveloped areas and in countries devastated by the war provides broad opportunities for investment. Under programs of economically sound industrial expansion both lender and borrower will benefit. Such form of mutual participation in an expanding world economy is reflected in the history of the United States during the century following the event which we are now celebrating.

Since trade and finance are interdependent it is well that we examine the case for future foreign lending. We are all familiar with our experience during the 1920's. It was not an entirely happy experience, but it is important that we do not confuse cause with effect. Our mistakes lay less in the fact that we engaged in foreign lending than in the fact that we failed to understand the nature of our position as a world creditor. We continued to be ruled by a debtor psychology and thus pursued policies which were inconsistent with each other.

American business has long had a tremendous stake abroad in the form of industrial and other investments. These investments range all the way from mineral developments in Latin America, plantations in Central America and Middle East, to branch plants in Canada, Great Britain, and the Continent of Europe. These investments taken as a whole have proved profitable to American business even during the depression of the 30's, and have provided a source of foreign buying power to the countries in which they have been made. Foreign sources of raw materials become of increasing importance to us as our domestic reserves are being more and more heavily drawn upon by our highly developed industrial machine.

Although the United States has become the temporary guardian of billions of the outside world's capital funds this country is destined to continue its strong creditor role after the war. It is not possible to draw up a blueprint showing in statistical terms the exact position the United States will occupy in the world economy after the war. We do have, however, a measure of the economic factors which are available as guides if we would turn to universal advantage the opportunities implicit in the country's economic power. The United States has achieved a degree of maturity in technological experience which has stood the world in good stead during the present war. This experience can be utilized after the war to the advantage of both ourselves and the rest of the world. Indeed, our responsibility as a nation wielding an unprecedented balance of economic power permits no other course.

During the period between the two wars the international economic and financial position of this country reflected many signs of instability. The causes lay partly within the United States but not entirely so. The modern industrial world is exceedingly dynamic; impulses generated by developments in a given world area do not automatically spend themselves when they reach a national frontier. The periodic disturbances in the United States balance of payments during the two decades following the last war had world-wide repercussions. Yet in a world which is rapidly becoming a more and more highly integrated economic unit it is safe to suggest that such disturbances are inevitable so long as machinery for international collaboration and for the effective handling of international economic problems does not exist.

The wide fluctuations between boom and slump and the erratic behavior of capital movements during the twenties and thirties reflected not only conditions of instability in the United States but they impressed upon us the important fact that, in view of the international repercussions, steps must be taken in the future to guarantee a closer coordination of the business cycle policies of all the principal industrial nations. The possibility of such coordination rests upon a frank recognition of the principle that the modern interdependent world must do business with itself if peace and security are to be more than a distant hope.

The recognition of this fact is more important than the details of means and methods for achieving results. We cannot safely refuse to recognize the need for international exchange stability just because every detailed operation cannot be demonstrated in advance by a miniature model or because of a vague fear that a particular nation has ulterior motives whenever its spokesmen comment favorably upon some particular anticipated benefits.

The balance of economic power held by the United States after the war carries with it definite responsibilities in making it possible for goods and services to move and in making an adequate contribution to the total volume of world trade. On the other hand, it must be recognized that certain rights attach to such responsibilities. International cooperation, to be effective, requires that all parties be as willing to recognize each other's rights as to receive benefits from the common effort.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

A few days ago it was reported in the press that Manufacturers Trust Co. was formulating plans for the retirement of its preferred stock. Such a move has not been unexpected, for Harvey D. Gibson, President, told stockholders at their annual meeting on Jan. 10, that the bank would consider retirement plans this year. The market apparently looks upon such action favorably, for the bid price of its common stock moved from 58 on the May 12th to 64½ on the 18th, a rise of 11.2%, while the American Banker Index of New York City bank stocks appreciated 3.6%.

It seems worthwhile to review the situation. The stock was issued in July, 1936, to retire $25,000,000 of 3½% Capital Notes which were sold to the Reconstruction Finance Corporation in November, 1933. The total issue was 500,000 shares, with a par value of $20, which were offered to stockholders at $50 plus accrued dividends, thus $10,000,000 went to capital and approximately $15,000,000 to surplus. Quarterly cumulative dividends at the rate of $2 per share annually have been paid. There are no arrears.

The issue is convertible into common stock, and redeemable. The conversion rate has been on a sliding scale, and since July 15, 1943 has been at the rate of 10 preferred for 6 common. This conversion rate is in effect until July 1, 1946; thereafter the preferred is not convertible. The convertible feature is not attractive, however, as the following simple calculation shows:

10 shares pfd. at 51¾=$517.50; $20 divs.
6 shares com. at 66 =$396.00; $12 divs.

The redeemable price has also been on a sliding scale, starting with $53 to Jan. 15, 1939, down to the present price of $50 and accrued dividends. The issue is redeemable in whole or in part on 30 days' notice. A preferred stock sinking fund was set up for the purpose of retiring a portion of the issue each year, consequently, by March 31, 1945 there had been retired 114,385 shares, leaving 385,615 shares unredeemed on the balance sheet of that date, with a total par value of $7,712,300.

It is not yet known what sort of a proposition the bank will make to its stockholders. To retire the outstanding preferred at $50 and accrued dividends will require approximately $20,000,000. If rights are offered present common stockholders to buy new common in the ratio of one new for each four held, at $50 per share, it would just about do it. The balance sheet for March 31, 1945 shows 1,649,922 common shares; a one for four ratio would require 412,480 new shares, which at $50 per share, would produce $20,640,000; at $52 per share, they would produce $21,448,960.

It is now of interest to examine the effect of such a plan on earnings. In 1944 total net operating earnings, before special contingency reserves of $2,450,000 and preferred dividends, amounted to $11,262,673. On the basis of shares outstanding on March 31, 1945, viz., 385,315 preferred and 1,649,922 common, and allowing for annual sinking fund requirements of $750,000 for retiring around 15,000 preferred, and for $2 preferred dividends on the average amount of preferred outstanding during the 12-month period, viz., 393,115, the following approximate comparison results:

Before Refinancing	
Net Operating Profits	$11,262,673
Less Pref. Stock Sinking Fd.	750,000
	$10,512,673
Less Pref. Stock Dividends	786,230
Available for Common	$9,726,443
Per Share	$5.90
Net Security Profits	$4,006,352
Per Share	$2.43
Total Net Op. & Sec. Profits	$8.33
After Assumed Refinancing (Assuming 412,480 new common)	
Net Operating Profits	$11,262,673
Per Share of Common	$5.46
Net Security Profits	$4,006,352
Per Share of Common	$1.94
Total Net Op. & Sec. Profits	$7.40

Thus, the approximate effect on earnings through elimination of the leverage of the preferred and the dilution of the common, based on the above figures, is to reduce net operating earnings per common share by about 7.5%, and net security profits per common share by a straight 20%. The latter percentage would remain constant but the net operating earnings percentage would be variable due to leverage.

Whether or not the bank will consider increasing the $2 dividend on the common stock is not known. Certainly earnings during the past several years would appear to justify such action, for net operating profits alone, exclusive of net security profits, have averaged per share of common, approximately double the dividend payments.

Bretton Woods Bill As Amended

(Continued from page 2393)

fice until their successors have been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint an alternate for the governor of the Fund, who shall also serve as alternate for the Governor of the Bank. The President, by and with the advice and consent of the Senate, shall appoint an alternate for each of the executive directors. The alternate for each executive director shall be appointed from among individuals recommended to the President by the executive director. The terms of office for alternates for the governor and executive director shall be the same as the terms specified in subsection (a) for the governor and executive directors.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.

National Advisory Council on International Monetary and Financial Problems

Sec. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

(b) (1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

(3) The Council shall coordinate by consultation or otherwise, so far as practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by Section 5 of this Act), be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under Article V, Section 4, or in favor of any declaration of the United States dollar as a scarce currency under Article VII, Section 3, of the Articles of Agreement of the Fund without prior approval of the Council.

(5) The Council from time to time, but not less frequently than every six months, shall transmit to the President and to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

(6) The Council shall also transmit to the President and to the Congress special reports on the operations and policies of the Fund and the Bank, as provided in this paragraph. The first report shall be made not later than two years after the establishment of the Fund and the Bank, and a report shall be made every two years after the making of the first report. Each such report shall cover and include: the extent to which the Fund and the Bank have achieved the purposes for which they are established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and Bank should be increased or decreased; recommendations as to how the Fund and Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement of the Fund and of the Bank or in this Act; and, an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

(7) The Council shall make such reports and recommendations to the President as he may from time to time request or as the Council may consider necessary to more effectively or efficiently accomplish the purposes of this Act or the purposes for which the Council is created.

(c) The representatives of the United States on the Fund and the Bank, and the Export-Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.

Certain Acts Not to Be Taken Without Authorization

Sec. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States (a) request or consent to any change in the quota of the United States under article III, section 2, of the Articles of Agreement of the Fund; (b) propose or agree to any change in the par value of the United States dollar under article IV, section 5, or article XX, section 4, of the articles of Agreement of the Fund, or approve any general change in par values under article IV, section 7; (c) subscribe to additional shares of stock under article II, section 3, of the Articles of Agreement of the Bank; (d) accept any amendment under article XVII of the Articles of Agreement of the Fund or article VIII of the Articles of Agreement of the Bank; (e) make any loan to the Fund or the Bank. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for an increase of capital stock of the Bank under article II, section 2, of the Articles of Agreement of the Bank.

Par Value of United States Dollar

Sec. 6. When the United States is requested by the Fund to communicate the par value of the United States dollar, such par value shall not be communicated as other than 15 5/21 grains of gold nine-tenths fine.

Depositories

Sec. 7. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

Payment of Subscriptions

Sec. 8. (a) Subsection (c) of section 10 of the Gold Reserve Act of 1934, as amended (U. S. C., title 31, sec. 822a), is amended to read as follows:

"(c) The Secretary of the Treasury is directed to use $1,800,000,000 of the fund established in this section to pay part of the subscription of the United States to the International Monetary Fund; and any repayment thereof shall be covered into the Treasury as a miscellaneous receipt."

(b) The Secretary of the Treasury is authorized to pay the balance of $950,000,000 of the subscription of the United States to the Fund not provided for in subsection (a) and to pay the subscription of the United States to the Bank from time to time when payments are required to be made to the Bank. For the purpose of making these payments, the Secretary of the Treasury is authorized to use as a public-debt transaction not to exceed $4,125,000,000 of the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection of the subscription of the United States to the Fund or the Bank and repayments thereof shall be treated as public-debt transactions of the United States.

(c) For the purpose of keeping to a minimum the cost to the United States of participation in the Fund and the Bank, the Secretary of the Treasury, after paying the subscription of the United States to the Fund, and any part of the subscription of the United States to the Bank required to be made under article II, section 7 (i), of the Articles of Agreement of the Bank, is authorized and directed to issue special notes of the United States from time to time at par and to deliver such notes to the Fund and the Bank in exchange for dollars to the extent permitted by the respective Articles of Agreement. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be nonnegotiable, and shall be payable on demand of the Fund or the Bank, as the case may be. The face amount of special notes issued to the Fund under the authority of this subsection and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Fund, and the face amount of such notes issued to the Bank and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Bank under article II, section 7 (i), of the Articles of Agreement of the Bank.

(d) Any payment made to the United States by the Fund or the Bank as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

Obtaining and Furnishing Information

Sec. 9. (a) Whenever a request is made by the Fund to the United States as a member to furnish data under Article VIII, Section 5, of the Articles of Agreement of the Fund, the President may, through any agency he may designate, require any person to furnish such information as the President may determine to be essential to comply with such request. In making such determination the President shall seek to collect this information only in such detail as is necessary to comply with the request of the Fund. No information so acquired shall be furnished to the Fund in such detail that the affairs of any person are disclosed.

(b) In the event any person refuses to furnish such information when requested to do so, the President, through any designated governmental agency, may by subpoena require such person to appear and testify or to appear and produce records and other documents, or both. In case of contumacy by, or refusal to obey a subpoena served upon any such person, the district court for any district in which such person is found or resides or transacts business, upon application by the President or any governmental agency designated by him, shall have jurisdiction to issue an order requiring such person to appear and give testimony or appear and produce records and documents, or both; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) It shall be unlawful for any officer or employee of the Government, or for any advisor or consultant to the Government, to disclose, otherwise than in the course of official duty, any information obtained under this section, or to use any such information for his personal benefit. Whoever violates any of the provisions of this subsection shall, upon conviction, be fined not more than $5,000, or imprisoned for not more than five years, or both.

(d) The term "person" as used in this section means an individual, partnership, corporation or association.

Financial Transactions With Foreign Governments in Default

Sec. 10 The Act entitled "An Act to prohibit financial transactions with any foreign government in default on its obligations to the United States", approved April 13, 1934 (U. S. C., title 31, sec. 804a), is amended by adding at the end thereof a new section to read as follows:

"Sec. 3. While any foreign government is a member both of the International Monetary Fund and of the International Bank for Reconstruction and Development, this Act shall not apply to the sale or purchase of bonds, securities, or other obligations of such government or any political subdivision thereof or of any organization or association acting for or on behalf of such government or political subdivision, or to the making of any loan to such government, political subdivision, organization, or association."

Jurisdiction and Venue of Actions

Sec. 11. For the purpose of any action which may be brought within the United States or its Territories or possessions by or against the Fund or the Bank in accordance with the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the Fund or the Bank, as the case may be, shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which either the Fund or the Bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When either the Fund or the Bank is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

Status, Immunities and Privileges

Sec. 12. The provisions of article IX, sections 2 to 9, both inclusive, and the first sentence of article VIII, section 2 (b), of the Articles of Agreement of the Fund, and the provisions of article VI, section 5 (i), and article VII sections 2 to 9, both inclusive, of the Articles of Agreement of the Bank, shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in, and the establishment of, the Fund and the Bank, respectively.

Stabilization Loans by the Bank

Sec. 13. The governor and executive director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. If the Bank does not interpret its powers to include the making or guaranteeing of such loans, the governor of the Bank representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Stabilization Operations by the Fund

Sec. 14 (a) The governor and executive director of the Fund appointed by the United States are hereby directed to obtain promptly an official interpretation by the Fund as to (i) whether its authority to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions and (ii) whether it has authority to use its resources to provide facilities for relief or reconstruction or to meet a large or sustained outflow of capital on the part of any member.

(b) If the interpretation by the Fund answers in the affirmative either of the questions stated in subsection (a), the governor of the Fund representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of expressly negativing such interpretation. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Curtis, Troendle to Be Klehmet & Co. Partners

LOS ANGELES, CALIF.— As of June 1st, Harold E. Curtis and Victor H. Troendle will be admitted to partnership with Hans Klehmet in Klehmet and Co., 650 South Spring Street. Both have been associates of the firm for some time.

Bronze Star Is Won By General Evans

BALTIMORE, MD.—Brig. Gen. Henry C. Evans, commanding the 70th Division Artillery has been awarded the Bronze Star Medal for "meritorious service in connection with military operations against an enemy of the United States." The citation accompanying the award stated that during the crossing of three unnamed rivers in the European theater "he vigorously supervised reconnaissance and the forward emplacement of artillery, often disregarding personal safety, in order to provide constant close support of advancing infantry. He also personally led medical officers to two wounded men whom he discovered on a reconnaissance tour.

General Evans is a senior partner of Stein Bros. & Boyce and served several terms as president of the Baltimore Stock Exchange.

Field & Co. Opens in Portland, Oregon

PORTLAND, OREG.—Field & Co., Inc. is engaging in a securities business from offices in the U. S. National Bank Building. W. Glenn Field, president of the firm, was formerly with Camp & Co., Ferris & Hardgrove, and Drumheller, Ehrlichman & White. In the past he was an officer of Sloan, Wilcox & Field.

Formation of Field & Co., Inc. was previously reported in the Financial Chronicle of April 26th.

W. E. Lutts Opens

CONCORD, N. H.—W. Earle Lutts is engaging in a general brokerage business under the firm name of W. E. Lutts & Co. Offices are located in the New Hampshire Savings Bank Building. Mr. Lutts was previously with Schirmer, Atherton & Co. and in the past with Tifft Brothers.

Canadian Securities

By BRUCE WILLIAMS

The Canadian financial mission to London, composed of Governor Towers of the Bank of Canada, Dr. W. A. MacIntosh of the Department of Finance and Mr. H. McKinnon, Chairman of the Tariff Board, which will discuss with the British Treasury the extension of credits to Britain to finance Canadian exports to Britain in the post-war period, apparently has the task of endeavoring to modify the attitude of the British on this question as conveyed by Lord Keynes in the course of his recent visit to Canada.

It would seem that this distinguished economist, the originator of a world currency scheme that finally blossomed forth as the Bretton Woods plan, has applied the same cold academic reasoning to this Canadian situation and has again ignored the human factor. Problems of this kind can not be solved blindly and ruthlessly by a theoretical scientific approach. From Britain's point of view, it is certainly desirable that purchases from Canada should be paid for by Canadian imports from Britain, but it should not be forgotten that by Canadian gifts and Mutual Aid it was possible to provide the people of Britain with an adequate diet during the most trying period of the war.

When, however, the suggestion is mooted that Canadian industry might establish plants in Britain in order to provide Canadian exchange to pay for imports from Canada, the approach is not even scientific, and is decidedly lacking in vision. On the contrary, a greater participation by Britain in the development of Canadian industry and natural resources would not only benefit Canada, but it could also be the means whereby Britain could largely solve her own great economic problem. Britain has a considerable exportable surplus of financial and industrial genius and, to a lesser degree, skilled labor, while Canada has vast undeveloped natural wealth, has the world's largest and cheapest sources of hydro-electric power, and is strategically placed at the air cross-roads of the world.

Economic problems are not solved airily by coldly calculated plans and systems for over-all blind controls. The greatest factor in economic development is human initiative and imagination based upon practical experience. It could very well be asked in Britain whether the Hudson's Bay Company and the East India Company could possibly have come into existence to found Britain's vast commercial espire, if commercial policy had followed the advice of universal planners, the success of whose schemes depends upon the bureaucratic state controls and ignoring the human element.

Turning to the market for the past week, the only real activity was in Alberta issues which established new high levels following further approval given to the debt refunding plan by the Dominion Government and the British Alberta Bondholders' Committee. Internals continued active especially mining issues. Labrador Mining and Exploration against attracted attention and consolidated most of its recent gains.

With the end of the Spring break-up in sight, Yellowknife golds were more prominent. Considerable development is expected in this area during the Summer and results are likely to confirm that Canada has discovered another major gold field. The Canadian dollar in the free market was a little erratic and fluctuated between 9⅛% and 9½%, as anticipation of heavy dividend disbursements on June 1 was offset by steady buying of internal securities.

With regard to the possible future course of the market, it is likely that the imminence of the Federal elections will commence to become a factor; although no unfavorable outcome is anticipated a precautionary waiting on the sidelines might cause some levelling off at these peak levels.

Secondary Offering Made Of Revere Copper Stock

Blyth & Co., Inc., on May 28 offered after the close of the Stock Exchange as a secondary distribution a block of 150,000 shares (no par) common stock of the Revere Copper and Brass, Inc., at $15.75 a share. The offering does not constitute new financing by Revere, the shares having been sold to the bankers by the General Cable Corp.

A dealers' discount of 50 cents a share was allowed on the offering. Blyth & Co. announced that the offering had been oversubscribed and the books closed.

Canadian Activity Is Reported by Bank of Montreal

Prime Minister Mackenzie King of Canada has announced that, in conformity with the plan arrived at during the Quebec Conference n September, 1944, approximately 30,000 Canadian soldiers will serve in the prosecution of the war against Japan, and will consist of an infantry division, supported by the appropriate armored and ancillary troops, to operate with the United States Army, said the monthly report on activity in Canada issued by the Bank of Montreal, which further said: The naval force will be approximately 13,500 men of all ranks. The precise character and strength of the R.C.A.F., which has yet to be settled, will be proportionate to that of the other two services. The naval force, which will cooperate with the British Pacific fleet, will comprise cruisers, light fleet aircraft carriers, destroyers and frigates.

The report issued May 24 added:

The European victory enables the government to effect an immediate, if only partial, easement of restrictions upon the production of commodities for civilian use. So long as the war against Japan continues, there can be no complete reconversion of Canadian industry, but widespread and progressive changes are now possible.

Certain taxes imposed for purely wartime needs have been lowered or discontinued since the close of the European phase of the war. The special tax of 25% on household gas and electric appliances has been removed; the special excise levy on passenger automobiles has been reduced from a graduated scale ranging from 25% to 80% to a flat 10%; the excise tax on radios, phonographs and cameras has been reduced from 25% to 10%; the sales tax on building materials (discontinued before the war and reimposed in 1941) has been removed; and the war exchange tax, imposed for temporary purposes in 1940, has been rescinded in so far as it applied to producers' machinery and equipment and to building materials.

In respect to the general economic activity, the first quarter of 1945 did not maintain the high production level of the early period of the last year. The index of the physical volume of business showed a 9% recession, the manufacturing production being down slightly more than 10%. Mining output was reduced considerably. Ontario and Quebec both reported declines in gold output, mainly owing to the manpower shortage. Packing plants are handling substantially more beef and less pork products than a year ago. Newsprint production was up 4.4% in the first four months. To newsprint manufacturers, as well as to producers of pulp and lumber, the heavy rainfall of the past month has been very helpful, because it has swollen the rivers and streams and facilitated the driving to the collecting centres of much lumber and pulpwood which might otherwise have had to remain in the woods. The latest figures on wholesale trade show that the dollar volume in March was 6% higher than in March 1944. There has been continued stability in commodity prices and in the cost-of-living index. Dominion revenue returns for April show a decline of $15,237,000, as compared with the same month last year. External trade fell in value from $1,180,725,000 in the first quarter of last year to $1,155,775,000 in the first quarter of 1945, the decrease being in imports, which totalled $374,500,000, as compared with $415,500,000. In April exports had a value of $312,523,000, as compared with $282,891,000 in April, 1944.

The monthly report of the chartered banks, as at March 31, showed a further upward movement in notice deposits, the total rising from $2,630,584,000 on February 28 to $2,724,692,000. A year ago these deposits stood at $2,225,417,000. Demand deposits were up from $1,859,429,000 to $1,934,782,000 in the monthly comparison. Current loans in Canada declined from $1,102,110,000 to $1,066,861,000. Debits to individual bank accounts in April totalled $4,855,000,000, as compared with $4,561,000,000 in April, 1944.

The Canadian people, as individuals and corporate bodies, have achieved another spectacular triumph in the pronounced success of the Eighth Victory Loan. The minimum objective of $1,350,000,000 was exceeded by $185,217,000, the total of subscriptions being $1,535,217,000, an all-time high, with some further reports still to come in. Individual subscribers took a total of $805,560,000, as compared with $750,076,000 at the same date in the Seventh Victory Loan campaign.

McCormick in SEC Post

The Securities and Exchange Commission on May 17 announced that Edward T. McCormick had been appointed as an Assistant Director in its Corporation Finance Division.

Mr. McCormick joined the staff of the Securities Division of the Federal Trade Commission on May 15, 1934, and except for a 16-month loan to the War Production Board has been employed continuously since that date in work under the Securities Laws administered by the Commission. For almost three years he has served as Assistant Chief Accountant in the Corporation Finance Division.

The Corporation Finance Division assists the Commission in the administration of the Securities Act of 1933, provisions of the Securities Exchange Act of 1934 relating to the listing of securities upon national securities exchanges and related requirements, the Trust Indenture Act of 1939, and the Investment Company Act of 1940, and in work under Chapter X of the Bankruptcy Act.

Bretton Woods: Some Questions Still Unanswered

(Continued from page 2392)

enabling bill, the USSR will have been given assurance of access to an equivalent amount of dollars by some other device, such as loans by the American Government directly.

Has the Bank the power to make stabilization loans? This has never been a very serious question; the Treasury Department contending, and others agreeing, that the Bank agreement does contain this power. However, the amendment of HR 2211 on this point, now incorporated in HR 3314, will enable us to get the matter cleared up, after the Bank starts operating. Most critics of the Fund all along have declared the Bank to be quite acceptable, because its loans would be limited to specific and meritorious projects of a self-liquidating nature. If, however, the Bank has the power to make general-purpose "stabilization" loans, to the extent that it does so the virtue just mentioned tends to be dissipated and the Bank becomes a weaker Bank.

Is the Fund limited to short-term loans? It is the expressed intention of one of the amendments to the enabling bill to see to it that the Fund makes only short-term loans for current monetary stabilization. This amendment needs to be read in connection with the one relating to stabilization loans by the Bank. Like that amendment, the matter cannot be cleared up until the Fund is in operation and it officially interprets its authority.

It should be realized, however, that even if the Fund agrees with the intent of the U. S. Congress, the expression "short term" remains undefined. Moreover, once a short-term loan is paid off, it may be re-made. This is not to impute bad faith to the management of the projected Fund, but to recognize that the Fund will be a political body exercising economic powers. The policies the Fund pursues during any given period are likely to reflect the political demands of the time, rather than what may have been in the mind of the American Congress prior to the Fund's creation.

If the American governor on the Fund and Bank gets those institutions to accept the interpretations as to stabilization loans which Congress is writing into the enabling bill, there is no doubt that the Fund will be a stronger Fund. The Bank, as mentioned, may be a weaker Bank, depending on how strictly it exercises, in respect to general purpose stabilization loans, its power to turn down unmeritorious applications. For such longer-term stabilization loans, the statutory automaticity implicit in the Fund quotas will be absent; but there may still be a moral commitment, depending upon what was said behind closed doors at BW. It will be recalled that the minutes of the executive sessions of the BW conference have never been published. It is a fair assumption that to some extent the Fund quotas, arrived at by negotiation, had in mind the kind of stabilization loans which Congress now wants the Bank to be responsible for.

Obviously, the Fund and Bank will not be operating in a vacuum and their success will be qualified by whatever other financial aid strong nations extend abroad. To Comrade Stalin, for example, it makes little difference whether the Fund and Bank put more dollars in his coat pocket and the Export-Import Bank less dollars in his vest pocket, or the other way around. It is the sum total of dollars he gets in all his pockets that count with him. If the Fund is limited to short-term operations, it is much more likely to survive the transition years than otherwise. Whatever is done about the Fund, the world's total financial desires will be the same. If the Fund is not frozen in its infancy, it will be because the burdens now awaiting it will have been shifted to other shoulders. A frozen stabilization loan will show up very quickly in the Fund. In the Bank it can remain for years undetected by the general public. From the standpoint of this country's interests, the dollars **in the Fund** may be better safeguarded if the Fund accepts the interpretations in Sections 13 and 14 of HR 3314, without any assurance that the **total** of dollars we lend abroad in the years ahead is any safer for the changes mentioned.

Are two institutions necessary? Many critics of BW have contended that a separate monetary Fund is unnecessary, since the Bank could well perform the stabilization functions. Congress apparently regards a separate Fund as indispensable, and has definitely rejected suggestions for the elimination of the institution's $8,800 million of miscellaneous resources. In specifying for the United States that the governor of the Fund and Bank shall be the same person—implying the hope that the other member countries will follow our lead as to their representatives on the Fund and Bank boards of governors—Congress is giving recognition to the critics who warned about too much multiplicity of institutions, with rivalry for and among their personnel. Assistant Secretary of the Treasury Harry D. White objected to a single institution because it would make it possible for its "Bank" department to cover up bad loans made by the "monetary" department. In retrospect, the question of two institutions or one appears to have been largely a question of $18 billions or $9 billions, with the issue decided in Congress in favor of the larger figure.

Is BW inflationary? This is another question raised during the debate and hearings on BW and seemingly put aside by the committee as unimportant. Those who have supported BW because of the exports and jobs the program will make are certainly interested in it precisely because it is inflationary in direction. These include labor and farm groups, and export interests as such. To the extent of $1,800 millions the Fund will mean turning over to foreign "customers" of the American economy that amount of money created by the simple device of devaluation in 1934. The money is turned over not as a gift, but as a "loan" through the Fund, a process Dr. White has euphemistically dubbed an exchange of currencies.

The fact remains that BW is wartime legislation, passed with the label of "international cooperation" in the spirit of Lend-Lease. Some advocates of BW frankly state that it is unimportant whether or not the money lent is ever repaid. The loans will not be fully repaid. But it may take perhaps a generation to prove it. After all, the War Debts of the first world war are still carried as assets by the Treasury Department.

Frank T. Walker With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Frank T. Walker has become associated with E. F. Hutton & Co., 160 Montgomery Street. For many years Mr. Walker was a partner in McNear & Co.

Truman Recommends Larger Unemployment Benefits

(Continued from page 2390)

program: The lack of adequate benefits for workers temporarily unemployed during the transition from war to peace. I urge the Congress to close this gap.

I am confident that, with appropriate measures, we can avoid large-scale and lengthy unemployment during the transition period. However, some temporary unemployment is unavoidable, particularly when total demobilization becomes possible. Even if reconversion proceeds rapidly, no amount of planning can make jobs immediately available for all displaced personnel. We must provide maximum security to those who have given so fully of themselves on the fighting and production fronts.

The transition from war to peace is part and parcel of the war and we cannot shirk our obligation to those temporarily unemployed through no fault of their own.

To produce what is needed for the Pacific war, we must appeal to the workers to accept and remain in jobs which they ultimately must lose when munitions production ceases. The Government has thus incurred a moral obligation to these workers and to those who have stuck faithfully to their post in the past.

To fulfill this obligation, we must rely principally upon our existing system of unemployment insurance. However, the existing State laws embrace three major defects.

1. Only about 30,000,000 of our 43,000,000 non-agricultural workers are protected by unemployment insurance. The absence of protection for Federal government employees—in Navy yards, arsenals and government offices—is particularly inequitable, since these workers are subject to risks of unemployment similar to the risks of those who work for private employers. Lack of protection for employees of small establishments and for maritime workers also constitutes a serious shortcoming in the present programs.

2. The weekly benefit payments provided under many of the State laws are inadequate to maintain purchasing power and to provide a reasonable measure of economic security for the workers. Most States fix a maximum rate of $15 to $18 a week. This is clearly inadequate to protect unemployed workers against ruthless cuts in living standards, particularly if they have families.

3. The length of time for which benefits are paid is too short. In nearly one-third of the States, no worker can receive more than 16 weeks of benefits in any year, and many workers do not qualify even for this length of time.

Therefore, I recommend specifically that Congress take emergency action to widen the coverage of unemployment compensation and to increase the amount and duration of benefits—at least for the duration of the present emergency period of reconversion. Basically this can be accomplished only by amending the social security act so as to induce State laws to provide more adequately for any one who is unemployed.

To be sure, the States have large sums in the unemployment trust fund. But since changes of State laws cannot be effected overnight, I propose that the Congress, during this emergency period, extend the coverage of unemployment compensation to include Federal employees, maritime workers, and other workers not now insured. Moreover, I see no feasible way to make benefits payable to such workers, unless they are financed entirely by the Federal Government during the present emergency. The benefits should appropriately be administered by the States.

I also recommend that Congress provide, through supplementary Federal emergency benefit payments, minimum standards for the weekly rate and duration of unemployment benefits. Every eligible worker should be entitled to 26 weeks of benefits in any one year, if his unemployment continues that long. The maximum payment at least for the worker who has dependents, should be raised from present levels to not less than $25 per week. In this connection, Congress will no doubt wish to reexamine the readjustment allowance provisions of the G. I. Bill of Rights. All payments should be made through the existing unemployment compensation machinery of the several States, just as payments to veterans are now made.

Bulwark Against Deflation

These provisions are essential for the orderly reconversion of our war-time economy to peacetime production. They are badly needed for the duration of the reconversion emergency.

Decent unemployment benefits would serve as a bulwark against post-war deflation. By assuring workers of a definite income for a definite period of time, Congress will help materially to prevent a sharp decline in consumer expenditures which might otherwise result in a downward spiral of consumption and production. Adequate unemployment insurance is an indispensable form of prosperity insurance.

Congress will soon deal with the broader question of extending, expanding and improving our social security program, of which unemployment insurance is a part. Although such improvement is fundamental, Congressional deliberations on the broad issues will take time. On the specific issue of unemployment benefits, we may not have time available. We are already entering the first phase of reconversion; we must be prepared immediately for the far larger problems of manpower displacement which will come with the end of the war in the Pacific.

I earnestly hope, therefore, that the appropriate committees of Congress will undertake immediate consideration of the emergency problem.

HARRY S. TRUMAN.

The White House, May 28, 1945.

Mutual Funds

Coming of Age

During the past 15 years mutual funds in this country may be said to have passed through their infancy and an unusually turbulent period of adolescence. Today they are in somewhat the same position as a young man who, having come of age, pursues his course with confidence and a determination to win recognition in his chosen field.

One of the significant facts in the relatively brief history of the mutual funds is that up until now there has been no concerted, down-to-earth effort to tell investors exactly what they are. They have been sold on the strength of this or that attractive feature.

Investment company sponsors have talked about "Selection, Diversification and Continuous Supervision" until they seem to take for granted that everyone understands what they mean when they use these words. No one has done a good job of answering in language which investors could understand the basic questions:

A. What is a mutual fund?

B. Why should I invest in one?

This week evidence comes to hand that the whole mutual fund industry is beginning to realize the need for a nation-wide educational program which will answer these questions in a manner satisfactory to the man in the street.

The National Association of Investment Companies is preparing a series of pamphlets as a contribution in this direction. Last week **Distributors Group,** sponsor of **Group Securities, Inc.** and **American Foreign Investing,** sent a folder to all affiliated dealers entitled "Mutual Funds—What They Are and What You, as an Investor, Gain by Their Use." **W. L. Morgan & Co.,** sponsor of **Wellington Fund** has announced a new copyrighted booklet about mutual funds "written to interest the layman," soon to come off the press.

The Distributors Group folder does an excellent job of condensing into four pages a description of mutual funds which should be easily understood by the average investor. Here are some excerpts from the folder:

"Whenever several individuals combine to provide themselves with a service that no one of them alone could obtain, it is a **mutual** enterprise. The mutual insurance company is a familiar example. The mutual savings bank is another.

"In the field of investment it is the mutual fund."

* * *

"If you and a group of your friends, each with money to invest, should decide that individually you did not have the time or the facilities to handle your own investments and that you should put your investment money together and hire someone to manage it for you—that would be the beginning of a mutual fund."

* * *

"Time-tested institutional methods of handling investments are just as important to you whether you have 5$500, $5,000 or $50,000 to invest as they are to the $50,000,000 foundation. Only by using the Mutual Fund can you follow these methods. Through use of the Mutual Fund the small investor gets the same service as the large investor **and at no greater cost."**

Manhattan Bond Fund

Net assets of **Manhattan Bond Fund** on April 30, 1945 were $23,026,047—the highest amount yet reported to shareholders. In his letter accompanying the report, Hugh W. Long, president, states: "The Fund has continued its policy of relatively full investment, and presently sees no reason to depart from the full employment of investable funds in the production of income for shareholders. . . . Recent study of the portfolio shows that on average each $1,000 bond held has behind it resources of approximately $2,100."

Affiliated Fund vs. "Averages"

Lord, Abbett's current Investment Bulletin on **Affiliated Fund** compares the performance of this leverage fund with that of the Dow-Jones Industrial Average from the April, 1942 low up to V-E Day. During that three-year period, the Average rose 80% while Affiliated Fund advanced nearly 200%.

"As compared with its low point three years ago, the Dow-Jones Industrial Average would now have to be at 273 (107 points higher than its present level) to show a gain equivalent to that made during the same period by Affiliated Fund. Put another way, if Affiliated had only gone up as much as the Dow Average, it would now be but 3.2 instead of 5.47."

First Mutual Trust Fund

In its annual report to shareholders for the year ended April 30, 1945, **First Mutual Trust Fund** shows net assets of $2,687,148, as compared with $2,242,036 a year earlier. Investments at the fiscal year-end were divided as follows:

	April 30, 1945
Preferred Stocks	22.97%
Common Stocks	74.02%
Cash and Receivables	3.01%

Reconversion

In the current issue of **Abstracts,** Jim Flynn of the **Lord, Abbett** Management staff reports on a recent field trip to the midwest.

"The most outstandinf factor in the steel and automobile industries is the confident manner in which managements are approaching the reconversion period. Six months ago there was some fear and trepidation, but this has now been replaced by a feeling that it can be accomplished without serious upset. . . .

"In both Pittsburgh and Cleveland there has been a reduction in steel finishing operations to a six-day week thus doing away with the seventh day of work which carries a double-time premium. Reconversion will be minor and could be accomplished within 30 days. . . .

"The concensus of management opinion in the automobile industry is that 6,500,000 to 7,000,000 cars and trucks annually will be produced and sold for at least three years after the war."

Picking the Right Ones

Selected Investments Co., in the current issue of Selections, reports on the performance of **Selected American Shares** in the period from September 2, 1939 to May 2, 1945. During this period, Selected American Shares advanced 41% in market value while the Dow-Jones Industrial Average showed a net gain of 20%.

With the comment that "it's hard to pick the right ones," the 30 stocks comprising the Dow-Jones Industrial Average are listed and their individual performances are shown. Less than one-third of the 30 stocks in this average advanced more than Selected in this period.

New Mailing Card

W. L. Morgan & Co. has offered a new three-fold mailing card to affiliated dealers for contacting prospects and old customers at a minimum of cost. Theme of the card: "A new answer to an old problem."

Mutual Fund Literature

Selected Investments Co.—A new memorandum in its series on college investments; current issue of "These Things Seemed Important." . . . **Keystone Corp.**—Current issue of Keynotes stressing the Seventh War Loan. . . . **Distributors Group.**—Revised memorandum, "How About Steel Stocks," current issue of Steel News.

Post-War Spending and Inflation

(Continued from page 2391)

consists of bank deposit credits.

In the current situation, the first stage of the wartime inflation has already occurred. This is the inflation of bank credit, evidenced by the rise of bank deposits and of Federal Reserve notes. Bank credit inflation has been produced by the sales of Government bills, notes, and bonds to the banks. Despite the increasing taxation and the bond purchases by non-bank investors, the banks have had to participate substantially in the successive war loans.

The second stage of the inflationary process, which is the advance of prices, has been held in check by the system of price, wage, and ration controls. Without these controls the trend of prices during the present war would no doubt have been similar, or even in excess of the trend during the first World War. It is said that the controls must be extended beyond the war period in order to prevent, then, a skyrocketing of prices during the reconversion period. Whether this will be needed, and whether it would be effective, will largely depend upon the behavior of the people, and their attitude will be influenced in considerable degree by a correct understanding of the facts. Now that they are beginning to sense the inflation danger, it is time to provide a realistic view of the outlook together with some counsel as to the best way of minimizing the danger. The following discussion is offered to meet these needs. Its thesis is that while there is, potentially, a powerful inflationary force, yet there need not be as devastating a destruction of values through runaway prices as is implied in some of the talk about inflation.

The first step toward clear understanding is a diagnosis of the inflation menace by appraising its potential dimensions. Data compiled by the Securities and Exchange Commission reveal an estimated accumulation of buying power in the hands of individuals which, at the end of 1944, exceeded $100 billion. In view of the fact that in 1944 the total of retail sales was some $69.3 billion, and of the further fact that during the reconversion period the quantity of civilian goods cannot be quickly increased, the existence of more than $100 billion of spending power, available for market use at the discretion of the holders, would offer the threat of a pressure on prices too strong to be resisted by any price control authority.

This would no doubt be true if the entire amount which the SEC classifies as savings were to come into the market within a relatively short period of time. An examination of the SEC data provides the basis for concluding that this is not likely to happen. The following table summarizes the record of savings since 1940.[1]

Estimated Gross Savings of Individuals, 1940-1944
(In billions)

Class of Savings—	Amount
Currency and bank deposits	$51.6
Savings and loan associations	2.4
Insurance and pension reserves	26.2
Securities (including U. S. Savings Bonds $34.6 billion)	41.3
Nonfarm dwellings	7.4
Automobiles and other durable consumer goods	41.0
Liquidation of debt not elsewhere classified	1.9
Total gross savings	$171.8
Total nonliquid savings	50.0
Total liquid savings	$121.8

Liquid savings are defined as gross savings less purchases of homes, automobiles and other durable consumer goods, and liquidation of debt previously incurred on account of the purchase of the foregoing classes of goods.

The amounts shown in this table represent the part of individual income receipts during the years 1940-1944 that were not spent for consumer goods and services, other than dwellings and durable consumer goods. They are called "savings." In part the funds represent savings in the true meaning of the term, and in part they represent the accumulation of income receipts which were not spent as received because of rationing controls or the unavailability of goods. So far as the major problem of price inflation is concerned, the apportionment of the total accumulation between these two purposes is the important matter.

Two questions arise in connection with these data. The first is: What proportion of total savings is likely to be spent? The second is: How rapidly will the spending occur?

Neither of these questions can be answered with complete assurance since the holdings of each individual are not rigidly assigned to saving or to spending. Shifts can and do occur from one purpose to the other. It is possible, however, to formulate an opinion on these matters based on the evidence and logic of the statistics themselves.

The part of the total that seems least likely to involve spending after the war is the non-liquid portion, that is, the savings which have gone into houses and durable consumer goods. To the extent that the owners of these goods have clear title, it would be possible to use them as the security for loans, thereby providing cash for ready spending. Distress borrowing of this sort will occur in the future as it has in the past, but its volume is not likely to be important except in a long period of severe depression. Such a period would be one in which consumer spending would be curtailed, hence there would be no inflation threat therefrom.

The first category of the liquid savings is the currency and bank deposits, the holdings of which by individuals increased $51.6 billion in the five years covered by the preceding table. All of this is, of course, spendable on short notice. The principal reason for thinking that this will not occur in the consumer goods market is the fact that, according to the SEC, a substantial portion of demand deposits, and of individual savings generally, is attributable to the owners of unincorporated business.[2] No indication is given as to how large the "substantial portion" is, but the control of that portion by business men suggests that much, if not all of it will be spent for reconversion where necessary; for renewal of stocks of materials, supplies, or finished goods; for modernization; and to some extent in new business ventures. It is not likely, in the first instance, to be poured directly into the consumer market. The owners of unincorporated business will be engaged in producing consumers' goods, in fabrication at some stage or other preliminary to finishing, or in the marketing of such goods. They will observe due caution in their buying of materials, etc., to avoid being caught with over-priced stocks.

If we assume that the increase in cash and bank deposit holdings of business men constitutes half of the total increase, and that most of this half will not be used in the purchase of consumer goods for the use of these persons themselves, then the potential amount of cash and deposits available for consumer spending would be $25.8 billion as of the end of 1944. If we assume, further, that indi-

1 Securities and Exchange Commission, *Statistical Series,* Release No. 749, March 20, 1945, p. 3.

2 Securities and Exchange Commission, *Statistical Bulletin,* December, 1944, p. 16.

viduals plan to use half of their share of the cash and deposits for some kind of investment if and when favorable oportunity offers, then the amount which would be likely to come into the consumer goods market would be $12.9 billion, or one-quarter of the grand total.

The additions to deposits in savings and loan associations have been so small, relative to the total, as to constitute no serious inflation threat even if the entire amount thus accumulated were to be withdrawn for consumer spending. That this will happen is quite unlikely, but we might concede that half, or $1.2 billion, will be so used.

The next item in the list, insurance and pension reserves, consists of amounts accumulated under private and Government insurance. The distribution of the total between the two forms, since 1940, is as follows:

Class—	Billions
Private insurance	$12.7
Government insurance	13.6
Total	$26.3

It is improper to classify these accumulations as liquid savings, as if they were available for spending like currency and bank deposits, or savings bonds. They do represent cash withdrawals from employee and employer income and in this sense they are "savings" rather than spendings. But those who performed the "saving," voluntarily in the case of private insurance and under compulsion in the case of Government insurance, have no access to the funds such as they would have if the same amounts had been deposited in personal banking accounts.

A small amount of cash will be realizable from these savings, but it would be of no consequence as an inflation threat and is disregarded here. In the case of private insurance, the accumulation has been built up by the payment of premiums on all sorts of life insurance and annuities. Life policies accrue a cash surrender value and also a loan value as premiums are paid. In neither case would the amount realizable be more than a minor fraction of the premium payments. In order that any part of the $12.7 billion which the people have paid since 1940 to maintain insurance policies should become available for consumer spending, it would be necessary to sacrifice the protection of the policies by taking the cash surrender value, or to cut into that protection by borrowing against the loan value. While both of these practices occur, and both are available to policyholders to meet emergencies, it is not reasonable to expect that any substantial impairment of personal insurance will be resorted to in order to acquire spending money after the war.

The Government insurance represents the amounts collected for the social security reserves against old-age and unemployment benefits, the national service life insurance fund, and the various Federal, State and local pension funds. Payments will be made out of these reserves only as individuals become eligible to receive them, and then only to the extent that the current obligations to pay benefits exceed the current contributions to these funds. The unemployment reserve is the one most likely to be drawn upon extensively within a short period. but this would occur only when and as severe unemployment had developed, a condition in which other spending would have declined materially. It is safe, therefore, to exclude the entire amount added to the insurance and pension funds from the total of savings likely to be used to produce a dangerous price inflation.

There remains, in the liquid savings category, the purchases of securities. Of the total shown in the first table above, $34.6 billion consists of United States Savings Bonds. These bonds are widely held. They are redeemable after 60 days according to a fixed schedule of interest accrual at a rate well below that which would be earned if the bonds were held to maturity. Those who are carrying such bonds as an investment therefore have a strong incentive to keep them until maturity.

Nevertheless, the entire current redemption value of the savings bonds can be called for by the holders now, or at the end of the war. A certain small proportion of the outstanding amount is presented every month for redemption. The redemption rate may be expected to rise somewhat after the war, but there is no reason to believe that any large proportion of them will be presented promptly upon the conclusion of hostilities. A very liberal allowance would be one-fourth of the above total within one year. This would be about $8.7 billion of the savings bonds.

The other securities acquired include other Government bonds and private securities. Conversion of these into cash involves sale in the market, thereby absorbing cash from the buyers, except to the extent that new bank loans are involved. The amount of other securities is $6.7 billion. If we grant that half of this total is hypothecated or sold to purchasers who make use of new bank credits in buying them, the addition to the inflation money would be about $3.3 billion.

Summarizing these estimates of the amount of the liquid savings which may be destined for consumer spending, we get the following:

Class of Savings—	Billions
Currency and bank deposits	$12.9
Savings and loan associations	1.2
Securities	12.0
Total	$26.1

Thus it appears that instead of total liquid savings amounting to $121.8 billion hanging over the consumer market as of the end of 1944, the amount likely to be spent for consumer goods is barely more than one-fifth of that total. For good measure call it $30 billion, or one-fourth of the total so-called "liquid savings." To be sure, even so much as $30 billion could be a grave threat to price stability if the spending were to happen within a short time. Peculiar importance is thus given to the second question posed at the outset of this discussion, namely, How rapidly will the spending occur? Obviously the effect on prices will be governed by this rate.

Spending to Be Gradual

Again no prophetic answer can be given, but the logic of the case suggests that no large part of the savings earmarked for consumption spending is likely to come into the market at one time, or even in one year.

The funds destined to be spent will be used under one or other of two circumstances. The first is unemployment, when savings must be drawn upon to supplement unemployment compensation. The second is the purchase of goods which were not available during the war, such as a car, washing machine, radio, refrigerator, new clothing, house repairs or new household equipment; or the payment of children's school costs, the expense of travel, and the like.

The spending that will be necessary in supplementation of unemployment compensation will occur gradually. The entire labor force will not be thrown out of employment at the conclusion of active hostilities. A large part of it will continue to be employed and to receive income. These persons will experience no special urgency to drawn upon savings in order to supplement current income for living expenses. The amount and the duration of the unemployment that may occur during the reconversion period cannot now be forecast. Much will depend upon the freedom allowed to management to proceed with plans for civilian production as munitions orders are reduced. If there be sufficient unemployment to require rapid disbursement of the reserve held to pay compensation benefits, the payments will occur at a time when they would not be a serious inflation threat because of reduced spending by consumers generally.

With respect to the plans which so many have been making for the acquisition of durable consumer goods, it is common knowledge that a large backlog of accumulated demand exists. In addition to replacements, there will be many whose wartime earnings will have put them for the first time in a position to acquire such goods. A certain impatience will be experienced by all who have been looking forward to the fulfillment of their plans.

It does not follow, however, that this impatience will lead to a mad scramble for the first units of post-war production or that many people will be ready to pay fanciful prices for what they want in order to get it immediately rather than wait a few months longer. This would imply that large numbers of people had lost all sense of the value of money or that there is to be no guide to post-war costs. As to the latter, there will no doubt be a return to the practices of price publicity which prevailed before the war. The responsible manufacturers of automobiles, radios, refrigerators, washing machines, etc., will establish reasonable factory prices on the basis of their costs and normal profit expectations. These prices will be higher than those of the pre-war period, but they will be related as before to labor and other costs plus profits. Such prices are seldom kept secret. Rather, they are featured prominently in the manufacturers' advertising and in the sales promotion of dealers. Thus the people generally will be advised of the prices they should pay.

As the assembly lines begin to function, the respective products will be available to dealers on an established factory price basis. The methods whereby dealers will apportion the early supply among their customers will vary, and will in any case be their own concern. Until the urgent need is met there must inevitably be some orders for future delivery, regardless of the price that any one might be willing to pay for the first units off the assembly line.

Potential Inflation Not Menacing

To this point it may be concluded, first, that while the inflation potential in the accumulated liquid savings is significant, even after being whittled down to realistic proportions, it is not necessarily menacing. If it were to be used in the market gradually, over some years, it would be conducive to steady production and employment. On the other hand, if it were to be dumped into the market suddenly, it could seriously endanger price stability.

The one thing that could convert the post-war marketing process from the orderly one outlined here into a mad scramble for goods at any price would be a first-rate price inflation scare. If enough people get the idea, rightly or wrongly, that the money represented by their savings bonds, insurance policies and bank deposits is destined to decline rapidly in buying power, there could develop a spending spree in which a lot of innocent people would get hurt. Perfectly sound banks have been wrecked by runs, and a wild inflation scare is a bank run magnified many fold. Dealers and manufacturers alike could hardly resist being drawn into this whirlpool once it really got going.

Whether the people will release their savings that have been earmarked for consumption in a flood or in an orderly flow will depend largely upon their views about the future purchasing power of these funds. Assurance of continued stability of purchasing power will be the factor best calculated to result in orderly, prudent spending of the accumulated income intended for consumption purposes. A lack of confidence would lead to efforts to convert as much as possible of the whole $120 billion of so-called "liquid savings" into goods.

Maintain Confidence in the Dollar

The maintenance of confidence in the stability of our purchasing power is evidently a responsibility of Government. Continuance of controls over prices, wages, and rationing will do little to preserve this confidence. On the contrary, such controls after the war are quite likely to be construed as an admission of weakness. This would be a correct interpretation, particularly if other policies were such as to create the impression that the controls were simply a process of sitting on the safety valve. In any case the controls would be no more effective against black marketing than prohibition was against bootlegging.

The post-war policy that would do most to maintain confidence in the stability of purchasing power should embrace the following:

1. A moderate budget financed on a cash basis. This would stop credit inflation at its source.

2. Taxation at a level sufficient to cover the budget and to provide for some debt retirement. No country ever had a wild commodity price inflation while its budget was in balance and its debt was being reduced.

3. Repeal of all legislation under which there can be any tinkering with the currency, such as further devaluation of the dollar, the issue of Greenbacks, the dilution of bank reserves, and other inflationary devices.

4. A green light to private enterprise to proceed with civilian production as promptly after the termination of war contracts as reconversion will permit. The early prospect of a reasonably adequate supply of goods will go far to prevent crowding and jostling to get them.

A definite assurance that their liquid savings will not be evaporated by foolish public spending, borrowing, and further credit inflation will make the people much more disposed to walk than run to the exit.

The Securities Salesman's Corner

By JOHN DUTTON

A salesman is like an actor—he puts on several shows each day. When his act is successful his applause consists of an order. There are many little things that can hinder a man's successful accomplishment in the field of salesmanship—especially in such close, personal relationships which must be established in the securities field. In themselves, these small handicaps won't keep a man from making a good living out of selling—but they can make the way much more difficult.

There are personal mannerisms which may be annoying to others and sometimes those who possess them fail to realize they are even there at all. These are nearly always small things which don't amount to much—but they can cramp your style and kill your act, and you'll never know the reason "why" until some good friend tells you these things. The advertisement that says "even your best friend won't tell you" isn't all fiction.

The reason we are bringing up this subject is that all of us seem to take ourselves for granted after a while. We look at ourselves each morning in the mirror and either we have become so pleased with our own makeup, or so used to it, that we hardly ever see anything but the whiskers we are shaving. It happened to this writer just the other day. An old friend called and while sitting alongside our desk, he said, "John, why in the world don't you get those glasses fixed—or better still get a pair that don't make you look ten years older than Methusaleh." To our own amazement he was right. Those glasses didn't fit—they slipped down when they should have stayed up—whenever the door opened and the wearer of those antiquated specs had to look up from his desk he looked over the top of them instead of through them. A change of glasses has not helped our appearance very much, but they certainly are an improvement over that "old Scrooge look" we used to pull off and never knew it, until a good friend told us so.

Now, none of us are perfect human beings. But it does seem like a good idea to try and eliminate certain little faults in our personalities, mannerisms, or appearance, wherever these annoyances may happen to exist. The best actor, with the best lines, can kill a show if he doesn't have complete control of his vocal chords. Salesmen should polish their role until every annoying handicap which lies in front of them is eliminated.

Possibly it might be a good idea to hold a sales meeting and let everybody have their say regarding the things which are obvious to everyone but themselves. You can't correct these faults unless you know they exist. Few people take enough interest to tell us about such things—or else they don't wish to hurt our feelings. How about the fellows who talk too much (and don't realize it)—or interrupt others before they are finished—or talk too loudly, or too fast. There are the table drummers, the smokers who blow it into your face, and those who lean over and push their physiognomy right up to you when they are telling you something (as if you wouldn't get the point otherwise). Then there are such things as bad posture, slouching, clothes that don't build a man up, hats that are unbecoming, off-color ties, and a hundred and one other little things that can be corrected for the better. They all help to make the selling job easier.

If such a meeting were held in the spirit of mutual helpfulness and good will—with some fun and good-nature thrown in—and the boys really let their hair down and took each other apart in a serious yet constructive and helpful way—a lot of good could come out of it. We don't mean that important failings and traits of character should ever be discussed in sales meetings—that's another subject entirely. We are talking about the glasses that don't fit and the dandruff on the collar—the sort of things "only our best friends will tell us."

We cannot improve our lot in this life—make things better for those we care about—get more satisfaction out of our work—or become better human beings unless we work at the job. Self-improvement is a constant challenge to some human beings—they are the kind who never grow old. They always make a game out of their life—their work—their social and family associations and everything they do. That kind of a game is one where the player is always striving to better his score. If you look at it this way, it sort of makes sense to try and improve EVEN THE LITTLE THINGS.

Greater New York Fund Goal 40% Subscribed

Business concerns and employee groups have subscribed $2,059,124 toward supporting the work of 408 local hospitals, health and welfare agencies, through the Greater New York Fund, in the first 16 days of its 1945 campaign. This was announced at the first city-wide report meeting of the Fund at the Commodore Hotel.

The following totals of gifts obtained so far by each of the campaign sections for Manhattan, were reported by the section chairman to the Manhattan chairman, Charles J. Stewart, Vice-President of the New York Trust Company, New York, is as follows:

Commerce and Merchandising: reported by William M. Holmes, President of Bonwit Teller, Inc., in the absence of Section Chairman James S. Schoff, President of Bloomingdale, Inc.—$377,749.

Industry: reported by Section Chairman William J. Wardall, Chairman of the board of Best Foods, Inc.—$530,444.

Finance: reported by Section Chairman Harry M. Addinsell, Chairman of the executive committee of the First Boston Corp.—$498,039.

Professional: reported by William E. Robinson, advertising director of the New York Herald Tribune, in the absence of Section Chairman Arthur H. Motley, vice-president of the Crowell-Collier Publishing Company—$101,158.

Public Service and Government Employees reported by Section Chairman Hon. Albert Goldman—$366,000.

Issues Up to $300,000 Without Registration

President Truman signed legislation permitting the Securities and Exchange Commission to exempt any issue of securities up to $300,000 from provisions of the 1933 securities act, according to Associated Press advices from Washington, May 17. As a consequence the SEC has amended its rules to provide that issuers may make public offerings of securities not exceeding $300,000 without filing a registration statement with the Commission.

However, the SEC is continuing its regulations limiting offerings by any person controlling, controlled by, or under common control with the issuer to $100,000, and placed an over-all limitation on such offerings by a person and those by an issuer of $300,000 for any twelve month period. The Commission also amended its regulations to provide that offerings may not be made until the expiration of five days after filing a letter of notification and the literature to be distributed in connection with the offering with the appropriate regional office of the Commission, instead of the 24-hour period previously required.

Bendix Helicopter Capital Stock Offered

Bond & Goodwin, Inc., on May 29 made a public offering of the unsubscribed portion of 1,000,000 shares of capital stock par 50 cents of Bendix Helicopter, inc. The stock is priced at $2 per share. Stockholders were offered previous rights to purchase four additional shares of the stock for each five shares held at $1.60 per share. These rights will expire at 3 p.m. June 4, 1945.

Proceeds from the sale of the shares will provide the corporation with working capital to be used to carry out its program for the acquisition of additional facilities and personnel for continued research and development and the construction of flying production models of helicopters.

Capital and Time Required for Reconversion

(Continued from page 2395)

Industry—	Current Production Per Quarter	Contemplated Peacetime Production: Minimum or Breakeven Rate of Production Per Quarter	"All-Out" or Capacity Rate of Production Per Quarter
Fans, electric	17,000,000	1,720,000	2,900,000
Flatware	8,000,000	4,975,000	9,950,000
Flashlight Cases, metal	4,000,000	4,000,000	8,000,000
Furniture, metal household	28,000,000	4,950,000	15,000,000
Furniture, metal office	15,000,000	8,200,000	23,000,000
Furniture, wood	200,000,000	200,000,000	250,000,000
Fishing Tackle & Reels	6,000,000	2,500,000	5,000,000
Lamps, sealed beam	1,200,000	300,000	450,000
Laundry Equip., domestic	106,000,000	14,800,000	52,000,000
Lawn Mowers, hand & power	6,000,000	3,882,000	5,546,000
Photographic Equipment	45,000,000	21,795,000	31,450,000
Pianos	5,000,000	5,600,000	8,000,000
Ranges, electric, domestic	0	4,400,000	11,000,000
Refrigerators, domestic, mech.	141,225,000	30,589,000	93,251,000
Sewing Machines, domestic	16,572,000	2,423,000	7,447,000
Vacuum Cleaners, domestic	52,255,000	8,000,000	12,100,000
Cooking Utensils	7,836,000	4,400,000	8,800,000
Beverage Machinery & Equip.	9,500,000	6,000,000	12,000,000
Commer. & Indus. Refrigeration & Air Cond. Equip.	58,700,000	30,000,000	65,000,000
Sugar Process. Mach. & Equip.	2,600,000	1,000,000	2,000,000
Tobacco Machinery & Equip.	2,200,000	1,000,000	1,500,000
Cast Iron Boilers	10,000,000	3,500,000	4,500,000
Cast Iron Radiators	7,500,000	1,500,000	5,000,000
Cast Ir. Sanitary Enam. Ware	4,000,000	40,000,000	55,000,000
Cast Iron Soil Pipe & Fits.	675,000	6,600,000	11,000,000
Com. Cooking Equip. (not el.)	2,500,000	2,800,000	4,000,000
Com. Dishwashing Machines	1,400,000	1,400,000	1,600,000
Direct Fired Water Heaters (Gas and Oil)	-----	6,950,000	11,575,000
Domes. Cook. & Heat. Stoves	93,000,000	42,200,000	63,300,000
Electric Water Heaters	2,100,000	2,025,000	3,375,000
Extend. Surface Heat. Equip.	10,400,000	3,500,000	5,000,000
Fabricated Piping	10,900,000	6,000,000	11,000,000
Formed Steel Sanitary Ware	30,000,000	5,000,000	25,000,000
Gas Conv. and Ind. Gas Burns.	1,500,000	600,000	1,000,000
Heat. Controls & Heat. Spec.	50,000,000	10,800,000	18,000,000
High Pressure Steel Boilers	7,000,000	900,000	1,750,000
Indirect Water Heaters	-----	1,100,000	1,820,000
Low-Pressure Steel Boilers	8,640,000	1,000,000	2,640,000
Mechanical Stokers	30,000,000	3,450,000	5,750,000
Oil Burners	9,200,000	6,000,000	10,000,000
Plumbing Fixture Fittings & Trim (Plums.' Brass Spec.)	10,500,000	8,750,000	30,000,000
Range Boilers and Hot Water Storage Tanks	3,139,500	3,140,000	5,235,000
Steel Septic Tanks	100,000	225,000	338,000
Vitreous China & Semi-Vitreous or Porc. Plumb. Fix.	17,500,000	8,750,000	17,500,000
Warm Air Distribution Equip.	7,500,000	4,500,000	7,500,000
Warm Air Furnaces	52,500,000	9,000,000	15,000,000
Water Heaters (Coal & Wood)	-----	563,000	938,000
Printing Trades Machinery	63,070,000	24,165,000	39,100,000
Barber & Beauty Appliances	2,500,000	2,780,000	3,480,000
Cash Registers	12,840,000	3,200,000	8,000,000
Floor Machines	18,000,000	1,500,000	1,950,000
Laundry Equipment	10,800,000	8,600,000	10,800,000
Office Machinery	81,725,000	32,000,000	52,500,000
Motion Picture Equip, 35mm.	1,323,000	7,200,000	10,230,000
Scales & Balances	6,370,000	4,600,000	6,400,000
Typewriters	17,500,000	12,000,000	30,000,000
Grand Total (In dollars)	3,561,529,000	1,318,261,000	2,507,006,000

Table II.

NEW CONSTRUCTION REQUIREMENTS (IN DOLLARS) NEEDED BEFORE OPERATION CAN START AT THE MINIMUN OR BREAK EVEN RATE AND AT THE "ALL OUT" OR CAPACITY RATE

Industry—	New Construction Required (Unit Dollars): Minimum or Breakeven Rate	"All-Out" or Capacity Rate
Passenger Automobiles	$29,000,000	$200,000,000
Appliances, Small Electric	564,000	643,000
Caskets & Vaults, metal	0	60,000
Clocks & Watches, non-jeweled	85,000	85,000
Fans, electric	15,000	15,000
Flashlight Cases, metal	775,000	775,000
Fishing Tackle & Reels	30,000	50,000
Lamps, sealed beam	50,000	50,000
Laundry Equipment, domestic	200,000	300,000
Pianos	50,000	50,000
Ranges, electric, domestic	0	111,000
Refrigerators, domestic, mechanical	1,929,000	7,855,000
Sewing Machines, domestic	0	400,000
Vacuum cleaners, domestic	120,000	120,000
Cooking utensils	285,000	685,000
Beverage Machinery & Equipment	0	1,000,000
Com. & Ind. Refrig. & Air Cond. Equip.	0	7,000,000
Sugar Processing Machinery & Equip.	0	200,000
Tobacco Machinery & Equipment	0	5,000,000
Cast Iron Sanitary Enameled Ware	1,000,000	1,500,000
Commercial Dishwashing Machines		
Domestic Cooking & Heating Stoves	1,675,000	3,575,000
Electric Water Heaters	0	100,000
Formed Steel Sanitary Ware	250,000	350,000
Gas Conversion and Indus. Gas Burners		
Heating Controls and Heat. Specialties	0	30,000
High Pressure Steel Boilers		
Indirect Water Heaters		
Low-Pressure Steel Boilers	0	300,000
Mechanical Stokers		
Oil Burners		
Plumbing Fixture Fittings & Trim (Plumbers' Brass Specialties)	0	750,000
Range Boilers & Hot Water Stor. Tanks		

Industry—	New Construction Required (Unit Dollars) Minimum or Breakeven Rate	"All-Out" or Capac. Rate
Steel Septic Tanks		
Vitreous China & Semi-Vitreous or Porcelain Plumbing Fixtures	0	2,000,000
Warm Air Distribution Equipment	0	1,000,000
Warm Air Furnaces	0	250,000
Water Heaters (Coal & Wood)		
Barber & Beauty Appliances		
Cash Registers		
Floor Machines		
Laundry Equipment	260,000	350,000
Office Machinery	60,000	60,000
Motion Picture Equipment 35mm		
Scales & Balances		
Typewriters		
Grand Total	$36,348,000	$234,664,000

Table III.

VALUE OF EQUIPMENT AND TOOLS REQUIRED BEFORE OPERATION CAN START AT THE MINIMUM OR BREAKEVEN RATE OF PRODUCTION AND THE "ALL OUT" OR CAPACITY RATE

Industry—	Minimum or Breakeven Rate	"All-Out" or Capacity Rate
Passenger Automobiles	$50,000,000	$150,000,000
Powercycles	25,000	200,000
Appliances, Small Electric	461,000	1,953,000
Band Instruments	100,000	100,000
Bedding Industry	0	0
Bicycles	30,000	210,000
Caskets & Vaults, metal	0	150,000
Clocks & Watches, jeweled	250,000	250,000
Clocks & Watches, non-jeweled	725,000	725,000
Fans, electric	75,000	75,000
Flatware	0	0
Flashlight Cases, metal	175,000	175,000
Furniture, metal household	68,000	68,000
Furniture, metal office	0	0
Furniture, wood	200,000	200,000
Fishing Tackle & Reels	60,000	100,000
Lamps, sealed beam	0	0
Laundry Equipment, domestic	655,000	1,100,000
Lawn Mowers, hand & power	100,000	100,000
Photographic Equipment	0	3,062,000
Pianos	50,000	50,000
Ranges, electric, domestic	250,000	500,000
Refrigerators, domestic, mechanical	4,353,000	13,013,000
Sewing machines, domestic	20,000	225,000
Vacuum cleaners, domestic	68,000	550,000
Cooking utensils	340,000	840,000
Beverage Machinery & Equipment	0	600,000
Commercial & Ind. Refrigeration & Air Conditioning Equipment	0	3,000,000
Sugar Processing Machinery & Equip.	0	100,000
Tobacco Machinery & Equipment	0	200,000
Cast Iron Boilers	not stated	100,000
Cast Iron Radiators	0	100,000
Cast Iron Sanitary Enameled Ware	500,000	1,000,000
Cast Iron Soil Pipe & Fittings	not stated	300,000
Commercial Cooking Equip. (not elec.)	238,000	275,000
Commercial Dishwashing Machines		
Direct Fired Water Heaters (Gas & Oil)		
Domestic Cooking & Heating Stoves	2,509,000	3,550,000
Electric Water Heaters	0	200,000
Extended Surface Heating Equipment	100	100,000
Fabricated Piping	0	0
Formed Steel Sanitary Ware		750,000
Gas Conversion & Indu. Gas Burners	0	0
Heating Controls & Heating Specialties	0	125,000
High Pressure Steel Boilers	0	250,000
Indirect Water Heaters	0	0
Low-Presure Steel Boilers	0	50,000
Mechanical Stokers	0	0
Oil Burners	180,000	300,000
Plumbing Fixtures Fittings & Trim (Plumbers' Brass Specialties)	0	600,000
Range Boilers & Hot Water Stor. Tanks	0	0
Steel Septic Tanks	0	0
Vitreous China & Semi-Vitreous or Porcelain Plumbing Fixtures	0	1,300,000
Warm Air Distribution Equipment	0	250,000
Warm Air Furnaces	0	250,000
Water Heaters (Coal & Wood)		
Printing Trades Machinery	0	2,000,000
Barber & Beauty Appliances		
Cash Registers		
Floor Machines	150,000	285,000
Laundry Equipment		
Office Machinery		
Motion Picture Equipment 35mm		
Scales & Balances		
Typewriters	150,000	285,000
Sub-Total	$61,582,000	$189,331,000

Table IV.

RECONVERSION TIME REQUIRED

Lapse of Time Between Cancellation of Military Contracts and Beginning of Operations at the Rate Indicated

Industry—	Reconversion Time Req. (unit — months) Min. or Breakeven Rate	"All Out" or Capac. Rate
Automotive	8	15
Construction Machinery Div.		
Allied Tractor Equipment	0	0
Bituminous Equipment	0	0
Concrete Equipment and Centrifugal Pumps	0	0
Crushing Equipment	0	0
Graders	0	0
Misc. Construction Machinery	0	0
Power Cranes & Shovels	0	0
Road Rollers	0	0
Tracklaying Tractors	0	0
Consumers Durable Goods Division		
Domestic Sewing Machines	6	9
Domestic Electric Ranges	5	9
Non-Jeweled Clocks and Watches	7	7
Metal Flashlight Cases	0	0
Mechanical Refrigerators	6	12
Domestic Laundry Equipment	4	6
Electric Fans	3	4
Photographic Equipment	0	4.5
Metal Office Furniture	3	3
Flatware	3	3
Jeweled Clocks and Watches	12	12
Domestic Vacuum Cleaners	3	4
Sealed Beam Lamps	4	6
Small Electric Appliances	3	3
Lawn Mowers, hand and power	3.5	3.5
Wood Furniture	0	6
Metal Household Furniture	2	2
Fishing Tackle and Reels	3	6
Metal Caskets and Vaults	3	3
Bedding Industry	3	3
Band Instruments	6.5	6.5
Bicycles	0	5
Pianos	7	7
General Industrial Equipment		
531 Commercial & Ind. Refrig. and Air Conditioning Equipment	3	9
Beverage Mach. and Equipment	7	9
Tobacco Mach. and equipment	7	9
Sugar Process, Mach. and equipment	7	9
Plumbing and Heating Division		
Cast Iron Boilers	0	3
Cast Iron Radiators	0	3
Cast Iron Sanitary Enameled Ware	2	3
Cast Iron Soil Pipe and Fittings	0	0
Commercial Cooking Equip. (not Elec.)	2	3
Commercial Dishwashing Machines	2	2
Direct Fired Water Heaters (Gas and Oil)	0	0
Domestic Cooking and Heating Stoves	2	5
Electric Water Heaters	1	2
Extended Surface Heating Equipment	0	0
Fabricated Piping	0	0
Formed Steel Sanitary Ware	2	2
Gas Conversion and Industrial Gas Burners	0	2
Heating Controls and Heating Specialties	0	3
High Pressure Steel Boilers	0	0
Indirect Water Heaters	0	0
Low-Pressure Steel Boilers	0	3
Mechanical Stokers	0	2
Oil Burners	2	3
Plumbing Fixture Fittings and Trim (Plumbers Brass Spec.)	0	1
Range Boilers and Hot Water Storage Tanks	0	0
Steel Septic Tanks	0	1
Vitreous China and Semi-Vitreous or Porcelain Plumbing Fixtures	0	0
Warm Air Distribution Equipment	0	0
Warm Air Furnaces	0	1
Water Heaters (Coal and Wood)	0	0
Printing and Publishing Division		
Printing Trades Mach.	6	8
Service Equipment		
Barber and Beauty Appliances	1	1
Cash Registers	2	4
Floor Machines	2	3
Laundry Equipment	3	3
Office Machinery	--	3
Motion Picture Equipment	0	0
Scales and Balances	0	0
Typewriters	1	3

Adams and Fleming N. Y. Exchange Govs.

Emil Schram, President of the New York Stock Exchange, on May 24 announced the re-election of John Q. Adams of Chicago and Robert V. Fleming of Washington, D. C., for the term of one year, as public Governors.

Mr. Adams is a Director of the Continental Illinois National Bank and Trust Company of Chicago and Mr. Fleming is President and Chairman of the Board of the Riggs National Bank of Washington.

Raymond Sprague was re-elected Vice Chairman of the Board of Governors at the organization meeting of the Board, which followed the annual election on Monday of last week.

John Rutherford, it was reported to the Board, has been re-elected Chairman of the Gratuity Fund and William D. Scholle of Scholle Brothers Secretary and Treasurer.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of George P. Smith to De Forest Lyon will be considered on June 7th. Mr. Lyon will continue as a partner of Smith & Gallatin.

Robert C. L. Timpson, general partner in W. E. Hutton & Co. became a limited partner as of April 1st.

Thomas W. Phelps, general and limited partner in Francis I. du Pont & Co., as of today became a limited partner as Trustee under Deed of Trust dated May 22, 1945. Wheadon M. Grant, general partner, also today became a limited partner as trustee under Deed of Trust dated May 21, 1945.

Henry L. Rosenfeld, Jr., partner in Salomon Bros. & Hutzler, died on April 19th in the service of his country. His interest in the firm ceased as of that date.

James H. Wynn, partner in J. W. Sparks & Co., died on May 18th.

Charles F. Haley, partner in Thomson & McKinnon, died on May 14th.

The Prospects of Inflation

(Continued from first page)

been available. It is huge because these millions of people today have vast resources with which to buy, and thus to make their demand effective.

Small supply and huge genuine demand exert strong pressure to push the price level higher. However, pressure to raise prices due to such conditions tends to satisfy itself automatically. In the first place, supply will be augmented considerably and rapidly as the war comes to a close, and thus one potent reason for higher prices will be removed. In the second place, as more and more people are able to buy the articles they need, the strong genuine demand will be alleviated, and thus another powerful pressure to raise prices will be removed. In the third place, as these people spend their accumulated funds for goods, the backlog of purchasing power built up during the war years will probably decline, thus easing another pressure for higher prices, by reducing the purchasing power that makes demand effective. In the fourth place, should prices rise this factor alone tends to increase the supply by attracting more production on the prospect of higher profits and wages, and at the same time this very factor of rising prices tends to reduce genuine demand, for as prices rise fewer people are willing or able to buy.

It seems likely, moreover, that rationing and price controls will be continued at least into the immediate post-war period, thus artificially limiting effective demand until supply can be brought more nearly into balance with demand. These artificial measures should prove quite helpful in at least holding general price rises in check until the natural forces can automatically become effective to balance supply and demand. The measure of this helpfulness will, of course, depend considerably upon the length of time that elapses before civilian goods can again be produced on a large scale.

Economic history is full of periods in which genuine demand has increased more than supply has increased, with a consequent rise in prices, but also with a subsequent decline as the supply increased, or the demand decreased. Even should a sharp rise in prices develop after the war, or for that matter before the war is over, the dislocation in the price level will tend to be self-liquidating if it is due to an inadequate supply and a demand that is due to a genuine need for goods. As under similar circumstances in the past, prices will tend to recede again as soon as, and to the degree that civilian goods are produced in volume to satisfy the need.

Disastrous Inflation Due to Loss of Confidence in Monetary Stability

For the reason that inflation of prices due to such circumstances, including a genuine demand, tends to be self-correcting, our attention should be directed to the possibility of an inflation of prices that is self-propelling rather than self-liquidating. Such an inflation may result from a demand that is based, not upon a real need for goods but rather upon a feeling on the part of the people that the money they own is declining in value or will decline in value. Such a feeling is coupled with a fear on the part of the people that their money will in the future be worth less in terms of commodities than it is worth at present. Such a fear gives rise to a desire to buy commodities now before the money one has to spend declines in value, in terms of the commodities it will buy. The more widespread such fear becomes, the more widespread becomes the feeling that money should be exchanged for commodities. This feeling, of course, gives rise to a demand for goods. This demand may indeed be artificial, in that it is the result, not of a genuine need for commodities but rather of a fear that causes people to prefer to own commodities rather than money.

Artificial though such a demand might be, it is nonetheless effective in causing prices to rise. In fact, such a demand tends to cause a more drastic and considerable inflation of prices than does any genuine demand, for the reason that there is no self-liquidating tendency to cause such a price increase to correct itself. As prices rise due to such circumstances, people conclude that their fears of declining value of their money are being proven. As a result the feeling becomes more widespread that money should be converted into something tangible. Thus, further demand is created, and though artificial, it pushes prices up still further. As a result more people conclude that they had better not hold on to their money longer, and they, too, join the procession. Thus a vicious cycle is under way which, instead of correcting itself, propels itself and constantly gains ever greater momentum.

Moreover, an increase in the supply of goods cannot assuage such a demand because the people want commodities, not for normal purposes but to use them as a refuge against the higher prices they fear. Furthermore, at some stage in this devastating cycle the economy becomes so unbalanced, and costs of production so unpredictable, that it is likely that production, and therefore the supply of goods actually declines.

As this cycle progresses, efforts to allay the fears that started it must be ever more determined if they are to be successful. The further along in the cycle the nation goes, the more difficult it is to avoid the disaster of completely runaway prices. A mere suspicion of declining value of money can finally grow into a mastodon of inflation. National policies that gave rise to such suspicion, if continued, feed the embryo of suspicion, and when fear grows beyond the embryo stage it feeds itself.

The rapidity with which such an inflation can become completely disastrous is vividly demonstrated by the course of events in Greece only last year. Before the war approximately 1,000 drachmas would buy as much in commodities as one Greek gold sovereign would buy. In August, 1944, it took 3,000,000,000 drachmas to equal one gold sovereign. By the middle of September, only one month later, the value of the drachma had declined so that it took 30,000,000,000 to buy as much in commodities as one gold sovereign would buy. But in early November, little more than another month later, it took 20,000,000,000,000. By that time the drachma was worthless. The Greek government issued a new drachma, backed by gold held abroad and by foreign exchange, and one new drachma was issued in exchange for 50,000,000,000 of the old. It is too early to tell if inflation in Greece has run its full course.

Thus this type of inflation is a disease that must be treated in its early stages if it is to be overcome. Few students of economics will deny that we in the United States have been exposed to the disease. Many will, in fact, agree that the germ is at work in our economy. Many will also agree that conditions are ripe for the germ to multiply into dangerous proportions. None of us knows whether we shall succcumb to the disease. The decision on that point rests with the people, in the form of the national fiscal policies they permit or encourage their Government to follow.

What Inspires or Destroys Confidence?

As already indicated, this type of inflation has its origin in a fear on the part of the people that the money they have and use will deteriorate in value. This fear stems from a lack of confidence in the stability of the purchasing power of the monetary unit. This lack of confidence in turn is due largely to a lack of confidence in the ability, or willingness, of the national government so to conduct its fiscal affairs as to protect the soundness of its monetary system.

This confidence, of necessity, rests upon many conditions. Whether or not an individual has confidence in his government's fiscal policies and in the soundness of the monetary system depends entirely upon the thinking of the individual himself. Being confident is simply a state of mind, whether it involve monetary matters or any other question. A state of mind necessarily depends upon the process of thinking of the individual, the importance he places upon this and that, and the ultimate conclusion he reaches in his own mind.

Yet we know that certain national fiscal policies tend to engender confidence in the mind of the individual citizen, in the soundness and stability of the monetary system. And we know that certain practices tend to weaken, or destroy that confidence. Policies which decrease the gold backing of the monetary system tend to weaken confidence in the stability of that system, for whenever monetary instability is feared, the individual seeks assurance, and finds confidence, in gold. Policies that increase the gold backing of the monetary system, tend to engender confidence. Policies that result in continued borrowing to meet expenditures tend to weaken confidence, while the practice of making income and expenses balance, inspires confidence, especially when it results also in reducing debt. Our current fiscal policies are decreasing the gold backing of our monetary system. Moreover, our Federal Government has borrowed money to meet its expenditures in each of the past fourteen years, in each year since 1931, and it will probably have to borrow to balance its budget for the next two, three or several more years.

Confidence rests not so much upon existing circumstances, as upon expected circumstances. A borrower who is in the process of improving his fiscal position can inspire at least some confidence as he shows improvement in his condition. But a borrower, regardless of his present position, who is constantly impairing his fiscal condition, loses more and more confidence as he goes down the road toward bankruptcy. Moreover, the traveler on both roads, upward toward solvency or downward toward insolvency, gains momentum as he travels. But the downhill road especially grows steeper and the traveler down it especially gains speed. Just where we are, as a nation, depends upon the people themselves, and upon the regard, or degree of regard, in which they hold the fiscal policies of their government.

Gold Reserves Declining

As just stated, our current national policies are decreasing the gold backing of our monetary system. One reason for this decline in gold backing is the financing of governmental deficits by borrowing from banks. As the Government borrows from the banks, the banking system as a whole simply writes up its investments in U. S. securities and writes up deposits, first possibly by crediting the account of the Government, which credit, when spent to Tom, Dick and Harry, soon becomes deposits of the people generally. In the period between June 30, 1934, and Dec. 31, 1944, holdings of U. S. Government securities by the banks in the country, increased by $74,500,000,000, and total deposits increased some $95,000,000,000.

Now the member banks of the Federal Reserve System are required to keep certain percentages of their deposits in the form of cash balances with the Federal Reserve banks. Obviously as the deposits of the member banks rise, these required reserve balances must rise. As of May 23, 1945, these reserve balances totaled $15,117,000,000, which amount is more than double the balances of seven years previous, and which compares with total reserve balances of $4,096,000,000 on Dec. 31, 1934. Now against these reserve balances which are on deposit with the Federal Reserve banks, these banks have, in turn, been required to maintain reserves in gold certificates or other lawful money equal to at least 35% of such balances. However, no new gold has been added to the system in this process, wherein the banks buy Government securities, write up investments, write up deposits and increase their cash reserve balances. Hence, as this process continues, the same amount of gold must be stretched to cover increasing reserve balances, and thus the percentage of such balances backed by gold decreases.

Another direct reason for the decline in the gold backing of our monetary system is the continued issuance by the Federal Reserve banks of ever increasing amounts of Federal Reserve Notes. The continued increase in the amount of these notes outstanding is due to two circumstances, first, the policy just mentioned of financing deficits by means of the banking system increasing its purchases of Government securities, and second, the vastly growing amount of money in circulation. In the first place, as outlined above, when the banks of the country buy Government securities, deposits rise and it is necessary to carry more reserves in cash with the Federal Reserve banks. But, in this process of writing up investments and deposits, no new cash is created. Hence, long ago all the excess cash in the banking system had already been used to meet the increasing requirements for cash reserve balances. Hence, long ago the Federal Reserve banks found it necessary to provide the banking system with additional cash. This was provided through purchases by such banks in the open market of U. S. Government securities. Payment for such purchases is made with Federal Reserve Notes, which is the cash needed, or with credits to the reserve balances of member banks, which directly meets the requirements.

However, these credits to reserve balances merely increase the amount of deposit liabilities of the Federal Reserve banks, which, as previously stated, must carry reserves in gold certificates or other lawful money equal to 35% of such reserve deposit liabilities. Since no new gold is provided in this process, the amount available is simply stretched thinner. Moreover, the Reserve banks have been required to keep a reserve in gold certificates of at least 40% of the amount of Federal Reserve Notes outstanding. But, again, in the process of buying Government securities and paying for them with such notes, there is no gold added to the system. Hence the amount of notes increases, the amount of gold does not increase and the gold backing for those notes declines as it is made to stretch further to serve as backing for ever more notes.

In the second place, as money in circulation increases, cash is withdrawn from the banking system which otherwise could be used as the cash which the member banks need to provide as reserves against their deposits. As this cash is withdrawn into circulation, since the cash position of the banking system is already tight, the Federal Reserve banks again find it necessary to buy securities in the open market and provide the necessary cash, in the form of additional Federal Reserve Notes, or credits to member banks reserve balances. The result is the same as above, in that the liabilities of the Reserve banks are increased further, no new gold is provided and therefore the gold backing is stretched further.

Money in circulation has increased tremendously in the past few years. On May 23, 1945, the total was $26,399,000,000, compared with $8,732,000,000 at the beginning of 1941. For reasons outlined above, the Federal Reserve banks have purchased vast amounts of Government securities in the past few years in order to pump cash into a strained monetary system, strained because its cash was not sufficient to meet the demands for cash reserves caused by huge increases in bank deposits, nor to meet the demands for constantly increasing withdrawals of money into circulation. Total holdings of such Government securities amounted to $20,929,143,000 on May 23, 1945, compared with only $2,184,000,000 on Dec. 3, 1941.

In the meantime, while the above factors were at work to dilute the gold backing of our monetary system, the total monetary gold of the system had declined in actual amount, thus further reducing the gold reserves. As of May 23, 1945, the total monetary gold stock was $20,271,000,000, a new low since July 31, 1940, and a decline of $2,525,000,000 since Oct. 29, 1941. The gradual but steady decline has been due largely to withdrawals by foreigners.

All of these factors, including financing of deficits through purchases of Government securities by the banks, and ever growing money in circulation, are vividly reflected in the fact that the ratio of gold held against combined Federal Reserve note and reserve deposit liabilities has declined steadily from 91% of such combined liabilities in 1941 to 45.9% on May 23, 1945. At this figure, the ratio is at a new low since March 8, 1933, the week of the bank holiday, when the ratio was 45.6%.

Gold Reserves Will Probably Continue to Decline

The same circumstances which have resulted in this decline in the gold-backing of our monetary system are like to continue. If the Government continues to operate on a deficit, the banks will certainly increase further their holdings of Government securities, thus increasing bank deposits further, thus increasing required cash reserve balances further and thus, unless other circumstances intervene, making it necessary to stretch the gold still further. But even if the Government balances its budget, the banks may very likely still increase their holdings of Governments further, with all the same unfavorable results. Despite commendable efforts made since 1942 to finance deficits by sales of Government securities to non-bank purchasers, the banks of the country still added $60,000,000,000 of such securities to their portfolios between Dec. 31, 1941 and December 31, 1944. It is likely that when the war is won, the purchases of such securities by non-bank buyers will decline in percentages of total sales as well as in actual amount. Moreover, it is likely that the banks will be called upon after the war to buy substantial amounts of Government securities in order to provide the funds which the Government will probably need to redeem series E, F and G bonds which the individual citizens may very likely want to redeem in order to make long-deferred purchasers.

Furthermore, money in circulation will probably rise further before the end of the war. The amount in circulation has been rising at the rate of about $5,000,000,000 per year for the past three years. It is possible that a considerable portion of the total now in circulation may return to the banking system to provide much-needed cash when the inflated tempo of wartime employment and payrolls decline. Until such time, however, the monetary system will probably be further strained by additional large increases in money in circulation, and there is little or no assurance that a reversal of the trend of the past few years will be of large proportions even after the war is won.

Finally, further gold may actually be withdrawn from our gold reserves by foreigners. As of September, 1944, as reported by the Department of Commerce, foreigners owned short-term balances in this country totaling over $6,000,000,000. Whether a large part of these balances will be withdrawn from the United States will largely depend, among other things, upon the confidence which foreigners who own these balances have in the stability of our monetary system. In the three-year period between December, 1938 and December, 1941, when much of the rest of the world was at war, or faced with threats of war, our gold reserves increased $8,225,000,000, from $14,512,000,000 to $22,737,000,000, according to a report of the League of Nations on international gold movements. With the return of peace to the world, a large part of these funds may no longer seek refuge and safety in this country, certainly if our fiscal policies are such as to weaken confidence in our monetary stability. Some talk is heard that gold will again start coming to this country in large volume when the war is over and the world begins to buy huge amounts of goods from us. The facts seem to be, however, that those countries which need our products most are not those countries which have gold with which to pay for such products and the countries which do have the gold are not the ones which will need our goods. In fact, there is considerable talk, and even definite suggestion, for example in the Bretton Woods proposals, that we should furnish the large part of the gold to enable other countries to buy goods. It comes as a surprise to many people to realize that, as shown by recent reports of the Department of Commerce, the United States is no longer "the world's greatest creditor nation," is not a creditor nation at all, and, in fact, foreign credits in this country exceed our credits abroad. Whether foreigners will call upon us to pay credits due them, and whether our gold reserves will decline further as a result of such payments, depends, among other things, upon the confidence which foreigners have in the soundness and stability of our monetary system.

If the gold backing of the system continues to decline, there are several measures which the Government can legally take to ease the situation. In the first place, the percentages of deposits which the member banks of the nation are required to keep in cash reserves can legally be reduced, thus reducing the amount of reserve balances with the Federal Reserve banks. In the second place, the percentages which the Reserve banks are required to keep in gold against these reserve balances and against Federal Reserve notes can legally be reduced, thus permitting the Reserve banks to buy larger amounts of Government securities and pump larger amounts of Federal Reserve notes into the system. In the third place, the Treasury can transfer some $1,800,000,000 which it is reported to have in gold in the Stabiliation Fund to the Federal Reserve banks to serve as gold reserve. In the fourth place, the Reserve banks can issue Federal Reserve Bank notes which need not have any gold backing.

Managed Paper Money

Finally, the Government can legally abolish entirely any requirement for any gold backing and provide the country with a solely paper money system. Should we come to such an end, the Federal Reserve System could purchase any amount of Government securities, either in the open market or direct from the Treasury, paying for them with notes, or anything that may be designated legal tender, which will have no backing whatsoever except the Government securities, or promise to pay, which may be taken in exchange for such notes. The difference between such a practice and the direct issuance by the Treasury of a fiat paper money would only be a fiction.

There is probably some justification for wondering if we in the United States are not being led toward a managed paper-money system. Such a system, with no gold backing at all, could be successfully managed without dire inflationary results, provided the people maintain confidence in the stability of the system. Yet, in the case of paper money, this confidence rests ever precariously upon confidence in the managers of the system and the fiscal policies of the Government. The stability of such a system is ever subject to the vagaries of mass psychology, for the simple but compelling reason that a deterioration in the confidence of the people in the policies of the managers of their paper money would spread like a prairie fire. As is amply demonstrated by our own economic history of the past two decades, the policies of the managers of a monetary system that has a considerable backing in gold can undergo considerable question and criticism before confidence in the system itself is lost. In the cast of a managed paper money, confidence in the managers is almost synonymous with confidence in the whole monetary system. In the case of a system with a substantial gold backing, confidence in the officials of such a system can wane without at once being reflected in a loss of confidence in the system itself.

In other words, as one step after another is taken to reduce the gold backing of the monetary system, as month after month we approach the equivalent of paper money backed only by Government promises to pay, the situation becomes ever more explosive. An inflation due to a lack of confidence in the soundness of the monetary unit would be all the more disastrous at the present time, or in the next few years, because the people of this country have accumulated a tremendous purchasing power in the form of vastly inflated money in circulation, bank deposits and investments. Should the people lose confidence in the stability of the dollars which represent that purchasing power, the artificial demand that would be created by a desire to exchange that purchasing power into commodities would probably know no bounds.

This purchasing power already is secured largely by Government promises to pay, with the probability that the security will rest ever more on such promises and less on gold. As of June 30, 1944, 55% of the total assets of the FDIC insured commercial banks of the country consisted of Government promises to pay, compared with 24% on June 30, 1934. This percentage has gone higher since June, 1944, and will continue to increase. On May 23, 1945, 49.9% of the total assets of the 12 Federal Reserve banks consisted of Government promises to pay, compared with only 9% on Dec. 31, 1941. This percentage, too, will probably increase further. A great portion of the investments of the people themselves is Government securities—promises to pay. Finally, the assets of life insurance companies, mutual savings banks, building and loan associations and similar institutions are concentrated in ever-increasing degrees in the promises to pay of the same debtor.

Thus in all these ways gold is ever becoming less security for our monetary system, our banking system and our purchasing power, and at the same time the Government's promise to pay is substituted for gold as security.

Effects of Continued Deficit Financing

As this trend of developments brings us ever closer to a paper-money system, without gold backing, the confidence of the people rests ever less on the declining gold backing, and ever more precariously upon the policies of the managers of our paper money. Thus it becomes increasingly important that these policies be such as to inspire, or at least maintain confidence, rather than weaken or destroy it. As stated previously, a policy of continued borrowing to meet expenditures tends to weaken confidence, and this tendency to weaken confidence is considerably accelerated when the gold reserves of the monetary system are declining at the same time.

For 14 consecutive years our Federal Government has borrowed to meet its expenditures. The deficits in these years have been (as reported by the Tax Foundation in an interesting booklet entitled "Facts and Figures on Government Finance") $462,000,000 in 1931, $2,529,000,000 in 1932, $1,784,000,000 in 1933, $2,896,000,000 in 1934, $3,209,000,000 in 1935, $4,550,000,000 in 1936, $3,148,000,000 in 1937, $1,384,000,000 in 1938, $3,542,000,000 in 1939, $3,611,000,000 in 1940, $5,104,000,000 in 1941, $19,598,000,000 in 1942, $56,117,000,000 in 1943 and $55,305,000,000 in 1944. The deterioration of the soundness of the monetary system wrought by financing these deficits, has already been recounted. The continuous aspect of these deficits in itself, has quite logically already caused some anxiety in the minds of some people. But this loss of confidence in the soundness and stability of the monetary system will be nothing compared with the loss that will develop if these deficits continue after the war.

Having less and less assurance in gold backing, the individual will look more and more anxiously to the policies of the Government for reassurance in those policies for his hope that his monetary unit will be kept stable and sound in the years to come. He will find reassurance if those policies include a balanced budget. But if those policies result in continued deficits, he not only will not find that reassurance he seeks, but he will in fact, grow even more anxious. This anxiety will increase because he realizes that the continued deficits will bring further deterioration in the soundness of the monetary system, and because the failure of the Government to balance its income and expenditures at such a crucial time indicates that the other fiscal policies of the Government will not likely be strong enough to cope with even an incipient inflation.

Thus, continued deficits in the post-war period will serve in a four-fold manner to contribute to a decline of confidence in the stability of the monetary unit, and therefore to contribute to an inflation that could be disastrous. In the first place, these deficits would strain the monetary system further and dilute its gold backing further. In the second place, deficits, per se, tend to weaken confidence, especially when they are continuous—and they have been already for 15 consecutive years. In the third place, the failure of the Government to balance its budget, especially after so long a period, would weaken confidence in all other fiscal policies of the Government, at the very time the people would be examining these other policies with ever more anxiety and doubt. In the fourth place, confidence in the Government's credit underlies not merely the monetary system of the nation, but the entire economy. It is not sufficient that the people have confidence in the Government's promise to pay, according to the letter of the promise, in so many dollars. In addition there must be confidence in the ability and willingness of the Government to pay in sound dollars of approximately the same purchasing power. Continued deficits belie both the ability and the willingness to pay thus in sound dollars.

Further Straining of Monetary System

The monetary system will probably be further strained after the war by the likely necessity of having to sell Government securities to banks in order to provide funds to pay war bonds redeemed in post-war years. This strain, with its further dilution of gold backing, will be sufficient, without adding the further load of selling additional Government securities to banks in order to finance a deficit. Moreover, the Government will, for years, be faced with the problem of borrowing huge sums constantly in order to refund the heavy short-term maturities that will fall due during each year. It is imperative that the burden of taking these refunding securities not fall excessively upon the banking system, for if it should, the strain on the monetary system will be increased further. During the calendar year of 1944, the Government actually borrowed $130,367,000,000, including money borrowed to pay maturing obligations. With such tremendous short-term, almost floating debt liabilities, it is, again, imperative that confidence be maintained, and that the debt not be allowed to concentrate too heavily in the banking system alone.

Furthermore, it seems that the Treasury Department has adopted the policy of putting an ever larger proportion of the total Government debt in short-term liabilities. The theory behind such a policy is apparently to reduce the interest cost on the debt, since short-term obligations require a lower rate of interest, and, in case of a rise in money rates, to let the Government pay the higher rates of interest when refunding the maturities rather than to let the purchasers of longer term obligations suffer from a decline in the market value of such securities. Such a theory may work satisfactorily if the Government can continue to enjoy the confidence of the people. But if this confidence is not maintained, it will become increasingly necessary for the Treasury to rely, even for the sale of its refunding obligations, upon the banking system of the country, or possibly even upon the Federal Reserve Banks, with all the strain on the monetary system that such reliance would bring. If confidence should wane to the extent that the Treasury need turn to the banks, that act in itself would tend to alienate even more confidence, which in turn would drive the Treasury even more to the banks, thus creating a most undesirable cycle. Finally, the mere fact that any borrower has such tremendous short-term, current liabilities, in itself tends to cause anxiety and wonder, which can well be the forerunner of waning confidence.

Thus, the Government is likely

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The Prospects of Inflation

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to find itself relying quite heavily upon further bank purchases of its securities after the war, even without borrowing new money to finance deficits. And, thus, it is imperative that we avoid straining the monetary system further by deficit financing.

Balancing Post-War Budgets Will Be Difficult

Admittedly, balancing the budget will be no simple task. But the very danger that it will not be balanced for some years after the war is precisely the very danger of a disastrous inflation of prices that confronts us.

Obviously, whether the budget is balanced depends upon how high expenditures will be and how high income will be. The problem, then, is to reduce expenditures to the bone and keep high the income, both of the Government and of the taxpayers, who must enjoy prosperous business conditions if their income is to be sufficiently high to permit the Government's income to be high.

Consider first the matter of expenditures. It is certain that they will be vastly higher than was ever even envisaged in pre-war years. Estimates range from \$15,000,000,000 to \$25,000,000,000. The staggering size of such figures is shown by a comparison with the average total Federal expenses of some \$6,000,000,000 per year in the 1930-39 decade. Mr. Randolph Paul, former special counsel in the Treasury Department, has predicted that post-war expenditures will run between \$20,000,000,000 and \$25,000,000,000 annually, with the actual figure more likely to be closer to \$25,000,000,000.

It is difficult to predict with any degree of accuracy what will be the required expenses of the Government, much less to predict the substantial other expenses which the administration then in power will want, or will be called upon to make. The figure generally mentioned for interest alone on the national debt is \$5,000,000,000, with no allowance for a debt of over \$300,000,000,000, nor an average rate of interest of over 2%. Expenses of maintaining large military and naval establishments are of necessity indefinite, but most certain to be much larger than in any previous peace time year. Expenses of maintaining the usual governmental functions will be higher, in accordance with the constant upward trend in such costs. Veterans expenses, while quite indefinite in amount, are definitely certain to be enormous. No one can foretell the ultimate expense of the recently enacted "G. I. Bill of Rights." Then there will be considerable expense in maintaining an army of occupation in Germany or Japan. Further, there are likely to be considerable expenditures in feeding and otherwise attempting to care for millions of people outside our own boundaries. All of these expenses are to say nothing of the cost of further and possibly even broader social experimentations here at home, that some people are even suggesting be applied on a world-wide scope—at the expense of the American people.

Nor do these items include any consideration of any amount to be spent in cutting down the national debt. It is imperative, in the interest of maintaining confidence in the Government credit and in monetary stabiltiy, that some provision be made for retiring this debt, even though the retirement be only quite gradual. Yet even ever so gradual a retirement must, of course, follow a balancing of the budget, and if it be important to retire the debt, how much more important it is to balance the budget, since that act must precede any retirement of debt!

In view of the tremendous expenditures that will be actually required in the post-war years, it would seem that the only sound manner in which to handle our fiscal affairs is to eliminate even consideration of any expenses that are not absolutely necessary. If conditions turn out to be such that we find we can afford more than this bare minimum of expense, which certainly will be quite high enough judged by all previous standards, then perhaps it might be possible to consider some of the more luxury expense. It would seem that if we obligate ourselves now to pay much of the expense suggested today in the form of vastly expanded "social security," guaranteed employment, billions in grants or "loans" to foreign countries, etc., ad infinitum, there will be no chance of balancing the budget, nor of avoiding a disastrous inflation.

Balanced Budget Will Require Full Employment

Even if expenditures are held down to the minimum, to meet them it will be necessary to collect taxes in amounts that, in terms of peacetime conceptions, will still be tremendous. Even this minimum of taxes will be so great that, in order to collect the amount needed, we *must* have a healthy, active economy with full employment. For example, total Federal tax collections in the depression year of 1932 were \$1,788,000,000, and in 1933, were \$1,785,000,000 (as reported by "The Tax Foundation" in "Facts and Figures on Government Finance"). Compare these tax collections for depression years with proposed Federal expenditures in the post-war years of close to \$25,000,000,000 per year. Most certainly no such post-war budget could be balanced if we experience a depression of even close to the magnitude of 1932-33. In 1941, according to the same source, total Federal tax collections for the fiscal year, including employment and payroll taxes, amounted to \$7,671,000,000. Now 1941 was considered a rather prosperous year, yet Federal tax collections in that year were only about one-third of the amount of indicated post-war Federal expenditures, not including the fanciful expenses for "guaranteed employment," supporting the Bretton Woods monetary plan, raising the standard of living of the world, etc., ad infinitum.

The desired receipts cannot be wrung from a depressed economy simply by raising tax rates or levying new taxes. Taxes of any worthwhile proportions tend to stifle business activity and production, and thus to increase unemployment, and thus to aggrevate the entire situation. Taxes must be bearable and stifling, and a healthy, properous economy can bear heavier tax rates without being stifled, than can a depressed economy. Thus, if unemployment and depression be our lot in the post war period, not only will normal tax rates not provide the amount of income necessary to balance the budget, but such rates, since they must necessarily be high in view of a high level of even minimum expenditures, will very likely be so onerous that they will depress an unhealthy economy even lower, and thus make even more difficult the balancing of the budget. The result will be the same if expenditures are so high that tax rates are too high even for a prosperous economy to carry.

The end of deficit financing, then, and the end of its strain on the soundness and stability of the monetary system, and the end of the damage to confidence wrought by this strain and by continued deficits, per se, depend not only upon cutting Federal expenditures to the bare minimum in post war years, but also upon a healthy, active economy that will provide the employment necessary to prosperity. It behooves us all, therefore, to take those steps that make for business expansion, which means jobs and full employment, and to refrain from those steps that make for business contraction, which means unemployment, depression, deficits and increasing dangers of inflation.

Some Prerequisites to Full Employment

To that end, it is well to consider some of the conditions conducive to business expansion or contraction. Business expands in the hope of making a profit. It contracts in the hope of avoiding a loss. Perhaps the first step in a program of understanding what makes jobs is to disabuse our minds of the idea that there is something unholy about making a profit. It is good, healthy and desirable that business make profits. Only as business profits does it make jobs. Making money and making jobs go hand in hand. Jobs and full employment being what we want, and most certainly need, we should do what we can to create them.

Now if the small business man sees a chance to make a profit, and has sufficient confidence that he can overcome the risks, make the profit and keep enough of it to make it worthwhile to undertake the risks, he engages in some new activity, thus providing work for himself, and, depending upon the size of the project, for a number of other people. If the big business executive sees a chance to make a profit and has sufficient confidence that his organization can overcome the risks, make the profit and keep enough of it to make it worthwhile to undertake the risks, he instructs his organization to engage in the new activity, thus providing work for others, and, depending upon the size of the project, for possibly even a few thousand people.

On the other hand, if the small business man should see a chance to make a profit, but concludes that the possible profit is not sufficiently large to compensate for the additional worry of possible labor troubles and satisfying additional governmental restrictions and regulations, nor sufficiently arge to premit him, after paying a heavy tax, to keep enough to make it worthwhile to undertake the risks, he does not engage in the possible new activity and thus does not provide work for anyone. Similarly, if the big business executive sees a chance to make a profit, but concludes that the possible profit is not sufficiently large to compensate for the additional worry that would be brought to his organization over possible labor troubles and in satisfying additional governmental restrictions and regulations, nor sufficiently large to permit the organization, after paying a heavy tax, to keep enough to make it worthwhile to undertake the risks, he disapproves of the possible new venture and thus possibly even a few thousand jobs are not provided.

A business man, whether he is "big" or "small," needs little besides a chance to make a profit and keep enough of it to make the undertaking attractive and worthwhile. Success must be profitable after taxes, not merely before taxes. In order to induce business to take risks, and thus to provide the jobs we need to balance the budget, and for other purposes, we should remove as many as possible of the artificial barriers that have been placed on the road to success in the past few years. These barriers include governmental regulation and regimentation. We need to restore freedom to enterprise, to allow a man to test his capacity against the natural hazards of any business venture, rather than the hazards of complying with endless laws and rules and regulations.

Confidence in Future of Business Necessary

So far in this discussion reference to confidence has meant the confidence that the individual citizen has in the soundness and stability of the money he has and uses. When speaking of prosperity, one cannot avoid speaking also of confidence which the businessman has in the future possibilities of business. In order to have the benefit of full employment, we must have an atmosphere in which business men have confidence in the possibility of making profits. This confidence, being again an individual attitude of mind, depends upon many considerations, not the least of which are the feelings that business will be encouraged, not hampered in the new ventures, that success will be rewarded, not penalized, that it will be free to make its own decisions, that it will not be cajoled or persecuted, that it will not be faced with governmental competition, that it will not be subjected to undue regulations and restrictions and finally that the Government will not embark upon unsound fiscal and social ventures, especially such as would destroy the stability of the economy. In short, business will provide jobs when it feels that Government and the people are in a frame of mind to support business expansion rather than support measures that hamper, restrict and depress business. When he feels that these depressive measures are in store for business generally, he is afraid to take a chance on expansion. When he has confidence that the people will support business generally, he has confidence in the future and is willing to expand and anxious to take risks and provide the jobs that go with such expansion and risks. This feeling of confidence or fear is usually widespread. The conditions that lead one business man to be fearful or confident are likely to make businessmen generally, fearful or confident at the same time. General confidence makes for prosperity and tends to encourage each business man, large and small, to expand and provide jobs. General fear makes for depression and tends to discourage each business man, large and small from expanding and making jobs.

Inflation Due to Lack of Confidence in Monetary Stability Means Unemployment and Depression

It must be emphasized that confidence of business men in the future profit possibilities of business, in the advisability of expanding and providing the increased jobs we want and need, hinges very largely upon the confidence of the people as a whole in the stability of the monetary system. If the people lose faith in the soundness of their money as has been discussed, an artificial demand for goods is developed which leads toward, if not to, disastrous inflation. The business man seeks a sound, genuine demand for his products, and not the unsound, artificial demand of inflation. The former, he realizes, is beneficial to the entire economy, including his own business; the latter is disastrous to the entire economy, including his own business, and will quickly run its course of devastation and ruin him in the race, along with everyone else.

Hence, all those policies outlined above that give rise to fear of inflation, give rise to fear in the mind of the business man for his business. Instead of seeing the prospect of profit, he sees the prospect, or at least the possibility of loss. Consequently, instead of expanding and providing jobs and full employment, he contracts, and unemployment is the result. Too many people in their minds, associate inflation with booming business activity and full employment. An inflation due to a genuine demand, based on a real need for goods, may bring such conditions, until supply and demand are brought into balance, as outlined at the outset of this discussion. But inflation that is disastrous, that stems from fear of the future value of the money of the people, that faces us here as a possibility, brings with it fear for the future of business, and brings not full employment and booming business activity, but instead unemployment and depression.And such conditions are the more unbearable as unemployment becomes more widespread at the very time that prices for everything are zooming upward.

"Compensatory Spending" Will Do More Harm Than Good

Now there is considerable talk to the effect that if "business" does not provide the jobs necessary to full employment, the Government will. Certainly governments, national and local, can well plan to spend money for worthwhile needed capital improvements when employment is slack, more so than when employment is full. By thus adjusting expenditures that would be made at sometime regardless of business conditions, government can do real good. Beyond that point, however, it is likely to do more real harm than good. If there is unemployment of distressing proportions, it is because businessmen are afraid of the future and do not have confidence in the future profit possibilities. It may seem harsh to say that people go without jobs because businessmen are not willing to undertake the chances of making profits. It may seem even harsher to say that such a condition calls for no artificial or governmental measures.

In truth, no artificial or governmental measure can correct such a condition. Being fearful of the future profit possibilities is simply an attitude of mind on the part of the business man. Coercive measures cannot change his fear into confidence. Only a change of attitude can make him confident and willing to expand and provide jobs. He must be induced, not coerced to change his attitude. The inducement must consist of the removal of the conditions that gave rise to the fear. When those conditions are removed, confidence will automatically appear, for the business man is always anxious to make a profit, and a good business man is always alert to possibilities of making a profit.

If the Government should adopt the policy of making work for all those who want work and cannot get it in private employment, such a policy is likely to accentuate the reasons for unemployment. Businessmen are likely to grow more fearful of the future, under such a policy. First, they become fearful of the fiscal effects of the greater expenditures that the Government undertakes, especially if such expenditures result in deficits. Second, they become fearful of the added tax burden which such expenditures must bring. Third, they become fearful of governmental competition with business. Fourth, realizing that other businessmen are likewise becoming more fearful of the future of business, they fear that the day is further removed when private business will again provide the sound, full employment that is necessary to prosperity. Fifth, they become fearful of having to endure repressive governmental policies.

The advocates of this theory of "compensatory spending" claim that a certain amount of spending is what is required to keep the economy humming at a good level with everyone employed, that when private business for any reason fails to spend that much the Government can step in and spend enough to compensate for the amount which private business is not spending, and that after thus "compensating" for this failure of business to spend enough, the economy will again be humming and will carry on from there without "compensation" from the Government. Back in 1933 the same program was tried, although then it was called "priming the pump." The pump was to be primed with a little "compensatory spending" and after a little priming the pump would carry on. Well, the "compensation" was kept up until 1937. When it was withdrawn then, the pump suddenly went dry again; so it was again promptly "compensated" with more "priming." This "compensatory spending" was continued until in 1940 we had 10,000,000 unemployed. In 1941, the compensation was vastly accelerated in the form of war time spending, which still continues.

In all that time the policy did not cure the unemployment, because it did not remove the cause of unemployment, which was the fear of businessmen to expand and provide jobs. Most certainly the Government cannot continue with its vast outlays for compensation that did bring full employment with the war, for if such outlays be continued, the monetary system will collapse in a disastrous inflation. A better substitute for further attempts at "compensatory spending" would be a sincere and intelligent effort to remove the reasons already mentioned for businessmen not to have confidence in the future.

In some quarters there appears to be the thought that the Government can support huge post-war expenditures, carry the tremendous debt burden and perhaps even balance the budget, simply by allowing the price level to rise so that the "national income" will be sufficiently high in dollars to enable the Government to collect all the taxes it needs. If the "national income" is high due to a healthy, active economy, possibly the budget can be balanced, as already stated, and as is devoutly to be sought. However, if the "national income" is high in dollars only because the price level has been "allowed" to rise, such a high dollar level of national income will be of doubtful value in helping to make income meet expense, for expenditures will rise for the same reason that income rises. Of all the expenses previously listed as probable major items in the post-war budget, the only one which could be termed fixed in terms of dollars would be the item for interest on the public debt. The other expenses must largely be paid as current expenses and they would certainly increase as the price level rose, though perhaps not in the exact proportion. Moreover, even the expense of interest on the debt is far from fixed, for such a huge portion of it is in short term maturities, as previously emphasized, that much of the debt would have to be refunded during and after the rise in the price level, with a very great possibility that if this price level rose considerably, interest rates would also rise. Finally, the mere fact of "allowing" the price level to rise to any considerable proportion may very possibly be the final straw in causing people to lose confidence in the stability of the soundness, and purchasing power of the dollar. Thus there would be a considerable risk of bringing on inflation by such a policy, in return for a meager, and certainly unfair, supposed benefit of paying the interest burden in cheaper dollars.

In summary, then, our gravest threat of a disastrous inflation stems from the possibility that the people may lose confidence in the soundness and stability of the monetary system, and this possibility hinges upon the fiscal policies the people want or permit the Government to follow in the next few years, and particularly upon whether or not the budget is soon balanced in the post-war period, which, finally, hinges almost entirely upon whether depression be our lot then, or prosperity our good fortune. Depression or prosperity, in turn, depends principally upon the policies of the Government.

Resurgence of Business Enterprise

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were told day in and day out that there was no hope that they would ever have jobs, since we were destined always to have 10,000,000 to 15,000,000 unemployed, radical liberalism thrived and the purveyors of economic nostrums did a land-office business. But something of vast significance has happened to the nation's pocketbook nerve during the war. We have experienced a great expansion in incomes and in savings with the result that many millions of our people have been lifted from the pauper class to the middle class. The people who were dispossessed in the early thirties have regained their stake in our system of private enterprise and they now have property to protect. We again have a middle class large enough and powerful enough to exercise a restraining force on the tendencies toward radicalism which in the pre-war decade chilled enterprise into inaction if not retrenchment. This does not mean that there will be no labor difficulties in the post-war period nor that the people will cease to support social security, but it simply shows that if business conditions are favorable, the general viewpoint on fiscal, monetary, investment and regulatory policies will be middle of the road instead of radical. This fact is likely soon to register politically for we know that a few hundred thousand votes one way or the other makes the difference between election and defeat in our national elections. The chances are good that we shall soon have Government policies more conducive to business expansion.

We seem, furthermore, to be on the edge of a period of vigorous expansion in industry based on the technological changes wrought during the war. We now have an impressive list of new industries for development and of new methods, machines and materials to be put to use in producing old things more efficiently so that markets can be expanded. Under the stimulation of war there has been drawn from our industrial laboratories the basis for a new industrial revolution. Television and other applications of electronics, powder metallurgy and the new light metals, high octane and diesel power, cheaper air transport, low cost housing, air conditioning, and a wide range of synthetic products are all ready for energetic development. Such new products and processes provide a firm basis for solid accomplishment in providing jobs for our people and in raising their standard of living beyond anything ever dreamed of before.

With such vast potentialities for industrial expansion we can ill afford to continue the enterprise-constricting policies of the past and it is urgently necessary that we release the latent forces making for expansion in the profit system. The first and most essential step in this direction is to reduce Government expenditures to a level where the tax burden will be low enough to enable business to expand vigorously. The second is to remove the obstructions to the flow of private savings into private investment. And the third requirement for prosperity is that the labor legislation be remodeled so that labor organizations can protect workers where protection is needed without needlessly raising costs or obstructing full production. These steps are essential if we are to realize the full potentialities of our present situation. They are not impossible of accomplishment if we will only base our policies on the assumption that without business prosperity we canont have full employment, and that business prosperity depends on the existence of an environment where the competitive incentive for profit is permitted to spur business to increase investment, expand operations, and reduce costs.

Hint Truman Planning Govt. Reorganization

Certain Senators who prefer to remain anonymous have disclosed the fact that President Truman plans sweeping changes in course of the coming weeks in the Government set-up so as to have many independent agencies absorbed into regular departments, according to the Associated Press from Washington, May 13. The revisions are said to be expected to include Cabinet changes, possibly in the Treasury, Justice and Labor Departments.

Independent agencies mushroomed in the depression years as the Government stepped into new regulatory capacities. There has been a growing demand in Congress for established departments to take over the functions of these agencies, a demand in which Mr. Truman is said to be heartily in accord.

The principle upon which the President is said to base his program is to have one responsible head for each department, with supervisory and advisory duties spread out to a group of subordinate executives.

Where to Questionnaire?

(Continued from page 2391)

The fact of the matter is that these repeated demands for pricing particulars tend to change trade custom by making dealers always mark-up conscious. The result is they are disposed to take smaller gross profits than they normally would, ignore selling securities of the smaller, lesser known corporations and avoid prospective investors not conveniently located and more costly to reach. Certainly this is not a gratifying picture.

The NASD should, in fact it is duty bound if it is to serve its members and country well, insist that dealers' profits be ample to insure the investment industry remaining healthy not only during a bull market but during those extended periods that keep cropping up when investor apathy prevails and sales are few and far between.

A healthy investment industry means better markets and greater liquidity for securities. And when people can readily convert securities into cash they are more disposed to buy them which accelerates the flow of capital into job-making trade and industry.

At least one by-product of these pricing questionnaires, the "5% spread interpretation," has already been emasculated by the decision of the Securities and Exchange Commission.

You will remember that the Commission decided no inferences of unfair or inequitable practices can be drawn from the size of a spread alone. It also held that one who takes the 5% spread or more does not have to sustain any burden of proof when he is charged with irregularity, but that the burden continues to be on the complainant.

Before that decision, the NASD by its 5% spread interpretation placed a duty of explanation on the member who was in the toils.

Fortunately, there were those who had the courage to lay this interpretation before the SEC for its determination.

What other curiosities will result from this latest and lengthier questionnaire?

The irony is two-fold: (1) meddling interrogation predicated upon the implied consent of the membership based upon their membership contracts, when the existence or absence of consent in fact, can be tested by a vote, and (2) setting up expensive machinery for that purpose at the cost of the very membership which it affects.

In other words, the flayed supply the whip.

We shall continue to believe that some day, in the not-too-distant future, adequate courage will come to the forefront to combat the change of trade custom and usage in the securities industry by self-regulatory bodies, or by public regulatory bodies.

Such change should come through the medium of legislation only.

Reconversion and Foreign Trade

(Continued from first page)

time our boys in every quarter of the globe received a remarkably good diet and such a flood of war supplies that they were able to crush the enemy. We know now that we have the capacity in our farmers, our workers and our management to turn out an amazing quantity of peacetime goods. If we can produce for peace as we produced for war, the people of both the United States and the world will be greatly benefited.

On the United States for the first time falls the responsibility of world leadership. It is much the same kind of leadership as that which England gradually assumed after the Napoleonic wars a century ago. We are the only great nation with industries unbombed, and with highways and railways in good working condition. Our economy is ready not only to give our own people a higher standard of living than they have ever had but also, through a program of sensible investment in those nations which want to help themselves, to bring about a restoration of world productivity. The "little Englanders" of the 19th century have their counterpart in the "little Americans" of today. The "little Englanders" could not see across the English Channel. The "little Americans" cannot see across the oceans. Fortunately, for England and for the world, men of vision triumphed in England after the Napoleonic wars. Long-term investments were made all over the world. New countries were opened up. New commodities were produced. Obstacles to foreign trade were removed. The 19th century saw the most rapid increase in population, with the greatest expansion in world trade, and the most rapid rise in the world standard of living that has yet been seen.

I have great faith in the vision of the American people. I believe they can rise to the challenge of the 20th century with as much vigor and foresight as that which marked the British in the 19th century.

Every eye-witness returning from Europe brings back a terrible story of desolation. All over the world during the next three or four years there will be a tremendous demand for replenishment of supplies and construction material of all kinds. For a time, we shall undoubtedly sell abroad at a rate several times as high as during the five years just before the war, when our exports averaged somewhat under 3 billions a year. In so doing, we shall furnish jobs for millions of our workers and will ease off many of the most difficult problems of reconversion because, fortunately, much of the demand from abroad will be for that type of heavy goods of which we otherwise would be most likely to have a surplus in the period immediately after the war. Foreign trade will make the difference between misery and the good life for several years in many American communities.

Export Licensing to Prevent Inflation

There may be a period of a year or two when there is grave danger of inflation in the United States—inflation like that which occurred in 1919 and 1920, immediately following World War I. During that period it may be necessary, in order to protect both the domestic and foreign consumer, to continue certain types of export licenses. Once the danger of inflation is passed, however, the Government must get out of export licensing with all possible speed. Government does not like to be a lightning rod for business criticism. The surest way, therefore, for Government to avoid criticism is to withdraw from business supervision of every kind whenever this can be done without harming the general welfare.

I am not worried about a large volume of foreign trade during the next four or five years. The real trouble, as you know better than I, will come five or ten years hence, when our foreign customers will try to find a sound basis of payment for the quantities of American goods which they would like to buy from us. In the years immediately ahead, undoubtedly, a large volume of American investments will be made in many lands. But, sooner or later, sound business demands that we import more than we export, or that we accept from foreign countries a very large volume of tourist services or gold. Our great mistake in the decade of the twenties was that we gave foreign nations reason to believe that we never would allow them to send enough goods into the United States to balance our exports, with no margin to pay even the interest on the money which we had loaned abroad.

Must Lower Trade Barriers

In extending the trade agreements program and providing authority for further cuts in import duties, we are looking ahead to an eventually sound two-way trade between the United States and the rest of the world. We are doing our part to create a situation where the American business man can have, say, 90% of a large expanding market instead of a 100% of a small contracting market. After World War I we had the opportunity to lower our tariffs and trade with other nations on a "live and let live" basis. We refused to do it and had to pay the price in terms of reduced world trade and a depression in the decade of the thirties. During the twenties the truth was hidden from us by the large loans which were made abroad. The wrong choice made after World War I was also responsible for the slump in foreign demand for our agricultural exports. It was this wrong choice which made necessary the New Deal and its farm program. To stop producing for a foreign market which no longer existed, the farmers found it necessary to use the centralizing power of Government.

Today, after the second World War in Europe is ended, we again find ourselves confronted with a choice. This time I trust we shall choose the path which leads to a large volume of exports which can eventually be established on a sound, sustained basis.

The enactment of the Doughton Bill on trade agreements is not enough. In addition, we must provide for reasonable stability of foreign exchange and ready convertibility of currencies. For some years at least we must provide for a large volume of foreign investments at moderate rates of interest. We must hold down the restrictive practices of cartels. We must protect the producers of those raw materials which move in world trade from that type of chronic surplus situation which destroys purchasing power. I am thinking particularly of sugar, coffee and wheat. International commodity agreements, however, should not have as their sole purpose the protection of the producer. The consumer is just as important as the producer, and his interests should be recognized in all international commodity agreements.

In speaking of world commodity agreements, I recognize that, in case we have a lowering of trade barriers in the United States and the British Empire and full employment in both the United States and England, the market for the great raw materials which move in world trade may be so brisk as to make it possible for the producers to get along without such agreements. If, however, the larger manufacturing nations of the world, whether by high tariffs, cartel agreements or otherwise, adopt scarcity policies which result in unemployment, the raw material producers of the world will find it absolutely essential, out of self-protection, to set up machinery for international commodity agreements.

Private trade in both the domestic and the foreign field will find itself on trial as never before during the years immediately ahead. Many of the war agencies will drop most of their controls with great speed as soon as Japan has been defeated. Certain controls will be dropped during the next few months. Every true American will be happy to see the end of governmentally managed trade. We don't want to see the debtor nations of the world compelled to do what Germany did during the thirties—that is, resort to governmentally supervised bilateral trade schemes.

No Total "Planned Economy"

We are not going to have a planned economy in the United States, but our Congressmen and Government administrators will find it necessary to do some very definite planning with regard to certain functions to which every government should give the most careful attention, namely, taxes, tariffs, fiscal policy, fair competition and conservation of irreplaceable natural resources. We in the United States shall never permit governmental totalitarianism. Neither must we allow what William Allen White called "private totalitarianism." Concentration of economic power in the hands of a few private individuals can do even more to restrict the opportunities of small business men, farmers and workers than concentration of economic power in the hands of Government.

We must plan to keep our economic system on an open, competitive basis. We must plan for maximum production. The United States is in a position to demonstrate to the whole world that her great political and economic power will be used for neither imperialistic nor scarcity purposes. No war damage touched our factories. Our people by the millions have learned new skills. No nation ever had such an opportunity to help the world toward peace and abundance as the United States has right now. On the other hand, we can, by making the wrong decisions, place such a strain on the other nations of the world as to make World War III inevitable.

The Commerce Department

It is appropriate that the Secretary of Commerce, charged with the duty of fostering, promoting and developing foreign commerce, should speak in New York during Foreign Trade Week. It is right that he should talk about the great service which the Department of Commerce can, and should, render to those Americans who are engaged in the day by day activity of selling goods abroad and importing from abroad. The Department of Commerce used to render a great service to foreign traders. It is preparing to render that same service again as soon as war restrictions are removed. We intend to cooperate in the closest possible way with the Commercial Attaches and other commercial officers of the Foreign Service of the United States. For all practical purposes we look upon them as being in the Department of Commerce. It is the purpose of these men to serve the entire United States, by cooperating with the Department of Commerce in helping individual business men with their foreign trade problems. If the Commercial Attaches abroad, or the men in the Bureau of Foreign and Domestic Commerce are not doing a good job, I want to hear about it. There is every indication that they will do a good job. They know that foreign markets will be soon opening up again in a big way, and that a great volume of work will be descending upon them. If they need further personnel to carry the load, I am sure that Secretary Stettinius will be glad to join with me in making a proper presentation to the Bureau of the Budget.

During the past month I have been talking with various people, both in the trade and in the Bureau of Foreign and Domestic Commerce, about the methods used when the Bureau had the reputation of being one of the greatest foreign trade promoting agencies in the world. We intend to learn all we can from past experience, both governmental and private. We intend to foster, promote and develop both American exports and American investments abroad. But we don't intend to repeat the mistake of acquiescing in short-sighted policies which will make it impossible for foreign countries to sell us their goods and services.

The Commercial Attaches of the Foreign Service have been asked for fresh surveys of current economic conditions, so that we may have their estimate as to just what the state of the foreign markets will be, now that the European war is over. We want to help foreign traders to re-establish connections in the liberated areas just as soon as conditions over there will permit renewal of direct international trading between private firms.

We are building up again as fast as possible the system of information on foreign business firms, known as "world trade directory reports." This kind of service was stopped in 1940, but we are now doing everything possible to revive it because we know that it has been of real service to the individual exporter and importer. Many foreign firms have ceased to exist as a result of the war, and the character of others has been changed greatly.

It is a proper function of the Department of Commerce to help the exporter and importer with that type of "commercial intelligence" with which old and powerful firms are usually familiar, but which small and young firms cannot obtain except through the good offices of Government. The Department of Commerce intends to keep the business world promptly posted with regard to current changes in foreign market conditions—tariffs, trade controls, and unusual privileges or limitations which apply to American firms when operating abroad.

The Department of Commerce, inside the United States, has 26 commercial field offices operating all the way from Los Angeles to Boston. Through these field offices the local exporter and importer can make inquiry, and thus get full information as to the changing situation abroad, as it may affect any particular commodity. I intend to do all I can to help the Department of Commerce furnish American foreign traders with prompt and adequate service.

As supplies become more freely available for export, certain foreign markets may become overloaded with American goods. This kind of a situation developed after the last war, and resulted in many cancellations and heavy commercial losses both to the American shipper and the foreign consignee. I hope, but cannot as yet guarantee, that, by working through the Commercial Attaches of the State Department, we may be able to get information promptly enough so as to avoid a repetition of what happened after World War I.

The Bureau of Foreign and Domestic Commerce has for many years been looked on as one of the best agencies in the world for collecting certain types of international information. Its work having to do with the international balance of payments, current tendencies in foreign commercial policy, industrialization plans, etc., will be continued and, I hope, strengthened. This type of information furnishes an absolutely vital guide to that type of planning which no nation can avoid if it wishes to prevent recurring depressions, serious damage to the economy of other nations, and perhaps even worse.

Information for Small Concerns

We have no prejudice against large business firms in the Department of Commerce, but it is my hope that in the future we may be able to pay more attention than in the past to the needs of the small and medium-sized business firms, who find it more difficult to get certain types of information about foreign markets. I trust that the medium and small-sized export firms will work with Congress, after clarifying their own minds, to discover just what changes should be made in the Webb-Pomerene law to make it a better servant of the small business man engaged in foreign trade. Certain amendments are probably desirable but suggestions as to these amendments should come from the trade.

Recently, I mentioned to a Congessional committee the need for looking into the British and Canadian experience with export credit insurance. As a result of my suggestions, a certain amount of discussion has been stirred up in the trade but there seems to be no concensus of opinion. I trust the discussion will continue until there is some agreement as to whether our exporters need such facilities and safeguards to put them on an even basis with their foreign competitors in the export field.

If we are to avoid the mistakes of the twenties, it is important that we start now specialized research to discover just what types of imports will best help the economy of the United States. We must learn to look on imports as a benefit to the United States, not as a damage. As a part of looking into the need for increased imports, we might well start an examination into the special problems of those businesses which may be damaged by larger imports. I trust we can find ways of cooperating with foreign nations to remove obstacles which interfere with the granting of passports and visas. A greatly increased American tourist traffic can serve as a basis for expansion of exports. A billion dollars obtained from a greatly expanded tourist traffic can serve just as effectively for expanding our exports as a billion dollars obtained from increased imports of foreign goods. The billion dollars spent by American tourists has certain advantages because ordinarily no domestic firm is damaged thereby even indirectly. In this connection, I have been interested in suggestions from the trade press that the big stores should use their display windows to drive home to the public the stake which we all have in an expanding two-way foreign trade based on sympathy and understanding with all the peoples of the world.

In conclusion, I wish to state that in my opinion foreign trade is important not only as a source of material well being. Foreign trade is a material symbol of the ties which hold the world together. In all truth, we are members "one of another." We recognize this when we reduce the obstacles to trade. And this is especially important for the smaller nations. Only two nations in the world can safely talk about the luxury of self-containment. The smaller nations look at the great nations with anxiety, knowing that they can by sudden and arbitrary action cause the small peoples the most extreme hardship. To us here in the United States great power has been given. On us a great responsibility has been placed. From us great service will be expected. We may not in every case get thanks for our assistance, but in following our higher impulses and aspirations we shall find that by helping others we have also helped ourselves. Nevertheless, I say it is our duty to trade with the world with courage and foresight, expanding first our exports and eventually our imports. It is up to you, the leaders in foreign trade, to push this great work. As Secretary of Commerce, I shall be glad to do what I can to help you.

* * *

In addressing the Institute of World Affairs of the New School of Social Research in New York City following the above discourse, Secretary Wallace spoke of the policy which might be pursued by the United States in maintaining peaceful relations and international trade with other powers and in fostering world trade by lending aid to the advancement and industrial relations with backward countries. In this address, Secretary Wallace said:

Technology and war have destroyed western Europe as the center of world power. The two powers which now come to the top have no colonies and do not believe in colonies. They both claim to have great respect for the rights of small peoples but both have occasionally stepped over the line when the principle of national defense is involved. The two nations are so geographically placed that they have never had conflicting basic interests. The Russian and American people instinctively like each other. Neither the Russian nor the American people wishes to use modern technology as an instrument of war. We want to raise the standard of living of our peoples and we do not want to exploit other people.

Both the Russians and Americans in their different ways are groping for a way of life which will enable the common man everywhere in the world to get the most good out of modern technology.

This does not mean there is anything irreconciliable in our aims and purposes. Those who so proclaim are wittingly or unwittingly looking for war and that, in my opinion, is criminal. We in the United States are certain our methods will bring more liberty and a higher standard of living. The Russians are equally certain that if they are given the opportunity of peaceful development, their system will eventually deliver the most satisfaction to their people. Both of us believe in the maximum use of technology and both of us believe in peace. Both of us want to see the so-called backward nations industrialized so that the standard of living may be more uniform over the entire world.

Recent developments in electronics and chemistry tend more and more to free all nations from dependence on specific resources. Idealistic reformers who have long tried to raise the standard of living of the poor and the backward peoples now receive unexpected help from a technology which in the lifetime of some in this room will make it possible for nearly every industrious people in the world to enjoy a good standard of living. The irresistible trend of the modern industrial system is toward world-wide equalization of techniques.

This trend toward equalization reverses the order of world trade which grew up in the nineteenth century. Sixty years ago a few hundred million people in western Europe and eastern United States owned the world's workshop. Out of it they drew great profits and the egotism to proclaim cultural and political leadership. This over-lordship of the western nations has passed. We now know that no one world region can long claim exclusive economic leadership. In the years immediately ahead we see the United States, Russia, and the British Empire producing perhaps 85% of the world's industrial output. But we also see the stirrings of a rapidly expanding industrial consciousness in Latin America, China and the Near East. Shall we minister to that consciousness with the services of experts and the sale of goods? Or should we consciously endeavor to prevent the industrialization of the so-called backward nations by withdrawing from the world market?

Personally, I have no question as to our decision. I shall not go into the economic arguments which are weighty. The political, security reasons are enough for me. We must trade in the most friendly way possible with Latin America because that is our back door. We must trade with England and western Europe because that is our side door. We must trade with Russia to prevent the world splitting into two hostile ideological camps. We must trade with China because the future peace of the world may depend on the friendly and sound industrial development of this great agricultural people.

We are only 140 million people in the United States even though we do have half the world's industrial power. 90% of the world is in trouble because of the war. It is not only good business and the last word in unselfishness but the highest altruism to help the 90%.

Backward Areas

Everywhere, for our own sake and the world's sake we must do our utmost to help the devastated and so-called backward nations to produce, transport and distribute goods in an ever-increasing flow to their starving, sick and underprivileged people. We cannot do the work for these peoples but we can point the way and we can furnish the "seed" capital and the knowledge of how to use "seed" capital to produce a "high standard of living" crop.

The so-called backward areas of the world have a total population of more than one billion persons. It probably will be impossible for these areas rapidly to bring about widespread education, the building of dams, the construction of highways and airports, and the building of factories without help from the United States or England. In some cases, the smaller nations of western Europe may be able to help. As we look back over the history of the world, we see only three nations which were able suddenly without extensive foreign capital to change from a primitive to an industrialized economy. These three were Germany after 1870, Japan after 1890, and Russia after 1920. The most spectacular of the three was Russia's progress, especially after 1928. But we must remember that under the Czarist regime a better foundation had been laid, especially with regard to highway and riverway communications than most people realize. Also, we must remember that in Germany, Japan and Russia it was possible to direct the sentiments of the people in a more powerful way than in the nations which permit of free democratic expression. The education of all the people was focused on limited objectives and the desired results were achieved. There will be less future conflict in the world, in my opinion, if England, and especially the United States help China to educate her people and to industrialize. We don't want China to use the methods used by Japan. There is a greater probability of a strong democratic China if we help her in the post-war period than if she follows the methods of either Japan or Soviet Russia and tries to do it chiefly by herself.

I am not saying that we should be a Santa Claus to China, or any other part of the world. We shall make fair business profits out of helping China get on the path to industrialization and we shall help, I hope, strengthen her friendship for us.

We shall build economic and cultural relations which will give us a powerful and helpful voice for peace in the Orient. But it should be made clear when we help China that we have no desire for political power in Asia. We are interested only in peace and trade, and not in opening up of the backward areas so that we may eventually exercise sovereignty over dependent peoples. We have no use either for old-fashioned imperialism or economic imperialism. But, for our own sake, we want to help the backward peoples of the world to learn the secret of the abundant life so that eventually they may stand on their own feet and contribute in their own way to an expanded world trade. In this respect I think the United States has a better record than any other great power.

Co-ordinated Investments Abroad

To improve our record and to avoid the mistakes we made after World War I, both our financiers and our industrialists must co-operate so any investments abroad may be carefully co-ordinated. Undoubtedly, the Department of Commerce and other Government agencies can be of help when it comes to discussing such problems as loans versus direct investments; whether such loans should be made by Government or by private agencies; and whether the loans should be free or tied. From time to time the larger financial concerns and the leading Government agencies in the foreign field should counsel with Congressional leaders concerning the relationship between our foreign trade policy and investments abroad, tariff policy, tourist expenditures, etc. Our Commercial Attaches abroad, working in close co-operation with the Department of Commerce and those business men interested in foreign trade, can work out a program of foreign trade promotion which will not merely make money for the business men of the United States but will be of the very greatest service to those so-called backward nations which are trying to expand their economy along sound lines.

As I think about the fundamentals of our problem, I am convinced that an important contribution can be made through Government by continuous emphasis on fundamental scientific research. This will not be to the disadvantage of any private research institutions. Quite the contrary! I have had the opportunity for many years of watching the inter-play between the fundamental scientific work in agriculture conducted by the Federal and State Governments and the research work conducted by private agricultural institutions. Private agriculture has been immensely helped, not harmed by Government. I hope to see the day when the scientific work in the Department of Commerce is enormously strengthened. It must be strengthened if in the post-war period American science is not to lose ground to Russian and English science. Every bit of fundamental scientific research sooner or later has its industrial implications, and finally its effect on exports and imports. Our economists in the Department of Commerce can, if they keep fully abreast with the latest fundamental scientific and technological developments, arrive at conclusions year by year as to the areas of the world which most need certain types of capital and certain types of commodity imports, while at the same time they can make estimates as to what the eventual exports from these areas will be if development has taken place.

I understand that the Institute of World Affairs, which is associated with the New School for Social Research, has been engaged in some such study. We in the Department of Commerce will be glad to co-operate with you in every way possible in this work, just as we shall be glad to co-operate in every way possible with those more actively engaged in the day by day transactions of foreign trade. We believe it is necessary to take into consideration both the short-run and the long distance points of view. We are glad to have the time and disposition to go into the fundamentals of what I like to call the seismology of "scienomics."

International peace and higher standards of living for the peoples of the world will depend on the intelligence with which we deal with our international economic problems. High levels of production and distribution, opportunities for new capital investment, and maintenance of full employment on a sustained basis in the United States as well as throughout the world, will depend in considerable measure on the extent to which the nations of the world are prepared to recognize their interdependence, and to co-operate in determining and achieving economic objectives that are mutually advantageous. The United States, in its own interest, as well as in the interest of the poorer nations, must be prepared to play an active role in promoting the industrialization of the backward areas of the globe. Actions, such as this, designed to increase the productivity, the purchasing power, and the standard of living of the poorer peoples of the world would not only promote worthy international social and economic objectives, but would also help assure prosperity and avoid post-war collapse at home. Moreover, and perhaps of greatest importance, achieving a sound international economic order is a fundamental prerequisite to the preservation of peace. The Bretton Woods proposals, the pending reciprocal trade and tariff legislation, and the San Francisco Conference are the types of measures that have the central purpose of establishing mechanisms and goals to permit orderly international co-operative action towards common objectives. Their objectives should have backing and active support of all persons and organizations interested in prosperity and world peace.

Looking toward the future, I wish to express it as my belief that the doctrine of "noblesse oblige" should apply not merely to individuals but also to nations. I have observed that this doctrine applied in private life usually pays the individual business man. This doctrine applied in international life will, in my opinion, pay the United States. It will pay the United States in short-time business returns, and it will also furnish the best guarantee for future peace. The one way in which the United States can effectively assist in guaranteeing the long-time peace of the world is by helping to promote economic conditions everywhere that will favor continuous growth of freedom and equality in all the lands.

Overseas Counsel Inc. To Aid Foreign Business Problems

Overseas Counsel, Inc., with offices at 15 Broad Street, New York City, has been organized to assist corporations, firms and individuals in the intelligent solution of their foreign business problems.

The men responsible for Overseas Counsel are Imrie de Vegh and Franklin Field.

Imrie de Vegh is a consulting economist with a successful practice at 122 East 42nd Street, the author of pioneering studies in interlational trade and payments. In the past Mr. de Vegh had been the economist of Scudder, Stevens & Clark, investment counsel, and assistant to the production Vice-Chairman at the War Production Board.

Franklin Field was formerly a partner in J. E. Swan & Co., New York affiliate of Swan, Culbertson & Fritz of Shanghai, Manila, Buenos Aires and Montevideo. Prior to that he was assistant Vice-President in the foreign department of the Bank of the Manhattan Co.

Business Man's Bookshelf

Bank of England, The—A history, in two volumes—Sir John Clapham—The Macmillan Co., 60 Fifth Avenue, New York, N. Y.—cloth—$7.50 per set.

Current Problems in Wage Policies—Selected references—Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

Collective Bargaining by Supervisory and Technical Personnel—Selected references—Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

Electric Light and Power Industry in the United States—A Review of 1944—Edison Electric Institute, 42 Lexington Avenue, New York 17, N. Y.—paper.

Employment Tests in Industry and Business—A selected annotated bibliography, 1945—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—50 cents.

Guaranteed Employment and Income Stabilization — Selected references — Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

International Conciliation — May, 1945—"Consensus of American and Canadian Views on the International Court of the United Nations Organization"; "Congress and the Ratification of Treaties", and "The United States and International Agreements," by Quincy Wright—Carnegie Endowment for International Peace, 405 W. 117th Street, New York 27, N. Y.

Latin American Markets—Abstracts and Annotations of a selected list of references—Business Information Bureau, Cleveland Public Library, Cleveland 14, O.—paper—10¢.

Pattern of Inflation, The—Charted study—National Industrial Conference Board, Inc., 247 Park Avenue, New York 17, N. Y.—paper—on request.

Planning for the Future—Current economic problems—Finance and the Stock Exchange—Ludwig Bendix, of Bendix, Luitweiler & Co., New York Stock Exchange members — International Press, 121 Varick Street, New York, N. Y.—$1.00.

Rough Waters—A short story of insurance and insurance brokerage, written from the layman's point of view, semi-humorous in treatment, and illustrated with sketches by Alain, the cartoonist—issued in connection with their 100th anniversary by Johnson & Higgins, insurance brokers, 63 Wall Street, New York City.

Variations in Farm Incomes and Their Relation to Agricultural Policies — Agricultural Department, Chamber of Commerce of the United States, Washington 6, D. C.—paper—may be had on request.

Robert Bourne With Conrad, Bruce & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Robert K. Bourne has become associated with Conrad, Bruce & Co., Russ Building. Mr. Bourne was previously with Geo. H. Grant & Co., and prior thereto was manager of the trading department of the local office of Merrill Lynch, Pierce, Fenner & Beane.

Domestic Politics Overshadow Security Conference Deilberations

(Continued from first page)

sumed that their purpose was to enlist such outside pressure to further their internal domestic social program. . . . The meaning of the text being obscure, the Americans in a stormy closed session succeeded in emasculating it on the grounds of either irrelevance, redundancy, or inconsistency in interfering with domestic affairs.

Unfortunately, however, the United States resultantly is again the "goat," as it was last week when it effectively blocked the projected grand promises for full employment, in properly refusing to subscribe to lofty aims pursued with impossible procedure. . . .

* * *

Each day's Conference deliberations bring additional evidence of eyes being kept on future congressional reaction to the finished charter. . . . **Fear of legislative opposition is seen running the gamut from the vital controversies over the veto power to the merest details of punctuation in drafting. . . .** It is evidenced in trusteeship agreements that must conform to our sacred national interests; in regional arrangements that must preserve the Monroe Doctrine and our inter-American relations (in the ringing words of Senator Vandenberg); in the full-employment pledge that must carry a separate guarantee of sovereignty for the benefit of the Senate; in the World Court's formulation where the vital compulsory jurisdiction provision will probably be abandoned through fear of autonomy—loss on the part of Russia and ourselves.

It is being recalled that in the past relatively mild compulsions of the original World Court were opposed by the Senate; that in 1920 and 1929 revisions were submitted to it, which it rejected and kept us out of the Court. And the general wording of the Economic and Social Council is closely following anticipation of congressional reaction.

* * *

The issue of full employment has been settled by ingenious compromise. The committee drafting the provisions for the Economic and Social Council finally used the relatively direct language that "the organization shall promote . . . full employment." This had been opposed by the American delegates who attempted to include the employment issue merely in a general way as follows: "The organization shall promote solutions of international, social, health and other related problems, including those relating to the attainment of higher standards of living, full employment, and conditions of economic and social development."

The committee turned down the United States suggestion, but in order to alleviate our concern over congressional and other domestic objection, agreed that the formal submission of the text to the full Commission shall be accompanied by a separate statement assuring noninterference with domestic affairs. . . .

This safeguard is already contained in Chapter 2 of the Charter, but it is thought that this "codicil" may be useful in reassuring our Congress. . . . Although the addendum will be buried for all general purposes, it can be cited in case of legislative trouble, and permanently used like we research among the Federalist Papers to show what the founding fathers really intended. . . .

Repeating the cleavage occurring at the Rye Conference, the British along with the Russians wanted the full employment provision very strongly and definitely spelled out, while the Americans, supported by the Chileans, argued at length for tempering the language. . . .

As first choice, the United States would have preferred that there be no provision whatever regarding full employment; as second choice, her own deviously-worded proposal, and the present provision as the most undesirable and troublesome and alternative. . . .

It is felt that the British position favoring strong reassurances of high employment has been prompted by considerations of domestic politics, enhanced particularly by her imminent crisis. . . .

The objections of the American delegation to the definite provision were based on possible interference with domestic affairs; on the controversial nature of the economics involved in the meaning of full employment, in the necessary steps to be taken, and the Wallace-type of reasoning. . . .

The business interests represented in the consultant's group here objected because of misplaced emphasis in centering attention on employment instead of production. . . . They contend that this puts the cart before the horse on a world-wide scale just as does our (Murray) Full Employment Bill domestically. . . . **It waits until trouble has definitely become evident before taking the necessary steps, instead of first helping employment by removing the hindrances to production. . . .**

The Conference Committee dealing with the functions of the Economic Council has practically completed its entire redraft of the revised text.

(1) Generally, it represents a spelling out by technicians and experts, in place of the relatively politically-minded fashioners of Dumbarton Oaks;

(2) It considerably broadens the Council's powers to act autonomously with outside specialized agencies, and member countries, including the calling of conferences. . . . The Council can make reports to, and get reports from, specialized outside agencies, directly instead of through the General Assembly. . . .

* * *

The imminent course of Reciprocal Trade Agreements extension legislation in Congress is vitally relevant to the World Organization, and is being closely followed here. . . . Final passage in the Senate without permitting further tariff reductions, or with crippling amendments would:

(A) Bode ill for the prospects for the general international cooperation which is so indispensable to the ultimate effectiveness of the Economic Council and to success by the World Organization;

(B) Prevent the establishment of two-way International Trade, forestall International Monetary stability, and undermine the Bretton Woods system. . . . Continued unwillingness to accept imports as the only means of real payment of our exports would soon make the dollar a scarce currency and upset the operations of the International Monetary Fund. . . .

* * *

Discussion with British technicians here fully confirms England's future need of loans in addition to Bretton Woods. . . . However, a difficulty with any loaning arrangement from the United States is that England's imports to a great extent come from other countries, as the Sterling Area, Canada and Argentina. . . .

* * *

The National Association of Manufacturers, which is represented here officially among the consultant's group, is supporting a renewal of the trade agreements on the present level, without further 50% reduction. . . .

American officials here feel that the closeness of the House vote, following party lines, is not significant. . . . The crux will be the Senate vote, including the Democratic Intra-Party lineup, the action on amendments—for frequently in the past emasculating amendments have been defeated only by a shade, and the Truman administration's subsequent administrative policy. . . .

* * *

A basic flaw of the Conference, coming to light increasingly, is the unrealistic reliance on word-fashioning and legal dialectics. . . . The Charter is merely an instrument whose success will depend entirely on the peaceful international spirit that is shown through the years. . . . **But belief is being fostered on the public that basic conflicts about regionalism, trusteeship, and veto prerogatives can be resolved by the ingenuity of international lawyers. . . .**

Furthermore, there is the corrollary that the verbiage already employed cannot be interpreted with agreement, which augur ill for future international meetings of minds. . . . At the invitation of the big Powers, the small nations submitted to them a questionnaire centering on the meaning of the word "procedural" as it was inserted at Yalta, and spelled out here. . . . This took the form of 22 specific, simple questions asking whether certain named functions of the Security Council are or are not. . . . Subject to the veto—involving their classification as peaceful or forceful. . . . **In the eight intervening days to this writing the big Powers have been unable to agree among themselves on the answers. . . .**

* * *

Today Dean Virginia Gildersleeve argued with General Smuts in Committee for two hours whether the words "the high contracting parties" or "we the people" better expressed the intent of the preamble which they are formulating. . . .

And parts of the territorial trusteeship plan as finally drawn are comprehensible to no one. . . . Section 2 (d) containing text "to insure equal treatment in social, economic and commercial matters," which would cover the entire problem of trade, has two saving clauses, whose net effect is to make the entire section wholly incomprehensible to its original draughtsman. . . . **If the chapter has any meaning, it is that trusteed territories can be exploited equally by all if no prior agreements exist, but if special contracts do exist then each of such special agreements with the trusteeing power will be continued or terminated on its so-called merits. . . .**

* * *

There continues to be agitation for assurance about "access to raw materials," France being the latest to ask for the inclusion of a definite guarantee. . . . But it can be reliably prophesied again that no such specification will be included in the Charter. . . . The meaning of free access is extremely indefinite and ambiguous. . . . There must be some quid pro quo for the producing territory which all usually may have the privilege of paying, but whose size and method in any event cannot be spelled out blanket-wise in a Charter. . . . And further complication exists in the fact of the transitionary process respecting the presently-mandated territories. . . .

Venezuela is pushing an amendment for "equal access to manufactured goods," which seems to typify some countries' anticipation of a United Nations WPA. . . .

* * *

Great Britain has practically abandoned her promulgation of the International Labor Office to be specified in the Economic and Social Council. . . . The British feel that the U. S. S. R., despite its antipathy toward a League of Nations affiliate, will admit the International Labor Office as an official governmental affiliated agency, with the Soviet-CIO-controlled Workers Trade Union Conference participating as a private body. . . . A further compensation for Russia in the matter may be arranged through ILO voting procedure. . . . In this tri-partite body the voting procedure now is as follows: Labor, 1 vote; government, 2 votes; employer, 1 vote. . . . **As in the Soviet the company manager is a government employee, changing the above-listed category of employer to the word "manager" will give the Russian Government three votes in lieu of two in the agency. . . .** England has been concerned neither with the fight of Russia against the ILO and the League of Nations, nor in the American AFL-CIO feud. . . . Hence she is backing the International Labor Office for the world organization on its merits. . . . This she does because: (1) British labor likes it for the job it has done in promoting labor standards throughout the world. . . . Thus it even has the acknowledged approval of the radical Walter Citrine. . . . (2) Business interests also like it because they are included. . . . (3) Participation in the World Organization will give its decisions greater prestige. . . .

* * *

On the other hand the National Association of Manufacturers, officially represented at the Conference, wants the International Labor Office dissolved and supplanted by two separate agencies representing labor and business. . . . In the first place, the NAM contends that there is great confusion over the name. . . . The agency originally was intended to concern itself exclusively with labor matters such as hours of work and working conditions, standards of living; but gradually extended its activities into business, because there was in the League no provision for a business body. . . . **The NAM further opposes the ILO as a tri-partite organization because of the inducement to intra-agency strife. . . .** Each representative acts in bidding for the support of the government member, instead of looking for real solutions to problems for the public interest. . . . It is felt that the tri-partite technique thus makes for a scrambled organization. . . .

Hence the NAM is proposing that there be two organizations: A World Department of Commerce and a World Department of Labor. . . . They would be opposite numbers. . . . The Department of Labor would be exclusively handled by Labor interests as its own agency. . . . The functions of the Commerce body would be fact-finding and recommendatory, and a depository for trade agreements and treaties. . . . **In line with its free-competition philosophy, the NAM wants such a business agency to draft agreements to halt the spread of cartels, and eventually to retire those already in existence—all of which legally could presumably come within the purview of the new Charter. . . .**

* * *

As this Conference approaches termination, increased thought is being devoted to the need for Post-Conference continuity. . . . It is assumed that the Charter will not be generally ratified within at least 12 months. . . . In anticipating the Economic and Social Council activities, a so-called "Interim Commitee" could be established, under whose aegis would be bracketed agencies which will come in later, like the International Bank and the Fund; the Trade and Labor organizations; the Food, Health, and Labor agencies. . . . These agencies can be established on their own feet, and pursuant to their own Charters, and Chapter 9 of the World Organization, can easily be tied into the Organization as soon as it is ready to begin functioning. . . . If the United States is foreclosed from paying the interim expenses (although at least moderate amounts can be secured from the President's Special Fund, as did F. & A.), the seat of the agencies can be maintained if other countries who can advance the monies on a loan basis. . . .

Meanwhile suggestions for further conferences are being made. . . . France has formally proposed one on cultural matters during the summer. . . . Brazil and China today asked to have reported a formal declaration that a General Conference be convened within the next few months for the establishment of a permanent Health Organization. . . . **Although our current Conference's frame of reference does not cover the calling of additional conferences, the appropriate Committee unanimously expressed approval, and there is little doubt of their being held. . . .**

* * *

With regard to absorption of the League of Nations resources in the future, it is felt here that that question must be decided both by the interim organization and by the permanent World Organization. . . . It is anticipated that at least much of the League's resources will be used, but that the absorption of the staff as such is only a theoretical question. . . . Personnel will presumably be considered on its individual merits. . . . Of course many of the League staff unfortunately are not citizens of the new group of United Nations.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 2394)

& Co., 120 Broadway, New York 5, N. Y.

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

Christiana Securities — Bulletin **Laid, Bissell & Meeds**, 120 Broadway, New York 5, N. Y.

Consolidated Edison Co. of New York—Analytical study—**Kidder, Peabody & Co.**, 17 Wall Street, New York 5, 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.**

Federal Water & Gas Corp.—Study of liquidation proceedings —**Sills, Minton & Co., Inc.**, 209 South La Salle Street, Chicago 4, Illinois.

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

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

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.**

Globe American Corp. — Brochure discussing attractive position and post-war outlook—**Kneeland & Co.**, Board of Trade Building, Chicago 4, Ill.

Howell Elec. Motors—Circular —**Adams & Co.**, 231 South La Salle Street, Chicago 4, 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, 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.**, 225 East Mason Street, Milwaukee 2, Wis.

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

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.

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle— write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Seaboard Railway Company— Complete arbitrage proposition on request—**Sutro Bros. & Co.**, 120 Broadway, New York 5, N. Y.

Segal Lock—Post-war outlook— **Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

Sheller Manufacturing Corp.— Descriptive memorandum—**Ames, Emerich & Co., Inc.**, 105 South La Salle Street, Chicago 3, Ill.

Standard Dredging Corp. and Subsidiaries—Analysis of outlook —**Brailsford & Co.**, 208 South La Salle Street, Chicago 4, Ill.

TACA Airways SA.—Discussion of attractive prospects for return and appreciation—**Ward & Co.**, 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scovill Mfg.; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hortford-Empire; Maine Central Pfd.; Moxie; Southeastern Corp.; United Piece Dye Works; Detroit Harvester; Boston & Maine; Buda Co.; Federal Machine & Welding; Gleaner Harvester; Liberty Aircraft Products; Lamson - Sessions; Berkshire Fine Spinning, Bowser, Inc.; New Jersey Worsted; Mohawk Rubber Co., and **P. R. Mallory.**

Tide Water Power Co.—Analysis—**Ira Haupt & Co.**, 111 Broadway, New York 6, N. Y.

Van Dorn Iron Works—Report —**Hughes & Treat**, 40 Wall Street, New York 5, N. Y.

Wellman Engineering Co.—Descriptive circular — **Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

Whiting Corp.—Special report —**J. Arthur Warner & Co.**, 120 Broadway, New York 5, N. Y.

Clyde Poreclain Steel Bond Issue Offered

Kobbe, Gearhart & Co., Inc., and Newburger & Hano on May 29 offered $500,000 15-year 5½% mortgage sinking fund convertible bonds due April 1, 1960, of the Clyde Porcelain Steel Corp. The bonds are priced to the public at 100% plus accrued interest.

Of the proceeds to be received from the sale of these bonds, $150,000 will be used for additions to present plant facilities; $100,000 will be used for additional equipment, and the balance will be added to working capital.

The bonds are convertible at the option of the holder into common stock on the basis of 20 shares of common for each $100 principal amount of bonds for conversions made up to and including April 1, 1950; 15 shares of common up to and including April 1, 1955, and 10 shares of common thereafter to maturity.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2394)

noticeable that the rails either stood still or showed a tendency to go up.

This was the first time in weeks that the rails displayed that kind of action. Up to then they were in the forefront of any decline. During any rally the rails stood still. For some reason Thursday showed rails in a different light. Traders who watch the tape saw in this a clue as to the direction of the next move.

Further confirmation of this reversal came the following day, Friday. For on that day the industrials hit the 164 level at least two more times. The first was at 11 a.m. and again at 1 p.m. By the time 3 p.m. rolled around they were across 165. During the same hours the rails were acting still better. After having closed Thursday at 55.97, they opened Friday at 56.15 and finished with 57.02, having made a high during the day of 57.15.

Monday saw almost a repetition of the last few hours of the previous week, except that the rail leadership which had previously given minor signs of taking over now really pushed to the fore. Monday's close saw the rails at 58.29—a new high.

As if not to be caught lacking at this point, the industrials also got into the race. Before Monday was over they had hit 168.75 and closed at 168.21. No longer were there any indications of divergence. Both averages acted as a unit. Both made new highs.

All this flip-flop shows at least one thing—so far as the industrials are concerned. The 164 point which they hit a number of times is apparently a level to be reckoned with. What made them hold at that point is something else again. But that they would hold was indicated by the action of the other average—the rails. For, you may recall it was the rails which pointed to lower all-around prices. It is possible that the ICC decision of two weeks ago changing sectional freight costs was the piece of news the rails were anticipating in their setbacks. When the news became public the rails stopped going down. And once the pressure was off they started up.

In last week's column, I wrote that "a market which has indicated a move in a certain direction will paradoxically move in the opposite direction." You saw this happen in the past week. Applying what seems to be logic based on past performance, bullish indications should now go the other way. It is possible that they will work out that way. I don't however see any such indications at this writing. Frankly I don't see much of anything right now but some hesitation and then more up. There is one thing that may upset the whole thing; the amount of buying the public is willing to do. It isn't any secret that many people sold on the last reaction in the expectation of still lower prices. Most of these sellers are now waiting to re-enter the market at lower levels. Rank and file is seldom patient. And with present action patience becomes extremely hard to exercise. So it is possible that the waiters-for-lower-levels will jump in here. In any event I think it's wisest to wait and see. Meanwhile you have a nice profit in at least one stock—Hudson Motors. You bought it at 18; stopped out at 28, giving you a profit of about 10 points. You still hold Jones & Laughlin at 29 with a stop at 30; U. S. Rubber at 56 with a stop at 57. Latter hit twice but didn't break. Last is U. S. Steel at 56 with a stop at 65. Hold all positions.

* * *

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.]

Eversharp Inc. Debentures Placed on Market

Lehman Brothers and associates on May 25 offered $3,000,000 Eversharp, Inc. 4½% cumulative convertible income debentures, due May 1, 1965, at 103 and accrued interest from May 1. The debentures are convertible into common stock at $40 per share. Other members of the offering group are: Bacon, Whipple & Co., Blyth & Co., Alex. Brown & Sons, Eastman, Dillon & Co., Hallgarten & Co., Ira Haupt & Co., Joseph & Co., Merrill Lynch, Pierce, Fenner & Beane; Irving J. Rice & Co., I. M. Simon & Co. and Stix & Co.

Practical Aspects of Foreign Trade Financing

(Continued from page 2391)

lishment of an International Bank for Reconstruction and Development and for an International Monetary Fund. The purpose of the bank is to make long term productive foreign loans out of its own funds and to guarantee such loans made through the investment market. The purpose of the International Monetary Funds is to assist member countries to maintain stable exchange rates and to eliminate restrictions on trade such as foreign exchange regulations, quotas, import embargoes, multiple currency arrangements and other harmful practices. The Bretton Woods agreements now before Congress have been widely discussed in the press and by financial and trade organizations. These proposals deal with the broad international problems of post-war financing and of exchange stability. My discussion today is devoted to our own problems in the financing of our foreign trade.

Most countries will be able to finance their purchases here with the accumulated large stocks of gold and foreign exchange, the total of which is now estimated at twenty billion dollars, four times larger than at the end of the last war. These funds together with the dollars created through our imports which should reach ten billion dollars per annum in goods and service, will furnish the money for purchases in our country. The gold and foreign exchange holdings are, of course, not evenly distributed between all countries. The Latin-American countries have now reserves of about three and one-half billion dollars. The largest reserves of gold are accumulated by Argentina—939 million dollars, Brazil—297 million dollars, Mexico—220 million dollars and Uruguay—148 million dollars.[1] Large accumulations of gold and foreign exchange are held by Switzerland, the Netherlands, France, Sweden, Turkey and others. Not all of the European countries, however, will be able to re-establish their foreign trade without outside assistance, particularly countries that have suffered most from looting by the Germans.

The Board of Economic Warfare estimated in 1943 that the Nazi spoils from conquered countries have reached thirty-six billion dollars by the end of 1941. The Nazi authorities have followed up each conquest of a nation by ordering all inhabitants to report their holdings in foreign currency, securities and participations in foreign companies, including banks. These were transferred to the National Bank of the Country and the National Bank was placed under the German Reichsbank. There was hardly a bank in Nazi conquered Europe that was not a subsidiary of the German banking system. They had reached down to every small depositor, every small shareholder and even all safety deposit boxes. Their methods included the acquiring of shareholdings, the creating of companies of mixed German and native ownership and the manipulation of credit and clearing arrangements. They have obtained control over the industries of Europe through the banks which normally participated in enterprises through share ownership.[2] It is doubtful whether all this property can be traced and returned to the rightful owners.

[1]The Monetary Bulletin of Statistics No. 1A, 1945, League of Nations Economic and Financial Department, Princeton, New Jersey.

[2]Victory Bulletin, Office of War Information, May 19, 1943.

Normal Foreign Trade Financed by Banks

While financial assistance for the re-establishment of the economy of affected countries will require international arrangements, normal export and import transactions will be financed by banks. It is a more desirable arrangement than government financing since in private trade, each transaction must be of a self-securing and self-liquidating character. A bank extending a loan carefully considers the capacity of the buyer to pay on the agreed terms. There are ample commercial banking facilities in our country for the financing of post-war foreign trade. Our deposits have reached an all-time high mark and we can extend commercial credit with great ease. The acceptance capacity of our banks exceeds two billion dollars and as the average acceptance runs for a period of three or four months, our banks can furnish acceptance accommodations in excess of six billion dollars yearly for the financing of exports and imports.

Banking facilities will be extended through the establishment of Letters of Credit, the discounting of bills and through warehouse financing. Letter of Credit financing will play an important role in our post-war trade, as it is an arrangement advantageous to all concerned. It enables the seller to obtain funds as soon as shipment is made, it enables the buyer to obtain credit for the financing of the transaction by the use of the purchased boods as security and it provides the cheapest method of financing the movement and distribution of commodities. A Letter of Credit is a flexible instrument and can be arranged to finance goods in transit, or during the time required for distribution through the channels of trade, or to furnish funds for the purchase and assembling of the goods by the shipper. The standard Red Clause in Letters of Credit permits advances to shippers against their receipt and undertaking to furnish shipping documents before the expiration of the credit. The Red Clause can be so arranged to permit the advance of funds for the manufacturing and processing of goods. In recent years, because of the lack of transportation, export Letters of Credit frequently authorized negotiation against a Certificate of Manufacture. This type of Letter of Credit enables the manufacturer to receive payment as soon as the goods are ready at the factory.

An exporter shipping under an irrevocable Letter of Credit must, however, carefully examine his credit and be certain that he can furnish the stipulated documents in the form described. A Letter of Credit is an undertaking by a bank to pay if certain conditions are fulfilled, and unless the conditions are carefully followed, it affords no protection. The bank has no discretionary powers and must follow the instructions of the buyer. Lack of careful consideration of the requirements of the credit by the exporter and failure to present the documents in the forms specified may lead to disputes and losses.

The courts in this country and in England have repeatedly held that the person who ships in reliance on a Letter of Credit must do so in exact compliance with its terms. They also held that a bank is not bound or entitled to honor the drafts unless the accompanying documents are in strict accord with the credit as established.

An importer purchasing goods abroad under an Import Letter of Credit must base the transaction upon his confidence in the seller because the bank establishing the credit agrees to pay upon presentation of documents, not goods. Banks assume responsibility only for the documents required by the buyer and will not honor drafts unless the documents are in strict accord with the terms of the credit, they assume no responsibility for the quality or quantity of the goods. Banks, as a rule, limit their liability with regard to the merchandise by inserting in the Letter of Credit agreement, signed by their customer, a clause reading approximately as follows: Neither you (the bank) nor your correspondents shall be responsible for the existence, character, quality, quantity, condition, packing, value or delivery of the property purporting to be represented by the documents, or for any difference in character, quality, condition, or value of the property from that expressed in the documents.

The importer, however, through proper documentation, can minimize these risks. He can request a Weight Certificate issued by a competent agency. He can appoint a representative to examine the merchandise and can incorporate in the Letter of Credit a request for a Certificate of Analysis or Quality by the designated person. Documents of this latter type have been obtained in some instances, and if this practice schould be adopted, it may become the function of special international organizations to examine and certify shipments. The Certificate of Quality may eventually become a standard document that will be required by importers as well as by banks.

It is obvious from the foregoing that the best protection of the exporter and importer is the integrity of the buyer or seller, whose credit and moral standing should be carefully checked before relations are established and periodically checked thereafter.

Very few foreign merchants supply statements as to their financial responsibility and information must therefore be obtained from indirect sources. There are several concerns in the United States that supply such information. Banks maintaining foreign departments, as a rule, are in a position to check foreign names. They either maintain their own files or can obtain the required data from their correspondents. A good source of credit information is the Commercial Intelligence Unit of the United States Department of Commerce, which maintaines files on some 800,000 commercial establishments abroad.[3]

Foreign Trade Controls

In dealing with foreign buyers and sellers, consideration must be given to outside influences, such as the political and economic situation of the country, commercial laws and foreign exchange regulations. It is frequently found that even when the buyer is of good standing and pays promptly for his purchase, foreign exchange restrictions prevent the remittance of the American dollars to the exporter. Prior to the war, thirty-eight nations had imposed restrictions of one nature or another which have materially affected trade between nations. These countries arbitrarily prevented payment for current commercial transactions by restricting the transfer of funds. They have entered into exclusive commercial agreements and barter transactions, special tariff adjustments, and specific agreements. In 1933, there were 180 such agreements between countries governing all phases of international trade. In June of 1933 two countries entered into an agreement, trading tourist revenue for imports of hogs, the basis being $40 per hog and $60 per tourist.[4]

Germany was one of the first countries to establish an elaborate system of quotas, restrictions and special types of currencies for foreign trade. In 1938, there were sixteen kinds of German Marks and the use of each was subject to elaborate regulations.

The removal of control measures on the transfer of funds and restrictions on imports are essential to normal foreign trade. However, we cannot expect a sudden change-over because the period following the war will be dominated by scarcity of materials and the necessity of using available funds and credit for most essential needs. We must, therefore, anticipate that certain control measures will be retained until the machinery of international trade adjusts itself to new conditions.

Interesting opinion with regard to Government controls was expressed at the International Business Conference held in November, 1944, at Rye, New York, at which 52 nations were represented. The report of the Section on Commercial Policy contained the following statement:

"In the post-war transition period many of the restraints to which productions, distribution and consumption have been subjected during the war period may have to be retained, particularly in those countries which have suffered severely during the war. It is essential, however, that this period should not be prolonged to a point where control is maintained for control's sake."

The need for relaxing the restrictions on trade throughout the world is recognized by our Congress. The Special Committee on Post-war Commercial Policy and Planning suggested, in a recent report, that an International Business Conference be called as soon as practicable to consider not only reduction of tariffs but also the removal of controls that interfere with the movement of goods between countries.

We are entering the post-war era with a better understanding of the requirements of the rest of the world. We possess more knowledge than we did after the last war, and there is closer international co-operatiton. Let us hope that our future foreign trade will be conducted on a realistic and sound basis and that the establishment of a durable peace will make it possible for the entire world to raise the standard of living and provide full employment through mutual confidence and assistance.

[3]Foreign Commerce Weekly, U. S. Department of Commerce, Aug. 5, 1944, p. 8.

[4]Address by George N. Peck, Foreign Trade Conference, Chicago, October 17, 1934.

From Paris to New York in Two Hours—Predict French Engineers

Paris to New York in two hours! Incredible? Not at all.

At the recent Aviation Conference, in Paris, a noted French engineer predicted that soon stratosphere planes with cruising speeds of more than 1,000 miles per hour would be able to accomplish this feat. Not only would passengers cross the Atlantic in this brief time, but freight could also be carried either by a convoy of gliders attached to a jet or rocket plane or by giant freight planes. In this way perishable goods could be safely exported in the shortest possible time.

Already undergoing final test flights at the French naval base of Biscarosse, under the supervision of Chief Pilot Crespy, the Latecoere 631, a huge six-engined hydroplane, will soon be in operation between Paris and New York. Not a stratosphere model, the Latecoere will require 24 hours to cross the Atlantic. She will carry 40 passengers, a crew of 10, 6,614 pounds of freight, and several hundred pounds of luggage.

The first model of this 10,000-horsepower plane was stolen during the occupation by the Germans and taken to Lake Constance for testing. There it was blown to bits by Allied bombs. Meanwhile a second model was carefully dismantled in the factories of Toulouse and the parts carefully hidden in the home of a French admiral in a suburb of the city. After the liberation the hidden model was reconstructed for testing. Today six others are being constructed as the nucleus of a safe and luxurious trans-Atlantic passenger air line.

Plans are also being made for large-scale production of jet and rocket propelled planes. As early as 1938 jet and rocket motors had already been studied and built for the French Navy, but war and German occupation interrupted scientific research in this field.

With G. Brashears & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Hyrum R. Archibald** is now associated with **G. Brashears & Company**, 510 South Spring Street. Mr. Archibald was previously with Bancamerica Company and First California Company.

Real Estate Securities

(Continued from page 2395)

1934	$9,916.32
1935	39,993.69
1936	34,910.89
1937	8,827.65
1938	15,622.16
1939	21,079.15
1940	22,577.15
1941	24,396.15
1942	32,064.88
1943	7,193.25
Total	$216,581.29

On Dec. 29, 1944, there was paid unto the Sequestrator the sum of $20,000 on account of these delinquent taxes, thereby reducing the delinquent tax liability to $196,581.29.

Percentage of occupancy above the first floor on Dec. 31, 1943, was 59%.

Percentage of occupancy above the first floor on Dec. 31, 1944, was 84.46%.

Percentage of occupancy on Dec. 31, 1944, for the entire building was 86.08%.

On April 27, 1944, the Court of Common Pleas No. 5 of Philadelphia County, as of December Term, 1937, No. 16343, appointed a Sequestrator of rents, issues and profits from the said property, under the Act of Map 16, 1923, P.L. 207, as amended by the Act of 1935, P.L. 373.

Report of Income and Disbursements

	Gross Receipts	Operating Expense	Net Income	Insurance, Taxes, etc.	Cash Balance
Sept. 1, 1936	-----	-----	-----	-----	$5,725.52
Sept. 1, 1936, to Dec. 31, 1936	$30,169.45	$18,739.61	$11,429.84	$12,603.39	4,551.97
Year 1937	86,489.44	54,583.76	31,905.68	36,492.96	*35.31
Year 1938	83,003.21	56,885.89	26,117.32	26,249.93	*167.92
Year 1939	80,399.00	54,657.01	25,741.99	24,172.30	1,401.77
Year 1940	78,543.27	58,136.84	20,406.43	20,807.11	1,001.09
Year 1941	71,344.01	56,440.39	14,903.62	15,985.25	*80.54
Year 1942	96,416.93	82,511.47	13,905.46	8,863.99	4,960.93
Year 1943	112,043.83	69,333.86	42,709.97	31,390.04	16,951.26
Year 1944	125,030.24	75,710.25	49,319.99	56,094.31	10,176.94

*Denotes red figures.

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.

SATURDAY, JUNE 9

HAYDOCK FUND, INC., has filed a registration statement for 20,000 shares of capital stock (no par).

Address—1201 First National Bank Building, Cincinnati, O.

Business—Investment company of the diversified, open-end, management type.

Underwriting—None named.

Offering—Shares are issued at the existing net asset value.

Proceeds—For investment.

Registration Statement No. 2-5749. Form S-5. (5-21-45.)

MONDAY, JUNE 11

FIDELITY INVESTMENT ASSOCIATES, INC., filed a registration statement for 15,949 shares of capital stock, par $10.

Address—60 State Street, Boston, Mass.

Business—Investment company.

Management—Subject to the general supervision of its board of directors, the investments of the corporation are under the management of Carret, Gammons & Co.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5750. Form S-5. (5-23-45.)

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.

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.

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.

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 warrants 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.

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.

MORRISON-KNUDSEN CO., INC., April 12 filed a registration statement for 4,000 shares series M 5% and 3,000 shares series N 6% cumulative preferred stocks both $100 par value.

Details—See issue of April 19.

Offering—The preferred stock will be sold at par.

Underwriters — Wegener & Daly, Inc. Idaho, is underwriter for the preferred stock.

NU-ENAMEL CORP. on March 30 filed a registration statement for 50,000 shares 60-cent cumulative dividend convertible preferred stock, par $5.

Details—See issue of April 5.

Offering—Company is initially offering new preferred to holders of its common stock for subscription at $10 per share on basis of one share of preferred for each 6½ shares of common. Unsubscribed shares will be offered to public by underwriter at $10 per share.

Underwriters—Floyd D. Cerf Co. of Chicago, 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.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

FRED B. PROPHET CO. April 17 filed a registration statement for 100,000 shares of common stock (par $1). Shares are issued and outstanding and are being sold by Fred B. Prophet, President, Treasurer and Director.

Details—See issue of April 26.

Offering—Of the shares registered the underwriters have purchased 86,500 which will be offered to the public at $6.25 a share. The remaining 13,500 shares will be offered by Mr. Prophet to officers, directors and employees of the corporation at $5.25 a share. Any of the 13,500 shares not purchased by such officers, etc., will be purchased and offered to the public by the underwriters at $6.25 a share.

Underwriters—Smith, Hague & Co., Detroit, and Straus & Blosser, Chicago, are named principal underwriters.

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.

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.

The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Details—See issue of April 26.

Offering — Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

Underwriters—To be filed by amendment.

SOUTHWESTERN INVESTMENT CO. on March 12 filed a registration statement for 12,500 shares preferred stock, convertible, no par, non-participating with cumulative dividend rights of $1 per share per annum, and 60,000 shares of common, no par. Of the latter 20,000 shares is to be reserved to meet conversion requirements of the preferred.

Details—See issue of March 15.

Offering—Holders of the $1.20 preferred stock have been given the option to exchange their stock on a share for share basis for the $1 preferred stock. Any of the $1 preferred not issued in exchange will be offered to the public at $20 per share. Corporation also is offering 11,822 authorized but unissued shares of common at $12.50 per share.

Underwriters—None named.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

Details—See issue of March 29.

Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

Underwriters — Floyd D. Cerf Co. is named principal underwriter.

Hearings on stop order proceedings were held before the SEC on April 25.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Herbert C. Glover** has become associated with **Dempsey-Tegeler & Co.**, 407 North Eighth Street. In the past Mr. Glover with with Francis, Bro. & Co. for a number of years.

Broker-Dealer Personnel Items

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

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — **Clyde T. Edgington** has been added to the staff of **Boston Commonwealth Corporation**, 9631 Wilshire Boulevard.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — **Irwin Spivey** has become connected with **Merrill Lynch, Pierce, Fenner & Beane**, 9520 Santa Monica Boulevard. Mr. Spivey was previously with E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**John P. Higley** has rejoined the staff of **Hayden, Miller & Co.**, Union Commerce Building. Mr. Higley has recently been serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

FORT WAYNE, IND.—**William T. Scheiman** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Old First Bank Building.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — **Larry C. Lawrence** is with **Thomas Darst & Co.**, Southeastern Bldg.

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, CALIF. — **William DeMyer Rains** is with **Merrill Lynch, Pierce, Fenner & Beane**, 6361 Hollywood Boulevard.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The upward trend in Government bond prices continued through Tuesday, May 22nd. . . . Following the announcement of the resignation of the British wartime cabinet on Wednesday, May 23rd, the market turned down. . . . Profit taking was in evidence until near the end of the week, when the market improved as buying came into the longer taxable 2½s as well as the restricted obligations. . . .

The best acting issue in the market was the restricted 2¼s due 1956/59, which made a new all time high of 103 11/32nds and continued to be in demand at about that level. . . . The 2½s due 1967/72 also went to new all time high levels. . . .

SWITCHING

It was reported that switching was going on out of the 2s due 1949/51 and the 2s of 1950/52 into the 2¼s due 1956/59 by the savings banks, with some of the commercial banks selling these shorter 2s and reinvesting the proceeds in the 2s due 1952/54 and the 2½s dut 1967/72. . . .

PARTIAL EXEMPTS WEAK

The intermediate maturities of the partially exempts showed minor declines as did the longer maturities of these bonds. . . . It was reported that the insurance companits have been letting out some of these securities, with the commercial banks the principal buyers. . . .

Indications are that the supply of the partially exempts available for sale have increased recently, although trading so far has not been too heavy in these bonds. . . .

A somewhat easier tone was evident in both the notes and the certificates since these securities are still being sold with the proceeds being put to work in the intermediate and longer maturities of the taxable bonds. . . .

INVENTORY BUYING

According to reports dealers continue to build up inventories with positions being taken in practically all issues, ranging from the shorter to the longest maturities. . . . The figures on loans to brokers and dealers for carrying Government bonds, by the member banks, have shown an increase for the last seven weeks with a substantial jump reported for the week ended May 16th. . . . New York City member bank loans to dealers have been on the climb for the past eight weeks with a rise of $200,000,000 being reported for the period ended May 23rd. . . .

It was learned also that the dealers are in the process of making up their minds as to which of the two restricted issues, the 2¼s or 2½s, they will subscribe to in the larger amount during the drive. . . . Present indications are that the 2¼s will be the favored security in the drive subscriptions of this group. . . .

NEW YORK CITY BANKS

The New York City member banks were heavy buyers of Government bonds, according to figures made available for the week ended May 23rd. . . . Bills, certificates and notes were sold. . . . These institutions borrowed from Federal, in a substantial way, to add $141,000,000 of Government bonds to their holdings. . . . Some of these purchases were made during the period of the market decline, indicating that these banks took advantage of the price recession to build up their positions in the longer maturities. . . .

The sharp rally in the prices of Government bonds from May 17th, through May 22nd, was evidently due in a large measure to the buying of the New York City reporting member banks. . . .

The fact that these institutions borrowed $139,000,000 from Federal, to add to their holdings of Government bonds, along with the dealers, who increased their loans by $200,000,000 to build up inventories, probably means that the prices of May 15th will be an important resistance level to further declines. . . . This assumes, of course, no change in the Treasury's policy of financing. . . .

MAY 15TH PRICE BASE

It has been indicated for some time that investable funds were waiting for a market sell off to go to work, and that point evidently was reached on about May 15th. . . .

As a result the opinion is held that the prices of May 15th are the levels at which the banks and dealers will begin to add to their holdings and positions, in the event of a market decline. . . .

The prices at which some of the "trading favorites" sold at on May 15th are as follows:

2%	due	9/15/51/53	102.22
2%	due	6/15/52/54	102.22
2%	due	12/15/52/54	102.22
2½%	due	3/15/56/58	106.18
2¼%	due	9/15/56/59	102.26
2½%	due	9/15/67/72	103.7

SHORT TERMS LOSE FAVOR

The trend away from the shorter term low interest bearing issues into the longer term high coupon bonds has been going on for quite some time. . . . This is very evident in a comparison of the holdings of the New York City member banks at the close of the Sixth War Loan with those of May 23rd. . . . These positions show the following:

Security—	Dec. 20, 1944	May 28, 1945	Changes
Bills	$483,000,000	$117,000,000	—$366,000,000
Certificates	3,501,000,000	3,413,000,000	— 88,000,000
Notes	3,377,000,000	2,596,000,000	— 781,000,000
Bonds	7,789,000,000	8,386,000,000	+ 597,000,000

Holdings of bills are at the lowest point since the Sixth War Loan, with certificates below those reported at the end of the last drive despite an increase of more than $4 billions in the amount outstanding. . . . Notes are down sharply, a substantial part of which is due to retirements. . . . Nevertheless it is indicated that these institutions sold notes in addition to those lost through the repayment. . . .

Bonds were the only classification to show an increase. . . . These banks have been heavy buyers of Government bonds in the last five weeks. . . .

LONG-TERMS PREFERRED

For the week ended May 23rd, the New York City member banks reported a decrease of $13,000,000 in Government guaranteed obligations, indicating that these institutions sold some of their Home Owners' Loan 1½s. . . . The sesecurities have been called for payment on June 1, 1945. . . . It was reported that the banks let out these securities when the Treasury announced on May 20th that the Series "D" 0.90% notes due July 1, 1946, would be offered in exchange for the called Home Owners' 1½s. . . .

The banks evidently believe that there will be plenty of short term issues available in the future and took advantage of the opportunity to do their own refunding by investing the proceeds from the sale of the called obligation in the longer term higher coupon issues. . . .

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