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The COMMERCIAL and FINANCIAL CHRONICLE

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London Comment

By HERBERT M. BRATTER

No Likelihood of Revolution in Britain—International Chamber of Commerce Council Entertained—Bretton Woods Likely to Be Ratified but Fixing Pound's Status a Problem — Franc Devaluation in Offing—Uncertain Status of Bank of England Moderation on Nationalization — Problem of Streamlining British Bureaucracy.

Herbert M. Bratter

LONDON, ENG.—England may have gone Labor, but it was not noticeable in the crowds which thronged the grounds before Buckingham Palace to cheer Their Majesties as they rode in the rain to the opening of Parliament on Britain's V-J Day. Those who fear revolutionary changes in Britain's economic system overnight might do well to reflect on a weathered wooden sign which today hangs nailed to a tree in peaceful Kew Gardens in London. It reads:

"The Queen earnestly trusts that this unique spot may be preserved in its present beautiful and na-

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Essentials for Post-War Trade

By WINTHROP W. ALDRICH*

President of the International Chamber of Commerce
Chairman of Board, Chase National Bank, New York City

In Describing the Plans of the Revived International Chamber of Commerce, Mr. Aldrich Points Out the Need of Cooperation Among the Great Powers. Calls for a Reduction in Trade Barriers and in the Regimentation of Both Foreign and Domestic Commerce As a Means of Expanding World Trade and Promoting Private Competitive Enterprise. Attacks International Cartels and Commodity Agreements and Sees Grave Dangers in Artificial Low Interest Rates and Easy Credit Conditions Induced by Government Policy.

It is an honor and a pleasure for me in this moment of victory to come here today as the guest of the American Chamber of Commerce in London. Such of you as are my countrymen, have the good fortune to live in this great cosmopolitan center and by your daily activities to demonstrate the extremely important fact that the economic welfare of Britain is inseparably bound up with the economic welfare of the United States. Such of you as are British subjects, not only by your reception of American visitors like myself, but by your daily cooperation with American business as represented in this Chamber, prove that you realize fully that each of our countries exercises a decisive influence on the economic well-being of the other. I am sure that all of us agree that it

W. W. Aldrich

*An address by Mr. Aldrich at a luncheon meeting of the American Chamber of Commerce, London, Eng., Aug. 20, 1945.

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Current Economic Fallacies

By W. A. PATON*

University of Michigan, School of Business Administration

Professor Paton Points Out the Principal Current Economic Fallacies as: (1) That Maintaining Scarcity of Economic Goods Is a Route to Prosperity; (2) That Efficiency and Output Should Be Restricted to Create More Jobs; (3) That the Provisions for Economic Security Can Be Accomplished by Governments Merely Paying Out Money to Make Everyone Prosperous; (4) That the People Can Live on Their War Savings Without Producing; and (5) That Government Can Continually Capitalize Deficits. Sees No Substantial Debt Reduction and Warns That Government Bonds Are Not Merely Purchasing Power.

Questionable thinking regarding economic activity has paralleled the development of our present economic processes. Primitive man had his fallacies, but they were largely of another kind. The only business cycle with which he was familiar was the feast or famine accompanying the varying fortunes of the hunt and the changing seasons; he and his immediate group consumed his entire production; there was no organized market, no monetary and banking system, and such terms as capitalism, investments, Government debt, minimum wages, etc., were not included in the vocabulary.

Dr. William A. Paton

*A radio address made from Ann Arbor, Mich., earlier in the month by Dr. Paton.

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Full Production and Full Employment

By PHILIP MURRAY*

President, Congress of Industrial Organizations

Prominent Labor Leader Recommends (1) Immediate Raising of Basic Wage Rates; (2) Continued Price Control to Curb Profiteering; (3) Increasing Unemployment Benefits; (4) Passage of Full Employment Bill and Wagner-Murray Social Security Amendments; (5) Increased GI Mustering Out Pay; and (6) Tax Revision for Lower Income Brackets With "Carry Back" Provisions for Individuals. Calls for United Effort of Labor, Management and Government to Avoid Industrial Strife, but Does Not Expect Outbreak of Strikes.

Philip Murray

I do not have this evening any inside stories. I cannot tell you what is going on behind the scenes. I want to discuss with you some mutual problems.

There are millions of Americans—tonight—who are very severely worried. Many have lost their jobs—they received a pink slip advising them that they need not return to work until further notice. Others have had their work-week sharply reduced, which means a very drastic cut in wages. There are many other workers who are now waiting with grave anxiety for that pink slip.

*An address by Mr. Murray over the American Broadcasting Company, Aug. 19, 1945.

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The Stock Market During Period Of Reconversion and Beyond

By DR. WILLIAM F. EDWARDS*
Partner, Naess & Cummings, New York

Dr. Edwards Recounts the Forces That Produced the Bull Market Which Brought Prices to Highest Level in Eight Years, and Which, He Maintains, Fully Reflected Current Earnings. Expects Further Decline Which May Bring Prices Below Justifiable Values, and Believes That Disturbing Readjustments Can Be Looked Upon "As An Investment Opportunity to Ultimately Realize Substantial Profits."

It is hard to consider today the investment outlook and not become as confused as the city boy who, on his first visit to the country, tried to understand how a black cow could eat green grass and give white milk.

Dr. Wm. Edwards

At this milestone in history, many investors look into the future and see justification to be strongly bullish over the prospects for business and the stock market. There is much to support this point of view. However, if even the most optimistic investor takes his eye off the longer-term economic ball and concentrates upon the near-term handicaps, he will become concerned over the prospective score.

Investment success at this important turning point depends upon a proper diagnosis of the conflicting forces that come into play with V-J Day. Appropriately, therefore, in this close to the market discussion, my emphasis will be to present thoughts and market determining information that may lead toward a profitable balancing of these intermediate and longer-term forces.

Strong Bullish Forces

As a logical starting point for this excursion into the prospects for the stock market, we should keep constantly in mind the background leading up to the current phase of the market. It has been certain for a long time that the Allies would win a complete vic-

*An address by Dr. Edwards delivered before the New York Society of Security Analysts, Aug. 17, 1945.

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Penington Colket Co. To Admit Partners

PHILADELPHIA, PA. — John S. P. Makiver will be admitted to general partnership and G. Dawson Coleman and Edwin H. Vare, Jr. to limited partnership in Penington, Colket & Co., members of the New York and Philadelphia Stock Exchanges, as of Sept. 1. They will make their headquarters at the firm's Philadelphia office, 123 South Broad Street.

Mr. Makiver in the past was a partner in Donoghue & Makiver.

Will a Higher Minimum Wage Law Help Labor?

Professor Hastings Says It Would Decrease Employment, Raise Prices, Disturb Spreads Between Skilled and Unskilled Wages, Reduce Buying Power of Wages and Savings, Lower Benefits of Social Security Payments and Would Cause Loss to Endowed Institutions' Services to Working Classes.

In a radio talk on Aug. 5, over Station WTIC in the series, "Yale Interprets the News," Dr. Hudson B. Hastings, Professor of Economics at Yale University, pointed out objections to the bill now pending in Congress to raise the Federal legal minimum wage to 75¢ per hour. Professor Hastings was interrogated by Mr. Mullins of the radio company's staff and the questions and answers are herewith given in full:—

Prof. H. B. Hastings

Mr. Mullins: We have heard recently that identical bills have been introduced in the House and the Senate which would set a minimum wage that is much higher than what is now in effect. At first glance it would seem that this bill would help labor considerably. Would you tell us what the new bill calls for, Mr. Hastings?

Mr. Hastings: I would be glad to, Mr. Mullins. The principal provision of this bill would set a Federal legal minimum wage of 65¢ per hour for the first year following the passage of the Act, 70¢ for the second year, and 75¢ for the third year and thereafter.

Mr. Mullins: Mr. Hastings, what would you say are the ideas and motives of the official sponsors of this Act—those who will strongly support it?

Mr. Hastings: Well, Mr. Mullins, Senator Pepper who heads the list of 10 sponsors in the Senate stated: "It is my firm belief that an increase in the statutory minimum wage is a necessary step in bringing about an orderly reconversion of our country to a peacetime economy. The end of the war in Europe and the good news from the Pacific raises the immediate problem of how we can assure continued full production or at least something like the high level of production we have achieved during the war."

In other words he subscribes to the generally popular idea that if we **arbitrarily** increase the number of dollars in the weekly pay envelopes we are therefore certain to increase the number of units of goods and services which will be bought by consumers and therefore increase the total number of workers employed.

Organized labor is strongly supporting the bill not only for the reason stated by Senator Pepper but also because it will give them a substantial, and indeed a reasonable argument, for asking for an increase in the wages of the semi-skilled and skilled workers in order to preserve the tradition-

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Truman States Reconversion Policy

President Issues Executive Order Giving Directives to Federal Agencies "In Order to Promote a Swift and Orderly Transition to a Peacetime Economy."

President Truman on Aug. 18 issued an executive order "providing for assistance to expanded production and continued stabilization of the national economy during the transition from war to peace" and giving policy directives and guiding principles to the various Government agencies in order to carry out the general plan. He urged prompt and concerted action in the reconversion process and all necessary action toward that end that can be taken without endangering the national stability and economy. He mentioned, among other things, as the goal to be attained the removal of controls over prices, wages, materials, and facilities and a restoration of collective bargaining and a free market. Wage increases will be permitted when they entail no rise in prices.

President Truman

The text of the order follows:

Executive Order

Providing for assistance to expanded production and continued stabilization of the national economy during the transition from war to peace and for the orderly modification of wartime controls over prices, wages, materials and facilities.

By virtue of the authority vested in me by the Constitution and the statutes of the United States, and particularly the War Mobilization and Reconversion Act of

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SEC Hearing Set on Recent NASD By-Law Amendments

Projected SEC Hearing on NASD By-Law Amendments a Healthy Sign. Should Have Been Set Down for After Labor Day to Afford Interested Vacationists Opportunity to Be Represented. Dealer in Securities Comparable to Any Other Merchant. Professional Tinge Not Properly Applicable to Him. Who May Appear Before Commission.

10 A. M., Friday, Aug. 29, at Philadelphia, is the time and place of a hearing set by the Securities and Exchange Commission to pass upon recent amendments to the NASD by-laws which provided, among other things, for registration of salesmen, traders and others.

Although the notice is much too short, the summer an inopportune time since many who are interested are on vacation, and after Labor Day would be more suitable, we nevertheless believe this hearing to be a healthy sign. It will afford a needed opportunity to air the pros and cons.

This brings us to a coined beguiling phrase which was used to beat the tom toms in support of the instant amendments.

What is this drooling drivel about giving the securities industry a "professional tinge"?

Are its adherents aware that the term "professional" is frequently used in a derogatory sense? For example, one speaks of a professional gambler or a professional criminal.

Will the authors, sponsors, and protagonists of this policy, which they represent to have advantages, tell us in detail what it encompasses? We insist that they owe us the blueprint which will disclose the truth or lack of truth of their proclamations.

What is there about the merchant in securities which requires that he assume a status similar to that of a lawyer or a doctor?

For our own part, we can readily understand why such comparisons would prove particularly odious to merchants in securities. For centuries criticism of the lawyer by the public generally, by authors, poets, musicians, etc., etc., has been a wholesale stock in trade.

If the so-called "professional tinge" were limited to those who by law are required to register with the Securities and Exchange Commission under the Investment Adviser's Act, we would say that the recommendation had some sense. After all, investment advisers are paid specifically for the advice they give. Giving advice and being paid therefor constitutes their particular job.

However, as we see it, the dealer in securities differs in no respect from any other merchant. To him we must look

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Looking Ahead

Deteriorating Dollar a New Factor in the Stock Market

Our broad opinion on the stock market has not been changed from that expressed on Dec. 5, last. Then our general conclusions were: "The Dow Jones Industrial Average will have a substantial advance in the first six months after V-E Day, such a rise will be much greater in percentage than during 1944 to date, and certain groups will do markedly better than the Dow-Jones Average. Of course that means also that we do not expect any important reaction (from current levels) in good industrial peace shares, either after V-E Day or during our reconversion period. As for the general run of rails and utilities, our attitude is quite indifferent at best.... The end of next year [meaning 1945] should witness the Dow-Jones Industrial Average at a level rather sharply higher than it is today with such stock groups as aircraft manufacturing, air transport, cement, department stores, metals, automo-

John H. Lewis

(Continued on page 834)

Edwin Herzog to Be Lazard Freres Partner

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will admit Edwin H. Herzog to partnership in the firm on Sept. 1. Mr. Herzog was formerly a partner in Shields & Co.

Viner to Admit Moss

Sidney W. Moss will be admitted to partnership in Edward A. Viner & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, on Sept. 1.

Visitors to Wall Street

Henry G. Isaacs and Charles Ivey, of Aycock & Company, Royster Building, Norfolk, Va., paid Wall Street a visit on their way to Boston recently.

Full Employment—Who Is Responsible?

By C. W. GREEN*

N. Y. Regional Manager, Committee on Economic Development

Mr. Green Asserts That the National Output of Goods and Services Must Be Increased From 30 to 45 Per Cent, With a Gross Output of From $155 to $170 Billions if Postwar Full Employment Is to Be Attained. Holds That to Attain This End (1) There must Be Expansion in Private Enterprise; (2) There Must Be a Favorable Climate for Expansion and New Businesses, and (3) There must Be Freedom From Industrial Strife. Says Responsibility for "Full Employment" Is Not Exclusive Province of Manufacturers and Industrialists, But Must Be Shared By Agriculturists and Distributors as Well.

The Committee for Economic Development in its approach to the problem of high levels of employment deals always in the premise that expansion of all American business, the raising of its sights, will result in a higher national economy with higher levels of employment. Its basic objective is the location of 7 to 10 million more jobs than were available in 1940.

C. W. Green

As far as the general public is concerned, rightly or wrongly, the yardstick which they use in measuring the performance of the economy is jobs. Therefore, having available a plenitude of productive peacetime jobs would seem to be of such consuming importance that it would be desirable to attempt to find answers to questions about those jobs, such as:

HOW MANY will be needed?
WHEN will they be needed?
WHERE will they be found?
HOW can they be created?

Plans for providing this greatly expanded employment must be ready to put into action quickly, because the period of greatest crisis may well be that between the fall of Germany and that of Japan. Our domestic economy is already confronted with a high percentage of the problems that total peace will bring. Cutbacks in war production have thrown millions of men out of employment and the probabilities are that the armed services are also beginning to release men. If we—Industry, Commerce and Agriculture—don't have plans ready to get these men back into civilian jobs as quickly as possible; if we are not prepared to deal with these problems now that Germany has fallen, partial peace may bring a partial paralysis of our economy. This would be disastrous, not only from the standpoint of winning the peace, but also that of finishing the war with Japan in the shortest possible space of time. Confusion and chaos on the home front would delay the day of ultimate victory; high and sustained civilian morale, based on confidence in the future, will hasten it.

Where Will These Jobs Be Found?

Employment is found in only two fields — Private enterprise

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*An address by Mr. Green at the Colgate Conference, Hamilton, New York, August 2, 1945.

Farmers Beware!

By ROGER W. BABSON

Post-War Farm Prices Discussed

BABSON PARK, MASS.—I have just been reading a book written for farmers by Samuel Benner, who was born in Ross County, Ohio, in 1832. It is "Benner's Prophecies" and was first published in 1875 by the Robert Clark Co. of Cincinnati. His forecasts were based largely on the prices of wheat, iron and pork. He was the first business statistician to make forecasts from charts. His charts dated from 1819 until his death in 1884. A free summary of his work has been distributed by the Van Camp Hardware & Iron Co. of Indianapolis.

Roger W. Babson

Benner's Mistake

Although farmers owe much to Samuel Benner, he nevertheless made one basic mistake. In fact, if he had not, his books today would be selling as are the works of Effingham Wilson of London who sold Benner's publications in England. This mistake of Mr. Benner's was that he charted only **prices** and did not give sufficient attention to the **volume.** He should have charted the product by the price and the volume. This is what farmers should do today, rather than be mislead by Benner's theory.

For instance, 1,000,000,000 bushels of wheat selling at one dollar a bushel has the same potent effect as 500,000,000 bushels selling at two dollars per bushel. The same principle applies to all commodities and to business as a whole. It is the basis of the Babsonchart, a copy of which I will gladly send to any reader without charge. This is based upon a combination of the studies of Sir Isaac Newton and Effingham Wilson.

Government Interference

Until 1914 there existed truly free markets and—excepting in a few commodities which temporarily were cornered by big speculators—there had been no interference with prices. Since 1914, and especially, since 1940, the artificial regulation of prices and production has raised havoc with forecasting. However, this interference is a good deal like damming a stream of water. You can temporarily slow-up the flow, but you do not destroy the water. Sooner or later this water must go over the dam. It is on this assumption that the Babsonchart is based.

Not only is the U. S. buying huge quantities of farm products, but the farmers are getting Government bounties which upset forecasting. However, with the Atomic Bombs bringing the Japanese War to a speedy end, the next few years will see a lot of trouble for one crop farmers.

25 years ago the peak in World

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Investment Company Portfolio Statistics

Study by National Association of Investment Companies Reveals Little Change in Cash Position in Second Quarter of 1945, But an Increase of Over 10% in Total Assets. Purchases in Period Were Predominantly Railroad and Public Utility Stocks and Railroad Reorganization Bonds.

Cash Position

Investment companies as a group held approximately the same amount of total assets in cash or its equivalent on June 30 as was held three months previously, according to a study issued August 13 by the National Association of Investment Companies. Total cash and U. S. Government bond holdings of the 30 largest broadly diversified funds amounted to $99 million on June 30, this year, vs. $97 million on March 31. Total assets of the 30 funds during the second quarter increased from $1,096 million on March 31 to $1,214 million at the end of June, an increase of over 10%.

Second Quarter Purchases

Railroad stocks and bonds, and public utility preferred and common stocks accounted for a large part of the securities in which purchases predominated. Nine railroad stocks and bonds were bought on balance by at least three of the 30 companies whose portfolios were analyzed. Louisville & Nashville stock was purchased by six funds and there were no sales. Baltimore & Ohio bonds were bought by five funds and sold by one. Purchases also predominated in the common stocks of Southern Railway, Pennsylvania Railroad, Southern Pacific, Baltimore & Ohio and Canadian Pacific, and in Northern Pacific and Chicago, Rock Island bonds. At the same time, the common stocks of Atchison, Topeka & Santa Fe and Chesapeake & Ohio were sold on balance, as were the bonds of Chicago, Milwaukee, St. Paul & Pacific System.

Public utilities represented in the list of securities in which purchases predominated included North American, Public Service of New Jersey, National Power & Light, United Light & Railways and American Light & Traction common stocks, and the preferred stocks of Commonwealth & Southern, Tennessee Gas & Transmission and Electric Bond & Share.

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NSTA Notes

"40 OVER 14—NOW"

We are indeed very much in debt to our good friend Lou Walker, of the National Quotation Bureau who today increased his ad to a full page. Thanks, Lou, and I'm sure our members are grateful.

Your committee is confident we will pass our goal of $15,000 gross which, together with our great V-J happening, the NSTA meeting at Mackinac next week, should be most pleased with the cooperation of our entire membership in making this year of 1945 the best year we've had financially speaking.

We tabulate below results in ads to date:

Baltimore 5	Memphis 3
Boston 5 up 2	Minneapolis 5
Connecticut 1	New Orleans 8 up 1
Chicago 32 up 8	New York 84 up 10
Cleveland 10	Philadelphia 20
Cincinnati 8	Seattle 5
Detroit 19 up 6	San Francisco 2
Denver 2	St. Louis 13
Florida 4	Tennessee 5
Grand Rapids 3	Toronto 3
Los Angeles 5	Texas 4
Louisville 5	

KIM we are now after booster listings, and will be most pleased to see your name listed in the NSTA supplement of the Chronicle to be published the week following the meeting at Mackinac—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y.; A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

NSTA ANNUAL MEETING PROGRAM

The following program has been arranged for the Annual Meeting of the National Security Traders Association, Inc. which will be held Aug. 28-30, 1945 at the Grand Hotel, Mackinac Island, Michigan.

Tuesday, Aug. 28, 1945

10:30 A. M. National Committee Meeting.
1:00 P. M. Luncheon.
3:00 P. M. Municipal Committee Meeting.

Wednesday, Aug. 29, 1945

2:00 P. M. Corporate Meeting—Patrick B. McGinnis, Speaker.
3:30 P. M. General Discussion.
5:30 P. M. Reception.

Thursday, Aug. 30, 1945

10:30 A. M. National Committee Meeting—Election of Officers.
1:00 P. M. Luncheon.

Registration fee $12.50.

In accordance with O. D. T. Regulations attendance is now limited to 150 persons instead of 50 persons as heretofore; this will permit the full attendance of all members of the Executive Council, Chairmen of Committees and National Committeemen and additional members.

Hotel reservations should be made direct with the Grand Hotel, Mackinac Island, Michigan.

Calendar of Coming Events

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.

Public Utility Securities

Electric Bond and Share

Electric Bond and Share recently published three plans (really one plan in three stages) for conforming to the requirements of the Utility Holding Company Act. The company does not propose to dissolve, but will remain in business, retaining and developing its foreign interests through its controlling equity in American & Foreign Power. It will also retain Ebasco (the service company) with its large staff of engineers, analysts and accountants, which will broaden their activities into new fields.

Under Plan I, $30 a share in cash will be paid to preferred stockholders of Electric Bond & Share out of the large treasury funds now on hand (largely derived from the settlement with United Gas). Later, under Plan II, the remaining $70 par value will be retired by distributing a package consisting of common stocks of American Gas & Electric, Birmingham Electric, Carolina Power & Light, and probably Pennsylvania Power & Light, and some cash. The package to be given for each share of $6 preferred would include four-fifths of a share of American Gas, one-quarter share of Birmingham, and two-fifths share of Carolina; each share of the $5 stock will get four-fifths share of American, one-fifth share of Birmingham, and one-third share of Carolina. The amount of Pennsylvania remains indeterminate, and cash or other securities may be substituted. Plan II presupposes consummation of a proposal by National Power & Light for distribution of Birmingham and Carolina, and issuance of rights to its own stockholders (including Electric Bond) to subscribe for the stock of Pennsylvania. National has now filed its plan for recapitalizing Pennsylvania, which provides for sale by the latter of $18,000,000 common stock, to be offered for subscription to holders of National on the basis of one-third share of new Pennsylvania for each share of National. This would seem to indicate a subscription price of about $10 a share, but without further details regarding the recapitalization of Pennsylvania and the pro forma earning power, it is difficult to appraise the potential market value of the new common.

Plan III of Electric Bond & Share provides for "divestment" of securities of the remaining domestic holding companies—Electric Power & Light, American Power & Light, the small holding of Commonwealth & Southern, and any remaining holdings of American Gas, Birmingham, Carolina and Pennsylvania not used in retiring the preferred stocks. All these holdings would be sold for cash "or otherwise disposed of." Before consummating Plan III, Electric Bond would contribute to American Power, Electric and National sufficient cash or shares of the subholding company to settle all litigation or other clamis. This blanket provision provides for any necessary "Deep Rock" concessions by Electric Bond, together with settlement of a number of aggregate cost to Electric Bond & National, American, Electric and Utah P. & L. (see pages 24-26 of the plans).

It is impossible to estimate the aggregate cost of Electric Bond & Share of "Deep Rock" and other settlements. On the other hand, Ebasco may be a valuable asset. Disregarding both items and appraising the EBS portfolio largely on the basis of recent market prices, we arrive at the following classification and estimated values:

Cash and non-leverage securities	$60,000,000
Semi-leverage stocks	36,200,000
Leverage stocks	*123,800,000
Total	$220,000,000

The preferred stocks would be paid off largely in cash and semi-leverage stock (American Gas) with perhaps $25-35,000,000 value in National P. & L. holdings. This would leave a very substantial part of the leverage issues for the benefit of EBS common, together with Ebasco, but minus the cost of claims.

For each share of EBS common, the company holds or will hold .36 share of American & Foreign (new), .18 share of American Power, and .38 share of Electric Power. The most important holding, National Power & Light, amounts to .48 share for each share of EBS, and during the interim before National is wound up and its holdings (Pennsylvania, Birmingham and Carolina) are distributed to Electric Bond

*Includes $63,800,000 for EBS's holdings of FP, assuming the latter's plan is consummated and that the new stock can be evaluated at 10 times pro forma earnings.

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Tomorrow's Markets Walter Whyte Says—

Rail break threatens entire market structure. Industrials should start moving up in next few days if rally potential is to materialize.

By WALTER WHYTE

What tripped the market this time is something that you can argue about for days, or even years, and all it will get you is a lot of fancy theories. And after you have these theories they still won't be worth a dime as margin. Stock will still have declined, and that will be the only solid fact in the whole discussion.

* * *

Last week I went overboard about the atomic age. I saw such things that I'm afraid I was incoherent. But whether I made myself clear or not the fact remains that the stock market cannot cope with this new power in terms of advances and declines.

But going back to the current market and leaving

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Says We Have Wartime Wage Inflation

Gen. Ayres Points Out That Whole Economy Must Be Adjusted to the New Wage Rates.

"Wages and salaries paid to employees in private businesses in 1944," says Gen. Leonard P. Ayres in the Business Bulletin of the Cleveland Trust Company for August, "amounted to nearly twice as much as they did in the boom year of 1929. This seems astonishing when it is remembered that the year 1929 was the most prosperous in our history prior to this war period. The new data come from a revision of the estimates of national income now being carried through by the Department of Commerce.

Leonard P. Ayres

"In the boom year of 1929," he continues, "the wages and salaries amounted to a little more than 45 billion dollars, and the workers receiving them numbered slightly more than 32 millions. The average annual earnings per full-time employee were 1,408 dollars. The lowest paid workers were those in forestry, with an average of 414 dollars, and the highest paid were the brokers, with an average of 3,172 dollars.

"In 1933, at the bottom of the Great Depression, the number of workers had shrunk to a little more than 23 millions, and their earnings had decreased to less than 24 billion dollars, or an average of only 1,019 dollars. In that year the lowest paid workers were on the farms, and their average earnings were 234 dollars. The highest paid were still the brokers, with average earnings of 2,742 dollars for the year, but there were only about two-thirds as many of them as there had been in 1929 when the great bull market for stocks came to its end.

"In 1944 the wages and salaries amounted to nearly 84 billion dollars, and the workers receiving them were not far from 38 millions in number. The average annual compensation was 2,220 dollars. We do not yet have the details for 1944, but in 1943 the lowest paid workers were those in forestry, as they had been in 1929. Their average compensation was 577 dollars. The highest paid ones were still the brokers, with an average of 3,872 dollars. Brokerage employees are largely young men, and in 1943 there were less than half as many of them as there had been at the bottom of the depression.

"We are in the midst of a wartime inflation of wages," General Ayres concludes. "It is just as truly an inflation as was the inflation in commodity prices that accompanied and followed World War I. It is quite unlikely that there will be a rapid and general decrease in wage rates when peace returns, but our whole economy will have to make many and difficult readjustments to accommodate itself to the new rates of compensation."

Mtg. Loans Decline

According to a study published July 14 by the Mortgage Bankers Association of America, farm and city mortgages owned by the Federal Government declined last year by more than 19%.

The association reports that at the end of 1943, the Federal Government owned 10.4% of all city and farm mortgages outstanding and last year the total declined to 9.4%. It is added, however, that the mortgages which the Government lost didn't increase the total held by private interests since they showed a decline of 7.1%. The reason is that high national income provided borrowers with more money to pay off their mortgages.

Freight Cars in Service

The Class I railroads put 21,948 freight cars in service in the first six months of this year, the Association of American Railroads announced on July 23. This included 9,352 box, of which 8,765 were plain and 587 were automobile box cars; 3,561 gondola, 7,215 hopper, 380 flat, 1,133 refrigerator, 220 stock, and 87 miscellaneous cars. During the first six months of 1944 the roads had installed 15,431 freight cars.

The Class I railroads also put 315 new locomotives in service in the first six months of 1945 of which 52 were steam and 263 were Diesel. Locomotives installed in the same period last year totaled 494 of which 190 were steam, one electric, and 303 Diesel.

New freight cars on order on July 1 totaled 29,402, compared with 31,283 on June 1, 1945, and 41,236 on July 1, 1944. New freight cars on order on July 1 this year included 18,914 box, of which 16,524 were plain box cars and 2,390 were automobile box cars; 4,425 gondola, 3,625 hopper, 932 flat, 1,437 refrigerator, 19 stock, and 50 miscellaneous freight cars.

They also had 508 locomotives on order on July 1 this year, which included 111 steam, two electric and 395 Diesel. The total on July 1, 1944, was 581 locomotives, which included 179 steam, two electric and 400 Diesel.

Real Estate Securities

News on Various Issues

WE HEAR THAT:

Allerton New York Corporation will make an interest distribution at the rate of $17.00 per $1,000 on its outstanding 2-6's-1955 on September 1st. A principal payment of $17,500 has been made in reduction of the first mortgage, and in addition, earnings for the six months ended June 30th also provided a sinking fund of about $8,000 applicable to the 2-6's-1955.

Broadway Motors Building Corporation in asking for tenders by August 14th to exhaust the sum of $150,000, retired about $185,000 bonds at an average price of slightly above 79. We understand bonds were accepted as high as 81⅞. With the retirement of these bonds, this issue originally in the amount of $6,000,000 has been reduced below $2,900,000.

40 Wall Street Building, Inc. will on September 1st make an interest distribution at the rate of $20.00 per $1,000 on the Income Debentures of 1966 and, in addition, will operate a sinking fund of approximately $56,000. The previous semi-annual payment was $21.50 per $1,000 and the sinking fund approximately $60,000. The previous income period did, however, contain about $66,000 non-recurring income so that the six months earning period, ended June 30, 1945, actually reflects an improved operating profit.

Hotel Lexington, Inc. will on September 1st make an interest distribution of 2% on each outstanding unit. In spite of satisfactory earnings for the six months period ended June 30th, and even though only three dissents to the corporation's proposal to amend the indenture in order that all surplus funds could be used for debt retirement instead of the stipulated 1% each six months now that funded debt has been reduced below $3,000,000 from $3,900,000, the directors have decided that for this period the 1% stipulation will be adhered to. Accordingly, about $22,000 will be available for retirement of the income mortgage bonds and about $5,700.00 for retirement of Income debentures, the balance of surplus earnings being retained as working capital.

New York Title & Mortgage Co.—"Series Q" will make a 3% principal distribution August 31st to reduce original $1,000 Certificate to $550.00.

"Series BK" will make a 6% principal distribution August 31st to reduce original $1,000 Certificate to $710.00.

Return to Enlightened Despotism

By RUFUS S. TUCKER*
Economist, General Motors Company

Asserting That Planned Economy Is Merely a Modification of Totalitarianism, Dr. Tucker Traces Its Precedents During the Eighteenth Century and Points Out That Their Failures Led to Adoption of *Laissez Faire* or Non-Interference With Individual Choice or Activities. Holds Proposals of Today's Planners Are No Sounder Than Those of Other Days, and, if They Persist, Will Lead to Serfdom. Says We Can Still Resume Our March Along the Highway of Individual Liberty, Progress and Prosperity as Our Revolutionary Ancestors Did.

Mr. Von Hayek in his very able and timely book **The Road to Serfdom** maintains that socialism and its less radical manifestation, government planning, inevitably lead to serfdom, citing the examples of Germany, Italy and Russia. The word "serfdom" is not literally correct, since that institution historically included an hereditary factor and a residential one. Under serfdom the son of a farm laborer or tenant, was bound to continue as such on the farm where his father had been. Under modern totalitarianism heredity would not in theory determine one's economic position, although both in Germany and Russia there have been exceptions to this rule, and workers would certainly be transferred from place to place in accordance with the decrees of the State. However the seniority rules now imposed on wage earners make voluntary transference from job to job very difficult, and the loans to farmers to assist them in buying their farms have the effect of tying them to one place for twenty years, on penalty of losing their life's savings. But the modern totalitarianism resembles the medieval serfdom in the essential point, which is that the individual's economic activities are not determined by his own choice but by authority. The word "serfdom," therefore, is a sufficiently close description of totalitarianism. The question is, therefore, does government planning of the sort now rife in Britain and the United States inevitably lead to totalitarianism?

Rufus S. Tucker

Of course human activities re-

(Continued on page 850)

*An address by Dr. Tucker before the American Academy of Political and Social Science, Philadelphia, March 30, 1945 which could not be accommodated previously in our columns because of the paper situation.

OPA's Post V-J Day Program

Price Administrator Bowles Lists Objectives of Price Control to Offset "Dangerous Gap Between Sudden Victory and Sound Prosperity." He Outlines Proposed Controls on Food, Clothing, Automobiles and Household Accessories and Rents. Says "We Want As Few Rules and Regulations As Possible, But We Must Not Be Blind to the Tragedies of the Economic Disaster Which Followed Last War."

Chester Bowles, head of the Office of Price Administration, announced on Aug. 15 his agency's five-point program for carrying out OPA's part in the Government plan to stabilize the national economy during the transition period. He called for cool heads and continued cooperation of business, workers, farmers and consumers to see the stabilization job through.

Chester Bowles

The Price Administrator said that there is a "dangerous gap between sudden victory and sound prosperity—but we are going to get across it, and I believe price control is the center span in the bridge.

"Right now our fighting men have a right to our strongest assurance that they will return to the security they have fought for.

"At this crucial time workers are entitled to our assurance that they will not have to pay higher prices for the food and clothing they are going to need in the next few months.

"Right now farmers in every section of the country deserve to know that their costs are going to stay on an even keel.

"Right now 44,000,000 people who live in rented homes and apartments are entitled to the Government's guarantee that there will be no unnecessary rise in their monthly rent.

"And right now every business man is entitled to feel sure that the general level of materials prices is going to be kept stable.

"And we must keep faith with bondholders and the millions who live on fixed incomes by seeing to it that the value of their money is preserved.

"All six of these groups deserve the best protection that we can get out of a sound price structure on which we can build a sound prosperity. I want them to know that OPA is going to use every resource at its command to make price control work for the good of industry and consumer alike.

"Our economic fumbling right after the last war delayed orderly peace-time reconversion for more than two years. First of all, right after the Armistice was signed prices of some things sagged a bit under the shock of cutbacks. Three months later the prices started shooting upward, with wages tagging along behind, as usual.

"We weren't prepared for that inflationary spiral and we weren't able to head off the disastrous collapse that came 16 months later. That disaster brought suffering and misery to millions of business men, farmers, workers, and veterans who had come home expecting a good job. We cannot afford to fumble again.

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Dealer-Broker Investment Recommendations and Literature

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

Magazine Publishing Industry comprehensive study — Adolph Lewisohn & Sons, 61 Broadway, New York 6, N. Y.

Railroads in the Reconversion Period—study of the outlook for the railroads—McLaughlin, Baird & Reuss, 1 Wall Street, New York 8, N. Y.

Research Comment — leaflet containing data on **Great Northern Railway** and **American Utility Service**—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Two Interesting Oil Stocks—memo on the **Atlantic Refining Company** and **The Pure Oil Company**, containing a comparison of 15 oil company stocks—Estabrook & Company, 15 State Street, Boston, Mass., and 40 Wall Street, New York 5, N. Y.

American Forging & Socket Company—Analysis of current position and outlook — De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids, Mich.

Atlanta & West Point Railroad—Circular—Adams & Peck, 63 Wall Street, New York 5, N.Y.

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

Also available are memoranda on **San Mauricio Gold Mines** and **Mindanao Mother Lode Mining.**

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

Buda Company — analytical study—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, California.

Also available is a detailed study of **Detroit Steel Products Company.**

Central Railroad of New Jersey Bonds— A study — Newburger & Hano, 39 Broadway, New York 6, N. Y.

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Kingan & Co.** and **Riverside Cement.**

Consolidated Electric & Gas Co. preferred and **Central Public Utility Corp.** Income 5½s of 1952—A study—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

The Cross Company—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available are analyses of **Liquidometer Corp., Delaware Rayon, New Bedford Rayon,** and **Great American Industries.**

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Bernard Baruch Optimistic on America's Future

Elder Statesman of Two Presidents, Still Virile and Alert, Says Prosperity Will Be of Our Own Making. Says That American People Are Not Subordinate to State, as in Some Other Lands. Urges a Post-War Tax Program, a Slashing of Public Debt and a Public Works Program.

On Aug. 19, Bernard M. Baruch reached his 76th birthday, still "virile and alert," according to a Washington dispatch to the New York "Times."

Bernard M. Baruch

Mr. Baruch, who was a special advisor to President Wilson in World War I and who performed the same services for the late President Roosevelt, expressed himself to reporters as now "making my second round trip," and is still busy with plans for demobilization and reconstruction.

"I find I am still interested in the same things and am looking into the future, not the past," Mr. Baruch said. "If I start looking backwards, I'll quit. Ladies are still the most charming things in the world. I guess I am no older and no wiser."

Speaking of the problems of reconversion, Mr. Baruch said: "The human side of reconversion has not yet been activated properly. Where is the plan for absorbing the 10,000,000 enlisted men and women, the 8,000,000 war workers into the population, and giving them a chance to make a life of their own choice?"

In honor of Mr. Baruch's natal day, his son, Comdr. Bernard M. Baruch, Jr., gave a party at The Shoreham Hotel on Thursday, Aug. 16. Among those present were Secretary and Mrs. James Francis Byrnes, Secretary and Mrs. James V. Forrestal, Under-Secretary of War Robert P. Patterson, Fleet Admiral William D. Leahy, J. A. Krug, head of the War Production Board, and Samuel Rosenman, special counsel to the President.

Some one asked Mr. Baruch, in commenting on the post-war plan to counteract depression, "if he feared the future of America."

"I'm never afraid of the future of America," Mr. Baruch replied. "I have boundless faith in Americans taking care of themselves, if they are told what to do and why."

According to the New York "Times" dispatch, Mr. Baruch urged an immediate consideration and adoption of a post-war tax policy, a slashing of the public debt, and also a public works program to aid in the reconversion process.

Forecasts Post-War Conditions in Detroit Area

Local CED Committee Sees No Widespread Unemployment, but Cautions There'll Be No "Surplus Jobs." Predicts Output of 6,000,000 Automobiles Annually.

The Detroit Metropolitan Area will take reconversion in stride with a minimum of unemployment and with the probability of establishing new records in commerce and industry immediately its productive power is finally turned from making war to building peacetime prosperity.

This is the composite opinion of 7,000 employers of nearly a million men and women in Wayne, Oakland and Macomb Counties. Their best judgment as to the facts and the probabilities has just been compiled by the Committee for Economic Development in a post-war employment survey believed to be the most complete ever undertaken in the United States.

While the future seems bright it is not without serious problems, an analysis of the CED survey reveals. Its directors are particularly anxious that it not be interpreted as an invitation to flood the Michigan labor market. Because of the tremendous labor supply attracted by war production and because work must be found for some 200,000 returning veterans who belong to Wayne, Oakland and Macomb Counties, it seems unlikely that there will be a job to spare.

The CED survey was started in April with the distribution of a questionnaire and with the aid of the Detroit Board of Commerce, the Michigan Planning Commission, the School of Business Administration of the University of Michigan and the Michigan Unemployment Compensation Commission. The survey includes all employers of eight or more persons in the Metropolitan Area, subject to unemployment compensation. Replies have been received from 7,000 out of 7,800 inquiries sent out.

Approximately 704,000 persons were employed by the 7,800 firms in the three-county area in April, 1940. In April of this year, under the impetus of war production, the number had risen to 953,000.

Replies indicate that 668,000 persons will be employed during the period of reconversion, that 911,000 will be employed when reconversion is completed and that 1,083,000 can be employed under "highly prosperous business conditions."

It is estimated that reconversion, which actually started July 1, 1945 will cover a period of approximately 18 months and that 286,000 persons, 187,000 men and 99,000 women, will be unemployed for some period during that time. The survey indicates that the average time required for reconversion by these 7,000 firms will be three and one-half months assuming tools and materials are available.

Taking the automotive industry as an index, the CED survey assumed that "highly prosperous business conditions" would exist with the manufacture of 6,000,000 motor vehicles a year. The previous high was 5,000,000 vehicles and over a period of several years before the war the average was 3,500,000.

CED survey directors have concluded that the manufacture of 6,000,000 cars a year for several years after reconversion has been completed, is no indulgence in undue optimism. They point out that about 4,000,000 automobiles have been scrapped since their manufacture was halted in 1942. Those now operating average over eight years old. They will be scrapped at the rate of 3,000,000 a year as soon as new cars are available. There will be a demand for at least 1,000,000 trucks per year and possibly 200,000 cars a year for export.

It is believed that 6,000,000 cars a year can be sold for a number of years and that the facilities for building them exist.

The CED survey shows that 129,000 women were employed by these 7,800 firms in 1940 and 284,000 in 1945. Employers believe that 186,000 women will be employed during the reconversion period and 204,000 thereafter—75,000 more than before the war. Under "highly prosperous" conditions the number would rise to 235,000 or 106,000 more than before the war.

The CED survey indicates that 79,500 persons in the three counties will quit their jobs after the war ends. However, not all of these will be taken out of the labor market. It is estimated that 15,500 men, most of them over age, will retire, that 18,250 women will return to their homes and that 9,000 men and 4,000 women will quit and seek work outside Michigan. Approximately 16,000 men and 6,300 women will leave present employers to seek other work in the community or go into business for themselves and 7,500 men and 3,400 women will seek other jobs within the state but outside the metropolitan area.

These figures on personnel losses are only estimates because employers, for obvious reasons, did no canvass employes on the subject.

The three-county area has approximately 300,000 men and women in the armed services. Of these about 75,000 may be retained in the permanent post-war armed forces. It is estimated that about 25,000 of those returning will go to school. This means that jobs must be provided for approximately 200,000 of them.

All of which indicates that while employment gives promise of remaining at a high level there will be no surplus jobs in the Detroit area except under tremendously favorable business conditions.

Further processing of the CED survey by the tabulating department of The Detroit Edison Company is continuing. A detailed booklet will be issued in printed form by the local Committee in about eight weeks. General information valuable to labor and business in every type of undertaking and industry will be available without violating the confidential returns of the individual employer. This should be especially valuable to the 150 trade organizations and local businessmen's organizations who assisted in this survey.

Wm. H. Leininger, President of the Leininger Industrial Company, is CED Chairman of the Detroit Area.

James W. Parker, President and General Manager of The Detroit Edison Company, is CED Chairman of the Detroit Area Advisory Committee; and Ben E. Young, Vice-President of the National Bank of Detroit, is CED Chairman of the Detroit Area Executive Committee; H. Lynn Pierson, President of Detroit Harvester, is CED Detroit District Chairman, and C. C. Carlton, Vice-President of Motor Wheel Corporation, is CED State Chairman.

The CED survey was directed and supervised by Edward C. Fielder, CED State Manager; and W. B. Hurley, of The Detroit Edison Company, and a member of the CED Executive Committee.

O'Donnell and Welsh Are With Pflugfelder

The New York Stock Exchange firm of Pfugfelder, Bampton & Rust, 61 Broadway, New York City, announce that James O'Donnell and John J. Welsh have now joined their organization. Mr. O'Donnell was formerly a partner of Struthers & Dean and more recently associated with Mabon & Co. Mr. Welsh was formerly associated with Theodore Prince & Co., and more recently with Laurence M. Marks & Co.

Russia Ratifies UNO

It was reported over the Moscow radio on August 20, that the Presidium of the Supreme Soviet ratified the United Nations Organization Charter. As the United States and the Provisional Government of France have already formally ratified the Agreement drawn up at San Francisco, Russia is the third of the five great powers to have given their assent. Great Britain and China have not yet ratified it. A number of smaller nations have already given approval.

Public Utility Securities

(Continued from page 830)

preferred, EBS common stock should benefit by any increase in its value.

Based on the portfolio value cited above ($220,000,000) and allowing for retirement of preferred stocks at $110 rather than $100, liquidating value of EBS might approximate $20. Allowing for estimated potential increase in the value of holdings before consummation of the three plans (which may take a period of years) a future liquidating value of $28 for EBS would seem not unreasonable. There are, however, so many "ifs and ands" in the picture that all estimates must be treated only as intelligent guesswork.

Looking Ahead

(Continued from page 827)

bile accessories, metal fabricating, household products, machinery, and building doing better than average."

As a test on the accuracy of the above conclusions to date, we give below the position of the Dow-Jones Averages on Dec. 5, 1944, May 8, 1945 (formal end of hostilities in Europe) and currently, with the ranges for 1944 and 1945:

PRICE LEVEL OF DOW-JONES AVERAGES

	Industrials	Railroads	Utilities
Dec. 5, 1944	148.58	44.14	25.46
May 8, 1945	166.42	56.42	30,85
Aug. 14, 1945	164.79	54.53	32.53
Range 1944	152.53—134.22	48.40—33.45	26.37—21.74
Range 1945	169.08—151.35	63.06—47.03	33.50—26.15

The percentage advance in the Dow-Jones Industrial Average from the low of 1944 to December 5 last was 10.69%. A similar advance from the level on May 8 last (when V-E Day was formally announced) would put this average up to 184.21. In accord with our opinion above, we expect a greater rise than this by November 8, next, which would be six months after V-E Day.

As long ago as Jan. 15, 1944, we considered that the inflationary potentials coupled with deferred demands impinging on our economy "will be the most sustaining and potent influence on the stock market for many months ahead." We obviously then had the money and also the deferred demands to spell a splendid aggregate volume of business, come peace. Now, a year and a half later, the spelling is still correct and the letters are larger. No one argues very much about this premise. Indeed, it is the reason number one why investors generally will probably refuse to liquidate peace shares now. They are confident that peace will bring a large volume of business to most corporations. They also are reasonably sure that the post-war demands will take more than a year to satisfy. It would be surprising and historically exceptional if a liquidating wave hit common stocks in a period of solid hopes and anticipation rather than during a stage of materialization.

But when we give priority among stock market factors to "inflationary potentials coupled with deferred demands" we are thinking of something else besides just ample liquid individual and corporate funds to match deferred needs and produce a much better than normal volume of production and trade. By "inflationary potentials" we also mean deterioration in the purchasing power of money, a deterioration which seems likely to continue after the war. The cost of living index as measured by the Bureau of Labor Statistics has risen about 30% from the 1935-1939 level. But this index does not give weight to black market prices. The index of wholesale prices (Bureau of Labor Statistics) has advanced 31.5% from its 1935-1939 level. Admittedly we face over the next few months rather general wage increases. Already our average straight-time hourly wage in manufacturing industries is 48% above the 1935-1939 level. Once price controls are lifted or liberalized by the OPA, as they will be because of the necessity for production and employment, it would not be too surprising to find that the cost of living is 40% to 50% above pre-war levels and that many things have risen more than 50% above their pre-war prices. So if we assume that the early post-war price level will be 50% above pre-war, it means that the purchasing power of the dollar is only two-thirds of its pre-war level. If it costs $15,000 to build a house after the war which before cost $10,000, the value of the latter would tend to be increased under even normal housing conditions. That is, if a fair gross rental return on the new house is 8%, or $1,200, then the pre-war house would tend to rent for more than 8% of its depreciated value, and hence its value would increase. Likewise in the long run and assuming an indefinite continuance of an unbalanced budget, the increased costs of new production facilities will tend to raise the intrinsic or gold value of present production units. This means that the prices of common stocks would be reappraised under the conditions assumed.

Now this principle that the prices of common stock investments, particularly of industrial companies operating in a free market, must necessarily be reappraised upward in an extended period of currency deterioration, induced by an unbalanced budget and causing concern about the value of the monetary medium, is one which our generation does not fully appreciate. It means that the prices of such common stocks under such conditions will advance regardless of current earnings. The cost and income return required to induce construction of new production facilities cause an increase in the potential income or value of existing plants. Perhaps the nearest approach to such a background in our time was in 1919, the year after the last war ended, when industrial common stocks advanced over 36%, although per share earnings declined over 8%. In that year wholesale prices advanced 16% from very high levels. But that was certainly not a simon-pure example because in 1919, we did not have behind us budget deficits for 14 years nor did we have any reason to expect a continuance of war-time deficit financing or a Government guarantee of wage levels. That is, we had not yet reached the stage politically where pressure groups dominated national policies, where so-called social consciousness caused Governments to put individual security above everything else. We were so old-fashioned then as to believe that even as individuals so should nations balance their budgets.

Now our argument is that common stocks will be purchased increasingly in the post-war period not only for their current and potential yields, but to fulfill a function of "store of value." It is probably true that many investors have held stocks and will continue to do so because of apprehension over our budgetary deficits and their continuity. But certainly this factor has not been an aggressive, potent force in the stock market. The Dow-Jones Industrial Average is currently (Aug. 14) only 16.3% above its average median price for the five years 1935-1939. We have noted that wholesale prices and the cost of living have increased respectively 31½% and 30% over their 1935-1939 levels.

If our contention is sound, why is it that since 1939, the subsequent huge total of budgetary deficits has not caused such general concern as to attract sufficient funds to drive common stocks much higher? C'est la guerre. It was true even in Germany during the last war that there was no general apprehension that the paper mark could no longer fulfill the function of the "store of value." The decline in purchasing power was not attributed to its real cause, the continuance of note-issues, but to the rise of prices resulting from the war, etc. Official explanations are sufficient to a patriotic people in war-time. It is an emergency during which a large part of a nation is concentrating on victory, wholeheartedly buying Government bonds and hoping for the best in the aftermath. Indeed, it would be indelicate, if not downright unpatriotic, for any one to say too much about his deteriorating currency during war. Moreover, in this war, prices generally have been held down reasonably well by controls.

We can see no reason to believe that our budgetary deficits will not continue in the peace ahead and in amounts substantially exceeding the pre-war totals. In that probability is the basis for our opinion that a new factor will soon begin to work in the stock market. Others are thinking of this. Sen. Walter E. George, Chairman of the Senate Finance Committee, on July 27 said that unless the Federal Government soon departed from the philosophy of deficit financing and started to balance expenditures against revenues it "might shake the confidence of the American people in the soundness of the dollar. That would kindle a belief in the people which would be comparable to monetary inflation." We would not like to have it inferred from such a quotation that we believe monetary inflation is just ahead of us. No one can confidently espouse such an opinion. All we say is that because of the probable continuance of deficit financing and other policies of our Federal Government, general concern as to the future purchasing power of the dollar will arise soon and introduce an important new factor in evaluating common stocks of companies having control over prices for their products or services.

There can scarcely be any doubt that expenditures by our Government during this fiscal year will be at an unprecedented level for peace-times. Sen. Robert A. Taft outlined last month some of the vast relief and lending commitments contemplated by our Federal Government. "Beginning with July 1, 1945," he said, "these may be tabulated as follows:

Relief expenditures by UNRRA	$900,000,000
Relief expenditures by the Army	1,000,000,000
Lend-Lease through FEA	4,375,000,000
International Bank	9,100,000,000
International Fund	2,750,000,000
Export-Import Bank	3,500,000,000
Total	$21,625,000,000

There could be added at least between one and two billion dollars dismissal pay for those returning from the military services. There is a "shelf" of $25,000,000,000 of potential public works contemplated by the Government, of which $4,100,000,000 will be completely planned by next June 30. And no one really knows what the cost of policing and aiding the various defeated nations will be. All of this and more, besides our regular budget requirements, which will be much larger than pre-war, leaves little doubt of a large budgetary deficit for this year.

There is some basis for the opinion that a rather permanent deterioration of the purchasing power of money faces us. That is important. If it were a temporary condition, our argument herein would never have been made. When Congress reconvenes next month it will consider first the White House-backed legislation to provide maximums of not less than $25 weekly unemployment pay for 26 weeks in every State, with the Federal Government supplementing State funds. Then there are four or five bills before Congress which would amend the Fair Labor Standards Act and raise our minimum hourly wage from 40 cents to 65 cents. Some of these bills propose to increase the minimum wage from 65 cents to 75 cents after two years. Under the Fair Labor Standards Act of 1938, the national minimum was to be 40 cents by Oct. 24, 1945. The minima for 1938 and 1939 were respectively 25 cents and 30 cents. You will not that $25 a week is very close to 65 cents an hour for a 40-hour week. If these proposals pass the Congress then we will have put a floor under wages and taken initial steps to guaranteeing mass purchasing power. Wages constitute 60% to 70% of the cost of most manufactured products. Thus they are indeed a very important part of the general price level. If wages are fixed at a high level by our Government, then prices must rise or be maintained at a high level. Of course, technological developments may enable us to increase production per man-hour enormously, so that prices could be reduced even with the current and prospective higher wages. But who believes that our labor unions will be bashful in the future, what with the success of their political efforts last fall, the continued susceptibility of Congress to labor's demands, and the spur to action received last month from the Labor triumph in Great Britain? No, it appears that we may witness in the next few months the beginnings of a new type of inflationary spiral, one initiated by raising the floor of minimum wages, and then promoted by Governmental acquiescense to increased wage demands. Hence, the Government may assist the inflationary forces arising from huge money supplies and deficit spending by pegging at higher levels the most important factor in costs and prices. Currently the average hourly straight-time wage in manufacturing industries is about 42% above August, 1939, before the war started. They may well be 55% to 60% above the latter level by this year-end and the minimum hourly wage then may be slightly above the actual average hourly wage in the summer of 1939.

As we see it, the months ahead will bring an avalanche of orders for industry and trade, higher wages and prices, an airing of the inflationary implications of deficit spending and Government policies and tax reductions. That is an array of forces which we think will much more than offset the concern about the obviously temporary unemployment and reconversion difficulties.—JOHN H. LEWIS, John H. Lewis & Co.

Greene & Co. Admits Canavan as Trader

Greene & Co., 37 Wall Street, New York City, announce that John J. Canavan has become associated with them in their trading department. Mr. Canavan has been away from Wall Street for several years doing Government work, after having spent many years specializing in over-the-counter securities.

Florin With Mason Moran

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Mason, Moran & Co., 135 South La Salle Street, have added Henning A. Florin to their staff.

With H. H. Butterfield

JACKSON, MICH. — Michael Barton, Jr. has joined the staff of H. H. Butterfield & Co., Jackson City Bank & Trust Company Building. He was previously with the Jackson City Bank.

NASD Announces Plans to Expand Services

25,000 Individuals to Become Registered Representatives by Oct. 1. "Red Herring" Prospectus Problem Being Studied. Will Handle Credit Extension Applications Under "Regulation T."

The National Association of Securities Dealers, Inc., is preparing for registration of partners, officers and certain employees of members as so-called "registered representatives" comparable to registration of employees of stock exchange firms. It is estimated that 25,000 to 30,000 individuals will be processed by NASD between now and Oct. 1.

The Association is also studying the problem of distribution of "red-herring" prospectuses in connection with offerings of new securities to the public. Three months ago the SEC made a "general policy" announcement, the effect of which has been to restrict severely use of "red-herrings" for circulating information among the trade on forthcoming issues of securities. The situation is said to have worked a hardship upon securities dealers in the interior who in the past relied upon "red-herring" prospectuses for notices of forthcoming new issues as well as pertinent information with regard to them.

The NASD committee studying the subject with a view toward finding a solution to the problem of such dealers follows: James Parker Nolan, Washington, Chairman; Clement A. Evans, Atlanta; Irving D. Fish, New York; S. Davidson Herron, Pittsburgh; June S. Jones, Portland; John J. Quail, Davenport; John B. Shober, New Orleans, and J. Robert Shuman, San Francisco.

The "NASD News" discloses that the Association is preparing to expand its services to members by handling applications for extensions of credit under "Regulation T" of the Federal Reserve System. The Board of Governors of the Federal Reserve recently authorized NASD to undertake this work, until now done solely by the stock exchanges. Machinery for handling requests of members is being established rapidly throughout the country.

Reflecting the recent marked increase in the number of firms and individuals engaged in the securities business, the Association reports that at the end of July its membership, 2,293, was largest since the close of 1942. Most of the increase has occurred this year, although consistent monthly net gains have been recorded since March, 1944.

The Association discloses that the majority of new members have come from military ranks and activities directly related to the war. Many former dealers who dealt exclusively in "municipals" also are said to have joined NASD in order to broaden their participation in underwritings of new securities. Membership in the Association, which hit a peak of 2,900 in 1941, declined more than 700 during the first two years of the war.

Marxer & Company Is Formed in Detroit

DETROIT, MICH.—The new firm of Marxer & Co. which has opened at 1310 Penobscot Building, is headed by George C. Marxer, who has been in the investment business since 1916. For the past 15 years he has been associated with Cray, McFawn & Co., Detroit as manager of the unlisted securities department.

George C. Marxer

The new firm will deal in general Michigan unlisted securities, and will feature the distribution of regulated investing company shares. Mr. Marxer believes that the present day investment trust, under Federal supervision, should definitely fill a need of the small investor, giving him the benefits of diversification, with able professional management.

Formation of Marxer & Company was previously reported in the Chronical of Aug. 16.

Business Man's Bookshelf

Work Simplification—as exemplified by the work simplification program of the U. S. Bureau of the Budget — Public Administration Service, 1313 East 60th Street, Chicago 37, Illinois—paper—$1.00.

Announces Investment Research Service

Shields & Company to Make Accessible Data on Investment Securities.

An investment research service which will extend the findings of expert investigators in financial centers to investors in every state is the latest development in the securities field. This service, pioneered by Shields & Co., investment bankers with headquarters at 44 Wall Street, New York City, makes accessible to selected firms throughout the country the current data on investment securities which have hitherto been available only to the largest financial institutions with extensive research facilities. In the past year, more and more emphasis has been placed on unlisted securities and consequently non-member as well as member firms have found this service practicable.

True investment research is much more than the study of published figures, Eugene Barry, a partner of Shields & Co., pointed out. It involves not only an analysis of annual reports, trade magazines and statistical manuals, but also frequent field investigations to discover new products, trends and developments which may affect a company's earning powers. Even when all this material is at hand, constant rechecking is necessary to assess the effects of new Government regulations, new competition and similar factors which may alter the basis for an investment evaluation.

The demand for the syndication of these research findings, the firm says, has been accelerated by the scarcity of trained financial analysts caused by the war. The average firm has not been able to find men capable of carrying on this type of investigation, which at the same time has increased rapidly in importance.

Ohio Municipal Comment

By J. AUSTIN WHITE

As this is being written (Saturday, Aug. 18) it can safely be said that during the week or so that the end of the war was being concluded—and celebrated—there has not been enough business in Ohio municipals to allow one to determine accurately what effect on prices the end of the war has brought. For a year or two there have been many predictions that the end of the war would bring much lower prices for municipals, because of a larger supply and a reduction in income tax rates. In view of all these predictions of lower prices, it was to be expected that bids for municipals would be lowered when the fighting actually ceased.

J. Austin White

Bids are indeed lower, probably by some .10 to .20% in yield, plus a wider margin of profit. But it would be well, in appraising the present market situation, to realize that business has been slow in municipal bonds for probably two months. Naturally, in such dull periods prices tend to recede, and it is safe to say that from its high in May the Ohio municipal market was off some .05% to .10% in yield, before the atom bomb was announced, Russia declared war on Japan and the Japs asked to quit. All of these important developments have slowed sales in an already dull market.

The Ohio Municipal Price Index quoted elsewhere in these columns shows the index for 20 Ohio bonds to be off .20% in yield from June 20, 1945. Some of this decline is due to the expectation in some quarters of a larger supply of municipals and lower income tax rates, both to the extent of reducing the price level for municipals. However, some of this decline is also due to the fact that bonds have not been moving too well for some two months. How much of the decline is due to each of these factors cannot be determined.

It is obvious, however, that there has been no indication, as yet, at least, on the part of anyone to dump municipals onto the market. In fact the supply of bonds since the first of August has been quite small, and there have been few bargains available, even in the previously slow moving issues. Moreover, there appears to be still present a continuing, widespread and powerful demand for municipals. Perhaps the larger buyers are trying to buy bonds "cheap" during this period of unsettlement, but, in the first place, they are probably meeting with little success, and, in the second place, it is very possible that if bonds are not forthcoming at "cheap" prices these buyers may likely again return to previous ideas of yield.

All of this is not intended to predict the future course of prices, not even in the Ohio municipal market—long ago we learned never to predict, especially in writing, what prices will do. Rather are these comments intended to emphasize that, in view of the previous widespread talk of lower municipal prices after the war, it is somewhat surprising, and somewhat of a token of the underlying strength of the municipal market, to realize how little decline in price can now actually be laid to the final surrender.

On Monday, Aug. 13, Cuyahoga County sold $1,625,000 of bonds due 1946-50 at 100.10 for a 3/4% rate. Although the actual final surrender of Japan was not announced until the following day, most people felt, at the time of this sale, that the war was over. Yet the price paid for the bonds was only slightly, if actually any, less than what would have been paid even two months ago. On Aug. 7, Franklin County sold $140,000 bonds due 1946-55 at 100.89 for 1's, a price again only slightly less than the bonds would have brought two months ago.

Ohio Municipal Price Index

Date—	*	†	‡	§
Aug. 17, 1945	1.40%	1.62%	1.17%	.45%
Aug. 8	1.26	1.47	1.05	.42
Aug. 1	1.25	1.46	1.05	.41
July 25	1.23	1.44	1.03	.41
July 18	1.22	1.42	1.02	.40
June 20	1.20	1.39	1.01	.38
May 16	1.19	1.35	1.02	.33
Apr. 18	1.19	1.34	1.03	.31
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov. 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.48	1.15	.33
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

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

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

War Contract Cancellations and Municipal Credit

Talk of cutbacks in war contracts has changed, almost overnight, to widespread contract cancellations. This wiping off the books of billions of dollars in war business, with the resultant loss of jobs by millions of taxpayers, will not be without effect upon municipal finances. A stringent labor shortage, with jobs for all who want to work, with fat pay envelopes, overtime and double time pay, $50 and $100 week wages, mean easy tax collections for municipalities and states, little expense and no financial burden for relief, swollen tax receipts from excise levies and, finally, higher property valuation from which to obtain taxes.

On the other hand, elimination of overtime and double time, return to 40 hour week at regular time, one or two shift factory output instead of two or three shifts, complete abandonment of plants that formerly paid fabulous wages to thousands of employees, sizeable lay-offs in other plants—all mean that taxes will not be so easily collected, that expenses for relief are likely to increase (at a time when revenues of states and municipalities decrease) and, therefore, that some communities may encounter fi-

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Ohio Brevities

Directors of National City Bank of Cleveland boosted the bank's surplus account $2,000,000 by transferring to surplus $1,250,000 from undivided profits and $750,000 from reserves.

Capital stock is $9,000,000 and surplus now amounts to $11,000,000 with undivided profits totalling $1,568,000 and reserves $3,022,000 after the transfers. The bank's legal loan limit is increased by $200,000 to $2,000,000 by the action, President Sidney B. Congdon said.

* * *

Chairman Tom M. Girdler of Republic Steel Corp. announced election of N. J. Clarke as senior Vice-President and J. M. Schlendorf as Vice-President in charge of sales.

Clarke entered the steel business as an office boy before the turn of century with old Bourne-Fuller Co. He served as a Major in the ordnance department in the first World War and returned to Bourne-Fuller as Vice-President and general manager. In 1919 he organized and was made President of Lake Erie Bolt & Nut Co. Since September, 1930, or shortly after the corporation was formed, he became Vice-President in charge of sales for Republic. Schlendorf was appointed manager of sales of the alloy steel division of Republic in 1930 and in 1936 was made assistant Vice-President in charge of sales.

George E. Allen, insurance executive of Washington, D. C., has been elected a director of Republic Steel.

* * *

Cleveland Trust Co., Cleveland's and Ohio's largest bank, plans to establish its 47th branch bank in Euclid, a Cleveland suburb, sometime this fall, President George Gund announced.

In keeping with its policy of "taking the bank to the people," the bank felt there was a real need for supplying convenient banking service in view of the industrial and residential growth in Euclid, he said.

* * *

S. B. Taylor, manufacturing Vice-President of Reliance Electric & Engineering Co. of Cleveland, has been made President of Parker Appliance Co., also Cleveland.

Taylor succeeds H. I. Markham, who was recently elevated to Chairman of the board. Markham had served as President following the death last Jan. 1 of Arthur L. Parker, founder and chief executive of the company.

Markham is a partner in the investment banking firm of Paul H. Davis & Co. of Chicago, and has been associated with Parker Appliance since 1940 and vice-president of the company since 1942.

Taylor, also elected a director, came to Reliance engineering department in 1925. He became works manager in 1931, a director in 1935 and Vice-President in March, 1943.

* * *

On the first of September Frank M. Stephens, operating Vice-President of the Ohio Bell Telephone Co., becomes President of the Wisconsin Telephone Co.

Stephens, an Ohio Bell official since 1923), succeeds William R. McGovern. Stephens, former Chairman of the Columbus and Cleveland Red Cross chapters, also had been general manager of Ohio Bell's southwestern area with offices at Columbus. He is an industry member of the National War Labor Board's Telephone Commission.

* * *

Edward G. Gray, Cleveland representative of the plastics division of General Electric Co. chemical department, for 16 of his 20 years with the company, has been appointed sales manager of laminated products for the division. Henry D. Randall, formerly in the post, becomes assistant to the general sales manager of the chemical department.

Gray is a graduate of Rose Polytechnic Institute and took his Master's degree in mechanical engineering at Massachusetts Institute of Technology. He is a member of the American Society of Mechanical Engineers, Cleveland Engineering Society, Society of Plastics Engineers and Illuminating Engineering Society.

Randall is one of the pioneers in the plastics industry and came to General Electric in 1912, after having spent 10 years with Westinghouse and Allis Chalmers.

* * *

A number of members of the Cleveland Chapter, American Institute of Banking, took part in the annual district officers' conference of the American Institute of Banking held in Akron early this month.

The conference, held each year to prepare for the fall term of AIB educational classes, emphasized the educational problems and needs of the returning veterans.

F. J. Blake, President of Cleveland chapter, led the panel on "Chapter Administration."

Others participating included Miss Marjorie Shutts, who headed the panel on "Women's Committees." Miss Josephine Brophy of National City Bank of Cleveland also was a member of that panel.

Elbert L. Frank, national associate councilman for Ohio and assistant Vice-President of Cleveland Trust Co., was in charge of a panel on "Chapter Educational

(Continued on page 845)

William Clark Rejoins Merrill Turben & Co.

CLEVELAND, OHIO — William H. Clark has returned to Merrill, Turben & Co., Union Commerce Building, members of the Cleveland Stock Exchange, after three years in the municipal bond department of Paine, Webber, Jackson & Curtis.

Mr. Clark started in the securities business in 1935 with Mitchell, Herrick & Co., going to Merrill, Turben four years later. In his new position, he will handle corporate bonds and stocks as well as municipal and government bonds. He is a governor of the Bond Club of Cleveland.

Whitehead With Hopkins

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Gardiner H. Whitehead has become associated with H. C. Hopkins & Co., Union Commerce Building.

Charles A. Hoskin Joins Staff of McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Charles A. Hoskin has become associated with McDonald & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Mr. Hoskin had been with Hornblower & Weeks in Cleveland for the past twenty years.

Correction

In the Financial Chronicle of Aug. 9, it was reported that Peck, Shaffer and Williams, First National Bank Building, Cincinnati, Ohio would enter the investment business to deal in general securities. We have been informed by the firm that this is in error, Peck, Shaffer & Williams having practiced law continuously and exclusively since its founding in 1888 and intending to continue to practice law and law only in the future.

Truman States Reconversion Policy

(Continued from page 827)

1944, the First War Powers Act of 1941, the Second War Powers Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for the purpose of fully mobilizing the resources of the Government in this final stage of the war emergency, in order to promote a swift and orderly transition to a peace-time economy of free, independent private enterprise with full employment and maximum production in industry and agriculture and to assure the general stability of prices and costs and the maintenance of purchasing power which are indispensable to the shift of business enterprises from war-time to peace-time production and of individuals from war-time to peace-time employment, it is hereby ordered as follows:

I

1. The guiding policies of all departments and agencies of the Government concerned with the problems arising out of the transition from war to peace shall be:

A. To assist in the maximum production of goods and services required to meet domestic and foreign needs: (1) by assuring assistance in making available materials and supplies required for the production of such goods and services; (2) by providing assistance to the conversion and utilization of war plants and facilities, both privately and publicly owned, and (3) by providing effective job placement assistance to war workers and returning service men and women.

B. To continue the stabilization of the economy as authorized and directed by the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, (1) by using all powers conferred therein and all other lawful means to prevent either inflation or deflation; and (2) while so doing, by making whatever modifications in controls over prices, wages, materials and facilities are necessary for an orderly transition from war to peace; and

C. To move as rapidly as possible without endangering the stability of the economy toward the removal of price, wage, production and other controls and toward the restoration of collective bargaining and the free market.

2. The departments and agencies of the Government shall take vigorous, concerted and uniform action toward these ends and pursuant to this order, under the guidance and direction of the Director of War Mobilization and Reconversion.

II

During the transition to a free economy, the Secretary of Agriculture, the Federal Loan Administrator and the Director of Economic Stabilization shall not only take all measures required by law to support prices but shall take such further measures authorized by law as may be necessary to prevent any collapse of values or discouragement of the full and effective use of productive resources.

III

The Price Administrator and, in the exercise of his price responsibilities under the law, the Secretary of Agriculture, shall, subject to such directives provided for by law as may be issued by the Economic Stabilization Director, take all necessary steps to assure that the cost of living and the general level of prices shall not rise. Subject to such authority, the Price Administrator and, in the exercise of his price responsibilities under the law, the Secretary of Agriculture, are authorized to make such adjustments in existing price controls as are necessary to remove gross inequities or to correct maladjustments or inequities which would interfere with the effective transition to a peace-time economy. In order that any price increases found necessary for these purposes will not result in an increase in the cost of living or in the general level of prices, the Price Administrator and the Secretary of Agriculture respectively shall (1) so far as is reasonable, practicable and necessary for this purpose, see that such price increases do not cause price increases at later levels of production or distribution, and (2) improve and tighten price controls in those fields which are important in relation to production costs or the cost of living in which in their judgment the controls have heretofore been insufficiently effective.

IV

1. The National War Labor Board, and such other agencies as may be designated by the Director of Economic Stabilization with the approval of the Director of War Mobilization and Reconversion, are authorized to provide that employers may, through collective bargaining with duly certified or recognized representatives of the employees involved or, if there is no such representative, by voluntary action, make wage or salary increases without the necessity of obtaining approval therefor, upon the condition that such increases will not be used in whole or in part as the basis for seeking an increase in price ceilings, or for resisting otherwise justifiable reductions in price ceilings, or, in the case of products or services being furnished under contract with a Federal procurement agency, will not increase the costs to the United States.

2. In addition to the authority to approve increases to correct gross inequities and for other specified purposes, conferred by Section 2 of Title II of Executive Order 9250, the National War Labor Board or other designated agency is hereby authorized to approve, without regard to the limitations contained in any other orders or directives, such increases as may be necessary to correct maladjustments or inequities which would interfere with the effective transition to a peace-time economy; provided, however, that in dispute cases this additional authority shall not be used to direct increases to be effective as of a date prior to the date of this order.

Where the National War Labor Board or other designated agency, or the Price Administrator, shall have reason to believe that a proposed wage or salary increase will require a change in the price ceiling of the commodity or services involved, such proposed increase, if approved by the National War Labor Board or such other designated agency under the authority of this section, shall become effective only if also approved by the Director of Economic Stabilization.

3. Officials charged with the settlement of labor disputes in accordance with the terms of Executive Order 9017 and Section 7 of the War Labor Disputes Act shall consider that labor disputes which would interrupt work contributing to the production of military supplies or interfere with effective transition to a peace-time economy are disputes which interrupt work contributing to the effective prosecution of the war.

V

The War Production Board shall move as rapidly as feasible without endangering orderly reconversion and the stabilization of the economy to free business from its controls. During the transition it shall use all of its authorized powers to expand the production of materials which are in short supply; limit the manufacture of products for which materials or facilities are insufficient; control the accumulation of inventories so as to avoid speculative hoarding and unbalanced distribution which would curtail total production; grant priority assistance to break bottlenecks which would impede the reconversion process; facilitate the fulfillment of relief and other essential export programs, and allocate scarce materials or facilities necessary for the production of low-priced items essential to the continued success of the stabilization program.

New York Stock Exchange Weekly Firm Changes

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

Fuller M. Rothschild will retire from partnership in Rothschild & Co., Chicago, on Aug. 31.

M. Livingston Delafield, partner in Delafield & Delafield, New York City, died on Aug. 15.

Cawthorne & Troeber, New Curb Member Firm

Cawthorne & Troeber has been formed with offices at 120 Broadway, New York City. Partners are Wm. W. Troeber, member of the Curb Exchange, and C. C. Cawthorne. Mr. Troeber in the past was active as an individual Curb floor broker.

Weier Resumes in N. Y.

Henry Weier is engaging in a securities business from offices at 29 Broadway, New York City. In the past Mr. Weier was a partner in Henry Weier & Co.

Ohio Municipal Comment

(Continued from page 836)

nancial difficulties for the first time in several years.

Communities which are most likely to encounter financial difficulties are, of course, those which have a heavy debt burden to carry (overall debt, not simply direct debt), those which have a lack of diversified economic pursuits to provide continuing incomes to taxpayers, and those whose people are of such characteristics that they are given to spend freely in such periods as the country has just been through, without saving for the rainy day that might be ahead.

Thus, it would be well for the investor to review his portfolio with the thought of disposing of bonds of such communities in favor of those which have only a light debt burden to carry (overall burden, not simply direct), which enjoy well diversified economic pursuits for greater assurance of a continuing ability to pay taxes, and which boast of a thrifty populace that will likely have funds with which to pay taxes in difficult times as well as in prosperous times.

One must admit—one surely hopes—that the oft-mentioned unemployment, running to some 8,000,000, may be only temporary, to last only a few months until industry can reconvert to the task of supplying the huge pent-up demand for civilian goods. Yet one would also do well to look ahead for two or three years to appraise the employment situation when this pent-up demand may have been satiated. At such a future date it may well be advantageous to have disposed of obligations of the communities which, as stated above, will be most vulnerable to slackening employment.

Atomic Bomb May Indicate the Value of Diversification

Moreover, it is more than interesting to give some thought to the effect which the principle of the atomic bomb may have upon the financial stability of those communities which do not enjoy diversified economic activities. For example, the utilization of atomic energy is reported to provide almost unbelievable quantities of heat. One might cogitate for a moment or two upon the possibility that this source of heat might supplant the use of coal—and upon the future stability of coal mining areas, in such an event. One might also consider the future credit of communities the economy of which depends upon one or two concerns, or industries, which are situated in particular communities because of proximity to sources of power which may be out-moded by the harnessing of atomic energy.

It is difficult to predict the future stability of any one industry—much less so, any one concern. But this very difficulty is, always has been and always will be, the reason that diversification is a valuable asset, to a community, to an investor, to an individual.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Banking is still a dignified and mysterious business, though fortunately not quite so silk-hatted and reticent as it used to be. Yet the public is strangely ignorant, even today, of the essential and indispensable nature of the service which commercial banking renders to the economic and social needs of the nation, to say nothing of its scope and variety.

Happily, bankers have come to realize in recent years the value of a friendly instead of a suspicious public opinion, and of well-informed instead of poorly-informed stockholders. Consequently, annual reports to stockholders have developed into informative and revealing documents, which find their way into the news columns of the daily newspapers. Furthermore, it has become the practice of most important banks to buy generous space in the newspapers, four times a year, for the purpose of displaying to the public a "Statement of Condition." And even though this may seem Greek to some newspaper readers, nevertheless the figures of capital and surplus, Government bond holdings, deposits, etc., must make some impression. Corn Exchange Bank Trust Company of New York has made a further concession to the public's desire to be informed by publishing a simplified form of balance sheet which it designates "A Bank Statement That Any Man or Woman Can Understand."

It seems to this column that any step that will help to educate and enlighten the public on the subject of commercial banking is a step in the right direction, for that which people do not understand they are inclined to distrust. It it encouraging, therefore, to find many banks resorting to more generous use of newspaper advertising space for the purpose of telling their story to the people.

The part that banks have played in aiding the Government in its several War Loan drives has been called to the attention of newspaper readers, in many instances, through such advertising. Guaranty Trust, for example, recently displayed a forcible three-column 11½ inch display advertisement entitled "Help Them to Final Victory," and offering its services in the handling of subscriptions. Irving Trust, too, had a three-column six inch display, entitled "Your Country is Still at War, ARE YOU?" Many other examples could be cited.

Bankers Trust Company, only a few days ago, had a four-column 10½ inch display in the papers entitled "The Banks Are Ready," in which it stated that "America's private banking system is ready to provide industry with the credit needed for the shiftover to peacetime activity," and closed with the invitation to "get in touch with your bank and find out how it can help you over the hurdles of war-contract termination and assist you in getting squared away for the new conditions ahead."

Post-war foreign trade is a peacetime activity in which the banks will play an important role. Irving Trust Company and Public National Bank & Trust Company have recently had some interesting two-column nine inch examples of informative copy. Irving's is entitled "Do You Need New Business Contracts Abroad?" and includes particulars regarding its Foreign Trade Information Department. Public's title is "The Financial Link In Foreign Trade," and refers to the long and valuable experience its Foreign Department had had in handling import and export letters of credit.

Advertising pertaining to "Banking Credit for Business," and commercial borrowing in general, with informative detail, frequently is displayed by many leading banks, including, for example, Public National Bank, Manufacturers Trust, Girard Trust Company of Philadelphia, etc.

Chemical Bank & Trust Company, from time to time, runs a two-column eight inch display pertaining to its trust department functions, for example: "As Executor of Your Will." Marine Midland features in its advertising "The Marine Midland Common Trust Fund," while Commercial Trust Company of New Jersey, calls attention to its "Analysis of New Tax Laws in New Jersey."

Public National has a two-column 8½ inch display headed "Four Questions About Her Husband's Will Which Every Wife Should Ask," while Chase National runs a small one-column 3½ inch advertisement regarding "Pension and Profit-Sharing Plans."

Canadian banks, too, are using space in New York's newspapers, thus, Bank of Montreal features its facilities for promoting "Canadian-American Commerce," while The Royal Bank of Canada invites "inquiries from business firms and banks interested in Canadian business," and The Canadian Bank of Commerce advertises "Progressive Canada."

Some of the leading banks, however, are at times very modest in their copy, contenting themselves with a few inches of single column announcements, thus: "BANK OF NEW YORK—New York's First Bank Founded 1784—Personal Trusts Since 1830." Another modest example is in the case of Bankers Trust which unobstrusively announces: "A Primary Market for United States Government Securities — Serving Corporations, Banks, Institutional and Other Investors."

Continental Bank & Trust Company of New York recently displayed a three-column seven inch announcement of its Seventy-Fifth Anniversary in which it stated that it "was founded 75 years ago today."

Corn Exchange National Bank & Trust Company of Philadelphia has been running an interesting series of signed advertisements in the Philadelphia papers. These are usually 10 inch by 14 inch displays and treat of the various services which the institution is equipped to render to the public. The latest one is entitled "What Is the Limit of Our Service?"

Many other examples of informative bank advertising could be given if space permitted, a fact which in itself is encouraging. The private banking system of America is doing a splendid job, and it is doubly important in these days of socializing and nationalizing tendencies that the American public should become aware of this fact. Probably one of the most effective means of accomplishing this would be through a long range program of suitable newspaper advertising.

UAW Asks 30% Wage Rise From General Motors—Action Viewed as Precedent for Industry

The disclosure that a 30% wage increase would be sought for 300,000 unionized automobile workers of the General Motors Corporation plants throughout the country, by the United Automobile Workers, Congress of Industrial Organizations affiliate, was made at Detroit on Aug. 18 by Walter P. Reuther, Vice-President of the UAW, who stated that he had forwarded to General Motors demands to this end. According to Associated Press advices from Detroit, Mr. Reuther, who is director of the UAW's General Motors department, indicated that the demand upon General Motors may be the forerunner of similar action throughout the industry. These advices, as given in the New York "Herald Tribune," went on to say:

In a letter to C. E. Wilson, President of General Motors, he proposed that Mr. Wilson take the initiative in bringing about a conference looking to an industry-wide application of the wage increase. In that case, Mr. Reuther said, the demand upon General Motors would be withdrawn in favor of the industry-wide negotiation.

The union leader pointetd out in his letter to Mr. Wilson that under the new Government policy announced Thursday [Aug. 16] by President Truman wage increases are permissible, provided they do not necessitate increases in prices.

"The profit and reserve position of General Motors," he asserted, "provides ample margin for absorption of the wage adjustment without necessitating price increases."

Mr. Reuther asserted that General Motors had made "tremendous" profits during the war period and said that labor productivity had increased sharply.

The demand for a 30% wage increase, he said, is necessary to maintain take-home pay of the workers, which has dropped 30% by a reduction of the work week from 48 hours to 40 hours.

There was no immediate comment from officials of General Motors. The union demand came as virtually every employer in the industry faced the necessity of laying off thousands of workers following the cancellation of war contracts.

Goldman Sachs Offers Cudahy Packing Preferred

Goldman, Sachs & Co. heads a group that is underwriting the exchange and public offering of a total of 100,000 shares of the Cudahy Packing Co. 4½% cumulative preferred stock ($100 par). Of the total, 25,280 shares were offered Aug. 21 to the public at $100 a share and the remaining 74,720 shares are being offered in exchange, on a share-for-share basis, with a cash adjustment, to holders of the company's outstanding 6% and 7% cumulative preferred stock.

The purpose of the financing is to retire all the company's outstanding 6% and 7% preferred stock and to provide additional working capital. Exchanging stockholders will receive in cash the difference between the redemption prices of their stocks, including accrued dividends as of Nov. 1, 1945, and the initial public offering price for the new 4½% stock.

The preferred stocks not exchanged under the offer, which will expire on Aug. 27, 1945, will be purchased by the underwriting group and may also be offered to the public. Outstanding stock not exchanged will be redeemed by the company on Nov. 1, next; the 7% preferred at $108.50 a share, and the 6% stock at $103 a share.

The new preferred will be redeemable at the option of the company at $105 a share through July 15, 1947, with successive reductions of $1.50 a share in redemption prices on July 15, 1947 and 1949, and $1 a share on July 15, 1951 and 1953.

While the amount of net cash proceeds will depend upon the number of shares exchanged, it is estimated that the financing will provide a maximum of $821,710 and a minimum of $690,950 over and above the amounts required to redeem the unexchanged shares of the outstanding preferred stocks.

Chas. W. Snow Now With Cohu & Torrey

Cohu & Torrey, 1 Wall Street, New York City, members New York Stock Exchange, announce that Charles W. Snow has become associated with them. Mr. Snow was formerly a partner in Blanchard, Snow & Watts.

London Comment

(Continued from first page)

tural condition.—H. M. Queen Victoria, May 19, 1898"

Translation Into British

The London street celebration of V-J Day began the night of August 10 and reached a peak of good-natured boisterousness on the first day of the 2-day official V-J holidays, when with traffic diverted masses of people filled not only Piccadilly Circus, but all the streets from the Houses of Parliament to Aldwych. Amidst the din of singing, street dancing, horn blowing and the like one could hear a group of young men and women swinging along arm in arm and singing the familiar tune of "Over There." But the words were changed quite a bit. Instead of ". . . the Yanks are coming," they sang it ". . . the **tanks** are coming." Just a difference in one letter!

American Businessmen Entertained

The American delegation to the International Chamber of Commerce council meeting were invited to Grocers' Hall in The City by Mr. Arthur R. Guiness to meet the British National Committee. Among those who attended were Mr. Winthrop W. Aldrich, Mr. Shepard Morgan and Dr. B. H. Beckhart, of the Chase National Bank; Mr. W. L. Hemingway and Mr. J. M. O. Monasterio, of the Mercantile-Commerce Bank and Trust Co. of St. Louis, and former Repr. Charles S. Dewey of Ill., Mr. Aldrich's executive assistant.

Aldrich on Financial Assistance

Mr. Aldrich, incidentally, in the course of his speech at a luncheon meeting of the American Chamber of Commerce here (printed in this issue of the "Chronicle") stated that "the reports from Washington that lend-lease is about to be terminated, make it imperative that the United States stand ready to grant England the immediate financial assistance she requires to effect the transition from a war to a peacetime economy." On the other hand, W. L. Hemingway, a past President of the American Bankers Association, who is here as a member of the American Council of the International Chamber of Commerce, stated to the "Chronicle's" representative that "what has impressed me perhaps as much as anything else here has been the feeling of relief among the British that the long, exhausting war has ended and their evident intention not to try to solve all their problems overnight."

Committee Studying Europe

Congressman William M. Colmer, Democrat of Mississippi, who is here with other Congressmen as a committee to study European matters, stated to me that "we are studying and making recommendations on national policies, but we also find it necessary to study international economy because of its repercussions domestically. Therefore we are surveying European conditions." The committee is to visit France, Germany, Sweden, Russia, Rumania, Greece and other countries, having as its agenda the short and long-term economic outlook, including monetary investment, shipping, disposal of surplus U. S. property and similar problems. As the committee's report recently incorporated the views of an ex-commerce official recommending a large outpouring of dollars abroad, the Continental trip is hardly likely to alter that recommendation.

Wm. M. Colmer

Bretton Woods Ratification

The King's Speech of August 15th made no direct mention of Bretton Woods, which the United Kingdom is expected to ratify, perhaps by October, after Parliament has debated it. Ratification by the Government without an act of Parliament is possible.

During the germination of the Bretton Woods programs by the British and American Treasuries, Americans were several times irked over the disclosure of details of the plans in London ahead of Washington. In 1943, for example, the plan for a World Bank was thus first revealed in London. On that occasion Lord Keynes, who happened to be away from London, cabled the British Treasury to this effect: "If we cannot control the reptiles of our press, how can we expect the Americans to control theirs?" There is apparently a difference in viewpoint between planners and others as to what constitutes proper freedom of the press or the duty of a reporter to his readers.

Another Bretton Woods story told in the clubs here relates to a provision of the International Fund, which the British insisted upon, but which the Americans were reluctant to include. Suddenly, the story goes, Dr. Harry White of the American Treasury said: "I've got it. **We** will propose it." Thereafter, Lord Keynes was able to say to the House of Lords that the Americans of their own free will had generously made this undertaking.

Bretton Woods

No European move is yet apparent to ratify the Bretton Woods agreements, and it seems nothing will be done toward this end until after the British ratification. The new government up to present has permitted no formal parliamentary consideration of the matter, though in some quarters British acceptance is urged with the understanding that the so-called provision for a "transitional period" be defined as extending over as much as ten years. However, it seems that by October, or a short time thereafter, British ratification of Bretton Woods is certain, since failure to do so would incur the onus of scuttling international cooperation. Furthermore, the British Dominions are strongly interested in international organization and will undoubtedly ratify the agreements, thus making British abstention all the more unlikely. But before the British ratification there will undoubtedly be a review of the status of the pound sterling to assure maintenance of its international exchange rate. As far as the British public is concerned, it is far more interested in housing and demobilization than in the United Nations Organization in the Bretton Woods Agreements.

The question of the downward valuation of the French franc also should be settled within a few months. Any valuation above 1 cent per franc would be clearly unrealistic, since the present artificial value of the franc, which dates from Casablanca, hampers the export of French products and closes French foreign markets. In any event, the devaluation must precede French ratification of Bretton Woods.

Bank of England

At this writing there is some comment heard here as to just what is meant by the part of the King's Speech relating to the Bank of England. The speech, which speaks of nationalizing the coal industry, talks only of bringing the Bank of England "under public ownership." Is this a distinction with a difference? If the Bank is nationalized, its employees will come under Civil Service, a development they regard as to their personal disadvantage. But if the government merely owns the Bank, the latter may operate without too much interference and the employees will enjoy full opportunities for promotion.

The impending change in the status of the Old Lady of Threadneedle Street is of chiefly symbolical significance, as the Bank throughout the war has been an "alter ego" of the Treasury. The sum involved in buying out the Bank's stockholders poses no great problem for the government, which will finance the transaction in the wartime red ink manner. The nationalization of coal mining is a much bigger and knottier problem, which will require a much longer time.

The basis of compensation to shareholders of the Bank of England, when nationalization takes place, will probably be at a price per share, determined as of some pre-election date. However, there is nothing official on this point as yet. Coal mine nationalization is likely to be on the basis of the capitalization of profits. The new government undoubtedly will have to further clarify its position with respect to the nationalization of other industries, if new capital investment is not to be severely hampered. But though Mr. Bevin's reassuring speech on foreign policy gave no clue to the Labor Party's domestic policies, the party is evidently anxious to convince the public of its moderation. The real test will come when the question of the nationalization of the steel industry arises.

The key to the Labor Government's program is in the part of the King's Speech which reveals the intention to seek, for the transition period, "such powers as are necessary." This foreshadows continued government controls over business. Also of great interest here is the intention to repeal the Trade Disputes and Trade Unions Act.

A Clue to the Government's Task

All aliens must register with the police promptly upon arrival here, and must also procure ration books and indentity cards. Anyone who has stood or sat in line two hours at the Alien Registration Office and watched the "speed" with which the clerks work gets the impression that business in the Government here is conducted as in the time of Charles Dickens. Only the high stools and quills are missing. Labor will have a time if it tries to streamline Britain's ancient bureaucracy.

Kilgore Presses Reconversion Program

Senator Harley M. Kilgore (D.-W. Va.) has expressed deep concern over the national economic prospects during the postwar reconversion period unless a sound program is immediately put into effect, according to United Press advices in the New York "Times" from Washington, Aug. 12.

The Senator offered a 15-point program, which embodies points of a previous plan prepared in conjunction with Senator Claude Pepper (D.-Fla.), but containing supplements drafted by Senator Kilgore during the Congressional recess. "We can no longer afford any delay in putting our house in order," said Senator Kilgore, "either for political and military security throughout the world or for economic security at home."

The Kilgore program, according to United Press, calls on Congress to do the following

"Clearly establish the responsibility of the Federal Government for guaranteeing the economic bill of rights to all Americans.

"Guarantee equal opportunity to all Americans, assuring that there will be no discrimination because of race, color, political or religious creeds.

"Provide emergency reconversion measures geared to full employment.

"Provide war veterans with full security, training, medical care and job opportunities.

"Continue a stable and profitable agriculture at high production levels, with wartime production and minimum price guarantees.

"Create expanded opportunities for business by adequate credit and disposal of surplus goods and by freeing business activity from restrictions of cartels and monopolies.

"Guarantee a high level of scientific research activity in the interests of all with continued and expanded Federal support.

"Promote a high wage level insuring the continued expansion of industrial and agricultural production, raise minimum wage-hour standards, and promote adoption of the annual wage.

"Expand foregin trade to provide jobs and an increasingly high standard of living at home and abroad.

"Institute a national housing program insuring a large and sustained volume of private and public construction.

"Stabilize at high levels construction of community facilities. Public works should not wait until private enterprise is able to provide full employment, but funds should be immediately appropriated.

"Establish a national health program and broaden the Social Security system.

"Create additional educational and training opportunities for all Americans with Federal aids to education to expand scientific and medical personnel.

"Promote the development and balanced use of natural resources with a view to expanding industrial, agricultural and employment opportunities.

"Adopt a fiscal policy geared to full employment, aimed at business expansion, wider purchasing power of lowest income groups, and reduction in the concentration of wealth which has been accelerated during the war."

To Select Roosevelt Quote for 8th War Loan

Supreme Court Justice Owen J. Roberts has agreed to act as contest judge in the selection of a quotation from the works of the late President Roosevelt for use in the Eighth War Loan, it has been announced by the Treasury Department.

Municipal News & Notes

The nation is now busily engaged in the work of re-orienting its productive facilities and manpower to peacetime pursuits. The magnitude of the job is such that dislocations, if only temporary, are necessarily inevitable.

In the case of the municipal bond market, the termination of the war has occasioned a decided weakening of the price structure. A decline, of course, was to be expected, if only because of psychological reasons.

Whether the current price level, which represents a decrease of about twenty basis points below the comparable yields that obtained prior to the surrender of Japan, constitutes a base remains to be seen.

Up to the present writing, there has been no apparent trends on which to base any specific conclusions. Trading is practically non-existent and investors have withdrawn to the sidelines pending a more thorough appraisal of the situation occasioned by the return of peace.

The extent of the present statement is anybody's guess and, as a matter of fact, will be largely determined by developments beyond the control of either dealers or investors.

A primary factor, obviously, will be the speed with which industry is able to reconvert to peacetime production and thereby absorb the millions of displaced war-workers. The importance of this aspect of the changeover on municipal credit values bulks high among the various other factors bearing on the future course of prices.

Among the latter, naturally, are such questions dealing with the future level of taxes and the probable increase in the supply of municipal bonds now that restrictions on materials and manpower are being removed. In the case of taxes, there would appear to be no reason to doubt that a reduction from present levels is in the offing. However, it is not likely that anyone can prophecy correctly just when and to what extent they will be reduced.

Accordingly, until some specific evidence on that score is at hand, it is patently impossible to essay any analysis of the ultimate tax-price relationship of municipal bonds.

No less difficult to assess is the potential addition to the supply of local government securities. While it is agreed that the potential is impressive, it is by no means certain that new issues will materialize in significant volume for quite a spell.

Looking at the picture from all angles, the opinion is that the municipal bond market will be a somewhat erratic affair over the next few months at least.

None of the foregoing, of course, is intended, or is to be construed, as in the nature of an attempt to chart the future course of the market. We are more than glad to leave such a chore to those endowed with prophetic vision. It is merely our purpose, within the space available, to dwell on some of the obviously unanswered questions bearing on the point at issue. Unlike the stock market, the municipal field was already in a period of depression prior to the termination of the war. It is quite probable, too, that much of the uneasiness was the result of a disposition to discount the actual event.

This to the contrary, the fact is that the market was, and remains, in an extremely vulnerable position. Therein lies a potent threat to the price structure in any prolongation of the existing impasse.

Recent Awards

By way of illustrating the market of today as compared with that of several months ago, reference may be made to the terms achieved by the State of West Virginia on Tuesday's award of $1,000,000 road bonds. In disposing of the issue, due serially from 1946 to 1970, inclusive, the State obtained a net interest cost of 1.2607%. This compares with a net cost of 0.9041% at which the State sold $2,000,000 bonds of similar maturity in April.

It should be noted, however, that the market had already moved sharply lower in the interim between time of the earlier award and V-J Day. For this reason, it would be contrary to facts to conclude that the marked difference in terms of Tuesday's award and the preceding operation, represents the actual extent of the decline in the market since the event of peace.

Mention also may be made of the substantially higher cost basis which attended the sale on Tuesday of $865,000 Montgomery County, Md., refunding bonds. The successful bid in this instance figured a net interest cost to the county of 1.6063% for bonds maturing from 1948 to 1973, inclusive.

At its previous appearance in the long-term market on Jan. 9 last, the county placed an issue of $475,000 bonds on a 1.3289% basis.

This latter issue, it may be pointed out, was of shorter duration, running from 1949 to 1967, inclusive. In the earlier instance the successful bidders reoffered the bonds to yield from 0.75% to 1.35%, while the scale for the current offering is from 0.70% to 1.65%.

Cities Warned on Special Assessment Improvements

In view of past unfavorable experiences in that regard, it seems rather superfluous to warn local government units, not to mention investors, of the dangers inherent in the haphazard installation of improvements in undeveloped tracts of land, the cost of which is proposed to be liquidated by special assessments. However, such a warning is sounded in a current bulletin of the Public Administration Clearing House, Chicago, which reviews the results of a study just completed by the committee on special assessments of the Municipal Finance Officers Association.

As a matter of sound business practice, the report said, municipal officials should apply one important question in connection with property scheduled for improvement by special assessment: "Can the district in which the improvement is to be made actually pay for the cost of the installations?"

The report said the subject of special assessments is of growing concern to local officials faced with a post-war era of new public improvements, repairs to existing facilities and the platting and developing of new subdivisions, and advanced three factors it said were of prime importance in connection with ability of a property to repay a municipality through special assessments for funds spent on improvements.

1. The "tax picture." A detailed, thorough and complete survey should be made to see if the properties to be assessed for new improvements have been able to pay the general and special taxes already levied.

2. The ratio of the proposed assessment as related to the assessed valuation of the property is another matter to be studied carefully. Is the new improvement too costly compared to the value of the property.

3. Finally, if the tax situation is favorable and the improvement is warranted, an advance deposit should be required sufficient to cover a substantial part of the total cost of improvement. This requirement should be regarded as a necessary safeguard not only to the municipality but to the taxpayer at large.

The report warned local officials to "avoid the pitfalls and extravagance" that followed the "boom years" of post-world war I because of inadequate planning and lack of proper control of the use of special assessments to finance local improvements.

As one example of results of this situation, the association said, sewer and water mains were charged against hundreds of thousands of properties on which houses were never built. Such inadequate control and lack of planning, the report said, led directly to higher tax delinquency necessitating refinancing and refunding of special assessment bonds.

Much of the difficulty arising in connection with collection of special assessments during those "boom years" stemmed from the fact that local improvements were made in subdivision developments without proper regard for location and planning, the report said, adding that regulations for subdivision development, including strict zoning legislation, should be enacted to insure protection for suburban areas.

Investment Company Portfolio Statistics

(Continued from page 829)

Selectivity of buying, however, was indicated by the fact that United Gas Improvement common stock and American & Foreign Power preferred stocks and bonds were sold on balance in the same period.

During the quarter, seven funds purchased stock of C. I. T. Financial Corp., while one sale was reported. The remaining purchases were widely scattered among many industries including building, foods and amusements. A high degree of unanimity of action was apparent: half of the securities included in the list of those predominantly purchased showed no sale recorded.

Second Quarter Sales

Sales were scattered among a number of industries. Eight funds sold Deere & Co. and two purchases were recorded. The greatest unanimity of action was shown in the case of Pepsi-Cola, which was sold by seven funds and purchased by none. These two stocks also headed the list of stocks predominantly sold during the first quarter this year.

Oil producing and refining company shares were sold on balance, although in nearly every case at least one purchase was also recorded. Stocks in which sales predominated were Socony-Vacuum, Standard Oil of New Jersey, Pure Oil, Phillips Petroleum and Standard Oil of Indiana.

Securities Most Widely Held

The list of stocks held by the greatest number of investment companies has not changed materially in the past nine months. As of June 30 the 10 stocks most widely held were the following:

No. of Funds Holding Stock	Name of Stock	No. of Shares Held
22	North American Company	1,300,300
22	Standard Oil (N. J.)	205,700
20	Montgomery Ward	288,200
19	General Motors	189,200
18	Chrysler Corporation	136,200
18	E. I. duPont de Nemours	63,700
18	Kennecott Copper	175,100
17	Socony-Vacuum Oil	481,300
17	International Nickel	203,700
16	Sears Roebuck	124,600

Since the 30 funds included in this study all follow a policy of investing chiefly in common stocks and other equity-type securities, the most widely held bonds on June 30 were, as might be expected, mainly those of reorganization railroads. Twelve funds held Missouri Pacific System bonds with a total face amount of $10,756,000. Also included in the 10 most widely held were bonds of Chicago, Milwaukee, St. Paul & Pacific System, Baltimore & Ohio, St. Louis-San Francisco, New York, New Haven & Hartford, Chicago-Rock Island and Chicago & North Western. Public utilities were represented by Associated Gas & Electric System, American & Foreign Power and Cities Service.

In releasing results of the study, the Association emphasized that the statistics do not necessarily reflect current management opinion in regard to the securities mentioned, nor is it possible to reflect in such composite statistics the complete policies of the portfolios analyzed. The major part of investment company holdings and transactions are in a wide list of securities which individually are neither held by a sufficient number of companies nor bought or sold during a short period by enough companies to appear in such composite tabulations. The 50 stocks most widely held on June 30, 1945, accounted for only 30.6% of the total assets of the 30 funds on which the study is based.

7/8% Treasury Ctfs. Offered in Exchange

Secretary of the Treasury Vinson announced on Aug. 20 the offering through the Federal Reserve Banks, of one-year Treasury certificates of indebtedness, series G-1946, in exchange for 7/8% Treasury certificates of indebtedness of series F-1945, maturing Sept. 1, 1945, and 2¾% Treasury bonds of 1945-47, called for redemption on Sept. 15, 1945. Exchanges will be made par for par in the case of the maturing certificates, and at par with an adjustment of interest as of Sept. 15, 1945, in the case of the called bonds. Cash subscriptions will not be received. There are now outstanding $3,693,537,000 of the maturing certificates and $1,214,428,950 of the called bonds.

The Treasury announcement also said:

The certificates now offered will be dated Sept. 1, 1945, and will bear interest from that date at the rate of 7/8% per annum, payable semi-annually on March 1 and Sept. 1, 1946. They will mature Sept. 1, 1946. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

Although the called bonds are outstanding in denominations of $50 to $100,000, inclusive, exchanges may be made only in amounts of multiples of $1,000, since this is the lowest denomination in which the new certificates will be available.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular released today.

Subscriptions will be received at the Federal Reserve banks and branches, and at the Treasury Department, Washington, and should be accompanied by a like face amount of the securities to be exchanged and, where called bonds in coupon form are presented, by payment of accrued interest at the rate of $0.3384 per $1,000. Subject to the usual reservations, all subscriptions will be allotted in full.

The subscription books will close at the close of business Wednesday, Aug. 22, except for the receipt of subscriptions from holders of $100,000 or less of the maturing certificates or the called bonds. The subscription books will close for the receipt of subscriptions of the latter class at the close of business Saturday, Aug. 25.

Farmers Beware!

(Continued from page 829)

War I prices was reached. In May, 1920, prices received by farmers averaged 235% of 1910-14. Just a year later the price index was down to 115. In May, 1945, the price index was 200. This means that farm prices more than doubled in each World War period. The total farm cash income was nearly five times as large in 1944 as in 1932,—in fact, in 1944 it was nearly double the prosperous year of 1929. Recently there has been a leveling off. Farmers' cash income for the first six months of 1945 was only 40 million dollars above the same period last year, including government payments.

FARM CASH INCOME
(Millions of Dollars)

	Crops	Live-stock	Govt. Payts.	Total
1929	5,125	6,171	0	11,296
1932	1,997	2,746	0	4,743
1939	3,366	4,511	807	8,684
1942	6,387	8,987	697	16,071
1943	7,903	11,349	672	19,924
1944	8,696	11,532	817	21,045
1945 (Est.)	9,145	11,118	779	21,042

Post-war Outlook

When I tell farmers that a big slump in farm prices will come during the next few years, they reply by reciting their increases in costs,—higher wages, higher taxes and higher everything from implements to fertilizer. In the long run, the cost of a product determines the selling price, but there is always a slump before prices are adjusted to costs. For a few years following World War II, only little attention will be given to farmers' costs, notwithstanding the following wage table.

FARM WAGE RATES

	Annual Average 1910-14	Annual Average 1935-39	June 1 1942	June 1 1945
Per month, with board	$22.09	$26.01	$42.93	$81.28
Per month, with't board	29.18	34.17	52.79	93.10
Per day, with board	1.16	1.23	1.89	3.65
Per day, with't board	1.42	1.50	2.11	4.16

All the above means that the wise farmer will today **not** over-expand or buy more land. He will first get out of debt; secondly, he will buy agricultural implements and make repairs to reduce his post-war costs; and thirdly, he will save money, through buying government bonds and accumulating a good bank account for the troublesome years which are ahead.

Special Note: The above message to farmers is all the more important now that Japan has surrendered. Do not be so jubilant about getting your boys home that they will find a farm burdened with debt or a father who has failed to recognize and prepare for the slump in certain agricultural prices which is bound to follow.

The entrance of Russia into the War and the surrender of Japan do not change my opinion on the investment outlook. I am still bullish on most common stocks, with the exception of shipping, airplane and munitions. I am still bearish on the railroads and believe they will suffer with the one crop farmers.

Chemists Foresee Doom of Monetary Gold

Note Possibility of Transmutation From Base Metals Through Atomic Force.

According to a United Press dispatch from Santiago, Chile, to the New York "Times," dated Aug. 20, Thomas C. Peddar, a British mining engineer, Paul Miller, an American nitrate expert, and a prominent Chilean chemist, whose name is not mentioned, commented on the possibilities of further atomic research in transmuting gold from baser metals.

"Gold can be made from mercury now, at a prohibitive price, but by splitting the atom the process becomes much easier and perhaps economic," Thomas C. Peddar comments.

"It can also be made from lead by rearranging the electronic structure, now feasible by the new discovery," another mining man added. "Thus the ancient alchemists' dream comes true."

"Everything depends on control of the atomic energy used in the process. If the rate at which the energy is released is excessive, the gold product thus obtained would be destroyed either by heat or explosion," is a statement reputed to be made by Paul Miller, the veteran American nitrate expert.

"Gold may become the cheapest thing in the world. It is the end of gold as a currency medium," the Chilean chemist is reported to have commented.

Railroad Securities

Chicago, Rock Island & Pacific Status of Reorganization Plan

After what appeared interminable delays, Judge Igoe (U. S. District Court, Northern District of Illinois) finally, on May 14, approved with but minor changes, the modified Commission Plan dated Jan. 3, 1944. Among these minor changes were (1) Choctaw & Memphis 5s, 1949 were to be undisturbed (under the original plan they were to have been extended to Jan. 1, 1969); and (2) payment of the RFC loan with corresponding non-issuance of securities originally allocated was approved. Some $34 million of cash to be distributed to creditors according to the plan will doubtless be paid later in the year or early in 1946.

On May 16th Rock Island paid off its RFC obligation, which, including accrued interest, totaled $18,777,000. The Court ruled that under Section XVII of the plan, "in the event any payment shall be made in respect of a claim prior to consummation of the plan, securities otherwise distributable in respect to such claim, shall be withheld and become treasury securities." Accordingly, some $28 million par value of securities, almost 10% of the new company's capitalization, will either be held in the company's treasury or ultimately retired, unless Judge Igoe is overruled by a superior court. Securities and cash which the RFC is not scheduled to receive, are as follows:

Cash	$ 3,732,172
10 Yr. Notes, due 1954 2½% fixed, 1½% contingent	2,500,000
1st 4s, 1994	4,070,874
Income 4½s, 2019	5,992,850
5% Preferred	4,461,710
Common Stock	11,143,768

From present indications, ballots should be sent to creditors some time early in the fall and results of the balloting should be known by the year end, or January 1946 at the latest. Since the present plan is the result of a compromise between senior bondholders, no senior bondholder appeal is likely. However, the junior 4½s, 1960 are likely to appeal since they are to receive only 4.96 shares of common per $1,000 bond or approximately only one-third of their total claim. Likewise the equities will appeal, spurred on by the hope of passage of the Hobbs Bill which, parenthetically, would benefit the 4½s, 1960 far more than themselves.

Under the present modified plan, fixed debt, giving effect to payment of RFC claim, will have been reduced from $310.33 million to $45.9 million and including contingent debt, to $119.9 million. Fixed charges, also giving effect to payment of RFC claim, will have been reduced from $13.36 million to $1.78 million and including contingent interest but excluding Capital Fund and sinking funds, to $5.11 million. This plan as proposed represents one of the most drastic Section 77 reorganizations on record.

During the reorganization period Rock Island has virtually reconstructed its property, buying substantial totals of new equipment. It has straightened curves and reduced grades on numerous parts of its main line. One project nearing completion is the rebuilding of three segments of 18 miles each between Kansas City and Chicago, at the completion of which a 100 car freight train, or 5,000 tons, can be hauled from Tucumcari, N. M. (interchange point with Southern Pacific), to Chicago without the need of any helper engines. Already between 1937 and 1944 Rock Island has spent $82.2 million in gross capital expenditures or $9,127 per equated track mile, and $263.4 million in maintenance expenditures, equivalent to $29,249 per equated track mile.

Rock Island, being strategically located to handle west coast traffic, has greatly benefited from the war, gross revenues rising from an average of $80 million in the 30s to $190.4 million in 1944, with still higher revenues in prospect for 1945. Net available for charges rose from an average of some $4 million (several years of deficits and moderate earnings of $1 or $2 million) to $35.9 million in 1942 (peak year), $37.6 million in 1943 and $26.9 million in 1944. For the first five months of 1945, net operating income amounted to $11.63 million as compared with $11.89 million for the corresponding period a year ago, and despite the end of the Japanese conflict, final results for 1945 should approximate those of 1944.

Finances of the Rock Island are strong, net working capital as of March 31, 1945 totaling $88.13 million. Rock Island's net investment in emergency facilities, amortizable on a five year basis, amounted to $10.1 million at the end of 1944. This will doubtless be translated into working capital to the probable extent of 60% through the medium of tax credits.

Taxes of the Rock Island have mounted rapidly, Federal Income and Excess Profits Taxes reaching $21.1 million in 1943, $33.5 million in 1944 and for the first four months of 1945, $11.2 million. These taxes provide the Rock Island with an excellent cushion against the inevitable decline in both gross and net earnings in the reconversion period.

Post-war we envisage earnings available for charges of some $16

(Continued on page 849)

Kidder Peabody Offers Newberry Preferred

Public offering of 100,000 shares of 3¾% cumulative preferred stock (par $100) of J. J. Newberry Co., chain store company, was made Aug. 21 by an investment banking group headed by Kidder, Peabody & Co. The offering price was $101.50 per share.

In connection with the offering, Kidder, Peabody & Co. and associates in the underwriting are extending to holders of the outstanding 50,986 shares of series A 5% preferred stock the privilege of exchanging their shares for the new preferred stock on a share-for-share basis plus a cash adjustment of $1.55 per share, which includes call premium and dividend adjustments. This offer will terminate on Aug. 25, 1945.

Proceeds from the financing will be used to redeem the outstanding series A 5% preferred stock, including shares received by the underwriters in acceptance of the exchange offer, and to advance to the J. J. Newberry Realty Co., a wholly-owned subsidiary, a sum to redeem all its outstanding preferred stocks. A total of $6,493,938 will be required for these redemptions. The remainder will be added to the general funds of the company.

The company expects to spend $5,500,000 in 1945 to 1948, inclusive, according to the prospectus, to open additional stores and alter present stores.

The new preferred stock will be subject to redemption at $105 a share on or before Aug. 1, 1947, and at prices decreasing 50 cents a share each year to $101.50 a share if redeemed after Aug. 1, 1953.

Since 1930 the company's annual net sales have shown a virtually uninterrupted increase from $30,187,392 to $95,861,688 for 1944. Net profit last year was $3,067,905.

Canadian Securities

By BRUCE WILLIAMS

What the British North America Act failed to accomplish will doubtlessly be achieved as a result of Dominion/Provincial collaboration. Although it was originally intended to provide the Dominion with a strong central government, decisions in the Canadian courts and the British Privy Council have progressively strengthened provincial autonomy at the expense of the powers of the Dominion government.

Now, following the discussions recently terminated, there is every reason to believe that the Final Plenary sessions of the Dominion/Provincial Conference to be held next December will witness the end of Canada's antiquated and confusing system of government. In its place the Federal government's constructive proposals should provide Canada with a strong central government acting in close collaboration with the nine provincial governments.

Considerable credit for the success of the preliminary meeting has been given to the Premier of Ontario, Colonel Drew, who is certainly deserving of congratulation on his final decision to work wholeheartedly in the cause of harmony and national unity. It had been feared, judging by earlier comments emanating from Ontario and Quebec that the "Big Two" would combine to oppose the slightest infringement of provincial rights.

It is impossible, however, to forget the steadfast efforts of Premier Stuart Garson of Manitoba who throughout the past years has eloquently advocated the implementation of the recommendations of the Rowell-Sirois Royal Commission, or an alternative scheme which would lead to a modernization of the Canadian form of government.

The Manitoba Liberal Prime Minister has not only an unrivalled provincial record, but he also displays the vision and driving force of a national leader. Having risen above provincial politics to fight the general cause of western Canada, he is now foremost in this national effort to secure for Canada unity and better government.

Turning to the market for the past week, the recent dullness was not surprisingly, even more accentuated. In general there was little price change; high grades especially Nationals held steady and there was some demand for provincial issues. Albertas suffered a slight setback following expectation of delay in the execution of the debt refunding plan. Internals also reacted and free funds weakened to 9⅝% discount. Although high grade internal bonds are of attractive investment quality nevertheless it must be repeated that there should now be better opportunities for the purchase of cheap exchange.

Whereas before Finance Minister Ilsley's clear statement there was a possibility of the Canadian dollar remaining at the official selling level or below, that rate now should be the highest possible point, and with expectations of imminent parity removed, the exchange swings should be wider. Furthermore tourist demands are diminishing and the parity bull position has not been greatly reduced.

With regard to future prospects, there should soon be an announcement concerning a possible public refunding of the $4,500,000 New Brunswick 4's of November 15, 1947-45. In general, the market appears to have levelled out after its recent sympathetic decline, and as soon as investment confidence is restored high grade Canadians should be actively in demand.

It must be remembered that the Canadian market did not participate in the exaggerated upward movement that took place in the U. S. Government bond market, and therefore should not be unduly affected by the present healthy reaction of that market. Moreover as soon as this overdue adjustment is completed all investment markets should benefit accordingly.

R. Sims Reeves With Blair Trading Dept.

Blair & Co., Inc., 44 Wall Street, New York City, announce that R. Sims Reeves has become associated with them in their trading department.

Wielar & Conlon Rejoin Warner Trading Dept.

Jack B. Wielar and John A. Conlon, who have returned from service overseas in the U. S. Army, have rejoined the New York Trading Department of J. Arthur Warner & Co., 120 Broadway, New York City.

OUR REPORTER'S REPORT

The investment market was looked upon as prepared to give a satisfactory account of itself in the first test it has been called upon to undergo since news of the Japanese surrender broke little more than a week ago.

Although the high-grade investment market eased just a trifle in the wake of the surrender news, it proved highly encouraging to all concerned when yesterdays' offering of $22,000,000 of first mortgage bonds and 90,000 shares of cumulative preferred stock of the Monongahela Power Co., found four banking syndicates competing for the business.

This was interpreted in underwriting and distributing circles as indicating clearly that the equilibrium of the basis market had not been appreciably disturbed. Moreover, from reports in dealer circles, it was indicated that the issue would meet good investor demand when cleared for public offering by the Securities and Exchange Commission.

The rank and file, of course, realize all too well that "one swallow does not make a summer", and that the current operation cannot be regarded as a full-fledged test of the market. But the consensus is that the high-grade market will continue to take its cue from the underlying money market, and currently there is nothing in that direction to indicate any early change in conditions that have prevailed.

Great Northern Bigger Test

Bond men were inclined to look ahead to the projected refinancing of the Great Northern Railway as likely to give the market its first drastic test. This financing involves proposed issuance by the road of $75,000,000 in new mortgage bonds to be designated Series N and O, in equal amounts.

Although the road had not, up to last night, issued the customary call for bids, there was a feeling in investment quarters that the invitations would be sent out in time to make it possible to open tenders toward the end of next week.

Bidders would be required to name the interest rate as well as the price for the new bonds, sale of which would provide the bulk of funds needed to retire $86,956,000 of outstanding 3¾s and 4½s.

Utilities Piling Up

The backlog of public utility company issues in registration with the Securities and Exchange Commission received a decided boost on Tuesday when the Pennsylvania Power & Light Co. registered to sell a total of $120,000,000 in new bonds and debentures.

The company proposes to sell $93,000,000 of new first mortgage bonds of 30-year maturity, plus $27,000,000 of sinking fund debentures due in ten years, both to be sold in competitive bidding.

Funds raised, plus $5,720,000 from the sale of that amount of unsecured serial notes, would be used to redeem $93,820,000 of 3½% bonds, due 1969; also $28,500,000 of 4½% debentures, due 1975 and $3,400,000 of 2⅝% serial notes.

Eastern Gas & Fuel 3½s

The trade found plenty of reason for satisfaction in news of the closing of the books on the $40,000,000 of 3½% bonds of Eastern Gas & Fuel Associates which reached market early this month.

When the two bids received for the issue were opened, it was found that a spread of almost 4 points separated them. The successful group, headed by Mellon Securities Corp., fixed a reoffering price of 102.17 and within a fortnight succeeded in placing the entire amount, without concession, with institutions and individuals.

Jersey Central Pr. & Lt.

Jersey Central Power & Light Co., was added to the list of potential new issuers this week when it was reported the company might undertake to refund its outstanding $38,000,000 of first mortgage 3½s, due in 1965 and callable at 105, along with $1,500,000 of 2¼% promissory notes.

The company is controlled by NY PA NJ Utilities Co., which, in turn, is a subsidiary of Associated Gas & Electric. Should market conditions warrant it, there is the possibility that the company might seek to replace its outstanding high-rate preferred stocks with lower dividend issues.

Two banking groups are said to be doing some figuring with a view to seeking any new securities which the company might decide to market.

Livingstone & Co. New Investment Firm

SAN FRANCISCO, CALIF.—Willard H. Livingstone, former President Bankamerica Company, is reentering the investment security business through the formation of his own firm, Livingstone & Co. The new organization with offices in the Russ Building, San Francisco, and 639 South Spring Street, Los Angeles, will do a general underwriting, distributing and dealer business. Private wires connect Western Offices with New York.

W. H. Livingstone

Formation of Livingstone & Co. was previously reported in the Chronicle of Aug. 16.

Current Economic Fallacies

(Continued from first page)

With the development of money and credit, far-flung markets, organized business enterprises, and other features of present-day living has come persistent misunderstanding with respect to the nature and operation of our economic institutions. *The worst of it is that we think we know when we don't.* As a rule, the layman is a bit timid when it comes to expressing himself about the laws of physics, or chemical formulas, but he usually has no hesitancy in stating opinions and making recommendations regarding tax policy, holding companies, collective bargaining, social security reserves, and so on.

Economic Scarcity Fallacy

One of the oldest fallacies, and one saturating our thinking at the present time in one form or another, is the view that destruction of existing economic goods, or limitation of the production of new goods, is a route to prosperity. It is true, of course, as Professor F. M. Taylor pointed out years ago in one of his problems, that an earthquake or freeze which breaks a lot of water pipes may result, temporarily, in an increase in business for local plumbers. But it does not follow that such a casualty is a good thing even for the plumbers in the long run, and it should be obvious that it is not a good thing for the community as a whole. Similarly, the plowing under of crops, the killing of young livestock, or the destruction of any other useful product cannot possibly increase the average standard of living, although it may bolster, for a time at least, the monopolistic advantage of a special group.

Deliberate destruction of existing economic goods without permitting them to serve their purpose is not a sustained practice of individuals, and at the moment, with the pressure of war needs, it is not being emphasized in Government policy. But there remains today widespread sentiment in favor of restricting and limiting production in various ways. The leading proponents of this method of pulling ourselves up by our bootstraps seem to be found in labor and Government circles, but advocates of restriction of certain types are also common among business owners and managers. One phase of this sentiment is the cry for a general reduction in working time; some say we should cut down to 30 or even 25 hours per week. This suggestion is related to the old, mistaken notion that the supply of work is a limited, fixed amount, and that we must be careful to parcel it out so everyone will have his share. This is certainly not the road to improved economic welfare, and is a peculiarly unsound proposal at the present time. An arbitrary reduction of working time to, say, 30 hours per week would certainly lead to a serious decline in output. *Please don't misunderstand me.* Among the benefits flowing from the technical developments of the last 150 years, and the consequent increase in our efficiency, are improvement of working conditions and decrease in working hours. But let's not put the cart before the horse; these are primarily the results, not the causes, of increased productivity and prosperity.

Restriction of Output Fallacy

Working time, of course, is only one of the variables; another important factor is efficiency. But it is difficult to find solid support for the proposition that one can work more effectively, and accomplish more, in 30 hours per week than in 48 hours.

Reference to the factor of efficiency leads me to mention a second mistaken view, namely the idea that efficiency should be curbed rather than encouraged. Manifestations of this view are found on every hand, ranging all the way from failure to improve skill and speed, to actual slowdown and soldiering in terms of existing standards of performance. Such practices obviously reduce output, and it should be equally obvious that if widely adopted they are bound to reduce the average consumption or standard of living.

I haven't time even to list the many ways in which production is actually interfered with or restricted, at the present time, or the many other ways by which it is proposed to reduce and hamper our economic activity still further. But let's get one thing clear: it cannot reasonably be urged that restriction of output will promote economic welfare in the sense of average standard of living; quite the contrary is true. The basic fact in our economic life is the size of the stream of goods and services flowing to the consumer. The direction of production and the manner in which the stream is distributed are of course important factors, but popular attention tends to be unduly occupied with the question of dividing up, without adequate emphasis on the need of increasing the output available for division. The final goal is consumption, but the only road to consumption is production.

With the experience of the last 150 years giving the world its first real glimpse of what can be done in the way of economic production and increasing the standard of living of the average citizen, when we give human energy and resourcefulness a chance, it is amazing to find so many people in our midst who are afraid of production and are continually trying to hamstring efforts to turn out more goods and services at reduced cost.

Economic Security Fallacy

Another popular line of thinking which has questionable aspects, to say the least, is expressed in the clamor for economic security, in various forms, and an almost mystic faith in the power of government to bring this about. One of the crude manifestations of this thinking is found in the various programs to make everyone prosperous by the simple expedient of paying each so many dollars per week out of the public treasury. Belief in the merit of such proposals seems to rest on willingness to ignore the fact that government has no magic power to create economic goods. Government in the concrete is simply a group of persons—average human beings like the rest of us—trying to carry out certain delegated functions. Funds disbursed by government, like funds expended by the individual, do not grow on the bushes; they are secured by taxation and borrowing, and hence come out of the total stream of purchasing power originally in the hands of the citizens. A part of the total output may be diverted to the use of a particular pensioner group through government action, but this is possible only where output is maintained through the efforts of another group of citizens. We certainly can't all retire at once and live off Government checks; there must be some one left to raise the potatoes.

General insurance, pension and social security programs at the best are subject to serious limitations and are no royal road to economic well-being. The beneficiaries of any such program must be supplied out of the current stream of production, or out of a store of goods previously accumulated; a drawer full of Government promises to pay, no matter how beautifully engraved or how high the total of the denominations printed thereon, isn't worth anything when it comes to the critical matter of providing us with food to eat and clothes to wear. The stock of corn accumulated by Joseph in Biblical times is the only kind of "reserve" that will permit consumption in excess of current production.

The popular view that each of us has a right to a job is appealing, and has some merit. But even here the stress had better be laid on activity, production, rather than on jobs as such. What we want is productive jobs. In the days when the rulers of Egypt were building the pyramids apparently everyone who was capable of lending a hand was given a job, whether he wanted it or not, but the product of all this effort was some fancy tombs for the Pharaohs rather than consumable goods for the masses. What we want and what we have a right to ask for is not a guaranteed job, at any old task, but the opportunity to *get out and hustle in an environment in which it is possible to hustle and get ahead by hustling.* Each of us wants the right to work harder and more effectively than the average, and even to work overtime if we feel like it.

War-Time Illusions

Times of special strain, like the depression of the thirties and the present war period, are conducive to wishful and unsound thinking concerning our economic affairs. No one likes to tighten his belt, reduce his standard of living, or increase his working effort, especially when his political leaders keep telling him over the radio that even in war-time we must maintain our social gains and our established standards. Encouragement of illusions in war-time is sometimes defended on the ground that this is necessary to maintain morale and support of the war effort, but certainly clear understanding and intelligent determination furnish a better long-run foundation for morale than the misconceptions fostered by propaganda. The plain fact is that total war consumes economic resources and production in astronomical amounts (to say nothing of its more terrible aspects) and is bound to require curtailment of total and average civilian consumption of goods and services. We should have been told this over and over again and not have been encouraged to believe that we could have our cake and eat it too.

Along this line there is a dangerous misapprehension in many minds with respect to war loans. There is a lot of talk about the enormous savings we are accumulating during this war in the form of Government bonds, and many seem to feel that after the war we shall be able to consume these savings and thus live for a time on the wealth we have amassed. This notion is essentially fallacious. From the national point of view we have not been saving or accumulating economic resources; instead we have been consuming our current production and wearing out a lot of the durable goods we had on hand at the beginning of the war. A pile of engraved paper slips totaling 250 billions in stated amount is not a part of the national economic resources, although 25 million homes which cost $10,000 each would be real wealth.

The War Debt

If ruinous inflation or some other form of repudiation is to be avoided in the post-war years it is highly desirable that we stop kidding ourselves about the nature and significance of the war debt. In financing the war the Government has used two main means of drawing current purchasing power from individual citizens to the U. S. Treasury, namely, taxation and borrowing. Both have substantially the same immediate effect: they shift buying power from the citizen to the State. In the case of tax collections the transaction is closed. In the case of borrowing the lender is given the right to participate in future revenues raised by the Government. But where are these future Government receipts coming from? As in the past, they will come from the citizens, primarily in the form of taxes and new borrowings. Moreover, to the extent of interest paid or any net reduction in the debt the taxes levied must be larger than they would otherwise be by the amount of such interest or debt reduction. *This simply means that the average citizen must pay additional taxes to meet interest payments and debt retirement payments—if any—to the average citizen.* Of course, the extra taxes actually paid by each citizen will not always just balance the interest or principal he collects as a bondholder. Variations in bondholdings, earning power, and other factors will prevent precise, individual balancing, but the general effect will be as I have indicated.

It's always dangerous to make predictions, but one seems safe: there can be no substantial reduction in our colossal Government debt for many years. All we can reasonably hope for is that the debt will not go on increasing beyond 300 to 350 billions. It follows that we must stop thinking of our holdings of Government bonds as purchasing power, which may be expended for goods and services as soon as war restrictions are removed. To prosecute the war it is necessary that the Government have all the dollars we can possibly spare, and hence it is our plain duty as citizens to buy war bonds to the greatest possible extent. And if we are to avoid a disastrous financial situation after the war it is going to be necessary for us to hold our bonds to maturity *and then buy new Government bonds with the proceeds.* That point should be hammered home in official Government statements. The slogan should be: *"Buy bonds to the limit and plan to hold them indefinitely."*

Reamy E. Field Dead

Reamy E. Field, President of Field, Richards & Co., Cincinnati, Ohio, died at his home after an illness of several months.

Mr. Field began his career in the investment business in 1898 when he and his brother-in-law, George B. Longstreth, organized the firm of Field, Longstreth & Co. Later a nephew, A. H. Richards, became a partner in the firm and after the retirement of Mr. Longstreth in 1914, the name was changed to Field, Richards & Co. Mr. Field left the business temporarily during World War I to serve as a Major in the Army, being in charge of procurement in the Fifth Service District.

Throughout his long investment career Mr. Field was instrumental in the financing of many large business projects, including Crosley Corporation.

Mutual Funds

The New Industrial Revolution

When the first World War broke out in July, 1914, points out **Keystone Corp.** in the current issue of Keynotes, there were 12 stocks—the recognized market leaders of the time—comprising the Dow-Jones Industrial Average. By the end of the war, five out of these 12 stocks had been dropped from the Average and 13 had been added to reflect war-born changes in industrial leadership.

Keynotes forecasts — "Another industrial revolution is occurring in this war. No one can doubt that the experience gained in war production will have a profound effect upon peacetime industry: New materials have come into use; new products have been developed; prices and costs have changed; many companies are planning to enter new fields.

"All these factors will affect various industries differently and will influence the relative positions of companies within each industry. Some will gain, others will be handicapped.

"Not all of these changes are yet apparent. But obviously they will be reflected in investment values. It is therefore evident that successful investment results in the period ahead will require careful selection of securities, adequate diversification and constant supervision."

Peace Stocks

"Now all stocks are peace stocks," writes **Distributors Group** in a covering letter on their revised **Steel Shares** folder.

"A peace-time appraisal of leading steel stocks based on probable earnings in 1945, 1946 or 1947 reveals drastic undervaluation at present prices."

What Is An Investment Company?

North American Securities Company, general distributors of **Commonwealth Investment Company** has issued a booklet bearing the title "What Is An Investment Company?"

"For prospective owners of investment company shares," states North American Securities, "this is a primary question—one that must be answered both simply and clearly."

The booklet is attractive and the story well presented.

Reconversion Needs

A brief digest just published on the report to the President by John W. Snyder, Reconversion Director is contained in **National Securities & Research Corp.'s** latest issue of Investment Timing. The following related topics are summarized:

Military Contracts
Demobilization
Unemployment and Manpower
Production, Distribution Control
Price and Wage Control
Legislative Program

Investment Timing points out that there are a number of favorable business implications and that much progress has already been made toward reconversion.

The bulletin concludes: "Peace is essentially and basically bullish. Although temporary confusions may arise, the benefits far outweigh them. The securities markets should eventually reflect this fact, though a further period of irregularity and possibly of relatively wide fluctuations may first occur.

"We would not be surprised to see American 'Know-how' effect a greater miracle of reconversion than the miracle of war production—from a time stand point."

The Meaning of Peace

In a current Investment Bulletin on **American Business Shares, Lord, Abbett** expresses the opinion that although words cannot measure the relief and joy which the news of peace brings to all who are related to fighting men, they may serve to review the probable meaning of this event for investors.

Three practically assured results—lower tax rates, good earnings and good dividends—are sensibly discussed and in summation the bulletin states:

"The meaning of peace to investors should be an important increase in 'confidence'—the most influential element in market trends. As the Wall Street Journal says editorially, 'The energy which beat two great war machines to the ground, the cold courage which routed Japanese from the caves of Okinawa, will be the energy that will make quick work of reconversion and the courage that will solve the social problems which face us.

"'Of all days, the day of victory is not the time to sell America short.'"

Investor Squeeze

Selected Investments Co., in a recent memorandum on **Selected American Shares**, discusses the problems of diminishing bond yields and the constantly rising cost of living.

A chart is presented showing average monthly yield on Moody's AAA corporate bonds and the U. S. Department of Labor's cost of living index from 1933 to the present. It reveals that while the average monthly yield from Moody's AAA corporate bonds dropped from 4.49% to 2.65% during this period, the monthly average cost of living index of the Department of Labor rose from 92.3 to 126.9.

The result is a reduction by more than half in the purchasing power of all those who must live off the income from high grade bonds.

"This is a primary reason," continues Selected Investments Co. "why many trustees, estates and individual investors have turned in the direction of including common stocks in their holdings in recent years.

"Stocks pay more . . . the Dow-Jones Industrials, for example, at their mean price for the 1st 1945 quarter yielded over 4% on payments of the previous 12 months. And there is reason to hope dividends may rise after the war."

Announcement

Hugh W. Long and Co., national distributors of **New York Stocks, Manhattan Bond Fund** and **Fundamental Investors**, has announced the election on Aug. 1, 1945 of Richard A. Wright as Vice President in Charge of Sales Promotion.

"Legal" List

The current issue of **National Notes** discusses the latest development in an accelerating trend toward liberalizing State laws with regard to investment trusts. The bulletin quotes excerpts from the July 19 issue of the Wall Street Journal containing information about the two new laws passed by the Nebraska Legislature permitting trustees and life insurance companies to purchase investment company shares.

National's summation: — "The present trend toward lifting restrictions on investment of trust and other fiduciaries funds is constructive. We expect this trend to continue so that the long-term advantages of stocks and trust share investment will be made available to a widening number of investors, private and institutional."

Mutual Fund Literature

National Securities & Research Corp. — Bulletin on **National Income Funds**; reprint of Barron's comparison of investment companies as of June 30, 1945; suggested letters for dealers' use on **National Selected Groups Series** and **National Securities Speculative Series.** . . . **Selected Investments Co.** — Bulletin showing diversification of a $10,000 investment in **Selected American Shares** as of July 31, 1945; bulletin entitled "Victory is Bullish"; latest issue of "These Things Seemed Important." . . . **North American Securities Co.**—Semi-annual report dated June 30, 1945 on **Commonwealth Investment Co.** . . . **Hare's Ltd.** — a folder entitled "Second Grade Rail Bonds Appear to Have About Reached Their Price Ceiling." . . . **Lord, Abbett** —current issue of Abstracts.

Essentials for Post-War Trade

(Continued from first page)

is no more possible for us to go separate ways in peace than in war. We multiply our strength when we join hands in a common purpose and a common cause.

We have now reached one of the decisive moments in human history. You, here in London, bear visible scars which show the fury to which you in the front line of battle have been subjected. We in the continental United States, who were not in the front line, bear our scars too, but our scars, while they are tangible and lie deep in our national life, are not visible to the physical eye as are yours. It has been the American destiny once more to suffer grievous losses far from home. Our common losses in blood and treasure make it all the more important that we work together in the great tasks ahead of us, the great tasks of setting right the relations of man with man and nation with nation.

Cooperation With Russia

Grievous too have been the losses in blood and treasure of the Soviet Union, our partner in the war and the victory. We have proved many times over in the course of this war that Britain, Russia and the United States can work successfully together. The defeat of the aggressor nations, overwhelming as it has been, could never have been accomplished in the allotted time and to the same degree, if this cooperation had not been achieved and maintained. We have now come, and we give thanks for it, to the era of peace. It is a new era, but it is based on the firm foundations of mutual respect and admiration. If cooperation has worked in war, if it has stood the practical test in all the confusion and stress of conflict, there is every reason to believe that cooperation will work even better in peace.

It is part of our daily life as business men to realize the necessity of give and take. We know that every transaction is doomed to failure which is not based on fair play by both parties. We know that there is ample field for commercial cooperation with Russia, each of us recognizing and respecting the divergent economic beliefs of the other.

The International Chamber of Commerce

As your Chairman has told you, I have come to London for the purpose of presiding at the sessions of the Council of the International Chamber of Commerce. It is fitting therefore that I report to you what have been the objectives of these meetings and to give you some idea of what has been accomplished.

Business men from 26 nations have attended and participated in the Council Meetings. The 26 nations included Canada and Mexico, which have recently formed national committees and to which, as new members of the International Chamber, we have extended a most cordial welcome. The attention of the Council was devoted not only to questions concerned with restoring the activity of the International Chamber after its long dormant period during the war, but it has also dealt with such problems as the expansion of world trade, the role of private enterprise therein, international investment and possible future relationships between the International Chamber and the Economic and Social Council of the world security organization set up at San Francisco.

The International Chamber stands ready to cooperate in every possible way with the Economic and Social Council. This vitally important organization is to initiate studies and make reports on international economic and related matters and may make recommendations with respect to any such matters to the General Assembly and to the members of the United Nations. The basis for cooperation between the International Chamber and the Economic and Social Council is to be found in the provision of the charter enabling arrangements to be made for consultation with non-governmental organizations.

Throughout its sessions the Council has enjoyed the very gracious hospitality of the United Kingdom and of the British National Committee of the International Chamber of Commerce. This atmosphere of cordiality has contributed greatly to the success of our meetings, and I want to take this occasion to express our very deep appreciation to our British friends for the many courtesies and kindnesses which, in this difficult period, have been extended us with such great liberality.

This meeting of the Council of the International Chamber marks the 25th anniversary of the "world parliament of business." It was founded shortly after the close of the last war and was established in consequence of a deeply rooted conviction that a world business organization was needed to help solve the complicated economic and political problems resulting from that war. The problems then confronting the world were in many respects similar in character to those which press for solution at the present time. They had to do with such questions as reparations, currency inflation and currency instability, the budgetary deficits of nations and trade barriers.

The International Chamber directed its best efforts in attempting to solve the post-war problems of that period, and in the decade of the 20s, it was able to exercise important influence in the direction of freer international trade. Its recommendations were brought to the attention of the respective governments by the various national committees and were also brought to the attention of the Economic Section of the League of Nations.

The Effect of Trade Barriers

During and after the Great Depression, its efforts in bringing about a reduction in trade barriers were frustrated by the forces of economic nationalism and autarchy which with great virulence swept the world. Now it again falls to the lot of the International Chamber to help rebuild a world left in ruins by the ultimate results of policies of bilateralism in trade and by the desire to achieve economic self-sufficiency.

From 1939 to 1944, Mr. J. Sigfrid Edstroam of Sweden served as President of the International Chamber and kept the organization alive so that it might be revived at the earliest possible moment. At the time of the International Business Conference held at Rye, New York, last November, it was apparent that the war in Europe was drawing to a close and decision was then made to renew the activities of the International Chamber. At that time I agreed to accept the Presidency, because I was convinced that, on the basis of its past record, the International Chamber presented the greatest opportunity available to private enterprise to play an important part in the rebuilding of the world.

Objective of World Trade Expansion

The principal objective of the International Chamber is the expansion of world trade. In the furtherance of this objective the International Chamber is convinced that the private enterprise system is not only the best means, but the only means of establishing world trade on a multilateral basis and thereby of obtaining the greatest possible volume. This is simply another way of saying that the private enterprise system is the best way of bringing about world prosperity and employment, of assuring a higher standard of living for all peoples, and of securing and maintaining world peace.

Those of us who believe in unrestricted world trade were delighted that the Congress of the United States prolonged the Reciprocal Trade Agreements Act for an additional three year period. The extended Act permits the President to change tariff rates by as much as 50% of those prevailing on Jan. 1, 1945. This enactment affords direct tangible evidence that the United States desires to facilitate an expanding world trade and to play the essential part of a creditor nation in receiving its due share of imports. It affords evidence too that the United States is willing to implement Article IV of the Atlantic Charter and Article VII of the Master Lend-Lease Agreement and permits the United States to make substantial concessions in order to restore multilateral trade which alone can make most effective use of the resources of the world.

Proposed World Trade Conference

In order to speed the restoration of multilateral trade a world trade conference should be called as soon as possible. Recommendations to this end have been advanced frequently in the United States and more recently in particular by a Special Committee on Post-War Economic Policy and Planning of the House of Representatives. I sincerely hope that the conversations now taking place in London between representatives of the United Kingdom and the United States will lay an effective basis for the projected conference.

The success of a world trade conference will depend upon the willingness of nations to make mutual concessions. The topics which doubtless will figure on the agenda include the adjustment of tariffs, the role of state trading monopolies, export subsidies, import prohibitions and quotas, preferences and discriminations, regional currency arrangements, and codes of fair conduct in the fields of taxation and international investment.

Never will the world have a better opportunity than the present of ridding itself of those devices which in the past have hampered international trade and have been used as instruments of national warfare. Now is the time for action. Established patterns of costs and prices have been dissolved by the pressure of war. The whole world is short of goods and to restrict imports is the height of folly. The productive capacity of the world, when reconverted to the products of peace, can be fully utilized only if the channels of international trade are opened and remain open. Only if trade is free can the goal of reasonably full employment be attained without recourse to such artificialities as continued government deficit financing, which ultimately leads to the socialization of the economy.

Trade Barriers Must End

The removal of trade barriers is a necessary prerequisite to the removal of exchange controls and the stabilization of exchange rates. The longer exchange controls are retained, the more do they become part of the economic fabric of a nation's life and the more difficult is their elimination. Only if trade barriers are removed will nations be assured that debts incurred for stabilization and other purposes can be repaid in goods, and will the fear disappear that certain currencies may become scarce.

The benefits flowing from freer international trade were set forth in an admirable fashion in the study "World Trade," prepared by a Sub-Committee of the British National Committee of the International Chamber of Commerce. The report stated that world trade and investment are multilateral in character. Every move towards the bilateral canalization of trade, the report continued, reduces trade, directs purchases to less favorable sources of supply, hurts established export industries, forces unwanted imports on the weaker parties, and provides endless occasions for strife. Let us then not lose the unrivalled opportunity presented by the termination of hostilities to reestablish multilateral trade. Only through its reestablishment can world peace, the objective of the San Francisco Charter, be assured.

Removal of Domestic Controls

The expansion of world trade requires not only the elimination of tariff barriers and trade restrictions but also the early removal of wartime controls from domestic economic life. Unless such controls are removed at the earliest possible moment, they tend to become so firmly embedded in the economic life of a nation that their elimination becomes extremely difficult if not impossible. Only if such controls are removed will competitive forces be given full play and will national income rise to the level necessary to support a large volume of foreign trade.

Public opinion in the United States is strongly opposed to the continuation of controls over the domestic economy longer than absolutely necessary. The research committee of the widely-representative Committee for Economic Development has recommended that all wartime controls, not clearly essential, be removed not later than six months after final victory. This would allow time for a substantial reconversion of industry.

The restoration of competitive forces, the essential basis of an expanding volume of foreign trade, involves more than the removal of wartime controls. It involves the elimination of those practices which, in time of peace, interfered with the free functioning of the price system Among these were not only trade barriers and trade restrictions, but also monopolies and cartels, and arbitrary controls exercised over interest rates and the capital markets Nations can all too easily drift into totalitarianism by permitting or promoting those practices which, in themselves, seem innocuous and perhaps even beneficial but which in cumulative effect destroy the private enterprise system.

International Cartels

Domestic monopolies in the fields of industry or labor, international cartels and commodity agreements are all incompatible with a freely functioning competitive economy. All are designed to regulate or evade competition. All prevent the best utilization of the economic resources of the nations of the world and curtail world trade. To justify their existence, the proponents of monopolies, cartels and commodity agreements rely on such euphemisms as the need for adjustment of supply to demand, for the orderly distribution of commodities and for the stabilization of prices. In less euphemistic language these purposes are in reality those of restricting output, allocating markets and increasing prices.

The cartelization movement received great impetus in the interwar period. It was an outgrowth of the same forces which were responsible for the emergence of extreme nationalism and economic self-sufficiency. It found its highest expression in Germany which is not surprising in view of the absence of a tradition of free enterprise and of individual action. The same attitude of mind that led to a cartelization of German industry was readily made use of to produce political dictatorship.

In the post-war world strong pressures will exist for the cartelization of industry and for international commodity agreements. These pressures must be resisted if we are to have an expanding world trade to which all nations will have access on an equal basis. These pressures must be resisted if we are to have maximum world production.

Danger of "Easy Money"

Still another example of the type of practice which may seem harmless or even beneficial in itself, but which may ultimately react adversely on competitive forces, is that of instituting and maintaining so-called easy money policies. This practice was common in the pre-war period and became a cardinal principal of fiscal policy during the war itself. Easy money policies induce an expanding volume of commercial bank and central bank credit. Only by means of such credit expansion can interest rates be lowered and be kept at artificially low levels. But the expansion of credit generates an increase in purchasing power, which during the war has risen to gigantic sums and which was one of the principal factors inducing nations to impose rationing and price controls.

If governments are determined to keep interest rates low in the post-war period, continued credit expansion will be induced, in view of the large pent up demand for capital. Continued credit expansion will lead to demands for the maintenance of price and rationing controls in order to check the resulting inflation and for direct control by governmental authorities over the types of loans to be made by commercial banks and over the use of savings funds. Controls of the character described inevitably lead to a form of state capitalism, in which the state decides, by means of its control over short and long-term credits, the types of industries to be favored and of goods to be produced.

The rate of interest must be free to move and, in its fluctuations, to reflect the supply of and the demand for savings. Unless the rate of interest is free to move, nations will find it necessary to continue foreign exchange controls. This in itself will destroy the basis for multilateral trade and prevent world trade from reaching the highest possible levels. Unless the rate of interest is relied upon to influence the supply of savings and to allocate those savings to industrial and other uses, the state will have to perform these functions. It will have to decide how much people should save and what industries should use these savings. But this involves complete control over the economic life of a nation. If we are to remove war time controls and let the competitive and dynamic forces of the economy have full scope, we must, as one phase of this problem, decontrol the rate of interest.

Conclusion

The main objective of the International Chamber is to bring about a situation in which international trade is promoted and encouraged. In our opinion this result which we all desire, depends upon the progressive elimination of trade barriers and can best be accomplished through the processes of free enterprise. It should never be forgotten that free enterprise is the counterpart in the economic field, of democratic action in the political field. Multilateral trade cannot exist in the absence of free competitive enterprise any more than free enterprise can exist in the face of trade restrictions and controls.

The sessions which have just concluded of the Council of the International Chamber, have laid the basis for the meeting of the Congress to be held in the fall of 1946, the first since that which convened in Copenhagen in 1939. We shall gather under much happier auspices inasmuch as the Copenhagen Congress met two months prior to the outbreak of war. At that time the International Chamber set forth its aims as those of contributing to world peace through world trade; of securing for all peoples a fair distribution of raw materials, food and other products; and of converting the longings of people for peace, security and prosperity into a practical program of economic adjustment and human understanding.

The aims set forth at the Copenhagen Congress continue to be those of the International Chamber. The need for international cooperative action is recognized now as never before. The International Chamber, serving as a world parliament of business, has a magnificent opportunity to promote those policies which will further peaceful trade and prosperity and raise the standards of life of all peoples. Peace, security and prosperity are indivisible.

Ohio Brevities

(Continued from page 836)

Programs." Wallace H. Wood of Central National Bank was on the same panel. Albert O. Werner, national executive councilman and Vice-President of the Industrial National Bank of Detroit, was in charge of the conference, assisted by James J. Harbage.

* * *

President Albert A. List of National Refining Co. announced that the company had acquired all of the outstanding stock of the Albert Realty & Warehouse Corp.

Mr. List said the Albert Realty firms owns about 95% of the capital stock of William Whitman Co., Inc.; all of the capital stock of the Cleveland Arcade Co.; real estate and buildings in Sunbury, Pa.; mortgages on real estate in Cleveland, Fall River and New Bedford, Mass., and other miscellaneous assets.

* * *

Cuyahoga County (Cleveland) Commissioners awarded $1,625,000 refunding bonds to the National City Bank of New York at the lowest interest rate in the county's history. The bank bid ¾ of 1% with a premium of $1,625. The bonds mature 1950. The previous lowest rate was 1½% two years ago.

Commissioner Joseph F. Gorman said the second highest bid was submitted by National City Bank of Cleveland, one of 2% with a premium of $57,362.50. Proceeds will be used to retire two blocks of 3¾% and 4% bonds, Gorman said.

* * *

Tappan Stove Co. reported that stockholders subscribed to 23,382 shares out of a total of 25,250 shares of capital stock recently offered to holders.

The remaining 1,868 shares not subscribed for were purchased by an underwriting group headed by McDonald & Co. Others in the group were Fahey, Clark & Co., Hayden, Miller & Co., Merrill-Turben & Co., all of Cleveland, and Van Denburgh & Karr, Inc., of Los Angeles.

With Stoetzer, Faulkner

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Leo Nelson Youngs** has become associated with **Stoetzer, Faulkner & Co.,** Penobscot Building. Mr Youngs was in the past with Keane & Co. and Hemphill, Noyes & Co.

The Stock Market During Period Of Reconversion and Beyond

(Continued from page 826)

tory, and approaching prospects of the final V-Day have had a favorable effect upon stock prices. Growing stupendous supplies of unused funds and at the same time accumulating deferred demands have progressively assured a high post-war volume of business. Washington's reports that excess profits taxes would be eliminated soon after the war have been an important consideration. This expected tax relief plus the outlook for a big volume economy has been reflected in earnings and dividend estimates. Shortage of almost everything but money, including investment grade bonds and preferred stocks, has increased the demand for common stocks. The domestic political background has encouraged investors and contributed to the revival of confidence in the future, at least for the next few years.

Market Becomes Relatively High

This combination of bullish forces, the full strength of which I have tried to recognize since early 1942, carried the stock market by May and June to the highest level in eight years. The more popular group of stocks exceeded or approached the bull market highs of 1937. The Dow-Jones Industrial Average, for example and to be specific, reached a level approximately 17 times current earnings. This is as high a price in relationship to current earnings as experienced in 1936 and early 1937, and approximately equal to the high times earnings ratio of the 1928 and 1929 boom market, except for a few weeks at the peak. Typical common stock lists at recent highs yielded less than preferred stocks. The average yield on the 30 stocks in the Dow-Jones Industrial Average declined to only about 5% in excess of that on high grade preferred stocks. Common stock yields did not become relatively lower than this during the most optimistic phase of the preceding bull market.

We find, therefore, that after a little over three years of generally advancing prices, in adjustment to and discounting the many favorable influences, the stock market at last reached a level that appears to have fully reflected current earnings and dividends, and a level from which future broad movements may be determined primarily by the prospective trend of earnings and dividends. This level was reached on the very threshold of V-J Day which ushers in a serious readjustment and a period of lower earnings and dividends. This surely encourages the conclusions that the stock market reached a level that may not be exceeded for a number of months. Also, that the stock market has become vulnerable to readjustment problems.

Reconversion Plus Readjustment

I used the expression "readjustment problems" because it is a gross understatement of the problems immediately ahead to speak as though we have only to reconvert. We need the imagination stimulated by the Atomic bomb to fully contemplate the pending adjustments in our economy.

We in the financial district represent a group that will not be affected in our work or income with the ending of the war. For some individuals and plants it is a straight reconversion problem. But for the hundreds of thousands of Mr. and Mrs. Smiths that pulled up stakes and moved to war production centers, it is something else. There is the case of Jack, a dishwasher at the local restaurant before the war, who is now a Captain or Major. For the hundreds of thousands that he represents, it is not a question of reconversion. Again, there is a group represented by Jane, formerly a clerk at the 5 and 10-cent store for less than $20 a week, who during the war has been receiving $75 per week in a war job. If she doesn't quickly marry Captain Jack, she is faced with more than a reconversion problem.

Within a space of time measured better by weeks than months, the generally accepted Federal Reserve Board Index of Production will plunge 50 points or more. Unemployment will shoot from a nominal amount to a level reviving thoughts of the dreadful days of 1933. Many localities with a shortage of labor last week will have almost nothing to do next week. The worst of these conditions will be temporary. As the speedy conversion to war production was the modern miracle number one, so the speedy swing back to a peace time economy may be the modern miracle number two. Nevertheless, they are fraught with danger.

The on-rushing readjustment will provoke controversy and strife on the home-front. Labor has already made known its plans to fight for an increase in basic wage rates to maintain a "reasonable weekly take-home." And organized labor knows how to put on the heat. There will be a tug of war between the right and left factions, and politics will again be written in bold capital letters. We may soon see more evidence of trends at home typified by the recent Labor Party's victory in Britain.

I want to follow this thought only far enough to pose a practical question of investment policy. If stock prices have advanced substantially and to a level that may not be exceeded until new and more favorable forces come into dominance, wouldn't it be prudent, in view of the immediate problems, to exercise reasonable caution for an intermediate period? If part of the common stock money has been switched into high grade preferred stocks and corporate bonds, or even U. S. Governments, the net loss in income for most investors is of little consequence.

How We Look at Things

When the market is advancing it is only natural that the general investment considerations are: What are the upside influences? How far ahead might the market look? Which stocks will advance most? News seems to be mostly good because the tendency is to emphasize the good and minimize the bad.

This is not only a natural tendency, it is a necessary approach if an investor is going to make the best of his opportunities. There is seldom a period of rising prices, when if one puts emphasis upon the problems and risks, he wouldn't be very conservative rather than profitably aggressive. This has been particularly true during recent years.

If for any of various reasons, the market enters a reactionary phase, the general investment considerations will change to these: What are the downside influences, and to what extent will the market be dominated by them? What are the risks and which stocks might decline most? The news appears less favorable or discouraging because there is a tendency to emphasize the bad and minimize the good.

Again, this is only natural. As a matter of fact it is essential for investment survival. During most periods of market decline, even 1929-1932 and 1937, if one puts emphasis upon the favorable possibilities, he can justify owning too many common stocks. If upon this sober appraisal, the general background continues to justify current prices and affords the prospects for appreciation, the market is ready to resume its uptrend. On the other hand, if upon this sober appraisal there develops uncertainty about the position and prospects of the market, a more prolonged price readjustment will generally occur. How we look at things has so much to do with what we see.

For an extended period of time and into May and June, we were definitely in a cycle of emphasizing the good and minimizing the bad. This contributed to the rise which appears to have reached a logical stopping point. The momentum of the advance has been lost. Prices generally are no longer cheap under current circumstances. The market has faltered and it seems to me likely that this will lead into a cycle of increased caution. There is a greater prospect that in the period ahead the shorter-term problems will temporarily out-weigh the longer-term possibilities than at any time since the Summer of 1943. Considering the level of the market and this background, I expect to see another phase of decline that will ultimately carry the market as a whole under the recent lows.

Statistical Measurement of Risks

This leads to the obvious question of how far the market might decline. I shall outline two separate approaches to the answer and both focus upon approximately the same level.

The stock market, measured by the Dow-Jones Industrial Average, reached in May and June a maximum price of 17 times current earnings and afforded a yield of only 5% over high-grade preferred stocks, as mentioned previously. If with the upward force of momentum, the improving background, and the optimistic emphasis being placed upon developments the market could not exceed these ratios, it is quite unlikely that it will be able to do so from now until the next phase of more favorable developments. The composite index of hopes for the future related to concern over near-term problems probably reached its high water mark.

This gives us something to measure from in determining a low range for the market. The spread between the point of maximum hope and speculative buying and the rate of capitalization at the year's low is seldom less than two times earnings or 15% in the common-preferred stock yield ratio. These were the average ranges through 1935-36 and into early 1937, the most favorable phase of the preceding bull market. The variation in feeling between hope and concern had no accentuated changes during that period. At no time did general doubts develop about a continuation of the major uptrend. Earnings and dividends were increasing. The now fallen war lords of Germany, Italy and Japan were strutting like cocks before a fight, but they were relatively well behaved while buying in the world markets much of the materials with which to wage war. In contrast, the problems of the period immediately ahead are of a character and magnitude that would ordinarily accentuate a market readjustment. It is my opinion, however, that the change in the valuation ratios will be held to near normal proportions by the basic good in early peace and the almost certain long-term prospects.

The Dow-Jones Industrial Average had earnings of about $10.00 per share and paid dividends of about $6.50 per share during 1944. The figures continued at approximately these rates until surrender week. If we apply to these earnings and dividends the year's high times earnings and yield ratios adjusted for this reasonable change, we obtain a figure of about 150. The current price is about 165 Dow-Jones Industrial. This is only the first step in our statistical hunt for an answer as to how much the market might decline.

One must break away from the ordinary arithmetic of two plus two equals four in order to make estimates of near-term corporate earnings. And in an important situation such as we are faced with it is dangerous to simplify the approach behind certain assumptions which may appear logical but prove wrong. V-J Day was well timed in one sense, as analysts quickly observed. With almost three-quarters of high pre-tax earnings, even deficits for the balance of the year could be absorbed with only a moderate average decline in the year's earnings against 1944. If Excess Profit Taxes were eliminated immediately, earnings and dividends on the Dow-Jones Industrial Average for the next 12 months could approximate those for 1944. They almost certainly could be no higher. This suggests that if the most favorable possibility materialized it would justify a reasonable statistical low from now into the period of readjustment of about 150 Dow-Jones, since these are the figures appraised previously. If Excess Profit Taxes are not eliminated, earnings during the next 12 months may average near $8.00 and dividends $6.00, with deficits for the next one or two quarters being commonly reported.

The moderate decline in these estimates reflects what happens when 85% of a large part of the reduction in pre-tax earnings is offset by lower taxes, when many companies may benefit from the carry-back provisions of the tax law, when large reserves are no longer set up out of reported earnings, and when ultra-conservative finacial policies have been followed during the war boom.

The market is certain to minimize the initial poor earnings. In my judgment, they could sustain approximately the same low price for the market as the higher earnings. After all, the difference between the two sets of figures is more superficial than real, so long as the ultimate elimination of Excess Profit Taxes is a justifiable expectation. They reflect the same over-all economic situation—the same level of business, of employment and of pretax earnings. If the market were to go to 150 Dow-Jones and earnings on a 12 months basis declined to $8.00, the times earnings ratio would be 19. The yield on a $6.00 dividend at 150 would be 3.65%. This is approximately the current yield on high-grade preferred stocks. Considerable long-term confidence would have to prevail to support these valuation ratios, and I believe it will.

This statistical analysis is purely a rational way of evaluating current and near-term earnings and dividends just as you would determine the reasonable price for a bond in this money market, with the additional complication of the many variables. It alone does not justify a prediction. But it does encourage an opinion that during the readjustment the market could logically react to near the year's low of about 150. This could happen if earnings and dividends remain at current levels. It could hardly help but happen if they decline.

Analysis of the Market

The second approach to throw light on the extent of possible intermediate decline is an analysis of the market itself. The response of investors and speculators is motivated materially by the intangibles of hope, fear and mass psychology. It is the effect of these emotions that so frequently causes the market to respond with apparent wisdom in anticipating and dicounting the future.

When the market reached its top in May and June and entered a period of reaction, selling was activated for various reasons. Some people sold stocks because of the high level that they had reached and the low yield. Some stocks were sold because of fear of the ending of the war. Others were sold to take profits and traders in particular sold because they sensed a possible termination of the uptrend. Other reasons come to your mind, I am sure. The details only change from one time to another. An abnormal situation is obviously created by this accentuated selling.

If the basic situation is sound, this initial, almost spontaneous, pressure will carry the market below its justifiable value. This puts it in a strong position which soon attracts buyers, including many who are recent sellers, and the uptrend is then resumed. On the other hand, if the situation calls for a greater and more extended market readjustment, as I believe is the case this time, the initial pressure can be depended upon to carry the market a considerable distance on its way.

The 1943 market readjustment is a recent example. A wave of selling was precipitated in connection with the fall of Italy. The market quickly declined from 146 to 134 Dow-Jones. There followed a few weeks of stabilization and moderate rise after which a second phase of decline developed, concurrently with the general feeling that the war's end might be close at hand. You probably remember how strong that opinion was even in Washington. The final low was about 130. Approximately three-quarters of the total decline was concluded during the first phase of selling. This is quite typical, but not a logical case to reason from in analyzing today's market. The prospects feared soon faded away like the morning mist before the rising sun. This time an important change becomes real, as business, employment and earnings figures will soon reveal.

A Guide to Go By

The extreme change in market background during the first part of 1939 makes this a good case to consider today. The year opened with a number of officials in Washington making a strenuous effort to stimulate better relations between business and Government. There was even talk of a possible disarmament conference during the coming Summer. (If by now some of you doubt these observations I refer you to a rereading of the daily newspapers during those months.) Nevertheless, the market declined during January from about 155 to below 140. By early March it was back up to 150.

Then on March 15 the Germans marched into Czechoslovakia. This was the prelude to the six-year human tragedy of "Hell on Earth" the end of which we are now gratefully celebrating. At once it was feared that World War II was inevitable and soon. At that time it was generally considered that War would be immediately bearish on the stock market, and there was talk of the Exchanges closing if war broke out. In three weeks the market had plunged under the January lows and it was commonly stated that we were in a new bear market. The efforts to reconcile business and Washington appeared on the wane. The September 1937 crash was still fresh in people's minds and fears ran high. At this vulnerable point Italian troops marched into Albania. The market was carried to an extreme low of about 13 times current earnings and to a high yield basis of about 5%. Actually the market was beaten down 10 points under what turned out to be the low associated with the outbreak of the war. Nevertheless, despite the change in sentiment and the depressed level to which a combination of unfavorable developments drove the market, moderately over one-half of the total decline occurred on the first phase.

Notwithstanding the magnitude of the problems ahead, I doubt if there can be a greater unfavorable reversal in sentiment between now and the better-days-further-ahead than was witnessed during the Spring of 1939. The only consequential factor I see that could make the current situation more severe is the earnings and dividend outlook. The first phase of this reaction extended from 169 to 161, 8 points. If this were to equal about 50% of the total, the market would decline to 150 to 155. At this level the market would be almost 50% higher in relationship to current earnings than at the 1939 low.

This difference can be justified. In addition to the statistical background previously analyzed that points up about 150 Dow-Jones Industrial Average as a reasonable downside range, there are sustaining influences that will moderate the impact of the readjustment. There is too much good in early peace for it to set off an extended period of cumulative liquidation. Many companies will be aided quickly by peace and their stocks may need only a period of price readjustment. Stocks of companies which, on the surface, might be in for the greatest liquidation are mostly among the one-third that are already relatively low in price. Also of importance is the definitely inflationary program being followed by the Government.

Investment Opportunity

The readjustment problems are discountable. They will soon appear quite obvious and in their initial phase they may look their worst. Labor will paint a dark picture of unemployment, and bring pressure for its program of increased basic pay, unemployment compensation, etc. Industry will tend to overstate its difficulties in an effort to obtain maximum relief from high taxes, controls and price ceiling. Relatively low profits on the initial production of many civilian products may moderate hopes of early high earnings.

Once the stock market has become adjusted, and stocks sell down to a level of good support, the market should be braced against the difficult problems of the readjustment period. Thereafter the journey may be rough, rougher than now expected by most investors and at some point many people may develop doubts. It is my firm opinion, however, that those who have prepared for and then look upon this prospective readjustment as an investment opportunity will incur only moderate risk and ultimately realize substantial profits.

Full Employment— Who Is Responsible?

(Continued from page 828)

and public enterprise. In 1940, of the 46½ million jobs then available, approximately 43½ million were in the field of private enterprise — in commerce, agriculture, manufacturing, the professions, trades and services. The balance of three million was in the field of public enterprise—in regular government establishments at the federal, state and local levels. There will doubtlessly be in the post-war period some expansion above the pre-war level of employment in regular governmental services. Useful public works would also supply some of the new jobs needed, but there is unanimous agreement that it is highly desirable that the great bulk of these jobs be found in the field of private employment. Conversely, every business man will agree that nothing would be more disastrous than to rely on government alone for the expansion in employment which is necessary.

Nothing said herein should be interpreted as opposition to having available jobs on public works. It is unfortunate that we haven't ready now a much larger shelf of projects blueprinted and with financial arrangements made. Too much of the planning for post-war public works is still in the "dream" stage.

How Are Jobs Created?

It is easier to tell how jobs are not created than how they are created. They are not created by speeches about full employment nor are jobs created in any real sense by adding names to public or private payrolls. Actually, useful jobs stem only from the production and distribution of goods and services. Therefore, to get more jobs born we must expand consumption and production.

Involved in an expansion of production—an expansion of private enterprise—are many complex factors, ranging from hard cash to daring imagination. Before output can be increased sufficiently to provide one new job, someone has to have an idea, a plan, capital, the willingness to risk that capital, plus the necessary skill in production or distribution, or both, to translate that plan into a program of action. To create the seven to ten million new peacetime jobs we'll need in the post-war period will require hundreds of thousands of ideas, billions of risk capital, and a vast amount of courage **because these new jobs can be created only through an increase in our national output of goods and services to a level 30% to 45% above that of 1940. Stated in terms of 1943 prices, it means we must achieve a gross output of from $155 billion to $170 billion.**

First of all, it is the quintessence of horse sense to accept and strive for a goal high enough to meet our social and fiscal needs.

The fact that a goal in output of $155 billion to $170 billion is needed in the post-war era does not prove, of course, that it is obtainable. No one can guarantee it. However, it is the studied opinion of the Research Committee of the Committee for Economic Development that this goal CAN be reached—and perhaps exceeded—in the first post-war decade, provided three essential objectives are accomplished. We must focus our attention and our activities sharply on these three conditions for the attainment of this goal:

1. America's two million enterprisers must be ready with plans for expansion which will result in maximum production, distribution and employment—when the green light is given.

2. We must have an economic climate that will be favorable to the expansion of present businesses and also to the starting of a vast number of new businesses, quickly. We shall need at least a million new enterprisers who will shift from job-holding to job-giving. Most of this expansion must come in the field of distribution. The trades and services hold much of the promise for the attainment of new levels of employment.

3. We must have freedom from industrial strife.

First, let us consider climate. The Research Division of C.E.D. is charged with the responsibility of contributing as best it can toward providing an economic climate favorable to expansion. According to Paul G. Hoffman, "We do not have such a climate today. There are policies in business, government, labor and agriculture which promote contraction rather than expansion. This is understandable, because the panic of 1920 and the depression which followed gave birth to some strange thinking, which in turn found expression in weird policies. Business, which was suffering from a lack of volume, initiated, and in large measure supported, the NRA with its codes for increasing prices and stifling competition. Offering better values became a crime. Numerous and sundry programs were proposed by various segments in agriculture for plowing under acreage and not growing crops. These were supported, perhaps reluctantly, by most of America's farmers. Labor, not to be outdone, went to new lengths in imposing unnecessary restrictions on output. Government, obligingly, through legislative action, gave the sanction of law to many of these activities designed to fasten upon us an economy of scarcity.

"It took a war to change our thinking, to accept goals of greater and greater production, and, above all, to restore to us faith in ourselves. Today no one doubts America's capacity to produce. And no one quarrels with the idea that we must produce more if we are to have more to divide. But there still remains the urgent necessity of revising many of the policies of business, labor and agriculture, and of changing many of the laws of the land before we can hope to achieve a peacetime economy of abundance."

"Business, labor and agriculture each have the right—in fact, the responsibility— to make suggestions and recommendations as to the changes in laws and policies which they believe necessary. Our Committee, in considering how it might engage in a constructive activity looking toward the creation of a better economic climate, reached certain conclusions. First of all, we recognized that the only sound approach in the appraisal of policies should be from the standpoint of the general public welfare. We did not subscribe to the idea that what helps business helps you, but rather what helps you and every other American helps business. Our primary concern is over the maintenance of a free dynamic society in the post-war period. If such a society prevails, business and labor both can be assured of their essential freedoms."

Second, let us consider the plans of our two million enterprises. Generally speaking, manufacturing concerns have laid plans for expanded production and employment which will result in the highest peacetime manufacturing employment in the history of this country but all segments of our business structure must do their share if we are to achieve our objectives.

There is considerable confusion concerning the structure of American business. America has the reputation of doing business in a big way. But, actually, prior to Pearl Harbor there were less than 2,100 business concerns in this country employing more than 1,000 people. In 1939 there were only 816 manufacturers who employed 1,000 or more people—only 175 manufacturers employed 25,-

(Continued on page 848)

With Claybaugh in Florida

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—**Henry M. Fishman** is with **Blair F. Claybaugh & Co.**, Mercantile National Bank Building.

The Securities Salesman's Corner

By JOHN DUTTON

Some Nuggets Gleaned From the Experiences Of A Successful Sales Manager

Twenty-one salesmen and the lowest income earned by any one of these men averages $7,500 a year—the majority earn around $15,-000, several hit $25,000—that's the record of an organization that knows how! These earnings are not gross—they are the net earnings of retail salesmen. The amazing thing about this organization is that among the 21 men in the sales force there are no deadheads—very seldom do you find an aggregation of this size that doesn't have at least a few non-producers.

When the writer of this column asked the sales manager of this fine concern "How did you do it?", his answer was quick and decisive. "Six years ago when I started to build this sales force," said he, "I insisted upon large unit sales and small profits." "We went after the large accounts and the markups were small, my fellows became used to doing big business. Today they have large accounts, their customers have huge profits; we don't overtrade any accounts, when we sell a security that has promising possibilities for sizable market appreciation we keep our customers long of that situation until they have a real profit."

Six years of building along such sound lines as these, plus a recovery market and the ability to select profitable situations and you have the result today—a superior sales organization.

Then he told us of something else which he believes contributes to the success of his salesmen. He insists that every salesman make at least one **personal call** a month on each account. Luncheon dates stand high on their program—they show an interest in their accounts—they make friends of their customers. "Our business is on a personal basis, we never allow our customers to feel that they are out of our mind." There you have something—if a customer is worth having he's worth the time it takes to pay him a visit at least once a month, otherwise he's not worth having at all.

Another thing he told us was the fact that he had just approved an advance of a couple hundred dollars for one of his men. He said that if he couldn't have the kind of men around him that were worthy of occasional financial assistance, that he wouldn't hire them and keep them in the first place. Every once in a while an emergency comes up where salesmen who have made good incomes need some assistance. This is not unusual. Some men are big spenders, or they just don't know how to handle their own finances, or they may have sickness or reverses—that doesn't say that they are not strictly honest and good salesmen. If a survey were ever made we venture the opinion that some of the best producers are the ones who spend the most, and have the least at the end of the year. If they are good men—give them a lift. We think this sales-manager was absolutely right when he said, "If they are good enough to work for me they are good enough to qualify for financial assistance when they need it."

The only hurdle this fellow said he couldn't surmount today is to keep his men working. Too much money made already this year, taxes now too high, incentive to do more is low. It's a situation that has many counterparts all over the country. The only antidote that we can think of is to point out that the more securities sold now at the right prices, in the right situations, the greater the possibilities for trade-outs and reinvestment next year—and then there may be some reduction in taxes—MAYBE!

ABA Shows Trend To Stronger State Banks

The trend toward incorporation of sound fundamental banking principles in the laws governing state banking systems has been aided by the model statutes on bank supervision formulated by the Committee on State Legislation of the American Bankers Association. Seventeen supervisors of state banking systems stated that they considered revision of their present banking laws desirable and in eleven of these steps have already been taken to effect necessary revisions, according to survey results recently published by the State Bank Division of the Association.

"The American Bankers Association advocates adoption of the sound principles in the model statutes," said G. O. Thorpe, chairman of the A.B.A. Committee on State Legislation, "but does not propose adoption of uniform acts by all of the states."

Full Employment— Who Is Responsible?

(Continued from page 847)

000 or more. Here is the balance of the figures:

Estimated Number of Business Firms by Size of Business (1939 Census)

Size Class (By Number of Employees)	Number of Firms (In Thousands)	%
Total	3,316.7	100.0
No employees	1,503.2	45.3
1 to 3	1,221.2	36.8
4 to 7	304.6	9.2
8 to 19	165.7	5.0
20 to 49	69.6	2.1
50 to 99	23.5	0.8
	3,289.8	99.2
100 to 249	15.7	0.5
250 to 499	6.3	0.2
500 or more	4.9	0.1
100 and over, total	26.9	0.8

Small Businesses

These figures clearly indicate the facts that American business is essentially small business. In this connection C.E.D. believes the following facts to be self evident:

First, that small business and new enterprise provides one of the nation's greatest laboratories for new ideas and new products.

Second, that small business, and particularly new enterprise, promote competition and flexibility in our economy, and thus furnish protection against monopolistic practices which maintain prices and restrict production.

Third, that small enterprise provides a splendid school for training our citizens in the self-reliance and resourcefulness which have been so important in forming the spirit of America.

Fourth, that the maintenance of opportunity for every individual, regardless of race or creed, to establish and build his own independent business is essential to the preservation of a free society in the United States.

The Committee recognizes that many of the problems of small business are common to business of all sizes, and that national policies adopted to improve the economic climate for business in general will redound to the benefit of small business. The goal of a dynamic and expanding economy can be attained only by the removal, and not by the imposition, of impediments to the healthy growth of private enterprise.

No solution of the problems of small business can be evolved within a brief period of time, or by the activities of any one group. These problems do not lend themselves to quick and ingenious answers, nor can they be solved merely by the enactment of remedial or punitive legislation.

What is called for is a concerted attack on the special problems of small business over a long period of time by many different private groups and by various agencies of federal, state and local governments. Concurrent programs of national action and of action by each separate community will be required.

Because of this, most of C.E.D.'s publications, films and suggestions are essentially for small business. Our community Committees, are, in general, made up of and work with small businessmen. At the present time—now that most manufacturers have completed and disclosed their post-war plans for expansion—community committees and chambers of commerce are working to stimulate commerce to complete their plans for post-war expansion.

New Businesses

Next, let us consider the question of new businesses. I have already stated that approximately one million new businesses will be needed in the post-war period and that the majority of these will be in the field of distribution and services. For your information, here is a breakdown made for C.E.D. by the Federal Reserve Bank in Philadelphia concerning the breakdown of employment in agriculture, manufacturing, commerce and government. At the war peak in 1943—

16.6% were employed in agriculture
33.3% were employed in manufacturing
39.9% were employed in commerce
11.2% were employed in government

It is estimated that these percentages will change as follows in the post-war period: Agriculture from 16.6% to 18.7, which will be lower than agriculture employed prior to Pearl Harbor. Manufacturing 33.3 to 25.8. However, it must be remembered that this latter figure is 25.8% of approximately 35 million people whereas prior to Pearl Harbor manufacturing employment was about 24.5% of 46½ million. Commerce will jump from 39.9% to 46.2. Government will drop from 11.2 to 9.3.

C.E.D. encounters with surprising frequency the fallacy that post-war planning is the exclusive province of manufacturers and industrialists. We have yet to find a retailer who doesn't believe that every manufacturer should be planning boldly — and planning now—but a large number of retailers, wholesalers and owners of service businesses are doing no planning for their own enterprises.

No one in the field of distribution or service businesses has the right to aloofness or complacency in the matter of post-war planning.

The hope of achieving rapid and substantial increase in gross national product can only be achieved if the wholesalers and retailers — including the corner drug store—and the service businesses play their part in planning for expansion.

Much has been made of the fact that when the war ends purchasing power in America will be at a new and startling peak. That's true, but purchasing power is static. It becomes useful only when translated into effective demand by smart, aggressive merchandising. As of today, America's capacity to merchandise is far, far below America's capacity to produce. As a result, not only is complacency unjustified but it should be replaced by aggressive planning on the sales front—starting yesterday. The Marketing Committee of C.E.D. submits the following propositions:

1. The prime need in industrial post-war planning is to develop markets at home and abroad; in other words, to sell more goods to the peoples of the world.

2. The next most important need is to do so at lower distributive costs so as to lower prices and widen markets still further.

3. Development of maximum markets at lowest distribution costs will require a calibre of marketing beyond anything which has hitherto been seen in this country.

It is obvious that the best thinking of all segments, business, labor and Government, would be required to achieve new levels of employment, and it is the direct responsibility of all three groups to adopt policies that promote expansion rather than contraction.

Redeem Cuba Bonds

Republic of Cuba, through Ramon Leocadio Bonachea Sarduy, Acting Consul General of Cuba in New York City, notified holders of its External Loan 30-Year Sinking Fund 5½% Gold Bonds issued under Loan Contract dated Jan. 26, 1923, that $1,016,700 principal amount of the bonds were drawn by lot for redemption as of July 15, 1945, out of moneys in the sinking fund, at 100% of their par value and accrued interest to the date of redemption. The bonds drawn for redemption were paid at the office of the fiscal agents, J. P. Morgan & Co., Inc., on or after July 16, 1945. From and after the redemption date interest on the drawn bonds ceased. On June 8, 1945, $469,100 principal amount of these bonds previously drawn for redemption had not been presented for payment.

Full Production and Full Employment

(Continued from first page)

The small shopkeeper in a typical industrial American town is also worried. He knows that when the workers in that locality are laid off or take wage cuts they cannot buy the food, the clothing which he is so anxious to sell to support his business.

It is strange that these fears arise at a moment when we should be filled with the tremendous joy of complete victory over the brutal and evil Axis powers. It is unfortunate that our human needs have received such scant attention—at the moment when we should be looking hopefully toward the horizon of a prosperous and peaceful future.

In 1933 President Roosevelt took office in his first term confronted with a somewhat similar situation. He lifted the American people from the depths of despair with his clarion challenge that "we have nothing to fear but fear itself."

We certainly have within our grasp the opportunity to build a joyful future, the foundation of which was laid by President Roosevelt in his historic Economic Bill of Rights. This reflects the aspiration of our people. But nothing less will suffice. It means jobs for all with steadily increasing wages, decent homes, health and educational facilities for all, full opportunity for all businessmen to compete in a free market and a decent return to farmers.

But action is imperative to attain these conditions. Expressions of pious hopes proved disastrously insufficient in 1929.

Suggestions of CIO

The CIO, in an effort to meet the needs of workers, businessmen, farmers, professional people, has made some concrete suggestions for immediate action.

It is now a truism to state that full production and full employment for reconversion and post-war rest primarily upon the purchasing power of the American people. But this is threatened through loss of weekly earnings, the return to civilian production with lower rates of pay and unemployment. That is why we have called upon the President to issue an Executive Order directing an immediate revision of our national wage policy to provide for a substantial increase in the basic wage rates for American workers. We are opposed to wage cuts of any description or through whatever guise they may be attempted. The minimum wage should be immediately raised to 65 cents per hour. Substandard wages do not make for a healthy and prosperous people.

Profiteering must be curbed and price control by the OPA continued until shortages disappear. Demagogic appeals by profiteers for elimination of controls should be exposed and their true design revealed as but attempts to gouge the American public.

Then there are steps which Congress must take immediately.

Legislation must be quickly enacted for additional Federal payments to enable unemployment compensation payments to be increased to $25 per week for 26 weeks. Unemployment compensation should be made available to Federal employees, maritime workers, and others who are not now protected under existing law.

The Murray-Patman Full Employment Bill, which recognizes the obligation of the Government to assure full employment and full production, has been recently described by President Truman as "must legislation."

The Wagner - Murray - Dingell Social Security amendments to improve old-age pensions, federalize unemployment compensation, and establish a basis for health insurance is a minimum requirement for a prosperous post-war America.

At this moment it is of course of the utmost importance that we give the fullest protection to our returning veterans. To this end Congress should amend the GI Bill of Rights to provide for increased mustering-out pay, larger advances for education and business opportunities, and greater protection and facilities for the disabled veterans.

Tax Revision

With the ending of the war our governmental financial requirements will be sharply reduced. This permits for a drastic revision of our tax laws. But the opportunity should not be used to aggravate the situation brought about by the last tax bill described by President Roosevelt as providing relief not for the needy but for the greedy. Tax relief should be extended to low-income groups by way of increased exemptions for married couples and increased credits for dependents and an elimination of taxes on low incomes. There can be no objection to extending the benefits of the carry-back to individuals, similar to those now enjoyed by corporations. This would permit war workers to avoid the burden of heavy taxes during their unemployment. Finally, special relief for small business should be given in order to encourage the maximum intiative for the resumption of peacetime production.

Organized labor fully understands that our objective must be full production and full employment. We are equally appreciative that this can be achieved only through the unified efforts of labor, management and the Government. Industrial strife should be avoided and certainly not provoked.

The problem of industrial disputes cannot be solved merely through the creation of machinery to handle such disputes. With the enactment and implementation of a program designed to meet the needs of the people and assuring an expanding economy with full production and full employment—we can achieve industrial accord.

It is for that reason that we have suggested our program as a basis for immediate action by Congress and the President of the United States. With that foundation, a labor-management conference, as suggested by President Truman, can make a substantial contribution by dealing with problems of mutual concern and formulating additional appropriate action to be taken by either labor and management or by Government.

Failure to recognize our problems, or hesitation in providing bold and forthright solutions, will receive the condemnation of the American people. We have demonstrated that our democracy is sufficiently alive with imagination and resourcefulness to overcome all obstacles in war.

The common people, here and abroad, are equally determined, in peace, to enjoy the fruits of their victory through Freedom from Want and Freedom from Fear.

Expects No Widespread Strikes

Many people inside and outside of labor are gravely concerned about the possibility of post-war strikes. No responsible official of organized labor or worker enjoys strikes. No union wants to see a wave of strikes now that the war is over.

Unfortunately, many enemies of labor are already conjuring up the spectre of widespread strikes, hoping thereby to stampede Congress into enacting repressive anti-labor legislation.

Actually the facts are these: Thousands of collective bargaining agreements now outstanding, all of which provide for grievance machinery for the adjustment of disputes, contain no-strike pledges for the duration of such agreements. The CIO has already stated that its organizations and members will comply with their obligation in letter and in spirit. These agreements assure industrial peace for their duration and should thus furnish a very healthy and stabilizing influence during our reconversion and post-war periods.

We call upon employers who have these agreements with labor unions to equally adhere to their contractual obligations and not endeavor in any way to provoke their employees by violating their agreements and hope to encourage strikes and stoppages. If employers give equal heed to their commitments and take a responsible approach to the joint problems of labor and management there will be no wave of post-war strikes in America.

Organized labor was confronted with very heavy responsibilities during the war. It met them unflinchingly and with developing maturity.

We now face the future with a keen understanding of the broad problems which confront this nation at home and abroad. Economic and political isolation is an archaic concept.

World Trade Union Congress

It is for this reason that the CIO is actively participating in the formation of a world federation of trade unions. The first convention of the World Trade Union Congress is to be held in Paris in September. Organized labor from every country in the world will gather for its sessions. The representatives assembled at this convention will speak for over 60,000,000 organized workers throughout the world.

This unity of world labor will be the greatest bulwark for peace and democracy. We may confidently anticipate that world labor will make certain that Fascism and Nazism will never again threaten the peace of the world. We may equally be confident that the activities of this World Trade Union Congress will be directed toward the end that the material and human resources of the world will henceforth be utilized not for human exploitation—not for the repression of colonial peoples—but for the rich enjoyment by the common people of all the blessings which a peaceful and prosperous world can bestow.

Political developments abroad and at home should make clear that the peoples of the world expect this to be the century of the common man. The people are on the march. They have endured tragic sacrifices and sufferings in the most bitter struggle that mankind has ever known to destroy once and for all all vestiges of Nazism and Fascism and Japanese militarism.

They do not expect ever again to permit irresponsible or narrow-minded leaders to develop domestic or international conflicts which may lead toward war.

As General Eisenhower has very eloquently expressed it—as we have fought to win the war, the people will fight with equal fierce determination to win the peace.

Return to Enlightened Despotism

(Continued from page 832)

quire a certain amount of planning. Every individual or business must plan and the government also must plan its own legitimate activities. These legitimate activities may include without any danger the provisions of information for individuals to aid them in their planning. But when the government attempts to suppress other sources of information and other than the official interpretation of the information supplied, or to draw up a master plan and use pressure to force individuals to conform to it, we are beyond the only meaning of planning that is consistent with free enterprise and individual liberty, except, of course, during war, when all laws, including those of economics, are silent. Modern planners whether of the Communist, Nazi, Fascist, Socialist or New Deal variety have gone far beyond that point.

Perhaps a good workable definition of "planning" for the purposes of the present discussion would be: "Symtematic interference by the government with the processes of production and consumption, with the object of increasing the national income." This would exclude governmental activities for the purpose of national defense or the enforcement of the community's moral standards, or in areas not accessible to private enterprise.

Meaning of Planned Economy

As the phrase, "planned economy," is generally used by its advocates, it means the direction of all or a large part of the nation's important economic activities by the government or by some organization controlled by the government and endowed with quasi-governmental powers. Since anybody that controlled the economic activities of the nation and had in addition the powers already possessed by government would be able to control the total of human activities, "planned economy" as outlined by its leading advocates is merely a modification of totalitarianism, phrased in language not so shocking to the ears of free men as the language of Communism and Fascism. In 1935 President Roosevelt publicly stated that fact when he said: "In 34 months we have built up new instruments of public power. In the hands of a people's government this power is wholesome and proper, but in the hands of political puppets, of an economic autocracy, such power would provide shackles for the liberties of the people." But what are the President's appointees if they are not political puppets, and how can the vast agglomeration of governmental bodies for the control and financing of all industry and agriculture be regarded as anything but an economic autocracy? Their funds are provided for them out of taxes or loans collected forcibly from the people. They have succeeded in many cases in destroying the power of the courts to review their decisions; and individuals affected by their decisions, even when the courts are theoretically available, can obtain no redress because of the expense and delay involved, and if they attempt to do so are subject to persecution and defamation from all the henchmen of the new order and their supporters in the press and on the platform. A notable example at the present time is the controversy over Bretton Woods, in which sincere advocates of an intelligent foreign financial policy are accused of selfish motives and branded, paradoxically, as being at the same time isolationists and international bankers; and for many years we have seen sincere opponents of the Fascistic tendencies of the Administration falsely condemned as Fascists.

Planning is universally admitted to require centralized direction, equipped to act more promptly and vigorously than parliamentary or other forms of representative government have shown themselves able to act in the past. Hence planning, even when competently and honestly carried out, is the antithesis of democracy, as we have in America understood and admired the term. But experience shows that it has usually been either incompetent or dishonest. Planning is advocated by persons with academic and theoretical backgrounds as a means of improving the general welfare. It is advocated by persons of a certain moralistic disposition, who like to see everything done in an orderly manner and are appalled by the irregularities and unpredictabilities of free enterprise; and by warm-hearted idealists who like to think that the ills of the world can be instantly and permanently cured by some easy formula; and by congenital meddlers—the Lady Bountiful type—who get a warm glow of satisfaction from the feeling that they are controlling the lives of other people for their victims' own good. These more or less idealistic groups are assisted by office-seeking politicians, self-seeking pressure groups, and notoriety-seeking publicists. Being human, they would make as many mistakes as private business men, even if the job were no harder than running a private business. But the job is infinitely harder, although many persons seem to be unable to realize it. When a private business man makes a mistake he either finds it out pretty quickly and corrects it, or else the sheriff and the receiver in bankruptcy correct it for him. But when a governmental planner makes a mistake all he has to do is to persuade the voters that his critics are scoundrels, and then he can go on repeating his mistakes for another term of office and paying for them with other people's money; and if he uses that money to lengthen his term or to increase his power, can he be blamed for it? That is only what dictators and tyrants have done regularly since the dawn of history. Is it fair to expect every President to be a Washington?

Lord Acton once remarked that "All power corrupts, and absolute power corrupts absolutely." If the word "corrupt" is used in the narrow sense of financial corruption or corruption of personal morals, that is not universally true. But power does corrupt judgment and respect for the opinions and rights of others. It removes men from the opportunity of discussing matters with their equals, and causes them to be surrounded by special pleaders, flatterers and yes-men. Even when unpleasant facts cannot be blandly overlooked, power leads men to adopt the dangerous doctrine that the end justifies the means, and to do evil that good may result. And if sometimes we find that the evil is done to those whom they hate, and the good results only to the dictators and their partisans, that is only natural and comparatively unimportant.

The idea of governmental planning for the economy is not new. On the contrary, it was taken for granted during the most of recorded history. Free private enterprise was unthinkable in most countries during the greater part of ancient and medieval times.

Precedents of "Planned Economy"

In the 18th century all economic activities in Europe outside of Britain and Holland, were narrowly circumscribed by law or tradition. All governments were despotic, though usually well-intentioned. The thinking men of the time were continually devising schemes to improve the lot of their fellow men, and many of these schemes were tried out by many governments. Most of these schemes were startlingly like those that have recently been discovered by our pink intelligentsia, and by the large recent crops of Ph.D's in Economics who obtained their licenses to pose as experts on governmental and business activities without ever having had any business experience and without apparently ever having studied economic history or political science. It would seem that the only device for promoting prosperity that was not tried out in the 18th century, although it was discussed under the name of laissez-faire, was the scheme of free enterprise.

Dean Swift, in **Gulliver's Travels**, (1726) wrote a very amusing satire on some of the bright ideas current in his time. Sober historians record the tragic fate of France when in 1720 the king was persuaded by John Law that the unlimited issue of bank notes would make the nation prosperous. Specialists in the literature of economic theory are acquainted with the doctrines of Bernard de Mandeville, who declared that spending was the key to prosperity, that individual thrift was harmful to society, and extravagance and spending for vicious purposes made money circulate and increased the purchasing power of the people. How like this sounds to the present-day attacks on saving, and the Keynesian doctrine that government spending increases the national income, even if the spending is for the purpose of building pyramids or digging holes in order to fill them up again.

Specialists in public finance recall also the theory of Dr. Richard Price, (1771) who declared that a national debt need not be a burden, because a properly devised sinking fund would pay it off automatically without pain to the taxpayers. That theory was eagerly accepted by most of the finance ministers of that day, except our own Alexander Hamilton. Perhaps Dr. Price's theory was as intellectually respectable as the modern one that a national debt need not be a burden because the principal need not be paid and we owe the interest to ourselves.

Governmental planning on a psuedo-scientific basis, however, reached its apex in the latter half of the eighteenth century, the era of the so-called "enlightened despots." Frederick II of Prussia, Catherine of Russia, Joseph II of the Holly Roman Empire, Charles III of Naples and Spain, Peter Leopold of Tuscany, and Joseph I of Portugal all attempted to reform and regulate the economic structures of their respective nations in accordance with the idealistic aspirations of the leading thinkers of the time, and with the aid of highly trained economists, statisticians, and experts in administration. In fact the science of statistics was invented as an aid to such efforts; courses in statistics and cameralistics, the science of governmental regulation, were offered in the universities. Many of the publicists of that era held up China as the model of efficient government, just as many modern planners hold up Russia, and probably for the same reason, that they knew very little about actual conditions in the country they took for a model.

The group of theories that these statesmen took for their guide is generally known as mercantilism. What were the results of their activities? The least altruistic and most skeptical of the lot—Frederick of Prussia—left Prussia stronger and perhaps more prosperous, and left a highly-trained and capable civil service for the use of Bismarck and Hitler. Catherine of Russia, starting in as an idealist, became embittered by her failures and undid some of her own reforms. She also left a legacy of autocracy and governmental control of business to her successors to the present time. The emperor Joseph II, probably the most sincere and idealistic of them all, and assisted by the most highly trained bureaucrats, strove diligently for ten years to combine the welfare state with the authoritarian state, but his planned economy failed to make Austria strong or its people prosperous. The other despots mentioned accomplished some temporary good, but their governments were all swept away by the French revolution or the conquests of Napoleon.

The British Policy

All of the 18th century planners had inherited a tradition of despotism. They and most of the thinkers of the time, outside of England and Holland, took for granted that despotism was essential for efficient national planning. In England the situation was complicated by the happy genius of the British for inconsistency; the government and the leading thinkers favored planning, but the people were instinctively opposed to controls. The survivals of medieval and Elizabethan regulations were badly enforced, and new regulations were blocked. I suspect that it was more than a coincidence that the common man was better off in England and Holland than in many of the planned economies, and that England was the country that made the most progress in industry and commerce in the 18th century. The cotton textile industry, especially where the industrial revolution originated, was free from regulation, and clothing for the masses was cheaper in England than anywhere else in Europe.

Although England was comparatively free from national planning in the home island, the colonial policy of George III was a good example of it. In full accordance with the prevailing sentiment of acknowledged experts, George III attempted to regulate the commerce and industry of the American colonies. In order to strengthen the British Empire and promote the welfare of his subjects, as he thought, he forbade the colonies to set up iron manufactures, or to produce textiles for export, or to settle west of the Appalachians, or to sell certain products except to England, or to sell other products anywhere except in England, or to trade in their own ships with the West Indies or any country of Northern Europe. These regulations were not intended as acts of oppression against the colonists; they were intended to promote the military strength and economic welfare of the empire. They resulted, as you all know, in the loss of the colonies and the establishment of a new nation, which adopted for itself a constitution intended to prevent its own government from repeating the mistakes of George III, and permeated by a wholesale dread of centralized power.

A modern might conceivably remark that the experience of the 18th century has no bearing on our present situation because, first, despotism is not essential for national planning and, second, our would-be planners are more intelligent and have more knowledge of economic principles. Both of these claims I deny.

The Modern Aspect

I will not on this occasion elaborate the proof that effective governmental planning of a nation's economic activities is inconsistent with political freedom, or what Americans have known as democracy. Mr. von Hayek has done a good piece of work on that. Mr. von Mises, I believe, has done even a better one for American readers. And the words and actions of many of the planners themselves show that if they have their way the ten articles of the Bill of Rights will be whittled down to two: the right to vote for the party in power, and the right to receive a job (nature unspecified) from the party in power. The ninth and tenth articles of the Bill of Rights have already been completely destroyed; the first, fourth, fifth, sixth, seventh and eighth have been repeatedly violated by officials and cut down by court decisions. And, of course, the Federal Government has usurped many functions that were reserved by the Constitution to the States.

Let us not be deceived by the soothng words of the planners and their hypocritical or unintelligent protestations of belief in free enterprise. On Sept. 14, 1936, Hitler said: "Germany will guard jealously the principle of private enterprise. I will never permit bureaucratization of German industry. I am convinced that there must be competition to bring the best to the top. Of course, whenever private interests clash with the interests of the nation the good of the community must come before profits to the individual."

Now for the second point: Are the proposals of today's planners sounder than those of the planners of 200 hundred years ago? No, for in important respects they are essentially the same, and where they differ the difference is often for the worse.

The over-all objectives were practically the same—to increase the nation's prosperity. The mercantilists talked more about wealth and were more out-spoken about military strength; the moderns prefer to talk about income and emphasize its distribution as well as its amount. Both groups place the interest of society or of the state above those of the individual, or at least insist that the proper way to benefit the individual is to benefit the society of which he is a part, and that his own efforts to better himself unless carefully controlled will be either futile or detrimental to others.

In general the means recommended are the same, ranging from education and propaganda through loans, subsidies, and discriminating taxes, to fines and jail sentences and deprivation of means of livelihood. In Russia they have freely employed capital punishment and exile, and although our American planners have not yet advocated such dras-

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Railroad Securities

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million, equivalent to 3.19 times fixed charge coverage on an overall basis, and with a balance of $14.75 and $4.86 per share on the preferred and common respectively.

Admittedly, uncertainties exist as to whether the Commission plan as approved by the Court will be consummated in its present form. Passage of the Hobbs Bill would doubtless force a rewriting of the plan. It is even possible, though somewhat unlikely, that without the benefit of a Hobbs Bill, appeal of the junior bondholders might force a change in the plan. However, a change is less likely than in the case of the Denver, where the District Court was decisively overruled by the C.C.A.

Of the old securities the Rock Island Secured 4½s, 1952 and the Refunding 4s, 1934 still offer the best current values. The junior 4½s, 1960, selling 8 to 10 points above the value of cash and new common to be received, are discounting a new plan with correspondingly better treatment. Legal possibilities of better treatment are not sufficiently clearcut to justify speculative risks involved. Of the new "when issued" securities, the Income bonds, now in the high 90s, no longer possess possibilities of substantial appreciation. Only the preferred stock with two years' dividend arrearages as of December 31, 1945, or $10 per share, appears attractive, affording possibilities of moderate appreciation combined with reasonable investment quality.

Return to Enlightened Despotism

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tic measures, they have as a rule found it easy to excuse the Russian procedure. These objectives and means were and are carried out and used by large numbers of highly-trained experts in well-paid non-elective government positions with security of tenure and pensions upon retirement.

Coming down to specific points: The mercantilists desired a large population, fully employed, and for that reason favored the immigration of able-bodied workers. Modern planners say less about population as such, though emphasizing the necessity of reducing the death rate and perhaps increasing the birth rate. They are silent on the immigration of able-bodied workers, although apparently most members of the American planners' coterie favor free admission of persons seeking refuge here from the European planners and the consequences of their activities. They are vigorously outspoken in favor of full employment, setting up a goal of more jobs than there will be workers.

The mercantilists insisted on an adequate supply of home-grown food. They tried to increase the product of agriculture. Some modern planners have tried to reduce the supply of food coming to market, so as to maintain or increase farmers' profits. The contrast between these views is not, I think, flattering to the modern planners.

Both groups advocate control of the location of industry, the nature and amount of the output, the conditions of work. Both are highly conscious of the danger of overproduction, and plan for export outlets to take care of the surplus product, as well as for direct limitations on output.

Both favor and try to stimulate exports as a means of maintaining a high level of employment or high price levels. They resort to very complicated tariffs and commercial treaties to further that end. They are unwilling to admit imports that might threaten the volume of domestic employment. To avoid the necessity of taking such imports, the merchantilists favored imports of gold or silver, hoping thereby to maintain prices and profits and also to have a reserve to help in case of future wars; the modern planners at present scoff at gold and advocate gifts to foreigners, and large credits for long periods, frequently on flimsy security. Only twelve years ago, however, they raised the price of gold in order to stimulate exports and raise the level of domestic commodity prices, but the result instead was to bring about an enormous import of gold, and a stimulus to gold mining all over the world. Whereas the 18th century planners had learned from experience the advantages of a currency fixed in value, modern planners willingly resort to changes in the value of their currencies in order to promote their political or social policies. In fact the British at Bretton Woods refused to abandon their right to devalue their currency at will, for that reason.

The mercantilists desire for gold imports was partly because of their desire to build up a treasury reserve against emergencies. Many modern planners on the other hand favor building up a government debt, which is, of course, an easier thing to do.

According to the mercantilists, taxation should be used not only as a means of obtaining revenue, but also to penalize or encourage certain types of activity. They tried to avoid taxes that would reduce production. The modern planners believe in incentive taxation, but they also wish to redistribute income and to avoid taxes that might reduce consumption.

The mercantilists aimed at a balanced budget as an ideal, and welcomed surpluses. Modern planners usually give lip service to a balanced budget but have much to say about the stimulatng effects of deficits.

The mercantilists took for granted that government expenditures should be for useful purposes. They spent large sums on roads, canals and other public works. The modern planners favor public works, but they are not limited to productive expenditures; the Keynesian multiplier works according to schedule, even if the government expenditures, politely called investments, are for leaf-raking or the destruction of German and Japanese industrial plants. The mercantilists controlled wage rates, usually trying to hold them down, either that the goods produced by laborers might compete in price with foreign products, or that the laborers should not live too luxuriously. Modern planners control wage rates, usually trying to raise them in times of peace, and to hold them down in time of war, in so far as that can be done without losing too many workingmen's votes. They also control profits and salaries and interest and rents in order that wage-earners may live more luxuriously and the recipients of other forms of income less so.

The mercantilists controlled prices of specific commodities while in general working for a gradually rising price level by stimulating the circulation of money. So do the moderns.

The mercantilists controlled the quality of goods, ostensibly to protect consumers. The result was to hamper innovation and reduce consumers' choice. The same holds true now.

These experiments in mercantilist planning have been summarized by Eli F. Heckscher as follows: "The contempt of mercantilists for religion and ethics, their desire to subject individuals to the state, their belief in a somewhat mechanical social causation without belief in a preestablished harmony, made them even more ruthless in their insistence upon setting aside all sorts of time-honored customs and human needs and presented a strong contrast to the fundamentally humanitarian attitudes which followed. Moreover, in this respect, as in most others, the ability of mercantilist statesmen to achieve what was required by their programs was very limited; and their attempts at directing economic life without violence remained mostly on paper. In practice, they had recourse to almost all the time-honored methods of coercion."

Laissez Faire—Revolt Against Planning

The experiments in national planning were so unsatisfactory that the political philosophers and the general public of the following decades turned away from that ideal in the direction of laissez faire; and under the comparatively free systems of the 19th century the population and wealth of Europe expanded to an unprecedented degree. The liberal movement of the 19th century consisted mainly of getting rid of government controls and enlarging the liberties of the individual citizens. By a paradoxical process of semantics the name "liberal" is now claimed by a group that is striving to narrow the liberties of the individual citizen and restore a system like that against which the original liberals revolted.

This nation started out with a philosophy of political and economic liberalism and adhered to it in the main for 140 years, with highly beneficent results, although there were occasional lapses and detours onto the road of totalitarianism. The protective tariff was a manifestation of economic planning, in which sectional and other selfish interests played a large part. Many states played with state banks, railways and canals, which they dropped after getting their fingers burned. After the Civil War a strong party advocated greenbacks, a form of managed currency intended to reduce the burden of both public and private debts. But the modern trend toward centralized nation-wide planning received its impetus from the first World War and was made possible in this country by the Federal Reserve Act and the income-tax amendment.

Planning After World War I

It is no accident that the depression after 1929 was the longest in modern history, and also the one in which governments made the most vigorous attempts to prevent readjustments of prices and wages. It was also preceded by a boom that more than any previous peacetime boom in history was based on credit provided by government-controlled banks that were managed by persons confident of their ability as economic planners.

The Federal Reserve Act was intended, reasonably enough, to improve the banking system by reducing seasonal fluctuations in interest rates, removing obstacles to the flow of funds from state to state, reducing the dependence of banks on the stock exchange, and improving the quality of bank supervision. Its powers were extended during the war to help finance the government. After the war the Reserve Board took upon itself the task of smoothing out the business cycle, by means of changing discount rates and open-market operations. Its success in minimizing the depressions of 1924 and 1927 was widely acclaimed by economists here and abroad, and led directly to the extraordinary booms in real estate and stocks which in turn made inevitable the extraordinary collapse of values in 1929.

It is said that the chief instigator of the open-market operations was wise enough to suggest restraints before the crash came, but, if so, he was not wise enough to foresee that restraints, or the withdrawing of favors once given to politically influential groups, are among the rarest and most difficult of political phenomena.

The Federal Reserve easy-money policy was assisted by repeated pronouncements by the President and the Secretary of the Treasury, reassuring the public that prosperity was here to stay. Foreign loans were floated on an immense scale; they were attractive to investors because they promised higher rates of return than could be obtained from domestic securities. They were also urged, not only by the persons directly interested in arranging them, but also by public-spirited internationalists and academicians, as a means toward international peace and prosperity, and as a means of maintaing the volume of exports, especially agricultural exports.

Alongside the Federal System was built up in the twenties a set of government lending agencies (Federal Land Banks, Intermediate Credit Banks), intended to save farmers from the results of their unwise speculation in farm lands during and immediately following the war, and to prolong the agony of farmers on marginal farms. As a result many marginal farms were kept in cultivation and many unwise mortgages were maintained or incurred, and when the demand for farm products fell off after 1929 the collapse in farm prices and losses to farmers were much greater than they would have been without this well-meant but ill-judged assistance.

The planners in England were following similar policies. By keeping interest rates artificially low the Bank of England drove British capital into illiquid investments in foreign markets, while at the same time foreign capital, largely belonging to banks, was invested in London in highly liquid forms. As a result when the crash came and foreign bankers withdrew their funds from London the British devalued their currency. In plain language the nation went bankrupt. Bad financial practices have occurred in both London and New York on many previous occasions, but this time they were more disastrous, because they were the result of national policies deliberately undertaken as a result of an economic plan.

I need not go into the development since 1932. If the Republicans chastised us with whips, the New Dealers have chastised us with scorpions. There are, however, two points that should be borne in mind: one, that the measures I have mentioned in the 18th century and in the 1920's were not merely practical expedients grasped upon by harassed politicians but were logical steps in carrying out national policies in accordance with what was supposed to be the best opinion of economists. They were real examples of economic planning. Second, that each step leads to another and longer one; powers once granted require enlargement; palliatives applied at once place cause eruptions elsewhere; a two-billion-dollar deficit leads to a forty-billion-dollar one; a 2% tax on large incomes develops into a 90% tax; special favors must be met by extending similar favors to the complainants; critics must be silenced; nonconformists made to conform; Congress must be brought into public contempt if it tries to assert its rights and perform its duties, and the public must be kept soothed by more and more high-sounding promises.

Robert Frost, in his recent poem, "A Masque of Reason," makes a character say: "I hate a tendency; the minute you get on one it seems to start right off accelerating." That generalization certainly applies to governmental economic planning.

Yes, we are on the road to serfdom, and farther along than most of us realize. It is a downhill road, and the further we proceed the faster we travel. It does not lead to a bright future, but circles around to the land of darkness from which our ancestors came. But if enough of us consult our maps and compasses and consider the accounts of previous travellers on that road, we can still turn back from it and resume once more our march along the highway of individual liberty, progress and prosperity. We can once more recognize the dignity of the human individual and restore to him the right to pursue his own ideal of happiness in his own way, subject only to the rights of other individuals to do the same, and free from the coercion, benevolent or otherwise, of those who set themselves up to be at first our guardians and then our masters.

SEC Hearing Set on Recent NASD By-Law Amendments

(Continued from page 827)

for the same sort of an attitude that we find with the merchant. In the absence of any special facts, we are about comparatively the same task in making a purchase, whether it is that of a suit of clothes, a house, foodstuffs or part of a securities portfolio.

Our aim is to get the merchandise we seek at the best price that we can and the dealer's aim is to sell us that very merchandise at a price which, under all the circumstances, nets him a profit.

We have yet to learn what is behind this "professional tinge" brainstorm, not only what, but who was behind it in the first instance. The deep dyed secret compels the belief that the public interest was never the motivating force but that a stranglehold on the securities industry was.

Cumulative proof of our contention is the failure to present all of the facts to member firms of NASD and also to the public in general. We don't know yet what conferences were held on the subject between representatives of the Securities and Exchange Commission and those of the National Association of Securities Dealers. Were minutes kept of these conferences? What were the specific subject matters of discussions and who made what recommendations? Until all of this becomes an open book, the whole is subject to suspicion.

As we indicated recently, our point of view parallels that of the Department of Justice in so far as the general rule of fair practice which the NASD attempts to enforce is concerned. We too feel that the terms of "high standard of commercial honor" and "just and equitable principles of trade," are so general in their concept that the limit of their meaning must be fixed by the law of the land. This means Congressional action. This bars the substitution of rule-making power in place of statutory provision, either on the part of the SEC or the NASD.

As a general principle, we have been grounded in the training that the Government is the people and those who govern are its representatives. The wish of the people is the controlling factor in Government. Hence, those who govern are called public servants, a characterization which is aimed at lending vitality to this concept.

In connection with the recent vote conducted by the Governors of the NASD on the subject of registration and other covert subjects, we contend that this concept was wholly ignored.

The failure to provide for absolute secrecy—a secrecy which was impossible of disturbance—will always be a con-

tinuing condemnation of the Board under whose supervision the poll was taken.

In our opinion, the Board again violated this concept by the "package party" which it tendered to the member firms in the course of the poll, thus preventing the full exercise of membership franchise by a mass incorporation in one package of amendments which required separate voting.

As we read the daily papers, since the cessation of hostilities and the coming of the peace, we find almost in each one of them either a relaxing of or an eradication of restrictive and regulatory measures. The public reaction is to throw them off. They served some purpose in an emergency but now they are outdated and outmoded.

Despite all this, the Governors of the NASD, for the first time, as a consequence of these by-laws, may, if they so choose, control profits, control commissions, and control other charges. What an ironic and disgusting contrast this is.

True it may be said that this the Governors cannot do without first submitting proposed additional by-laws to the member firms. However, unless they are restrained in the interim, this they will do, and the vote will be marked by the same disillusioning interference that characterized the poll on the last amendment.

These and other oppressive measures, which now mark and have heretofore marked NASD activities, should meet with ready relief, and we are concerned with the possible sources from which such relief can come.

The most ready source of action could be the NASD itself. If the Governors would only realize the extent of public disapproval of their activities, more particularly in their recent attempt to deal with the subject of profits, commissions, and other charges, they would immediately arrange for the revocation of the last amendments. Many other provisions of NASD by-laws require curative treatment. This also applies to certain monopolistic practices. In fact, a reexamination of all the by-laws, a complete study with a view to the elimination of those rules and regulations which are oppressive, would prove beneficial and, in a measure, raise the NASD from the low esteem in which we believe it to be held.

Another source, the Securities and Exchange Commission has an opportunity to render public service by giving the NASD by-laws a going-over and, eliminating, amongst other things, the two-end squeeze which is contemplated by, on the one hand, curtailing profits, while on the other, the expenses of operation are being constantly increased through needless regulations, needless examinations of books and records, and the compulsory responding to long and burdensome questionnaires.

The repeal of the Maloney Act would be an overall service to the public and to the securities industry. At this opportune time, when the entire country is in the mood, the Congress would cover itself with glory by dealing a death-blow to that piece of special, unconstitutional, and monopolistic legislation which has been a cloud upon the horizon of good government.

Of course, existing voluntary organizations in the securities field have a chance, and a big one, in this quest for free markets and the maintenance of our American institutions. Whether they will take advantage of the opportunity remains to be seen and we shall be hopefully watching.

Last, and most important, we must have some new champion or champions to whom the institutions that our founding fathers created are extremely precious, a man, or men, who are prepared to make the necessary fight to test the legality of the Maloney Act, the existence of the National Association of Securities Dealers. Until this controversial matter is put at rest, there will be no peace in the securities field.

Both the time and the opportunity are now. The urgency is such that it will not brook of any delay.

Waiting has made the patient progressively worse.

The SEC hearing on Aug. 29 is an opportunity that should be pressed to advantage.

In our opinion any one, or any group may be heard, since the by-laws in question not only affect those in the securities business but all of the investing public.

This is the time for a strongly organized opposition composed of brokers, dealers, traders, salesmen, partners, officers, voluntary organizations and representatives of the general public, for if we have profit and commission limitations in the securities field it will pass into general commerce as a controlling principle.

The "Chronicle" will be pleased to co-operate with such an opposition, and place its facilities at the disposal of representative individuals and groups. Correspondence should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

Will Higher Minimum Wage Law Help Labor?

(Continued from page 826)

al spread between the wages of the skilled and unskilled. In general this spread is approximately equal to the difference in the economic value of their services. Therefore if this bill is passed and the minimum wage is raised from the present 40¢ standard of the Fair Labor Standards Act of 1938 to 75¢, an increase of about 88%, then all classes of labor would have strong justification for asking for a similar increase in their prewar wage rates.

This quite naturally appeals to them and so this Act is warmly supported by labor as they firmly believe that increases in their wage rates, for the same or even a smaller volume of output, will not only give them a higher standard of living but will also stimulate the volume of sales and create more jobs.

The Act will likewise be supported by a large number of people in all walks of life who believe in the soundness of Senator Pepper's thesis, and also many others whose warm hearts naturally lead them to support any measure which appears to be of benefit to the low income classes.

I will yield to no one in the extent of my sympathetic interest in the economic welfare of labor but I am firmly convinced both by reason and economic history that if this proposed law is placed on the statute books it will not only fail to **increase** employment but will actually tend to **decrease** it. Furthermore it will not result in **higher** real wages for labor as a whole over a period of time but **lower** real wages. By real wages I mean the volume of goods and services which the weekly pay envelope will buy.

Mr. Mullins: Mr. Hastings, that is certainly a challenging statement. Will you explain how you reach the conclusion that arbitrarily raising wage rates will tend to decrease rather than increase employment?

Mr. Hastings: To answer this fully would require much more time than I have available but I will try and make clear the basic principles involved.

If an employer is forced to raise his wage rates by law and the worker is no more productive than he was before, then it will evidently increase the cost of production per unit of output. This is self-evident. Now, both reason and a study of prices show that the competitive market price of a product is determined by the bulk-line cost of production. In other words market price is not equal to either the cost per unit of output of the most efficient producer nor the cost of the least efficient producer, but rather it is a price in between these two extremes which will cover the costs of producing the bulk of the output.

Consequently, if the costs of production for **all** producers, and therefore the bulk line cost of production, is arbitrarily raised by law, then, sooner or later, market price is certain to rise. Now let us see where this will lead us in the matter of the total purchasing power of all consumers and therefore total employment.

To be sure, the particular workers whose wages have been raised by law can buy more goods even at the higher prices. But the extra dollars which they find in their pay envelopes have in reality come out of the pay envelopes of the consumers of that product. Therefore the consumers can buy less of that product or of other things than they formerly could buy. In other words the increase in the purchasing power of those whose wages have been raised has come out of the purchasing power of others and it doesn't make a particle of difference on the total demand for goods and services whether these other people were formerly spending their money for consumers goods or investing it and therefore having it used to buy capital goods.

Even if prices were not initially raised as the result of the higher wages it would still not result in increased buying power for the country as a whole. Increased dollars in the pay envelopes of those whose wages had been raised would then come out of the profits of the owners of business and industry. Therefore, the purchasing power of the owners of business and industry would be reduced by the same number of dollars you have added to the purchasing power of the favored workers. Thus, the total number of dollars spent for goods and services would not be increased, and therefore there would be no increase in employment.

In reality it is a very simple proposition when you stop to think of it. You cannot possibly add to the total buying power of the nation by taking away purchasing power from one group of people and handing it to others.

Mr. Mullins: This is certainly very interesting. I think you have given the fundamental reasons why purchasing power, and therefore employment, will not be **increased** as the result of raising wage rates by law, but a minute ago you said that employment would thereby tend to be **decreased**. Will you not please explain this second part of your statement?

Mr. Hastings: Yes, I will try to do so briefly but clearly.

Perhaps a simplified case will clarify this general idea.

Supose we picture a small self-sufficient community in which there are $100 in circulation and let us assume that every dollar is spent once a day in the market place thus making the total volume of daily sales $100. Let us further assume that all articles are priced at $4 per unit. Therefore 25 units will be sold daily.

Now let us assume that the local government forces all employers to increase their wage rates to an amount which will make it necessary to advance prices to $5 per unit. With $100 being spent daily only 20 units can **now** be sold as against 25 units when the prices were $4 per unit, and approximately 20% of the workers will be thrown out of a job. This is simple arithmetic.

Therefore higher prices which are almost invariably the result of arbitrarily increased wage rates will inevitably tend to produce unemployment not only in the industries paying these higher rates but also in other industries, and this unemployment would be largely concentrated among the least efficient workers. They are the first to be laid off because of their relative inefficiency and they are the very ones that this proposed law is supposed to help.

Furthermore if this bill is enacted, it seems almost certain to result in correspondingly higher wages all along the line. If so the resulting unemployment would tend to be very severe at all levels of skills, unless this tendency were temporarily overcome by an inflationary boom. Such a boom might prevent unemployment for a short time as it did in 1919 and part of 1920, but the inevitable collapse of a boom would bring even greater losses to all.

Mr. Mullins: I believe you also claimed, Mr. Hastings, that the operation of this Act over a period of time would result in lower real wages—or in other words, a lower standard of living — for labor as a whole. Would you expand on this statement?

Mr. Hastings: Yes, Mr. Mullins, I will be glad to.

As I stated a few minutes ago, any such marked increase in minimum wages as is contemplated under this Act would be certain to touch off a whole series of wage increases all along the line. In fact organized labor announced some time ago that it was going out to secure wage rates which would be markedly higher than the present rates and far higher than pre-war rates.

Now the certain result of moving up wages all along the line is that prices will quickly follow suit as the result of the higher costs of production. Witness the recent increase of a dollar a ton in the price of anthracite coal as the result of raising the pay of the miners. Higher prices are certain to result in a demand to increase wages still more in order to compensate for the rise in the cost of living, and so on in a vicious spiral. The result is disastrous for labor as a whole as far as real wages are concerned because wage increases for labor as a whole always lag behind increases in the cost of living. This has always been true regardless of whether arbitrary wage increases have been secured by collective bargaining or through some governmental agency. To be sure, those whose money wages are increased the quickest and the most will gain in their real wages but their gains are largely at the expense of other workers whose wage increases are made at later dates and often in smaller amounts. The invariable record of history is that increases in wage rates for labor as **a whole** always lags behind rising prices whether the initial rise in prices was the result of higher wages or was caused by other factors. In other words, the real wages for labor as a whole always decline in a period of rising prices. Only a few of the more aggressive and powerful unions can advance their wages faster than the rise in the cost of living and even then some of them lose out because the higher price for the product of their labor reduces sales and therefore throws some of them out of their jobs.

A second way in which labor as a whole loses out if prices keep moving up is that it destroys more and more of the purchasing power of their savings, whether these savings are put into savings banks, insurance policies or into retirement benefits under the Social Security Act. They may now have in prospect a dollar income which at the present price level would carry them along in reasonable comfort after they reach retirement age. If, however, the cost of living is materially higher at that time they will be forced to turn to public or private charity for help. Self-respecting workers will be loath to do this and it would be a great economic and social injustice if we force this humiliation upon them.

Finally the wage earners always suffer from a rising price level in that all endowed institutions, such as hospitals, schools, colleges, and many other private organizations which provide either free or partially free service to the lower income groups, can no longer afford to render the same volume of service.

Let me therefore say in conclusion that both logic and a study of economic history shows that this proposed 75¢ minimum wage bill would certainly lead to a very much higher level of prices and that this would be disastrous to labor's interest in full employment and the preservation of the buying power of their wages and savings. It would also result in grave economic injustices to literally millions of other citizens, particularly those in the lower salary and income brackets. A few might reap some temporary gains but it would end in severe economic losses and suffering for virtually all of us, particularly those whom the act is supposed to benefit.

OPA's Post V-J Day Program

(Continued from page 832)

"Very likely during the next few months, as during the winter of 1919, buying of some items may slow down while workers are shifting from war work to peacetime jobs. Temporarily this may cause some prices to ease downward. Just at that stage many people may feel as they did after the Armistice in 1918, that all danger of inflation has passed. Danger, however, will hang over us until reconversion is in high gear and goods are flowing freely. If we allow ourselves to be deceived by a temporary lull, and if we relax our vigilance we may well lose at the very last moment the basis for a sound post-war prosperity.

"Our program during the next six months must be a skillful combination of firm courageous control in those areas where they are needed to curb inflation, together with flexibility, speed, relief from individual hardships, and prompt de-control when there is a safe balance between supply and demand.

"We all are weary of the restraints and restrictions and controls that have been necessary during the war period and we are not going to continue any control for control's sake, but we are going to keep a firm grip on controls that are essential to hold down the cost of living and hold down business costs."

Mr. Bowles outlined the five steps OPA is going to take:

"1. We are going to keep the lid on food prices. For nearly every American family the biggest single item of living expense is food. I think the least that the stabilization program must assure every family is that food prices will not move up.

"2. Many clothing prices are too high. However, as a result of the Government's clothing program, more and more low-priced clothing is beginning to show up in the stores. I am confident that the benefits of the clothing program can soon be spread more widely. The end of the war will sharply increase civilian supplies of most textiles. In addition, the President has ordered the allocation of scarce materials necessary for the production of low-priced items, which are essential to the continued success of the stabilization program.

"As a result I think we can be reasonably assured of a rapid improvement in the quantity and quality of clothing on the market, particularly for women and children, during the next six months, and the price is going to be right.

"3. Final victory makes machines, workers, and materials available for rapid return to the mass production of automobiles, refrigerators, vacuum cleaners, washing machines, electric irons, and many other things, which we have not been making since 1942. People who have been doing without these necessities for a long time are entitled to the opportunity of buying them at prices they can easily afford. The workers who are going to make them are equally entitled to good wages at peacetime jobs. Business is certainly entitled to expect a fair profit on a good volume of production. All these objectives can be met under our reconversion pricing policy and most of the products will come back on the market at or close to 1942 retail prices.

"Our pricing policy must be flexible. Above everything else it must be administered with speed and efficiency. Business, large and small, must be relieved of all unnecessary red tape. To help accomplish this reconverting, firms doing under $200,000 worth of business a year will operate under automatic pricing procedures.

"Individual adjustments for companies both large and small must be made to fit unusual conditions.

"For speedy handling, fully 90% of all individual firm price adjustments will be delegated from Washington to our field offices. Procedures will be streamlined so fas as feasible.

"4. Families who live in rented dwellings must be protected against any unnecessary inflation of rentals. Millions of workers are going to be looking for new places to live. Returning veterans and their wives will need houses or apartments while they are getting re-established in their civilian lives. To safeguard their futures we are going to hold rent controls firmly until tenants have the opportunity to bargain with their landlords as they did before the war. We will be able to lift area rent controls section by section as soon as there are enough dwellings in each area to satisfy the demand for living quarters.

"We have been alarmed by the growth in the number of workers who have been evicted from their homes on flimsy pretexts. Soldiers' wives have been told by their landlords that they either had to buy the home at inflated prices or get out. These unfair practices must be halted at once. They have added one more great measure of insecurity in the lives of too many people.

"We are determined to take vigorous action to put a stop to trumped up, heartless evictions. We have called in the real estate trade for immediate consultation to consider particularly changing the period required for notice of eviction from 90 days to six months. A specific program putting our plans into action will be released in about two weeks.

"Our forthcoming program of dollar-and-cent prices on many building materials and services will help landlords to maintain and build dwellings at costs that will keep present rentals profitable. This program will also help keep rentals from being forced to abnormally high levels from which they would have to crash later.

"Our building cost control program will also protect millions of soldiers and war workers who have been dreaming of building a home of their own. This program will help city and state governments provide schools, hospitals, health centers, and public buildings at reasonable costs to taxpayers. It will help keep tax rates and public debt burdens down.

"5. In our effort to hold down the costs of food, clothing, reconversion goods, and rentals during the transition period, we want as few rules and regulations as possible. All unnecessary restrictions will be weeded out. But the rules that stay to guide us through this dangerous period must be vigorously enforced. Let there be no misunderstanding of OPA's intention to vigorously enforce the price and rationing controls as long as they are on the books. If we did anything less, we would be denying the public the safeguards which the stabilization program promises. If we did not see to it that black marketeers are rounded up and given stiff jail sentences, honest business men would be denied their rightful protection from unscrupulous competitors. Our enforcement actions will be stepped up to the limit of our manpower, and the weight of our enforcement will be shifted to price control as we are able to drop rationing programs one by one. The Attorney General has told me that OPA will receive the fullest support of his office in carrying out its enforcement program."

In describing the OPA's position, the Price Administrator said that "above everything else we must not be blind to the tragedies of the economic disaster which followed the end of the last war. At that time a brief business lull fooled us all. The few controls we had on prices in 1918 were ripped off indiscriminately.

"Within a period of a few months, however, prices and operating costs began to rise more rapidly than during the war. A scramble for inventories by stores and factories was followed by a wild rise in prices. Industrial costs became unpredictable and living costs nearly doubled. By mid-1920 we reached a place where people could not buy goods produced at inflated costs and offered for sale at inflated prices. Then, only 18 months after the end of the last war, markets crashed and production nosedived.

"The catastrophe carried more than 100,000 business firms into bankruptcy, 453,000 farmers lost their homes through foreclosures. Payrolls dropped 44%. Five and one-half million workers lost their jobs.

"For the sake of our democracy we cannot go through another such disaster. We need not, if all of us together approach the problems soberly and constructively.

"During the next few weeks sharp cutbacks in military requirements will mean a severe shock to our economic system. Many war workers will be temporarily laid off. Purchasing power may temporarily diminish. Some prices will tend temporarily to sag below present levels. But the dangers of inflation will still lurk in the seriously depleted inventories and the unfulfilled shortages created during the war—shortages which will continue in many fields for months to come.

"More than $300,000,000,000 of liquid assets still hang over us as the greatest potential inflationary danger this country has ever faced. Retooling and new production will place billions of dollars in the hands of consumers in advance of the new goods they are producing. Until the production of scarce goods can match this huge pent-up demand, we dare not relax our vigilance against the danger of inflation."

Dealer-Broker Investment Recommendations and Literature

(Continued from page 832)

Dunningcolor—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **International Detrola.**

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.

Florida—Bulletin of pertinent data on the State of Florida—Allen & Company, 30 Broad Street, New York 4, N. Y.

Fort Pitt Bridge Works—Memo on attractive outlook — Strauss Bros., 32 Broadway, New York, N. Y.

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

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

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

Gro-Cord Rubber Company—Statistical memorandum on postwar outlook—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.** and a new analysis of **Panama Coca-Cola.**

Interstate Co.—analytical study —Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also available a detailed report on **United Brick & Tile Company.**

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

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

Libby, McNeill & Libby—Interesting possibilities for semi-investment and speculation—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Long Bell Lumber Co.—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Midland Realization and **Midland Utilities Common**—Memorandum—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities and Midland Realization Company—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation** and **Magnavox Company.**

Nashawena Mills—Circular—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

National Paper & Type—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Eastern Corporation.**

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

National Terminals Corporation —circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors** and **American Service Co.**

New Amsterdam Casualty Company—detailed brochure — Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

Also a memorandum discussing how **Prospective Tax Changes Great Investment Opportunities.**

New England Lime Co.—Circular—Dayton Haigney & Company, 75 Federal Street, Boston 10, Mass

New England Public Service Co. —Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pittsburgh Railways — Current study—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y

Public National Bank & Trust Company—Second quarter analysis—for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Purolator Products, Inc.—Study of outlook and possibilities—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Great American Industries; Electrolux; Brockway Motors; Scovill Mfg.; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Southeastern Corp.; Detroit Harvester; Bowser, Inc.; Mohawk Rubber Co.; TACA Airways; American Window Glass; Continental Aviation & Eng.; Michigan Chemical.

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

Simplex Paper Corp.—report—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

Stromberg Carlson Company—memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

U. S. Air Conditioning common —circular—George F. Breen, 20 Pine Street, New York 5, N. Y.

Vacuum Concrete Corp.—memorandum for dealers only—Pulis, Dowling & Co., 25 Broad Street, New York 4, N. Y.

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.**

Wellman Engineering—descriptive memorandum — Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

Winters & Crampton—Up-to-date analysis on current situation —First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Truman Congratulates Barkley as Senate Leader

Senator Alben W. Barkley (D.-Ky.), on July 27, the eighth anniversary of his service as Senate majority leader, received a letter from President Truman congratulating him on this tenure of service and on his 33 years in Congress. The following is the text of the letter which the President sent to Mr. Barkley, who was elected majority leader in 1936 upon the death of Senator Joe T. Robinson whom he succeeded, which was made public by the White House and quoted in a Washington dispatch from the Associated Press:

"Dear Alben:

"Today marks the eight anniversary of your service as majority leader of the Senate. I understand that this is twice as long as any of your predecessors have served. These years have been eventful ones. They have been years of great moment to the United States and to the world.

"In all of the recent events which have meant so much in shaping the future of our civilization you have played an important and effective role. Not only have you helped to fulfill the ideals and principles of our party, but you have been willing and anxious to lay aside all semblance of partisanship or desire for party advantage whenever the welfare of our nation required it.

"I congratulate you on your past service as majority leader, and, also on your 33 years of service in the Congress. The nation is grateful to you for your patriotic share in the accomplishments of these years, and I know that the years to come will be equally fruitful.

"With all best wishes for your continued health and success from your old friend. Very sincerely yours,

"HARRY S. TRUMAN."

Attacks the Full Employment Bill

The Guaranty Trust "Survey" Says It Would Drastically Alter the Relationships Between Government and Business and Calls Attention to Dangers of Continuing Government Deficits That Might Result if Bill Is Enacted.

Seldom, if ever, has a legislative proposal so sweeping in character and so inadequately supported by business experience as the pending Full Employment Act of 1945 gained such strong adherence in influential quarters in so short a time and with so little public discussion. This measure, if enacted into law, would drastically alter the relation between government and business in the United States. It would place upon the Federal Government the explicit and continuing responsibility for the aggregate volume of employment and unemployment, states the Guaranty Trust Company of New York in the current issue of "The Guaranty Survey," its monthly review of business and financial conditions in this country and abroad, published July 31.

"It seems clear that a proposal of this kind should not be adopted without far more careful public consideration of its underlying nature and its possible consequences than has yet been given them," "The Survey" continues. "The Full Employment Bill provides for a 'National Production and Employment Budget' to be transmitted by the President to Congress at the beginning of each regular session and covering the next succeeding fiscal year or such longer period as the President may deem appropriate. This budget is to set forth the estimated size of the labor force, the estimated amount of private and public investment and expenditure required to provide full employment for the labor force, and the estimated amount of such expenditure in prospect. The amount, if any, by which the estimated amount of prospective investment and expenditure falls short of the estimated amount required to assure full employment is to be regarded as a prospective deficiency in the budget.

"When such a deficiency occurs, the President is to set forth in the budget a general program for encouraging such non-Federal investment and expenditure as will prevent the deficiency to the greatest possible extent. If such measures of encouragement are deemed insufficient to provide full employment, the President is to transmit a general program for Federal investment and expenditure sufficient to bring the aggregate amount of Federal and non-Federal investment and expenditure to the required figure. A joint Congressional committee is to study the budget and report its findings and recommendations. The President is to ascertain quarterly the extent to which changes in Federal investment and expenditure may be warranted, and the rate of such investment and expenditure may be varied in such manner as the President may deem necessary to assist in assuring full employment.

Limitations of Public Spending

"The experience of recent years certainly does not support the theory that budgetary deficits have an inherent tendency to promote prosperity and budgetary surpluses a tendency to create depression. During the nineteen-twenties, when the Federal budget showed a consistent surplus and the public debt was reduced at an average rate of approximately a billion dollars a year, business in the United States enjoyed a period of unprecedented prosperity. In the nineteen-thirties the experience was reversed; an uninterrupted series of annual Treasury deficits was accompanied by persistent depression.

"Governmental spending during that period unquestionably provided jobs temporarily, but it completely failed to lay a foundation for jobs in private business without public support. Every increase in employment following a burst of Government spending gave way to renewed unemployment as soon as the spending stopped. And it is an open question whether, even from the short-term point of view, the policy of 'compensatory spending' did not destroy more employment than it created, by leading workers to depend on public largess instead of private jobs and by confronting the people with the disquieting spectacle of a series of Treasury deficits larger in the aggregate than those during the first World War.

"Experience has shown further that public spending cannot be treated merely as an economic instrument. It is also a political factor of the highest importance. It provides patronage and attracts votes. A supposedly temporary spending program undertaken for an economic purpose tends to develop into a permanent political mechanism for perpetuating the bureaucracy in power. Even if such a program could be relied upon (as it cannot) to restore prosperity, it could not be depended upon to cease when its original purpose was accomplished.

"Wartime experience has been cited by proponents of the plan as evidence that government spending can create employment opportunities on any desired scale. This is undoubtedly true, provided the spending is large enough. But it is unlikely that even the most enthusiastic supporter of the proposal would seriously maintain that public spending on a scale at all comparable with that practiced during the war could be carried on in time of peace as part of a permanent economic program with any prospect other than that of financial ruin. In the nineteen-thirties, spending at a rate that increased the national debt by more than $30 billion in less than nine years proved insufficient to take up the employment slack. In August, 1939, just before the outbreak of the war, the number unemployed in the United States was estimated by the American Federation of Labor at 10.14 million, as against 6.84 million at the end of 1930.

Danger of Government Guarantee

"Perhaps the most dangerous feature of the proposal is its assumption of the Government's responsibility to guarantee employment. Jobs are given by private employers, and the number of jobs available at any time depends on a large and complex set of conditions over which no one in a free society has control. As soon as, and to the extent that, such control is undertaken, the society ceases to be free. A government of limited powers is not in a favorable position to guarantee employment.

"The conclusion seems inescapable that full employment cannot be guaranteed in a free society. Nothing short of a complete dictatorship would be in a position to undertake that responsibility. A democratic government charged with such a burden would find its powers unequal to its task and tend inevitably toward authoritarianism. One of the outstanding British advocates of the general idea concedes that price control would probably be an inevitable consequence of a full-employment policy; that private as well as public investment would have to be regulated by governmental authority; that control over the location of industrial plants would be a central requirement; that 'organized mobility' of labor would have to be maintained; and that such civil liberties as the right to choose new public officials and alter public policies, freedom in the choice of occupations and in the management of personal incomes, and the right of labor to bargain collectively and to strike could not be exercised 'irresponsibly.' In the aggregate, these restrictions, together with others that would be found corollary to them, would leave very little of the 'free society' that most supporters of the plan profess themselves eager to preserve.

"To say that full employment cannot be guaranteed is not to say that it cannot be substantially achieved. There will undoubtedly be periods of business depression and unemployment in the future, as there have been in the past. Such periods, however, have always heretofore given way to new eras of growth and prosperity, in which the people, under the stimulus of competition and opportunity, have attained ever higher levels of economic welfare. No convincing evidence has ever been produced to support the belief that some force has appeared to make business inherently incapable of self-generated recovery. There is a widespread conviction among business men that in recent years no adequate opportunity for such recovery has been given.

"The necessity of preventing serious hardship in times of large unemployment is beyond question, and the national Government must provide such aid as private and local public agencies cannot supply. But the aid should be extended as economically as possible, should be paid for as largely as possible from current revenue, and should not be on such a high scale as to leave workers no incentive to seek employment in self-sustaining trade and industry. The belief that the Government can and should permanently maintain a predetermined volume of aggregate employment by fiscal manipulations is, at best, an untried hypothesis; and to make the guarantee of such employment the basis of a permanent policy, with public credit and the soundness of the national currency among the ultimate stakes, would be to invite disaster."

Tomorrow's Markets Walter Whyte Says—

(Continued from page 830)

nuclear theories alone, the single fact remains that the market did go down and left a lot of people wondering what to do next. Digressing from the market for a couple of paragraphs and taking a peek at the future, as I know it, we realize that the post-war world is no longer a dream. It's here. And it's not cheerful.

* * *

Widespread unemployment is no longer a theory, something we could lick with one hand. Unemployment is growing daily like a snowball rolling downhill. And we are not solving it. We all speak glibly about reconversion. We spoke just as glibly about M Day. When that would come, we heard and read, industry would pitch in and in no time everything would be rolling. Well, things didn't work out that way. The war machine wasn't built overnight. Now we hear and read the same thing about reconversion. In no time, we are told, automobiles, refrigerators, etc., will be rolling off the assembly lines. Meanwhile the purchasing power of the customers waiting to buy all these things is daily being cut.

It seems easy to find a convenient whipping boy to blame all this on. But it isn't any single factor which is involved here. It's a combination of all sorts of factors brought on by the end of the war.

If you insist on blaming something, better try Congress. The war has been over for more than a week (at least hostilities have officially ceased), and our lawmakers are still in recess instead of getting on the job.

* * *

The market, being completely realistic about things it can understand, apparently doesn't care for the picture it sees. Last Friday, the first session after V-J, it didn't seem disturbed too much. It had a couple of nervous moments, but that was about all.

It wasn't until after a few hours of Monday's tape had streamed past the ticker that it began to change its outlook. The worst offenders were the rails. It's true they held a stale long position, but even that couldn't have accounted for all the selling you saw. Frankly I don't know what did cause the selling. And I don't know if its important. Because the only facts I have are that the two rails we held were stopped out with losses. I don't like these losses any more than you do. But there is no balm in mulling it over. It is done.

On the other hand, while the rails were running like scared rabbits, the industrials managed to firm and advance from their low points. But while the situation at this writing has improved it is far from reassuring. A few of the steels, for example, came too close to critical levels for comfort. This is being written on a Tuesday; if by Friday, Aug. 24, prices are not at least two points above Monday's lows, it would be advisable to get out and let somebody else play with 'em for a while. For, despite official assurances to the contrary, the danger of a wide open break can't be minimized.

You still have A. M. Byers at 19, currently 18. Stop remains at 16. If it does not cross 20 by Friday get out. Jones & Laughlin was bought at 35; stop is 33. Current price 34. It should be across 36 in the next few days, otherwise it is no longer attractive. White Motors at 29½, stop 28, is now at 30. It should be across 32 by Friday. Steel at 56, stop 65, was saved by a fraction. Stock should cross 67. Paramount, last week's recommendation, at 29½-30½, sold down to 30½. Hold it with a stop at 28½. But like the others this one also should start moving up. If it doesn't cross 31½ by Friday, give it back and let somebody else do the worrying.

* * *

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.]

Urges German, Japanese and Italian Industry Be Put to Work to Pay Off Reparations Claims

The establishment of international bodies to control imports, production and exports of the goods of all enemy countries was advocated on Aug. 18 at London by Eugene P. Thomas, President of the National Foreign Trade Council. The views of Mr. Thomas, who was present in London as a delegate to the first meeting of the International Chamber of Commerce Council since the outbreak of the war, were made known in an interview, according to special London advices to the New York "Times," which also stated that a suggestion that German, Japanese and Italian industry be put to work to supply the world with goods needed for rehabilitation and that the profits from such commerce be pooled to pay off reparations claims against the countries was proffered by Mr. Thomas. From the "Times" account of his proposals, we also quote:

Under Mr. Thomas' plan the difference between production costs in Italy, Japan and Germany and those of Allied nations would represent the "profits" of the three nations. Allied control officers would add the difference between home production costs and world market prices to the quotations at which the products of enemy nations would be exported. The difference would be pocketed by the Allies as reparations.

"The bases upon which the economies of enemy countries may be re-established," he continued, "should take into consideration the possibility of assessment, by way of partial reparations, of a proportion of the value of the exports which will be permitted. Such penalties, adjusted as to various commodities and quantities and countries of destination, would serve to offset the ability of such low-cost producers as Germany, Italy and Japan to flood the world with their surpluses of production.

"It would supplant the vicious processes of the compensation marks system and bilateral barter agreements which Germany imposed before the war and absorb the subsidy system under which she forced her surpluses on markets dependant upon her.

"Other countries which have been starved during enemy occupation will also be potential low-cost producers and in conformity with plans for the control of enemy countries should be brought within the scope of inter-Allied control of such international trade as would be disastrously affected by unrestricted 'law-of-the-jungle' competition.

Mr. Thomas conceded that application of his program involved the operation of governmental cartels, for a temporary period at least, but added that he believed the scheme would work satisfactorily and that governmental influence would be removed by gradual stages.

Calendar Of New Security Flotations

OFFERINGS

CUDAHY PACKING CO. on July 28 filed a registration statement for 100,000 shares of 4½% cumulative preferred stock ($100 par).

Details—See issue of Aug. 2.

Offering—Holders of the 74,720 outstanding shares of 6% and 7% cumulative preferred stock may exchange their stock on a share for share basis for the new preferred, with a cash adjustment. Shares of the new stock not issued under the exchange offer together with the remaining 25,280 shares are to be sold to underwriters.

Underwriters—Goldman, Sachs & Co. is named principal underwriter.

Offered Aug. 21 at 100 per share and dividends.

J. J. NEWBERRY CO. on July 30 filed a registration statement for 100,000 shares of 3¾% preferred stock (par $100).

Exchange—Holders of 50,986 shares of series A 5% preferred have the right to exchange such stock for similar amount of new preferred until Aug. 25.

Details—See issue of Aug. 2.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.

Offered Aug. 21 at 101.50 per share and dividends.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, AUG. 23

LANE BRYANT, INC., has filed a registration statement for 42,526 shares of 4½% cumulative convertible preferred stock (par $50) and 70,876 shares of common to be reserved for conversion of the preferred.

Details—See issue of Aug. 9.

Offering—The company is offering 12,312 shares of the new preferred in exchange for 7% preferred outstanding on the basis of two shares of 4½% preferred for one of 7% preferred with a cash adjustment on dividends. The balance will be offered to holders of common stock at the rate of one share of preferred for each six shares of common. The subscription price will be filed by amendment. Although all of the 42,526 shares are to be offered to common stockholders, the holders of 73,872 shares of common waived their preemptive rights in order to permit the exchange offer to preferred stockholders.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane is the principal underwriter.

ARIZONA POWER CO. has filed a registration statement for 12,000 shares of 5% cumulative preferred stock, par $100. The shares constitute all of the issued and outstanding preferred shares and are being sold by James C. Tucker, President and Director, the founder of the company.

Details—See issue of Aug. 9.

Offering—The price to the public will be filed by amendment.

Underwriters—Central Republic Co., Inc., heads the underwriting group.

SATURDAY, AUG. 25

CONSOLIDATED BISCUIT CO. has filed a registration statement for 60,000 shares 4½% convertible cumulative preferred stock, par $20.

Details—See issue of Aug. 9.

Offering—The offering price to the public is $20 per share.

Underwriters—The principal underwriters are F. S. Yantis & Co., Inc., and Dempsey & Co., both of Chicago.

MONDAY AUG. 27

SUN-KRAFT, INC. on August 8 filed a registration statement for 100,000 shares of 30-cent cumulative convertible preferred stock and 200,000 shares of common reserved for conversion of the preferred.

Details—See issue of Aug 16.

Offering—The price to the public is $5 per share. In addition to the 90,000 shares which are to be offered to the public, 10,000 shares of the preferred are to be issued by the company to the estate of Eben D. Norton in exchange for 100,000 shares of common stock owned by the estate. These 100,000 shares of common are to be retired and cancelled.

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

BROCKWAY GLASS CO., INC., on Aug. 8 filed a registration statement for 10,000 shares of 5% cumulative preferred stock, par $50.

Details—See issue of Aug. 16.

Offering—The price to the public is $50 per share. The company will offer the securities to the residents of the City of Muskogee, Okla., and others who are interested in the establishment of a glass plant by the company at Muskogee, as well as to persons living in the vicinity of Brockway, Pa.

Underwriters — There are no underwriters.

TUESDAY AUG. 28

CELOTEX CORP. on Aug. 9 filed a registration statement for $5,000,000 15-year 3¼% debentures and 100,000 shares of 5% cumulative preferred stock, par $20. The offerings of the debentures and preferred stock are independent offerings, which may but need not be made concurrently.

Details—See issue of Aug. 16.

Offering—The public offering price of the debentures and preferred stock will be filed by amendment.

Underwriters—Paul H. Davis & Co., Chicago, heads the underwriting group, with names of others to be filed by amendment.

JEFFERSON LAKE SULPHUR CO., INC., on Aug. 9 filed a registration statement for 167,000 shares of common stock, $1 par.

Details—See issue of Aug. 29.

Offering—The company is offering to the holders of its common stock of record on Sept. 3, 1945, the right to subscribe at $9.75 per share for additional shares on the basis of seven-tenths of one share for each share held. Subject to the prior rights of holders of subscription warrants, officers of the corporation, who are not directors, and employees will be entitled to subscribe to 21,287 shares at $9.75 per share.

Underwriters—D'Antoni & Co., New Orleans, is the principal underwriter.

WEDNESDAY AUG. 29

STANDARD FORGINGS CORP. on Aug. 10 filed a registration statement for 120,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Aug. 16.

Offering—The price to the public will be filed by amendment.

Underwriters—Shields & Co., Chicago, heads the underwriting group.

CENTRAL HUDSON GAS & ELECTRIC CORP. on Aug. 10 filed a registration statement for 445,738 shares of common stock. The shares are issued and outstanding and are owned by Niagara Hudson Power Corp.

Details—See issue of Aug. 16.

Offering—The shares are to be sold at competitive bidding and the price to the public will be filed by amendment.

Underwriters—To be filed by amendment.

ASHLAND OIL & REFINING CO. on Aug. 10 filed a registration statement for $5,000,000 20-year 3% sinking fund debentures due 1965.

Details—See issue of Aug. 16.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting group is headed by A. G. Becker & Co., Inc., of Chicago.

THURSDAY AUG. 30

CONSUMERS POWER CO. on Aug. 16 filed a registration statement for $113,825,000 first mortgage bonds series due 1975. The bonds will be sold at competitive bidding and the interest rate will be named by the successful bidder.

Details—See issue of Aug. 16.

Offering—The price to the public will be filed by amendment.

Underwriters—The names will be filed by amendment.

GENERAL MILLS, INC., on Aug. 16 filed a registration statement for 100,000 shares of cumulative convertible preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Aug. 11.

Offering—The company proposes to issue warrants to common stockholders of record Sept. 7, 1945, to subscribe at the rate of one share of the new convertible preferred for each 20 shares of common stock at a price to be filed by amendment. Warrents will expire at 3 p.m. Sept. 19, 1945.

Underwriters — The underwriters are Dillon, Read & Co., Inc., Allison-Williams Co., C. S. Ashmun, Cadwell Phillips Co., J. M. Dain & Co., Frank & Belden, Inc., Goldman, Sachs & Co., Hemphill, Noyes & Co., Kalman & Co., Inc., Kuhn, Loeb & Co., W. C. Langley & Co., Lee Higginson Corporation, Merrill Lynch, Pierce, Fenner & Beane, Park-Shaughnessy & Co., Piper, Jaffray & Hopwood, L. F. Rothschild & Co., Smith, Barney & Co., Union Securities Corporation, Watling, Lerchen & Co., Dean Witter & Co., Harold E. Wood & Co., ano Woodard-Elwood & Co.

MINNESOTA POWER & LIGHT CO. has filed a registration statement for $26,000,000 first mortgage bonds due 1975. The bonds will be sold at competitive bidding and the interest rate will be named by the successful bidder.

Address—Duluth, Minn.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The funds received together with treasury cash in addition to the proceeds of $6,000,000 serial notes will be used to retire $10,700,000 first and refunding mortgage 5% bonds, series due 1955; $18,000,000 first and refunding mortgage 4½s, series due 1973, and $3,589,000 Great Northern Power Co. first 5s due 1950.

Underwriters—The names will be filed by amendment.

Registration Statement No. 2-5865. Form S-1. (8-11-45).

SATURDAY SEPT. 1

FABRICON PRODUCTS, INC., on Aug. 13 filed a registration statement for 28,960 shares of common stock, $5 par value. The shares are issued and outstanding and are being sold by five stockholders, including 18,960 shares by Lawrence O. Turner, President of the company.

Details—See issue of Aug. 16.

Offering—The price to the public is $25 per share.

Underwriters—Baker, Simonds & Co., Detroit, Mich.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 143,659 shares of class A stock. Of the shares registered 113,468 are being sold by the registrant and 30,191 shares are issued and outstanding and are being sold on behalf of the Thomas Gilcrease Foundation.

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

WEDNESDAY, SEPT. 5

LELAND ELECTRIC CO. has filed a registered statement for 25,000 shares of 5% cumulative convertible preferred stock (par $25) and 50,000 shares of common stock (par $3) and scrip for fractional shares.

Address—Dayton, Ohio

Offering—The price to the public will be filed by amendment.

Proceeds—To be used for working capital of subsidiary, the Hi Lec Co. and for new equipment, construction and plant rearrangement.

Underwriters—Otis & Co. and Curtiss, House & Co.

Registration Statement No. 2-5869. Form S-1. (8-17-45).

INDIANA GAS & WATER CO. has filed a registration statement for $6,000,000 first mortgage bonds due 1970. The bonds will be sold at competitive bidding and the interest rate will be named by the successful bidder.

Address—Indianapolis, Ind.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—To purchase gas and water utility properties of the Public Service Co. of Indiana, Inc.

Underwriters—The names will be filed by amendment.

Registration Statement No. 2-5870. Form S-1. (8-17-45).

THURSDAY, SEPT. 6

WESTVACO CHLORINE PRODUCTS CORP. has filed a registration statement for 97,000 shares of $3.75 cumulative preferred stock, no par value.

Address—New York, N. Y.

Business—Manufacturers of industrial chemicals, etc.

Proceeds—Holders of the 89,840 outstanding shares of $4.50 and $4.25 cumulative preferred stocks will be afforded an opportunity to exchange their shares for the new preferred stock on a basis giving them the equivalent of the redemption value of their shares. A cash adjustment will be made in lieu of issuing fractional shares. Shares of the new preferred stock not issued under the exchange offer, together with 1,297 additional shares, will be offered publicly by the underwriters at a price to be supplied by amendment. Unexchanged shares of the $4.50 and $4.25 preferred stocks are to be called for redemption on or before Nov. 2.

Underwriters—F. Eberstadt & Co. are named principal underwriters.

Registration Statement No. 2-5871. Form S-1. (8-18-45).

SUNDAY, SEPT. 9

COLORADO MILLING & ELEVATOR CO. has filed a registration statement for 111,890 shares of common stock, par $1. The shares are issued and outstanding. The selling stockholders are Union Securities Corp. 101,890 shares, and Joseph H. King, a director, 10,000.

Address—Equitable Building, Denver, Col.

Business—Flour and feed, etc.

Offering—The price to the public is $13 per share. The underwriters are to receive $1.50 per share.

Proceeds—The proceeds go to the selling stockholders. The statement says the investment of Union Securities is approximately $1.92 per share with an aggregate gross profit of $975,745 to be received on the sale. The cost to Mr. King of the 10,000 shares amounted to $2 per share and his gross profit on sale would be $95,000.

Underwriters—The underwriters are Paul H. Davis & Co., Chicago, 45,270 shares; Hornblower & Weeks, New York, and Boettcher & Co., Denver, 33,310 shares each.

Registration Statement No. 2-5874. Form S-1. (8-21-45).

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.

ACF-BRILL MOTORS CO. on June 30 filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Details—See issue of July 12.

Offering—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

Underwriters—None mentioned.

ALLIED STORES CORP. has filed a registration statement for 200,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Aug. 9.

Offering—The offering price to the public will be filed by amendment. It is expected that arrangements will be made with the underwriters whereby holders of the company's outstanding 5% preferred, par $100, will be afforded an opportunity to purchase the new stock by tendering their old stock in payment for the new.

Underwriters—The underwriting group is headed by Lehman Brothers.

ANCHORAGE HOMES, INC. on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par $1, and 250,000 shares of Class B stock, par 10 cents.

Details—See issue of July 26.

Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

BROOKLYN BOROUGH GAS CO. on July 10 filed a registration statement for $3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

BROOKLYN BOROUGH GAS CO. July 11 filed a registration statement for 15,000 shares cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

Details—See issue of July 19.

Offering—Price to public to be filed by amendment.

Underwriters—To be filed by amendment.

CENTRAL ELECTRIC & GAS CO. on July 30 registered 65,000 shares of 4.75% cumulative preferred stock, Series A, par $50.

Details—See issue of Aug. 2.

Offering—The company will offer the new 4.75% preferred in exchange for its presently outstanding 6% cumulative preferred stock on a share for share basis. The unissued shares will be sold to the underwriters who will offer them to the public at a price to be filed by amendment.

Underwriters — The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.

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.

CHICAGO CONSUMERS COOPERATIVE, INC., has filed a registration statement for 17,500 shares of common stock, par $20.

Details—See issue of Aug. 9.

Offering—The price is $20 per share.

Underwriters — No underwriting. Sales will be conducted by members and officers to prospective members.

COLONIAL STORES INC. has filed a registration statement for 60,000 shares of cumulative preferred stock, 4% series, par $50.

Details—See issue of Aug. 9.

Offering—The company is offering to the holders of its 52,478 shares of 5% cumulative preferred the privilege of exchanging such shares for new shares on a share for share basis plus a cash payment. Any shares of the new preferred not issued under the exchange offer plus the 7,522 additional shares will be sold to the underwriters to be offered to the public at a price to be filed by amendment.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co., First Boston Corp. and Kidder, Peabody & Co.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 250,000 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.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

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.

EVERSHARP, INC., on July 9 filed a registration statement for 32,500 shares of common stock, par $1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—Lehman Brothers heads the underwriting group.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15.000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

HAMILTON RADIO CORP. on July 27 filed a registration statement for 150,000 shares of its common stock, par $1, of which 100,000 shares are to be offered presently to the public and 50,000 shares reserved for the conversion of warrants, and 50,000 common stock purchase warrants.

Details—See issue of Aug. 2.

Offering—The common stock is being offered to the public at $5.75 per share. The common stock warrants entitle holder to purchase shares at $5.75 per share before Aug. 1, 1950. The company proposes to sell 30,000 of the warrants to underwriters, 15,000 to Adolphe A. Juviler, President and Treasurer, and 5,000 to Percy L. Schoenen, Vice President and Secretary, at 10 cents each.

Underwriters—Van Alstyne, Noel & Co. is principal underwriter.

HOUDAILLE-HERSHEY CORP. has filed a registration statement for $6,000,000 sinking fung debentures, due Sept. 1, 1960, and 190,000 shares of $2.25 cumulative convertible preferred, par $50.

Details—See issue of Aug. 9.

Offering—The public offering price of the debentures will be filed by amendment. Of the 190,000 shares of $2.25 preferred, 173,500 shares are to be offered by the company in exchange, on a share for share basis plus a payment of $5 a share to the company and with a cash adjustment of dividends, to holders of its outstanding Class A no par value stock. The remaining 16,500 shares and the unexchanged shares will be sold to the underwriters and offered to the public at a price to be filed by amendment. The $5 represents the difference betwen the par value of the new stock and the $45 redemption value of the Class A stock.

Underwriters—The underwriting group is headed by Paul H. Davis & Co. and Union Securities Co.

INTERNATIONAL FURNITURE CO. has filed a registration statement for $1,000,000 12-year 5% convertible sinking fund debentures, due Aug. 1, 1957, and 100,000 shares of common stock, par $1. The common shares are issued and are being sold for the account of Philip W. Pelts, who is described as president and sole share holder of the company.

Details—See issue of Aug. 9.

Offering—The public offering price of the debentures is 100 and of the common stock $8.25 per share.

Underwriters—Straus & Blosser, Chicago, is named principal underwriter.

MARICOPA RESERVOIR & POWER CO. on June 29 filed a registration statement for $3,343,500 4% income debentures due May 1, 1970, and $4,458 shares of common stock, no par.

Details—See issue of July 5.

Offering—Company is offering, to holders of $3,343,500 3% income bonds due Oct. 1, 1959, units consisting of $750 of 4% income bonds and one share of its common stock, in exchange for each $750 outstanding income bond, in connection with the plan of reorganization.

Underwriters—The Dunne-Israel Co.

MOHAWK PETROLEUM CORP. has filed a registration statement for 120,000 shares of common stock ($1 par). The shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of Aug. 9.

Offering—The price to the public will be filed by amendment.

Underwriters—Blyth & Co., Inc.

MONONGAHELA POWER CO. on June 30 filed a registration statement for $22,000,000 first mortgage bonds, due 1975, and 90,000 shares of cumulative preferred stock, par $100. The interest and dividend rates will be filed by amendment.

Details—See issue of July 12.

Underwriters—The names of underwriters will be filed by amendment.

Bids Invited—Company is inviting bids for the purchase of the bonds and stock. Bids will be received up to 12 noon (EWT) on Aug. 22 at 50 Broad Street, New York City, the interest rate and dividend rate to be specified in the bids.

MONTANA-DAKOTA UTILITIES CO. on July 25 filed a registration statement for 223,351 4-6 shares of common stock (par $5).

Details—See issue of Aug. 2.

Offering—Price to the public will be filed by amendment.

Underwriters—To be filed by amendment.

NOMA ELECTRIC CORP. on July 26 filed a registration statement for 247,361 shares of common stock, par $1.

Details—See issue of Aug. 2.

Underwriters—None.

Offering—Company is offering its common stock to stockholders of Triumph Industries, Inc., formerly known as Triumph Explosives, Inc., on the basis of two shares of Triumph common, $2 par, for one share of Noma. Ansonia Electrical Co., a wholly-owned subsidiary of Noma, owns 200,000 shares of the common stock of Triumph. The offer of Noma is conditioned upon the acceptance of the offer by the holders of at least 80% of the stock of Triumph within the time period designated. The result of the exchange offer, when effective, will be to convert Triumph into a controlled subsidiary of Noma as of July 31, 1945, notwithstanding the fact that the exchange offer will not be consummated until a later date, the statement said. Assuming all of the shares of Triumph are exchanged pursuant to the order the shares of Triumph will be recorded on the books of the company at $3,626,682. Triumph has 494,722 shares of common stock outstanding.

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.

PUBLICKER INDUSTRIES INC. on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

Offering—The offering price to the public will be filed by amendment.

Underwriters—Merrill Lynch, Pierce, Fenner & Beane heads the underwriting group, with names of others to be filed by amendment.

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.

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.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102. The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

ROCKLAND GAS CO., INC., on July 26 filed a registration statement for 30,500 shares of common stock, (no par). The shares are issued and outstanding and do not represent new financing.

Details—See issue of Aug. 2.

Offering—The price to the public will be $26 per share.

Underwriters—The principal underwriters are Butcher & Sherrerd, Putnam & Co., Chas. W. Scranton & Co., Battles & Co., Inc. and Southern Securities Corp.

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.

SEABOARD FINANCE CO. on July 12 filed a registration statement for $3,000,000 5% 10-year sinking fund debentures due Aug. 1, 1955, and 70,000 shares cumulative preferred stock, series A, with common stock purchase warrants.

Details—See issue of July 19.

Offering—The price to the public is 100 for the debentures and $30 per share for the preferred.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co., and Johnson, Lemon & Co.

SOLAR MANUFACTURING CORP. on July 23 filed a registration statement for $1,500,000 5% 15-year sinking fund debentures due Aug. 1, 1960; five-year common stock purchase warrants to purchase 57,500 shares and a like amount of common shares issuable upon the exercise of the warrants. The company proposes to sell the debentures plus 20,000 warrants to an underwriting group headed by Van Alstyne, Noel & Co. Each $1,000 debenture will have attached a non-detachable warrant entitling the holders to purchase 25 shares of common.

Details—See issue of July 26.

Offering—The price per unit to the public will be 100.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

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).

Through amendment filed Aug. 9 the amounts were changed to $1,550,000 bonds, 10,150 shares of preferred and 161,180 common shares (to be offered at $9.50 per share).

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.

Bids Invited—Company is inviting bids to be received by Republic National Bank, 1309 Main Street, Dallas, Texas, up to 10 o'clock (CWT) Aug. 24 or by company at 30 Broad Street, New York, up to 11 o'clock (EWT) the same day, for the purchase of $1,550,000 first mortgage bonds. Bids for the purchase of 10,150 shares of preferred stock will also be received at the same time and places.

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.

Stop Order Action—The SEC on June 29 dismissed the stop order proceedings commenced April 10, 1945. In its opinion the Commission said it is satisfied that the amendments subsequently filed by the company substantially correct the deficiencies cited in the notice of the proceeding except those relating to the warrants.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co., New York.

WESTERN LIGHT & TELEPHONE CO., INC. on July 27 filed a registration statement for $6,200,000 first mortgage bonds, Series A, due July 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Aug. 2.

Offering—Price to the public will be filed by amendment, after the bonds are offered for sale at competitive bidding.

Underwriters—To be filed by amendment.

Raw Materials, Equipment Asked for Small Business on Equal Basis With Larger Plants

Senator James E. Murray, Chairman of the Senate Small Business Committee, filed with the Senate on July 30 a report of the committee on the Impact of Reconversion Policies on Small Business, expressing the belief that the "unplanned reconversion" is about to become a mad scramble for materials which will threaten the continued existence of small business in the United States, and particularly, the security of jobholders. The report says that:

"The life-blood of every factory in America is its raw materials and equipment and it is the task of the Small Business Committee to see to it that America's 190,000 smaller manufacturing plants with their 9,000,000 workers are provided access to raw materials and equipment on an equal basis with larger plants."

The report also states:

"Without a program for a fair and equitable apportionment of raw materials, and especially those raw materials of which there is not enough to satisfy the full needs of all business, the Nation must be prepared to face the staggering prospect of ruined and bankrupted factories and widespread unemployment."

"Despite the fact that smaller business was given a place in the war-production picture, the Senate Small Business Committee" says the report "recalls that this role would not have been on its present scale, if it had not been for Government aid." "With this in mind" the report continues—"the committee wants smaller business to have adequate opportunities in the post-war world, both because it has (1) proved that it is a vital segment of our country, and (2) because it is traditionally—and in the minds of many practically the connerstone on which our economic structure is built."

The Committee in its report makes the following 8 recommendations to WPB for a constructive reconversion program to adequately protect small business and assure that they have proper access to available supplies of basic materials for production of civilian goods:

"1. That Priorities Regulations Nos. 27 and 29 be amended so as to provide preference rating assistance to firms doing less than a stated amount of business each quarter after Oct. 1, 1945.

"2. That reconsideration be given to increasing the $50,000 limit in Priorities Regulation No. 27 to $100,000 in order to increase the number of firms which are eligible to use it.

"3. That special consideration be given to applying the dollar volume limit on use of Priorities Regulation No. 27 to a firm's civilian business only, in order that smaller firms which are still partially engaged in war work will be able to use the assistance which it offers to resume civilian goods production on a partial basis.

"4. That the statement of policy contained in Priorities Regulation No. 28 be modified to show that the War Production Board will grant preference-rating assistance to smaller firms which need one or two components to resume civilian goods manufacture and not only in the 'very exceptional cases' to which it now applies.

"5. That every effort be made to broaden and strengthen the War Production Board's inventory control enforcement so that larger firms will not tend to indulge in preemptive buying now that the war in Europe is over.

"6. That the War Production Board continues to observe the operation of manpower controls as they apply to raw material producers, and that the War Production Board, in conjunction with War Manpower Commission, investigate the possibility of removing all manpower controls over producers of basic raw materials even in areas where manpower is in critical supply.

"7. That the War Production Board make every effort to bring about the prompt conversion of Government-owned steel plants to the manufacture of types of steel which are suitable for the production of civilian-type goods.

"8. That the War Production Board adopt a definite policy of setting a proportionate share of basic materials and parts for the exclusive use of smaller business concerns, based on previous usage of such materials by individual small plants.

"To this end, the Board should in the committee's opinion, establish a feasible program of distribution for such materials and the program should be definite in order to afford smaller businesses advance knowledge so that they will be in position to plan their future production of civilian goods. This plan should be drafted in such manner as to assure that no small firm will be discriminated against as the result of a mal-distribution of materials, and at the same time, it should constitute a definite and concrete program.

"For example, the committee believes that if there is 400,000 tons of sheet steel available for civilian production during a given quarter, all smaller businesses which used sheet steel during a base period (perhaps 1940 or 1941) be given a share of the 400,000 tons according to base period usage."

Repayments on Home Mortgages in 1944

Home mortgages held by member savings and loan associations of the Federal Home Loan Bank System were paid down by more than a billion dollars in 1944, James Twohy, Governor of the System reported on July 21. He stated that "the total of repayments on these mortgages, estimated at $1,092,000,000, compared with $993,000,000 in 1943 and $745,000,000 in 1941, the last prewar year."

The advices from Mr. Twohy also state:

The report, covering the activities of all member institutions of the System in 1944 shows that savings and loan association members made mortgage loans reaching $1,318,000,000, a 25% increase over 1943. However, the accelerated rate of repayments by borrowers resulted in a net increase of only $226,000,000 in loan balances, which stood at $4,274,000,000 on Dec. 31. Resources of all members of the System, chiefly savings and loan associations, increased during 1944 to a total of $7,333,000,000, a gain of $940,000,000, the report said.

Despite the scarcity of construction loan outlets because of building restrictions, the associations generally continued to encourage thrift by accepting new share investments, with the result that savings of the public in their custody rose by $182,000,000 or 17%.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

After the two day holiday following the Japanese surrender, the Government bond market was faced with the realities of peace, in the announcement that a Victory Loan would take place in the near future. . . . The proximity of the Victory Drive to the Seventh War Loan, which for certain institutions will not be completed until the end of this month, had an unsettling effect on the market, which last Friday turned weak on light trading. . . .

The whole list gave ground, led by the Seventh War Loan, restricted issues, the 2¼s due 1959/62, and the 2½s due June 15 1967/72, which were off the limit of ¼ of a point. . . .

The partially-exempts were marked down, since neither the banks nor the dealers were in a mood to position these securities because of impending tax changes. . . . The bank-eligible-taxables receded in sympathy on small volume, paced on the downside by the 2½s due Sept. 15 1967/72, and the 2½s due 1956/58. . . .

DEALER POSITIONS

On Monday the market continued to give ground with the recently issued 2¼s and 2½s and the long bank-eligible-taxables again the leaders on the downside. . . . The technical position of the Seventh War Loan restricted issues is poor, because the dealers were not expecting another drive at such an early date, and many of them had not been able to cut down their positions in these bonds. . . . This affected the entire list since the dealers backed away from the other issues and the banks had not yet come into the market. . . .

Early Tuesday the market drifted down to new lows for the recent sell-off on light volume. . . . About mid-day prices firmed and moved up from the lows, although they ended the day still on the minus side. . . . Wednesday showed a continuation of the uptrend. . . .

The market seems to be overcoming its bad case of jitters with the feeling now prevailing in some quarters that technical market conditions, sympathetic selling and the psychological element are temporary market factors that can be quite readily eliminated. . . .

Accordingly shrewd buyers are beginning to make some commitments at these levels, since it is their opinion that the market has rather fully discounted all these factors and is now in a buying range. . . .

PREDICTIONS

Opinions are that the Treasury, in scheduling the Victory Loan so close to the Seventh War Loan, probably had these ideas in mind:

(1) To siphon off some of the excess purchasing power, while the supply of commodities and materials is low, which will be the case for many months. . . . This would help to restrict rising prices and the attendent inflationary effects. . . . This seems to be the primary purpose.

(2) To make one last appeal to raise funds based on patriotism. . . . This has been an important factor in our war loan drives. . . . We have done much for the war effort, now we must do something for Victory.

(3) Government expenditures will still continue to be large for a considerable period of time. . . . The Government must have funds to bring troops home, for the cost of occupation, and bonuses for those that served in the Armed Forces. . . . Also there will be redemptions of savings bonds and unemployment payments that will have to be taken care of. . . . **The Treasury evidently considers it a good time to build up large cash balances to meet necessary expenditures. . . .**

WHEN AND HOW MUCH?

The drive is reported to be scheduled to start Oct. 29 and to extend to Dec. 8. . . . The amount to be raised according to some sources will be $12 Billions, with $5 Billions for individual purchases including $2 Billions in Series "E" Bonds. . . . The quota for corporations will be $7 Billions, with these concerns subscribing during the last week of the drive. . . .

However, the important factors to the financial district are the restrictions and the type of securities that will be made available to investors. . . .

In order to prevent the creation of deposits and purchasing power, neither of which are needed at this time, the Government probably intends to get its funds largely from individuals and financial institutions, such as insurance companies, savings banks and charitable organizations. . . . Corporations undoubtedly will not be as important in this drive, due to reconversion and allied problems. . . . The extent of their participation will probably be tax notes and certificates. . . .

According to indications, straight commercial banks will not participate directly in the drive, although those institutions with time deposits may be allowed to buy limited amounts of the drive issues. . . .

There is considerable conjecture as to the marketable securities that will be offered in the Victory Loan, with the opinion held in some quarters that they will consist only of ⅞% Certificates and the restricted 2¼s and 2½s. . . . Others believe that either a 1¼% Note or the 1½% Bonds will be offered along with the other securities. . . . Undoubtedly borrowing—both before and during the coming Victory Loan—will be very carefully watched by the monetary authorities, since it is indicated that they do not want a recurrence of what happened in the last War Loan drive. . . .

TREASURY POLICY

The new Secretary of the Treasury, Fred M. Vinson, last week cleared up the uncertainty concerning the future financing policy of the Government, when he announced that $1,214,428,950 of the partially-exempt 2¾% due Sept. 15, 1945/47, which had been called for payment on Sept. 15, would be exchanged for ⅞% Certificates due Sept. 1, 1946. . . . The exchange offer being made to the holders of the 2¾% due Sept. 15 1945/47, is not as favorable as was received by the owners of the 4% due Dec. 15 1944/54, which were retired last Dec. 15. . . . The holders of those bonds were given the option of exchanging them for the 1¼% Notes due Sept. 15 1947, the 2% due Dec. 15 1952/54, and the restricted 2½s due March 15 1966/71. . . .

The fact that Mr. Vinson is following the same financing policy that the Treasury has used in the past means that the Government will continue to stress the need for as low an interest cost as it is possible to get in order to cut the interest burden wherever and whenever it can do so. . . .

The lowering of interest charges through a larger floating debt will probably come much more into prominence in the not too distant future with the return flow of currency from circulation. . . . This will result in building up large excess reserves. . . . The money markets at that time should be right for increased offerings of short-term securities, which will be taken by the banks, since these institutions will have funds that they will want to put to work. . . .

This type of financing should have a beneficial effect on the intermediate and long-term bank-eligible-taxable issues. . . .

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