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Long-Term Political Factor Governs Conference

By A. WILFRED MAY

Special Correspondent of the Commercial and Financial Chronicle

Big Power Domination Seen As a Permanent Concept. United States Protected Against Trade Discriminations. Charter Improved Over Dumbarton Oaks Version. Many International Parleys Imminent. Interim Organization to Start Functioning Next Week.

SAN FRANCISCO, June 20—Although the principle governing the United Nations Conference has been stated again and again, that it shall concern itself only with laying out general machinery in lieu of specific provisions, nevertheless, worldwide political problems have day by day exerted ever greater influence over the show. . . . The Polish Controversy has undoubt-

A. Wilfred May

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Pictures of the New York Security Dealers Association Annual Outing appear on pages 2740, 2741 and 2742

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Reconversion Price Controls

By CHESTER BOWLES*

Administrator, Office of Price Administration

Asserting That Price Controls Must Be Removed When the War Emergency Is Over, Mr. Bowles Proposes Pricing Programs Separated Into Three Categories; viz: (1) Industry Wide Price Ceilings Which Would Account For "Increases in Basic Rate Schedules of Factory Workers and Increases in Prices of Materials and Parts" Occurring Subsequent to 1941; (2) Individual Price Adjustments in Cases Where Concerns' Total Costs "Are Out of Line With Rest of Industry," After Foregoing Increased Costs Over 1941 Have Been Added; and (3) Permitting "Small Reconverting" Firms With Volume Under $200,000 to Compute Their Own Ceiling Prices "On Stream Line Form" for Approval.

Who, five or six years ago, foresaw the miracle of production that we have developed? Who foresaw the avalanche of planes, tanks, and guns that has snowed under the Nazis and will as certainly snow under the Japs?

Chester Bowles

In the last war we increased our industrial production by only 25%; farm production by only 5%. In this war industrial production has more than doubled, while farm production is 35% higher than before the war. This industrial and farm torrent of production has enabled us to fight an all-out war—and to have a lot of our comforts, too.

Five years ago we didn't know our own strength. But we know it now, and we shall never again

*An address by Mr. Bowles before the Hartford Chamber of Commerce, June 15, 1945.

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The New Realism

By ROBERT M. HUTCHINS*

President of the University of Chicago

Branding the Rise of the New Realism as the Conquest of the United States by Hitler Dr. Hutchins Sees Moral Confusion and Intellectual Disintegration in the Present Implacable Attitude Toward and Condemnation of the Whole German and Japanese Peoples. While Insisting That Criminals and the Guilty Must Be Punished in a Legal Manner, He Pleads for Merciful Treatment of the German and Japanese Peoples and Their Inclusion in a World Community. Recalls Errors in Civil War Reconstruction Days by Not Following the Benign Policy Advocated by Lincoln.

The most distressing aspect of the world into which you are going is its indifference to the basic issues, which now, as always, are moral issues. The discussion of the questions on which our fate turns is not even conducted in moral language. The word security, which is the great word today, has no moral significance; for the worst men can, and usually do, want it. The words peace, justice, cooperation, community, and charity have fallen out of our vocabulary. They are, in fact, regarded as signs of weakness and as showing that the one who uses them is guilty of the capital crime of modern times, lack of realism.

Robert M. Hutchins

The rise of the new realism was

*An address by Dr. Hutchins before the graduating students at 221st Convocation of the University of Chicago, Chicago, Ill., June 15, 1945.

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Destructive Influences Of Price Controls

To Retain Price Controls Until Inflation Dangers Disappear Is to Destroy the Effective Weapon Against Inflation—Increased Production. Continued Price Controls Mean More Subsidies Paid for by Consumers in Taxes, While Not Remedying Shortages and, at the Same Time, Deranging Important Commodity Price Ratios So Essential to Flow of Commodities. With Labor and Raw Materials Costs Far Advanced, There Can Be No Proper Adjustment in Finished Goods Prices Unless the Price System Operating Under Natural Forces, Creates Equilibrium in Supply and Demand Forces, and Thereby Curbs Inflation.

The end of the war in Europe and the hope of an end of the war in Asia in the not very distant future have raised the question of what is to be done with the hold-the-line program and when. The official "party line" on the subject appears to be that price control must continue until the danger of inflation has passed, that is to say, until control is no longer needed to prevent prices from rising. Then, but not until then, should price regulation be discontinued.

This seems to us an unworkable program resting upon untenable assumptions. We think that danger to the war effort and the possibility of real hardship to some element or elements in the population, not the likelihood or fear of "inflation," are the only warrant

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Price Controls

By ARTHUR LOWE

Writer Contends That, With Allocation and Rationing, There Is No Need for Price Ceilings and Says That Permitting Semi-Luxuries to Reach Exorbitant Prices, the "Inflationary Gap" Is Lessened and More Taxes Received. Criticises Retail Price Fixing as Favoring Inferior Goods and Encouraging Black Markets. Says OPA Policies Now Are Based on Profit Control, and Maintains That Continuation of Controls After War Not Needed to Prevent Inflation Since "There Will Be No Rush to Pay Excessive Prices." Sees Contradiction in Controlling Prices to Reach "Solid Economic Ground," Since Control Itself Impedes Free Play of Economic Forces Essential to "Solid Economic Ground," Advocates No Price Controls Over Reconverted Civilian Goods.

As long as the conflict with Japan continues, price controls, re-oriented to eliminate OPA's social concepts of profits limitation — should be continued over all war essentials and those factors required in the production of war material. But there is no place, either during the reconversion period or in peacetime, for price controls upon the goods and services produced for civilian use. On such items price controls should be abandoned forthwith. Unless they are abandoned there can be no free market, and until a free market is re-established there can be no free economy in America.

Arthur Lowe

Throughout the war period the acquisition by the government of approximately half the total national output has exerted powerful inflationary pressures upon both sides of the price equation—on the one hand by reducing the supply of goods and services available, and on the other by the government's failure to draw off through taxes an equal proportion of the increased purchasing power. Moreover, at the President's request Congress excluded wages from the coverage of the Act. And finally at Congressional insistence the statute gave the Price Administrator only limited control over agricultural prices. Lacking the authority necessary to control these major economic forces, an authority still denied it, the OPA could become, at best, only a stop-gap expedient. That is what it has been for the duration. In reality the Administrator has attempted to stop the advances of these powerful eco-

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J. C. Flannery & Co. Opens in Youngstown

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, O.—J. C. Flannery & Co. has been formed with offices in the City Bank Building to engage in a securities business. Officers are Joseph C. Flannery, President; Walter F. Schwartz, Vice-President and Treasurer; and L. M. Cailor, Secretary. Mr. Flannery was formerly President of Flannery-Jackson & Co.

Zagarino in Bellmore

BELLMORE, N. Y.—William Carmine Zagarino is engaging in an investment business from offices at 6 Broadway.

Our New "Lawful Money" Situation

By WALTER E. SPAHR

Professor of Economics, New York University
Executive Secretary, Economists' National Committee on Monetary Policy

Dr. Spahr Criticises the Provision in the New Reserve Act, Which Limits the Currency Available as Cash Reserves of the Federal Reserve Banks, Held Against Their Deposits and Note Liabilities to Gold Certificates. Contends That Provision Divides Lawful Money Into Two Classes, the Class Constituting Reserve Money Not Being Available for Domestic Use. Holds That Limiting Reserves to Gold Certificates Conflicts With the Act of 1933, Making All Lawful Currency Legal Tender. Calls for Cleaning Up of This Hodge-Podge of Ill-Conceived Monetary Laws.

When the President, on June 12, signed the bill which fixes the minimum reserve requirements for Federal Reserve banks at 25% in gold certificates against Federal Reserve notes and deposits a new lawful money for Federal Reserve bank reserves was specified.

Dr. Walter E. Spahr

Prior to June 12, all our money, except Federal Reserve notes, was lawful money for reserves against deposits in the Federal Reserve banks, 35% being the minimum requirement. Only gold certificates could serve as lawful money for reserves (40%, the minimum requirement) against Federal Reserve notes in circulation.

By this Act of June 12, all Treasury currency except gold certificates was outlawed as reserve against deposits in Federal Reserve banks. Why this should

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More Time to NASD in Discipline Hearing

The Securities and Exchange Commission has extended to July 18 the time in which the National Association of Securities Dealers, Inc., may apply for a rehearing on the SEC's decision that it cannot discipline members for violation of price-maintenance agreements. The five-day period for filing a rehearing petition was inadequate, the NASD stated.

It is understood that the Executive Committee of the Board of Governors of the NASD will hold a meeting shortly to decide whether to ask a hearing and to reach other conclusions in view of the SEC decision regarding the Association's disciplinary powers. The SEC decision held that the NASD was without power to impose fines on 70-odd members for alleged violations of an underwriting agreement in connection with the original distribution of a $38,000,000 bond issue by Public Service Co. of Indiana more than five years ago.

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The Spreading Octopus

NASD Circularizing Members to Ballot on Proposed By-Law Amendments. Seeks to Compel Registration of Partners, Officers, Salesmen and Traders of Member Firms. Would Prevent Non-Registrants From Transacting Any Branch of Investment Banking or Securities Business and Subject Registrants to Existing NASD Disciplinary Machinery. Ballot Precludes Voting on Individual Amendments. Voting En Masse Only.

Another cause for misgiving has been added to our apprehension with the present bureaucratic trend.

The NASD is now circulating among its members certain proposed amendments of its by-laws.

These amendments would do the following:

(a) Compel all member firms to register with the National Association of Securities Dealers, all of their partners, officers, salesmen, traders and employees who handle transactions with customers, so that these registrants could be controlled in the same way as the members themselves are being controlled.

(b) Prevent non-registrants from transacting any branch of the investment banking or securities business.

(c) Provide that the mere act of registration constitute an agreement to abide by and comply with all of the provisions, conditions and by-laws of the NASD.

(d) Make registrants subject to the disciplinary machinery now set up by the NASD.

There can be no doubt that member firms, under the doctrine of agency, are now responsible for the acts and activities of their partners and employees in the regular course of business, as a matter of law.

Despite this the Board of Governors of the National Association of Securities Dealers plans the present intrusion into the private affairs of these member firms.

The Board, having approved these amendments, we are led to wonder what goes on in the minds of these newly elected successor Boards of Governors as they come into being.

There seems to be a rivalry to out-do each other in order to implant alien ideology upon the investment banking and securities business.

This toying and experimenting with restrictions apparently has no terminal.

Where in the Maloney Act is there any authority for the proposed amendment which the NASD plans to promulgate?

By what right, founded in law, does the Board of Governors justify these new powers which it seeks to arrogate to itself.

Are we going to be given that worn out shibboleth of fair and equitable principles of trade?

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The Restoration of Free Markets

By RAY B. WESTERFIELD
Professor of Political Economy, Yale University
Member, Economists' Committee on Reconversion Problems

Contending That the "American Way of Life" for Which We Fight Implies Free Markets and Untrammelled Demand-Supply Forces in Shaping Our Economy, Professor Westerfield Argues for Curtailment of Wartime Controls, Otherwise "We Can Win the War and Lose Our Very Soul." Sees Socialistic Patterns Prevailing in Most Countries, but Maintains U. S. Will Be Able to Foster Free Markets Under Private Enterprise. Says Experience With Present Controls Indicates a Stifling of Production and Starving of Markets and Holds Inflation Can Be Met by Encouraging a Rapid and Great Expansion of Goods.

Dr. R. B. Westerfield

The conclusion of the War in Europe brings to the ignition point a smoldering problem of supreme importance. While Mars laid his heavy hand on our economy and diverted about two-thirds of human effort to his uses, our people were, for the most part, content to set aside the dictates of the market place as to what should be produced and sold; they recognized that military requirements could not be subject to jockeying with sellers about price, and they also were readily persuaded to accept the control and allocation of materials, the restriction of manpower, and the rationing of food, fuel, and apparel, and to let the authorities set such prices, rates and wages as were deemed equitable and expedient.

But now since Germany and Italy have been conquered, our people will properly question how long and fully this patriotic acquiescence to the mandates of waging "total war" shall be continued; whether the controls of the war economy should not be lifted and the traditional freedoms

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Leffingwell on Post-War Problems

In Yale Review Article Says We May Reasonably Hope for Employment for Those Who Want to Work for From Two to Five Years After the War. Holds Inflation Control a Major Problem and Favors a Gradual and Selective Removal of Price-Fixing and Wage Controls. Sees Possible Employment Problem After Inflation Has Been Controlled and Urgent Civilian Shortages Satisfied. Wants No Return to "Laissez Faire."

R. C. Leffingwell of the banking house of J. P. Morgan & Co., writing in the summer issue of the "Yale Review," traces the history of post-war inflation and deflation in previous periods and, after asserting that "management of our money by public authorities dominated the period between the world wars and will probably dominate the period after this war," states that "it is a mistake to think that

R. C. Leffingwell

business men can create employment if governments create deflation after this war, or that business men can avoid speculative booms if governments continue inflation after this war" and he adds, "neither long-continued Government spending, nor long-continued deficits and deficit financing will end depression or underemployment, however helpful a brief pump-priming of that sort may be."

Continuing, Mr. Leffingwell wrote:

I have reviewed the three post-war inflations and deflations to make it clear that inflation and deflation are not just happenings, or strokes of fate, or acts

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Competitive Bidding
Is It Good or Bad?

In an item in last Thursday's "Chronicle" it was indicated that proponents of competitive bidding on public utility and railroad issues shortly propose beginning a campaign for competitive bidding on high grade industrial issues. In view of this the "Chronicle" is interested in the opinion of its readers as to whether they feel competitive bidding in the case of railroad, public utility and industrial securities is economically sound and desirable or not, with the reasons for so holding.

The expressions received will be published in the "Chronicle" as the space situation permits but the names of contributors will not be revealed if the writer so requests. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Enlargement of Export-Import Bank

Proposals in Congress to Enlarge Bank's Capital Likely to Receive General Support. Representative Spence Says Export-Import Bank Operations Will Be Coordinated With Bretton Woods Bank and Is Part of Picture Comprised in Reciprocal Trade Act. Dr. White of Treasury Says Export-Import Bank's Enlargement Will Supplement Bretton Woods Program, and Senator Butler Warns Against Liberal Foreign Lending.

Washington, June 20.—While Congress has under consideration the BW program and repeal of the Johnson Act, there have now been introduced in the House two bills calling for expansion of the Export-Import Bank. The first of these is the bill of Rep. Jesse Wolcott of Michigan, ranking Republican member of the House Banking and Currency Committee and a member of the American delegation at the Bretton Woods Conference last year. A few days after Mr. Wolcott introduced his bill on June 13, a similar measure was introduced by Rep. Brent Spence (D., Ky.), Chairman of the House Banking and Currency Committee, and also a member of the American delegation at BW. The BW program and the pending expansion of the Export-Import Bank are two important pieces in the post-war jigsaw puzzle of our economic relations with foreign countries.

Rep. Brent Spence

Since the project for expanding the Export-Import Bank now has the official endorsement of both Democratic and Republican leaders, it is quite safe to predict that Congress will take action on it this year. Unlike the BW Fund and Bank, the dollars made available to the outside world by the Export-Import Bank will be distributed solely by an American institution, on whose board of governors no borrowers sit. Loans of American government money through this American bank, which is now headed by former Under Secretary of Commerce Wayne Chatfield-Taylor, are moreover in quite a different category from loans under Lend-Lease, such as the recent 30-year loan to France.

There is reason to believe that the intended introduction of the Wolcott and Spence bills for the Export-Import Bank have already served to prevent, or at least delay, the making of Lend-Lease post-war reconstruction loans other than those actually made thus far. Supporters of the expansion of Export-Import Bank see as one advantage of their plan the likelihood that there will be a better chance to collect on such loans, than on loans made under Lend-Lease authority. Export-

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Russell Keier Joins Goshia in Toledo

TOLEDO, O.—Russell Keier has joined Goshia & Co., Ohio Building, as Manager of the Trading Department. Mr. Keier, who has recently been in defense work, was formerly associated with Mr. Goshia for many years at Collin, Norton & Co.

Walter Forsyth Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Walter D. Forsyth, member of the San Francisco Mining Exchange, has opened offices at 130 Sutter St., to engage in the securities business. Mr. Forsyth in the past was active as an individual dealer in San Francisco.

Post-War Price Policies to Make Jobs

By IVAN WRIGHT
Brooklyn College

Professor Wright Maintains That Because Memories Are Short and the Lessons of History Forgotten, We Are Apt to Make the Same Mistakes as in Pre-War Years in Attempting to Remedy Economic Maladjustments. Points Out We Have Tried Almost Everything Except the Well-Known Remedies of Paying Our Debts and Working for a Living, and, That in Post-War We Must Pay for Deficits Which Have Piled Up. Urges Reconversion to Free Enterprise and an Abandonment of Government Controls, Particularly Price Floors, Price Ceilings and Full Disclosure of Cost and Profits. Says Prices Alone Can Balance Supply and Demand, and the Best Policy for Opportunity and Jobs Is Return to Freedom in Production, Pricing, Competition and Sound Money.

Dr. Ivan Wright

Before the war, experiments and control ideas had created maladjustments and unemployment. From these we should have learned valuable lessons. But our memories are short, and the unsuccessful records of history or the tragedies of failures are unpleasant and willingly forgotten.

By way of refreshing our memories, however, it would be well to reflect upon the complete failure of the efforts to raise the price level back to that of 1926. This effort was undertaken boldly in the years following 1934 without any success. In the course of eight years, with the help of two years of war demands and the destructive costs of war, prices were finally raised to the 1926 level and above. Among the efforts to raise prices might be mentioned the restrictions on production, excessive expenditures to make jobs and pur-

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F. V. Z. Didrichsen Opens Own Office

F. V. Z. Didrichsen has opened offices at 120 Broadway, New York City, to engage in an investment business. Mr. Didrichsen has recently been with C. E. de Willers & Co., as Manager of the Stock Trading Department.

Walter Lawrence Now With Merrill Lynch Pierce Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Walter E. Lawrence has become associated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth St. Mr. Lawrence was formerly Manager of the Los Angeles office of Kaiser & Co. and prior thereto was with Wm. Cavalier & Co.

Lest We Forget!

LABOR'S PART IN THE PRICE SPIRAL DURING, AND THE FIRST YEAR AFTER, WORLD WAR I

[An excerpt from "The First Year After World War I," which appeared in the "Chronicle" of Jan. 20, 1944. This discussion originally appeared in the "Chronicle's" Financial Review of the year 1919, which appeared in print in 1920.]

. . . Even thus early [Refers to the beginning of 1919, the first year after World War I—Editor] there was a manifestation of the spirit on the part of labor that was to have a controlling influence on affairs and to change wholly the course and character of the year, making it a prolongation of the war's debauch instead of a steady ebbing back to a peace or ante-war basis. During the war the labor unions everywhere had acquired the habit of asking for higher wages and for shorter hours of work, and as no interruption of industrial activities could be permitted while the conflict continued (out of a fear of the effect upon the war), labor largely, in fact almost entirely, had its own way. It got a shorter day and it go repeated increases in wages, this indeed being one of the main factors in the great rise in prices which attended the war.

It is customary for labor union organizations to emphasize labor's contribution in winning the war. They would have it appear that labor made special concessions so as to help the Government in the prosecution of it great undertaking. Very few men have seen fit to challenge the statement, and it is being repeated with such persistency and frequency that there is danger that among the uninformed it may in the course of years be accepted as the truth. It seems proper, therefore, to state here, in a review and analysis of the events and developments of the war, and the period succeeding its conclusion, that, so far from labor having been especially considerate of the needs of the Government during the war and having refrained from action that might interfere with the operations of the Government, the precise opposite was the case. Indeed

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Is the Stock "Boom" Approaching Its End?

We think there is a great deal of misapprehension of what constitutes a boom in the stock market. These days we hear and read much of the "three-year boom" that stocks have enjoyed since April 1942. We are aware that the Dow Jones average has risen from 92.92 on April 28, 1942, to the present 167 or so. Naturally, a rise of that extent deserves examination, but before reaching bearish conclusions, we submit that corollary factors and general circumstances are of the essence of the question and should not casually be dismissed.

In the real sense of the term, a "boom" is a rise in security prices, marked by special phenomena of widespread speculation, disregard of intrinsic values, and belief that all is well in the best of possible markets. In fact, to warrant concluding that we have had a "boom," we should have had to the accompaniment of rising prices, the following:

1. Prices advanced to levels out of logical proportion to earnings and dividends.

2. New capital issues in large volume.

3. Buying on margin in large and steadily expanding amounts.

4. A fine feeling of enthusiastic conviction that old standards and yardsticks have been outmoded by new factors.

So far, market sentiment has been anything but buoyant. Instead, every stage of the rise to date has had its doubting Thomases and its prophets of disaster immediately ahead. It has been, throughout, a sober market. This sober, and often somber, tone sprang from the war, the shell-shock of the 1932 and 1938 bottoms, the continuing "safety first" attitude of the 1930s and early 1940s, political disunity, fear of post-war problems and of the post-war world, the threats of inflation, and the economic defeatism of many of our leaders. In the face of these facts, it does not make good sense to talk of a "boom" and, in our opinion, it is premature to consider at hand the end of something that never was.

Lest we be accused of mincing words in drawing a distinction between a "boom" market and one that has been rising for three years, we desire also to present a number of facts that affect price levels and illustrate some basic differences between the 1942 situation and that now prevailing.

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Public Utility Securities

Federal Courts May Delay Some Holding Company Integration Plans

Just as the SEC holding company integration program seemed to be gathering momentum after nearly a decade of preliminary work, the Federal Courts apparently decided to play a greater rôle in the proceedings. The Holding Company Act provides for submission of each plan of recapitalization approved by the SEC to a U. S. District Court for confirmation, so that recalcitrant security holders will be prevented from holding up these plans indefinitely by "hold-out" litigation. In general, the courts have played ball with the SEC by confirming these plans with commendable promptness. In the important Standard Gas & Electric case, however, Judge Leahy at Wilmington refused to approve the plan, holding that bondholders should receive full payment in cash instead of a "package" of cash and securities of various kinds. He held out for the "absolute priority" theory, which at times has troubled the commission itself. The Supreme Court a short time before (in the United Light & Power case) had ruled against this theory insofar as it applies to preferred stocks. The high court may again be called upon to clarify the issue in respect to bonds, unless the Circuit Court reverses Judge Leahy. It seems unlikely that bondholders would appeal to the Supreme Court on such a reversal since they are apparently better off under the SEC plan, their package having an indicated market value well in excess of the 100% which they would receive under the "priority" theory.

Other holding company plans which involve similar bond retirement plans, such as New England Gas & Electric, may have to await clearing up of this point. However, not many holding companies are involved; a number have no bonds outstanding and others have either retired them or can do so without great difficulty out of cash.

While the Supreme Court ruled years ago on the "registration" of holding companies under the Act, it has never passed on the constitutionality of Section 11 which contains the famous "death sentence" provisions. Engineers Public Service some years ago started a suit designed to test constitutionality of the Act, and employed Professor Waterman, of Michigan University, to investigate the merits of holding company management. That suit was lost, apparently, somewhere in the lower courts; but another case of Engineers, somewhat narrower in scope, is now before the Supreme Court.

American Power & Light last year asked the Supreme Court to review the Circuit Court of Appeals decision upholding the SEC death sentence of 1942. Electric Power & Light made a similar appeal. The Supreme Court, however, claimed that it did not have a quorum of six disinterested justices (four having disqualified themselves). Recently Chief Justice Stone changed his mind and qualified himself to sit in these cases, hence it is expected that the constitutionality issue may be settled by early 1946—assuming that the Court expedites the case when it reconvenes in the fall.

It had been expected that Electric Power & Light would file a new integration plan early this year, following consummation of the recap plan of United Gas, its principal subsidiary, late last year. According to Street conjecture, the outline of this plan might be somewhat as follows: One of both of the Dallas companies—Dallas Power & Light and Dallas Railway & Terminal—would be sold to American Power & Light to aid in forming an integrated group of Texas companies. Electric Power & Light has not yet issued its 1944 balance sheet, but net quick assets perhaps approximate $15,000,000, or half the amount required to retire the bonded debt. The sale of Dallas Power & Light (earning currently over $1,000,000 for its common stock) would hardly suffice to make up the deficiency, except for the fact that EL's cash position is now being bolstered by dividends on the new United Gas common at the rate of over $3,000,000 a year.

It is thought that the SEC will require EL to separate its gas and electric interests, and it is assumed in some quarters that this could best be accomplished by distributing its huge block of United Gas shares to its own preferred stockholders (including the second preferred, which might get a somewhat smaller participation). This would mean about 12 shares of UNT for each share of preferred, or a market value of nearly $144. Since the senior EL preferreds have claims of $189 for the $7 issue, and $172 for the $6 ($189 for the second preferred), this offer would probably have to

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No "Santa Claus" In Our Foreign Policy

By WILL L. CLAYTON*
Assistant Secretary of State

Asserting That There Is No "Santa Claus Policy" in Our State Department, Mr. Clayton Upholds "A Path of Economic Liberalism" of Which the United States Will Be One of the Principal Beneficiaries. Predicts Other Nations Will Follow Suit, and That State Trading, International Irritations and Retaliations Will End. Sees Need for Expanded Exports to Absorb Our Surplus Production and Large Foreign Credits After the War.

The world of tomorrow will differ so greatly from the world of yesterday that leaders in government and in commerce must be prepared to meet tremendous problems with new vigor, new courage and new vision.

William L. Clayton

Hence, it is both timely and significant that the International Chamber of Commerce is now taking the lead in launching a vigorous program to rally the leaders in commerce all over the world behind a campaign of adjustment and action to meet the vast new responsibilities and opportunities which lie ahead.

I am honored in having this opportunity to congratulate the United States Associates of the International Chamber of Commerce on this occasion and to discuss with you briefly our views in the Department of State regarding some of the problems which we shall all face in the post-war world.

Throughout its history, the International Chamber of Commerce has worked to break down those barriers to world commerce which restrict production and perpetuate economic distress and discord and hostility among nations.

Under the wise and experienced leadership of Winthrop Aldrich, as President of the Chamber, and Philip Reed, as Chairman of the United States Associates, the progressive principles and policies which you will promote are bound to command active support and gather new strength and recognition around the world.

Your labors will undoubtedly be concentrated upon policies designed to promote an expansion in production, distribution and consumption of goods throughout the world, and rising levels of living of all peoples everywhere.

Out in San Francisco, we are setting up the framework of an organization within which rules may be written to guide men in

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*An address by Mr. Clayton before the United States Associates of the International Chamber of Commerce, Waldorf-Astoria Hotel, New York City, June 14, 1945.

OPA Price Policy Scored As Obstructing Reconversion

Industrial Conference Board's Study Holds That "Open-End Promises of Price Control Relaxation Form a Poor Basis for Forward Planning." Says That Because of the Ceiling-Price System There Will Be No Profit-Margin for Many Producers, and Full Production to Combat Inflation Will Be Impeded. Sees Error in Basing Prices on Full Production Schedules as Yet Attained.

In an elaborate and scholarly report on the reconversion price policy as already tentatively announced by OPA Director, Chester Bowles (and published on the outside front cover of this issue of the "Chronicle"), Frank Gastaldo and M. R. Gainsbrugh of the Division of Research and Statistics of the National Industrial Conference Board points out the economic dangers and objections to the proposed price control plans. According to the report, OPA's reconversion price control program as announced shows every indication of hampering the speedy expansion of civilian production which the agency itself concedes to be the best control of inflation.

"The OPA's price control program," declares the study, "might work very well if the economy were already reconverted to peacetime production and going

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Ringrose Joining Red Bank Oil Co. as Treasurer

Edward G. Ringrose is joining Red Bank Oil Company as Treasurer and a Director. He will be in charge of the company's finances.

For the past 13 years Mr. Ringrose has been associated with the United States Trust Company, the last three years of which he spent in the Trust Investment Department.

Waldman Director

N. E. Waldman has been elected a director of the Philadelphia and Reading Coal and Iron Co.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—**Don J. Wentworth** has joined the staff of **Boston Commonwealth Corporation,** 9631 Wilshire Boulevard.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO—**Mary F. Lake** is now with **Herrick, Waddell & Co., Inc.,** 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — **George A. Timm** has become associated with **Gardner F. Dalton & Company,** First Wisconsin National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — **Walter A. A. Donner** has become connectetd with **Loewi & Company,** 225 East Mason Street. Mr. Donner was formerly with The Milwaukee Co. and Edgar, Ricker & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Lawrence E. Vaughan** is now with **Slayton & Co.,** 111 North Fourth Street.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—**Nate Ardrey** has been added to the staff of **John Galbraith & Co.,** Porter Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Albert C. Stubb** is associated with **Davies & Mejia,** Russ Building. Mr. Stubb was previously with Henry F. Swift & Co., and Mason Bros. In the past he was San Francisco manager for Stephenson, Leydecker & Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA MONICA, CALIF.—**Sherwood W. Bump** has become affiliated with **Walston, Hoffman & Goodwin,** 225 Santa Monica Boulevard. Mr. Bump was formerly with Lester & Co., and prior thereto with Merrill Lynch, Pierce, Fenner & Beane.

Brown Brothers Formed

SAN ANGELO, TEX.—R. Wilbur Brown, Sr., and Kenneth W. Brown are engaging in the securities business under the firm name of Brown Brothers from offices in the Central National Bank Building.

Aleck Rehnstrom Opens

Aleck Rehnstrom is engaging in a securities business from offices at 80 Broad St., New York City. Mr. Rehnstrom was formerly a partner in Jefferson, Fritz & Rehnstrom.

Dealer-Broker Investment Recommendations and Literature

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

Debt Structure and Bond Maturity Calendars of Seven Southern States—Compiled by Equitable Securities Corp., 322 Union Street, Nashville 3, Tenn.

Preferred Stock Guide — Comparative figures on Public Utility preferred stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also a memorandum on **The Buda Company.**

Railroad Securities—An appraisal—Bennett & Palmer, 165 Broadway, New York City.

Reappraisal of Casualty Insurance Stocks — Detailed study — Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y. Also available studies of **American Surety Company** and **Standard Accident Insurance Company.**

What Hopes for Railroad Security Holders?—Reprint of talk by Arthur C. Knies, available to banks and dealers—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available **Monthly Comment on Transportation Statistics.**

Aetna Life Insurance Co.—Detailed circular—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn.

Air Communications, Inc.—Special report—L. W. Wright, 135 Broadway, New York 6, N. Y.

Alleghany Corporation—Study of prospects of 5½% A preferred stock — McLaughlin, Baird & Reuss, One Wall Street, New York 5, N. Y.

American Gas & Power Co.—Descriptive memorandum—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

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.**

(Continued on page 2760)

Railroad Securities

St. Louis-San Francisco Railway

Protracted legal entanglements have delayed the progress of the Frisco reorganization. As recently as July 6, 1940 the ICC approved a reorganization plan for this carrier. This plan, however, was remanded to the Commission almost two years later on July 25, 1942 and it was not until more than a year later that committees representing three important system mortgages finally agreed upon a compromise plan approved by the Commission in July, 1944, and by the District Court in March, 1945. Since the present plan has the approval of all three bondholder groups, namely, the one representing the Fort Scott Divisional Mortgage and those two representing the Prior Lien and Consolidated Mortgages, respectively, there seems little likelihood of any bondholder appeal.

Technically the equity holders may appeal in view of the growing expectation in certain quarters that the Hobbs Bill will pass some time in 1946 and therefore greater allocation of securities will be approved by the Commission, possibly sufficiently liberal to allow the junior equities to participate in the reorganization. As is commonly known neither of the equities share in the present reorganization.

Barring the passage of the Hobbs Bill, it seems unlikely that equity holders will obtain any legal satisfaction. Not only is the deficiency of claims of the Prior Lien and Consolidated Mortgage bondholders some $127 million as of Jan. 1, 1944 ($61 million Prior Liens, $66 million Consolidated Mortgage) but the rule of absolute priority as confirmed by the United States Supreme Court in March, 1943, virtually precludes participation in the plan by any equities, particularly in the light of non-satisfaction of creditor claims 100%.

Barring possible legal delays due to the passage of the Hobbs Bill, ballots should go out to Frisco bondholders some time during the summer months, and results certified to by the Commission around the first of next year. Completion of legal details incidental to the reorganization should, in all probability, take another 12 months thereafter, particularly as it is to the advantage of the old company during the period of high taxes to continue its old capital base which permits as a deduction for Federal income taxes interest charges of some $12 million rather than intrest charges of $5.1 million as would be deductible under the new capitalization.

The reorganization of the Frisco was very drastic, fixed debt being reduced over 70% and fixed interest almost 75%. With the exception of Missouri Pacific, whose treatment more or less paralleled that of the eastern reorganization carriers, this drastic reorganization was in line with other granger roads such as the Rock Island, the North Western and the St. Paul.

The Frisco plan is unine in one respect, in that there is a provision therein whereby reallocations are automatically made to the various securities upon distribution of whatever monies are distributed to bondholders by the Frisco in any given year prior to reorganization. In other words, for each $1 million system distribution authorized by the Court, the Fort Scott's would obtain $10.01 additional in cash, Consolidateds $3.10 additional and the Prior Liens $2.88. There were to be allocated to the Prior Liens additional Income bonds since under the formula any surplus cash given to the Fort Scott divisional issue was to be used in effect to pay off the Income bonds originally allocated to the Fort Scotts at par and then reallocated to the Prior Liens.

In 1944 the Court authorized distribution of $12.5 million and for 1945 sources close to the company expect a distribution of $10 million, notwithstanding an impressive financial position, net current assets as of March 31, 1945, being $29.7 million, far in excess of normal Treasury needs. In the interests of conservatism, however, the management desires to maintain a strong liquid position so that the new company will begin its career not handicapped by any financial limitations.

If $10 million is paid this year and reallocations effected under the flexible provisions of the presently proposed plan and if we further assume that "when issued" quotations for the new securities rise slightly from current levels of 100 for the First 4s, 85 for the Income 4½s, 57 for the Preferred and 22¾ for the Common, the value of the Fort Scott Underlying 4s would be 102, the Prior Lien 4s, 76 and the Consolidated 4½s, 56. Still higher prices are more than probable since the Frisco "when issued" securities are still out of line as compared with other "when issued" securities and as the reorganization nears its completion, higher uotations should automatically follow.

The Fort Scott 4s are a high grade institutional bond since they will be chiefly represented by the new First Mortgage bonds of high uality. The Prior Lien 4s under the present plan are more attractive than the Consolidated 4½s because they are entitled to receive practically twice as much preferred and twice as much common stock. Ultimately, the market must take cognizance of a residual value for reorganization-proof equities and in the expectation of this development the leverage is in the Prior Liens with 3.32 shares of preferred and 6.67 shares of common rather than in the Consolidated 4½s. In the event of the passage of the Hobbs Bill both the Prior Liens and the Consolidateds will benefit, the latter to a slightly greater degree on a percentage basis, probable allocations being greater percentwise on a smaller amount of common.

Amigo in San Francisco

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—H. J. Amigo is engaging in the securities business from offices at 130 Sutter St. Mr. Amigo, a member of the San Francisco Mining Exchange, was formerly in business under the firm name of H. J. Amigo & Co.

Pedolsky in Poughkeepsie

POUGHKEEPSIE, N. Y.—Samuel Pedolsky has opened offices at 25 Cannon St. to engage in an investment business. Mr. Pedolsky was formerly with Fellowes Davis & Co.

Real Estate Securities

News of Various Issues

WE HEAR THAT:

New York Towers, Inc.—Owners of Ritz Tower, New York City, present plan to bondholders and common stockholders whereby $400 cash per $1,000 bond would be distributed and balance subordinated to New First Mortgage. On strength of plan, market has increased from about 37 to 45 bid. The distribution will be made possible from the proceeds of a $1,070,000 ten-year loan from the New England Mutual Life Insurance Company unless holders of 25% in principal amount of the bonds file dissents not later than July 15, 1945. "Available Net Income" after new first mortgage loan charges would be used for payment of 2% interest on the outstanding second mortgage of $75,162.09 and then to payment of principal on said second mortgage and, after second mortgage has been fully paid to the payment of 3% interest on the subordinated $600 bonds. Fiscal year earnings Jan. 31, 1945, were $123,286.09. Using this as a base, first mortgage charges would absorb $64,200 leaving $59,086.09, not quite enough to liquidate the second mortgage the first year. The sum of $59,086.09 if and when it becomes available for the subordinated bonds would be equal to about 3.76% on the unpaid balance of approximately $1,570,000 outstanding.

Wall & Beaver Street Corp.—Will pay on July 1, 2½% interest on its First Income 4½s, 1951. On the four previous semi-annual interest dates 2% was paid and smaller payments were made prior thereto. The present payment will reduce arrears to 13¼%. The payment next January probably will be at least as large as the present disbursement. These increased payments may provide better market levels for the bonds. The building is fully occupied; war tenancy is small. The New York State law permitting a 15% rise in rental rates is helping operating results.

Broadway Trinity Corp. — Will pay $15 per $1,000 bond interest on July 1, 1945, and will have about $36,000 available for sinking fund operation. This makes a total of $30 interest for the year and a total of about $61,000 for sinking fund.

Wacker Wabash — Will pay $12.50 per $1,000 bond interest on July 1, 1945, and have about $23,000 available for sinking fund operation. The interest payment which is made from 75% of available earnings each six months (25% being used for sinking fund) is $5 more than the January payment.

Senate Committee Hears Discussion Of Bretton Woods

By HERBERT M. BRATTER

At Hearings Before Senate Committee on Banking, Senators Clash Over Interpretation of Words "Cyclical" and "Emergency" While New York Bankers Association Reiterates Its Advocacy of the Elimination of the International Monetary Fund. Dr. Melchior Palyi Testifies There Is No Real Difference Between the Monetary Fund and the Bank.

WASHINGTON, June 20—The key to the degree of acceptance which the American Bankers Association has given to the Bretton Woods program lies in the amendments which the House committee added to the enabling bill. Since the International Fund all along has been the most controversial part of the program. The House amendment interpreting for this Government the powers of the Fund is perhaps the most important of the House amendments.

Herbert M. Bratter

That amendment interprets the Fund as limited in its operations to "seasonal, cyclical and emergency" operations. The meaning of these words was examined in the Senate Banking and Currency Committee for the first time during the June 19 hearing. Intimation that the ABA might seek further clarification of the House amendments by the Senate was disclosed to the press by ABA President W. Randolph Burgess before the House passed the BW bill several weeks ago.

When asked by Senator Robert Taft of Ohio whether he would object to taking out of the House amendment to the Bretton Woods Enabling Bill the word "cyclical," Dr. Harry White of the Treasury replied:

"Yes, I would object most strenuously to taking that out.

(Continued on page 2761)

Reconversion

By IRA MOSHER*
President of the National Association of Manufacturers

Mr. Mosher Urges a Speeding Up of Reconversion by (1) Rapid Clearing Away of War-Time Machines and Materials; (2) Immediate Using of Machines and Materials Made Available for Civilian Goods; (3) Prompt Settlement of War Contracts; (4) Removal of Controls in Purchase of Goods and Machines; (5) Abandonment of Price Controls, and (6) Avoidance of Waste and Conservation of All Products That Can Be Converted to Civilian Use. Says Regimentation for Peace Would Be a Calamity.

Gentlemen, it is good to be in Hartford tonight to discuss some of our mutual problems together. This is a time for serious counsel and for the interplay of business associations and ideas. Perhaps, there has never been an odder period in our history.

Ira Mosher

There is yet no dawn of our peacetime tomorrow. Neither is there the blackness of total war for the Nazi enemy lies vanquished. This is a twilight time with war and peace living side by side in some queer, uneasy marriage.

Your stores lack food because of war. Yet the curfew is gone because of peace. Men die on Okinawa in bloody combat. Yet you will soon have more gasoline for your cars. Discharged veterans are coming home by the boatload. Yet the draft goes on and now men prepare for new battles. In some parts of the land acute labor shortages hamper vital production. Yet in others, unemployment figures rise with the halt of war contracts.

Our national economy is like some great stallion spurred unmercifully by the dominant demands of our future, yet held tight at the same time by the unyielding checkrein of war.

The economic paradox shows in countless ways.

Only last week, by some ironic twist of newspaper makeup, a picture of the new Ford car appeared side by side with the day's casualty list.

You could have looked at that picture with the big blue eyes of peace and seen only the new car. But there were very few people who could fail to see that news page with other than the hard, unblinking stare of war.

We must not lose sight of the fact that we have won but half a victory. The maniacs of Buchenwald and the 1,000-year Reich are crushed in the uncomplaining dust of Europe. But the Jap fights

(Continued on page 2759)

*An address by Mr. Mosher before the Manufacturers' Association of Hartford County, Hartford, Conn., June 14, 1945.

An Important Question

If OPA Price Ceilings Do Not Allow for Increased Labor and Material Costs, Can Full Production and Employment Be Maintained?

With war contract cutbacks and cancellations mounting and the lessening and removal of WPB controls steadily permitting more civilian production, the reconversion period is under way. A paramount factor in its progress will be the course pursued by the OPA in setting price ceilings, in which an important aspect will be the extent to which increases will be recognized in the cost of materials and labor, particularly the latter.

L. H. Bradshaw
Editor
"Investment Timing"

Increased Labor and Material Costs

That labor costs are on a plateau permanently higher than pre-war seems a **fait accompli.** With total "take-home pay" lower than war levels because of gradual reduction in hours worked and in overtime, indications are that wage rates will be maintained or increased.

Technically, the Little Steel formula, which holds basic hourly wage rates to 15% above the average prevailing on January 1, 1941, has not been broken. Probably it will not be, one reason being that any change made in the formula would probably cause a number of industrial disputes, due to reopening of previous decisions.

But, to offset the shorter working week and to sustain general purchasing power, the WLB is reported to favor other methods of increased compensation to labor, such as bonuses, larger "incentive" wage payment systems, increasing the minimum wage rate (already advances in some cases from 40¢ to 55¢ per hour), and further granting of "fringe" wage awards such as bonuses, larger "incentive" including better pay for night shifts, for travel and dressing time, for vacations, for job reclassifications, for regional equalization, and others, apart from basic wage rate changes.

While the greatest increase has been in wages, there have also been marked increases in costs of raw materials and parts, probably equivalent in general to one-third the increase in the cost of labor, and hence a substantial factor in further curtailing profit margins.

The OPA Price Policy

Although the OPA stated policy is to encourage maximum production, its price formulae announced so far in many cases seem to show little or no disposition to allow the employer to absorb the greater part of increased costs in higher prices for his product. In fact, the OPA program apparently is to set prices as if large volume production were already achieved.

Such a policy seems to assume the attaining of volume production as automatic, without recognizing the profit motive as the greatest incentive to produce, and without due consideration of the danger of price ceilings acting as a restriction on production and hence being actually inflationary instead of the reverse, and later likely to be deflationary through unemployment and the fear of more unemployment.

The policy assumes a willingness on the part of business men to lose money or make no profit in the hope that a volume, sufficient to enable a profit to be made at the set prices, will be attained soon enough to justify the risk. Yet, as long as the Japanese war lasts, means to increase production will be under restriction.

Production the Antidote to Inflation

The great danger is that the public may try to buy more goods than are immediately available, causing pressure towards price inflation. It is fundamental that the price of a commodity or a service will not rise if the supply is ample in relation to the demand. The most effective solution of the inflation problem, therefore, lies in one thing—production.

The country's resources and facilities for production are sufficient to satisfy even the high levels of demand to be expected after the war's end. Its capacity to produce, developed by the demands of war, is estimated at 50% more than it was in 1940. The industrial machine can function with utmost efficiency, if unhampered by factors such as oppressive taxes, unreasonable price control, and restrictions that retard the incentive to produce.

Even if a few were to make inordinate profits temporarily, it would be better to have unrestricted production than to have production held back, for competition and taxes, if necessary, would soon curtail such profits.

The speed with which reconversion can increase the supply of civilian goods and thus check inflation, and the profit possibilities for industry in the transition period, are therefore largely dependent on the OPA pricing policy. We could witness worse inflation if the OPA, until it expires were to maintain unreasonable price ceilings preventing production from reaching its stride.

An Anti-Inflationary Price Rise

An example is the case of a manufacturer of textile machinery three years out of normal production and now resuming. Its price ceilings date back to 1941. Because of higher labor and material costs, it needs price increases ranging up to 50%. The relief for which the company applied has not been granted. Meantime each piece of equipment is manufactured at an actual loss. It is cheaper for the company to carry on some operations than to close down, but until it receives relief it is producing only sufficient equipment to keep losses to a minimum. The company's products are needed to relieve an acute, and inflationary, shortage of civilian goods. The price increase applied for would merely recognize the wartime change in the general price level and is nowhere near as large as the inflation seen already in the consumers' goods that the company's machines will make. The price rise requested would really be anti-inflationary. But will the OPA recognize this fact?

If it does not in this and similar cases, maintenance of a policy that retards production would no doubt cause a large amount of unemployment and the OPA would be forced by public opinion, or higher Administration action might be taken even earlier, to raise prices as a necessary stimulant, so that at worst such a policy could result in a lag before it is corrected.

Conclusion

This important question can be answered only by the OPA recognizing adequately that there has been an increased cost of materials and labor. The best way to obtain production is to encourage it by the incentive to make satisfactory profits. If industry is forced to absorb an unreasonable portion of unavoidable increases in the cost of materials and labor, with the Japanese war continuing, the resulting emaciated profit margins will restrict the incentive for quickly attained full production, necessary for successful reconversion and post-war prosperity.—Reprinted from the May 17, 1945 issue of "Investment Timing," published by the Economics & Investment Department of the National Securities & Research Corporation, New York, N. Y.

Huge Budget Faces Country In Post-War Period: Ayres

Gen. Ayres Holds Difficulty May Be Encountered in Keeping Federal Budget Down to Two or Three Times Pre-War Size.

The prediction that post-war expenditures of the Federal Government will be greater than in the years preceding the outbreak of war is made by Brig. Gen. Leonard P. Ayres, Vice-President of the Cleveland Trust Co., who in the Company's "Business Bulletin" of June 15, says that "recent studies of post-war taxation have assumed that the expenditures of the Federal Government after this war might be held down to about 15 billions, and that they might be as great as 25 billions a year. In the 10 years just before this war they averaged about 7.8 billions a year. Experience indicates that it is going to be difficult indeed to hold them down to two or three times that amount after peace returns."

Leonard P. Ayres

Preceding the above observations Gen. Ayres stated that "after the return of peace the annual totals of our federal expenditures will inevitably be greater than they were in the years immediately preceding the outbreak of war. That will be true despite the fact that they were extraordinarily high during the depression years, and involved us in a long series of deficits. However, the fact is that we shall not be able to afford any such proportional increases in the long-term costs of Federal Government as have followed some of our previous wars. Each war tends to bring into existence large and permanent increases in the costs of the central government quite aside from the expenses for interest and amortization of the public debt.

* * *

"The increases in the costs of government following the First World War were almost as great in proportion as those following the War Between the States. In the first 10 years after the war the expenditures were 528% as great as those in the 10 years just before the war."

F. G. Grande With Townsend, Graff Co.

Frank G. Grande, until recently with the Material Coordinating Agency, Inc., Bureau of Ships, is now associated with Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Major Low Back at Corn Exchange Bank

Major E. Herrick Low has resumed his position as Vice-President of the Corn Exchange Bank Trust Co. after 38 months' active duty with the Army Air Forces. Major Low served with the AAF Anti-Submarine Command, and Headquarters, Army Air Forces, Washington, D. C. He is also a director of the Home Life Insurance Co., American Eagle Fire Insurance Co. and Fidelity & Casualty Co., all of New York.

The Spreading Octopus

(Continued from page 2719)

This would be a fine state of affairs with the NASD dictating who may be registered and preventing its member firms from employing any but registrants or those that were content to register, in effect, converting the NASD into a glorified labor union.

If passed, compliance with the amendment, would add additional insufferable burdens to those with which dealers and brokers are already heavy-laden.

This crawling octopus of regulation continues to spread its tentacles beyond all sufferance. Somewhere a halt must be called and now is the time.

With the NASD already aiming to control the compensation of salesmen as a forerunner, there is no telling to what limits the Board of Governors may go.

The proposal follows on the heels of abuses by the Board which we have decried, and may be the preamble to others to come if it is not nipped in the bud.

Fortunately, this time the subterfuge of "an interpretation" is not being used, and the members of the NASD are being given an opportunity by their vote to voice their approval or disapproval of the proposed amendments.

Now they may indicate their reactions to long suffering under bureaucratic controls which have pried into their private affairs, forced them to answer endless questionnaires periodically, attempted to regulate spreads without considering the profit motif, has continually made the transaction of business more onerous, and threatens to further shackle dealers and brokers by a process of implementing further regulation.

We anticipate that in the interest of serving the public best, and in self-interest, a vast majority of the member firms will vote "NO" on the proposal to amend the by-laws.

The physical set up of the ballot being circulated is abortive and therefore merits only repudiation of the entire project because under it members must either approve or disapprove the whole. They cannot indicate their reaction to each individual proposed amendment. In our opinion, each of these should have been separately voted upon.

Many members of the Board of Governors, past and present, are personally known to us and for them we have a high regard. We believe them to be taking their work seriously and to be true friends of their confreres in the securities field. This renders all the more perplexing some of the stultifying products that have emanated from their deliberative assemblies.

However, Governors come and go. In our search for an explanation we have reached the conclusion that the fault lies with the coordinating executive officer who is motivated by the desire to hold down his $18,000 a year job, which it would appear he feels is made more secure by singing the theme song of the SEC fanatics—"Regulation and More Regulation." Too much dependence is placed upon his machinations and advice.

We believe that dealers and brokers are increasingly recognizing that they have no friend in Wallace H. Fulton, the Executive Director of the NASD.

Chicago Stock Exch. Appoints Committees

CHICAGO, ILL.—At the annual organization meeting of the Board of Governors of the Chicago Stock Exchange, Ralph W. Davis, Chairman of the Board, appointed the following standing committees to serve for the ensuing year, which appointments were confirmed by the board:

Executive: George E. Barnes, Chairman, Wayne Hummer & Co.; Alfred W. Mansfield, Vice-Chairman, Thomson & McKinnon; Walter J. Buhler; Harry C. Daniels, Apgar, Daniels & Co.; Harry M. Payne, Webster, Marsh & Co.

Admissions: Barrett Wendell, Chairman, Lee Higginson Corp.; Robert A. Gardner, Vice-Chairman, Mitchell, Hutchins & Co.; Arthur M. Betts, Betts, Borland & Co.; John R. Burdick, Jr.; Edwin T. Wood.

Finance: Charles R. Perrigo, Chairman, Hornblower & Weeks; Reuben Thorson, Vice-Chairman, Paine, Webber, Jackson & Curtis; F. Fletcher Garlock, F. S. Moseley & Co.; D. Dean McCormick, Kebbon, McCormick & Co.; Frederick R. Tuerk, Cruttenden & Co.

Floor Procedure: John W. Billings, Chairman; John J. Griffin, Vice-Chairman; Joseph P. Brown; Chancellor Dougall; William A. Fuller, William A. Fuller & Co.; Thomas E. Hosty, Sincere & Co.; Arthur R. Thompson.

Judiciary: Homer P. Hargrave Chairman, Merrill Lynch, Pierce, Fenner & Beane; Frederick J. Stannard, Vice-Chairman; Norman Freehling, Norman Freehling & Co.; George E. Hachtmann; Barrett Wendell.

New Business and Public Relations: Joseph E. Dempsey, Chairman, Dempsey & Co.; Sidney L. Castle, Vice-Chairman, Carter H. Harrison & Co.; Robert W. Baird, The Wisconsin Co.; William A. Fuller, William A. Fuller & Co.; Frank E. McDonald, Frank E. McDonald & Co.

Mr. Davis also announced the election of Carl A. Birdsall, Vice-President of the Continental Illinois National Bank & Trust Co. of Chicago, as an Adviisor, succeeding Edward B. Hall, of Harris, Hall & Co. Sheldon Clark, Charles Y. Freeman and Bentley G. McCloud, Advisors, were re-elected.

Kenneth L. Smith was re-elected President for his seventh consecutive term; Lt. Sidney L. Parry, on leave of absence, serving with the United States Naval Reserve; Raymond M. Day, and James E. Day were reappointed Vice-Presidents; Walter R. Hawes was renamed Treasurer; Carl E. Ogren, Secretary; George J. Bergman, Assistant to Secretary; Martin E. Nelson, Treasurer Emeritus; and Loretta Kemp, Assistant Treasurer.

Jess Halsted of Scott, MacLeish & Falk, was reappointed counsel.

Schoessling With Otis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Paul M. Schoessling has become associated with Otis & Co., Field Building. Mr. Schoessling was previously with Ames, Emerich & Co., and George F. Ryan & Co.

Pearson Director of Univis Lens Company


Alvin W. Pearson

Alvin W. Pearson, a Vice-President of The Lehman Corporation, has been elected to the board of directors of The Univis Lens Co., to represent the substantial holdings of The Lehman Corporation in this concern. Mr. Pearson has been with The Lehman Corp. since its organization, and is a director of the Potash Co. of America.

Laikin Returns to Private Law Practice As Tax Council

CHICAGO, ILL.—George J. Laiken, for the past three years Special Assistant to the Attorney General of the United States, Washington, D. C., handling government tax matters and litigation for the Tax Division of the Department of Justice and the Bureau of Internal Revenue, has returned to the private practice of law in Chicago as Counsel in tax and related matters. A graduate of the University of Wisconsin, he is a member of the Bars of Illinois, Wisconsin, the District of Columbia and the Supreme Court of the United States.

Mr. Laiken also has an office in Milwaukee and associates in Washington, D. C. He has written and lectured on Federal tax matters."

Kanaley Nominated As Mtg. Bankers Pres.

CHICAGO, ILL. — Byron V. Kanaley, president of Cooper, Kanaley & Co., and chairman of the board of lay trustees of Notre Dame University, was nominated for 1945-46 president of the Mortgage Bankers Association of America. Nomination is tantamount to election, which will take place this fall by mail ballot in the absence of an annual convention meeting.

Vercoe & Co. To Admit

COLUMBUS, OHIO—Vercoe & Co., Huntington Bank Building, members of the New York and Pittsburgh Stock Exchanges, will admit Irma U. Newburger to limited partnership on July 1st.

Goodbody & Co. To Admit

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, are admitting Mary P. Peirson to limited partnership in the firm as of June 28th.

NSTA Notes

SECURITIES TRADERS ASSOCIATION OF DETROIT & MICHIGAN

The Securities Traders Association of Detroit and Michigan held its annual summer outing at the Western Golf and Country Club. Paul Moreland of Allman, Moreland & Company reports that in addition of golf, the boys played softball and had a big banquet in the evening.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association will hold their annual summer meeting at the Manakiki Country Club on Friday, Aug. 24, 1945.

Calendar of Coming Events

June 22, 1945—Investment Traders Association of Philadelphia Spring Outing at Manufacturers Country Club.

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

August 24, 1945—Cleveland Security Traders Association annual summer meeting at Manakiki Country Club.

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

OPA Price Policy Scored As Obstructing Reconversion

(Continued from page 2722)

at full blast. Then, of course, it wouldn't be needed. Because it is based upon assumptions about unit costs and profit ratios that would be applicable at best only under conditions of full production, it is really a post-reconversion program. But during the reconversion period, civilian production in industries that have been engaged in war production for three years or more will begin on a limited scale. In many if not most cases, production will accelerate slowly while plants are re-equipped, personnel is reorganized and market are being reestablished. Unit costs and overhead in this critical period will be higher than those assumed by OPA.

"Under the inelastic ceiling-price system it has announced there will be no margin of profit between these costs and the ceilings for many prime producers and manufacturers. A great many of them will be driven to the wall or discouraged, and, unless more realistic pricing formulas are adopted, the program promises to defeat or seriously delay reconversion and full production."

Faulty Criteria for Relaxation

"The announcement of reconversion pricing policy," the report continues, "has been held particularly inept in its treatment of criteria for relaxation of controls. Its only suggestion on this score is that ceilings will be dropped 'in any industry just as rapidly as conditions permit.' This appears to mean that controls will be removed as soon as the supply coming upon the market is sufficient to keep prices at the ceiling. If that is what is meant, fundamental economic interrelations of demand, supply and price are overlooked. Admittedly, such interrelationships do not function unobstructed in our economy."

Another point emphasized by the Conference Board study is that standards applied in the war period cannot be rightfully applied to conditions under reconversion.

"OPA plans to apply pricing standards developed under an expanding war economy to an economy finding its way back to peace," states the report. "Wartime standards are no longer applicable, it is maintained, to enterprise facing the hazards of reconversion. During the years 1941-1944 rising war-time demand encouraged the use of any and all resources. Costs were secondary considerations. Resources freed by restriction of civilian industries were quickly shunted into war production. Substitute high-cost materials and labor could be employed with little consideration of market price.

"During reconversion," it is asserted, "the influence of these factors will be steadily diminished. Resources will be increasingly released from war production. More and more men will return to civilian life rather than depart for the armed forces. Their return to productive use will depend largely upon a workable price policy—one that considers the situation as it exists today, not as it was in 1942. OPA will not be able to count upon volume production either to offset faulty price ceilings or to absorb resources, as did the war emergency without consideration of cost-price-sale ratios."

OPA's Basic Assumptions Wrong

Stating that the OPA's policy rests upon three major assumptions: First, OPA believes that labor productivity has so increased that current wage rates are justified or desirable, and are to be incorporated, without change, in reconversion prices; secondly, a volume of production greater than in 1941 will make possible reduced selling expenses for many manufacturers, and thirdly, it appears that the amount of profit per unit in 1936-1939 is deemed "representative" for purposes of reconversion pricing, the Conference Board's study finds all three of these assumptions questionable as a basis for pricing during reconversion. It observes that drastic changes in the character of production during the war have upset the conventional indexes of productivity per worker, but points out that output per man-hour in many civilian industries was lower in 1943 and 1944 than it was in 1939, according to studies by the National Industrial Conference Board and the Bureau of Labor Statistics. Meanwhile, unit labor costs have risen sharply.

The conclusion, therefore, is that "OPA has overemphasized increased physical productivity and played down increased unit labor costs. Profits are still tied to 1936-1939 relationships, while labor costs are moved forward to May, 1945."

As to the second assumption, relating to volume production, the Board's study says: "The pertinent question here is whether high production will be achieved in the months immediately ahead for which the reconversion pricing program is designed." Reference is made to recent estimates by WPB that full-scale reconversion in mnay industries will take much longer than was first expected. The important automobile industry, for example, will not reach the "break-even" point until eight months after the cancellation of military orders, and full production for 15 months. The lags for mechanical refrigerators will be six months to "break-even" and 12 months to "capacity."

The OPA's third assumption, adequacy of profit margins in 1936-1939, is questioned on three grounds: failure to allow for increased costs outside labor and materials, such as making good deferred maintenance, rebuilding depleted inventories and reestablishing civilian markets after sell ing entire output to the Government for several years; the fact that more than 50% of manufacturing corporations failed to make a profit in the base period; and OPA's policy of refusing relief to individual firms where industry-wide earnings are adequate in relation to the base period, a policy at variance with that of Congress in providing relief under the excess profits tax for concerns able to prove that their operations were not "normal" in the period 1936-1939.

Program Poses Planning Problem

Uncertainty about the duration of price controls is seen as another deterrent to energetic reconversion. "The criteria and time schedule for the relaxation of controls may well become the center of bitter dispute. OPA has simply promised that controls will be relaxed just as soon as they possibly can or when supply and demand are brought into equilibrium, or 'as fast as the need for them ends.'"

The Board's study considers that "these open-end promises of relaxation form a poor basis for forward planning by American business. Prices are too significant a determinant of business activity and of production for market to be dismissed without more specific assurance of future policy. Administrative decisions regarding relaxation 'on a selective basis' may not make for confidence in the course of future prices."

Profit Incentive Needed

"After the war," concludes the study, "it will again be necessary to rely upon the profit incentive to obtain an adequate supply of goods. Motives that impelled all-out production during the war, despite a relatively low return on sales, will be absent. It is questionable whether OPA in its formula has found an acceptable substitute, particularly in its insistence upon tight margins and its use of 1936-1939 as a "normal" period. Demands for relexation or cessation of controls are bound to arise if material and human resources, freed for civilian production, remain unemployed because ceilings discourage production."

Mason, Moran & Co. Has Twelfth Anniversary

CHICAGO, ILL.—Mason, Moran & Co., 135 South La Salle Street, observed its 12th anniversary on June 15, with its annual company outing, held at North Shore Country Club. Personnel from its branch offices were among the guests.

Michigan Brevities

A development in the Hudson Motor Car-Fishers Brother deal, hitherto undisclosed, which presages considerable difficulty in putting over the sale of the treasury stock to the latter group concerns change in Hudson by-Laws.

At the Directors' meeting which followed the stormy stockholders' session, Abraham Edward Barit, Hudson president who has opposed any deal with the Fishers, introduced the change.

Anticipating that "independent" director Carsten Tiedeman would attempt to take the deal direct to the stockholders, Mr. Barit moved to forestall such action.

Under the old by-laws, any two directors could call a meeting of the stockholders at any time. This was changed to require a majority of the Board of Directors.

Because a majority of the Hudson Board are Hudson employees, Mr. Barit thus made sure that no such meeting would be called without his sanction.

* * *

The National Bank of Detroit has declared a dividend of 65 cents on 1,250,000 shares of stock, payable Aug. 1 to stock of record July 10. Previous dividend was 50 cents on 1,000,000 shares. . . . The Detroit Trust Co. is paying $1 a share on June 27 to stock of record June 16. . . . The Manufacturers National Bank of Detroit voted a dividend of $3, payable June 28 to stock of record June 18.

* * *

Stockholders of the Commonwealth Bank have approved a plan which calls for the issuance of additional 5,000 shares of common stock to be sold at $150 a share, proceeds of which will be used to increase the capital account and retire the preferred stock.

The stock will be offered to present stockholders of record June 7 on the basis of one share of new stock for each 11 shares then held. Present market value of the stock is around $185 a share.

It is proposed that $250,000 will be added to the common capital account and the remaining $500,000, along with $323,000 in the preferred stock retirement fund and $77,000 in undivided profits, would pay off the preferred "A" stock, now held by the RFC.

As a result, at the end of this year, the bank would have a capital account of $9,000,000 with no stock ranking ahead of the common.

Directors further propose to increase the dividend rate from $4 to $5 a year, pointing out that the cash outlay would be lower than the present dividend outlay plus the payment of $100,000 annually on the principal of preferred stock outstanding.

* * *

Shareholders of Radio Station WJR have voted a two-for-one split in the stock, President G. A. Richards announced. This will mean an increase from 130,000 to 260,000 in the number of shares and the par value will drop from $5 to $2.50. The move was designed to permit wider public participation, Mr. Richards said.

* * *

The Federal District Court at Detroit has handed down a decision restraining Parker Rust-Proof Co. from suing for infringement or for collection of royalties under patent rights acquired from American Paint Co. in 1940.

The Court at the same time dismissed other complaints brought by the U. S. Government against the company and certain of its officers and jobbers which had alleged that the company's method of doing business through its jobbers was in violation of the anti-trust laws.

The company expects to bring motions to amend the judgment insofar as it is adverse.

* * *

The newly formed Pontiac, Mich., Savings Bank opened its doors to the public June 12 with Milo Cross as President.

* * *

The Detroit and Canada Tunnel Co., which has been enjoying boom business because of the thousands going to Windsor daily for food and other commodities on the short list locally, declared another dividend, this time for 75 cents. It was payable June 11 to stock of record May 31. Previous payment was 50 cents plus 5% in stock.

* * *

The annual Detroit Board of Commerce Cruise had a full quota of brokers along. Among those present were R. M. McConnell, Fred Winckler, and Joe McFawn.

Mercier, McDowell Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—William E. Shoemaker has become associated with Mercier, McDowell & Dolphyn, Buhl Building, members of the Detroit Stock Exchange. In the past Mr. Shoemaker was with C. G. McDonald & Co. and A. M. Kidder & Co.

Neelands Director of Beech Aircraft Corp.

Beech Aircraft Corp. has announced that Major Thomas D. Neelands has been elected to the board of directors of the corporation. Major Neelands fills the place recently made vacant on the board by the resignation of E. C. Moriarty, former Mayor of Wichita.

Maj. T. D. Neelands

Major Neelands recently was released from active duty with A. U. S., where he was Chief of the War Department "V" and "T" Loan Section. He has long been associated with the Beech Aircraft Corp. and its predecessor, the Travel-Air Co. He served on the board of directors before entering the Armed Forces in 1942. His experience in the aircraft business goes back to the earliest days of the industry when he acted as a distributor for the Travel-Air Company in the New York City region.

Public Utility Securities

(Continued from page 2722)

be "sweetened" by inclusion of stocks in some other subsidiaries. How much earnings equity would be left for EL common under such a hypothetical setup? Any exact forecast is of course impossible, but after removing United Gas and Dallas earnings from the consolidated income of $7,678,000 (12 months ended Nov. 30, latest published) there would not seem to be enough left for the 3,454,689 shares of common to make it worth a great deal more than the present price level. Opportunities for eventual enhancement would seem to be easier to justify in the case of the preferred shares.

Regarding American Power & Light, latest press reports indicate that the company may combine its northwestern group of companies (excepting Portland Gas & Coke) into an integrated system. Presumably this new company, together with Portland Gas, would have to be sold (public power interests in the northwest might be interested in taking over electric distributing facilities). Apparently American Power & Light wants to set up a surviving system in Texas (including EL's Dallas properties). American formerly had enough cash to retire its remaining bonds, but due to uncertainties over the method of retirement it has begun using cash for other purposes. Presumably sale of interests outside of Texas would supply sufficient proceeds to retire bonds, purchase Dallas, etc. This program (if adopted) will probably be slow, not only because of the Supreme Court appeal but also due to numerous problems with respect to plant write-offs, refunding operations, etc., for subsidiaries.

Connecticut Brevities

Pitney-Bowes Postage Meter Company stockholders have authorized a change in the corporate name of the company to Pitney-Bowes, Inc. and have changed the par value of the common stock from no par to $2 par to reduce stock transfer taxes.

The company will shortly resume the manufacture of its stamp vending machines and it is expected that the 1941 production will be equalled in a few months. The year ended June 30, 1944, showed total postal revenue of $189,000,000 collected through the postage meter—an all time record.

Byron J. Smith has been appointed chief production engineer.

The company reported net income of $486,116 for the year ended March 31, 1945, compared with $495,086 for the preceding 12 months. Earnings per share were 53¢ and 55¢, respectively, based on 910,444 shares in 1945 and 905,379 in 1944. Accounts for both years are subject to renegotiation.

* * *

Earnings for Royal Typewriter Company, Inc., for the first quarter ended April 30, 1945, were $340,866, or 26¢ a share which compared with $404,230, or 31¢ a share for the first quarter of 1944. For the nine months ended April 30, 1945, earnings per share were 54¢ compared to 83¢ a year ago.

Singer Manufacturing Company announced that the company would build additions to their plant at Thurso, Quebec, and erect a new factory at St. Johns, Quebec.

* * *

It is estimated that overall output of the Remington Arms Company will be cut some 20% in the next four months due to changes being made at the Kansas City, Mo., plant. Production of the 30-caliber cartridge will be increased while the output 30-caliber shells will be decreased.

* * *

The Connecticut Investment Management Company declared an extra dividend of 27¢ on the common stock payable June 26 to stockholders of record June 15.

* * *

The Connecticut Light & Power Company recently sold privately through Putnam & Co. $16,000,000 first and refunding 3s, series J, due May 1, 1978, at $106.98+. Proceeds of the issue were used to retire the first and refunding 3¼s, series G, due 1966, and for general corporate purposes.

* * *

J. M. Hincks, President of the Middlesex Mutual Fire Assurance Company has been named a trustee of the Middletown Savings Bank.

* * *

The consolidated income account of the Greenwich Water System, Inc., for the year ended Dec. 31, 1944, showed total operating revenue of $1,346,902 against $1,289,670 for the previous year. Net income was $198,789 compared with $210,325. Overall charges were covered 1.10 times against 1.12 times while the preferred stock showed earnings of $7.76 and $8.21, respectively.

* * *

The Connecticut Legislature recently authorized the City of New Britain to issue bonds in the amount of $1,150,000 in connection with a post-war program.

Governor Raymond E. Baldwin has been elected Vice-President, general counsel, and a member of the Board of Directors of the Connecticut Mutual Life Insurance Company.

* * *

During the month of May, combined sales by the Bridgeport and New Haven divisions of United Illuminating reached 57,213,715 kilowatt hours which is 1,370,338 kilowatt hours more than sold in May of 1944. A total of 304,454,000 kilowatt hours were generated and sold during the first five months of this year which is some 2½% in excess of that produced during the period of January through May of 1944.

* * *

Southern New England Telephone reported net income of $832,214 for the four months ended April 30, 1945. This compares with $776,711 for the corresponding period in 1944.

* * *

The income account of New York, New Haven & Hartford Railroad as reported to the ICC for the four months ended April 30, 1945, showed net income of $3,947,136 compared to $4,976,800 for the corresponding period of 1944. These figures are before guarantees on separately operated properties. Fixed charges were covered 1.98 times against 2.22 times.

* * *

Total earnings of Veeder-Root, Inc., after taxes, for the period from Jan. 1 to May 20 totaled $240,776 compared to $356,513 for the same period last year. Earnings per share were $1.20 and $1.78, respectively. The balance transferred to earned surplus was $237,843, or $1.19 a share, against $277,919, or $1.38 a share for the corresponding months in 1944.

Brazil Eases Curb on Gold

The Brazilian Finance Ministry announced on June 19 that gold mined in Brazil henceforth may be sold freely in the national market, although export and import controls continue in force. Associated Press advices from Rio de Janeiro June 19 reporting this added:

"Formerly all nationally mined gold was required to be delivered to Banco do Brasil.

The Ministry explained that the Treasury's stock now was ample, but that it would continue to purchase all gold offered at the international market price.

Changes At Hoppin Bros.

G. Beekman Hoppin, general partner in Hoppin Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will become a limited partner on July 2nd. The interest of the late Russell S. Cooney, a limited partner in the firm, will cease as of the same date, and Mae B. Cooney will be admitted to limited partnership.

St. Louis Municipal Dealers Elect White

ST. LOUIS, MO.—The annual election of the St. Louis Munici-

Kelton E. White

pal Dealers' Association was held June 14. Officers for the ensuing year are Kelton E. White of G. H. Walker & Co., chairman; Albert Theis Jr. of Albert Theis & Sons, vice chairman; Albert W. Winter of Mississippi Valley Trust, treasurer; and W. Paul Harper of Boatmen's National Bank, secretary.

Hugh Baker Rejoins Baker Weeks & Harden

Hugh B. Baker as of July 1st will become a partner in Baker, Weeks & Harden, 52 Wall Street, New York City, members of the New York Stock Exchange and other exchanges. Mr. Baker was formerly a partner in the firm, retiring in 1939 to become president and director of the Blue Ridge Corporation.

Mr. Baker's entire business career has been spent in the securities business. In 1914 he became representative of the National City Bank in Philadelphia and joined the staff of the National City Co. when that securities firm was formed by the bank. He became vice-president in charge of sales in 1917 and was made president in 1929. He joined Baker, Weeks & Harden in 1935 as a general partner.

Paul Young V.-P. of Boatmen's Bank

ST. LOUIS, MO. — Boatmen's National Bank, 300 North Broadway, has elected Paul H. Young a Vice-President, effective as of July 1, 1945. He will direct the organization of a Consumers Credit Department. Mr. Young was formerly President of Reserve Discount Co., and it is understood that members of this organization will be associated with him in the bank.

Shields Co. To Admit Rudell As Partner

Shields & Company, 44 Wall Street, New York City, members of the New York and Chicago Stock Exchanges, will admit Theodore F. Rudell to partnership in the firm on July 1st.

Harry Theis Named Consultant to RFC

ST. LOUIS, MO.—Harry Theis, president of Albert Theis & Sons,

Harry Theis

Inc., 410 Olive Street, has been named consultant to the Reconstruction Finance Corporation by John W. Snyder, Federal Loan Administrator, and formerly vice-president of the First National Bank in St. Louis.

Stern Co. NYSE Firm To Be Formed June 29

The firm of Stern & Co., members New York Stock Exchange, will be formed on June 29, 1945, by Frederick M. Stern, Mark Sandler, and Howard J. Buxbaum, as general partners, and Sigmund Stern, as limited partner. The Exchange Member will be Mr. Buxbaum who in the past has been associated with Pflugfelder, Bampton & Rust, and who is acquiring the Exchange Membership of his new partner, Frederick M. Stern who has been operating as an individual member of the New York Stock Exchange with offices at E. F. Hutton & Co. Mr. Sandler has been connected with Herzfeld & Stern for many years, of which firm Sigmund Stern was a general partner until his retirement in 1940. The new firm will be located at 120 Broadway, New York 5, and will clear its business through Pershing & Co., Members New York Stock Exchange, at the same address.

Gillies To Be Partner In Bacon, Stevenson Co.

John J. Gillies will be admitted to partnership in Bacon, Stevenson & Co., 39 Broadway, New York City, members of the New York Stock Exchange, as of July 1st.

Missouri Brevities

Strength in Ely & Walker

Ely & Walker Dry Goods Company common stock has been quite strong in the St. Louis over-the-counter market in recent weeks, accompanied by rumors of possible additional expansion of its operations. Company is understood to have increased its holdings of Pacific Mills stock to about 17% of the amount outstanding. The common is currently quoted, 39 bid, 41 asked. The stock was split 2 for 1 in 1944, consequently current quotations are equivalent to 78-82 on the old stock.

On June 13 the company announced that M. Weldon Rogers of Greenville, S. C., President of the Southern Textile Association, and General Manager of Jackson Mills, would join the company as of July 1. Mr. Rogers will have charge of Development and Research, a newly established department.

Midwest Piping Annual Report

Midwest Piping and Supply Company's annual report for the year ended Feb. 28, 1945, shows net income of $1,286,745 after provision for possible renegotiation, compared with $971,870 in the preceding year after renegotiation. Figures are equivalent to $6.66 per share compared with $5.03 per share. Sales reached a new high record of $23,132,201 compared with $19,398,592 in the preceding year.

St. Louis Bank and Investment Firm Appointments

Lindell Trust has elected **Francis J. Maginn Assistant Vice-President** in charge of its Consumers Credit Department.

Harold H. Giger has been appointed **Manager of E. H. Rollins & Sons St. Louis office.** He was formerly President of Giger & Company, and local Manager of Selected Investments Company.

James R. Kearney Report

James R. Kearney Corporation's annual report for the year ended Dec. 31, 1944, shows a net profit of $235,936, equivalent to $1 a share on the common stock after allowance for preferred dividends, compared with a net profit of $28,452, or 7¢ per share in 1943. Company's volume of business and profits were adversely affected by war-time restrictions during 1942 and 1943. However, in 1944 the company negotiated and completed several war contracts which contributed largely to the improved showing. Balance sheet as of Dec. 31, 1944 showed current assets of $1,076,259 compared with current liabilities of $383,525. Company has no funded debt or bank loans outstanding. Under normal conditions the company engaged in the manufacture, assembly and sale of electrical switching equipment, electric wire connectors, live line tools for maintaining transmission and distribution systems, pole line accessories and telephone specialties.

Dempsey-Tegeler to Admit Walsh, Mills

ST. LOUIS, MO.—Robert A. Walsh and Robert G. Mills will be admitted to partnership in Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York, St. Louis, and Chicago Stock Exchanges, on July 1. Both have been associated with the firm for some time, Mr. Walsh as manager of the trading department, and Mr. Mills as manager of the real estate loan department.

F. H. Winter & Co.

F. H. Winter & Co., 111 Broadway, New York City, has admitted Elsie L. Vaughan to limited partnership in the firm with Frank H. Winter. Harry Flackman, formerly a partner, has retired.

Municipal News & Notes

The City of Oakland, Calif., currently holds the spotlight in the municipal field, with dealers on the West Coast and here in the East awaiting outcome of the bidding on the $15,754,000 bonds scheduled to be awarded at 8 p.m. tonight (Thursday). This is the largest new municipal offering to be undertaken in some time and a considerable number of syndicates are expected to participate in the bidding.

Oakland bonds, it is noted, are somewhat of a market rarity, as the city has not appeared in the capital market since 1937 and the aggregate of currently outstanding bonds is consequently extremely small. The present issue is due serially from 1946 to 1984, inclusive.

Yesterday (Wednesday) witnessed the initial transactions of a series of financing being undertaken by various taxing units in the Tennessee Valley Authority area, the purpose of which is to provide for municipal acquisition of the local power distribution systems presently owned by the East Tennessee Light & Power Co.

The twin cities of Bristol (one in Tennessee and the other in Virginia) were the pacesetters, the Tennessee unit having placed an issue of $1,300,000, while the Virginia entity borrowed $1,250,000.

Scheduled for award today (Thursday) are $2,303,000 bonds of Johnson City, Tenn., and $820,000 of Elizabethton, Tenn. The final operations will take place on Friday when Erwin, Tenn., will open bids on an issue of $820,000, and Greenville, Tenn., will do likewise on an offering of $900,000.

Florida's Broadened Economic Base

It is only natural, we suppose, for the average non-resident of Florida to think and refer to the State solely as an area that has achieved world fame for its incomparable recreational facilities. It is true, of course, that this is an extremely productive industry, particularly when consideration is given to the fact that more than $300,000,000 annually is spent by visitors to the State.

However, it is a mistake to conclude that the tourist industry constitutes the State's sole economic asset, and the gravity of this error is emphasized in the 45-page book being distributed by B. J. Van Ingen & Co., Inc., New York. Bearing the caption, "Florida, A Progressing State," and authored by George A. Hasz, research associate for the investment firm, the contents of the book cannot do other than enlighten the individual on the diversified nature of the State's economy.

Mr. Hasz furnishes a word picture of the variety of developments in the economic sphere which have contributed to the growth of the State's economic structure during the past two decades. This improvement, he observes, is the result of the exploitation of Florida's resources, much of which has been of comparatively recent origin.

Space considerations, unfortunately, prohibit an analysis of the varied industrial developments recounted by Mr. Hasz. Suffice it to say that his findings should prove extremely interesting to those actively interested in Florida municipals, and to dealers and investors generally.

Of particular interest in this connection is the lengthy discussion relative to the greatly improved standing of Florida municipal credit, a fact that has been clearly demonstrated in the results of recent borrowing accomplished for both refunding and new capital purposes by a number of the local communities.

Debt Structure and Bond Maturity Calendars of Seven Southern States

Among the various pieces of municipal debt literature that it has been our privilege to peruse, none is likely to be of greater value and interest to dealers and investors than the volume now being distributed by the Equitable Securities Corp., with offices in Nashville, Tenn., New York City, and other cities.

This compilation, bearing the title, "Debt Structure and Bond Maturity Calendars of Seven Southern States," shows at a glance the recent financial status and the details of the outstanding bond issues of the States of Alabama, Arkansas, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. The data includes explanatory comment as to the statutory origin of and purpose of each bond issue and the source of revenues from which the debt is payable.

The book represents a consolidation into one volume of the material previously made available by the bond house in individual pamphlets covering each of the above-mentioned States. Because of the popularity of these various brochures and those previously issued, the firm decided to incorporate the latest series into one volume and, while the copy has been slightly revised, the material dealing with each State is as of the date of original publication. Applications for copies of the book will be filled by the Equitable Securities Corp., until the available supply is exhausted.

Colorado Springs, Colo., $765,000 Bonds Scheduled for Post-War Issuance

E. L. Mosley, City Manager, advises us that the $765,000 construction bonds recently approved by voters of Colorado Springs, Colo., will not be offered for sale either to the public or to the city's various reserve funds until conclusion of the war with Japan.

New York Municipal Attorney Dead

Robert Rentoul Reed, partner in the municipal law firm of Reed, Hoyt & Washburn, New York City, died on Saturday, June 16. Mr. Reed was 69 years of age and since 1908 had specialized in the study of municipal bond law. Throughout his long career he rendered judgment on the legality of bonds issued by the States and various municipalities throughout the country, with particular reference to the Eastern Seaboard territory.

Tomorrow's Markets Walter Whyte Says—

Rails appear close to top. Industrials about ready to take over. Expect further strength in senior averages before any real reaction.

By WALTER WHYTE

There is no argument that the rails are the strongest movers in the current market. That they were poised to advance is no news to regular readers of this column. Some time ago, as recently as two and three weeks ago, their action was discussed and conclusions made that they would work into higher ground.

* * *

Forgetting the past and taking a long look into the future, it seems to me that an end to the rail move is now in sight. This doesn't mean that they will come apart at the seams right away. On the contrary, they still seem to have about 3 or 5 points left. Now a 5 point move is nothing to sneeze at. Ordinarily I'd go out on a limb for less. But somewhere around 65 is an old obstacle erected in 1937. And it's that old "debbil" obstacle that's holding me back.

* * *

The industrials on the other hand are still acting standoffish. True, they hold up because there is more buying coming in on concessions than I first thought likely. The industrial strength, however, is scattered and spasmodic. One day the air manufacturing stocks are strong, the next it's the air transports, and the next it is the cats and dogs. Such milling around is not conducive to bull interpretations. So there are more sold out bulls and bears on the sidelines than there has been for some time. Such a condition doesn't make for sharp reactions, or, for that matter, any kind of reaction. It usually leads to either a dullness or a backing and filling process followed by another upsurge. When this upsurge will come is difficult to say. The market seems to say that it will come. But only day to day action can tell when it will come.

* * *

In making such statements I realize I'm making a complete reversal. In the past two weeks I have been saying that the market is spoiling for a reaction. I now say it is going up. This would be a swell opportunity to be whipsawed beautifully. And if there is anything else that can bring out the grey hairs like an old fashioned market whipsaw then I haven't run across it yet. But that is the market for you. Somebody once said "if you want to sleep well, leave the market alone. If you want to eat well, play the market." Well, I don't sleep so well anyway. . . . So here goes.

* * *

Buy American Foreign Power 2d preferred 27 to 28; stop 26.

Buy American Smelters 47-48; stop 46.

Buy A. M. Byers 18-19; stop 16½. Stock is usually sluggish, but right now it is nibbling at the old February-March highs (20-1) and once through them can give you plenty of action. Tip-off will be volume increase.

* * *

Buy Flinkote 29-30; stop 28. Another comparative sluggard. Last move in early April took it from the 26 area to about 31. It then backed off to 29 and finally crossed 33. Past 30 days it has been laying around 29-31 and looks ripe.

* * *

Buy Western Union 48 to 49; stop 47. Ordinarily a slow mover but now seems to be gathering mobility for an attack at its old July (1944) highs of 50-53.

Buy White Motors 30-31; stop 28½. Recent run up from 31 to 33 was good performance. Current backdown to about 31½ is perfectly in order. Expect further down to under 31 or so and then higher.

You still hold three old stocks. Advice is as follows: Jones & Laughlin, bought at 30 (now about 34½) still acts okay. Hold with stop of 30. . . . U. S. Steel, bought at 56 (now about 69) still has stop at 65. Steel's big move is still ahead. Recent and current action is reminiscent of 1937 when it went up 50 points (80 to 130) on what was later described as asset value. If the inflation boys get busy Steel has a lot of asset value (not earnings) that can make very pleasant reading. . . . Last one is U. S. Rubber bought at 56 (now about 58). Stock doesn't act too well. Get out here and use the cash to buy some of the others mentioned above.

* * *

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.]

How To Get 6%

Roger W. Babson Advises Certain Utility Stocks

BABSON PARK, MASS.—Rich people may not now be interested in income from securities because they have to pay so much of it back to the Government in taxes. The great mass of people, however, prefer to have their money well invested and paying good interest. Then they like to spend this interest and not disturb their principal. Hence, in the long run, the question of income is the basic factor in the stock and bond markets. This should be even more true later because next year, personal and corporation taxes will probably be reduced.

Roger W. Babson

People Should Take Profits

For the above reason, Wall Street has the saying: "Idle funds soon burn holes in peoples' pockets." Most people do not work and slave just to keep money idle. They want to see it **work and earn** so it will help support them. This will be all the more important when the cost of living goes up as it will after Japan collapses. In fact, this will be especially true of those who must live on the interest which they get from invested capital.

Most investors do not look at **the price** at which their bonds or stocks are selling; but only at the **dividends** which they get. They may have bought a 6% stock for $100 which has gone up to $150; and hence, from a mathematical viewpoint, now yields only 4%. Yet they refuse to sell it because the dividend is still $6 per year. This stubbornness on the part of most investors may sometimes be a mistake. Certainly it is one reason why the market steadily goes up. The buyers are increasing, with few people willing to sell.

How to Get 6%

Now your banker may tell you that the 6% days have gone by and if you do sell, 6% can no longer be secured elsewhere with even fair safety. But I disagree with him. Some of the good public utilities still earn 6% and should earn more after World War II is over and corporation taxes are reduced. Of course, you must hunt for them. Such investments do not "go begging"; but you can get them if you insist.

"Why is it," you ask, "that one can get 6% from utility stocks with fair safety?" There are three reasons: (1) Because the Roosevelt Administration persecuted honestly-operated utility companies along with the bad ones. **This persecution has now stopped.** (2) Because most utilities are now being operated by old men who are discouraged and disappointed. They have seen their own fortunes fade away and haven't the guts to wake up and make another fortune. **This can be remedied by replacing them with young men who never knew the "good old days."** (3) Because many bankers fear public ownership. **This can be insured against by buying stocks selling on the basis of the cash invested.**

Utilities Growing

The most important consideration when investing for income are (1) Honest management, (2) Market price and (3) Growth possibilities. The utilities are now being honestly operated even if some are still handicapped by out-worn management contracts. Utility securities are fairly priced and are growing every day. They may have some postwar slump; but are far safer than the railroads. Industrial low-rate business may fall off; but profitable domestic and household business should increase. Every house built, every couple married and every child born means more business for the utilities. The dividends of operating utilities usually hold up well during business depressions. Investors, however, should distribute their utility risks and not have all in one locality.

What About Inflation?

If the electric light and power business had reached its maximum, as have the railroads, I should fear inflation. As a rule industries with fixed rates will suffer from the high prices which will accompany inflation. Public utility experts, however, tell me that the natural growth referred to above will largely offset the handicap of inflation. This would surely be true in the case of companies which get much of their electricity from water powers or natural gas wells.

I am not recommending public utilities for profit. Merchandising and other stocks offer far better opportunities for "buying low and selling high." The fear of public ownership puts a ceiling on the price at which public utility stocks should sell. But for a 6% income with reasonable safety, I believe that public utilities offer the best chance of success. Besides, remember "you cannot have your cake and eat it too".

State of the Stock Market

Numerous factors are serving to incite suspicion that the stock market may be due for one of those recessions which are termed "worthwhile" by those gentry sufficiently fortunate to sell in advance and to repurchase reasonably near the bottom. The greatest of these factors are the twin facts that the prices of stocks have advanced considerably and that these advances have been sustained over a considerable period of time. In non-Newtonian language this may be expressed as the law of "The Higher They Go the Harder They Fall." But logical as this law may sound, we doubt its validity as applied to the market for stocks.

Other factors cited by the bears (there are a few) and the sold-out bulls (they are numerically at an all-time high), include the fact that the Battle of Reconversion has been joined, the fact that V-E Day was not exactly a V-E Day in our international affairs, and the fact that peace time labor may not be pacific. Some people are sure the market must go down now that tax relief has apparently been put off until after V-J Day, which may be many months off. And others are sure the market must go down because V-J Day may come along soon now.

In our opinion the fundamental market trend is still up and the most powerful force at work is the pressure of money seeking a return. . . . In addition, so many investors have followed the advice of the numerous statistical services which have recommended at least partial profit-taking, that strong support will combat any reaction as soon as it develops. Whether to try to take advantage of intermediate moves is a matter for each individual to decide. We do not consider the hazards, real and mental, of holding stocks at these levels too serious. In recent months strength in quality stocks has characterized the market. In the next phase of the advance we would expect more interest in the so-called "special situations" where favorable current developments have not been reflected marketwise. Fansteel, Jacobs, Raytheon are typical of the type of issues we have in mind.—Washington Dodge, Roberts & Co.

Taylor Predicts Scarcity

At a meeting of the Chicago Association of Commerce, George W. Taylor, chairman of the National War Labor Board, declared: "One may reasonably anticipate that the supplies of the basic necessities of life will become scarcer than ever as we move toward Tokyo," the Associated Press reported from Chicago, June 13.

"The nation's vast resources which produce food, clothing, shelter and transportation cannot be mustered out of service," Taylor said, adding, "They cannot as yet be devoted to the building up of a more abundant life on the home front.

"Nor will the lack of such basic necessities be adequately counter-balanced by the small though growing supply of durable consumers' goods which will undoubtedly become available. Many of us may have a brand new refrigerator before we can get good beefsteaks to put in it. . . . It is important to face the fact that hopes for a high consumption economy cannot immediately be realized."

The WLB chief, in his prepared address, asserted: "The combination of continuing the manufacture of machinery for war . . . and reconverting to the production of civilian goods is tougher to beat than any economic situation we have yet faced on the home front."

Sec. Commissioners to Study Sales of Canadian Securities

Clarence H. Adams, of Hartford, Conn., President of the National Association of Securities Commissioners, has announced that the executive committee of the National Association of Securities Commissioners, in session in Chicago on May 25, 1945, voted to create a committee of three members, together with the assistance of the President, to study and investigate the sale of Canadian securities in the various States by unregistered dealers and brokers, and authorized the President to appoint such a committee. President Adams appointed the following State Commissioners as members of the committee: John F. Hueni, Chairman, Michigan; Harold Johnson, Nebraska, and Ernest Cornell, Ohio.

The purpose of this committee is to make a thorough investigation of the offerings of mining securities by Canadian brokers and dealers who are not registered under the laws of our various States. The committee is now busily engaged in such investigation and should meet shortly in Toronto, Canada, to complete its investigation. A report of the results of the investigation will be made available to each of the Securities Commissioners, together with such recommendations as appear necessary for the protection of the public interest.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The action of the Government bond market is still dominated by the trend of the 2½s of 1967/72 which, in spite of intermittent profit taking, continues to make new all time highs. . . . This issue advanced the limit of 8/32nds a day, during several trading sessions. . . . Despite the level at which this bond is presently selling it is still the highest yielding taxable obligation that can be bought by the commercial bonds. . . . The smaller commercial institutions, particularly those with savings deposits, are reported to be heavy buyers of this obligation. . . . Under the present policy of financing with no long-term high coupon bonds for the commercial banks, the 2½s due 1967/72 is the only issue that these institutions can buy that still gives them sufficient income to cover the cost of savings deposits. . . .

Since no change in the program of financing is indicated, the demand for the longest taxable issue should continue and prices in excess of those currently prevailing are expected in the future. . . .

Small in Size

The 2½s due 1967/72 outstanding in the amount of $2,716,000,000 is not a large issue. . . . It is considerably smaller than some of the other bank eligible taxable securities such as the 2s of 9/15/51/53, the 2s due 6/15/24/54, and the 2s due 12/15/52/54. . . .

The floating supply of the 2½s due 1967/72 has not been large, and indications are that the amount of these bonds available for sale will not increase very much in the near future. . . .

Demand Unabated

If increased offerings of this issue should appear in the market between now and the end of the drive, they should be well taken since there is still a substantial demand for them. . . . Although price fluctuations are to be expected in the longest unrestricted 2½s, recommendations are still being made that they be bought at these levels by institutions that need income. . . .

Taxable 2s Active

The 2% taxable group was active with prices of some of these issues going to new alltime highs. . . . The 2s due June and December 1952/54, were in demand, with revival of the opinion that these bonds would go to a 1.50% yield basis. . . . All of the restricted issues were strong with the 2¼s due 1956/59, the 2½s due 1962/67 and the 2½s due 1963/68, going to new tops. . . . A somewhat better tone was in evidence in the notes, with further price betterment expected near the close of the drive. . . .

Partial Exempts Soar

The partially exempts that showed improvement were the last four maturities with the 2¾s due 1958/63 and the 2¾s due 1960/65 again making alltime highs. . . . These last two maturities are still considered the most attractive obligations in this group. . . .

Reports indicate that individual subscriptions made so far in the drive show a preference for the 2½s due 6/15/67/72, with the 1½s due December 15, 1950 next in line. . . . The 2¼s due June 15, 1959/62 were in third place. . . .

"Dealers," who will enter their subscriptions near the end of the drive, are reported to be of the opinion now, that they will divide their direct participation in the Seventh War Loan equally between the 2¼s and the 2½s. . . .

Treasuries vs. Corporates

The fact that the Government offers to the savings banks and the insurance companies 2¼s and 2½s at 100 sets this return as the lower level of rates for these institutions. . . . It is indicated that these institutions will not be attracted to the highest quality corporate obligations unless they yield at least ¼ of 1% more than comparable maturities of Government obligations. . . . Some believe that the differential between Governments and the best grade corporates should be at least ⅜ of 1%, with others of the opinion that the spread should be ½ of 1%. . . .

It was pointed out that so long as the savings bank and life insurance companies can get Governments on a 2.50% basis they will not be interested in corporate issues that give only a slightly higher return than the Treasury bonds. . . .

This conditions has and may continue to result in the selling of corporate bonds by these institutions. . . . On the other hand the commercial banks, are in an entirely different position than the savings banks and life insurance companies. . . .

The Reverse Picture

The highest yielding Government bond they can buy returns them less than 2.20%. . . . This leads to the discussion as to whether these institutions particularly those with savings deposits, will be attracted in a substantial way to the larger return that is available in the highest grade corporate obligations. . . .

Because of the great scarcity of high coupon Government bonds that these institutions can purchase, the opinion is held in some quarters that these banks will become buyers of the highest quality corporate issues that yield from ¼ of 1% to ⅜ of 1% more than the Treasury issues. . . .

There are already indications of such a trend with some of the smaller institutions taking on the best quality longer term corporate issues that yield from 2.47% to 2.6%. . . . Inquiries are also being made by these banks concerning the high grade corporate issues that will be refunded at the end of the drive. . . . The Commercial banks with savings deposits are not attracted to the medium term high grade corporates because the yield is not sufficiently above that of comparable maturities of the Treasuries to warrant their purchase. . . .

Search for Income

With the yield on the Government obligations that the commercial banks can buy being pushed down and some of these institutions being forced into the corporate bond market in order to get income, raises the point as to whether the lower limit of interest rates for institutional buyers may not undergo some revision in the future.

Some money market experts say that the Treasury will continue to offer 2¼s and 2½s to the savings banks and insurance companies no matter how low the yield may go on Government issues that the commercial banks can buy. . . .

At the same time there are those experts who believe that the Treasury will endeavor to cut the cost of carrying the debt burden whenever and wherever it can be done. . . . They point out that interest charges could be reduced through the offering of lower coupon issues to the savings banks and life insurance companies.

Report to Congress By Biddle Finds Foreign Propaganda Now of More Polished Type

Foreign Government propaganda activities have become costlier and of a more polished type, according to U. S. Attorney General Biddle, who in a 560-page report to Congress on June 11 on administration of the Foreign Agents Federation act from June 28, 1942, through last Dec. 31, estimated that more than 12,000 different items of propaganda in 26 languages have been filed annually with the Department of Justice.

Mr. Biddle added, said the Associated Press, that organizations and individuals associated directly and indirectly with 34 governments are participating in propaganda or publicity activities in this country. From the Associated Press Washington accounts, June 11, we also quote:

"The most important propaganda organizations, he said, are official information centers maintained in the United States by 18 foreign governments. He said the 15 principal ones increased their annual expenditures in this country from $2,873,000 in 1942 to $4,303,000 in 1943, and to $5,368,000 in 1944. The number of their employees grew from 643 in 1942 to 846 in 1943 and to 1,124 in 1944.

"The Soviet Union, the report said, does not maintain an official information agency 'but conducts parallel activities by other means in large part not subject to the (foreign agents registration) Act.'

"Although propaganda is being distributed to the American people in increasing volume, the report showed, it is far different from the often anti-democratic type handed out by the Axis nations before the war.

"Prosecutions under the Registration Act and under a somewhat similar provision of espionage statutes have resulted in 41 criminal proceedings involving 125 defendants since 1938, the report said. Up to Dec. 31, 1944, a total of 81 defendants had been convicted and 13 acquitted. The remainder are awaiting trial, are fugitives or otherwise have not had their cases disposed of.

"In 1942 administration of the Act was transferred from the State Department to the Justice Department."

Clarence Dobler Dead

Clarence R. Dobler, widely known investment man and Manager of the Corporate Trading Department of the William R. Staats Co., Los Angeles, Calif., died June 12th after a short illness. He had been in the security business since 1919 and with William R. Staats Co. since 1938. Previously he was connected with the Chicago office of the National City Co. of New York.

Opposition Reaffirmed To Waterways Project

A resolution "reaffirming the position of the Commerce and Industry Association of New York in opposition to the St. Lawrence Waterways project" was passed unanimously at the monthly Board meeting on June 11. Because of criticisms leveled at the 20-page statement issued April 11, the Association reviewed its findings but "found nothing within the criticisms to justify any change in its position."

The Association also approved three measures now before Congress and disapproved two. Those approved were S. 21, which permits railroads to retain funds for post-war maintenance without their being subject to income tax; S. 864, which provides for uniform redress of shippers for damages by all forms of transportation; and H.R. 2536, which would protect railroads against anti-trust suits if the ICC had approved their actions.

The bills to which the Association is opposed are S. 336, concerning the pooling of increased revenues of railroads when the ICC grants increased rates on the plea of revenue needs; and "those features of H.R. 1362 which could be interpreted as directly affecting the buyers of transportation." This bill, says the Association, might place certain industrial employees under the Railroad Retirement Act instead of Social Security upon certain occasions.

Dammes & Tenser to Be Formed in N. Y.

Dammes & Tenser, with offices at 120 Broadway, New York City, members of the New York Stock Exchange, will be formed as of July 2. Partners will be Herbert P. Dammes, exchange member, and Harry W. Tenser. Mr. Dammes has been active as an individual floor broker and prior thereto was a partner in Hardy & Co. Mr. Tenser in the past was a principal of H. W. Tenser & Co.

OUR REPORTER'S REPORT

The Seventh War Loan Drive is now well into the home stretch and there is a growing tendency among those in the underwriting business to look ahead to next month with a view to calculating, at least roughly, the volume of new corporate business which has come into sight.

An up-to-the-minute check among investment banking firms indicates that a total of approximately $300,000,000 of corporate issues could reach market during July, and there is still time for additions to the list of potentials.

One of the interesting sidelights on the approaching reopening of the corporate capital market is clearly defined trend toward new preferred stocks by way of replacing outstanding issues with lower dividend payers.

A recapitulation of the prospective new issues shows that out of a total of 34 thus far in sight 15 involve the projected issue of new preferred stocks, while new undertakings in the form of indebtedness total only 16.

The list includes three prospective new common stock issues of which the largest will be that of the Manufacturers Trust Co. of New York, involving the sale of 412,500 shares which will provide capital need for the redemption of the bank's outstanding preferred stock.

Several of the preferred potentials are of substantial proportions ranging up to $25,000,000 projected by the Union Oil Co. of California.

Standby Accounts

The Securities and Exchange Commission finally came through with detailed explanation of its reason for ruling out the Blyth & Co. syndicate's single bid for North American Co.'s 700,000 shares of Pacific Gas & Electric Co. stock a month ago.

The ruling was an outgrowth of the Commission's distaste for "standby accounts" involved in the making up of syndicates such as the one which made the Pacific Gas & Electric bid. This group, it claims, was formed as far back as 1942 and its scope was such as prevented efforts to organize a competing syndicate.

While not condemning all such accounts, the Commission intends to make a broad study of the general situation, on its contention that the Pacific Gas syndicate embraced far greater financial strength than actually was needed for the job. Major participants refrained from comment on the Commission's findings.

Fretful of Credit Squeeze

Some people in the underwriting business are fretting again over the workings of the credit rules of the New York Stock Exchange governing the operations of its member firms.

These rules, they contend, act to sterilize large amounts of credit which really will be needed in the big task ahead next month. Once a firm takes a position in a syndicate, it is noted, that part of its capital which is involved is tied up until the deal is completed.

The syndicate manager of one large firm cited an instance in which he sought to form a group and proceeded to invite people who had been in early undertakings. He ran into the same situation in many instances, namely, that the firm would check its available credit and then come back with "would like to, but find we have three deals on for that date, completely sewing us up."

Expanding the List

Two more large pieces of prospective public utility refinancing came into sight this week when it developed that Brooklyn Union Gas Company and Northern States Power Co. of Minnesota are working on plans for overhauling their debt structures.

Brooklyn Union's program, if carried through to completion, would involve $42,000,000 of new securities consisting of $35,000,000 of mortgage bonds and $7,000,000 of new preferred stock to replace $30,000,000 of bonds and $12,000,000 debentures sold last fall.

Northern States Power's plan would involve replacement of its $75,000,000 of first and refunding 3½s, due 1967. This program might be expanded to include replacement of $27,500,000 of outstanding 5% preferred which is subject to call at $110 a share.

Lauchlin Currie Resigns

Lauchlin Currie submitted to President Truman his resignation, which was accepted, as $10,000 a year presidential administrative assistant, because of what he described as urgent personal considerations, according to the Associated Press from Washington, June 15. This was said to be the second time that Currie, a holdover from the Roosevelt administration, had sought to resign; on the first occasion the President had persuaded him to remain for the time being.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Fire insurance stocks are receiving better market recognition this year than last. During 1944 they appreciated only 2.5%, based on Standard & Poor's weekly index, compared with a 13.6% appreciation by the Dow Jones Industrial Average. This year they have enjoyed an appreciation up to June 13 of 10.5% against 8.1% by the Dow Jones Industrials.

Individually, however, the performance of the fire insurance stocks during the year 1944 and thus far in 1945, has been very erratic. Standard & Poor's Index comprises 18 representative stocks; of these, ten showed market appreciation in 1944, two showed no change, while six showed a market decline, as follows:

Market Appreciation	
American Insurance	4.9%
Fidelity-Phenix	0.5
Fire Association	6.3
Great American	7.1
Fireman's Fd. (S. F.)	4.6
Ins. Co. of N. A.	10.5
Hartford Fire	5.5
Phoenix	1.4
St. Paul F. & M.	22.9
U. S. Fire	3.5
Stand. & Poor's Index	2.5
No Change	
National Fire Continental Ins.	
Market Decline	
Aetna	5.9%
Fireman's (Newark)	2.8
Home	12.8
National Liberty	10.6
North River	3.2
Springfield F. & M.	4.5

Thus far in 1945, their market performance has been as follows:

Market Appreciation	
Aetna	6.2%
American Insurance	23.4
Continental Insurance	12.1
Fidelity-Phenix	11.8
Fire Association	7.0
Fireman's Fd. (S. F.)	13.0
Firemen's (Newark)	14.4
Great American	12.3
Hartford	10.6
Home	5.7
Insurance of N. A.	14.3
National Fire	10.3
North River	6.5
Phoenix	6.1
St. Paul F. & M.	6.1
U. S. Fire	5.3
Stand. & Poor's Index	10.5
No Change	
National Liberty	
Market Decline	
Springfield F. & M.	2.8%

All of the stocks, except National Liberty and Springfield Fire & Marine, have appreciated this year so far. There is a wide difference, however, between the maximum appreciation of 23.4% by American Insurance and the minimum of 5.3% by United States Fire. It is of interest to inquire into this selectivity of the market.

There are eight stocks whose market appreciation exceeds the 10.5% of the index, as follows:

	Total Net Operating Earnings 1944	5 Year Average
American Insurance	$1.81	$1.47
Firemen's (Newark)	1.74	1.53
Ins. Co. of N. A.	7.59	6.99
Fireman's Fd. (S. F.)	7.02	6.14
Great American	2.27	2.26
Continental Ins.	3.23	3.51
Fidelity-Phenix	3.68	4.00
Hartford Fire	7.08	8.01

Turning now to the companies whose stocks have appreciated less than the 10.5% of the index, we find the following situation:

	Total Net Operating Earnings 1944	5 Year Average
National Fire	$0.23	$3.20
Fire Association	3.44	3.82
North River	1.41	1.16
Aetna	3.18	3.33
Phoenix	4.06	4.67
St. Paul F. & M.	4.80	4.56
Home Insurance	1.56	1.82
U. S. Fire	3.36	3.16
National Liberty	0.30	0.39
Springfield F. & M.	4.62	7.37

It will be observed that although North River, St. Paul and United States Fire had earnings in 1944 above the five-year average, their stocks have not moved up as much as the index. On the other hand, National Fire, which established a net operating loss of $0.23 in 1944, compared with a five-year average of $3.20, appreciated 10.3%, or nearly as much as the index. Springfield F. & M., whose 1944 earnings were only 62.5% of five-year average earnings, has declined 2.8%.

There is no question but that, generally speaking, the market places the emphasis on earnings, although over the short term other factors seem to influence relative popularity of fire stocks.

Despite their good showing this year, they have not advanced as far as have industrials since the start of the present "bull market," which began in April, 1942, and thus can be considered as "behind the market." From the April, 1942, lows the Dow-Jones Industrial Average moved from 92.92 to 166.75 on June 13, 1945, an appreciation of 79.5%; Standard & Poor's Fire Stock Index, over the same period, moved from 86.8 to 130.0, an appreciation of 49.8%, which represents about 63% of the Industrial's advance.

The market now appears to be recognizing the favorable long-term factors which characterize leading fire insurance stocks, and to have reached the conclusion that current high fire losses and high loss ratios are of a temporary nature. Also, the fear of Federal control appears to be subsiding.

The Restoration of Free Markets

(Continued from page 2719)

of our competitive peace-time economy be restored.

The war has been fought under the slogan of "preserving the American way of life," which has been one of individual freedom. Nevertheless, our people are now divided in opinion as to whether it is desirable forthwith, if ever, to restore our quondam freedom of the market place and to let the forces of supply and demand determine the direction of our economy. The military establishment is loath to lift their controls till the Japanese war too is ended, for they envision a tremendous job yet to be done. Our people will no doubt fully acquiesce in everything deemed necessary to bring the Japanese war to a speedy and triumphant end. For the most of them perhaps the only anxiety will be that no unnecessary restrictions be levied or continued, for they want to go back to the ways of peace as fast as possible.

Certain sizable and powerful groups will, however, fight to maintain the supersession of the market place by control agencies. The thousands of bureaucrats in OPA, WPB and other agencies will strive to perpetuate their jobs. Thousands of business concerns, farm organizations and others who are "sitting pretty" in the present regime, enjoying big sales, good profits, freedom from competition, and Government favor, will likewise resist an ending of their privilege.

These two groups will find plausible arguments for delay in abandoning war-time market controls. They allege that price controls were too quickly removed after the 1918 armistice, with unfortunate results—a violent post-war inflation and boom that crashed in 1920—that it would be folly to repeat such a program; that the only safe plan will be to maintain controls after the war until business is safely around the turn into peace-time production; that "controls can be eased off gradually as market conditions settle down after the abnormal pressures of war and the post-war readjustment."

The apostles of control cite, on the one hand, the tremendous potentials for inflation, so very much greater both absolutely and relatively than in 1918; and, on the other, the intense danger of the technical delays of reconversion, of deflation and unemployment if the transition is not guided, controlled and slowed: they would therefore maintain both ceilings and floors to prices, wages, rents and profits. In political economy it is always easy to offer seemingly rational arguments for Government interference: if it is not a boom or "ruinous inflation" that needs correction it is a depression or widespread unemployment; this implies perpetual regulation and control, for normal conditions are a fiction never acknowledged to exist.

"Collectivist" Groups

More important and dangerous than these groups, however, are those who favor Government planning, regulation, direction and ownership of production and distribution as an economic and political system. These socialistic elements of our population have during the war enjoyed grand opportunity to experiment and to manipulate the economy and Government along the line of their favorite theories; they hold that a tremendous step has been taken in the proper direction, and they will strive to the utmost to prevent "retrogression" to former concepts.

Quite plainly the decision must be made during the next few months. The continuance of the war-time controls of our economy is fraught with supreme importance, because their continuation is directly inimical and contrary to the traditional "American way of life" for which this terrible war is being fought. We can win the war and win the peace, but may unwittingly lose our very soul.

This danger is great indeed, for even before the war our private enterprise system was subjected to violent attack, from within and without; it had been made the scapegoat for the world's mistakes and ills of every kind; it had become the favorite pastime of press, pulpit, radio, Congressional hall and Government executive to smear the industrialist, enterpriser, capitalist, and financier—the men who were utterly indispensable to the economy—who led it, made it and engineered it. The homely virtues of thrift, of earning a profit, and of rugged individualism were arrayed for public contempt and branded as iniquitous, despite a century and a half of testimony that they were fundamental tenets of the grandly successful "American way." It was argued that the time had come when our traditional personal liberty and independence, our self-direction and self-reliance, were the cause of intolerable evils and should be superseded by Government planning and control, if not Government ownership and operation.

This spirit was still on the ascendant when the war opened and it has received a powerful fillip meantime. The youth of our land have been taught the tremendous power of organized might when Government takes over. They have been a part of this organized power, and have faced armies of totalitarian Governments. They have seen might at its greatest. Their confidence in the Government's capacity to do almost anything it wills has been intensified. When they return from war they will tend to look to Government to accomplish miracles.

Prospects of the "Socialistic" Pattern"

The outside world is likely for some time to follow a socialistic pattern in the post-war. The Anglo-Saxon democracies will be more tolerant of Soviet Russia, not unwilling to treat with this ideology on an equal plane with private enterprise. We Americans will more and more reconcile our ideals with old world realities. Besides, National Socialism in Germany has made Socialism inevitable throughout Europe, even in countries where it is not wanted. The war will have destroyed the private economy so completely that in every country the people will look to the Government for help and will become more and more dependent. The new Governments in France and Belgium are largely socialistic by sheer necessity; and the old Governments, like Britain's, while still theoretically capitalistic, are turning unabashed to social security, Government investment, nationalized industry, managed currency, socialized demand, and export promotion. In most countries private enterprise has been so confiscated, compromised, concentrated, converted, and controlled during the war that its immediate return to private hands would be impossible even if it were favored, as it is not at present.

This swing toward Socialism need not be permanent. It may last only through the reconstruction period; but its divestment will be difficult and will require much thought, effort and dogged persistence. Because political considerations are involved and decision cannot be made on economic and social grounds alone, it is particularly difficult to eliminate a vested interest of the Government.

The Return to Private Enterprise

As among the leading warring countries of the world the United States enjoys the most favorable conditions for returning to private enterprise. Her economy has not been distorted so long or completely to war requirements; confidence in private enterprise has not ebbed quite so low; the magnificent performance of our industrialists in converting to war production and in equipping the armies and navies of our country and Allies has refurbished our confidence in it; we have not been ravaged by invading armies or aerial bombing; our service men and women return to a prosperous homeland. For these and other reasons, if our country stays, or turns even more socialistic, it will be due to public will rather than necessity. Much will depend upon public education.

The basic essential in any lasting and satisfactory return to private enterprise is the restoration of free markets. Private enterprise is motivated by profits, which are the difference between costs and selling price. Costs are the prices paid for materials, labor, money and land. In other words, private enterprise is directed and controlled by prices of all these things; the enterpriser's activities aim at making a profit and avoiding a loss, which depend on prices paid and received.

The basic tenet of the private enterprise system is that the prices established in freely competitive markets determine the relative values of all things marketed—of commodities, laborers' services, capital instruments and land. What the public is willing to buy, how much and at what prices, are set against what producers are willing to produce, how much and at what prices; and at some price—the market price—there is an equality between what is bid and what is offered. It is the variations of this price which regulate the scale of production and consumption. The decisions to produce or not to produce, to produce this or that, how much and when, are left entirely to the individual, to be made in the light of his forecasts of the market demand.

The only essential function of Government in this system is to fix by rule of law the conditions under which the productive and mercantile pursuits may be conducted. These rules are known in advance and are impartial and impersonal, being applicable to all times, places and people; and they can therefore be used in their plans and calculations. The State does not "take sides"; it has no "interest at stake"; it does not impose a higher or lower price than the market sets, according to the *ad hoc* prejudices of the Legislature, executive or court; it abstains from deliberate discrimination between particular needs of different people, seeking to promote the welfare of some to the disadvantage of others.

Regulation and Free Markets

Government regulation, Government planning, and the other forms of Statism are primarily rebellions against the guidance of the economy by market price, against the distribution of national income by the free play of supply and demand in competitive markets, against the "tyrannous and impersonal" character of the market place. The rebels would interfere with such distribution and attempt to realize various ideals of substantive justice and equality, dispensing favors here or there by control of price or quantity offered. They would have the Government employ coercion and arbitrary action, delegating legislative power to divers boards and authorities which also enforce their decrees, so as to achieve what they regard as more important for the rest of us than what we ourselves might choose. The control of price and markets spells the control of all economic activity, and thereby the control of the means for all our ends. Government planning thus involves the direction of our whole life.

As the determinant of the distributive shares of the national income, that is, the relative amounts going to particular enterprisers as profit, laborers as wages, capitalists as interest, and landlords as rent, the Government planner would replace the "tyrannous and impersonal" market and would substitute some principle of "social welfare." It is utterly impossible to divide the national income on the basis of any such loose, ethereal and disputable principle, except in the most arbitrary way; the principle would be interpreted differently by every legislature and administrator; the risks of business would be multiplied; and there would be no assurance that adequate supplies would be produced.

Our current experience with rationing and price-fixing indicates what happens. One administrator regards the receipt of profit by an enterpriser as iniquitous, and he establishes prices and mark-ups that pare profits to the vanishing point, with the result that production is stifled and the market starved. Another administrator sets arbitrary differentials between three grades of dress, with the result that only one grade is produced. Farmers and wage-earners — two classes that offer goods having an inelastic supply in a market with a greatly expanded demand—are able through political pressure to revise the formula of "social justice." Politically inspired sympathy for "small business" leads to discrimination in taxes, in access to credit, and in prices allowed. The market becomes topsy-turvy when arbitrary decisions as to price and quantity are made by bureaucrats whose pocketbooks are not affected by their decisions.

If at the conclusion of the war our country is to return to free private enterprise the first and fundamental requirement is the restoration of free markets and the abandonment of price control. So long as the Government undertakes to fix prices it must control the flow of supplies to markets, it must allocate materials and ration consumables. Controlled markets necessitaate controlled production and at times controlled consumption. The starting point in lifting controls must thus be in the market.

Price Controls and Inflation

The argument most frequently heard for the continuation of market and price controls after V-E Day is the prevention of inflation. Although the Government seems to be quite as much worried about the possibility of deflation as of inflation after V-E Day, there is a fair presumption that prices will rise rather than fall. Reconversion cannot keep pace with the demand for goods. The inflationary potentials are high.

It is possible that price control, if properly used, can assist reconversion and benefit consumers and business alike. As a general proposition however, it will be far better to sweep the whole of OPA and WPB aside and give business and industry a free hand in working out all necessary readjustments. There will be a high need for flexibility if the reconversion is to be achieved speedily. For the most part price and market controls will make for obstruction and delay; they will obstruct the competitive process at a time when speed at reconverting will be a prime consideration; they will also add a capricious and non-predictable element for no one can forecast the mind and whims of the control agency.

If any control is retained it must be selective rather than general, applicable only where help is unquestionably needed to maintain a semblance of stability till new production is well under way.

It is not likely that our people will suport a program of rationing and price stabilization after V-E Day, especially after Japan too is defeated. Even now while appeal to patriotism has force OPA is losing popular support; and without general public approval its hold will rapidly disintegrate. If it breaks down in some areas or commodities, the clamor will become intense for its general abandonment. Continued too long or used for ulterior or unsuitable purposes it will handicap particular industries and perhaps the whole economy. Inflation can be fought best by a rapid and great expansion of goods, and no controls should be allowed to restrain output. The rise of prices will add to profits and accentuate thereby the speed of reconversion and the scale of production.

Until the Japanese War is won, WPB will have to retain certain controls over required war production and designated civilian lines, but it should abandon control over the disposition of the other goods. It should simplify its priorities system and lift its restrictions on civilian production. Industry should be allowed to exercise quite freely its ingenuity in reconverting. Certain few industries may perhaps ask for assistance in getting tools and necessary materials, but most concerns will prefer to shift for themselves. Consumer rationing and inventory controls may be retained, for a time, to obviate a general scramble for goods. Perhaps reconversion will have been fairly well completed by the time the War ends and all excuse for even selective price and market control thereafter will have evaporated. This is surely the best exit from war to peace, private enterprise and the "American way of life."

Price Controls

(Continued from page 2718)

nomic forces, the Tiger tanks of inflation, armed only with a bean-shooter.

To carry out his assignment "to stabilize prices and to prevent speculative, unwarranted, and abnormal increases in prices and rents" the Administrator could:

(1) limit his efforts to the stabilization of the prices of those goods and services required in the production of war materiel (the latter term should be interpreted to include not only the raw materials, parts and supplies but also the equipment and machine tools used by, and necessities of life of, the workers turning out such products) or,

(2) attempt to control all prices.

OPA Policy

At the beginning the Administrator established ceilings over only a limited number of items. As the effects of these price controls permeated through the economy they compelled an extension of control coverage. In due time the Administrator issued the General Maximum Price Regulations limiting each seller to the maximum prices which he charged during the base period, March 1-31, 1942. By this act the Administrator extended his controls over (substantially) all prices, over essentials and nonessentials alike, either as a result of deliberate choice or because of the compulsion of economic necessity. A little regimentation—and price control is regimentation—leads to more and more until the entire economy and the people comprising that economy are completely controlled.

In his Statement of Considerations announcing the GMPR, he expressed the reasons for his action in these terms:

"To control the price of more essential products and leave the price of less essential products uncontrolled at best involves arbitrary distinctions. More important it prevents labor and materials from being used in more essential uses and increases the cost of ingredients of the essential items. If a price is fixed on an essential item and nonessentials remain uncontrolled manufacturers will switch from the essential to the nonessential . . . A limited Regulation would obstruct the concentration of men and materials in the most important uses. In war, that concentration is of vital importance."

A manufacturer can produce nonessentials only if he can obtain the materials required for their fabrication. For many months the WPB through its "L" and "M" orders has determined what should be produced. With war factories desperately seeking help the workers of a plant producing nonessentials would not long remain idle while their company sought in vain the raw materials necessary to continue operations.

Shortly after December 7 1941, Federal authorities suspended the manufacture of most consumers' durable goods, and of many luxury and semi-luxury items. Thereafter only limited supplies existed. Once withdrawn from the market, it made no difference who purchased them, they could not be replaced. By allocation or rationing the government could assign those required for the war effort to their most essential uses. It is difficult to see therefore the necessity for price ceilings upon such items, or to visualize how their purchase at several times prewar prices would hamper the establishment of price controls over war essentials. On the contrary the purchase of such luxury or semi-luxury items at exorbitant prices, according to prewar standards, would reduce the amount of funds available to bid up the prices of essentials, and thereby lessen the "inflationary gap", a result demanded with such vehemence by the Administrator. Moreover, the greater the profits resulting from such transactions, the greater would be the "take" of the Internal Revenue Bureau, always a prime consideration in war time.

After deciding, or having the decision forced upon him, upon the coverage of his price controls, the Administrator had to determine their point of application. Either he could:

(1) establish prices on the basis of key staples, beginning with the original producer, require a straight line distribution of goods, set the profits limit permitted at each step in the channels of distribution, control storage and exports, or

(2) set ceiling prices at the retail level and at each link of the chain back to the original producer.

In his statement of Considerations accompanying GMPR, the Administrator indicated his intention to apply ceilings at the retail level by declaring that:

"Retail prices will not be increased. Any such course of action would set in motion the rising cost of living trends, the prevention of which is the very purpose of this Regulation. Adjustments may be made in manufacturers' and wholesalers' prices. Efforts will be made to foster economies in manufacturing and distribution, as by the standardization and simplification of goods and by the elimination of unnecessary frills. If necessary other forms of relief will be devised. But the ceiling will not be punctured."

The establishment of price ceilings on key staples removed much of the uncertainty for World War I manufacturers. Producers could conduct their operations in the usual manner. Since prices received included the regular manufacturing costs and the normal profits percentages there existed no reason to skimp or to use inferior materials. In their distribution each factor added his normal mark-up. Consumers paid retail prices which included all costs, just as they do in peacetime. Black-markets were almost nonexistent during World War I. At that time no effort was made to reform the distribution system. In the September-November period of 1918, published retail prices of foods (the "fair price" list) and actual prices reported by consumers revealed a difference of less than one percent between their aggregates. "Contemporaneous opinion of the Food Administrator's retail price program was generally favorable."

Retail Price Control

In a period of rising labor and raw material costs the establishment of prices at the retail level creates unusual problems for both the producer and the distributor. Under such a setup the stage is reached eventually where the spread no longer meets costs. When price ceilings deny a producer or a distributor an opportunity to make a profit on his goods, sold through the usual channels, either he must route them through other channels, illegimate channels if no legal ones exist, or discontinue operations. Few concerns can, nor should they, continue to sell their products at, or below, costs. For a time some producers may be able to distribute inferior products for standard goods because the consumer has no choice. Necessity may compel him to purchase the goods available. In that event the end-result of retail price ceilings is to force inferior goods upon the consumer at standard prices.

In such a period freezing prices at the retail level inevitably fosters black-markets. But that is not the only result. It forces thousands of small business concerns to close their doors. Soon other thousands of hole-in-the-wall units spring up to take their places, to peddle inferior goods, uninspected foods which endanger health to a goods hungry people at whatever prices the traffic will bear. They flout the law, conduct their business on a cash basis, and pay no income taxes.

After determining the coverage of his price controls and their point of application, the Price Administrator faced the necessity of setting up a yardstick for the measurement of prices. When it passed the Emergency Price Control Act, the Congress provided that maximum prices must be "generally fair and equitable". Since the spring of 1943 the OPA has considered maximum prices to be "generally fair and equitable":

"1. So long as they yield an industry or trade as a whole at least peacetime profits;

2. In the case of a multiproduct industry so long as they cover out-of-pocket costs of industry generally for each particular product or line of products."

This interpretation of the "standards" set by Congress means that the OPA has adopted an industry-wide average as the yardstick against which it measures individual company results. And the scale of the measure—the key to the whole price control policy today—is profits, not prices anymore.

OPA Statistics

To substantiate its position that price controls have not injured business the OPA submits a series of industry-wide averages which reveal that total profits before taxes in 1943 were 256% above those of the base-period 1936-1939. By failing to recognize the increase in the amount of taxes collected, OPA's averages present an entirely false picture of the situation. Business pays dividends out of the residual earnings available to it after taxes and not from profits before taxes.

Another OPA chart discloses that corporation profits after taxes totaled $8.1 billions in 1929; $3.3 in 1942; $9.9 in 1943; and $10.0 billions in 1944. The OPA makes much of the fact that business earnings during the war have exceeded those of prewar days but soft-pedals the fact that they have been made on a volume of business about double that of the prewar base period. Wartime production has been achieved under conditions where speed and output were the controlling factors—costs of minor importance—and the sales were made to one customer, the government. None of these conditions will prevail in the peacetime scramble for business. And yet the OPA insists that its price controls be continued not only during the reconversion period but in peacetime until the current inflationary forces no longer present a threat.

On these bases the OPA has attempted to (a) "keep the cost of living from soaring upward", and (b) "control closely the cost of war materials." Has the OPA succeeded? In his testimony before the Senate Banking and Currency Committee the Price Administrator stated that "from the outbreak of World War II to the end of 1944, living costs rose 28.8% . . ." Apparently he omitted from his calculations certain factors which invalidate his averages.

During fiscal 1944 the government paid out $1,350,000,000—and in fiscal 1945 will pay out nearly $1,000,000,000 — in subsidies to hold prices down to the established ceilings. Whether the public pays these sums for food over the grocery counter or in the form of taxes to the government, which in turn subsidizes the producers, is immaterial. In either event they form a part of living costs, and must be added to the Price Administrator's announced increase of 28.8%.

Statistics are not available, nor are they necessary, to demonstrate to the American housewife, who has stood in line at the corner grocery store in the hope of getting a few hot dogs or utility hamburgers for the Sunday dinner, that her family's scale of living has deteriorated. As she looks at her home, at the shabby appearance of its furnishings, at the worn-out condition of her household equipment, at the services or lack of services available, at the quality of clothes they must wear, at the week-end trips they used to take in the family car, she can see the deterioration in every phase of their living. But her household budget shows no such similar decline. On the contrary she must pay more today for everything she buys despite its inferior quality.

A recent survey of "Newsweek" disclosed that:

1. At Chicago—"men's collar-attached dress shirts were selling three years ago for 79 cents, $1.95, and $2.95. Similar shirts, less generously made and frequently out of stock, are now tagged $2.25, $3.65 and $3.95. When a store has any shirts on hand the range is likely to be $3.95 and $5.00."
2. At Kansas City: "the house dress, once in the $1.95 to $2.95 price range, now brings $3.95. Stocks are low; quality, skimpy; sizes, limited."
3. At New York: "the garment industry has little to offer department - store buyers arriving this month in search of fall merchandise. In place of the prewar $1.95 cotton shirt, for example, there is a rayon model to retail at $5.00."

While the sales by retail dealers, upon which the OPA necessarily computes its averages, may reflect only the indicated increases in living costs, such sales do not include the transactions of the black-market. Few, probably very few, black-market sales pass over store counters. In the main they are not reported, and therefore do not enter into OPA's calculations. But in reality are black-market sales of sufficient importance to invalidate the OPA's averages?

The Secretary of the Treasury recently asked Congress for authority and the necessary appropriation, to add 10,000 investigators to the staff of the Internal Revenue Bureau. With these additional investigators he promised to collect $1,000,000,000 unpaid income taxes (mostly from black-market operators).

At the peak of the Stock Market boom in 1929, the amount of currency in circulation approximated $5,000,000,000. Today, it exceeds $26,000,000,000, and that extra currency has not been withdrawn from the banks entirely for hoarding purposes. Much of it is used in the black-market.

In its report the Special Committee to Investigate Food Shortages for the House of Representatives stated:

"The committee, however, did receive in its meetings in New York what it regarded as substantial evidence that a large portion of the retail establishments in New York dealt in meat at above-ceiling prices. To support our opinion that the evidence was reasonably conclusive, the committee had on the stand testifying before it a Government official whose responsibility it is to gather market quotations. It was his testimony that a substantial percentage of meat in New York moved at the wholesale level in black-market channels . . . (at) . . . approximately 100% above the legal ceilings at the wholesale level on the various grades . . . The committee felt itself justified in believing that the black-market operations in New York City were increasing rather than diminishing, and that the price was steadily rising."

During recent weeks the nation has been getting new evidence of the scope of black-market operations. In the old familiar pattern of the prohibition era, recent gang killings indicate a struggle for control among the leaders—among the counterfeiters of ration coupons for this lucrative "big business". Included in this new evidence was the F.B.I.'s discovery:

"Of 22,170,000 counterfeit gas, tire, sugar and red ration coupons concealed in a Brooklyn house, numerous cases of highjacking of cigarettes and poultry, seizures of counterfeit stamps in Boston and elsewhere along the Eastern Seaboard as far south as Florida."

The housewife knows that the American living standard consists of something more than the specified number of calories which some Washington official has decided is adequate to maintain health. She knows, even if the Administrator does not, that he is living in a world of fantasy, peopled by imaginary averages, when he states that living costs during the war have increased only 28.8%. She knows that he is comparing the incomparable—and that his averages are meaningless.

The Continuation of Controls

On the basis of this claimed accomplishment, but which does not represent the true results of his Agency, the Administrator has asked Congress to continue OPA controls. In seeking to have its authority continued he assumes, necessarily, that the wild inflation he fears will occur in living costs. But can such an assumption be maintained? Inflation may take any one of a number of forms. It could appear as a farm land or a real estate boom or a Florida land craze, or the Stock Market might climb to dizzy heights, without seriously affecting living costs. No individual today can be certain when or how the American people will spend their wartime savings.

But in larger sense can the American people "spend", can they liquidate, their $150,000,000,000 of wartime savings? The ability of one individual to shift his savings to another is not denied. If, however, the term "spend" means the exchange of a dollar of savings for a dollar's worth of goods or services the ability of the American people as a whole to "spend" their wartime savings is questionable. In the production of war materiel and wartime civilian supplies the 130,000,000 Americans created this purchasing power. Since the government absorbed about half of their total output there were no goods available, no goods for which this huge volume of purchasing power could be exchanged. In consequence an enforced saving of purchasing power resulted.

As industry reconverts, new goods and services will be produced, and equally important new purchasing power created in an amount sufficient to absorb the new output. To utilize the wartime savings to purchase the thousands of new gadgets only means an enforced saving of the purchasing power created in their production and in reality will not reduce the size of current savings.

The American people can retain their current savings as a permanent "nest egg" or they can "give them away" by paying two dollars for a dollar item. But as a whole the people cannot "spend" their savings. There are no goods or services available, nor will there be in the visible future, for which such savings can be exchanged. In the event that the owners of such savings decide to "give them away" either piecemeal or en masse the government under existing tax laws would absorb most of the "gifts" and could use them to liquidate a part of its current $240,000,000,000 of outstanding I.O.U's. In the event that the owners attempt to exchange their savings for new goods and services they will succeed only in forcing up the price level, without receiving anything for their savings. At present lying dormant, more or less, these savings, totaling $150,000,000,000 or more, could become a molten firebrand coursing through the circulatory system of the nation's economy, and touching off a raging inferno of inflationary chaos. Apparently this is what the OPA fears, and presumably forms the basis for its demand that price controls be continued.

Does it follow necessarily that the American people will rush to pay excessive prices, to "give away" their savings, in a mad scramble for goods before such goods are available? The OPA appears to think so. In a period of declining supply, with no expansion in sight, and adequate funds available, the tendency undoubtedly would be to buy extra supplies, more or less regardless of cost. Probably a few individuals will pay excessive prices to be the first to obtain the goods they desire. The exorbitant prices they pay need not concern us. The Internal Revenue Bureau will absorb any excessive profits on such sales. But the vast majority of people, who have continued to make the old equipment serve during the war, are likely to continue to use it for a few months more until they can buy new goods at reasonable prices. An expanding supply will foster, we might say assure, this tendency to postpone purchases until goods are available at reasonable prices.

Again during the reconversion period probably millions will be unemployed. Especially would this result from a sudden termination of the Japanese war. The uncertainty of employment in this period will act as a deterrent to any spending spree. Finally, the outstanding factor in the fiscal picture of the war period has been the self-restraint of the American people. During the depression years they learned, the hard way, the value of individual reserves. They do not intend to go through another period like that of the early Thirties. At any time during the war they could have used their wartime savings to bid for the diminishing supply of scarce goods. Had they done so they would have destroyed OPA's price ceilings over night. Instead they built up a reservoir of purchasing power which they hope to use to buy the home, the automobiles and similar goods they desire when such items become available. And they are going to see to it that no action on their part will dissipate the purchasing power they have worked so hard to accumulate.

Assume for a moment that the American people do rush to purchase goods before they are available in quantity, and by "giving away" their savings bid up prices to fantastic heights, has the OPA power under such circumstances to prevent a runaway inflation? To ask the question is to answer it. If the American people suddenly decide to shift their savings from currency to goods in fear of inflation—and they will do so only in the event that the fear of losing them becomes acute—neither the Price Administrator, nor the government itself—for any official who would attempt to stop the stampede would be rudely swept aside—has the power to prevent a catastrophe.

If, then, the problem boils down to a reliance upon the exercise of self-restraint by the people themselves to avoid a disastrous inflation, what is the real reason for the Price Administrator's insistence upon the retention of his price controls, not only during the reconversion period but until the threat of the existing inflationary forces no longer exists? It may take years, many years for the liquidation of our wartime savings. Apparently the Price Administrator expressed his true intentions when he stated:

"As the country reconverts to peace, it is our job on the price sector to set price limits on the returning civilian products until the nation struggles back to solid economic ground. The job will not simply be one of controlling prices. At stake today are prosperity, full production, full employment."

When did Congress authorize the OPA to establish price ceilings until some fancied point of "solid economic ground" is reached? Is the OPA to determine when that "solid economic ground" has been reached? How can such "solid economic ground" be reached until the free play of economic forces is permitted, until there is a return to a free market? And how can there be a return to a free market as long as the OPA maintains its price controls? Again, when did Congress authorize the OPA to control "prosperity, full production, full employment"? Unless the Price Control Agency is granted complete authority over the entire national economy, it cannot control "prosperity, full production, full employment." Does the Price Administrator seek to bring about and maintain a planned economy in America? Is that the true purpose of his demand for the continuation of his price controls?

More Production Needed

The extension of the Price Control Law is before Congress for consideration. What should be done about it? After nearly four years of war the basic home front problem is not price control at all. The real problem is the production of goods, volume production at the earliest possible moment. The American people cannot serve price controls for their dinners, nor wear industry-wide averages. They want, they demand, goods, goods, and more goods. And strange as it may seem the production of goods, in abundance, and promptly, is the most potent weapon with which to combat existing inflationary forces. A supply of goods, a constantly increasing supply of goods coming on the market will break any excessive level of prices which might be established.

Should price controls be abandoned? The nation is still at war. Our armed forces require a constant flow of war materiel. Their needs come first and they must be supplied. No American would have it otherwise. In the production of the munitions and the supplies certain types and quantities of raw materials are required. And the workers, and the equipment needed to produce the munitions must be maintained otherwise the flow of supplies to our troops would cease.

At present priorities control the allocation of essential materials To the extent required to assure an ample supply of the raw materials needed for the production of munitions existing priorities must be retained. Over each of the items essential to our war effort OPA has established price ceilings. They must be continued for the duration of the Japanese war. And such essential items include not only the raw materials out of which munitions are fabricated, but also the necessities of life of the workers, including their food, their clothes, their house rents. In the main the American people have not opposed, seriously, the price and other controls essential to the war effort. Nor will they do so for the duration. Although they discount OPA's self-praise they are prepared to submit to price controls over essentials until Japan has been defeated.

But that is not the problem presented by the Price Administrator. He conceives it to be the function of the OPA to "set price limits on the returning civilian products until the nation struggles back to solid economic ground." Such civilian items are not a part of the war effort. They are not at present being produced for civilian use. As long as the producer used neither material nor labor required for the war effort, it would not affect that effort in the slightest if a manufacturer offered a $1,000 automobile for $10,000. The purchaser would pay an excessive price for the first car off the production line. He only would be the loser And the manufacturer might make an exorbitant profit on that car. In reality the automobile manufacturers have to produce a substantial number of cars before they reach the break-even point. But the Internal Revenue Bureau would find a use for exorbitant profits the producer, first on the market with his postwar products, might make.

By means of complicated formulae the OPA proposes to establish price ceilings on all products whose manufacture has been discontinued during the war period—on all new models and on new products. The bases for these ceiling prices will be industry-wide average costs adjusted for industry-wide increases in labor and raw material costs and the result measured by the industry-wide profits margin of about 1941 vintage. Until a producer has manufactured a new model of an older item or a new product long enough to eliminate the operating problems, he cannot determine what his costs will be. Neither can the OPA — no matter how many crystal balls it uses.

An opportunity to skim extra profits off a goods-hungry market before his competitors' products are available will provide an inducement for a manufacturer to reconvert as promptly as possible. Profits provide the stimulus for the operation of the American economy. And the possibility of extra profits will furnish the incentive for a speedy reconversion. If the American people desire goods, a supply of goods promptly and in increasing volume, and the re-employment of war workers by civilian industry without any unnecessary and prolonged period of unemployment, the surest way to bring about that result is to remove all price controls from non-war-essential and reconverted civilian production.

To illustrate, price controls should be maintained over rents of existing residences in war production areas. But there should be no control over rents of new buildings which are constructed in the future. The opportunity to obtain a greater return upon his investment through higher rents on new houses or apartments would stimulate the builder to greater efforts. New homes would appear more promptly. Some of the present congestion would be relieved. As more and more houses became available the scale of rents would find their proper level. In this manner the market would determine the fair value of returning civilian goods, more accurately, and more promptly than any price schedule the OPA could establish.

Stone Heads Wisconsin Bankers Association

At the annual meeting of the Wisconsin Bankers Assn., James L. Stone, President of the First National Bank, Ripon, Wis., was elected president. Mr. Stone was a member of the executive council of the association from 1933 to 1936 and served last year as the Association's Vice-President. He has been a banker in Ripon for 45 years, said the Milwaukee "Journal" on June 6, from which this information was learned, which continued:

Wesley S. Goode, Executive Vice-President of the Farmers & Merchants Bank at Menomonee Falls, was elected Vice-President of the Association, and Henry P. Davis, Cashier of the Bank of Elroy, was elected Treasurer.

Clarence E. Kinney, Otto H. Jahns, and C. Harold Nicolaus, were elected to three year terms on the executive council. Roy F. Burmeister, Monroe, was elected by the executive council to serve for the remainder of the current year to succeed Goode. Willard G. Aschenbrener, Racine, retiring President, automatically retains membership on the executive council for two years.

Wall G. Coapman, Milwaukee, was re-elected Secretary of the Association.

Mutual Funds

Another Cycle?

Anyone who has followed investment company sales literature closely over the past 10 or 15 years will recognize that it appears to have definite cycles. Perhaps this is merely a reflection of the requirements of the investment business which is itself highly cyclical.

There was a period in the middle 1930's when "organization booklets" comprised one of the principal publications of investment company sponsors. It should be noted that these bookets came into widest use after three or four years of rising markets. Later on they went into an eclipse and practically disappeared.

This week we received a new organization booklet from the Keystone Corp. In its factual and visual presentation of "The Keystone Organization" it does a masterly job.

Considering the current background of the investment business, this booklet may well mark the first phase of a new cycle in mutual fund literature. We shall expect to see more organization booklets within the near future. The Keystone job sets a high standard for the other sponsors to shoot at.

Investment Timing

For the past several weeks, due to rerouting of our office mail, we've missed the weekly copies of **National Securities & Research Corp.'s** excellent Investment Timing Service. This week all the issues from May 3 to date came through together. A perusal of them as a group served to emphasize the wealth of information presented in this weekly four-page service.

Space will not permit a resume of the back issues which cover such topics as:

1. Unencumbered Equity Ownership
2. The Economic Significance of V-E Day
3. The OPA Price Policy
4. Coming Revival in Construction
5. Prosperity Ahead for the Automobile Industry
6. More Money and Its Ownership
7. The Railroad Equipment Industry—Favorable Outlook.

The intermediate trend of stock prices as forecast in the current issue of "Investment Timing" is still upward, and "though general irregularity may persist for some further time . . . the earlier demonstration of strength implied an eventual further rise before any important reaction."

Steel Stocks

"Steel—The Measure of a Nation's Standard of Living," is a new folder from **Hugh W. Long & Co.**, sponsor of the **Steel Industry Series** and other series of **New York Stocks**. This new folder answers the following questions:

a) What will a high post-war standard of living mean in terms of steel company profits?
b) How will removal of excess profits taxes affect steel company earnings?
c) What do changes in steel company finances mean for shareholders?
d) Where are steel stock prices?

The folder concludes that selected steel stocks—now selling at only 12½ times current earnings—are cheap. "They are considered even cheaper on the basis of potential post-war earnings.

"Steel stocks normally sell 30% above today's quotation when other industrial shares are at present levels."

Railroad Earnings

Distributors Group, in the current issue of Railroads News, reports that the 22 railroad systems represented in **Group Securities' Railroad Stock Shares** will earn this year on average an estimated $8.66 per share. This compares with average earnings of $8.47 in 1944 and $1.15 in 1939, the last pre-war year.

"In 1937 when these roads earned only $0.47 per share on average, their stocks, at the highs, sold 20% above their current market level.

"At their current average price of $44.35 per share, the stocks of these 22 railroad systems are selling at only 5.1 times their estimated 1945 earnings."

"Leader" Group

Lord, Abbett, in the current Investment Bulletin on **Affiliated Fund**, publishes an interesting chart showing the course of the Dow-Jones Industrial Average as compared with an average made up of 18 selected stocks called the "leader" group. The price history of these 18 stocks indicates that they move ahead of the market and therefore possess definite forecasting value.

It is interesting to note that the leader group stocks reached their highs in the 1933-37 bull market late in 1936, or about three months before the Dow-Jones Industrial Average reached its peak.

An even more interesting fact for investors, with an implicit promise of higher common stock prices, "is that every one of the 18 issues in the leader group has sold at new high levels within the past two weeks."

11 Points in Two Days

In a current memorandum on **Wellington Fund**, the sponsor, **W. L. Morgan & Co.**, calls attention to the 11 point advance in the Standard Gas & Electric 7% preferred stock in two days—on June 13 and 14—bringing these shares to a new high point at $107 per share. Wellington Fund owns 2,000 shares of this stock purchased at an average of $82¼ per share.

After listing other Wellington Fund holdings in special situations in the utility field representing currently 6.67% of the Fund's resources, the memorandum comments as follows:

"We do not intend to imply by the foregoing that the Standard Gas situation or any of the utility workout profit possibilities are typical of portfolio selections or an indication of equal profits in the future. They do indicate, however, the profit possibilities available to an alert management in a balanced diversified Mutual Fund, and are an illustration of one factor accounting for the Wellington accomplishment record."

Scudder, Stevens and Clark Fund, Inc.

This Fund reports total net assets of $21,293,244 at the close of May 31, 1945, equal to $104.30 per share, compared with total net assets of $17,677,326 at the close of May 31, 1944, equivalent to $92.71 per share.

Briefs

George Putnam Fund reports no material change in investment position during the month of May. Purchases of securities exceeded sales by a substantial margin, but with one exception new purchases consisted of fixed income securities, reflecting the present cautious policy of the Trustees.

* * *

Distributors Group, in the current Investment Report by its Investment Research Department, calls attention to the following groups in addition to those which are listed as currently undervalued. We quote:

"Stocks which at present prices represent fair value with respect to present earnings and excellent value on their post-war outlook are those held by **Tobacco Shares, Chemical Shares, Industrial Machinery Shares** and **Merchandising Shares**, the last representing the medium through which the huge accumulated deferred demand of consumers will be satisfied."

* * *

Vance, Sanders & Co. devotes the current issue of Brevits to an analysis of the present position of the stock market and shows that it is now at only about the average level for the past 20 years. In contrast, all types of bonds and preferred stocks are selling at their all-time peak levels.

* * *

Lord, Abbett, in a current Investment Bulletin on **Affiliated Fund** shows that "just by moving a decimal" the market action of Affiliated can be expressed in terms of medium priced individual stocks. The record thus expressed shows a rise from 18⅝ in 1942 to 56⅜ at the current level and refutes the idea held by some investors that if they were to buy Mutual Fund shares they would become "frozen in."

* * *

Hugh W. Long & Co. points out, in a memorandum on the **Building Supply Industry Series of New York Stocks**, that construction experts foresee a sharp competitive fight between various building materials after the war. Through a diversified investment in the industry, the danger of "picking the wrong horse" is eliminated.

* * *

Keystone Corp.'s current issue of Keynotes lists the four-year average interest coverage on the four **Keystone Bond Funds**. It is 3.07 for **B-1**, 2.42 for **B-2**, 2.14 for **B-3** and 1.73 for **B-4**—ample coverage even on the low-priced and high return bonds.

* * *

Lord, Abbett's Walter Scott reports in Abstracts that the investment companies under this sponsor's management have reached the $70 million mark in total assets.

* * *

Hare's, Ltd., in a new folder on Aviation Group Shares of Institutional Securities, describes this Fund as "An Investment in America's Air Age."

Mutual Fund Literature

Selected Investments Co.—Current portfolio memorandum on **Selected American Shares** showing breakdown of a $10,000 investment as of May 31; current issue of "These Things Seemed Important." . . . **National Securities & Research Corp.**—Current Information folder for June; portfolio memorandum showing portfolio changes in **National Funds** during May. . . . **Distributors Group**—Portfolio folders on **Railroad Bond Shares, General Bond Shares** and **Low Priced Shares;** current issue of Investment News entitled "Reconversion Highlights." . . . **Hare's, Ltd.**—A new folder on **Insurance Group Shares**, "An Illogical Market Provides A Logical Opportunity;" also a memorandum, "Investing for Earnings Will Prove More Profitable Than Investing for Yield."

Dividends

Investors Mutual, Inc.—A dividend of 20¢ a share payable July 16, 1945, to holders of record June 30.

Scudder, Stevens and Clark Fund, Inc.—A quarterly dividend of 75¢ a share payable June 20 to stockholders of record June 12.

Thompson Elected Head Of R. I. Bankers Assn.

At the annual meeting of the Rhode Island Bankers Association held June 7, Rupert C. Thompson, Jr., was elected to the presidency. Mr. Thompson is President of the Providence National Bank, Providence, R. I.

The Providence "Journal" in reporting this also said:

Frederic J. Hunt of the Rhode Island Hospital Trust Company, Providence, was chosen Vice-President and George W. Holt, Jr., of the Lincoln Trust Company, of that same city was named Treasurer.

Members of the executive council named to serve three years were William E. LaFond of the Woonsocket Trust Company and Howard E. Gladding of the Morris Plan Bank of Rhode Island in Providence.

Treasury Rescinds Reporting Provision

Allan Sproul, President of the Federal Reserve Bank of New York, has advised all banks in the district, according to the New York "Herald Tribune" on June 13, that the Treasury has rescinded the provision that financial institutions must state the reason for their judgment of reported currency transactions above their customers' ordinary requirements, and that under the new reporting system "there will be no obligation" to furnish such a statement.

Post-War Price Policies to Make Jobs

(Continued from page 2721)

chasing power, the devaluation of the dollar, the expansion of money and credit and numerous regulatory measures and Government enterprises.

Before 1934 we had tried Government subsidies for agricultural products, moratoriums, forced expenditures on the part of business and an extraordinary supply of patting ourselves on the back and telling the world how good we were. It seems as though we had tried almost everything except the well known remedies of paying our debts and working for a living.

The business collapse of 1929-33 could not have occurred without the extreme credit inflation, over-optimistic expansion, unbalanced conditions created by regulations, and domestic and international maladjustments in the decade following World War I.

The raising of the tariffs may be blamed for some of these maladjustments. But the extravagant loans to foreign countries seem even more important as a disturbing factor. Credit is a useful instrument. It is also a dangerous instrument when used for non-productive purposes. Credit is used soundly only when its use provides for its repayment with a profit.

These brief statements do not attempt to summarize the maladjustments and mistakes of the past which should be remembered in planning for the future, but these statements should serve to call to the attention of those responsible for the management of our post-war economy that the economic lessons of the past experiments and mistakes should be thoroughly reviewed and clearly understood in order that they may not be repeated and even worse blunders made in the name of good intentions.

Some Additional Lessons of History

The whole history of civilization and progress teaches that as men have gained freedom in their individual activities the standard of living and well being have improved. From the earliest times the struggle against Government control, regulation and regimentation has been a record of growth and improvement as freedom was gained. Just as we have had to learn the hard way the advantages of freedom from Government control and bureaucracy in industry and commerce, we have had to fight to maintain free and sound standards of money, education, public information, honesty, free trade both domestic and foreign, the comparative advantages of individual and community specialization, and the productivity of individual initiative and independence.

War Policies in a Peace-Time Economy

This war, like most wars of the past, has been a fight for freedom and the protection of the free institutions by which civilization has advanced. Economic policies during the war have been adapted to the war needs. The hardship and costs have been accepted for the hope of winning the main objectives. It should be clear, however, that such economic policies as have been necessary to win the war are not at all adaptable to the kind of peace-time economy for which we are fighting. For example, instead of national deficits in the peace-time economy, we must pay for the deficits which we have piled up as a result of the war. Society must be willing to pay for peace-time production. The tax burdens of war would drive many peace-time enterprises and individuals out of business. The present processes of creating cheap money by inflation must be reversed and money restored to sound convertible values in which the people have confidence.

Production, prices and freedom of enterprise must be restored to the people as soon as possible when hostilities cease. Free competition and the spur of profit are the great productive forces which provide for plenty and put an end to want in peace-time. The curbing of these forces in war-time has been accepted, but in peace-time these are the very forces which will provide jobs for everyone with energy and ambition and stimulate the flow of production at low costs and low prices which raise the standard of living and make for the progress which free society advertises as its great accomplishment.

During the war we have learned much that may be useful in peace-time. In the field of production, transportation, storage, and perhaps in marketing, new ideas have been discovered that will be valuable. But in free prices versus regulated prices and related practices, it is more difficult to state specifically whether this war has taught us anything new which we can use in peace-time. We do know that production provides both the goods and the employment wanted immediately with the cessation of hostilities. Experience and history teach that the greatest possible freedom in production and individual effort provides both the goods and jobs. The best policies to pursue, therefore, would seem to be a reconversion to free enterprise as rapidly as possible with full encouragement for everyone to follow his own bent and ideas with care and judgment. Because who knows the productive capacity and value of the new ideas of millions of people? For these no Government incubator can ever be a substitute. As to prices, there will be many maladjustments. Prices, however, will quickly take up their traditional functions of regulating supply and demand. Unfortunately the interference with freedom in the matter of prices in turn interferes with supply and demand for goods in a way not well understood by those who would regulate prices. We know that when products are sold below their costs of production the seller loses and he is sooner or later driven out of business if this condition continues. The supply of goods will then be limited by the loss of the dealers and producers whose costs are more than the prices. In such event prices will rise or the unfortunate losers who had to sell at less than cost will get busy and find ways and means of reducing their costs. If prices rise new production will be encouraged by those who are making a profit, or the consumers may find competing products which serve them as well at lower prices. The millions of individual varying cost and price conditions defy any regulatory system that is fair or that will work in peace-time. Besides, competition does this complicated job well and saves the taxpayers all the costs of regulation and in turn serves the consumer with more and better goods at lower prices. When war-time price regulations began, the Vice-President of a mail order house said in reply to the question "How fixed prices would affect his business?" that one-third of the items in his catalogue were different in some way from what they were a year ago, and perhaps one-third to one-half of the items in two or three years would be new or have changes which he or his company as yet knew nothing of.

Since we seem to be more given to experiment than to remembering the lessons of past experiments, no doubt we will try to carry into the reconversion and peace-time economy some of the price and cost formulas of the war period or the pre-war depression period.

Some price formulas which need not be identified with the war effort because they were in existence before the war or because they have no connection whatever with the necessary policies to carrying on the war include such as price floors and price bottoms and the full disclosure of costs and prices by dealers before negotiating either a purchase or a sale with a customer. There are so many of these price regulations and price formulas which sprang up in the pre-war depression that it is now difficult to separate fully and identify the formulas of pre-war prices, costs and regulations from the war period formulas. Nevertheless, the formula or rule of disclosure of costs and prices by dealers, merchants, or producers to prospective customers, either buyers or sellers, has been growing as a rule designed to bring about full competition. When this idea is analyzed it seems to have in it the roots of destruction of competition. For any merchant, big or little, or for any manufacturer, or even a dealer in securities, to furnish full or complete information to a buyer or seller about all of the costs and prices of each product or security in which he transacts business would require the disclosing of information to competitors which would undermine his business. Moreover, any such pricing policies would require an army of Government inspectors at the cost of the taxpayers to police the system. It would also impose upon each manufacturer, merchant, or dealer such a burden of information and detailed costs that prices would generally have to be raised to cover these added costs of doing business.

It seems to me that any such policy of price disclosures and cost would discourage and drive out of business small enterprises. If the same amount of money and effort was spent on enforcing the rules of honesty and fair practice and on educating consumers to buy where they could get the best goods at the lowest prices, the competition to get the consumers' trade and goodwill would enable prices to establish their historical and well known functions of regulating the supply of goods that consumers would buy.

Post-War Price Policies

The post-war price policies will no doubt soon see the emphasis changed from price ceilings to price floors. As soon as the war is over there will probably be surplus supplies in most raw materials from farm products to copper and oil. It has already been provided to put a floor under the major farm products for two years after the close of the war at the taxpayers' expense. The maladjustment which this will create, both in agricultural production and reduced consumer purchasing power, will finally have to be liquidated with great speculative losses. Price floors, however, are going to be in demand from many groups, including manufacturers and even wage earners. All of these demands from pressure groups have the same economic effects of creating maladjustments and delaying the processes of recovery and stability.

These price maladjustments will no doubt be aggravated by the money and credit policies. If we are to return to sound money and squeeze the inflation out of the present money and credit expansion, prices generally will seek lower levels, but confidence and stability will be restored on a sounder basis. On the other hand, if we are to continue the present inflation policies in the post-war period, uncertainty in the stability of prices and fear of the loss of value of money will encourage the extremes of speculation, black markets, and all the possible upsetting escapes from the unknown future value of the dollar.

The sound policies to pursue for the maximum of opportunity and jobs are to return as quickly as possible to freedom in production, pricing, competition and sound monetary policies in which all can have confidence.

NY Reserve Bank on Collection of Cash Items

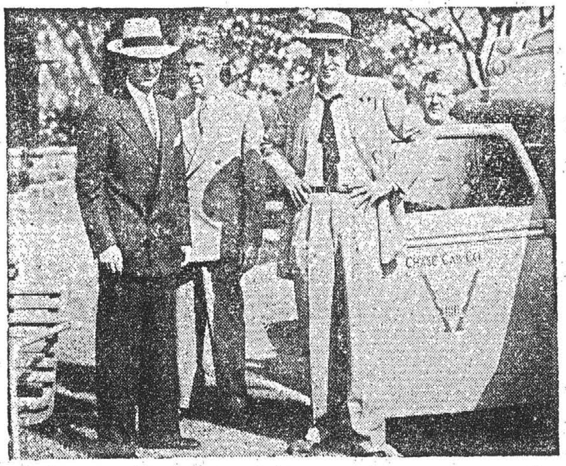
Calling attention to the procedure incident to the collection of cash items drawn on New Jersey banks not open for business Saturday, Allan Sproul, President of the Federal Reserve Bank of New York, had the following to say June 14 in advices to banking institutions in the New York Reserve District:

We are informed that, with some exceptions, banks located in the State of New Jersey will not be open for business on Saturdays from June 16, 1945, to Sept. 15, 1945, both inclusive, which have been made public holidays for the purposes described in Section 36:1-1 of the Revised Statutes of New Jersey. In the circumstances, therefore, our head office will defer, until the next business day, credit for cash items drawn on or payable at members of the Northern New Jersey Clearing House Association for which credit would be given on such Saturdays if they were not public holidays; and our head office and Buffalo branch will defer for an additional day, i.e., for three business days after receipt, credit for cash items drawn on or payable at other New Jersey banks located in the Second Federal Reserve District which are received on Fridays to and including Sept. 14, 1945.

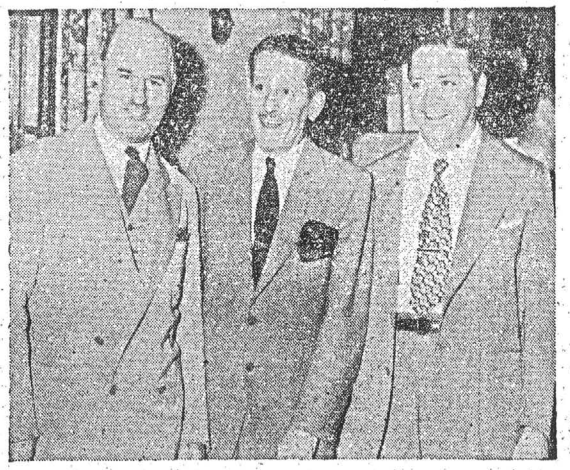
While we are further informed that certain banks located in the State of New York will not be open for business on Saturdays from June 30, 1945, to Sept. 1, 1945, both inclusive, we contemplate no changes in the current practices of our head office and Buffalo branch with respect to giving credit for cash items drawn on or payable at New York banks which will not be open for business on Saturdays during such period.

It should be remembered, however, that there will be a delay of one business day in returning cash items that may be dishonored by drawee banks which are not open for business on Saturdays during the periods mentioned above and in advising you of the fate of such items.

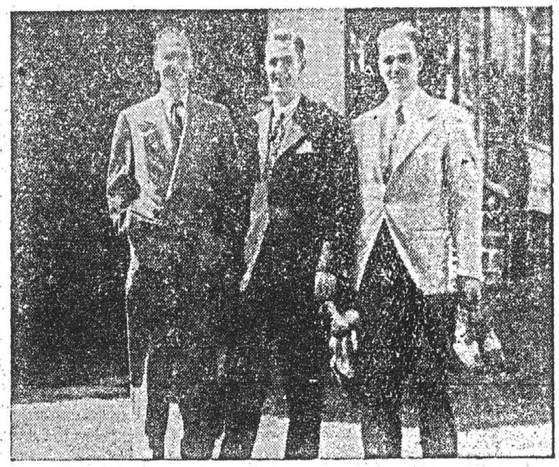
New York Security Dealers Association



Charles Horton, *Kaiser & Co.*—Wm. G. Riley, *F. H. Koller & Co., Inc.*—Frank H. Koller Jr., *F. H. Koller & Co., Inc.*



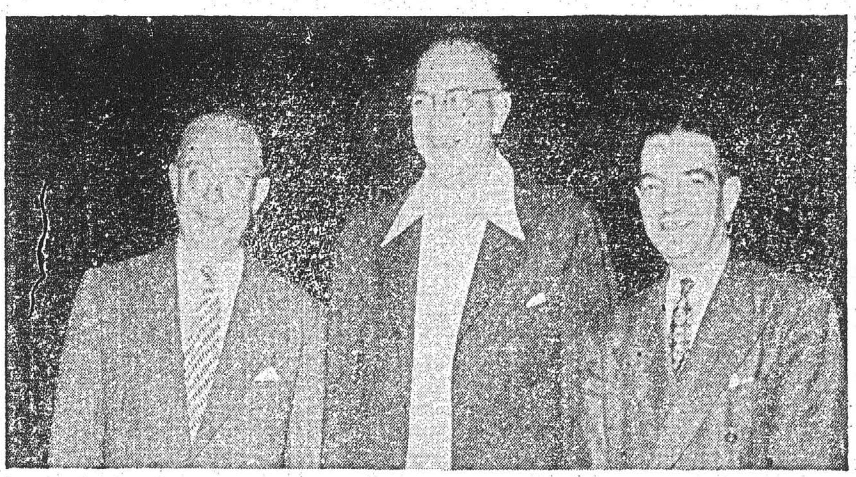
Amos Treat, *Hughes & Treat*—Geo. W. Ward, *Hughes & Treat*—John Mayer, *Merrill Lynch, Pierce, Fenner & Beane.*



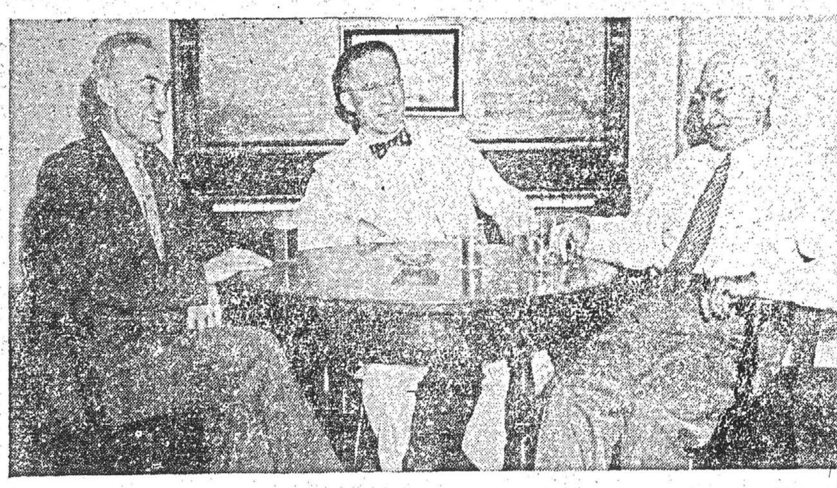
L. Singer, *Troster, Currie & Summers*—Merritt Coleman, *Allen & Co.*—James Currie Jr., *Troster, Currie & Summers.*

Roger MacMahon, *W. E. Burnett & Co.*—Larry Wren, *Allen & Co.*—Gerry Kane, *Luckhurst & Co.*—Roy Larson, *H. D. Knox & Co.*

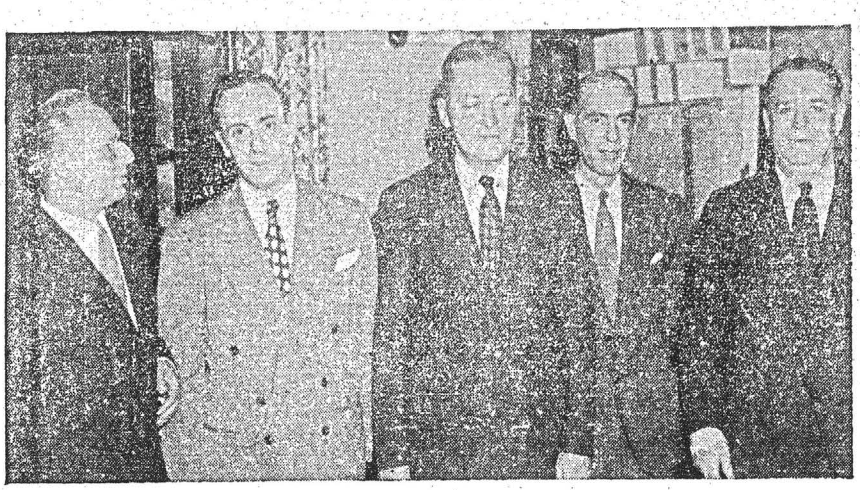
Frank Pavis, *Chas. E. Quincey & Co.*—Chas. Jann, *Estabrook & Co.*—Stan Roggenburg, *Roggenburg & Co.*—Mike Heaney, *Joseph McManus & Co.*



Charles D. Ogden, *L. J. Goldwater & Co.*—Phillip C. Kullman, Jr., *John J. O'Kane, Jr. & Co.*—H. D. Caspar, *John J. O'Kane, Jr. & Co.*



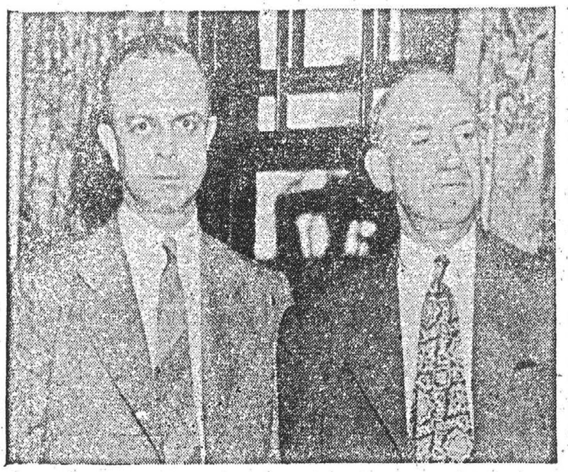
Duke Hunter, *Hunter & Co.*—Geo. Searight, *First Colony Corp.*—T. Reid Rankin, *R. H. Johnson & Co.*



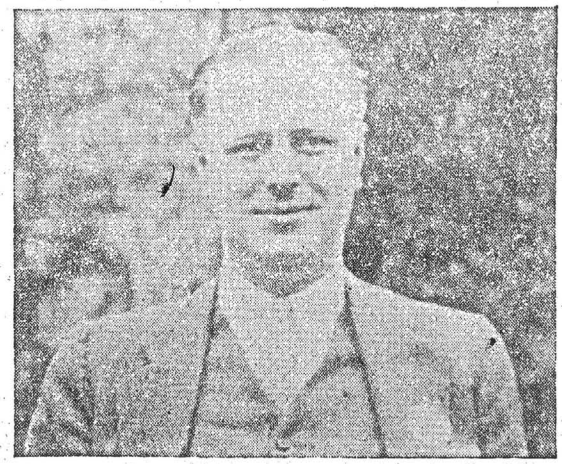
George Geyer, *Huff, Geyer & Hecht*—Eugene J. Brady, *Herbert E. Stern & Co.*—Geo. Collins, *Huff, Geyer & Hecht*—John Butler, *Huff, Geyer & Hecht*—John J. O'Kane, *John J. O'Kane & Co.*

Irving Wien, *M. S. Wien & Co.*—Wm. G. Riley, *F. H. Koller & Co.*—Ben Grody, *Herzog & Co.*—Hanns E. Kuehner, *Joyce, Kuehner & Co.*—Mel Wien, *M. S. Wein & Co.*

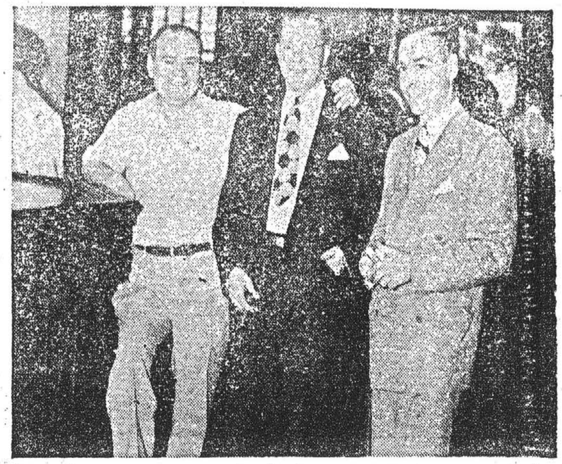
Annual Outing Held On June 15th



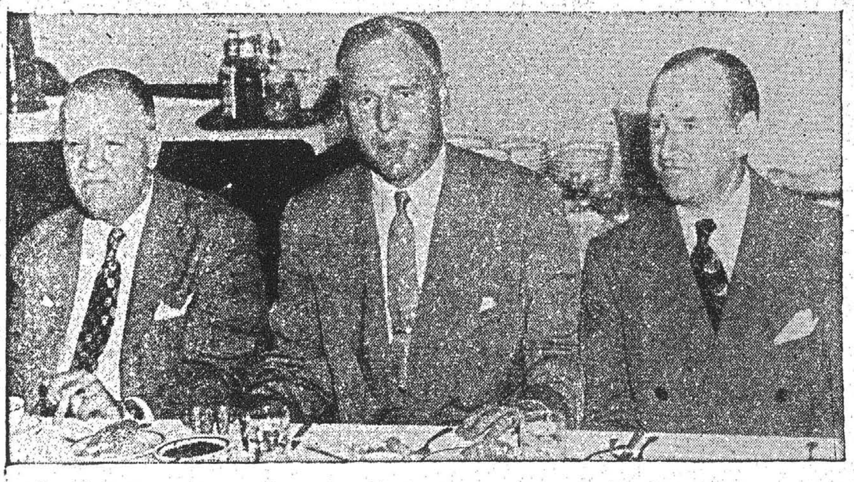
Wm. F. Morse, *National Quotation Bureau*—Chas. Kaiser, *Berwald & Co.*



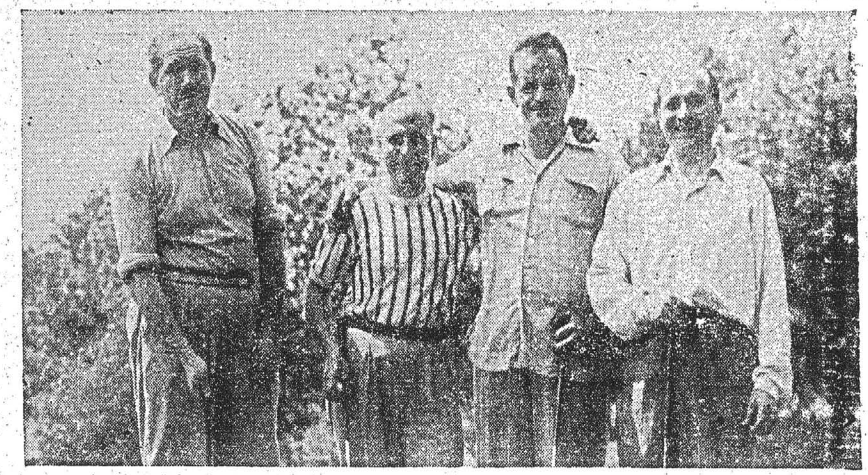
Edwin L. Beck, *Commercial & Financial Chronicle.*



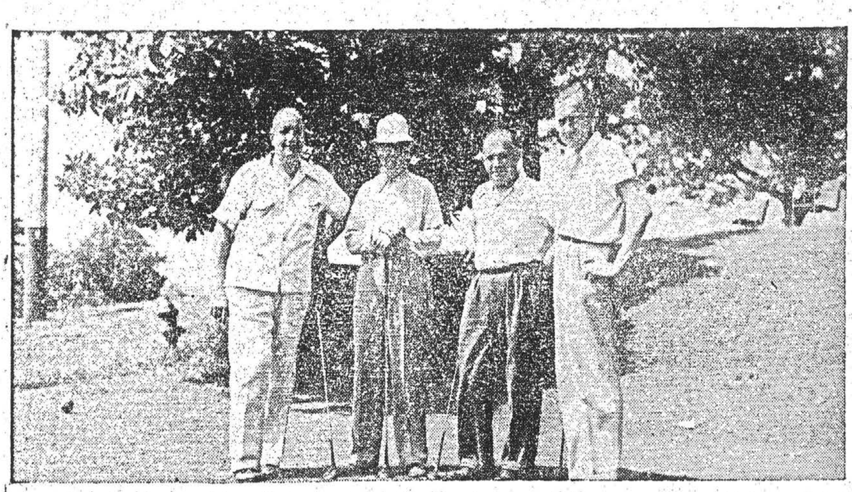
Alfred I. Abelow, *Mitchell & Co.*—Clarence Nelson, *Baker, Weeks & Harden*—Connie Sheridan, *Mitchell & Co.*



Honorable James A. Burke, *Borough President of Queens*—C. E. Unterberg, *C. E. Unterberg & Co.*—Frank Dunne, *Dunne & Co.*



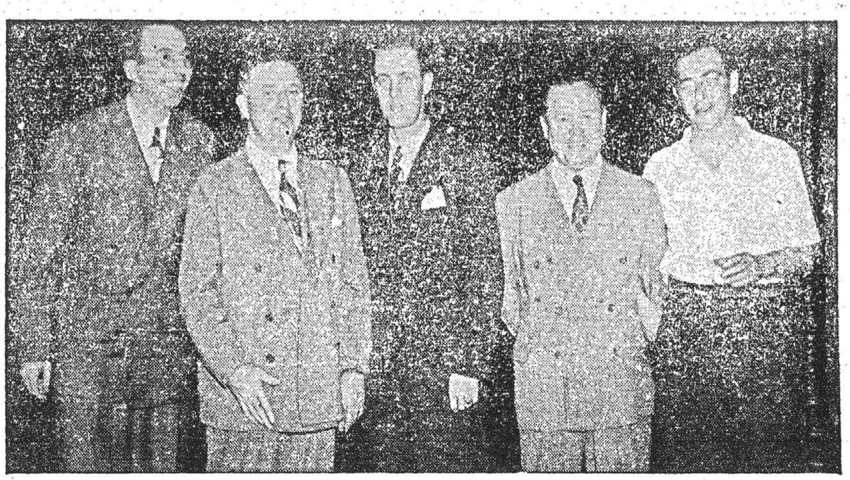
Joseph J. Lann, *M. S. Wien & Co.*—Arthur Hatz, *Arnold & S. Bleichroeder, Inc.*—Doug Hansell, *Wertheim & Co.*—Harry B. Spring, *Greene & Co.*



Arthur Schwartz, *Boche & Co.*—J. H. Excoffier, *Chas. E. Quincy & Co.*—J. Bloom and George Arfman, *Public National Bank & Trust Co.*

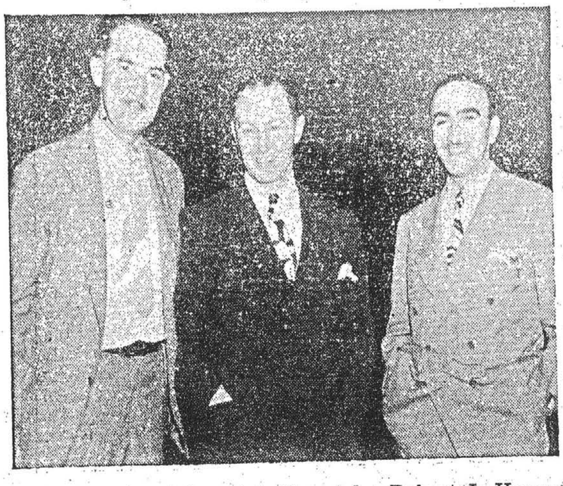
Tom Greenberg, C. E. *Unterberg & Co.*—Joe Kelly, J. *Arthur Warner & Co.*—C. E. Unterberg, *C. E. Unterberg*—Walter C. Kruge, *James D. Cleland Co.*

John S. Reitenbaugh, *Goodbody & Co.*—John H. Hawkins, Amott, Baker & Co., *Inc.*—Philip L. Carret, *Carret, Gammons & Co.*—Harry R. Amott, *Amott, Baker & Co., Inc.*—John B. Boucher, *J. B. Boucher & Co.*



Nathan A. Krumholz, *Siegel & Co.*—Harry Michaels, *Allen & Co.*—Merritt Coleman, *Allen & Co.*—Edward Monte, *Newborg & Co.*—Arnold Wechsler, *L. J. Goldwater & Co.*

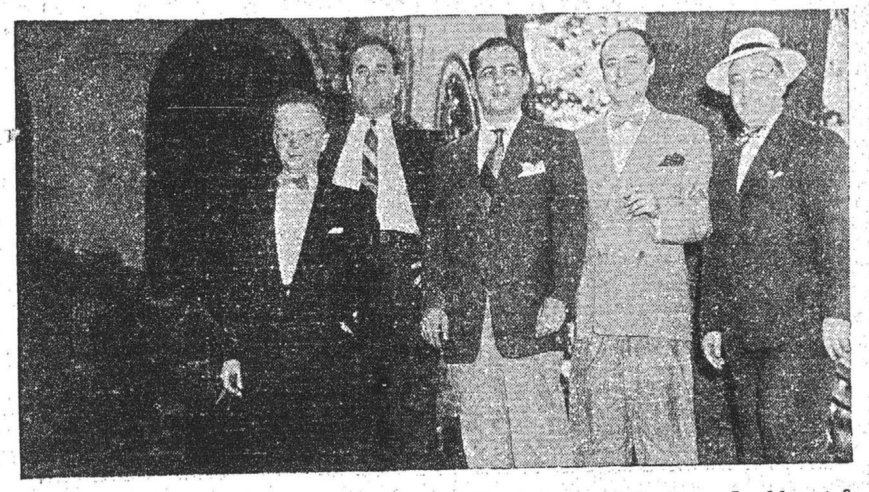
Over One Hundred and Fifty In Attendance



Hal Murphy, *Financial Chronicle*—Robert I. Herzog, *Herzog & Co.*—Ben Grody, *Herzog & Co.*

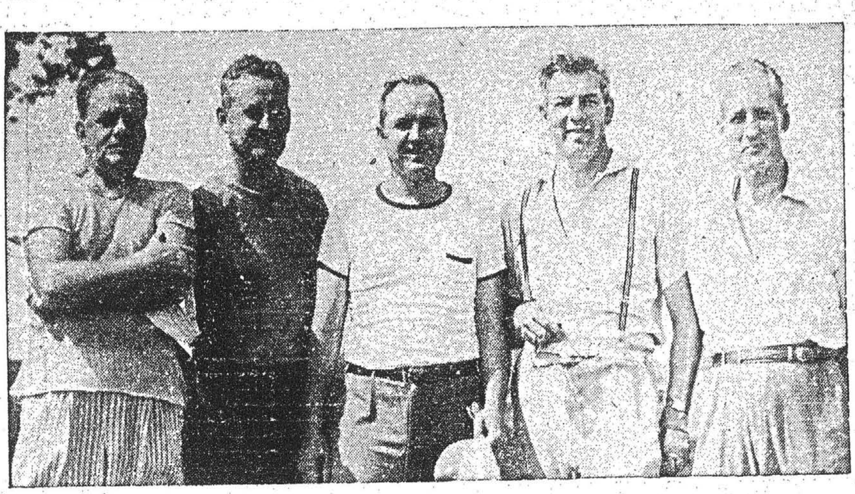
Alfred E. Loyd, *Executive Secretary, N. Y. S. D. Assn.*—Harold C. Horsley, *Guest.*

Tracy Engle, *Buckley Brothers*—Bob Franklin, *M. S. Wien & Co.*—Stan Graff, *Foster & Adams.*



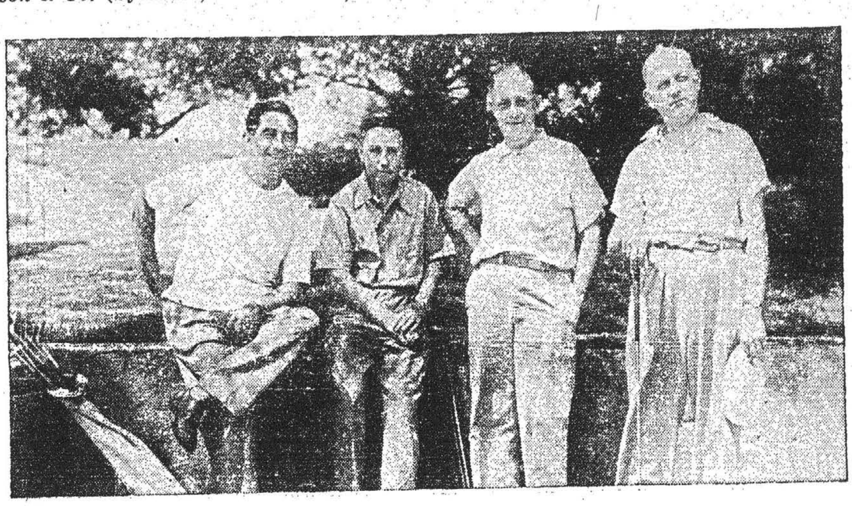
Tom Doyle, *Ward & Co.*—Bert Seligman, *Ward & Co.*—Jules Bean, *Luckhurst & Co.*—Herbert Mendel, *Ward & Co.*—H. K. Greenfield, *Luckhurst & Co.*

J. A. McCabe, *E. W. Clucas & Co.*—F. J. Rabe, *F. J. Rabe & Co.*—C. L. Pearce, *R. H. Johnson & Co.*—Vincent Fitzgerald, *Fitzgerald & Co.*



Peter P. McDermott, *Peter P. McDermott & Co.*—Richard Horn, *Peter P. McDermott & Co.*—R. H. Johnson, *R. H. Johnson & Co.*—W. M. Bishop, *R. H. Johnson & Co.* (Syracuse)—E. B. Breen, *R. H. Johnson & Co.*

Samuel H. King, *King & King*—Martin J. King, *King & King*—Milton Pinkus, *Troster, Currie & Summers*—Henry R. Schmitt, *Pulis, Dowling & Co.*—Robert E. Dowling, *Pulis, Dowling & Co.*



Irving L. Feltman, *Mitchell & Co.*—Thomas F. Rooney, *Mitchell & Co.*—Kenneth V. Leibert, *Mitchell & Co.*—Robert Eble, *Mitchell & Co.*

Herbert Singer, *Luckhurst & Co.*—Gerald Kane, *Luckhurst & Co.*—Arnold Hanson, *Hanson & Hanson*—Arthur Burian, *Strauss Bros.*

Reconversion Price Controls

(Continued from first page)

forget it. It is a strength which has proved unbeatable in war; it is a strength which I am confident will prove unbeatable in peace.

It was Bernie Baruch who said that the war has been a crucible for the economic systems of the world. In that crucible our system of free enterprise has proved itself pure gold, because it is our system which has out-produced every other.

It was teamwork—teamwork of government, business, agriculture and labor—which made possible the production miracles of recent years. I would be the last to contend that it has all been smooth sailing, and I would be the first to assert that the controls which had to be imposed during the war are wholly incompatible with the functioning of a free-enterprise system in time of peace.

These controls—let me emphasize—must be removed as soon as the emergency caused by the war is over. Let me say flatly that they will be removed as soon as it is possible to do so with safety. Having said that, I must go on and say that these controls have played a key part in our war achievement. We simply could not have done it without them. We simply cannot do without them today.

We are just now entering into a most dangerous economic period. The war expenditures are being decreased, and reconversion is beginning. Seeing this, many people are persuaded that the danger of inflation has passed. Therein lies the real danger.

The cold fact is that the inflationary pressures have never been greater than they are today and will be in the coming months. It is true that V-E Day has made possible a cut in war expenditures. But these expenditures are still running at the staggering rate of $90,000,000,000 a year, and until such time as the Japanese surrender they will probably not fall below $60,000,000,000. Sixty billion dollars, let me remind you, is twice the cost of fighting World War No. 1.

Added to this there will be, before long, the rehabilitation expenditures of our Allies. Most of them are desperately in need of food and clothing, but they are equally in need of raw materials, machinery, and transportation equipment in order to get their economies running again after the devastation of war. They will be in our markets very soon to get these things, and they have 12,000,000,000 of dollar balances —$12,000,000,000 of cash — over and above the billions more they can borrow here with which to pay for them.

Finally, there are the unsatisfied demands and the vast buying power of our own people. Liquid assets in this country stand today at the almost unbelievable level of $300,000,000,000. These hundreds of billions of dollars in currency, bank balances, savings accounts, insurance and war bonds can provide rich markets, richer than anything we have known in peace-time, for anything we can produce for years to come. But these same hundreds of billions of dollars could simply smash our economy beyond hope of rescue if the door of inflation is once opened. I can think of no State that would suffer more than Connecticut—with its great industrial and insurance interests.

Today these dollars are held safely in savings accounts and in securities, because people have confidence in the inflation control program. They know that the dollar will buy next month as much as it buys today. If that confidence falters, if it is replaced by fear that inflation is on its way, it will produce just the inflation that is feared. Those dollars will be stampeded into a mad scramble for goods. Once that happens, no regulations of ours could stem the tide. We would simply go the inflationary way of Greece, France, Belgium, China, and a score of other countries.

Lessons of Last War

In this connection we must never forget that it was just at this stage of the last war that we bungled the job of inflation control. Very few people know that almost half of the inflation of the last war took place after the Armistice when price controls were stripped off in the mistaken belief that the danger was passed.

It was the inflation after the Armistice that did the real damage, that set us up for the smash-up of 1920-1921. All of the factors which were present then are present today, only infinitely more so. It can happen again; it will happen again unless we all resolve this time to see the job through to the end. We are all weary of regulations, or red tape and of bureaucracy. But we have come too far and we have too much at stake to quit before the job is done.

Successful economic stabilization is a compound of three factors: Good laws, good administration, public support. The stabilization laws, which are at this moment before the Congress for renewal, are good laws. They have stood the test of time. They not only direct that prices and wages be stabilized, they provide the powers that are necessary to secure that objective. It is my hope that they will be renewed without significant change.

As for administration, I would be the last to claim that ours has been a perfect job. Probably no civilian organization in peace or in war was ever assigned a more difficult task. There have been irritations, delays, and some inevitable errors of judgment. Most of my friends have a favorite OPA story.

OPA Job Well Done

But the figures show that the basic job assigned to us has been done. Average prices today, according to all statistical authorities, are close to the levels of two years ago, and roughly equivalent to those of 1926. For the most part, moreover, this has been accomplished with the maximum possible fairness. In this connection I should like to call my friend Mark Sullivan as a witness to the bar. In a recent column he said, and I quote:

> "It is recognized that OPA has performed an indispensable war-time service. It has kept prices far lower than they otherwise would have been, to the satisfaction of the consuming public. The criticism of its methods is probably no graver than would have been the criticism of any other agency effectively carrying out so difficult a job."

But no law, no matter how good, no administration, no matter how conscientious, could have stabilized prices for two solid years without the full support of most business men, farmers, labor and the consuming public. There have been criticisms, of course—some sharp and even bitter.

But in the last two weeks, when the chips were down, almost every organization representing business, labor, agriculture and the consumer has put itself solidly on record in support of our price control program—the American Farm Bureau, the National Grange, the Farmers' Union for Agriculture; the CIO, the AFL, the railroad labor organizations; the Committee for Economic Development and the Chamber of Commerce for Business, and well-nigh every organization in America representing the consuming public. And this support, I may say, is not limited to testimony before the committees of the Congress. This support goes down to the grass roots. It is reflected in recent public opinion polls, each of which showed that a vast majority of the people is in favor of OPA's price control program. We see it in our mail from thousands of individuals in all walks of life —including among the most outspoken, scores of veterans. It is this which gives us heart to go on with a difficult and thankless task.

The Problems Ahead

Let me turn now to the problems we face in the coming year. So long as shortages continue we shall have to go on stabilizing food prices, rents, and the many other items that go to make up the cost of living of the average citizen. If we fail in this basic task the inflationary spiral will soon be on us. We shall have to go on stabilizing the prices of industrial raw materials and the thousands of industrial products which go to make up the cost of production for the average producer This is, in itself, a job of tremendous proportions.

But at the same time we must take on the new job of providing prices for the tens of thousands of items which have been out of production since Pearl Harbor and which are just now beginning to come back into production.

The difficulties in pricing these products can hardly be exaggerated. In the usual case of a product in production throughout the war, we judge the need for price increases on the basis of actual cost and operating experience. In the case of the new reconversion products we have no such experience to guide us. These products for the most part have not been in production for three years.

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Reconversion Price Control

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We know, of course, that wages, parts and materials have risen, in some cases sharply. We know, too, that these increases in many cases have not been uniform throughout an industry. In some sections of an industry costs of production have risen much more than they have in other sections. Finally, we know that reconversion will not be all smooth sailing. There will be after production bottlenecks which will slow up the process and increase costs. There may be bottlenecks in some key types of equipment, in certain key components, in subassemblies, and even in key types of skilled labor. No man can say how soon these can be overcome.

The Reconversion Problem

On the other hand, it is perfectly clear that many of the inflated costs of the early reconversion period are not permanent. Those which arise out of the strains of war production in due course will disappear. Others which are the result of the bottlenecks and low-volume production as reconversion starts up will disappear as these bottlenecks are overcome and as production gets into full swing.

And we must not lose sight of the new plant and equipment built during the war and the increased production know-how we have all of us acquired. After the last war output per man-hour in manufacturing increased 10% each year for three years. I am confident that once reconversion gets into full swing this will happen again. American management and labor, the most productive in the world, will continue to produce better goods at lower cost as they always have in the past.

The problem, to put it in a nutshell, is simply this: We don't know, business men themselves don't know, what the actual cost of production is going to be once reconverting industries get into production. At the same time, no manufacturer can really get going until he knows what his prices are going to be. However difficult the job of pricing, and assuming our determination to avoid inflation, it is a job that has got to be done, and it has to be done fast.

After many months of study we have made up our minds to the following procedure: The key elements in this procedure are (1) speed of decision and (2) flexibility. Every reconverting manufacturer will know the prices at which he can come back into production, and he will know that these prices will be modified if necessary to meet his own situation.

Our reconversion pricing program falls into three parts.

First, industry-wide pricing for those who cannot proceed under their last ceiling prices at which they sold in 1941 or 1942. For all reconverting industries there will be industry-wide price increase factors which may be applied to the prices which were in effect during the last period of normal production, usually 1941. These price increase factors will be calculated by adjusting the 1941 costs of an industry for any subsequent increases in basic wage rate schedules of factory workers and for increases in the prices of materials and parts. To these adjusted 1941 costs will be added a margin to provide the same percentage profit on sales which the industry enjoyed in a representative peace-time period, ordinarily 1936-39.

Each firm may increase its own 1941 prices by the industry increase factor set by OPA. Where the result is higher than its existing ceiling, the higher price becomes its new ceiling. The resulting prices should provide any reconverting industry with the opportunity to earn good profits as soon as volume really starts rolling.

Second, there will, of course, be some individual firms whose costs are out of line with the rest of the industry. For these, individual price adjustments will be provided. They will apply to any firm whose ceiling price—either his old ceiling price established in 1942 or the new one resulting from the application of the industry price increase factor—does not cover his own 1941 costs adjusted for increases in basic wage rate schedules and the general industry increase in materials and components. Such a firm will be entitled to a price which will cover its own 1941 costs adjusted for these increase factors, plus one-half the average industry percentage profit on sales in 1936-39.

In this connection let me point out that this individual adjustment will be available to the reconverting manufacturer of a non-reconversion product. For example, a furniture manufacturer who has been in war work and who is now coming back into the production of furniture which his competitors have been producing all through the war is eligible for this adjustment.

Third, finally, we have taken a major step in lifting the load of red tape from small business. Small reconverting firms whose 1941 civilian volume did not exceed $200,000, and who do not anticipate more than that volume of sales within the next 12 months, will not have to apply for individual adjustments but will compute their own ceiling prices on a streamlined form.

Each will apply the reconversion price increase standard to his own situation. If the firm's own 1936-39 profit margin on sales was less than one-half the industry's profit margin, he may use one-half the industry's average margin in computing his ceiling prices. This figure will be furnished by OPA. Having computed his ceiling price he will then report it, together with his calculations, to the OPA district office, and is free to proceed to sell his product. His computation will, of course, be subject to audit.

Arm-Full Production

Of course, any industry or individual firm may sell his product at once at his 1942 ceiling. Many firms are already doing this. But those who are unable to move ahead on that basis will have the full benefit of all the adjustments which I have described to cover their legitimate increased costs. This three-way pricing program we earnestly hope will speed the reconversion process.

But if developments show that changes in our standard are necessary, we shall be quick to change it. I have always been persuaded that the best way to fight inflation is to smother it under an avalanche of production. Under no circumstances—and let me emphasize this point—must OPA pricing policies stand in the way of production and employment.

Within the next week adjustment provisions in the program which I have outlined here will be put into effect. Already more than a score of meetings have been held with industry groups to secure the data upon which the industry-wide increase factors will be based and other meetings are taking place all the time. By early July prices of several major industries should be established. The full resources of the office are being thrown into the job of getting fair reconversion prices, and getting them fast.

These prices, built to yield good profits, will give the green light to the manufacturer. They will facilitate full production. At the same time we think they will not require, in most cases, any substantial increase at retail over the prices which were in effect when industry reconverted to war.

We have a good deal of confidence on this point. Most of the increases at the manufacturing level can be absorbed by distributors without hardship. Our studies show that distributors are enjoying increased sales, reduced expenses in relation to sales, higher realized margins and greater profits than ever before. Thus wholesalers and retailers are in position to help the stabilization program by absorbing moderate cost increases.

But here, too, our minds are open. We shall consult with the distributive traders and are prepared to adjust our policies if circumstances warrant.

While some people seem to have forgotten it, most of my chief lieutenants are business men who have temporarily left their businesses to serve the Government in time of war. Having come from business, we know how important it is in our job to work closely with business men, to understand their problems, to tailor our regulations to meet their concrete needs and difficulties. In meeting the new problem of reconversion, close contact with business is going to be even more important than it has been in the past. That is why we have arranged for extensive consultation with all of the business groups concerned. That is why we shall consult with them at every stage of the reconversion process.

We have a special responsibility in regard to small business, in regard to veterans, who are either coming back to old businesses or who are planning to start new ones. We must keep open the door of opportunity for the little fellow. We cannot afford to block it by regulations which prove too cumbersome for him to handle. We believe that our program takes care of the needs of small business and that it is fair to all business, both large and small.

Lest there be some possibility of a doubt on this score, let me say once again that the key elements in our program are rapid decisions and a policy flexible enough to meet changing conditions. The nation will face many bottlenecks as it moves towards full reconversion. I am determined that OPA price policy shall not be one of them. I pledge that OPA will not be one of them

Individual Adjustment Provisions

Before terminating my remarks I should like to stress that we are going to bend our every effort to extend individual adjustments not only to reconverting firms, but to firms which have been producing goods right through the war, as far as it is humanly possible to do so. Already many of our price regulations include individual adjustment provisions which afford the individual high-cost producer the opportunity to secure a price which meets his individual needs. In the very near future we expect to make a big forward move in this direction.

In spite of the general prosperity of American business, there have been in many industries some cases of hardship. These hardships have always been of great concern to us, but the fact is that our personnel has been limited, and the job we have had to do has been enormously large. In many industries, therefore, we have been obliged to confine ourselves to regulations which are generally fair and equitable but which do not meet the requirements of every individual firm.

Our personnel is still limited and our job is still enormously large. Nonetheless, we are now going to undertake the administrative load of extending individual adjustments to many industries which have not hitherto had them. In no case, no matter how unimportant it may be—do we want anyone to be able legitimately to say "OPA ceilings have put me in an overall loss position." Frankly, we don't know how ambitious a job we are undertaking. We don't know how successful we can be, but we are going to do our utmost.

We are going to do our utmost not only because we want to relieve hardship wherever hardship exists, but because every ounce of production we can get, and every job that can be provided is important. The keystone of our thinking during the reconversion period is that there should be a maximum of opportunity for free enterprise in this country to produce all the goods of which we are capable and to provide good jobs at good wages for every one who wants to work.

We must speed production. But we must at the same time avoid the disaster of inflation which would in itself wreck our free enterprise system. As I said earlier, the year before us is one of extreme danger. It is a critical year, a year that will provide the acid test of our vision, our wisdom, and our capacity for working together. What is done in this year will determine what the post-war world will look like While it is our determination in OPA to strip off our control as rapidly as supply comes into true balance with demand, it is equally our determination, until that time comes, not to let the economy drift into disaster.

Inflation Must Be Kept in Check

In the meantime I wish I could assure you that inflation can be kept in check without some irritations, without regulations, without occasional delays, and unavoidable hardships. But in all honesty, I am afraid I can't. We shall do our best to make our operation as painless as possible. But in such a stupendous undertaking it would be folly to promise perfection.

But let me say once more, so that no one can possibly misunderstand me, that war-time controls—price controls in particular—were born of the needs of the war itself. These controls will be stripped off as soon as the emergency caused by the war passes. I know you are all weary of regulations. I know your patience has been tried again and again.

But if there are any of you who have been thinking that we in the OPA have the notion of imposing these controls upon you for the rest of all time, that any one in the organization has the notion of remaking our economic system, let him put that thought out of his mind. We are anxiously waiting the day when we can get back to the normal operations of the free market. We wait for it just as eagerly as you who have had to live under our regulations.

Price control on several items can be safely lifted in the near future. Others will follow as production increases. In industry after industry price controls will be first suspended and then finally dropped as supplies come in line with demand. Let me say that the happy day when all wartime regulations are behind us can never come too soon to suit me personally.

Let me close with a forthright appeal for your continued support. Very frankly, without it we cannot see our job through successfully to the end. There are a few people in every industry who will never be satisfied whatever we may do. In addition, there are a few short-sighted people in every industry who are ready to sacrifice their own future well-being to their immediate gain. These particular people have hit us below the belt before, and they will do it again. They will continue to take every advantage of the shortages and hardships which are an inevitable part of war to try to undermine the confidence in price control and in war controls generally.

Thoughtlessly, irresponsibly they would bring inflation down on all our heads for the sake of a fleeting personal advantage.

Gentlemen, these people are a threat to our economic future.

The price control program is designed for the protection of business no less than for the protection of the farmer, the worker, and the consumer. We all have an equal stake in it. We must stand solidly behind it.

What we need in the year ahead more than anything else is a spirit of reasonableness and good feeling. We have come a long way together. We have rung up a record in which all of us can take the greatest pride. Never before in our history has our free enterprise system performed so brilliantly. Let us resolve now to continue that performance. Let us resolve to work together in harmony and mutual understanding.

I know I can count on you in the difficult days that lie ahead of us.

Two Points Emphasized by Bowles

In a letter addressed to the Editor of the "Chronicle" under date of June 16, Chester Bowles stated that he had emphasized the following two points in his address, given in full in this issue, before the Hartford Chamber of Commerce on the previous day:

"1. We are determined that OPA pricing policies shall not stand in the way of the all-out production of civilian goods and services which is the only final answer to the tremendous inflationary pressures now threatening our economy. I have placed particular emphasis upon the need for individual price adjustments to get every ounce of production we can and to relieve hardship wherever possible. We have taken special steps to eliminate red tape for small business.

"2. Price controls were developed solely to meet wartime conditions. We are pledged to remove these controls just as soon as the production of civilian goods and services eliminates the inflationary dangers and permits our return to a free market."

Chase President Minn. Savings & Loan League

Homer B. Chase of Albert Lea, Minnesota, became the new President of the Minnesota Savings and Loan League on June 13, after an informal annual meeting in compliance with travel restrictions, it is learned from the Minneapolis "Journal," which also reported:

"E. C. Lundquist of Willmar was elected First Vice-President; Clifford L. Theis of Minneapolis, Second Vice-President; Miss K. A. Seymour of Duluth, Secretary, and Axel A. Olson of St. Paul, Treasurer.

"Vernon S. Welch of Minneapolis was again chosen general counsel and Executive Vice-President of the League and E. C. Duncanson of Spring Valley, the retiring President, will continue as a member of the board."

Leffingwell on Post-War Problems

(Continued from page 2719)

of God. The first inflation was war's aftermath, but the other two were managed inflations, and all three deflations were managed deflations. It won't do to attribute them to the weather, or the crops, or war or peace, or the wrath of the gods, or the business cycle, or the disappearance of the frontier, or to a mature economy. Government made inflations and deflations, booms and depressions, by taxing and spending, by currency inflation and monetary management.

I do not say that in criticism of the high-minded and able men in Government and its agencies who managed our money and our fiscal policy during the last quarter-century. Our Government managers have been good men doing the best they knew how to do under evil conditions created by the wars and the economic wars between the wars. To relieve a depression with cheap money, to arrest an inflation with dear money, to balance the budget (or try to) by raising tax rates, all these are classically correct measures in accordance with the best tradition of monetary management and public finance in England and America. But it did not work well. It must not happen so again.

Years Ahead

These are the lessons of the past. Let us turn now from the too gorgeous Twenties and the drab, dreary Thirties to the years ahead. What prospect is there of jobs for the boys when they come home victorious from the war? In the New York "Times Magazine," May 24, 1942, Geoffrey Crowther, editor of the London "Economist," wrote:

"The popular memory is short, and the public has a rather distorted view of what happened after the last war. For example, the general view at this distance *in time* is that it proved to be difficult to find jobs for all the men released from the army and from munitions factories and that the resulting unemployment was the origin of the sharp post-war slump. But the actual facts were very different.

"Both in Great Britain and in America the demobilization of the great war armies was virtually complete by the Fall of 1919; most of the war factories were closed or reduced to a care-and-maintenance basis by about the same time. But there was very little unemployment in 1919 or for the greater part of 1920 either. On the contrary, those were boom times with a distinct shortage of labor. It was not until the Spring of 1920 that prices began to weaken and it was not until the last months of that year, two years after the armistice, that unemployment in significant dimensions began to appear; 1921 was the first depression year."

Judging from that experience, we may reasonably hope that there will be employment for those who want to work during the first post-war period of, say, two to five years after the war. There will be job displacements on a vast scale, and many a delay in re-employment, but we need not have to endure continuous mass unemployment of normally employable persons in that period.

This reasonable hope of reasonably full employment in the first years after the war can, I think, only be realized if the Government terminates its war contracts promptly and fairly, pays the contractors promptly and fully without quibbling, clears the factory floors of its war machines, does not dump its accumulations of war supplies in the market too fast, and does not go into business with its war plants in competition with business. That is quite a lot of "if's." Yet it is a very simple and sensible program; and it is a condition of full employment after the war. Is it too much to hope that after our final victory overseas we shall have an era of peace and goodwill between Government and business and labor here at home?

Inflation control may be the major domestic problem during the first post-war period of from two to five years after the war, more or less. There is, of course, war inflation now. Nobody has ever yet invented a way of stopping an inflation without making money dear, as in 1920 and 1929, or relatively scarce as in 1937, and so bringing on deflation, depression, and unemployment.

We are told now that we are always to have managed low interest rates; and indeed the war debt issued at low interest rates will be so great, and the displacement of men and industry for war purposes has been on such a vast scale, that a strong dear money policy would seem to be quite out of the question at least in the early post-war years. It would be wholly inconsistent with prompt readjustment and jobs for all. Our war-weary people could not endure another deflation so soon.

An alternative measure of inflation control, which was experimented with in 1936 and 1937, is an increase in reserve requirements, with a view to making money scarce, rather than dear. That may be more violent even than a severe increase in interest rates, which increases the cost, but not, in the first instance, the amount, of loans available. Governor Benjamin Strong, the first great Governer of the Federal Reserve Bank of New York, used to tell me: "You may increase the price of money but you must never make it unobtainable." We have seen how drastic was the effect of increases in reserve requirements, among other things, in 1937, when the banks had immense *excess* reserves. That remedy would create unimaginable disaster if applied at a time when the banks' resources were quite fully employed.

Then how shall our rulers stop inflation? In view of the impossibility of using a strong dear money policy or scarce money policy, the only plan of inflation control I have heard of is to continue rationing and control prices and wages indefinitely. I doubt that would, except as a temporary expediment, be acceptable to the people. If it were adopted as a permanent policy it would, I fear, lead to long depression and unemployment and decay of our economy. Diocletian couldn't make it work. Hitler had to have a Gestapo and a world war to make it work; and even then it didn't work too well, as Howard Smith shows in "Last Train from Berlin." We had our experience with bootleggers of drink after the last war. It would be too bad to have to deal with bootleggers of food after this one.

But we cannot take the lid off and abandon all price-fixing, wage-fixing, and rationing with any safety *immediately* after the war. It can only be done gradually and selectively. Whatever may have been the merits or demerits of the policy it must be continued in each case until actual shortages of civilian goods have been measurably relieved and until supply and *necessitous* demand have been measurably balanced. I say necessitous demand because production will never catch up with inflation demand. Sooner or later monetary inflation has got to be controlled somehow. Price control only deals with symptoms.

We must control money inflation after the war, but not be rough about it. We must do it so skilfully, so carefully as to avoid throwing ourselves into depression and unemployment. To that end, taxes should be held at a pretty high level at first, but not too long. Debt should be decreased, but not too fast. Federal Reserve support of the bond market should be withdrawn cautiously, but withdrawn. Money may thus be allowed to become, but not be *made*, less cheap, though not dear. By that I mean to suggest a negative or static rather than a positive Federal Reserve policy at some time after the war: that is, to stop buying more Government paper but hold what the System then has; and to let the bank rate follow the market rather than force it. The authorities must control money inflation, but go gently about it; and at the first sign relax controls *instantly* before deflation sets in; remembering it is much easier to stop the economic machine than to start it again, much easier to stop an inflation than to stop a deflation.

If these gentler methods succeed it should never be necessary to revert to the rough old method of dear money. Let us hope not. It is too devastating, too certain to create depression and unemployment.

When inflation has been controlled, and urgent civilian shortages have been satisfied, and war savings of cash and bonds have been spent by the unthrifty—say, two to five years after final victory—the problem of maintaining full employment without interruption may be expected to arise. It has never heretofore been solved for more than a limited period and under special conditions. Russia solved it for a time between the wars. Her authoritarian Government, with despotic power, undertook the gigantic task of revolutionizing her economy, of industrializing the nation and mechanizing its agriculture, and creating a great army, in two decades. Of course, there was full employment for everyone, though at a low standard of living. In Germany, Hitler undertook the task of rearming a disarmed nation, and creating the greatest mechanized army and air power then ever known, in less time. Of course, there was work for all, making guns and going without butter. Just so during the war there is more than enough work for all in America who will accept it.

It does not follow, however, from the examples of Germany and Russia, that in a well-developed, industrialized economy such as ours, in time of peace, the secret has been discovered of immunity from the alternations of good and bad times, the revolving of the business cycle, which, like sunshine and shadow, rain and drought, summer and winter, have characterized the affairs of man on this earth from the beginning. There seems no reason to believe that, from the ashes of the greatest and most devastating war of all time, there can promptly spring, full-grown, an economy so perfectly functioning that everybody will have a job waiting for him, whether he wants it or not, and that everybody will have social and economic security assured to him, whether he works very hard for it or not. But in the course of her growth and development our beloved country has been able to provide more jobs and a higher standard of living for her people than any other country under normal conditions. After the war we must continue the march of economic and social progress and the struggle for the production and better distribution among all the people of the good things of life. We should not promise too much, but we cannot and need not endure mass unemployment again.

What Government can do is to avoid *active* deflation such as occurred in the period between the wars. Tax reduction, easy money, free prices and wages, and private enterprise will be the best instruments for avoiding deflation and depression in the secondary period after this war.

We can bear neither inflation nor deflation, neither boom nor depression, nor unemployment, after this war. For better or worse, we have given our Government and its agencies heretofore unheard-of powers to plan our economy and to manage our money. We expect from them an orderly America for the men of our fighting forces to come back to and work in. We do not expect a feather bed for them, but a good happy, healthy place to work in and jobs to work at. We cannot expect for them security, though we provide a measure of insurance against some of the ills no foresight can avert. But we do expect and demand for them opportunity.

Mechanization and mass production have made it necessary for Government to care for the welfare of all its citizens to an extent never dreamed of before. To talk about *laissez faire*, self-reliance, thrift, the struggle for existence, and the survival of the fittest, to workers whose job is to tend the machine, is just stupid *when the machine stops*, as it did in 1933. The machine must not stop again.

After this war, as after the last, Government policy, fiscal, monetary, and economic, will determine these matters. I do not know whether that is a good thing or a bad thing. I know it is a necessary thing. It is quite impossible for Government to carry us into the second of two world wars and through it, and then just release the controls and say "*laissez faire*." It would be quite as disastrous as if the pilot of a big bomber were to fly up 30,000 feet and then take his hands off the controls and say "*laissez faire*."

This is an essay about managing *our* economy and so concerned chiefly with domestic policies. But our economy cannot be managed in isolation. We must find outlets abroad, foreign markets, for our surplus production. We are geared to produce far more of many things than we can consume among ourselves. To do so we must buy, as well as sell, goods and services abroad; and make foreign loans and investments.

The first condition of foreign trade and investment is the establishment of law and order in the world. We must have a peaceful world to trade in.

Further, our Government must cancel our Allies' war debts, new and old. These represent wealth blown up and destroyed, not self-supporting investment. They represent munitions and supplies provided by us to enable the gallant men of our Allies to fight, in the common cause, battles which otherwise our own men must have fought. And we should have repealed before this the Johnson

Act, which, to our shame, has blacklisted our Allies and forbidden private loans to them. These are barriers to recovery and employment.

Another thing we must do is to make Government loans and grants to friendly countries for relief and rehabilitation. Another condition of better business is to lower excessive tariffs and avoid subsidies. Still another is to establish orderly exchanges with the principal trading countries. Last but not least is a United States Government policy to advance and protect American interests and investments everywhere.

Without these reforms in our foreign economic relations, I fear we shall, sooner or later, have unemployment and unemployed capacity at home, while the world outside will be eager to buy our goods—in dire need of them—and will be unable to pay for them.

So our Government has the bear by the tail. It must continue to manage our money and public debt, arrange our taxes, and control our economy, for a time after the war, to avoid inflation, deflation, and unemployment. It must also aid in maintaining peace and world order and in the reconstruction of foreign nations, foreign exchanges, and foreign trade. But all this it should do with a view to ever decreasing its activities, relaxing its controls and restoring their freedom to our people. Gradually Government must free agriculture, industry, and commerce here at home if we are to have a prosperous economy. Our economy should not be repressive. Our money, if not mismanaged, was too much managed, between the wars. Business was overregulated, overinvestigated, overtaxed. The pump-priming, the Government spending, and deficit financing were sterile, as we have seen. After this war our Government's policy should be not to meddle much with our money and to give agriculture and enterprise a measure of freedom and a hope of profit after all taxes.

With all our Government's managing and planning let us not forget that we need the men who have vision and take risks, the far-sighted men, the men who spend themselves, the ambitious men, and the thrifty ones who save money and form capital, in war and in peace, as we have always needed them, to vitalize our economy, to give it life and strength and hope, to give us inventions and discoveries, to provide all our people with profitable opportunities, to make jobs plentiful, and well-paid jobs for everybody. We are winning these wars partly because of the health, skill, and efficiency, the high standard of living, which the American system of enterprise and of economic rewards has developed in this country. America was settled by adventurous, individualistic men and women who came from Europe in search of freedom of speech and faith, freedom to work out their own salvation by their own unaided efforts. These immigrants and their descendants have achieved a high level of general welfare which makes healthy, hardy people. Imbued with the spirit of freedom, adventure and enterprise, they have created and renewed and developed American industry and American farming, American management and labor and mechanized farming, and above all American manhood, to unparalleled efficiency. Our gallant fighting men are huskier and better armed and better fed than our enemies. Therefore it is that they, with our great Allies, have won the war on the Western fronts and expect and intend to finish the job in the East before too long. Let us see to it that we keep our America the land of freedom and opportunity.

Our New "Lawful Money" Situation

(Continued from page 2718)

be done is not clear; such procedure would seem to be without any logical defense. If a money, such as silver and silver certificates, is issued by the Treasury under authority of an act of Congress, that money becomes part of the legitimate currency of the country. And, in logic, there is no good reason why Treasury currency should not serve as reserve against deposits in the Federal Reserve banks. Furthermore, all our Treasury currency (in fact, all our money) is full legal tender.

Under this new law, all money, except gold certificates, in Federal Reserve banks will become non-reserve cash. A peculiar phenomenon now arises. In principle, a legal money reserve is something to be used. But the only money now serving as legal reserve in Federal Reserve banks cannot be paid out, while the only money, aside from Federal Reserve notes (which are a liability and not a cash asset), that can be paid out cannot now be counted as reserve in these banks! It was bad enough to have a reserve against Federal Reserve notes that could not be paid out domestically; now this new law converts the reserves against deposits in Federal Reserve banks into a money that cannot be used in domestic transactions.

The implications of this strange lawful money situation apparently were not carefully explored by the Reserve authorities, the Treasury, or Congress. Some of the Reserve Board and staff have for a dozen years been confused on the "lawful money" question, and such confusion appeared in Chairman Eccles' discussion of this bill at the hearings by the Senate Committee on Banking and Currency, Feb. 20 and 28, and March 7, 1945. He expressed the opinion that, if gold certificates alone were made the only lawful money for reserves against both Federal Reserve notes and deposits in the Reserve banks, it would ". . . eliminate controversy as to what constitutes lawful money, and whether the Federal Reserve banks could, if so minded, use their own notes—Federal Reserve notes or Federal Reserve bank notes—as reserves against their own deposits." (*Hearings*, p. 36.) He seemed to miss the central point entirely. That point is this: Why should some Treasury currency, but not all, be lawful money for reserves against deposits in the Reserve banks? Above all, why should the only Treasury currency that can be used domestically by the Reserve banks be made unlawful for reserve purposes while a Treasury currency that cannot be used domestically is made the only lawful money for reserves in these banks?

Chairman Eccles' thoughts, clearly, were not directed toward this fundamental question but toward the possibility of the Reserve banks using their own notes—their Federal Reserve notes and Federal Reserve bank notes (their note liabilities!)—as reserves against their deposits. It may be recalled that, in December, 1942, the Reserve authorities in cooperation with the Treasury engaged in a manipulation in connection with the issuance of some Federal Reserve bank notes in which the Reserve banks converted what should have been a note liability into a reserve, and in which the Treasury got a corresponding deposit credit on the books of the Reserve banks. In short, the Treasury got $660,000,000 in deposits to which it was not entitled, and the Reserve banks got $660,000,000 of reserves to which they were not entitled. The Reserve banks converted what, under the law, should have been a liability into a reserve asset! Surely conversion of one's liabilities into assets is the height of financial manipulation! Chairman Eccles and some of his associates were questioned by certain members of Congress regarding this piece of monetary maladministration, and it apparently was the experiences connected with this confusion of assets and liabilities in that case which he had in mind when he expressed the opinion that if only gold certificates could serve as reserves in the Reserve banks the disputes as to which can properly serve as lawful money for reserves should be eliminated.

There never was any good reason why the Reserve banks should confuse their liabilities with their assets in connection with what could *properly* serve as lawful money for reserves against their deposits; and there is no good reason why all Treasury currency should not serve as lawful money for reserves against deposits in the Reserve banks.

It is remarkable that the Treasury did not say to the Reserve authorities and to Congress: "How is it that some of our Treasury currency, issued under authority of Congress, cannot serve as lawful money for reserves against deposits in the Reserve banks? Is it not good money?" In effect, the Reserve authorities and Congress have said to the Treasury that some of the Treasury currency is good and some of it is not, in so far as reserves in the Federal Reserve banks are concerned.

It is equally remarkable that the silver bloc did not notice what was done to silver and silver certificates. This new reserve law puts this money out of the class of highest respectability. It is not desirable as reserves in Federal Reserve banks; it can serve only as a medium of exchange and as non-reserve cash in the Federal Reserve banks. Similarly, all other Treasury currency—United States notes, Sherman Notes of 1890, national bank notes, and Federal Reserve bank notes, the last three being in process of retirement and now a Treasury liability—goes to the bottom of the class along with silver and silver certificates; they are all, now, merely non-reserve cash in the Federal Reserve banks!

Still another peculiar aspect of this picture is found in the fact that, while the Reserve authorities were seeking lower minimum reserve requirements in order to get additional surplus reserves, they restricted themselves, beyond what they could and should have obtained properly, by providing that only gold certificates may henceforth serve as lawful money for reserves in the Federal Reserve banks.

It is true that the Treasury currency which the Reserve banks now hold is chiefly gold certificates and only to a small extent other Treasury currency, and, for this reason, this ill-conceived legislation probably may do little harm in so far as volume of reserves is concerned. It is also true that some very undesirable bank notes, such as the fiat National Currency (the manipulated Federal Reserve bank notes), issued beginning December, 1942, will no longer serve as reserves, with the consequence that the reserves of the Reserve banks are purified and linked more closely to gold. But the matter of principle still remains: All Treasury currency should serve as lawful money for reserves in the Reserve banks, and, if all Treasury currency is not good, it should be made good. It is not the business of Congress to authorize the Treasury to issue an inferior currency; nor should Congress authorize the Reserve authorities to discriminate against some the Treasury's currency in this manner.

There is still further confusion in this picture. Congress, in 1933, unwisely made all our money full legal tender. If full legal tender means anything at all it means that money bearing this quality can legally be used to pay all debts, public and private. Bank deposits are debts of the banks, and the banks should be able to use any full legal tender as reserve with which to pay these debts. For this reason, Congress should never have made Federal Reserve notes and Federal Reserve banks notes full legal tender. These notes should have retained the legal qualities given them by the Federal Reserve Act of 1913. Under that law they were made receivable for specified purposes. Despite the legal tender quality given them by Congress in 1933, the Reserve authorities did not try to use their own Federal Reserve notes (their liabilities) as reserves against their deposits. To mix assets and liabilities in this manner is clearly inexcusable. Thus, in practice, the Reserve banks, after the legal tender law of May 12, 1933, denied, in so far as the Federal Reserve notes were concerned, the legal tender quality inappropriately bestowed upon them by Congress. The Reserve authorities were compelled to do this if they were to escape a monstrosity in accounting.

Now Congress confuses matters still further by passing a law which conflicts with its legal tender law of 1933. The substance of the matter is that Congress has not understood what it was doing in passing its legal tender law of May 12, 1933, and this law of June 12, 1945. Perhaps even worse, the staffs of the Treasury and Reserve Board have shown a marked incompetence in advising busy Congressmen in respect to these matters. Chairman Eccles, for example, at the hearings on this bill, advised the Senate Committee that if all "lawful money" other than gold certificates were eliminated from the reserves of the Federal Reserve banks the law would be clarified (p. 36). That is precisely what this law does not do in so far as its conflict with the full legal tender law of 1933 is concerned.

The consequence is that our present laws regarding lawful money, legal tender, and money receivable for specified purposes are little more than confusion piled upon confusion. Chaos is, literally, the state of affairs. Practice defies law, and one law conflicts with another. Confusion reigns over logic and principle.

One can only speculate as to what the Supreme Court could do with this confusion if an issue calling for a clear definition of legal tender and lawful money should come before it while this state of affairs prevails. And one may wonder further as to what will stir Congress to a realization of the chaotic state into which our monetary laws have degenerated. It would seem that our legal codifiers might well give some special attention to this situation and advise with Congress as to what should be done to clean up this hodge-podge of ill-conceived monetary laws.

To Extend Renegotiation

The House has acted to extend the war contracts renegotiation authority which would otherwise expire at the end of this month. By a vote of 301 to 1 it voted to extend the act through 1945, and sent the measure to the Senate, the Associated Press reported from Washington, June 14.

The act is used by the Government to strip from war contracts profits which it considers excessive.

Destructive Influences Of Price Controls

(Continued from first page)

for price control and the passing of such danger must be the criterion for lifting that control. We are convinced that so far as luxury items and articles which are not really essential either to the conduct of the war or to civilian life are concerned, price control should end forthwith. We believe that control of prices of essentials should be lifted as rapidly as the war permits the freeing of men and materials for their production. We do not hesitate to assert that all price controls should end within twenty-four hours of final victory, and we are certain that definite announcement to that effect now would be most helpful. All this, to repeat, is quite regardless of what the prospect of price change is.

We, of course, are well aware that these views are radically different from those held by many sincere men and women, and hence feel under some obligation to set forth the general course of reasoning by which they have been reached.

First, with what line of argument is the official "party line" supported? Expressed or implied, what is being said is roughly this: Given a relatively brief period in which to get ready, American industry will pour forth such a "flood of goods" that all danger of inflation will pass. We need but to hold prices under control by Government fiat until that day of abundance arrives, at which time no "need" for control will longer exist—and the American people can go forth in freedom to enjoy abundance at prices free of warborn inflation. Necessary to such an argument is the notion that price regulation generates forces which will establish equilibrium with abundance, or at the very least will do nothing to hamper or defer the establishment of such an equilibrium.

But all logic and all the experience of the past few years under public price control plainly deny the validity of any such reasoning. The advocates of price control are correct in their contention that what we need after the war is full production, and that the very best protection against unsound and unsettling price developments is production. They ignore experience and strain credulity when they suavely assure us that prices would be, or can be, so managed as to bring forth maximum production of goods the people want. What this all-wise control of prices has done to beef production and to the supply of many textile lines is now a sorry story known and read by all men. It has had similar results in many other branches. By what right then can we expect a postwar program of price regulation to create a situation in which it is no longer "needed"? How then can we reasonably expect a time to arrive under price regulation when the possibility of "inflation" has been smothered under a "flood of goods"?

Let us turn to the record. We had not been long at war when actual experience obliged us to face the fact that price control (which is now by many expected to bring economic factors back into balance in the reconversion period, or at the very least to aid in the process) was resulting or threatening to result in an inadequate production of essential goods of various kinds. But so sacrosanct had anti-inflation measures, so-called, become that no one in authority would for a moment consider permitting prices to rise to the point of stimulating production. Instead a crafty political device was adopted. Prices were to be held where they were. There was to be no inflation—that would cost the public too much. Meanwhile, however, that same public (as taxpayers) was required to supply the producer with funds in amounts judged to be the difference between prices obtaining and returns required to get the production desired. Thus an extended system of involved subsidies came into being. It was evident by early 1943, for example, that the price fixers had managed to limit meat production in a degree quite hazardous to us all. By the middle of the year, payment of a subsidy to slaughterers in amounts judged by the wiseacres to be adequate to raise production to desired levels were begun. At the beginning of 1944 such payments were being made at the rate of some $467 million per year. By the end of 1944 some $660 million had been added to the nation's meat bill in the form of taxes, and payments were continuing at the rate of about $41 million per month.

Further subsidies have since been ordered—and the people are being solemnly told that they must get along on still less meat for an indefinite future period. Price regulation in this as in many other instances has resulted, even when buttressed by enormous subsidies, not in a flood of production but in persistent under production.

Other illustrations literally by the dozen could be cited, but there is no need to labor the point. It would be interesting indeed to know precisely how much is added to the nation's food and other bills in the form of taxation, and, if possible, to compute the real rather than the apparent increase in prices. Such a collection of material and such an analysis of figures from data the public is permitted to see is, however, quite out of the question. No one will doubt that huge amounts have been expended and are being expended to stimulate the production of many commodities which otherwise under ceiling prices now ruling would not be produced in nearly adequate amounts. Certainly there is no need to remind any man—certainly no woman—that these attempts at artificial stimulation of production of civilian goods have for the most part failed. Careful scrutiny of the facts will, moreover, convince any dispassionate mind that in a significant proportion of cases this failure of production grows directly out of rules, regulations, restrictions, price ceilings, and price relationships—and not as some apologists would have us believe out of over-absorption of our production power elsewhere.

The price fixers are fond of pointing to the profits being made on the basis of prices now permitted. Such arguments miss the point, which is that production in adequate quantities does not occur. When one inquires carefully into the causes of this production failure, it soon becomes apparent to the thoughtful observer that the real difficulty is not so much with the general level of prices as with the ratio of one price to another. The economic system is inevitably shot through with myriads of essential price relationships. The corn-hog ratio which Mr. Wallace did so much to popularize is one of thousands. These ratios are under normal conditions shifting from day to day to meet changing conditions. Even when the general price level is not changing, these relationships within the price structure are constantly adjusting themselves the one to the other as changing conditions require. It is this internal structure of prices which the regulators have utterly failed to master. Being human they could not be expected to escape failure. The regulators who lay claim to ability to manage this involved price mechanism when peace returns, and to control it in such a way that the economy will quickly or even steadily return to normal and remain stable are—probably quite without realizing it—arrogating unto themselves Solomon's wisdom.

Instances of deranged price relationships within the economic structure could be cited by the dozen. They could be listed by the hundreds, perhaps thousands, if adequate information were available. One of the most glaring, and on the whole probably one of the most influential at present is the disproportionate increase that has occurred in the price of labor. The Department of Labor recently issued the results of a general survey of this situation as of 1944. The Department is not likely to be accused of being a labor baiter. Here are some of its findings. Last year the labor cost of manufacturing cotton goods was more than 61% higher than in 1939. In the flour and other grain mill products industry the increase was nearly 69%. In lumber and timber, the rise was about 70%. The boot and shoe industry reported a rise of 48%. And so the list runs.

The almost incredible fact is that despite the enormous advances in technology manufacturers appear to be obliged at present to pay about as much per unit of labor service as they did in 1919 when the price of labor ran up to an all-time record, which was responsible in large part for the after-war spurt which ended so disastrously in 1920. Of course, prices of other things are nowhere near their 1919 level. They were far below any such level in 1939, the last pre-war year, and the increase since then has not matched that of unit labor costs by a substantial margin. The over-all rise in wholesale prices as compiled by the Department of Labor is about 36% since 1939.

But the picture is more serious than is thus indicated. The price of raw materials, another of the major cost items of manufacturers, has risen about 66% since 1939, while that of semi-manufactured goods is up only 23% and that of finished goods is only 28% above that year. These are, of course, general relationships, but they are highly important averages, which show clearly enough that basic changes have occurred within the price structure during the war years of control. Many others of a more specific sort could be compiled, but the underlying facts of disurbed or destroyed equilibrium have been made apparent.

It is conceded, of course, that the inter-relationships which prevailed in 1939 may not be those which would now or at any time in the future bring forth maximum production of the goods and services which the people most want, but such drastic changes as have been shown plus the fact that production is obviously not occurring as desired or as expected by the regulators is evidence enough that sweeping adjustments in prices must occur before that postwar flood of production so much discussed in Washington is likely to become a reality. This is the more true since production subsidies must not survive the return of peace. Some adjustments the price regulating authorities appear ready to make.

It is, however, evident that these authorities are not prepared to permit—if they can help it—price increases in finished goods which would even approximate the increases that have taken place in costs. What is as much or more to the point is the fact that quite regardless of their willingness to do what is wise and sound, the mere task of finding out what adjustments are necessary to get the desired production, item by item, throughout the lists of thousands of products demanded by the people would be super-human, and the need for still further adjustments of one sort or another would continue daily as postwar industry got into its stride.

Certain basic difficulties of a different order likewise face officials who undertake to regulate industry into full postwar production. Two elements of cost which have got well out of hand in comparison with prices of finished goods are labor and raw materials, particularly raw materials from the farms. Who supposes for a moment that the regulatory authorities, whoever or whatever they may be, will be able to summon sufficient political strength to force downward adjustments of labor costs or of farm prices? The political history of this country during the past decade should be answer enough to such a question. If it is not, then we suggest that the reader turn to "The First Year After World War I," in the Chronicle of January 20, 1944. This enlightening discussion is a reprint of the Chronicle's Financial Review of the year 1919 which appeared in print early in the year 1920. Little basis is there found for hope that labor costs can be cut back after this war is over. (EDITOR'S NOTE: **"Lest We Forget—Labor's Part in the Price Spiral During, and the First Year After, World War I"** on page 2721 of this issue in an excerpt from "The First Year After World War I.")

The notion that industry and trade would or could make the necessary postwar readjustments under any system of general regulation of prices is a snare and a delusion, and should be abandoned immediately.

What, then, should be our national program in respect of these matters? The question is a fair one and there is no need for evasion or hesitancy in answering it. The facts already here presented lay a rather obvious basis for the development of a sound postwar policy. FUNDAMENTAL TO THAT POLICY IS THE TENET THAT ONLY NATURAL FORCES OR, IF YOU WILL, THE MUCH-MALIGNED AUTOMATIC ADJUSTMENTS OF A FREE ECONOMY, CAN HOPE TO BRING OUR ECONOMIC SYSTEM BACK INTO THAT EQUILIBRIUM WITHOUT WHICH THE RANK AND FILE CAN NOT HOPE TO FIND WHAT THEY WANT IN THE MARKET PLACES OF THE NATION. The key mechanism in this free economy which we used to enjoy is, of course, the system of prices. To refuse freedom of movement to prices is to refuse existence to free enterprise. To hope for an economic equilibrium while any man or any group of men undertake to control prices is futile. To insist that prices must be controlled until they would remain unchanged if control is lifted is to suggest perpetual price control or perpetual penury or both.

No one, of course, can say at this time what the general price level would be six months after controls were abandoned, but all can be confident that within a very short time prices would be what is necessary to make the economic system function properly—and no conceivable action on the part of the authorities could prevent the ultimate establishment of that price level and those price relationships except at the cost of impairment of the functioning of the economic machine.

In any event, contrary to popular opinion, price control is basically inflationary in its effect. It produces conditions which tend not to stabilize prices but to cause them to rise. Such increases either actually occur via the "black markets," or else are merely deferred pending removal of fiat control. We suspect that increased production in response to very moderate increases in prices even in wartime might in many instances have fended off revolutionary price developments in a way that would surprise many of us. Incentives to undue margins of profit are slim under wartime income taxation. Those who indulge in over-pricing soon find that for the most part they have merely required their customers to contribute to the nation's war chest—with the result, incidentally, that these customers have so much less with which to bid up the prices of other goods. Wartime price control is commonly credited with much that it has not accomplished, we are certain, and peacetime price control is by many expected to perform miracles.

Nat'l Banks Served More People at Less Cost During 1944

National banks of the United States served the credit needs of more people at less cost during 1944 and ended the year with a stronger capital structure and a slight increase in earned profits, according to figures taken from an annual report on earnings and expenses mailed on June 19 to all members of the National Bank Division of the American Bankers Association. This report, prepared by the division, of which R. Otis McClintock, President, First National Bank & Trust Co. Tulsa, Okla., is President, gives average figures of income and expenses for the country as a whole and for states, and is designed to aid bankers in judging the efficiency of their own bank operations as compared with the averages. The announcement of the ABA states:

"The report says that 76% of the higher 1944 total of national bank assets at the close of the year was employed in loans and investments, compared with 74% of the lower total reported at the end of 1943. Total assets of national banks in 1944 were $76,949,859,000 reported by the Comptroller of the Currency as of December 30. The previous year the amount was $64,531,917,000. Loans and discounts showed an advance of 13% in volume, indicating a greater number of persons served, and investments increased 26% in volume. This increase reflects the larger holdings of government securities which banks have accepted to aid the nation in its war effort.

"The gross rate of earnings from loans and discounts continued the declining trend which started in 1939 and showed a reduction of .3% to an average of 3.3%. In 1943 the rate declined .4% from 4 to 3.6%. "On investments, however, the decline which had been unbroken for seven years was reversed," the report says. The average rate earned was 1.5% compared with 1.4 in 1943 and 2.7 in 1938.

"Total expenses of bank operations were higher by 10% in 1944, the division reports. "The only encouraging feature of this item is that the advance was less than in the previous year." The heaviest single increase was in taxes, 32.7%. The aggregate amount paid in salaries and wages to bank employees was 7.5% higher and the number of employees was up .7% over 1943. Bank officers increased in numbers by 2.5% and received salary increases amounting to 6.6%". The report also states:

"The most substantial improvement in bank earnings was 'in recoveries on loans and investments and in the profits on securities sold. Some from these sources amounted to 16.1% of gross. When added to earnings from all other bank operations, they produced before dividends a ratio of net profits to capital funds .9% higher than in the last preceding year.'

"The relative positions of loans and discounts and of securities, as earnings factors, obviously were retained in the order to which they were reversed in 1943. Interest and dividends on securities held first place by accounting for 52.4% of gross earnings, while interest and discounts on loans dropped 4.6% to 29.9.

"Dividends in cash, including $5,292,000 on preferred stock, amounted to only 35% of net earnings. The undistributed portion of these earnings, together with $34,000,000 declared in stock, and the sums recruited elsewhere, increased the total capital funds by $315,000,000."

Canadian Securities

By BRUCE WILLIAMS

We are now in the preliminary indirect bargaining stages preparatory to the implementation of the Bretton Woods currency plan. From London comes the possibly inspired suggestion that Canada raise its dollar to parity with the U. S. dollar, and from Canada there is no official comment, but it can be discerned that the attitude is still sternly opposed to any change at this time.

What the answer is to this involved question is certainly not clear, but as previously mentioned in advocating the "Key Currencies" approach to the exchange stabilization problem, the first essential is to establish the relationship of the pound to the U. S. dollar. Any direct negotiation between the two countries is fraught with political as well as economic difficulties. Therefore, Canada, especially in view of the position of the Canadian dollar between the U. S. dollar and the pound, could very well serve as an acceptable intermediary.

Britain has already clearly defined its economic policy to Canada and consequently to the whole world. Baldly stated, the British will buy abroad to the extent that foreign countries buy from Britain. The great exporting countries, and in particular this country and Canada, thus have the suggestion that the exchange problem be studied, not from the classical angle of emphasis on fixing exchange rates with sole regard to selling abroad, but from the practical viewpoint, that export markets have to be built up by a preliminary stimulation of imports. In conjunction with reduction of tariffs, the raising of the exchange rate would go far to realize this end.

Canada, only since the war, has moved in the direction of becoming one of the world's principal creditor nations, and is naturally fearful that the Dominion will not be able to maintain its current favorable position in the post-war period. It is still fresh in the memories of those who are responsible for Canadian finances, the period not long ago when their principal objective was the conservation and the acquisition of U. S. dollars.

Thus, Canada is strongly opposed to taking the lead in raising the value of its dollar, and particularly in relation to the U. S. dollar. In addition to the foreign commerce factor, there is another aspect which is of even greater importance, and that is the pressure that would be brought to bear on the Canadian internal economy. During the war, Canada's achievement in keeping its economy in strict and efficient control has nowhere been equalled, and the whole structure is based on the 90 cent dollar.

However, if the U. S. dollar parity were also increased 10%, its relationship to the Canadian dollar would be unchanged. In this way sterling would be indirectly devalued to a more appropriate level, and not only would Britain be relieved of the onus of having commenced a currency war, but it would also constitute the first realistic step towards a practical solution of the currency impasse since the "Key Currencies" approach was suggested.

Turning to the market for the past week, the election results, as expected, had a favorable effect, but although prices were higher especially in the high grade provincial section, the turnover was restricted by scarcity of supply. The internal issues however, were not only in demand but the volume was considerable, and there was persistent pressure on official funds which had to be supplied to the "free" market. Further evidence of the extent of the movement into Canadian dollars was the establishment of a premium on Canadian futures.

With regard to possible future developments, there is every likelihood of still higher levels for the market in general. Pressure should continue in the internal section and, in anticipation of the Dominion Provincial conference which will be held in the near future, closer attention should be paid to the obligations of the western provinces.

WPB Wage Incentive Plan Handbook

Significant increases in war production resulting from the use of wage incentive plans are reported in "A Handbook on Wage Incentive Plans," issued by the War Production Board. The handbook may be obtained from the Superintendent of Documents, Washington, for 10 cents a copy.

Wage incentive plans are methods of paying workers for their extra efforts, rather than on the basis of the time they spend at work. The plans permit substantial increases in wages and effect significant decreases in the unit cost of production, the handbook says.

"Reports on the operation of new wage incentive plans indicate that, on the average, an increase in production per man-hour of about 40% occurred in the first 90 days of operation," it adds. "Wages increased an average of 15 to 20% and costs decreased about 10 to 15%."

The handbook outlines the development and operation of wage incentive plans and carries tables and charts on the relationship between wages, productivity and costs. It was compiled under the direction of J. W. Nickerson, who resigned as director of the Management Consultant Division March 1, 1945, and his successor, James H. Eddy.

It carries forewords by J. A. Krug, Chairman of WPB, and Joseph D. Keenan, Vice-Chairman for Labor Production, crediting the use of wage incentive plans as a factor in increasing war production.

Draft Deferments To Be Tightened

It is predicted in Government circles that by fall 60,000 of the 350,000 industrial workers 26 through 29 years of age, now classified as "irreplaceable," will lose their draft deferments in the next few months, the Associated Press reported from Washington, June 6. Cutbacks in war production and a general easing of the industrial manpower situation are expected to have this result.

In line with this and the demand of the military for men under 30, the Government's inter-agency deferment committee was said to be tightening the criteria for deferring younger men.

This committee, under the direction of the War Manpower Commission, was formed in February to assure retention in industry of men 26 through 29 considered indispensable. To qualify for deferment workers had to be certified by one of fifteen government agencies.

Most of these deferments were issued in March or April and will expire in September or October. However, in the case of layoffs due to cutbacks or in the event certain jobs lose their urgency rating, Selective Service plans to withdraw deferments before they expire.

Officials cited the aircraft and steel industries as examples where the need for men from 26 through 29 was diminishing. But in the case of transportation, coal mining and ship repair fields, for instance, deferments probably would be renewed, it was stated.

Not all of the 60,000 registrants whose deferments were cancelled would be drafted, it was said. Some of these, it was pointed out, would not pass physical examination.

Reconversion Job Now Appears Greater

The optimism of many pre-V-E day estimates of the speed with which reconversion of war industry to peacetime production could be accomplished has been dampened by the realities of continuing war against Japan on an all-out basis, manpower and materials shortages, and inevitable delays in refitting plants and reorganizing their personnel, according to a detailed survey of industry prospects made by the National Industrial Conference Board. In reporting this on June 13 the Board stated that the survey shows that while limitations on 239 products will have been removed or modified by mid-July, "until cutbacks are effective in a substantial way at the rolling-mill and foundry level, manufacturers will be handicapped in raw materials for civilian products." It notes that cutbacks have been slow in steel-mill products "and since steel is the most universal raw material, reconversion may thus be delayed." The Board also reports:

"Reconversion in steel mills and other rolling mills and foundries was generally expected to be a minor task, yet it is now reported that the steel industry will spend $200,000,000 on the job, much of it merely to change continuous mills from plates back to sheets.

"The survey finds that 'while the physical problems of reconversion are difficult, even more difficult, or vital, are those of reestablishing the flow of goods through markets and reorganizing of personnel. As measured in numbers of men and dollars, the task is far beyond any similar undertaking the country has ever faced, though in proportion to population and industrial capacity, the problem may be no greater than after the Civil War."

Scott and Greenwood Elected by AIB

David T. Scott, assistant cashier of the First National Bank of Boston, was elected president of the American Institute of Banking, educational section of the American Bankers Association at the meeting of the Executive Council in Cleveland.

George J. Greenwood, Jr., assistant manager of the Bank of California National Association in Portland, Oregon, was chosen vice-president.

The New Realism

(Continued from first page)

bound to produce confusion in America; for the new realism is nothing but the old *Realpolitik*. It represents the conquest of the United States by Hitler. It suggests that the one powerful nation in the world which claimed to hate machiavellianism, and repudiated the doctrine that military superiority implies moral superiority must now embrace these theories or be accused of being "soft." A nation which fought two wars to end war must now, in the hour of victory, plan to have the greatest Navy in the world; it must have perpetual conscription, and it must get all the island bases it can lay its hands on. A nation which has pretended to the name of Christian must now abandon the attempt to deserve it.

This moral confusion is matched by intellectual disintegration. We seem not to see or not to care about the stupidity of following contradictory policies and taking contradictory attitudes. Intellectual integrity is coming to be regarded as a sign of softness, too.

So we call Japanese soldiers fanatics when they die rather than surrender, whereas American soldiers who do the same thing are heroes. We prove that all Germans are murderers and all Japanese apes, and at the same time insist that we are going to have one world in which all men are brothers. We say we are going to re-educate the Germans, and adopt a policy of non-fraternization. We hate slavery and propose forced labor. We want Europe rebuilt, but will have no heavy industry in Germany. We want order in Europe, but not if we have to sacrifice to prevent starvation. We are against dictatorship, but the dictatorship of the proletariat is an exception. And the new day dawns by the light of the burning homes of Tokyo and Yokohama.

The new realism is so unrealistic that it blinds us to our own interests. We are like those rugged realistic advocates of the high protective tariff who propose to export vast quantities of goods without admitting any imports to pay for them. To state the thing in its lowest terms, in terms of money and power, which the new realists claim are the only terms there are, our political and economic interests require a prosperous Germany and Japan. Our interests may, in the light of current readjustments of power in Europe and Asia, require a strong Germany and Japan. But we cannot trade with those who have nothing to exchange. And we cannot be sure that our present Allies will always be our friends and that we shall not sometime need the help of our present enemies. Mr. Churchill must have regretted in a very short time the unwise words he uttered about Russia five years ago. He said: "Everyone can see how Communism rots the soul of a nation, how it makes it abject and hungry in peace, and proves it base, abominable in war."

The conquest of the United States by Hitler is revealed by our adoption of the Nazi doctrine that certain races or nations are superior and fit to rule, whereas others are vicious and fit only to be exterminated or enslaved. We are now talking about guilty races. We are saying about the Germans and the Japanese what Hitler said about the Jews. And we are saying about ourselves—or at least we are strongly hinting it—what Hitler said about the blond teutonic "Aryans." A graduate of the University of Chicago told me that he wished a dense cloud of poison gas would settle over the Japanese islands and destroy every man, woman, and child in them. He had the grace to add, "Maybe, I'm not a Christian." Without debating the Christianity of declaring war on women and children, I merely point out the arrogance of the assumption that any American is fit to judge all Japanese.

Hitler's conquest of America proceeds apace as we succumb to the idea that social and political problems can be most effectively solved with the aid of a firing squad. I insist that criminals must be punished. Justice demands that none of the guilty escape. At the same time it must be clear that the characteristic of criminals is that they are individuals, not nations or races. They should be punished for what they individually did. What they did to deserve punishment at the hands of human judges must have been illegal at the time it was done. If the judgment is to command the respect of Americans, it must be shown that the act was one which a patriotic American would not have committed if he had been a patriotic German. Punishment for illegal acts must be meted out legally, with a fair trial and adherence to the Anglo-Saxon principle that every man is presumed innocent until he is proved guilty. We must remember the ancient doctrine that no man is a good judge in his own cause. And it would do us no harm to apply the maxim of equity that one must come into court with clean hands.

We should hesitate to punish Germans for acts which we have committed or may commit. For instance, are we prepared to stand trial ourselves for the violation of treaties and attacks on undefended places? Are we ready to say that in the face of the tommy guns of the SS we would have remained true to our ideals of democracy? Is the standard we intend to impose on the Germans the standard of heroes and saints, or that of the ordinary man, who throughout the world thinks first of the lives of his family and second about his principles? We could wish that all men were prepared to die for their principles in peace and in war. We do not expect Americans to do it except in war.

We may hesitate a little to punish Germans for crimes against Germans unless we are ready for a foreign investigation of American crimes against Americans. I should feel better about having Americans judge the antisemitism and the concentration camps of Germany if I could forget the antisemitism and the lynchings in the United States. Our religious and racial intolerance is unorganized, and violence is sporadic and illegal. We have not yet gone in for these things on the grand Nazi scale. But we are sufficiently vulnerable to lay ourselves open to some embarrassment if we set ourselves to pass judgment on the domestic conduct of other nations.

Of one crime the German people were certainly guilty, and that is the crime which the new realism sanctifies, the crime of indifference. The German people, all but a few million of them, were indifferent to the rights of man and indifferent to the violation of these rights by those in power. If any nation can be found which is not guilty of this crime, then it is qualified to judge the German people for their indifference to the crimes committed by Germans against Germans. As for ourselves, it is not unfair to say that the American people, except for a few million of them, are guilty of the crime of indifference in the face of race prejudice, economic exploitation, political corruption, and the degradation of oppressed minorities. This guilt does not assist our claim to judge and punish the German people for theirs.

We all believe today that what was miscalled "Reconstruction" in the South after the Civil War was a blunder, if not a crime. One of the factors that shaped public opinion in the North was the revelation of the treatment of prisoners at Andersonville in Georgia, where, out of 50,000 men, 13,000 died. The Southerners were then the guilty race. They must be kept down by military force until the end of time. They could not be permitted to rejoin the society of respectable citizens. Talk of non-fraternization, of reducing the South to a subsistence level, and the punishment of war criminals filled the air. Every Southerner was guilty of favoring slavery and rebellion, though it was known that thousands, like Robert E. Lee, had reluctantly taken up arms only because they thought it was their duty to their States.

Andersonville was an atrocity. Those responsible for it deserved punishment. We know now that Andersonville did not prove the depravity of the South. We know that by acting as though it did the North hurt itself and delayed the recovery of the entire country.

Today we are struggling to build a world community. It is impossible that 125,000,000 Germans and Japanese can be excluded from it. We are told that the development of transportation has brought us as close to Berlin as Richmond was to Washington. If this is so, then we have on an international scale the same task today that Lincoln had in 1865. We now believe that his policy was the right, the realistic, one. We believe that if that policy had been followed the national community would have soon been restored, and years of suffering, which still leave their mark upon the nation, would have been avoided. The new realism is unrealistic, for in addition to thwarting our own interests, which it falsely pretends to serve, it ignores all the facts, the facts of history and the facts of human nature.

If the policy of Lincoln is the right, the realistic one, and if our task is the same as his, the words of the Second Inaugural should be our guide: "With malice toward none; with charity for all; with firmness in the right, as God gives us to see the right—let us strive on to finish the work we are in: to bind up the nation's wounds; to care for him who shall have borne the battle, and for his widow and his orphan; to do all which may achieve and cherish a just and lasting peace among ourselves, and with all nations."

Firm Name Will Be Brand, Grumet & Ross

As of July 1, Harry Ross, member of the New York Stock Exchange, and Sidney Lyon will be admitted to general partnership, and Irving Ross to limited partnership, in Brand, Grumet & Co., 120 Broadway, New York City, members of the Stock Exchange. The firm name will be changed to Brand, Grumet & Ross as of the same date.

Beverley Munford to Be Partner in Davenport

RICHMOND, VA.—Beverley B. Munford, member of the Richmond Stock Exchange, will be admitted to partnership in Davenport & Co., 1113 East Main Street, members of the New York and Richmond Stock Exchanges, and other exchanges, as of July 1. Mr. Munford was previously vice-president and treasurer of Mason-Hagan, Inc.

Ladenburg, Thalmann Admitting Cumberland

William W. Cumberland will become a partner in Ladenburg, Thalmann & Co., 25 Broad Street, New York City, members of the New York and Philadelphia Stock Exchanges. Mr. Cumberland, who in the past was a partner in Wellington & Co., became associated with Ladenburg, Thalmann & Co. in May.

Lest We Forget!

LABOR'S PART IN THE PRICE SPIRAL DURING, AND THE FIRST YEAR AFTER, WORLD WAR I

(Continued from page 2721)

it would be no exaggeration to say that labor indulged in the most unconscionable profiteering while hostilities were going on and continued the practice after the conflict ceased. Labor, under the guidance of labor union officials, saw in the war its great opportunity and availed of it to the limit. It was obvious that the Government could not allow industrial activities to be interrupted anywhere, since production had to be stimulated to the utmost for the prosecution of the war. This was so not merely at munition works, but everywhere. Government requirements, of course, had their ramifications everywhere, for the army had to be clothed and fed, as well as supplied with the tools of war, and in the present instance an extra responsibility rested upon the Government in the circumstance that the needs of the Powers with which the United States was associated, needs which this country alone could supply, had also to be considered. But entirely apart from the Government's direct needs, industrial activities had to be maintained to their fullest limit if the war was to be made a success beyond peradventure.

The labor leaders were not slow to see this and they were governed accordingly. By strikes or threats of strike, shrewdly based upon the knowledge of the inability of the producer and manufacturer to resist, it being indeed self-evident that they would not be allowed to resist in view of the virtual pledge that every producer felt under that output must be fully maintained, labor succeeded in enforcing all its demands of whatever nature, not only in the way of increased wages and reduced hours, but in the way of numerous other concessions, all tending to add to the cost of producing. And this occurred over and over again. The process was repeated many times and always with absolute assurance of success. The ostensible basis of the demands was invariably the higher cost of living, which in the last analysis was due, even during the war, to this process of raising wages and shortening hours in one line of human activity after another, thereby increasing the cost of producing and manufacturing, in which labor cost is in nearly every instance the largest item.

While the rise in the cost of living served as the pretext for many of labor's demands, often they were put forth without any reference of relevancy to the cost of living, but made on the general theory that the work people were entitled to a larger share of the good things of life, and now that they were, by reason of the war, in position to enforce their claim, it would be folly not to avail of the opportunity. While the war continued in progress, the purpose was not thus openly avowed, but subsequently all disguise in that respect was cast aside. A special War Labor Board had been created for the purpose of passing upon disputes between employer and employee. This Board, however, really had no more freedom of action than the employer himself. Its main function seemed to be to tone down proposed advances in wages, which in the first instance were made unduly high so as to allow room for toning them down. The War Labor Board did not care to run the risk of incurring the displeasure of labor, in view of the imperative need of keeping the laboring classes satisfied and contented so that there should be no cessation from work, and the employee in submitting his case to the War Labor Board hence had practical assurance that he would be granted *some* advance.

It was supposed that the high wages would belong merely to the period of the war, and that with the close of hostilities wages would even if only gradually tend to a lower level again. Indeed, many of the wage increases had been definitely limited to the period of the war. There were skeptics, it must be admitted, who doubted that wages established during the period of the war would easily or quickly come down again. But at least hardly any one imagined that wages would rise still higher—that on top of the increases made during the war and arising out of that emergency there would be further and even more striking increases than those already granted. And herein lies one of the main reasons for the mistake made in prognosticating the course of the year. The labor cost of an article constitutes, as already stated, by far the greater part of the total cost of such article with relatively few exceptions, and with this labor cost rising still furthr, instead of diminishing, as had been supposed would be the case, there could be no reduction in prices, and in turn, so long as prices remained at such high levels, with the tendency higher instead of lower, there could be no contraction, no deflation after the previous great inflation. The wage demands of 1919 were as numerous as had been those of 1917 and 1918. Labor would abate not a jot of the advantage it had gained during the war. On the contrary, as already noted, it insisted on pressing its advantage still further. Even early in the year, when conditions appeared to be unfavorable for the assertion of further demands by the laboring classes because of military demobilization there was a manifestation of the spirit on the part of labor that was to dominate everything else during the year.

As one indication of this there was the demand of the operatives in the cotton mills of New England. At the opening of the year 1919 the situation in the cotton goods trade was decidedly chaotic, and during January sharp reductions in the prices of cotton goods were announced, while raw cotton also suffered a sharp decline. Production of textiles was reduced and advices from all mill centres were to the effect that further curtailment was in evidence. Print cloths at Fall River were marked down every two or three days. The high price in 1918 had been 14 cents a yard, reached in May; at the opening of 1919 the quotation was 9.75 cents per yard; on Jan. 13 there was a reduction to 9.50 cents: on Jan. 16 to 9.25 cents; on Jan. 18 to 9 cents; on Jan. 21 to 8.75 cents; on Jan. 27 to 8.50 cents, and on Jan. 30 to 8 cents. Though the moment was wholly unpropitious for new labor demands, either in the way of shorter hours or increased pay, yet at this very time the cotton operatives launched a movement for reduced hours, they demanding a 48-hour week, but at the pay they were then receiving for 54 hours. At Lawrence, Mass., a strike actually resulted because of the refusal of the manufacturers to comply with the demand. At Fall River and quite generally elsewhere the 48-hour week was put into effect early in February on the basis of pay for the time actually worked. As it happened, however, later on the outlook in the cotton goods trade improved and the following May a voluntary increase was granted to virtually all cotton mill workers, and became effective June 2. This last served to end a strike at Lawrence, which had lasted some 15 weeks and involved about 25,000 workers. This advance made the new wage basis 39.10 cents for weaving a cut of cloth 47½ yards of 64 x 64, 28-inch printing cloths compared with only 22.71 cents at the beginning of 1916. Even that, however, did not suffice to prevent subsequent demands for still other increases. On Dec. 1 the operatives at Fall River engaged in a one-day strike because of the refusal of the Cotton Manufacturers' Association to grant an additional increase of 25% on top of the prodigious advances previously made and the unprecedently high wage scale already prevailing. By this time, the cotton manufacturing industry was on a highly prosperous basis again, the demand for goods having outstripped the production and sent prices of goods skyward; nevertheless, the manufacturers found they could not grant a further increase of 25%. They did, however, tender an increase of 12½%, raising the weaving price of a cut of cloth up to 44.98 cents. This offer was accepted by the mill workers and they returned to work the next day.

The price of printing cloths at Fall River continued to decline during the early months of the year until on March 7 it was down to 6.75 cents. Thereafter, however, improvement began, and by the end of the year the quotation was 14.50 cents. The extreme urgency of the demand for goods made possible this great advance in price. Early in 1919, following the signing of the armistice the previous November, when prices were plunging downward with such great rapidity and everybody was looking for still lower prices, there had been very extensive cancellations of orders. Contrariwise, when it was seen that expectations of still lower prices were not to be realized new orders began to pour in, in excess of the capacity of the mills to take care of the same—especially on the basis of the 48-hour week now in force all over New England as against the previous 54-hour week—and all were anxious to secure prompt deliveries. The obtaining of prompt deliveries was very difficult, and in numerous instances quite impossible, and this had the effect of bringing additional orders, purchasers seeking to provide for future demands by placing orders well ahead of prospective needs. In this cotton goods trade the situation finally became so acute, owing to the inability of the mills to provide supplies for immediate delivery, that prices no longer were any consideration. In other words, purchasers were willing to pay almost any figure if only they could obtain the goods.

The experiences of the cotton mill operatives in New England in the matter of wages was duplicated in practically all other lines of industry, with one or two exceptions. Not only was labor able to retain the high wages of 1918, granted while the country was still engaged in military operations, but to get still further increases. Wage increases followed one another in rapid succession. As it happened, too, the demand for labor continued far in excess of the supply. The return to their ordinary pursuits of 4,000,000 robust young men from the army did not operate at all to produce any over-supply of labor as had been feared might be the case when 1919 opened. Thus labor was in position to command its own terms. And, as already noted, it pushed its advantages to the utmost. It made, in many cases, simultaneous demands for increased wages and decreased hours, and with rare exceptions succeeded in getting at least the major portion of what it asked for.

As the result of these repeated wage increases and the exceedingly high levels of wages thereby established the weekly income of the wage-earning classes, who of course constitute the bulk of the population, was raised to figures which previous to the war no one of them would have dared hope for even in his wildest fancy. Men who had been getting $3 or $3.50 a day could now command $6 or $7 or $8, or even $10 a day. And they proceeded to spend these large earnings with the utmost prodigality. The department stores in the different cities never did a larger nor a more profitable business, they were in the heyday of their prosperity. That class of the population dependent upon fixed incomes which cannot be readily changed—such as college professors, school teachers, post-office employees and municipal and State officials, as also the widow and other dependents deriving their main support from the income of special funds provided for their protection—found the high cost of living a serious drawback to comfortable existence. Not so the laboring classes, with their new-found ability to fix wages to their own liking and as high as they pleased. As already stated, they spent the money as freely as it came to them. They seemed to feel that they had come into a new privilege. Saving, economy and thrift were thrown into limbo. They bought only the most expensive things and showed contempt for low-priced articles. The department stores were not slow to fix prices accordingly. Silk shirts and other luxuries were what appealed to these people, now suddenly blessed with large incomes—incomes surpassing that of the professional man, enjoying the advantages of a college education and long years of training and study—and nothing seemed so high-priced as to be beyond their reach.

Buying without stint and in the most reckless fashion, they found over and over again that even the extra large income they were now enjoying did not suffice for their needs according to the changed habits they were now indulging. Instead of realizing that they were indulging in an orgy of extravagance and that virtually the whole laboring community were doing the same thing, the difficulty of making even an enormously enlarged income cover their swollen outlays simply bred and paved the way for new demands of further wage increases. And so the process went on. Each wage increase led to further extravagance and greater recklessness of expenditure, and the inevitable demand of still greater pay undeviatingly followed. Labor union leaders made charges of profiteering against the manufacturer and trader, and more or less profiteering was unquestionably indulged in — the seller raising his price not only sufficiently to cover the added labor cost, but to leave a little extra profit for himself—but in the last analysis the trouble was with the laboring man himself and his family. By raising his own wages over and over again, and thereby adding to labor cost, and doing this in one line of industry after another through the whole gamut of industries, he made advances in prices an absolute necessity and by supporting high values by his own reckless and unrestrained buying he encouraged those having goods to dispose of to make inordinate advances in price levels.

Thus labor really became the victim of its own greed for more and still more. And yet all the time labor had the remedy within its own hands. It could at any time have forced a reduction in the high cost of living if it had entered upon a policy of studiously declining to purchase high-priced articles. Then such articles would have become unsalable, would have become a drug upon the market, making reductions necessary in order to dispose of the goods instead of permitting further advances. Leaders in the economic world everywhere were urgent saving, economy and thrift as the one sovereign remedy against the cost of living, but there is not on record a single instance where labor union officials gave the same advice or recommended the practice of similar virtues. Instead they urged further wage increases, and the laboring man was taught that the employer was helpless as against the united and concerted demand of the employee.

Wage increases and price increases succeeded one another with such undeviating regularity that the matter finally became generally referred to as the operation of the "vicious circle."

The situation reached a climactic point in August, 1919, when President Wilson, who was decidedly pro-labor, made it plain that the demands of the railway shopmen for further increases in wages would not be granted. He said among other things that the demands of the shopmen and all similar demands were in effect this:

"That we make increases in wages, which are likely to be permanent, in order to meet a temporary situation which will last nobody can certainly tell how long, but in all probability only for a limited time. Increases in wages will, moreover, certainly result in still further increasing the cost of production and therefore the cost of living, and we should only have to go through the same process again."

Eastman Dillon Opening Los Angeles Office

Evans Partner in Charge

LOS ANGELES, CALIF.—Eastman, Dillon & Co., members of the New York Stock Exchange, is opening an office at 510 South Spring Street. Elbert J. Evans, who will be admitted to partnership on July 1, will be in charge. Mr. Evans was formerly an officer of Nelson Douglass & Co.

The Securities Salesman's Corner

By JOHN DUTTON

The Investment Approach Is Well Handled In An Attractive Mailing

"An Investment Program to Meet the Specific Objective of A Check Every Month in the Year" is the front page title of a four-page bulletin prepared by The National Securities & Research Corporation, of 120 Broadway, New York. The sales idea and the approach of this well prepared piece of literature goes right to the heart of the problem of "Selling for Investment."

The second page highlights the fundamentals of successful investment. (1) The "why" of planning. No well run government, corporation or home that operates is without some kind of a program, or budget of income as well as outgo. (2) Planning Income. It is advisable that securities be chosen for **what** they pay, and **when** they pay, and with reasonable expectation of continuance of payments. (3) The need for higher income. Higher living costs, heavier taxes—the problem is to attain a higher return without undue increase of investment risk. (4) The "how" of planning. A plan is provided through the use of National Securities Series.

Then the features of National Trust Funds are briefly and simply explained, such as group investment, diversification, checks every month, convenience, income regularity and bank trusteeship.

The third page leaves a space for the insertion of the name of the prospect—objective of monthly income desired, and a listing of the months of the year and a space to fill in the amounts that should be paid. The bottom of the page lists a summary of the program: total investment—average percent return—average monthly return—diversification by class of securities such as Bonds, Preferreds and Common stocks.

The fourth page lists some history about the funds and their sponsor. A space is available for the insertion of the names of the dealer and salesman submitting the program.

When we look over a piece of selling literature of this character it is obvious that there is a reason why many of the investment trusts have been growing by leaps and bounds. Performance, of course is the foundation for repeat sales but after all, there is the problem of making **those first sales.** You can't imagine an investor who is primarily concerned with long term investment for income who would not be interested in this type of literature. It would not appeal to the quick-turn trader, the scalper, or the speculator.

And speaking of investment business, we have heard much of late regarding the attitude of the general public toward investment. We've heard the complaints of salesmen that most of their customers are looking for price appreciation and that real investors for income are hard to find. Maybe the approach of the salesman himself has something to do with creating this attitude in the minds of prospects. There is no doubt that experience proves that the most satisfactory clientele in both good years and bad, is one composed of buyers of income securities. This type of selling literature not only helps the prospect to see the "Investment Approach" but it also compels the salesman to talk regular income, safety of principal, diversification—and **disregard** market movements.

This is the type of selling that builds customers—the kind of customers that stick to your ribs when the bear markets come around.

N. Y. Security Dealers Outing a Great Success

The most outstanding Outing in the history of the New York Security Dealers Association was held on Friday, June 15, 1945 at the Pomonok Country Club, Flushing, Long Island where over 150 members and guests gathered to enjoy a day filled with carefree abandon and overwhelming enjoyment, in all a complete let down from the requirements of business.

John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., Chairman; Chester A. Alberts, C. A. Alberts & Co., Otto A. Berwald, Berwald & Co.; James Currie, Jr., Troster, Currie & Summers; Chester E. de Willers, C. E. de Willers & Co.; Frank Koller, Jr., F. H. Koller & Co.; Hanns E. Kuehner, Joyce, Kuehner & Co.; Stanley L. Roggenburg, Roggenburg & Co.; John F. Sammon, J. F. Sammon & Co.; Bertram Seligman, Seligman, Lubetkin & Co.; Herbert Singer, Luckhurst & Co.; John H. Valentine, J. H. Valentine & Co.; Melville S. Wien, M. S. Wien & Co.; assisted by Alfred E. Loyd, Executive Secretary of the association.

It was the intention of the Committee that there would be no speeches at the Dinner, timed for 8:00 P.M., however an exception was made and quite properly so because of the presence of the Hon. James A. Burke, President of the Boro of Queens who attended as an honored guest of the Association.

The following prizes were contributed: J. Arthur Warner & Co., 4 $25 "E" War Bonds; Luckhurst & Co., 2 Dozen Golf Balls; Mitchell & Co., 1 $25 "E" War Bond; L. J. Goldwater & Co., 1 $25 "E" War Bond; Security Adjustment Corp., 1 small silver cup (golf); Schwamm & Co., 1 $25 Merchanise Certificate on Spaulding; Amott, Baker & Co., Inc., 1 $15 Merchandise Certificate on Rogers Peet; Buckley Brothers, 1 $10 Merchandise Certificate on Spaulding; Lebenthal & Co., 1 Book.

Cash donations totaling $355 were received from the following firms: Allen & Co., Carret, Gammons & Co., Greene & Co., Frederic H. Hatch & Co., Inc., R. H. Johnson & Co., Joyce, Kuehner & Co., H. D. Knox & Co., F. H. Koller & Co., Inc., F. J. Rabe & Co., Roggenburg & Co., Strauss Bros., C. H. Tipton Securities Corp., Troster, Currie & Summers, C. E. Unterberg & Co., Ward & Co., and M. S. Wien & Co.

Results of the Golf Tournament were as follows: Governor's Cup, low gross for Guests, won by J. A. McCabe of E.W. Clucas & Co.; President's Cup, low gross for Members, won by Stanley Roggenburg, Roggenburg & Co.; A. G. Spaulding Gift Certificate, low net, won by Walter Tellier, Tellier & Co.; a $25 "E" War Bond, highest gross score for Members, won by James Currie, Troster, Currie & Summers; a small silver cup awarded to the highest gross score of Guests, won by Irving Gerstein of Shepard, Scott & Co.

Door Prize Winners

Richard F. Abbe, Van Tuyl & Abbe, Toilet Kit; Alfred I. Abelow, Mitchell & Co., Suit Case; Harry R. Amott, Amott, Baker & Co., Inc., 2 Bottles of Rum; J. Bloom, Public National Bank & Trust Co., Travelling Bag; John Butler, Huff, Geyer & Hecht, Box of Cigars; Philip L. Carret, Carret, Gammons & Co., Golf Balls; Harry D. Casper, John J. O'Kane, Jr. & Co., Game Set; Harry Coffier, Public National Bank, Camping Case; Merritt Coleman, Allen & Co., Ladies Case; George Collins, Huff, Geyer & Hecht, Bottle of Rum & Cigarettes; Tracy R. Engle, Buckley Bros., Cigarette Case; William Erickson, Wertheim & Co., Travel Kit; Sidney Fischer, Strauss Bros., Wallet; Walter F. Frey, Howard P. Frey & Co., Wallet; Paul A. Gammons, Carret, Gammons & Co., Pen & Pencil; M. J. Gartman, Josephthal & Co., Bottle of Rum & Cigarettes; Irving Gersten, Scott & Co., Brief Case; George Geyer, Huff, Geyer & Hecht; Make-up Case; Saul B Goldfarb, M. S. Wein & Co., 2 Bottles of Rum; Stanley Graff, Foster & Adams, Lighter; Thomas Greenberg, C. E. Unterberg & Co., Electric Grill; Willmer Hanson, Hanson & Hanson, Travelling Set; Wellington Hunter, Hunter & Co., $25 War Bond; Irving Ittleman, Strauss Bros., Clock; Charles Kaiser, Berwald & Co., Lighter; Raymond A. Kester, Frederic H. Hatch & Co., Inc., Portable Bar; Reginald Knapp, George D. B. Bonbright & Co., Bottle of Scotch; Frank H. Koller & Co., Inc., Utility Kit; Frederic C. Kraehling, Frederic H. Hatch & Co., Inc., Golf Balls; Nathan A. Krumholz, Seigel & Co., Box of Cigars; Herbert Lax, Luckhurst & Co., Desk Set; Kenneth V. Leibert Mitchell & Co., Municipal Bond Book; Robert Lienhard, Troster, Currie & Sommers, Lighter; Sidney Mendelson, Seigel & Co., Manicure Set; F. C. Mark, Schwamm & Co., Brief Case; Harry Michels, Allen & Co., Lighter; A. D. Morris, Estabrook & Co., Umbrella; William F. Moss, National Quotation Bureau, Lighter; Gus Miller, S. H. Junger Co., $25 War Bond; Charles D. Ogden, L. J. Goldwater & Co., Bottle of Rum & Carton of Cigarettes; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., Bottle of Rum & Carton of Cigarettes; Milton Pinkus, Troster, Currie & Summers, Cigarette Box; John S. Reitenbaugh, Goodbody & Co., Bottle of Rum & Carton of Cigarettes; Stanley L. Roggenburg, Roggenburg & Co., Wallet; J. F. Sammon, J. F. Sammon & Co., Suit Case; Frank San Filippo, Strauss Bros., Manicure Set; Edward W. Schaefer, H. D. Knox & Co., Bottle of Scotch; Gustave J. Schlosser, Union Securities Corp., Pipe & Tobacco; Arthur E. Schwartz, J. S. Bache & Co., $25 War Bond; George Searight, First Colony Corp., $25 War Bond; Lewis H. Serlen, Josephthal & Co., Ladies Vanity; Dave Sindel, Josephthal & Co., Ladies Umbrella; Herbert Singer, Luckhurst & Co., $25 War Bond; Harry B. Spring, Greene & Co., Spaulding Gift Certificate; John Stein, Strauss Bros., Pen & Pencil; Lewis Stein, M. S. Wien & Co., Ladies Case; John H. Stevenson, Ward & Co., 2 Bottles of Rum; Willis M. Summers, Troster, Currie & Summers, Bottle of Scotch; Walter F. Tellier, Tellier & Co., Wallet; M. N. Tollner, Schwamm & Co., Ladies Case; Clarence E. Unterberg, C. E. Unterberg & Co., Ladies Case; George Ward, Hughes & Treat, Umbrella; Irving S. Wynn, M. S. Wien & Co., Umbrella.

One of the most interesting and exciting events was the distribution of 20 quarts of Ballantine's Scotch Whiskey and 6 bottles of Rum which resulted in $247.50 being added to the general fund of the Outing. In this connection particular mention is made of the swell job done by Frank H. Koller, President of F. H. Koller & Co., Inc. who is entitled to the designation of "star salesman".

Enlargement of Export-Import Bank

(Continued from page 2720)

Import Bank loans are less likely to be confused with war purposes.

Important Differences Between Wolcott and Spence Bills

The Wolcott bill (H.R. 3464) would increase the lending power of the Export-Import Bank to $2.2 billions, as compared with the existing $700,000,000. The Spence bill (H.R. 3490) would make the total $3.5 billions. The Republicans and Democrats in the House will have little difficulty in agreeing on a figure. The main difference between the two bills, as described to the "Chronicle" by Rep. Wolcott after a hasty reading of the Spence bill, is that the Wolcott bill would make the Export-Import Bank a completely independent agency of the Government, with its officers nominated by the President and confirmed by the Senate.

Mr. Wolcott stated: "My support of an increase in the Export-Import Bank's capital is predicated on its being an independent agency; but I understand that there is little opposition to that."

Asked how he had determined the figure of $2.2 billions as the new limit for the bank's lending operations, Mr. Wolcott replied:

"In conferences we have had with representatives of the Administration, they suggested that $1½ billions would do the job. My bill adds $1½ billions to the present limit of $700,000,000. If the Administration can make out a good case for a larger increase than it originally suggested, we are willing to consider it. The total of $2.2 billions is, of course, a revolving fund."

Under the Wolcott plan, the Export-Import Bank would have a 'capital' of $1.1 billions subscribed by the Treasury; and in addition the Treasury would be required upon request by the bank to purchase obligations of the institution to the total of an additional $1.1 billions. Asked why the bill does not call for a $2.2 billion capital at the outset Mr. Wolcott explained that his method virtually amounts to putting up the second half of the expanded capital only as needed.

Both Mr. Wolcott and Mr. Spence inform the "Chronicle" that there is no organized opposition to the expansion of the Export-Import Bank. It will be recalled that this step, an expansion of the Export-Import Bank, has the support of the ABA, as set down in its February report on the BW program. Export interests are, of course, enthusiastically for the expansion program, as are also all who advocate active American cooperation with other countries in economic matters. Labor organizations naturally favor the "Export-Import Bank's expansion as one means of making jobs in this country.

Export-Import Bank and BW

The new Export-Import Bank program is one of a number of steps vital to the success of the BW Fund and Bank. The more dollars that are sent abroad in other ways, the more likely it becomes that the members of the Fund and Bank can repay their indebtedness to those institutions.

Mr. Wolcott observes that his bill "implements BW and will make available credits exports and imports as a stopgap." It is relatively unusual to hear the subject of imports mentioned at all, so firmly is our gaze attached to export business. The import-financing activities of the Export - Import Bank to date have been entirely dwarfed by the institution's export activities. All the pressure continues in that direction, although repayment will depend on an import balance.

Jesse P. Wolcott

"When the International Bank for Reconstructmion and Development gets organized," said Mr. Wolcott, "and the Export-Import Bank is expanded, their combined effects will remove the need for the U. S. Treasury to make any direct loans to foreign countries. Until the facilities of these two banks are exhausted, there surely will be no need for additional dollar loans by the American government." During the BW hearings in the House Mr. Wolcott estimated that there were then rumored as under consideration loans to foreign countries totalling about $20 billions, outside of the above-mentioned Lend-Lease reconstruction loans already agreed to. Apparently it is the intention of Congressional leaders to see what can be done through the Export-Import Bank first, although there will still be quite a hiatus between the rumored $20 billions and Mr. Wolcott's $2.2 billions, or Mr. Spence's $3.5 billions.

Mr. Spence's Statement

Discussing his bill with the "Chronicle", Rep. Spence stated that hearings will be held "as soon as the committee can get around to it," but gave no indication of when that might be. Of his bill, Mr. Spence—who speaks for the Administration—said: "It complements the BW proposals and will stimulate action to achieve the purposes for which the BW proposals were formulated. My bill has been cleared with the President, the Federal Reserve, the Treasury and all government agencies concerned. I have heard of no opposition to it. The activities of the Export-Import Bank, under the pending BW enabling legislation will be coordinated through the advisory council created in the BW bill. There is just as much need for expansion of the Export-Import Bank at this time as for the adoption of BW. There is the same pressure for both measures, to help the world.

"There ought to be no serious losses to the United States through this new bill, because the loans of the Export-Import Bank will be banking propositions. The bill makes no change in the character of the lending activities of our bank. The $3.5 billions will be a revolving fund and so should last a long time. I do not think there will ever be any need to further expand the capital of the Export-Import Bank."

Mr. Spence added that adoption of his bill will constitute "another evidence to the world of our desire to stimulate international trade on a fair basis and to give credit to those who need and deserve it. The general purposes are much the same as those of the BW program."

The following is the text of a formal statement handed to the press at the time Mr. Spence introduced his HR 3490:

"Mr. Brent Spence of Kentucky, Chairman of the House Banking and Currency Committee, announced today that he had introduced a bill to increase the lending authority of Export-Import Bank of Washington by two billion eight hundred million dollars to give it a total lending authority of three and one-half billion dollars. The bill provides also that the life of the Bank shall be extended for ten years; that the Bank shall obtain its funds through the sale of stock directly to the Treasury instead of to Reconstruction Finance Corp.; for the repeal of the Johnson Act: and that the Bank shall make semi-annual reports of its activities to the Congress.

"Mr. Spence called attention to the fact that during the past eleven years the Bank has successfully used the resources at its disposal to carry out its purpose of promoting the export and import trade of the United States and has operated under prudent management on a self sustaining basis. He said that the expansion of the Export-Import Bank is an important part of the complete picture comprised also of the reciprocal trade treaties act and the Bretton Woods agreements. The proposed International Bank for Reconstruction and Development is intended to be the principal instrument for international reconstruction and development loans. On the other hand, the Export-Import Bank, by assisting in the financing of United States exports in connection with specific projects of reconstruction and development can actively promote trade in which the United States has a continuing and fundamental interest.

"Mr. Spence said further that the Bank is now faced with demands which it cannot meet without additional resources and authority. The principal demand is for medium-term credit to finance exports of capital goods—a type of financing in which private facilities are recognized to be deficient. The need of foreign countries for machinery and equipment is acute. The United States, with its war expanded productive capacity intact, is the principal source of the products required. To supply them will not only ease reconversion at home. It will hasten the restoration and further development of foreign countries. Thus, the strengthening of the Export-Import Bank at this time becomes a matter of enlightened self interest."

Comment By Dr. Harry White

Assistant Secretary of the Treasury Harry White, when informed by the "Chronicle" of Rep. Spence's statement that the Treasury Department fully endorses his bill, made the following general comment:


Harry D. White

"Expansion of the Export-Import Bank's capital by a substantial amount is a necessary supplement to the BW program and an instrument for carrying out our own national policy with regard to financing exports on short and intermediate terms, and for special cases even on long-term as well."

Senator Butler Comments

Senator Hugh Butler (R., Neb.), asked by the "Chronicle" for comment said:


Hugh Butler

"This is just another scheme for extracting from us a further contribution toward the settlement of international trade and finance troubles, which affect others more than us.

"I do not object to being extremely liberal in arranging assistance for friendly nations during and after the war; but I do think there is a limit to which we can risk our own position. The time is coming when we shall have to be less liberal with our government's financial resources, or we shall find ourselves in serious trouble at home.

"We have cancelled foreign debts in the past, and following the program being laid out now will lead to only one solution—further debt cancellation. We have been paying a terrible price for our export trade, which anyway is only about 6 percent of our total trade, and we certainly had better be more concerned with the other 94%.

Readers will recall that last year former Congressman Charles E. Dewey (R., Ill.) introduced a bill to extend the functions and expand the resources of the Export-Import Bank. The bill, which was reportedly written with the advice of Mr. Leo Crowley of the FEA, would have made the Bank a $3,000,000,000 institution, with a paid-in capital of $1 billion. That bill died with the last Congress, and its author is not a member of the present Congress.

Early History and Operation of Export-Import Bank

The Export-Import Bank, soon to be such a powerful instrument of American policy in the international field, had a very humble origin. The present $700,000,000 institution started out as two different banks, set up early in 1934 by Executive Order to finance trade with Russia and Cuba, respectively. The first of these, the Export-Import Bank of Washington, had common stock of $1,000,000 and preferred stock of $10,000,000. The Second Export-Import Bank of Washington had common stock of only $250,000 and preferred stock of $2,500,000.

In an analysis of the activities of the Export-Import Bank during the first five years of its existence, 1934-39, Dr. Charles R. Whittlesey in the American Economic Review stated that the history of the institution had been characterized by hesitation and experimentation. The extensive powers of the Bank, he said, had not been fully used. Writing on the eve of the Europeon war, Whittlesey noted that in recent months the Bank had been in its operations strongly influenced by foreign-policy considerations. He noted that the Bank, despite its name, is to be regarded primarily as an agency for furnishing export credits. From the economic standpoint alone, Whittlesey said, the Bank's record had not been impressive. He observed: "Even after five year's experience it is impossible to formulate in any clear fashion precisely what the policy of the Export-Import Bank has been or is." In stating that the Bank "is clearly in a strategic position to serve domestic and foreign politics," Whittlesey said it could conceivably be used to give assistance in this way to any group which the party in power saw fit to aid. Unquestionably Mr. Wolcott, who is a very skilful politician, was conscious of this when he drafted his bill with the provision for making the Export-Import Bank an independent agency.

Republican Attitude in 1940

When the Senate had before it in 1940 the proposal, later adopted, to increase the resources of the Export-Import Bank from the then total of $200,000,000 to $700,000,000, with a view to aiding Latin America, seven Republican and Democratic members of the Senate Banking and Currency Committee signed a minority report in opposition to the increase. Of the seven, Senators Tobey and Taft are still members of the committee. The minority report which they signed opposed the increase as "unsound, futile, and a waste of the people's money." The minority held that the bill was unconstitutional, that the policy of international surplus control it envisaged would be not only futile, but positively harmful to North and South America alike, etc. They further objected that "the net result of loans for the benefit of South American producers is to finance and encourage South American production" and that "nearly all of that production is in direct competition with that of American producers."

Why the Bank Neglected Imports

Mr. Warren Lee Pierson, who for many years headed the Export-Import Bank, admitted that only a small part of the Bank's business had consisted of financing imports. This he explained as being primarily due to the fact that the American importer normally is able to obtain adequate financing from private American banks.

Mr. Pierson also discussed the prohibitions on Export-Import Bank loans to finance arms shipments, then much in the public prints, and shipments to governments under the restraint of the Johnson Act. In connection with the latter, he wrote: "While this removes the authority of the Bank to provide financing in behalf of defaulting nations as permitted under the so-called Johnson Act, the limitation has no practical effect upon the Bank's operations, inasmuch as commitments of this character have neither been made nor considered." Today such commitments most decidedly are being considered.

According to Eleanor Lansing Dulles, writing in the Department of State Bulletin last December on the Export-Import Bank's first ten years, with the increase in its capital and new statements relative to the Johnson Act and Neutrality Act the Export-Import Bank "became thus a definite instrument of American foreign policy. From the time of the passage of the amendments the whole orientation of the enterprise changed." In view of the stress which is being placed on the fact that the Bretton Woods' Bank for Reconstruction and Development is intended to make and guaranty except in special circumstances loans of a self-liquidating character, it is interesting to note in the State Department article just quoted that in the case of the Export-Import Bank, "when a government is the borrower, the loans, provided they have a favorable effect on the economy and thus exert a favorable influence on revenues, need not be self-liquidating."

Miss Dulles observes that the Export-Import Bank "could work with and through an international organization by taking advantage of the guaranties and facilities offered."

The Crucial Question

Underlying all the current plans to increase American loans and investments abroad is the inescapable question: In what form and manner will the outside world repay these advances? This question played a prominent part in the cross examination during the House BW hearings of witnesses such as Mr. James B. Carey, Mr. William Green, Mr. Ed O'Neal, and others. In her article, Miss Dulles wrote:

"No type of loan that has not been financed already by the Export-Import Bank is likely to be needed in the reconstruction period. The principal difference to be expected is an increase in the size of the projects and in the amount of funds required. This change in fact raises serious questions of theory and policy which an enlarged Bank would have to face. Foremost is the question of repayment—not of each loan, but of a large and increasing body of loans by this country with growing charges for interest and amortization on debtor countries. Nothing in the nature of the Bank's operation can bring a complete solution of this problem, which is essentially the issue of free commerce and the willingness of creditor nations to accept imports on reasonable terms."

The point Miss Dulles makes is obvious to a growing number of Americans, but it still constitutes the big unanswered question on the international economic scene, as viewed from this country.

Long-Term Political Factor Governs Conference

(Continued from first page)

edly been correlated with the Molotov-Gromyko recurrent "Soviet Crisis" here. . . . Although San Francisco is not a peace conference, that imminent event casts a growing shadow over the deliberations here irrespective of the lofty plane on which trusteeship is prescribed in the Charter. . . . The disposition of specific mandated territories and particular conquered lands is in the minds of delegates as well as journalists. . . . **Then there are the practical questions of inter-Allied control of Germany in the political and economic fields; of the imminent food and fuel crisis in Europe; of the Spain-Franco controversy; of the problem of the Dardanelles; of the Yugoslav claims; and of the Soviet's intentions in the Baltic and Black Seas.**

In a longer term perspective are the attempted diminution of sovereignty of the smaller nations against their will, and the extension of their own sovereignty by the Big Powers—evidenced repeatedly in the Big-Little Power splits at every important stage of this conference. . . .

* * *

The "Little 45" countries have during the past week increased their volubility, if not their effectiveness. . . . In determining the provisions about the time limits and veto provisions applying to future amending of the Charter. . . . Canada teamed up with Brazil in seeking to force the calling of a constitutional convention between the fifth and tenth years following the ratification of the Charter. . . . Relaxation of the amending process was aggressively fought for by South Africa. . . . New Zealand, Egypt, Iraq India, Colombia, and Canada. . . .

Unfortunately the fight was completely lost; the "compromise" so-called Armstrong Amendment provides merely that if a constitutional convention is not called before the tenth annual meeting of the General Assembly. . . . The proposal to call such a convention shall be placed on the agenda of that tenth General Assembly meeting. . . . **The small nations are completely dissatisfied with this because the big powers still will retain their veto power over amendments even after the ten years,** and because the matter could, under existing provisions always be placed on the agenda at any time. . . . The small powers' votes were delivered under duress—the big powers' threat being that either they get their way or there is no Charter. . . . Nothing is specified about a partly-compensating right of withdrawal; of course withdrawal cannot be prevented. . . . But it does not make up for the apparently perpetual veto right over all amendments, which the big powers have managed to retain. . . . The big power right of blackball over the Secretary General is another instance of their established veto power. . . . **The small powers also lost a fight to specify that if a party to a dispute is not a member of the Security Council. . . . It nevertheless shall have equal rights with the other party.** . . . The big power answer was that this would let too many people in on decision - making. . . . The fight for the specification of five secretaries-general by the Russians was lost in committee. . . . But the matter seems to be reopened by them in open commission session. . . .

The small nations are particularly angry at the way the big powers produce the votes to get their way; Allegedly by delivering ultimatums rather than logic, and by undignified proselyting **(Dr. Evatt of Australia claims that the amending matter was settled through the personal electioneering of Messrs. Dulles and Rockefeller at the closed committee meeting.** . . .

* * *

The Big Power-Small Power Question is being debated as a major political concept. . . . Concentration of power in the big nations is defended as true democracy on a population basis (as cited on Mr. McLeish's semi-official radio program); and statistics are cited to show that the great majority of Charter amendments were proposed by the smaller powers. . . .

In addition to the Big Five-Little Forty-Five split, there is of course a secondary split by the Russians, which bids no good for the future. . . . In the past few days they split with their Big Five colleagues in losing a fight to have the right of withdrawal specified in the Charter; and by 42 votes to their single opposing vote the above-described Armstrong Amendment for charter-amending was passed. . . .

* * *

The one factor of unity between the large and small powers is the need for satisfying their home constituencies. . . . Thus the guarantee of domestic jurisdiction was again broached as an overriding factor to the Russians in the most recent fight over the discussion rights of the General Assembly, and the four-nation proposal on domestic jurisdiction, as strengthened by the amendment of the usually opposing Australia, was passed by an unusual vote of 33 to 4. . . . It reads as follows: "Nothing contained in this Charter shall authorize the Organization to intervene in matters which are essentially within the domestic jurisdiction of any State or shall require the members to submit such matters to settlement under this Charter." . . .

* * *

As the Committee on Trusteeship has now completed its labors, and as so much concern is being voiced about discriminatiton in trade with trusteed territories, by both government spokesmen and business interests, it seems useful to define the prospects held out by the new League's Charter. . . .

There is the primary problem of determining and defining the true meaning of the concept "free access." . . . In any event the difficulties of spelling out such legislation—even in the government field—are insuperable. . . . Additional complication is involved in the factor of tariffs. . . . **It obviously is difficult to devise a formula which will simultaneously reconcile the desires of nations for self-imposed restrictions on imports and the removal of other barriers to importing.** . . . Altogether it seems that the new League should confine its activities to the problem of trade discrimination between different countries. . . .

The original trusteeship formula for the Charter, as it was drafted in Commander Stassen's so-called working paper, envisaged complete absence of discrimination. . . . This contained a general "open door" paragraph, saying among other things: "The basic objectives of the trustee system should be: to provide for non-discriminatory treatment in trusteed territories with respect to the economic and other appropriate civil activities of the nationals of all member states." . . . This was subsequently weakened — if not emasculated — in the Five-Power Agreement. . . . Like the Atlantic Charter, paragraph 5 protects existing discriminatory arrangements, and calls them rights. . . . Partially textually, existing discriminatory rights are protected; albeit if at the same time partially challengeable. . . . In effect continuation of discrimination is permitted, excepting where the mandatory Power voluntarily, or under some kind of extra-legal pressure, gives up privileges when transferring the territory to trusteeship. . . . The fact that there is no compulsory transfer to trusteeship is crucially important. . . .

It is pointed out by American technicians to the delegation that it is in the United States' interest to have changed the original non-discriminatory regulation. . . . **The original provisions were automatic and inflexible, and thus conflicted with the American interest in acquiring special privileges in "strategic areas."** . . . For just as we want flexibility in this latter regard, we must give it in other directions. . . .

The initial draft did not take into account the difference between existing mandates. . . . In present class C mandates (as Southwest Africa and New Guinea) there are no economic restrictions, and discrimination can be exercised. . . . Class B mandates, on the other hand, are covered by non-discriminatory provisions. . . . The original United States proposals for non-discrimination, not differentiating between the Class B and C mandates, would have entailed automatic (rather than through individual agreement) application of non-discrimination, and a cancellation of special privileges by the mandatory power. . . . It would have inelastically prevented negotiation for future special arrangements. . . .

Such inelasticity would be wholly contradictory to the rest of the trustee technique, which is based on individual negotiation. . . . For now at the time of trusteeing, there is negotiation regarding each individual territory on such elements as its being a "strategic area;" as the Powers of the World Organization in respect to it; and as the powers of investigation; and as to the rights of the native population. . . . The original tight provision would have deprived the trusteeing nations of their negotiating power; which would have pleased the United States no more than any other power. . . .

The presently contemplated arrangement is entirely satisfactory to the United States, particularly because we are protected against discrimination through special treaty arrangements with all the Class A and B mandates, and with the Japanese Class C mandates; and by informal arrangements with Southwest Africa; all of which will be preserved. . . . And on the states which will be detached from the enemy, we will sit in and be able to protect ourselves when the agreements are made. . . . Hence we are assured against discrimination. . . . The United States problem will still be one of taking care of export balances—not of acquiring imports. . . .

As far as general practice is concerned, it would seem that discrimination cannot be eliminated, refusal to give the territory into trusteeship can be exercised. . . . Constructive policy for great bargaining power will depend on the persuasiveness of the powers, and on the stigma attached to standing out against a preponderance of world opinion. . . .

It must be realized that the problem of discrimination in trusteed territories will not bulk very large, because there will not be many territories going into trusteeship, and surely not many with large supplies of raw materials. . . . Of those territories potentially available, **some, as at present, will continue to be preferred in their present status as sovereign states (like Saudi Arabia), controlled by friendly governments who can make favorable deals with them.** . . .

It is the opinion of Prime Minister Fraser of New Zealand, the Chairman of the relevant Conference Committee, that in any conflict in our "strategic areas" between our rights and those idealistic ones of the natives, only their economic interests can be harmed. . . . In previous cases, such as the clearing out of cocoanut trees to make way for a military meteorological station, compensation was given by the New Zealand government. . . .

The mandatory power in no case will have sovereign rights, and the conflicts that develop will occur between the natives of the area and the United Nations Administration under its Security Council. . . . It is assumed that the new stringent system of reporting will apply also to strategic areas. . . . But this will not be resolved before it is taken up as part of the specific agenda of the Peace Conference. . . .

* * *

As much is being said about American intentions to "annex" territories which our military authorities demand as "strategic areas," it seems worthwhile to restate our intentions. . . . They contemplate placing these territories under trusteeship with special arrangements for protection. . . . Pursuant to arrangements made with the Security Council. . . . This has been definitely set forth in Secy. Stettinius' recent radio address in which he said: **"In all the discussions on trusteeship the United States has continued to stand fast for provisions which will fully safeguard the control by the United States—within the trusteeship system, but on conditions satisfactory to us—of those strategic points in the Pacific which are necessary for the defense of the United States and for world security."** . . . But in the assurances given to the Senate, and to some other interested groups, the emphasis was much more Chauvinistic. . . .

The cartel question, and dealing with cartels on a world-wide scale, presents special difficulties, principally because they operate in private rather than in Government hands. Cartels are frowned on by most of the major Powers, with the exception of Great Britain. It is agreed that persuasion must be the technique for dealing with them. One school of thought wants to handle them as one of the topics which will be part of a general conference on international trade. Others wish to leave the matter until the World Organization's Economic and Social Council is formed, and to have it either call a special conference on the subject or take administrative action through powers of persuasion, recommending and reporting; or through conventions drawn up in advance. Still others want to cover them in individual trustee agreements, subject to constant supervision and check. Tailored to fit individual needs, it is far more practicable than a convention. . . .

From the above commentary it may be concluded that (1) the new League's charter offers no guarantee against trade discriminations of various kinds, either generally, or in the case of colonial, or trusteed, territories; (2) that the problem regarding trusteed territories will not exist on a grand scale, and (3) that in any event the United States will not be affected to any great degree. . . .

* * *

In judging the technique of having successive conferences, it seems useful to itemize some of the changes in the soon-to-be-completed San Francisco Charter from the previous Dumbarton Oaks proposals. . . .

(1) This Charter contains a clear statement of purposes: peace, security, justice, human rights, and international law. . . .

(2) A mandatory provision for a Human Rights Commission. . . .

(3) A plan for the trusteeship of mandated and conquered territories, and applicable to the whole colonial situation, under the continuing control of the United Nations to prevent abuse. . . .

(4) The expansion of the powers of the General Assembly from its Dumbarton Oaks role of glorified debating society in being empowered to make recommendations to the Security Council in getting reports from the Security Council on its steps to enforce peace; its power to consider the question of armaments and to make recommendations for their control; in admitting new members to the organization; in suspending the privileges of old members, and in being empowered to pass on the budgets of the various branches of the organization. . . .

(5) Spelling out and enlarging relatively vague Dumbarton Oaks statement of the objectives of the Economic and Social Council. Higher living standards, better health conditions, cultural and educational cooperation, are now explicitly stated. . . .

(6) The acquisition of new functions by the Economic Council. Now it can call international conferences on economic and social problems, draft treaties for submission to the General Assembly, make recommendations on its own initiative, perform services and make special studies at the request of member nations, supervising the work of the many commissions it is authorized to establish, and to coordinate the semi-autonomous United Nations Organization on Food and Agriculture, and the Bretton Woods Monetary Fund and International Bank. . . .

* * *

One of the important problems disposed of in the deliberations of the Conference Committee devising the Economic Council was concerned with the status of experts in its personnel. It was decided not to limit future personnel to experts because of the possibility of thereby losing desirable people. The authorities from the old League of Nations strongly advised against commissions of experts and the Dumbarton Oaks proposals therefor. **The League's experience revealed that it is unwise to restrict commissions to expert bodies, and that it has been extremely useful to appoint members on the level of intergovernmental representations.** This type of committee is essential when urgent action as distinct from advice is required. Even in the case of purely advisory functions, committees of government representatives as well as experts may be required; the League of Nations has reached this decision recently in connection with the choosing of a committee to deal with the coordination of full employment policies. . . .

There was likewise considerable controversy over the makeup of the Economic Council membership itself. Canada and France strongly proposed that membership should be limited to the industrially important countries, to insure that the Council's recommendations will be effectively carried out in practice. The question has been finally settled on a basis of compromise with the wishes of the small countries to be represented, the Council being one of the few places which is open to them. In deference to those who advocated representation on a regional basis, it was decided to leave membership open to all countries nominally, but that in practice the major industrial countries will be represented by "gentleman's agreement," and that there will be representation from every part of the world. . . .

* * *

Plans for formulating the Interim Commission which will carry on between the Confer-

ence's termination and the post-ratification initiation of the new League are progressing rapidly. All the member nations here have been put on notice to have a representative at an Organization meeting. This will be held here immediately after the signing of the Charter—either on the same day or the day after. The proceedings should be completed in a single day, although they may spill over because of translation exigencies. . . .

The basis *raison d'etre* for this Interim or Preparatory Organization may be stated as follows:

(1) To clean up the great mass of documents and other details created by this Conference. . . .

(2) To make preparations and the very detailed arrangements for the initiation of the new League—as was made for this San Francisco Conference by the United States and the other sponsoring nations. . . .

(3) Its general functions may be described as those necessitated in the hiatus between the passage of a law for a new agency or its creation by Executive Order and its beginning of actual operations. . . .

Technically, this Commission will be formed by a special agreement, duly signed, but, in contrast to the spelled-out transitional provisions for the maintenance of military order, nothing thereof will be mentioned in the Charter. . . .

It is expected that this Interim Organization will begin operations almost immediately after San Francisco. In the case of the old League of Nations, the draft covenant was approved on April 28, 1919, and the Secretariat started work on June 10, 1919—an interval of only six weeks. The Covenant came into operation on Jan. 10, 1920, and the first session of the Council was opened in Paris on Jan. 16, 1920. . . .

Immediately after this Conference the full Interim Commission will hold its organization meeting. It will be composed of one representative from each nation that signs the Charter. This committee of the whole will elect a Chairman and appoint an Executive Committee whose composition will be the same countries, but not the same individuals, as the present Executive Committee. They will set in motion the appointment of a staff which, after the appointment of a Secretary, will begin working out its detailed functions. In the absence of substantive powers, these functions will be confined to drafting and recommending. Regarding the choosing of personnel, each country will designate some individuals, presumably including experts that have been working on this Conference. These men will be loaned by their governments and pulled back into their national government service after the interim. **This will emphasize the break between the two periods and will help in making it clear from the beginning that employment with the Interim Commission carries no inference of any kind that it will continue into permanency with the League.** Of course there may be some potentially permanent people added, such as former or present League of Nations' experts. . . .

The choice of personnel presumably will follow the precepts laid down for the League in 1919 by Sir Eric Drummond, its first Secretary-General, as follows:

"We are working out plans for a truly international Secretariat Its members will have an international character of mind. They must divest themselves of national preconceptions. Its members are not to be appointed by or to be regarded as the representatives of their respective nations. The Secretariat must show an entirely impartial aspect. There must be one guiding principle, that of securing really first-rate men and women interested heart and soul in the success of the League. Their quick response is the finest augury for the League's success." . . .

A subsequent major step of operations will consist of the first meeting of the Executive Committee, occurring in a few months at the Organization's seat—presumably in London, and the Executive Committee will remain in continuous session there. . . .

The staff, as soon as it is organized, will immediately begin work on the following functions:

(1) Organize all details of the Commission, including the physical organization. . . .

(2) Go through the new United Nations Charter, chapter by chapter, in order to put it into working operation. This must be effected by recommendation and the technique of draft. . . .

(3) Make regulations for employment and getting up personnel employment forms for choosing prospects. . . .

(4) Make regulations for the handling of funds. . . .

(5) Draft the budget for the first year. . . .

(6) Determine salary scales. . . .

(7) Apportion the expenses, subject to approval by the Executive Committee. . . .

(8) Arranging for taking over the League of Nations' physical assets. . . .

(9) Prepare agenda, and background documents, for the first meetings of the General Assembly and of the Economic Council. . . .

The staff and its work will be under the direction of the Secretary General. There will be no segregation of the staff for the working out of the Economic Council. **But no doubt some part of the staff will devote itself to devising the preliminary tentative plans for the Council.** The Commission will not have the power to call trade or other conferences; this will be done by the big Powers, but it will keep cognizant of developments for later use. It will take no action regarding the League of Nations' functions or responsibilities during the interim period—either regarding organizations or treaties or conventions. They will remain as they are until the League is generally disposed of in some definite way. . . .

As to the initial provision of moneys: Advances will be made by the host, and perhaps some other governments, to be deducted later from the assessments as determined and proportioned by the Charter. In the case of the old League, the British Government granted credits and then billed the other nations; and the League veritably "lived on overdrafts." . . .

It is understood that the Interim Commission will be residenced in London. For the permanent seat of the new League the widest variety of candidates is being pushed, including Geneva, Monte Carlo, Vienna, Quebec, San Francisco, Philadelphia, Bermuda, et al. . . .

The ending of this Conference and the signing of the San Francisco Charter will be followed by only a short interval before a veritable succession of international meetings. This will further the new technique of keeping the nations in conversation. Within a few months there will be a General Conference, sponsored by France and furthered by Brazil, Venezuela and Panama, to draw up the statutes of an International Organization of Cultural Cooperation. This will be one of the affiliated agencies affiliated with the new League. **At the Economic and Social Committee meetings it was agreed that culture must be international so that nations understand each other,** and that it is necessary to push progress in letters, art, and in research in every branch of learning. The emphasis will be on the exchange and circulation of information and of documents. Regarding national activities, the proposal was warmly supported by the United States delegation, which cited the plans of the Conference of Allied Ministers of Education to call a United Nations Conference for the establishment of an International Organization of Educational and Cultural Cooperation, the United Kingdom having been previously requested to call such a conference. . . .

* * *

Proposed by Brazil and China, and actively supported by 13 other delegations, an International Health Organization will soon be founded. The International Labor Office and the Food and Agriculture Organization will cooperate in its subsequent administrative operations. . . .

Apart from these meetings instigated by this Conference, a plethora of other international meetings before the end of this year is assured. There will be the Peace Conference proper; there will be a meeting of the Inter-American Conference on Agriculture in Venezuela July 24; there will be the third meeting of UNRRA in London Aug. 7; a United Nations Trade Conference will be held during October or November; the Provisional International Civil Aviation Organization will hold a meeting in Montreal in July, and the 95th meeting of the International Labor Office will take place in Quebec this week.

Whitney Stone Pres. of Stone & Webster, Inc.

Lt. Col. Whitney Stone has been elected President of Stone & Webster, Inc., succeeding George O. Muhlfeld who now becomes Vice-Chairman of the Board of Directors. Col. Stone first joined the firm of Stone & Webster in 1930 and became an Executive Vice-President in 1936. In January, 1942, he resigned his position and withdrew from all his directorships to join the Army Ordnance Department, and since that time has served in the New York, Cleveland and Boston Ordnance Districts. During the past year until the army released him to return to Stone & Webster, he has been Deputy District Chief of the Boston Ordnance District.

Mr. Muhlfeld, who now becomes Vice-Chairman of the Board, has been associated with the Stone & Webster organization for over 40 years, serving as President since 1931.

The new President is a son of the late Charles A. Stone, who with Edwin S. Webster, present Chairman of the Board of Directors, organized the firm as a partnership in 1889. At the time of his death in 1941 Charles A. Stone was Chairman of the Board of Directors, a position he had held for many years.

The firm through its subsidiaries has long been among the leaders in the fields of engineering and construction, public utility supervision and investment banking. Its principal subsidiaries are Stone & Webster Engineering Corp., Stone & Webster Service Corp. and Stone & Webster and Blodget, Inc. During the war period the Engineering Corp. has had an important part in the design and construction of projects costing in excess of a billion dollars.

Benj. Block at N. Y. Office of Daniel F. Rice Co.

Daniel F. Rice & Co., members of the New York Stock Exchange, announce that Benjamin Block, special representative of the firm, and formerly of its Chicago and Miami Beach offices, is now located in their New York office, 14 Wall St.

U. S. War Expenditures In First Five Months

War expenditures by the United States Government during the first five months of 1945 amounted to $38,015,000,000, as compared with $38,583,000,000 during the corresponding period in 1944, a decrease of 1.5% according to figures compiled by the Treasury Department and released on June 15 by the War Production Board. Total war expenditures by the Government since July 1, 1940, through May 31, 1945, amount to $282,500,000,000, WPB reports. From the advices we also quote:

"The average daily rate for war expenditures during the first five months of 1945 was $292,000,000 as compared with $297,000,000 spent per day during the like period of 1944, a decrease of 1.7% in the average daily expenditure.

"War expenditures per day averaged $302,000,000 in May. The daily rate in May was 7.5% higher than in April, when expenditures per day averaged $281,000,000.

"U. S. war expenditures from July 1, 1940, through May 31, 1945, amounted to $282,500,000,000.

"Expenditures and the average daily rate from January 1945, are shown in the following table:

United States War Expenditures Monthly and Daily Rate

January 1945—May 1945
(In millions of dollars)

1945—	Monthly Expenditures	Number of Days Checks Were Cleared	Daily Rate
January	7,519	27	278.4
February	6,965	24	290.2
March	8,318	27	308.1
April	7,045	25	281.8
May	8,166	27	302.5
Five-month Total	38,013	130	292.4

Riter & Co. To Admit Pierson & Diefendorf

Riter & Co., 40 Wall Street, New York City, members of the New York and Chicago Stock Exchanges, will admit David R. Pierson to general partnership and Robert R. Diefendorf to limited partnership on July 1st. Mr. Pierson has been with the firm for some time in their Chicago office. In the past Mr. Diefendorf was in business for himself and was a partner in Delafield & Delafield.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Sheldon E. Prentice to William C. Beach will be considered June 28th. Mr. Beach will continue as a partner in Dominick & Dominick.

Du Pasquier & Co., New York City, dissolved as of June 21st, 1945.

William B. Potts, Jr. & Co. dissolved as of June 21st, 1945.

Congressmen See Confusion in Amendment to Monetary Fund

Curtis of Nebraska and Smith of Ohio Point Out That Inclusion of "Cyclical Fluctuations" in "Current Monetary Operations" May Lead to Granting Long-term Loans. Urge Further Statutory Interpretation.

In the House debate on the Bretton Woods Bill, the Wolcott amendment which limited the International Monetary Fund's authority to granting only loans for "current monetary operations," to afford temporary assistance to members in connection with seasonal, cyclical and emergency fluctuations in the balance of payments, was the subject of comment by Representative Carl T. Curtis (R) of Nebraska (who voted for the amended bill) and Representative Frederick C. Smith (R) of Ohio, who led the opposition to the measure.

Carl T. Curtis Frederick C. Smith

Both Congressmen followed the same line of argument in holding that even under the terms of the amendment, largely because of the inclusion of the words "cyclical fluctuations" it would be possible for the fund to grant loans extending for several years, notwithstanding the apparent purpose to limit the fund's operations to temporary short-term advances.

Concerning this Congressman Curtis stated that the "pending bill (HR 3314) seeks to interpret provisions of the Bretton Woods agreements relating to the uses which may be made of the resources of the two proposed institutions. It appears, however, that an interpretation of the interpretation will be necessary. Inclusion of the word 'cyclical' in the clause which purports to limit the activities of the Monetary Fund to short-term credits for currency stabilization makes it doubtful whether the purpose of the language is accomplished. In fact, there seems ground for the belief that under this interpretation it would be entirely possible for the fund to become frozen with long-term credits.

"Section 14 (a) of HR 3314 directs the governor and executive director appointed by the United States to obtain promptly an official interpretation by the fund as to '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.'

"If the interpretation is in the affirmative the governor of the fund representing the United States is directed to propose promptly and support an amendment to the articles of agreement for the purpose of expressly negativing such interpretation.

"If the word 'cyclical' were not included, the intention of the clause would be clear. It is difficult, however, to understand how assistance to members in connection with cyclical fluctuations in the balance of payments can be kept on a temporary basis.

"The duration of a business cycle, as the term is commonly understood by economists, is at least 3 or 4 years and may be 5, 6, or 7 years, or even more.

"A business cycle is one of four distinct types of economic changes. The proposed interpretation appears to include three of the four when it refers to seasonal, cyclical, and emergency fluctuations. Emergency fluctuations seem to correspond with what the economists refer to as random or accidental variations. The fourth type, which is not covered by the language of the bill, is the long-term or so-called secular trend.

"Seasonal variations have to do with varying conditions due to climatic or other causes in the different seasons of the year. Temporary shortages of foreign exchange frequently result from seasonal conditions and are corrected when, for example, a seasonal product of industry or agriculture becomes available for export. This is a type of adjustment of the international balance of payments which the Monetary Fund is intended to facilitate.

"The random or accidental variations are abnormal in character and have no definite pattern as to occurrence or duration. Among causes of changes of this character are strikes, wars, and earthquakes. Every economic process is affected by influences which cannot be classified easily. Presumably, credits in the form of foreign exchange to meet fluctuations in the balance of payments due to causes of this nature would be short term in character although not necessarily so.

"Secular trends, which are outside the scope of fluctuations for which assistance would be granted by the fund, are due to factors which influence economic conditions in a uniform or regularly changing fashion over long periods of time. For example, the growth of population and technological advances were responsible for a long-time upward trend in industrial activity in the United States.

"Business cycles are in duration between the seasonal variations, which are of short duration, and the long-time secular trends. A business cycle is a period of time in which occurs a regular sequence of expansion and contraction in activity. During such a period there comes in turn expansion, boom, contraction, and depression. Prior to the great depression, the periods of expansion and boom usually took from 2 to 3 years and the periods of recession from 1 to 1½ years, a total for the entire cycle of 3 or 4 years. Sometimes the cycle required 6 or 7 years. Major cycles, characterized by extreme inflation and deflation, occurred at intervals, with minor cycles of less intensity and shorter duration between them.

"Prof. Wesley C. Mitchell, of Columbia University, in an article in the Encyclopedia of the Social Sciences tabulates the periods of duration of 19 business cycles in the United States between 1855 and 1927. The average for the full cycle was 46.1 months, periods of expansion averaging 25.4 months and those of contraction, 16.5 months. For 13 cycles between 1885 and 1927 the average for the full cycle was 39.3 months, with the expansion averaging 22.8 months and the contraction, 16.5 months.

"The cycle in the great depression, including expansion and boom in the late twenties and contraction and depression in the early thirties, was of much longer duration than earlier cycles. On the basis of that experience there can be no assurance that a business cycle will run its course in as short a period as the former average of 3 or 4 years.

"'Temporary assistance' would have been of little value to nations with fluctuating balances of payments during the great depression. Credits would have been frozen for a period of several years.

"Even on the basis of earlier experience, credits to tide over a nation between the low point and the peak of a business cycle would be for at least 2 years.

"Cyclical fluctuations are not easily discernible at the time they occur. Usually, other factors make it difficult to trace the progress of a business cycle until a considerable time afterward. Hence, while it will be difficult for a nation to prove that an excess of imports over exports is due to cyclical fluctuations it also will be difficult for the authorities of the fund to prove to the contrary. The cyclical criterion in the proposed interpretation opens wide the door to credits which may be of a far different character than for temporary adjustments of the balance of payments.

"Thus it appears that even if the fund accepts the proposed interpretation its significance will be doubtful. The word 'cyclical' is clearly inconsistent with the term 'temporary assistance.' The interpretation gives no assurance of the maintenance of the revolving character of the fund. Without further restrictions upon the right of member nations to obtain foreign exchange under a procedure almost automatic in character, the dangers in the operation of the fund will continue to be very great."

Representative Frederick C. Smith's remarks were in a similar view. In his address to the House opposing the passage of the bill on June he stated that, "a reading of the Wolcott amendment would lead one to think that the present language in the agreement confines the fund to short-term lending, but that it is so unclear and doubtful that it requires clarification; or that the language is sufficiently clear to make it evident that the fund is authorized to make long as well as short-term loans, and therefore requires amendment to prohibit the former.

"Then the fund shall promptly —that is, as soon as it has been organized and is ready for business—decide the issue, which is not in unequivocal terms whether it shall be limited in its operations to short-term lending, but '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.'

"If the answer is in the affirmative, then the United States' representative on the fund shall promptly offer an amendment to the articles of agreement not expressly to prohibit it from making long-term loans, but merely to negative such interpretation. If the amendment is adopted, then the fund shall be limited 'to use its resources for 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.'

"But none of these terms except 'current transactions' is defined either in the amendment or agreement. Current transactions are defined in article XIX (i) of the agreement, but no light is thrown on the Wolcott amendment from that source. The terms 'temporary assistance' in connection with 'cyclical' and 'fluctuations in the balance of payments' could certainly be interpreted as embracing long-term loans.

"How long is a cycle? Minor cycles are defined by James Arthur Estey, professor of economics, Purdue University, in his work, Business Cycles, as averaging close to 40 months, and major cycles as averaging 8 years. I have consulted numerous authorities on this subject, including the highest in the employ of the Federal Government, and without exception they said the term 'cyclical' could not possibly be considered as coming within the scope of short-term lending.

"How possibly could a loan to a country going through, say, a 5-year depression serve its purpose unless it could keep it for that period plus sufficient additional time to make it possible to pay it off?

"In an article appearing in the May 31 Commercial and Financial Chronicle, titled 'Is There a Joker in the Fund Interpretation?' written by Mr. Herbert M. Bratter, financial writer, appears the following:

> 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.

"Melchior Palyi says the Wolcott amendment—

> merely restates what is already in the statutes. Such restatement may be useful for the benefit of emphasis, but that's all it is.
>
> As a matter of fact, it leaves the function of the fund just as unclear as it was before. the idea is that only temporary disturbances of the debtor's balance of payment should be financed by the fund. But suppose Russia borrows from us to buy hydroelectric power equipment. When it comes to servicing or repaying the debt, her balance of payment may be distressed to that extent. That would fall under an "emergency fluctuation in the balance of payments," wouldn't it? But in reality, the alleged emergency arises out of a previous reconstruction credit and if the fund comes to Russia's rescue, as it would have to, then, in effect, it will finance Russian reconstruction.

"It is my judgment that only a reconstitution of the entire fund set-up could possibly prevent it from using its resources to make long-term loans.

"The second part of the Wolcott amendment is still more unusual than the first. Here the fund is to give an opinion as to 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.'

"If the interpretation of the fund is in the affirmative the United States' representative shall promptly offer an amendment to the agreement 'for the purpose of expressly negativing the agreement.'

"But the agreement already in so many words expressly prohibits the fund from using its resources for those purposes. Article XIV, section 1, reads:

> The fund is not intended to provide facilities for relief or reconstruction.

Article VI, section 1 (a), reads:

> A member may not make net use of the fund's resources to meet a large or sustained outflow of capital.

"Why the fund should be called upon to interpret this language which could hardly be written in clearer terms is difficult to understand. So far as I can recall there was at no time any controversy in the committee as to the meaning of these two provisions. If this language, which seems to have all of the explicitness that it is possible to give to language, is nevertheless of such doubtful interpretation and requires an anomalous procedure of clarification such as is here proposed, what shall we say respecting the language in many of the provisions of the proposal which is anything but explicit? However, the fund could demur to both of these propositions and refuse to take any action. No enforcement provision is provided. It could decide that it had the power to make loans for relief and reconstruction and to use the fund's resources to meet a large and sustained outflow of capital, and the United States would be helpless in the matter, notwithstanding any amendments of the United States' representative on the fund might offer to prevent it from doing these things.

"These amendments raise a nice question. Take the second part of the Wolcott amendment, where the fund is to interpret whether it is authorized to use its facilities for relief and reconstruction activities or to meet a large or sustained outflow of capital, which are already definitely prohibited in the agreement.

"Suppose the fund were to accept this amendment literally, that is, as implying that it posseses the power to say whether or not it is authorized to use its facilities for relief and reconstruction and to meet a large or sustained outflow of capital. That would be tantamount to the assumption by the fund that it was vested with absolute power to interpret any part of the agreement as it saw fit."

McKim Gets New Post

Edward D. McKim has resigned as President Truman's chief administrative assistant, and is to become instead a deputy to Federal Loan Administrator John W. Snyder, the White House announced, according to an Associated Press report from Washington, June 12, which added that the transfer would be made immediately.

Charles G. Ross, Press Secretary to the President, said that he did not know who would replace McKim in his job as $10,000-a-year chief administrative assistant, nor what McKim's salary would be in his new post.

McKim, one of the men who accompanied the President when he campaigned for the vice-presidency last fall, is on leave from his post as executive of an insurance company at Omaha.

A reporter told Ross that McKim had announced in Omaha recently that a new veterans' hospital would be erected in Montana and asked in what capacity McKim had made the announcement. Ross said that he had no information on that.

The reporter apparently referred to a statement of Representative Halleck (R.-Ind.) in the House last week that "the chief administrative assistant to President Truman" had telegraphed to Representative Mansfield (D.-Mont.) one week before a special Montana congressional election that "the Veterans' Administration has advised me that the hospital will go to eastern Montana."

Halleck, chairman of the National Republican Congressional Committee, said that he was informed by Brig.-Gen. Frank T. Hines, Veterans' Administrator, that the location of the hospital had not been determined definitely. Halleck contended that the telegram was designed "to influence votes." The Republican candidate won the Montana election.

Reconversion

(Continued from page 2724)

froth-mouthed from cave to cave in the islands and digs deeper into his homeland. Our fighting men are doing their job. But war workers, housewives—all of us—must dig deeper for bonds, give more tirelessly for victory.

This is an opportunity for you men of management and for all of American industry to re-dedicate your strength to that final triumph. Our people expect it, pin simple faith upon your efforts. In all the years, from the time this land wore Blue and Gray to battle, the strong right arm of American industry has supplied weapons of war and the economic sinews that kept a nation going through trial and tribulation. Our role has not changed. Only the condition surrounding them have changed, grown more complicated.

There was a time when Associations such as this Hartford County group in this mother State of industry made their contribution by guiding, leading and giving informational service. That contribution to the State and national welfare was considerably a constant source of inspiration and practical drive toward the solution of mutual problems—a beacon for new enterprises, a well-spring of strength for established firms.

It has kept the National Association of Manufacturers a healthy, alert organization for 50 years.

And today there is a greater need for such Associations than ever before. Today, in addition to your routine services, Associations such as ours are fighting for basic American institutions, the greatest among them, our free, competitive enterprise system. Our opportunity for service has stretched beyond the practical phases of manufacturing into the soaring heights of industrial statesmanship — the leadership necessary to take us from successful war into prosperous peace—a peace in which management's recognition of its social responsibilities go beyond the making and selling of goods forms the best insurance for lasting prosperity.

We cannot deny that opportunity. Management must assume the leadership that it alone can wield for national security. Never, at any time in world history, has the subject of economics played a more dominant role in the affairs of man. This is an economic age. Witness the proof set by 50 nations at San Francisco in setting up an Economic and Social Council to rank with the Security Council itself.

And industrial statesmanship is a "must" on the world's list of needs.

Yes, there is a great need for cohesive thinking about our problems. The future is already with us, and in many cases its arrival finds us unprepared.

But I need not tell this group that manufacturers have long recognized the virtues in collective thought. There were 28 Connecticut manufacturers who saw that fact clearly 50 years ago when they made themselves founding members of the National Association of Manufacturers. We are honoring 17 of these founders tonight; firms from Bridgeport, Hartford, Bristol, New Britain, Southington, Torrington, Waterbury and Winstead.

The executives of these firms long ago set forth the principle of pooling industry's best brains to solve industry's major problems. It has served us well through the years. It serves us well today.

It would be impossible to put a price tag on the joint talents of the nearly 2,000 businessmen which make up the 23 working committees that are literally the NAM in action. Yet the services of these men are at the command of every one of our 13,000 members, from the largest company to the smallest. And I need not remind you that 71% of the NAM membership falls into that bracket known as "small business"—firms which employ 500 people or less.

It is some of that organized thinking on our immediate reconversion problems that I wish to tell you about tonight.

Three major objectives confront this economy—not tomorrow—but now.

First, is the immediate reorganization of the nation's productive machinery for the maximum employment of our citizens. Second, is the return after V-J of our fighting men to a productive place within our business, agricultural and industrial world. Third, we face the prospect of exchanging our role as the arsenal of democracy to that of the granary of the globe.

If peace is to endure, we must share our strength to help a shattered Europe rebuild its cities and feed its peoples.

I would not have you think that I ignore the primary objective of this land in my listing. That is still total victory. It will remain so until Japan is conquered. But while that work must go forward we cannot afford to dally with our other tasks.

Now I know that the 3 million separate business enterprises in this country have been preparing at least 3 million separate postwar plans since Pearl Harbor. Or, at least, there has been much serious thinking done.

Not long ago the NAM conducted a reconversion survey among some 1,700 firms. It revealed that 61% of industry could convert within 24 hours after Government gave the "go" sign. It showed that 89% could be operating at full peacetime scale within 16 weeks after Washington lifted the barriers.

Naturally, it is still too early to analyze the precise degree of governmental willingness to let industry get on with its job. But all the obvious signs and portents are propitious even if the major part of the cutbacks are merely paperwork, the programs scheduled for production and cancelled before birth. We are promised steel, copper and aluminum by July 1. We are further promised that more than half of the 420 WPB orders will be lifted "within a few months."

But there are still many blind areas.

Military requirements for the war against the Jap have been something of a mystery to the lay, industrial mind which has trouble figuring how we need as much stuff to fight a one front war as we needed to fight a two.

The matter of surplus commodity disposal is still in the realm of confusion too. As a matter of fact, this Government doesn't know exactly how much material it has lying around. There has never been a complete inventory taken.

But perhaps Mr. Truman's appointment of Mr. Symington to the Surplus Property Board may dispel this condition.

From industry's point of view the transition task should mean the accomplishment of some basic things quickly.

1. The floor space of our factories must be cleared of both machines and materials which cannot be used for civilian production.

That means that there must be recognition by both our public and our legislators that some materials will be just as much a casualty of war as a sunk battleship or a shot down plane. Edsel Ford put his finger on that situation when he talked about the Willow Run plant a week or so ago. He said, if I recall correctly, that the cost of that plant was just about the equivalent of the cost of a battleship, and a sunk ship would certainly be figured a war loss.

Understand, I do not advocate waste. I simply call for judgment and courage and speed. And whatever loss in dollars caused by that speed will be more than made up in extra jobs and reduced layoffs.

2. Any machines and materials which can be used should be made available to those who can use them in producing goods the public needs. These machines and materials should be sold in a manner which will assure those who want to go in business the same opportunity to get what they need as that enjoyed by companies already in business.

I want to emphasize that every effort should be made by Government to get the highest price possible for these materials. But, for goodness sake, let's realize that price is secondary to getting those machines and materials back into use to make jobs.

3. We will need prompt settlement of war contracts.

Both the Army and Navy have done a fine job on contract terminations work so far. Settlement time has been cut considerably by both services. And management, especially in those sub-contracting firms which have bills of $10,000 and less, should be no less hasty in filing claims. Three-quarters of civilian employment comes from so-called "small business." It is important that the management of such firms take the lead in getting their bills and accounts property, and speedily placed.

I need not tell this audience that it takes money to pay wages and buy materials. And any delays, whether by Government or business, in this vital reconversion requirement will just put off the time when more workers can have more jobs.

4. However, manufacturers can have all the money there is, but if they are hung up on the purchase of goods and machines by the necessity of going through a handful of bureaus for approval to buy, jobs can't be made in a hurry.

5. There is another key transitional point already widely discussed in Congress and wherever business men assemble. That is the question of prices. Irrespective of the lifting of all other controls upon production, if price control stays with us into and beyond the final victory stage, business and industry cannot be free to function for the best interests of this nation.

I do not intend to argue price policy or the possible dangers of inflation and deflation at this time. I point out that the only cure for any inflation lies in production to the point where there are more goods than idle dollars to bid for them in the open market.

I wish to emphasize that we shall not get that sort of production, nor the jobs it creates, unless prices make possible the payment of fair wages, cover manufacturing costs, and provide some return for the person willing to invest capital in enterprise.

That is simply fundamental economics in a free, competitive enterprise system.

6. There is another consideration which must be kept in mind at this crucial time. It concerns the use of those goods left over from the war program.

After every war there are outcries of waste and public disgruntlement over spending. This conflict will be no different. I dare say the public prints will see more ragged reputations when victory permits us to exchange patriotism for gossip than we can now imagine. It won't matter whether or not this sort of criticism is justified. It seldom does. There will be howling just the same.

It therefore behooves us to make every effort to see that nothing is needlessly destroyed that can serve the public. Needless destruction to clear markets or for other similar excuse is as foolish as tearing out a half grown crop to plant a new one. Let's make jobs by producing things we need and don't have, meanwhile getting full use of what already exists and is paid for in full.

But it is not enough to blueprint the transitional stage of our return to a peacetime economy. This nation must raise its sights and look toward the broad horizon of a permanently healthy business existence. We must look ahead to the full use of our basic political and economic freedoms. We must look for the direct road out of the maze of controls, central plans and other Statist charts.

Regimentation for war was a necessity. All nations walk in uniform during combat. But regimentation for peace will be a calamity despite the pleas of those gentlemen who would like to see permanent governmental rule substituted for the free play of normal economic factors.

This is a free enterprise land. To keep it so in our future, to discharge our obligations to fighting sons and daughters, to keep production high and good jobs plentiful, we need only uphold our basic principles.

Let us proudly state and restate that in this country men can get ahead through individual effort. I want young Americans to uphold their rights to make a million if they can, and we older Americans to do all in our power to encourage them in that pursuit. Let us again respect the simple dignity of thrift. Saving is no sin. And only through private savings can we keep our investment markets alert and active in the building of new enterprises. Let us recognize that the flexibility of our economic system is its greatest asset and keep it free so that it may adjust to meet changing conditions.

And finally, let us hold fast to the fact that production and only production can give us a world of people working and building a progressively greater nation. Let us sell that truth wherever we can for in it we shall have a tomorrow of high living standards, of maximum employment, of good, full, rich American life.

Hard Coal Price Increased $1 a Ton

A $1-a-ton increase in the price of hard coal to householders became effective on June 18 to cover mine wage increases, according to an Associated Press dispatch, which further added:

The ceiling increase, accompanied by price rises of 25 to 50 cents on industrial sizes of anthracite, was authorized by William H. Davis, Economic Stabilization Director, when he approved the new hard coal wage agreement.

The agreement, which followed a three-week work stoppage in May, was approved by the War Labor Board on June 6. It carries a pay increase of $1.37½ cents a day for 68,000 miners and lesser increases for 4,000 other anthracite workers.

OPA studies showed that an increase in coal prices averaging 75 cents a ton for both domestic and industrial users was necessary, Mr. Davis said. He asked OPA to report after the increase has been in effect three months on whether new changes will be required to keep operators' margins at legally established levels.

The price boost is intended to cover an increase in labor costs of 60.7 cents a ton, most of it going to pay the "portal to portal" travel time won by the United Mine Workers of America, headed by John L. Lewis.

Cotton Importers Name Officers at Meeting

Next year's officers of the Cotton Importers Association, Inc., were announced (June 11) after the annual election of the Executive Committees and Chairmen of the Sections, with Elwood B. Kern, Jr., of the firm of Geo. H. McFadden & Bro., succeeding Walter K. Shaw, Jr., as President.

Elwood B. Kern, Jr., has been associated with the firm of Geo. H. McFadden & Bro., for over 20 years. His career in the cotton business commenced at the old Philadelphia office of the firm, which is so well known in the cotton trade, for having aided in the development of many of the industry's leading representatives. In addition to McFadden's Philadelphia office, Mr. Kern served at the Boston office, before coming to New York where he now heads the Foreign Growth Department of the firm.

Ralph Lawson, Manager of the Foreign Cotton Department of Anderson, Clayton & Co., Inc., with offices at Boston, was elected Vice-President of the Association.

In addition to Mr. Kern and Mr. Lawson, the following were elected to serve on the Board of Directors of the Association for the ensuing year:

B. M. Jones of Jones, Gardner & Beal, Inc., Providence, R. I.

H. V. Linehan of O'Donnell Bros., New York, N. Y.

George Emery of E. A. Shaw & Co., Inc., Boston, Mass.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 2723)

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.

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

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

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

Collins Radio—Descriptive data—Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

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

The Cross Company—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available a memorandum on **San Carlos Milling Co., Ltd.**, including a reprint of an article on prospects for those desiring an interesting speculative situation.

Elk Horn Coal Corporation and **Lawrence Portland Cement Co.**—Report on attractive possibilities for price appreciation in these two industrials—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.

Fort Dodge, Des Moines & Southern Railway Company—One-page analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Also available are circulars on **Howell Electric** and **Punta Alegre Sugar.**

Globe American Corporation—Report in detail on the post-war prospects which are considered outstanding by Kneeland & Co., Board of Trade Building, Chicago 4, Illinois.

Guaranty Trust Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

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.

Lehigh Valley Railroad—New circular—J. Arthur Warner & Co., 120 Broadway, New York 5, N. Y.

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

Maine Central Railroad—Descriptive circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

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

Mexican Water Treaty, Imperial Irrigation District, and The Metropolitan Water District of Southern California — Analytical brochure—Kaiser & Co., Russ Building, San Francisco 4, Calif., and 20 Pine Street, New York 5, N. Y.

Michigan Chemical Corporation—Report on interesting growth possibilities and post-war outlook—Kneeland & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

National Candy Co.—A report on the third largest producer of corn products—Newhard, Cook & Co., Fourth and Olive, St. Louis 2, Mo.

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

New England Public Service Co.—Analysis—**Ira Haupt & Co.**, 111 Broadway, New York 6, N. Y.

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

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.

Also an analysis of **Mississippi Glass Co.**

Puralator Products, Inc.—Study of speculative possibility in the preferred stock of a public utility company—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.; TACA Airways; American Window Glass; Interstate Power Co.** and **P. R. Mallory.**

E. H. Scott Radio Laboratories, Inc.—Letter on post-war distribution plans—Brailsford & Co., 208 South La Salle Street, Chicago 4, Illinois.

Also a comprehensive Trustees' Report on **Chicago North Shore & Milwaukee RR.**

Standard Stoker Co. — Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch** and **Lukens Steel.**

Thermatomic Carbon Co.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **American Bantam Car** and a new analysis of **Panama Coca-Cola.**

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

Also available is a circular on **Fashion Park, Inc.**

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

Winters & Crampton Corporation—Memo on current situation—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

No "Santa Claus" In Our Foreign Policy

(Continued from page 2722)

their cooperative efforts to build a new world on the foundations of peace and prosperity.

The delegates there know full well, as their predecessors of 26 years ago failed to realize, that the most elaborate arrangements for the maintenance of political and military peace will soon disintegrate if the world again engages in the type of economic warfare it waged between the two world wars.

Someone has said that it is easier to make war than it is to make peace. He might well have added that it is easier to make peace than it is to maintain peace.

In President Truman's first message to Congress he said "We have learned to fight with other nations in common defense of our freedom. We must now learn to live with other nations for our mutual good. We must learn to trade more with other nations so that there may be for our mutual advantage increased production, increased employment and better standards of living throughout the world."

In the vital work of clearing the channels of international trade, private businessmen can accomplish great good in a field which is peculiarly their own.

Many of the frictions and irritations which disturb international relations are not really the result of basic difference in national interest, but are the product of public misunderstanding, misinterpretation and misinformation.

Through such institutions as the International Chamber of Commerce, international economic problems can be examined and discussed, differences threshed out and common views developed—all in an atmosphere of informality and flexibility such as cannot be realized in official diplomatic negotiations.

To the extent that international consultation of businessmen, of producers, and of trade-union leaders increases public understanding of world economic problems, intergovernmental negotiations are less likely to founder on the rock of public prejudice and misinformation.

If we are to understand what is happening in the world today, we must recognize that the tragic drama which is now gripping our world is more than a world war—it is a world revolution.

This revolution had its beginnings in the dim and distant past when an unknown genius hit upon the idea of the wheel—perhaps the greatest invention of all.

Over the vast reaches of time which have since elapsed, one machine has called for another machine, and another, and so it will be until the end of time.

Man created the machine to lessen his burden in supplying the necessities of life. Little did he realize that the machine would also enormously multiply his wants.

These ever-increasing wants make man more and more dependent upon other men and nations more and more dependent upon all other nations.

Under the impact of the machine, the world continues to shrink rapidly, there is no such thing as isolation, and man now easily destroys in a few days what it took him centuries to build. What new hellish instrument of destruction tomorrow may bring forth no man knows.

Nations must now learn to live together cooperatively for their mutual security and prosperity. If they do not, civilization will be utterly destroyed and man will return to the dark ages.

This is the law of the machine.

Man lived in isolation and independence over such a vast period of time that it is with the greatest difficulty that his mental and spiritual concepts are adjusted to the condition of dependence which the machine and modern civilization impose.

Policy of Expanded World Economy

The foreign economic policy of the Department of State revolves around the conception of an expanded world economy—free and equal access for all nations to the trade and raw materials of the world, increased production, much greater exchange of goods and services between nations, increased consumption and higher levels of living for all peoples everywhere.

Now there is not one single element of the "Santa Claus" philosophy in this policy.

On the contrary, quite aside from the question of future peace, the United States will be one of its principal beneficiaries.

There are only two roads open to us in shaping our economic policies in the post-war world.

We cannot stand still, the world is moving too fast for that now.

We can follow the path of economic liberalism, in keeping with our democratic principles and traditions, without which no peace structure will long stand, or we can take the road to economic nationalism leading inevitably to regimentation, to State trading, to international irritations and retaliations and, in the end, to the creation of an atmosphere in which the seeds of conflict are sown.

I do not believe it is an overstatement to say that most of the other nations of the world will take the same road we take—but they will only take the road to economic liberalism if we give prompt and vigorous leadership.

We have been so busy winning the war that we have had too little time to think about the grave economic problems with which the world will be faced in the post-war period.

But we all recognize that a gigantic job of reconstruction and development is to be done in the world at the end of this war.

The United States is the principal source of supply of the enormous volume of machinery, equipment, tools and technical "know how" which will be required to do this job.

Surely no one can deny that it is in our own enlightened self-interest to help the world get back on its feet.

We cannot long expect to have a high level of employment and prosperity in our country if a good portion of the rest of the world is still flat on its back because of the devastation of the war.

Moreover, as is well known, there has been an enormous expansion during the war in our productive facilities of the very kind of goods that the rest of the world must have for reconstruction and development. So great has been this expansion that it is impossible for the home market to absorb our entire production. Hence, if these plants are to continue to operate and furnish jobs we must find markets abroad for their surplus production.

Greater Exports Needed

To sum up—

We have the goods for sale and the world desperately needs these goods in enormous quantities—the problem of other countries is to find the dollars with which to make payment.

Under these circumstances, does anyone doubt that some way will be found to bring buyer and seller together?

In the final analysis, our customers must pay in their own goods and services. However, this will not be possible for several years for the obvious reason that they will first have to restore and develop their own productive facilities before they can produce a surplus over and beyond their own requirements.

Hence, it will be necessary to grant credits through the facilities of the International Bank for Reconstruction and Development, if its establishment is approved by the Congress—through the Export-Import Bank if the Congress provides it with additional lending facilities—and through other sources, private and governmental.

In all probability our investments abroad, governmental and private, will total some billions of dollars in the first few years after the war, assuming always that we are successful in building a world organization for the preservation of peace which will give reasonable hope that the peace of the world will not again be broken.

Now, for the debtor countries to pay the interest and dividends on such investments and continue to buy our goods, it is absolutely essential that trade discriminations be eliminated and that excessive barriers to the international movement of goods, such as tariffs, quotas, etc., be substantially lowered.

To this end, Congress has been asked to extend the Hull Reciprocal Trade Agreements Act and to give to the President additional authority under the Act so necessary for meeting the conditions with which we shall be faced in the post-war world.

The Hull Reciprocal Trade Agreements Act was passed in 1934. This Act gives the President authority to trade concessions in our import duties on goods we buy from other nations for reductions in their duties on goods they buy from us.

This is merely the application of the principle of good business and of good hard common sense to the job of tariff adjustment.

No one familiar with the exorbitant rates in the Smoot-Hawley Act, many of them running over 100%, can deny that tariff adjustment, selectively and carefully made, is called for.

At the time the Trade Agreements Act went into effect, 11 years ago, the average rate of duty on our dutiable imports under the Smoot-Hawley Act was about 50%.

Under the careful, selective process of tariff adjustment under the Trade Agreements Program, this average rate of duty has been brought down to 35%.

In the meantime, corresponding concessions have been obtained in the import duties of other countries, international trade has been materially expanded and no single American industry can show that it has been seriously injured in the process. On the contrary, the result has been very beneficial not only to the United States but to the rest of the world in pointing the way by which the many devices set up between the two world wars for waging economic warfare could be eliminated and excessive barriers to the interchange of goods and services could be reduced.

Economic Nationalism a Mistake

Unfortunately, World War II has brought about a great increase in State trading and in the imposition of quotas and restrictions of all kinds which have the effect of impeding greatly the exchange of goods and services between nations.

One of the very harmful aftermaths of a great war is the growth of economic nationalism.

We saw this exemplified in marked degree following the first World War.

After that war, we ourselves took the road to economic nationalism, and, in some respects, led the way in that direction.

We were faced at that time with somewhat the same problem that we face today.

The world needed our capital in order to get on its feet again.

We provided the necessary credits in lavish fashion but we accompanied that act with three separate advances in our tariff rates which made it practically impossible for our foreign debtors to make repayment in dollars. They received goods, not dollars, but we asked them to repay in dollars, which they could not do.

The trouble was that our change from a debtor to a great creditor nation was so sudden that we continued to act like a debtor.

Everybody remembers the consequences of that policy. We not only lost our money but we created much international ill-will as well and when we suddenly stopped lending, our exports dried up. These actions of ours played an important part in deepening and widening the depression which followed.

Surely, we must prevent a repetition of the tragic mistakes we made after the first World War.

Most wars originate in economic causes.

The bounties of nature are distributed unequally over the earth.

Some countries are rich in one resource and some in another—still others possess almost no subsoil resources.

Hence equality of opportunity for development in the modern world is only possible if all nations have free and equal access to the trade and raw materials of the world.

It is not enough to say that the raw materials are available to all who have the desire and the means to purchase.

Trade discriminations and excessive tariffs are just as effective in barring access to raw materials as any other method, and are highly provocative.

As the greatest military, economic and financial power in the world, the United States faces colossal responsibilities and opportunities. It cannot meet these responsibilities, it cannot grasp these opportunities in an atmosphere of economic isolationism such as that created by our policies following the first World War, culminating in the Smoot-Hawley Tariff Act, which practically destroyed our international trade and provoked retaliatory measures on the part of 31 nations.

Democracy and free enterprise will not survive another World War.

Out in San Francisco, the delegates of the 49 nations meeting there have recognized the imperative necessity of preventing future economic warfare if peace is really to be preserved. They have, accordingly, elevated the Economic and Social Council of the new world organization to full parity with the Security Council, the General Assembly and the Secretariat.

In reporting this fact, the New York "Times" of June 12 says:

"The Economic and Social Council is charged with dealing with the basic causes of war and seeking their solution through international cooperation before they develop into political and diplomatic problems.

"Among the basic causes of war, the experts point out, are the economic rivalries and social conflicts growing out of access or denial of access to vital raw materials, fair play in world trade and commerce, opportunities for maximum production and employment, free exchange of information, educational progress and general nondiscrimination in world movements of men, money, materials and ideas."

This development with reference to the Economic and Social Council of the world organization shows clearly how far the world has moved in the last 25 years in recognizing the basic causes of war. No such recognition is to be found in the establishment of the League of Nations.

The American people and the American system of government can be trusted to make the right decisions on vital issues so long as the people are fully informed of the facts.

On the issue which we have been discussing this evening, I have no doubt that we shall choose the right road—the road to international economic cooperation—in the interest of world peace and world prosperity.

As the late President Roosevelt said more than once, "This generation has a rendezvous with destiny."

Senate Committee Hears Discussion Of Bretton Woods

(Continued from page 2724)

To do that would take the Fund away. The basis of the Fund's operations is, very largely, at least, cyclical operations. In other words, repurchased currency which a country buys would usually be postponed for a year, or two or three years, and it is true that during that cyclical period that country is going to want assistance. If you are going to prohibit the Fund from undertaking what we economists call cyclical operations, it would mean the Fund would be so handicapped in its operations that no country would accept it."

Dr. White went on to explain that he did not disagree with Edward E. Brown's much quoted statement to the effect that the Russians are expected to use their quota in the Bretton Woods Fund for the purchase of capital goods. Several times during the hearings Dr. White described this as a perfectly proper use of the Fund by a country that had suffered the devastation of invasion. It was to take care of this interest of Russia in the Fund that, when the House Banking and Currency Committee amended the enabling bill to include the word "cyclical" in the definition of the Fund's scope of operations, the word "emergency" also was added, Dr. White explained.

Senator Taft retorted to this: "Perhaps you can interpret it in this way: That the Fund can be used for any purpose." Dr. White explained: "For any purpose that is intended as a stabilization operation. It is to help countries out in periods either of emergency or season or cyclical difficulties. That is precisely what the Stabilization Fund is for."

Elaborating his argument, Dr. White continued:

"Cycle means business cycles. There have been many volumes written on the subject. Or, there is a whole library on whether or not that either extends beyond eight or nine years or beyond four or five years. A 20-year arrangement would be a long-term arrangement and would have no place there. A country like Russia would never do that because the interest rate on such an operation would be phenomenal. You understand, the interest rate increases as the term goes on."

Senator Millikan then suggested that the word "cyclical" admits of long-term operations, but Dr. White testified that this is not true as the word is generally used.

New York State Bankers Testify

The following is the prepared statement read to the Senate Banking and Currency Committee on June 19 by Bernard E. Finucane, President of the Association:

"Mr. Diefendorf and I are glad to appear before you representing the Committee on International Monetary Affairs of the New York State Bankers Association. We also have with us J. H. Riddle, Secretary and Technical Adviser of that committee. Mr. Diefendorf is President of the Marine Trust Co. of Buffalo, and I am President of the Security Trust Co. of Rochester, N. Y.

"As President of the New York State Bankers Association it is my desire to present to you, in the absence of the Chairman of this committee, the report which was written after a long period of study of the Bretton Woods Proposals. A number of experts appeared before the committee, including several delegates to the Bretton Woods Conference and experts from the State Department, the Treasury Department and the Federal Reserve System. The period of study and the taking of testimony ran for about four months, with the result that we have prepared a very careful report for your consideration.

"We hope that this report has been and will continue to be helpful to the members of your committee and to the members of the Senate and House generally. It was written with that thought in mind.

"Our committee approached the study of the Bretton Woods Proposals with complete objectivity and with full realization of the important role which the United States will play in international affairs in the post-war period.

"Whatever differences of opinion may exist as to methods, the committee stated: 'There can be no difference as to the necessity for discussion and cooperation in international trade and in monetary and financial matters. We are mindful that the political and economic interests of the United States are bound to those of the rest of the world. . . .

"'The stated purposes of the Bretton Woods Proposals are of such importance, and their effects, if adopted, would be so far-reaching, that we should have been remiss in our duty had we not approached our task with the determination to bring to it our best efforts. Because of their importance the Proposals should not be accepted or rejected on general or superficial grounds. They should not be rejected if they are likely to accomplish their high aims. They should not be accepted if careful consideration leads to the conclusion that they are less likely to further than to jeopardize those objectives.'

"The committee was in full agreement with the purposes of the Fund but expressed grave doubt as to whether these purposes could be realized by the adoption of the monetary plan. It concluded that the Fund was not a suitable instrumentality for dealing with the tasks that lie immediately ahead. International peace and security, internal stability in each country, and the removal of international trade barriers are the basic problems that demand attention. Until substantial progress has been made in dealing with these fundamentals, real monetary stability cannot be attained.

"More specifically the committee concluded: (1) That the establishment of the Fund at this time will not result in the achievement of economic stability or the elimination of exchange controls, but would tend to perpetuate exchange controls and other restrictions on the free movement of trade.

"(2) That the safeguards are not adequate to assure the sound use of the Fund's resources.

"(3) That the Fund might not be able to function effectively if the trade balance were to run strongly in favor of the United States and the supply of dollars in the Fund were to become scarce.

"(4) That the lack of agreement on the interpretation of the Fund's provisions raises additional doubts as to the feasibility of the plan.

"(5) That the divergence of conditions in the various countries are so great the committee does not think it possible to develop a workable formula that could be applied to all cases.

"As to the International Bank, the committee believes it could play an important role in post-war reconstruction. Through its selective lending for specific constructive purposes, the Bank would not only serve a long-range end but its facilities could be brought to bear immediately on the problems of basic economic reconstruction. The committee further concluded that international cooperation in monetary matters could be facilitated by the Bank without establishing the particular type of credit facilities provided by the Fund.

Recommendations

"The committee recommended for consideration the following:

"(1) That action on the proposal for the International Monetary Fund should be postponed until basic conditions have become sufficiently stable to provide a reasonable chance of its attaining its objectives.

"(2) That the International Bank for Reconstruction and Development be accepted with whatever changes may be desirable. There are certain features of the Fund designed to encourage international monetary cooperation that, in modified form, could be transferred to the Bank.

"(3) That further study and consultation be undertaken to determine how the International Bank might appropriately assume limited stabilization functions, i.e., how and when stabilization loans might be granted, whether this would require additional capital funds for the Bank, and how such funds might be provided.

"(4) That the Johnson Act be repealed, and that the First World War debts and the lend-lease obligations be promptly and equitably disposed of in such a way that they will not present an obstacle to balanced trade relations and international monetary stability.

"(5) That although stabilization of the pound is primarily a British problem, the United States should be ready to cooperate with Britain if invited to do so in any study she may undertake to reach a solution of her reconstruction problems.

"(6) That steps be taken to carry out the recommendations of the Bretton Woods Conference that the participating governments seek to reach agreement as soon as possible on ways and means to reduce obstacles to international trade."

New Amendments Foreshadowed

Current discussions disclose keen interest by several Senators in the House amendments to the enabling bill and in alternative methods which might be found to safeguard the operations of the Fund, as for example by eliminating the words "cyclical" and "emergency," which appear to envisage something more than short-term use.

Williams' Testimony Awaited

Tomorrow's witnesses will include Allan Sproul, President of the Federal Reserve Bank of New York, and Dr. John H. Williams, Vice-President of the Bank and Dean of the Graduate School of Public Administration at Harvard University. Special interest attaches to their appearance, because it is very seldom that Federal Reserve Bank officers appear before Congress, as well as because of the prominent part which Dr. Williams has taken in public discussion of monetary stabilization. At the time the American delegates were being selected for the BW Conference, Dr. Williams' name was prominently mentioned as a logical American representative, but it was known that his views did not coincide with the experts' recommendations published in April, 1944. Whatever the reason, Dr. Williams did not go to BW.

Dr. Palyi Testifies

Melchior Palyi, former Reichsbank adviser and now an American citizen, told the Senate committee today there is no use discussing the Bretton Woods Agreements alone if the U. S. Government intends to extend many other billions of credits to the very same countries which will be members of the Fund and the Bank. From the viewpoint of stabilization, Dr. Palyi holds, there is no real difference between the Fund and the Bank. To him, "the two look like the same thing."

Bretton Woods does not stabilize, but creates disturbing conditions "causing more instability," especially because it does not eliminate foreign exchange regulation." "The most important single unstabilizing factor in the international picture," the witness added, was that "the Fund will finance the purchase of public utility equipment, amortized over a period of 75 years, as readily as it would finance a three months' cotton transaction."

Dr. Palyi stated further that the Bank has fewer safeguards than the Fund, a position which contrasts sharply with the views of American bankers.

How Dr. Schacht Concealed Reich's Gold

Dr. Palyi described one trick used by Dr. Hjalmar Schacht, head of the Reichsbank under the Nazis, to hide Germany's gold reserves. Dr. Schacht wanted the world to understand that the Reichsbank had no more than 70,000,000 Reichsmarks of gold, whereas it actually had more. The excess gold Dr. Schacht lent to the I. G. Chemical Co., which transaction on that company's books appeared as a gold debt to the Reichsbank, but did not show on the Reichsbank's statement as gold reserves, but rather as a debt of the I. G. company. Dr. Schacht then used the resulting bank statement as an argument for not paying Germany's foreign debts.

France's Gold Stock Unknown

Dr. Palyi then expressed the view that the French Government has incomplete information on the gold stock held by private French citizens, which stock, therefore, constitutes a hidden part of France's gold reserve. If the French Government, therefore, cannot collect the gold assets hidden in that country, the Government may rely on the International Monetary Fund, despite its national wealth.

No Fear of Devaluation

Dr. Palyi apparently is relatively unconcerned about "devaluation wars," which he regards now as generally eschewed, even by Lord Keynes, because devaluation serves only as a signal for prices to run away. The instrument of monetary warfare now in vogue, and the one most feared by Dr. Palyi, is foreign exchange regulation, which under the Bretton Woods program the witness finds all too much recognized and encouraged.

Finally, Dr. Palyi intimated he favors the International Fund, but with the elimination of some of the unnecessary loopholes named by him, which in effect provide recognized excuses to members not to pay their debts to other countries. He rejects the International Bank because "it would create a new disequilibrium."

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 23

LIBERTY LOAN CORP. on June 4 filed a registration statement for 65,000 shares of cumulative preferred stock, 50-cent convertible series (par $5).

Details—See issue of June 14.

Offering—Price to the public is $10 per share.

Underwriters—Sills, Minton & Co., Inc., Chicago, is named principal underwriter, with names of others to be filed by amendment.

SUNDAY, JUNE 24

E. R. SQUIBB & SONS on June 5 filed a registration statement for 150,000 shares of $4 cumulative preferred stock (no par). Stockholders will vote June 25 on authorizing the issuance of the new preferred stock.

Details—See issue of June 14.

Offering—Company is offering to the holders of its 56,894 shares of Series A preferred and 42,012 shares of Series B preferred the right to exchange such shares, on a share for share basis, for the new $4 preferred, with adjustment of dividends of 20 cents on each share of Series A and 5 cents on each share of Series B stock exchanged. The remaining 51,094 shares and the unexchanged shares will be purchased by the underwriters and offered to the public at a price to be filed by amendment.

Underwriters — Union Securities Corp. and Harriman Ripley & Co., Inc., head the group of underwriters, with names of others to be filed by amendment.

STERLING DRUG CO. on June 5 filed a registration statement for 125,000 shares of 3½% cumulative preferred stock ($100 par).

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment.

Underwriters—Eastman, Dillon & Co. heads the list of underwriters, with names of others to be filed by amendment.

MARKET BASKET on June 5 filed a registration statement for 42,548 shares of $1 cumulative Series A preferred (par $15) and 85,095 shares of common (par $1).

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment. Of the total registered, 7,188 shares of preferred and 14,375 shares of common are to be offered by issuer, the balance by certain stockholders. The offering is to be made after reclassification of securities.

Underwriters—Bateman, Eichler & Co. and Nelson Douglass & Co.

TUESDAY, JUNE 26

MOORE DROP FORGING CO. on June 7 filed a registration statement for 30,000 shares of cumulative convertible preferred stock and common stock. The dividend rate on the preferred, which will be sold for account of the company, will be filed by amendment. The number of common shares to be registered will be filed by amendment. The common stock is being offered by a number of stockholders. The registration statement also covers 20,000 common stock purchase warrants for the purchase of 20,000 shares of common issuable upon the exercise of the warrants and 120,000 shares of common for conversion of the preferred.

Details—See issue of June 14.

Offering—Price to public will be filed by amendment.

Underwriters—Lee Higginson Corp. heads the group of underwriters.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 200,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

Underwriters—Kidder, Peabody & Co. and First Boston Corp. are named principal underwriters.

PORTLAND GENERAL ELECTRIC CO. on June 7 filed a registration statement for $34,000,000 first mortgage bonds, due July 1, 1975. Interest rate will be filed by amendment.

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale under the Commission's competitive bidding rule and the names of underwriters will be filed by amendment.

COLGATE - PALMOLIVE - PEET CO. on June 7 filed a registration statement for 125,000 shares of $3.50 preferred stock (no par).

Details—See issue of June 14.

Offering—Company expects to offer holders of its $4.25 outstanding preferred an opportunity to exchange such stock for the new preferred on a share for share basis plus a cash adjustment. Cash proceeds to be received from the sale of unexchanged shares to underwriters, together with treasury funds of the company to the extent required, will be applied to redeem at $101 per share plus accrued dividends all unexchanged shares.

Underwriters—Dillon, Read & Co., Inc. head the underwriting group, with names of others to be filed by amendment.

WEDNESDAY, JUNE 27

ELLIOTT CO. on June 8 filed a registration statement for 40,000 shares of 5% cumulative preferred stock (par $50) and 86,406 shares of common (par $10).

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment. Company proposes to call its 5½% cumulative convertible preferred stock and, to the extent that common shares reserved for reconversion of preferred are not issued for such purpose, company proposes to sell such common shares to the underwriter.

Underwriters—F. Eberstadt & Co. is named principal underwriter.

PAN AMERICAN AIRWAYS CORP. on June 8 filed a registration statement for 3,986,522 shares of common stock (par $2.50).

Details—See issue of June 14.

Offering—Company will offer 1,993,261 units to shareholders on the basis of one unit for each two shares held. The unit will consist of one share of common stock and a warrant to purchase an additional share at $18 per share. Rights expire Dec. 31, 1947. Atlas Corp. has guaranteed that stockholders will take up to $25,000,000 of the units and in event the subscriptions fall under that amount Atlas will take up sufficient units to bring the total to $25,000,000, with the right to take in excess of $25,000,000 if it desires.

Underwriters—Atlas Corporation.

THURSDAY, JUNE 28

HAMILTON WATCH CO on June 9 filed a registration statement for 35,000 shares of 4% convertible preferred stock (par $100).

Details—See issue of June 14.

Offering—Preferred shares are being offered by the company to the holders of its common shares at the rate of one preferred share for each 11 common shares at a price to be filed by amendment. The unsubscribed shares will be purchased by the underwriters.

Underwriters — Union Securities Corp., Dillon, Read & Co., Inc., Harris, Hall & Co., Inc., Morgan Stanley & Co. and Reynolds & Co.

BURLINGTON MILLS CORP. on June 9 filed a registration statement for 150,000 shares of preferred stock (par $100). The dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment.

Underwriters—Kidder, Peabody & Co. head the underwriting group, with names of others to be filed by amendment.

A. S. CAMPBELL CO., INC. has filed a registration statement for 18,000 shares $2.50 cumulative preferred stock (no par) with warrants and 18,000 shares common stock (par $1). The common shares are reserved for issuance upon exercise of the warrants.

Address—161 Prescott Street, East Boston, Mass.

Business—Peacetime business manufacture of metal specialties.

Offering—The price to the public will be filed by amendment.

Proceeds—Net proceeds will be used together with funds of Hunt-Spiller Manufacturing Corp., a wholly-owned subsidiary, to pay in full the principal of, together with interest on, the outstanding debenture bonds of Hunt-Spiller which are guaranteed by A. S. Campbell Co.

Underwriting—G. H. Walker & Co. is named principal underwriter.

Registration Statement No. 2-5768. Form S-1. (6-9-45).

MOUNTAIN STATES POWER CO. on June 9 filed a registration statement for $7,500,000 first mortgage bonds, due July 1, 1975. The bonds are to be sold at competitive bidding, with the successful bidder naming the interest rate.

Details—See issue of June 14.

Underwriters—To be filed by amendment.

SATURDAY, JUNE 30

ED. SCHUSTER & CO., INC., on June 11 filed a registration statement for 18,504 shares of 4¼% cumulative preferred stock ($100 par). The total includes 13,679 shares to be sold by the company and 4,825 shares to be sold by certain stockholders.

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment.

Underwriters—Wisconsin Co. heads the underwriting group.

THE TRAILMOBILE CO. on June 11 filed a registration statement for 40,000 shares $2.25 cumulative convertible preferred stock, par $50.

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment.

Underwriters—The underwriters are W. E. Hutton & Co., Paul H. Davis & Co. and Bacon, Whipple & Co.

CUP MACHINE SERVICE CORP. has filed a registration statement for 8,000 shares of preferred stock ($50 par) and 75,000 shares of common stock (10 cents par).

Address—Room 1022 Du Pont Building, Wilmington, Del.

Business—Vending the drink Coca-Cola through automatic cup machines.

Offering—The preferred stock will be sold at $50 and the common stock at 10 cents per share.

Proceeds—The company was organized on April 21, 1945 under the laws of the State of Delaware. The proceeds will be used in the establishment and operation of the business.

Underwriting—None.

Registration Statement No. 2-5772. Form S-2. (6-11-45).

SUNDAY, JULY 1

CONTINENTAL BAKING CO. has filed a registration statement for $16,500,000 20-year 3% debentures due July 1, 1965.

Address—630 Fifth Avenue, New York, N. Y.

Business—Baking and selling of bread and cakes.

Offering—Price to public will be filed by amendment.

Proceeds—Company proposes to apply the net proceeds to the prepayment of its $15,175,000 serial notes. The balance of net proceeds will be added to the company's general funds.

Underwriting—Wertheim & Co. and Lehman Brothers.

Registration Statement No. 2-5773. Form S-1. (6-12-45).

O. K. CO-OP RUBBER WELDING SYSTEM has filed a registration statement for 500 shares, par value $1,000 designated as "participating members shares" and 800 units of $500 each of preferred 7% debenture certificates.

Address—1842 South Broadway, Denver, Col.

Business—Organized as a common law trust on May 7, 1945, to take over the entire businesses of four organizations.

Offering—The securities are to be sold at their par or face value to the owners and operators of O K Tire Servicing Stores and to employees, customers and suppliers of the trust and of the several businesses being acquired by the trust.

Proceeds—The proceeds of $900,000 will be used to pay for the businesses being acquired, to the purchase of equipment etc. and for operating capital.

Underwriting—None named.

Registration Statement No. 2-5774. Form S-1. (6-12-45).

UNION OIL CO. OF CALIF. has filed a registration statement for $25,000,000 2¾% debentures due June 1, 1970 and 250,000 shares $3.75 cumulative preferred stock, Series A (no par).

Address—617 West Seventh Street, Los Angeles, Calif.

Business—All branches of the oil business.

Offering—The offering price of the debentures and preferred stock will be filed by amendment.

Proceeds—Net proceeds will be applied to redemption on or about Aug. 15, 1945, of $25,600,000 3% debentures, due Aug. 1, 1959, at 103¼ and to prepayment on or about July 10, 1945, of 2% promissory notes in the amount of $12,000,000. The remainder of the net proceeds is initially to become a part of the corporation's general funds to partially reimbuse it for capital expenditures made to accelerate refinery expansion for the production of war materials, the search for and development of sources of crude oil and in converting to post war operations. Of the $12,000,000 note issue, approximately $9,600,000 were used for the purchase from American Power & Light Co. of the oil properties and other facilities owned by Glacier Production Co. in Montana.

Underwriting—Dillon, Read & Co., Inc., is to head the underwriting group, with names of others to be filed by amendment.

Registration Statement No. 2-5775. Form S-1. (6-12-45).

MONDAY, JULY 2

PANHANDLE EASTERN PIPE LINE CO. has filed a registration statement for 150,000 shares of cumulative preferred stock (par $100). The dividend rate will be filed by amendment.

Address—1221 Balitmore Avenue, Kansas City, Mo., and 135 South La Salle Street, Chicago, Ill.

Business—Production, purchase, transmission and sale of natural gas.

Offering—Price to the public will be filed by amendment.

Proceeds—Net proceeds will be applied to redeem 133,215 shares of 5.60% cumulative preferred at $108 per share and accrued dividends on Aug. 11, 1945, and any balance will be added to the general working capital of the company.

Underwriters—The underwriting group is headed by Kidder, Peabody & Co., Glore, Forgan & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Registration Statement No. 2-5776. Form S-1. (6-13-45).

WEDNESDAY, JULY 4

SEEGER-SUNBEAM CORP. has filed a registration statement for 500,000 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.

Address—850 Arcade Street, St. Paul, Minn.

Business—Prewar business manufacture of electric refrigerators.

Offering—Price to the public will be filed by amendment.

Proceeds—The net proceeds will go to the selling stockholders.

Underwriters—F. Eberstadt & Co.

Registration Statement No. 2-5777. Form A-2. (6-15-45).

KROEHLER MFG. CO. has filed a registration statement for 11,105 shares of preferred stock ($100 par). The shares are issued and are being sold by certain stockholders.

Address—Naperville, Ill.

Business—Manufacturer of upholstered living room furniture.

Offering—Price to the public will be filed by amendment.

Proceeds—Go to the selling stockholders.

Underwriters—A. G. Becker & Co., Inc., heads the list of underwriters.

Registration Statement No. 2-5778. Form A-2. (6-15-45).

CONTAINER ENGINEERING CO. has filed a registration statement for 25,000 shares common stock (par $10).

Address—Box 1755, Plaza Station, St. Louis, Mo.

Business—It is registered as a manufacturing and distributing company, and its principal business in the manufacture and sale of containers.

Offering—Price to the public is given as $35 per share.

Proceeds—Proceeds from sale of stock for which there is no immediate need will not be allowed to remain idle during the formation of the company but will be invested. Proceeds will be used in the business of the new company.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue. Mr. Ullrich will receive as his commission 20% of the amount received from the sale of each share from which amount he will pay all underwriting, promotion and organization expenses incurred in connection with the issuance and sale of the company's securities.

Registration Statement No. 2-5779. Form S-1. (6-15-45).

EDISON BROTHERS STORES, INC., has filed a registration statement for 50,000 shares of cumulative preferred stock (par $100). The dividend rate will be filed by amendment.

Address—315 Washington Avenue, St. Louis, Mo.

Business—The company and its subsidiaries are engaged primarily in the operation of a chain of retail stores which sell women's shoes, hosiery, handbags, millinery, etc.

Offering—The offering price to the public will be filed by amendment.

Proceeds—Of the estimated net proceeds, $1,560,000 will be used to redeem all of the outstanding 5% cumulative preferred stock convertible until March 15, 1942, at $52 per share and a maximum of $1,575,000 will be used to redeem all of the outstanding 5% preferred stock convertible until Sept. 15, 1950 at $52.50 per share. The balance of proceeds will be available for general corporate purposes.

Underwriters—The underwriting group is headed by Lehman Brothers, G. H. Walker & Co. and Bacon, Whipple & Co.

Registration Statement No. 2-5780. Form S-1. (6-15-45).

THURSDAY, JULY 5

R. J. REYNOLDS TOBACCO CO. has filed a registration statement for 490,000 shares of preferred stock, par $100. The dividend rate will be filed by amendment.

Address—Winston-Salem, N. C.

Business—Manufacture of cigarettes and smoking and chewing tobaccos.

Offering—The company plans to offer to holders of its common stock and Class B common, of record July 7, pro rata rights to subscribe to the new preferred in the ratio of one-twentieth of one share for each share of such stocks held. The warrants will expire July 21. The unsubscribed portion will be offered to the public through underwriters. The price to stockholders and the public will be filed by amendment.

Proceeds—The proceeds will be added to working capital. The need for additional working capital has materially increased especially since 1941 because of the higher prices of leaf tobaccos and the greater volume of business.

Underwriters—Dillon, Read & Co., Inc., and Reynolds & Co. head the underwriting group, with names of others to be filed by amendment.

Registration Statement No. 2-5781. Form A-2. (6-16-45).

SATURDAY, JULY 7

NATIONAL SECURITIES & RESEARCH CORP. has filed a registration statement for 35,000 shares in an investment trust fund, restricted management type.

Address—120 Broadway, New York, N. Y.

Business—Investment company.

Sponsor—National Securities & Research Corp.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5782. Form C-1. (6-18-45).

BRISTOL-MYERS CO. has filed a registration statement for 75,000 shares of 3¾% cumulative preferred stock (par $100).

Address—630 Fifth Avenue, New York, N. Y.

Business—Dentifrice, medicinal, cosmetic and toilet preparations, etc.

Offering—Price to the public will be filed by amendment.

Proceeds—Will be added to the working capital of the company and will be available to put the company in a position to acquire additional plant, equipment and laboratory facilities, should a favorable opportunity arise in the future and such a development appear advisable.

Underwriters—Wertheim & Co. will head the underwriting group.

Registration Statement No. 2-5783. Form S-1. (6-18-45).

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 due 1960 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 $7.50 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.

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.

FAIRMONT CREAMERY CO. on May 29 filed a registration statement for 60,000 shares of preferred stock, 4% ($100 par) and 62,773 shares of common stock (no par).

Details—See issue of June 7.

Business—Dairy industry.

Offering—The company is offering 40,000 shares of the new preferred on a share for share basis to the holders of a like amount of outstanding convertible preferred stock and is offering 42,773 shares of new common to holders of common at the rate of one share for each ten shares held. The subscription price will be filed by amendment. The remaining 20,000 shares of new preferred and any unexchanged shares purchased by the underwriters will be offered to the public at a price to be filed by amendment. The remaining 20,000 shares of common are to be issued by the company solely for the acquisition of additional property.

Underwriters—To be supplied by amendment.

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 61,965 shares of common stock, one cent par value. The shares are being sold by certain stockholders.

Details—See issue of May 3.

Offering—Price to the public will be $5.50 per share.

Underwriters—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

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.

RACQUET CLUB OF WASHINGTON, D. C. on May 25 filed a registration statement for $492,300 extension first mortgage 3% bonds dated Jan. 1, 1945, to mature Jan. 1, 1965, to replace a like amount of bonds which matured Jan. 1, 1945. The University Club of the City of Washington (guarantor) joined in the application.

Details—See issue of June 7.

Underwriters—None named.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Business—Oil and gas business.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

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.

UTAH OIL REFINING CO. on May 28 filed a registration statement for 198,828 shares of common stock (par $5).

Details—See issue of June 7.

Offering—The company is offering to its stockholders the right to subscribe to one new share at $9 per share for each six shares owned on the record date. Standard Oil Co. of Indiana, the holder of 75.2% of Utah's outstanding common stock, will subscribe to 149,523⅚ shares of the new stock.

Underwriters—None named.

Is the Stock "Boom" Approaching Its End?

(Continued from page 2721)

In April, 1942, Germany was on the crest of the wave and only hardy and optimistic souls were convinced of ultimate Allied victory. Today Germany is prostrate.

In April, 1942, domestic political unity was in a bad way; today, the United States is united as it has not been in years.

Since April, 1942, American corporations have greatly reduced their debt—by billions—and have vastly increased their liquid and capital resources.

Since April, 1942, the cash resources of our citizens have been increased by many additional billions, making our plethora of money greater than any ever before witnessed.

Since April, 1942, American industry has performed miracles in production, has earned the admiration of the world, correspondingly abating the punitive attitude held against it since 1929.

This recital could go on indefinitely. It would also be possible to draw up a list of things to be feared, but they are sufficiently publicized and the contrast should be marked well—Americans in the past have not been intimidated by their fears but regarded them as challenges. 1932 has indeed left its bitter fruit.

How, then, ought we label the 80% advance in the Dow Jones average that has occurred since April 28, 1942? It is true that many a "boom" in the past did not attain similar proportions. But what of the low point from which it started? That low point was undoubtedly the tail-end of the great depressions of 1929-1932 and 1937-1938, complicated by the dark international horizon. Suppose we set up some contrasts:

	April 1937	April 1942	June 1945
F.R.B. index industrial production	124	171	231
Dow Jones industrial average	†170.13	‡92.92	§167.16
Yield on industrial average	4.01%	7.65%	3.98%
Earnings on industrial average	*$11.49	*$10.65	**$10.08
Price-earnings ratio	14.89	8.75	16.58
Brokers' loans	$1,159,000,000	$420,000,000	$653,000,000
New capital issues	317,092,000	262,000,000	¶
Yield, 10 highest grade bonds	3,32%	2.75%	2.61%

*Full year. **At rate of first quarter. †April 28, 1937, after peak of 194.40. ‡April 28, 1942. §June 7, 1945. ¶Not comparable owing to Seventh Loan Drive.

The preceding tabulation is interesting chiefly for the restraints it shows. In the face of extraordinarily high production, earnings have receded, reflecting excess profits taxes. When the war ends such taxes will be modified or eliminated, but there is little disposition to discount this factor. Bond yields have fallen so low that the pressure to employ funds at better rates would, under other circumstances, be tremendous, yet such pressure does not now appear. But there is one inference to be drawn: it is that the April, 1942, price level was one of the most peculiar in the history of American markets. We believe it can be explained only on the ground of war hysterics. Otherwise, why should we have experienced so persistent a downtrend in prices in the face of an equally persistent uptrend in earnings from 1938 on? However, generalizations based on the Dow Jones averages leave much to be desired in attempting to form valid conclusions with respect to markets.

But to return to the question of how to label and classify the advance in prices that has occurred in these past three years.

In our opinion this period should be defined as a series of successive readjustments to developments taking place. Not to make a mystery of our views as to the future, we think that there are further upward readjustments ahead. Let us consider the several preceding movements.

Beginning with 1939 we find that outbreak of the war was followed by a brisk and possibly excessive advance in "war" stocks and a corresponding rush to sell so-called "peace" stocks. This, obviously, was an effort to adjust holdings to some semblance of logic, mistaken though it proved.

In 1940, when the war really got under way and the Germans blasted their way of conquest through Europe, prices collapsed. This, clearly, was again an effort to adjust to the patent dangers to the civilized world.

By 1941 a new set of factors began to assert itself. It was the result of this new influence that caused groups of securities to adjust themselves to the facts of earnings and similar considerations, though the war clouds became blacker and blacker. To illustrate, we shall cite but one of these incipient adjustments, namely that in the defaulted rail bonds.

In May and June, 1940, the Dow Jones average of defaulted rail bonds dropped to a low of about 7.25% of face value. The following table shows the subsequent departure from the pattern in stocks:

Defaulted Rail Bond Average

Year	Year-End Final	Year's Range
1940	11.84	12.56 — 7.23
1941	13.41	16.86 — 10.78
1942	20.47	22.41 — 13.99
1943	33.59	35.01 — 20.60

The rest is history, and at the time of writing the defaulted bond average stands at 57.48%. Truly an enormous gain, when measured in percentages, but what of the vast earnings, the huge reductions in debt, the large liquid resources created during the period? We could tell simliar stories of the "second grade" rails, the oils, textile stocks, real estate bonds, and so on. It will scarcely be disputed that the defaulted rails, and the others, adjusted themselves to visible facts; they recovered from price levels driven to ridiculous lows. Other reasons may dictate caution, but are these prices too high merely because they have been moving up for three years? We think not.

Another phase of readjustment followed immediately upon the fall of Mussolini in July, 1943. Coming unexpectedly, the market had no chance to orient—or discount—the event. There followed a rush out of "war" stocks and into "peace" stocks. Again, a period of readjustment, the effects of which on prices may still be observed in the disequilibrium existing between these two major groups.

Then there were the several periods of discounting "D" Day, the liberation of France, the crossing of the Rhine, the collapse of Germany, Japanese "peace feelers," reconversion, and all that. These efforts to anticipate are, and probably will continue, an influence in the market. But the successive attempts proved more feeble and of shorter duration. Belatedly, the fundamental fact was realized that peace is bullish and that its approach was to be hailed, not feared, for its effects on the national economy.

Moreover, there is a surprisingly large body of opinion to the effect that we face an advancing market of large proportions, only that a "correction" must be first experienced. There must be thousands of persons with large uninvested resources patiently awaiting this decline before taking the plunge. We have found that markets seldom respond to open invitations to sell so that these people may buy.

Upon the foundation laid in the foregoing, and for reasons that follow, we shall make this assertion:

The stock market is entering upon another period of selective movements, continuing the process of group adjustments to prevailing and prospective conditions, the main trend continuing toward higher price levels. Expressed in another way, we think that some groups have risen about as much, and in some cases, perhaps a little more than they should have, while others remain laggard and consequently will rise to a point where the equilibrium is again restored.

For example, it may very well be that some of the "peace" stocks, more especially motors, various merchandising issues, and even building stocks, air transportation, and chemical issues have run ahead of themselves. But steels, oils, railway equipments, and even railroad shares and utilities have had relatively limited advances. Aircraft manufacturing stocks appear cheapest of all groups, statistically, but that is another story—one which investors may find too unsettling for their attention.

It is in these backward groups that we expect to experience the next upward surge in market prices. We shall show just a few examples:

	Chrysler	Bethlehem Steel	Baldwin Locomotive	Stand. Oil Calif.
Present price	115	79½	30¼	43
1944 earnings	$5.70	$9.93	$3.81	$3.34
High in 1937	135¼	105½	23¾	50
1937 earnings	$11.66	$7.64	32c	$3.17
Price-earnings ratios 1944	20.2	8.0	8.0	12.8
Price-earnings ratios 1937	11.6	13.9	—	16.0
Dividends 1944	$3	$6	$1.50	$2
Dividends 1937	10	5	—	2
Yield 1944	2.61%	7.55%	4.96%	4.65%
Yield 1937	8.70%	5.21%	—	4.00%

Having spent much time in trying to indicate precisely the type of market we face, we wish also to devote some of it to the reasons why we think higher, if selective, price levels are in prospect. These follow:

1. The enormous accumulation of idle money.

2. Continuation of low money rates.

3. Plainly visible inflationary influences.

4. Excess profits tax payment carry-backs which will largely offset reconversion costs.

5. Prospects for reduced taxes after V-J Day.

6. Domestic political unity.

Of these factors, the most powerful is the pressure of money which, soon or late, must seek employment. Naturally much of it will be expended in satisfaction of deferred wants. But vast quantities are pressing for employment, which pressure, coupled with the low interest rates needed by the Government, must have the effect of lifting equity values. This process has, in fact, been perceptible for some time and in a strictly orthodox manner, i.e., successively, the down curve in high-grade bond yields, decline in secondary bond yields, in preferred stock yields and elevation in common share prices. Ranking next in phychological importance is, we believe, the implications of reestablished internal political unity.

We realize that the immense problems of reconversion comprise factors that will undoubtedly have repercussions on the market and on prices. However, the effects will not be uniform and numerous industries will encounter practically no difficulties in returning to peace-time operations. Moreover, we doubt whether the public at large realizes the extent to which the path of reconversion will be smoothed by the carry-back of excess profits tax payments. Without going into details, which we shall reserve for future comments, we think it can safely be said that the ultimate cost of reconversion will prove relatively small in its effects on corporation earnings.

Still another fear obsesses the mind of many people. It concerns the drive that is in full swing, in certain Washington circles, to curb "speculation" by means of punitive taxes, either with or without extension of the present holding periods. What success this drive will have cannot be predicted with assurance. We believe, however, that the weight of opinion against such ill-advised steps is greater than the influence of their proponents. It is our opinion, moreover, that good sense and appreciation of the role that venture capital must play in the post-war world will retain the upper hand.

To summarize: we believe the stock market has a considerable distance to go before any serious reaction should be expected. We believe the rise will be selective rather than general, and we think, also, that the bargains should be looked for in the laggard groups. We counsel against fear of the price level merely because the recovery has lasted three years.

Recommended for purchase are various issues in the steel, oil, railway equipment, railroad and utility groups. Consultation with us is invited with respect to particular issues, since we believe that the requirements of the individual investor should determine the selections.—BENDIX, LUITWEILER & CO. (Investment Department).

Mallory, Adee & Co. To Admit Two Partners

Mallory, Adee & Co., 120 Broadway, New York City, members of the New Stock Exchange, will admit Herbert L. Wisner and William I. Zabriskie to partnership on July 1. Mr. Zabriskie was formerly a partner in Henderson, Harrison & Co. In the past Mr. Wisner was a partner in Penington, Colket & Wisner.

Standard Security Co. Formed by Flackman

Harry Flackman has formed Standard Security Co. with offices at 115 Broadway, New York City, to engage in the securities business. Mr. Flackman was formerly a partner in F. H. Winter & Co.

Truman Signs Flood Bill

Legislation appropriating $20,055,000 for emergency flood control projects and $2,200,000 for additional aid to States for emergency maternity and infant care has been signed by President Truman, according to Associated Press advices from Washington, June 12.

Canadian Reconstruction Report Opposes Currency or Trade Blocs

Holds, Even on a Temporary Basis, These Devices Contribute to Economic Disorder and Hamper World Economic Recovery.

In a "White Paper" entitled "Employment and Income, With Special Reference to the Initial Period of Reconstruction," the Minstry of Reconstruction of the Government of Canada, though not mentioning imperial preference arrangements and the plan of a "sterling area" discountenances "even on a temporary basis" any scheme of currency and trade blocs or "applying discriminatory treatment of trade with other countries." This view is contained in the section of the report dealing with problems of post-war export trade. The report states:

"The Government is looking to an expansion of total world trade, within which other countries as well as Canada can increase their exports. The expansion of Canadian exports will be one phase of an expanded Canadian economy which will require for its use greatly increased imports. The expansion of exports is not looked on as a means by which unemployment is to be transferred from this to other countries, nor is the contraction of Canadian imports any part of the Government's employment policy.

"The conditions under which post-war trade can reach higher levels than before the war are not, in any large degree, under the direct control of the Canadian Government. They must be achieved by collaboration with other governments, and particularly, in view of the direction of our trade, with the governments of the British Commonwealth and of the United States. The great wartime increase in the output and exchange of goods was also dependent on close collaboration among these governments. Post-war collaboration along equally bold and imaginative lines is essential if expanded world trade is to reinforce domestic employment policies and contribute to freedom from want.

"International security and freedom from threat of war are the first objects of collaboration and are essential prerequisites of international economic prosperity.

"The Government has pressed and is continuing to press actively for a wide collaboration in the reciprocal reduction and removal of trade barriers, especially trade barriers of an arbitrary and discriminatory type. Agreements must be reached at an early date so that a dependable framework may be set up for the reconversion of war industries in all countries and so that vested interests may not become entrenched in war-time trade restrictions. Having regard to the widespread character of our trade, the Government attaches special importance also to the reconstitution of multilateral trade on a firm basis and arrangements under which the proceeds of our exports may be spent wherever we desire to obtain our imports.

"It is with these objects in mind that the Government has participated in the development of the plans for the International Monetary Fund and the United Nations Bank of Reconstruction and Development on which agreement among experts was reached at Bretton Woods in July last.

"The Monetary Fund plan would assure comparative stability of exchange rates and, where change was desirable, would substitute for competitive depreciation of exchanges an orderly process of change following international consultation. It would outlaw the discriminatory currency practices which turned trade into economic warfare. When it was fully in operation, it would assure the convertibility of the proceeds of our sales abroad into whatever currencies we required for our current needs. It would give to each member country for the purposes of its current balance of payments an assured, though limited, line of credit to serve as a buttress to policies directed to the expansion of employment.

"The regular transfer of capital from surplus to deficit countries for purposes of reconstruction and development is essential to the expansion and stability of international trade. The Bank of Reconstruction and Development would provide through an international institution for a needed revival of international investment.

"In the interest of Canadian and world prosperity and of peaceful collaboration among nations, the Government endorses these plans and hopes that Parliament will in due course approve the draft agreements. In reaching this view, the Government is mindful of the possibility that Canada might, as a member of both institutions, occupy the position of a "creditor" nation.

"Officials of the Government have participated in preliminary discussions looking to agreements which would assure greater stability in international markets for food and raw materials and in equally preliminary discussions concerning international private agreements commonly known as cartels. These discussions will be pursued actively with the object of reaching agreements which will contribute to the stability and welfare of this country as of other countries.

"In pressing for international arrangements which would permit and encourage the expansion of world trade, the Government is impressed not only with the importance of trade from the point of view of the Canadian economy, but is also convinced that a high degree of freedom of trade is thoroughly compatible with, and necessary to, a balanced program for promoting a high level of employment and income.

"The above are proposals, in varying stages of discussion and agreement, for establishing enduring international economic arrangements under which the nations of the world might share prosperity and plenty rather than poverty and depression. Rapid progress must be made in reaching agreements on these lines if temporary expedients to meet immediate problems are not to thwart long-term solutions.

"Such long-term agreements will not, in themselves, however, meet fully the international economic problems which will confront the world in the transition period following final victory in the Pacific. Our Allies whose territories have been overrun by the enemy and the United Kingdom, which has spent its substance without stint in the common cause, will face very difficult balance-of-payments problems when Lend-Lease and Mutual Aid come to an end with the close of the Pacific War. The Government is concerned lest these difficulties should lead to the establishment, even on a temporary basis, of currency or trade blocs applying discriminatory treatment to their trade with other countries. Such a development would contribute to economic disorder, and hamper economic recovery throughout the world. The problems which give rise to these possible developments are not to be solved by the nations concerned, acting alone or in exclusive association with the other countries sharing these particular trade difficulties, but by international collaboration as far-sighted as that undertaken during the war. Convinced that these countries will again establish their trade and industry and that our historic peacetime trade with them can be re-established, the Government is willing to extend to such countries, to enable them to accomplish this transition, adequate credits to finance, to the degree necessary, their import requirements from Canada. In the view of the Government, appropriate terms for repayment of these credits would recognize unequivocally the dependence of such international debt payments on the expansion of world trade and ample markets for the exports by which credits must be repaid.

"The Government is prepared to press through collaboration with other Governments for stable solutions to this and related problems."

W. J. Banigan & Co. Opens Scranton Office

SCRANTON, PA.—W. J. Banigan & Co., New York investment firm, has opened a branch office here in the First National Bank Building.

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