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Belgians Air Their Economic Problems

By HERBERT M. BRATTER

Belgium Eases Food Rationing. A Financial Official Optimistic on Outcome of Moves to Curtail Inflation and Accomplish Economic Rehabilitation. A Banker Is Dubious Regarding the Link of Belgian Currency to the Pound.

BRUSSELS, BELGIUM — Belgium still feels the pinch of war. But there is evidence that conditions are slowly improving. An example is the improvement in the food situation.

Herbert M. Bratter

The basic Belgian food rations for the period beginning Sept. 13 represent about 1,900 calories per day, or one-third more than during the previous period. In addition to the basic rations, there are available seasonally large quantities of fresh fruits and vegetables, and certain other unrationed foods, as well as supplementary rations for heavy workers, etc., and black market food for those who can afford it.

The meat ration was increased from 900 to 1,500 grams per month. The 900-gram ration last

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Continued Price Control to Retard Inflation

By CHESTER BOWLES*

Administrator, Office of Price Administration

Mr. Bowles, After Recounting the Accomplishments of Wartime Price Control, Despite Pressure Groups to "Crack" It, Points Out the Dangers of Price Inflation Which He Contends Would Result From Control Removals. Says Present Inflationary Pressures Are Greater Than Ever and, if Not Curbed, Would Lead to Temporary Boom Followed by Severe Depression. Defends the "Cost Absorption" Policy and Sees No Decline in Business Profits. Condemns "Mild Inflation" and Promises Discontinuance of Price Ceilings When Conditions Warrant.

Ever since Mr. Jordan invited me to speak to you, I have been pondering just what type of speech I ought to make. I could do just what I have done so often before. I could bring you up to date on the inflationary situation, explain the policies and techniques we have been using to cope with it, and hazard a guess or two about what lies around the corner.

Chester Bowles

I think some of that is perhaps called for tonight. However, on second thought, it seemed to me that you were entitled to a more forthright statement. I, and many other men in Government and business, are deeply disturbed by some of the conditions which surround us. It seemed to me only

*An address by Mr. Bowles before the 271st meeting of the National Industrial Conference Board, Waldorf-Astoria Hotel. New York City, Sept. 20, 1945.

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Releasing Price Controls

By HENRY HAZLITT*

Member, Editorial Board of the New York "Times"

Mr. Hazlitt Contends That Whatever the Merits of War Time Price Controls, They Are Not Suitable to Peace-Time Economy. Characterizes as Unworkable "Black Magic" the Policy of Granting Wage Increases While Withholding Price Increases, and Says Formulas Adopted Are Complicated, Unrealistic and Unfair. Holds Present Policy of Gradual Decontrol Will Hinder Production and Create Unemployment, and Denies That Price Fluctuations After Last War Were Due to Lack of Price Controls. Concludes It Is Better to Have Maximum Production and Full Employment Than Price Stability, and That Remedy Is a Return to Prudent Government Spending and a Free Market Economy.

The subject that I should like to talk about this evening is how and why we ought to remove the wartime controls that still encumber production. It might be interesting to ask whether some of these controls were wise in the first place, or whether they accomplished what was expected of them, but that would be beside the point now. We still have some of these controls, and the question is what to do with them.

Henry Hazlitt

During the war there was certainly a strong argument for price controls. The

*An address by Mr. Hazlitt before the General Session Meeting of the National Industrial Conference Board, Waldorf-Astoria Hotel, New York City, Sept. 20, 1945.

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Full Employment In Exchange for What?

By WALTER E. SPAHR

Professor of Economics, New York University

Secretary, Economists' National Committee on Monetary Policy

Dr. Spahr, Attacking the "Plausible Propaganda in the Full Employment Bill", Contends (1) That It Is Based on a National Budget Concept Incapable of Accurate Measurement; (2) That It Is a Series of Assertions Cut Loose From Realities; (3) That It Puts Into Effect the False Idea of a "Compensatory Economy"; (4) That Its Execution Will Be Controlled by a Small Group of Government Statisticians; (5) That It Impairs Private Enterprise and Individual Freedom; and (6) That It Creates a "Welfare State" of a Communistic-Socialistic Nature. Suggests as Alternatives, the Fostering of Fair Competition, the Narrowing of Government Activities, an Ethical Monetary and Fiscal System and Properly Conceived and Executed Public Works.

Dr. Walter E. Spahr

Should the Full Employment bill become law, the people of the United States apparently will find that something of far greater importance has happened to them than they now seem to suspect.

Although several competent analyses have been made of this bill, their net effect may be extremely limited. The

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The Public Debt—A Long Range View

By AUBREY G. LANSTON*
Vice-President of the First Boston Corporation

Investment Banker, Asserting That Methods of Managing the Public Debt Will Have to Be Changed, Points to the Heavy Service Cost as "Political Dynamite." Predicts That Commercial Bank Holdings of Debt Will Increase and That Earnings From This Source May Lead to Adverse Political Action. Looks For No Change in Bond Interest and a Continuation of Low Short-Term Rates to Avoid "Political Vulnerability of the Banking Situation." Directs Attention to Large Volume of Liquid Assets as Inflation Potential and Sees Possibility of Qualitative Credit Control Which May Mean Further Encroachment by Government on Banking and a Danger to Capitalism.

In a letter which Mr. McDougall kindly sent me, it was suggested that I talk about Government bonds from a long-range point of view, and that I not be too technical. I am glad that he included the "long - range point of view" because I would like to spend a major portion of my time on some of the broader aspects of the public debt. I hope you will find it not too technical. Yet, I am reminded of a Treasury Finance meeting held a number of years ago, in which an outstanding banker was asked if the determination of the details of Treasury borrowings was not pretty much a guess-work proposition. His reply was that, on the contrary, it was almost an exact science. Certainly, the multitudinous problems that go into the sound operations of private banking, private credit, public credit, public debt, and Government fiscal policies comprise a science of the first order, and all of these are a part of the field of Government bonds.


A. G. Lanston

To investors whose earnings assets rest, and will continue to rest, largely on Treasury securities, questions as to the near-term trend of Government bond prices and yields, the details of Treasury financing, etc., are important. During the past couple

*An address by Mr. Lanston at the annual convention of the Savings Banks Association of Massachusetts held at the New Ocean House, Swampscott, Mass., Sept. 22, 1945.

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G. B. Pearsall Rejoins Van Alstyne, Noel Co.

Major Gilbert B. Pearsall, on terminal leave from the Army Air Forces prior to being retired to inactive service, has rejoined Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, as syndicate manager and foreign representative.

Major Pearsall spent most of the last 3½ years in the African and European theatres of war. As foreign representative, he will handle European investment business that was interrupted by the war.

The Foreign Trade Outlook

By WILLIAM S. SWINGLE*
Vice-President, National Foreign Trade Council

Asserting That the Initiative in Foreign Trade Must Come From Business Rather Than Government, Mr. Swingle Holds That There Is Ground for Hope That the Problems of Foreign Exchange and Dollar Securities Can Be Solved. Warns, However, That Foreign Trade Expansion Should Be Conducted by Experienced Men With Knowledge of Factors in Foreign Commerce. Stresses Need of Increased Imports, Lend-Lease Settlements and Clearing Up of Sterling Area Problem in Promoting Foreign Trade Expansion and Concludes "We Need Be Neither Santa Claus or Uncle Shylock."

We used to discuss prosperity, nowadays we talk about full employment. It is difficult for me to make a distinction between the two ideas. But whether we set "prosperity" or "full employment" as the national goal, foreign trade can make a substantial contribution. V-J Day is still a very recent event. The Army, the Navy and the Air Forces won a resounding victory in the Pacific. Americans fighting a stubborn enemy carried out their duties so well that the surrender of Japan came as welcome but unexpected news to many of us. We look forward now to peace for the first time in six years. Foreign traders must not, and will not, be found unprepared to participate to the fullest in the peacetime commerce that lies ahead.


William S. Swingle

During the war years we made every effort to meet the existing situation. Three major objectives were kept in mind by those engaged in foreign trade. First, maximum help was given to the winning of the war. Many foreign traders entered directly and voluntarily into Government service to work on problems of supply and allocation. Many others continued to operate in business, but found it necessary to make adjustments which were exceedingly difficult and irksome. In order that the economies of allied or friendly nations could be most effectively maintained while our own war economy was kept at a peak of production, foreign trade was necessarily subjected to stringent Government controls. Secondly, while we assisted the Government in all possible ways, we were at the same time vigilant

*An address by Mr. Swingle before the Export Managers Club of Chicago, Chicago, Ill. Sept. 20, 1945.

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Problems in Profit Control

By HENRY NORTON

NASD By-Law Amendment on Control of "Profits, Commissions and Other Charges" Presents Numerous Alternative Possibilities. Basis of Computation Conjectured. Problem of Small Business Involved. Although Relaxed Controls Are the Order of the Day, Securities Field Is Being Further Regimented. On to Washington.

The recent By-Law Amendment which authorizes the Board of Governors of the National Association of Securities Dealers to submit to the member firms proposed rules dealing with "Safeguards Against Unreasonable Profits, Unreasonable Commissions, and Other Charges," presents some intriguing possibilities.

Upon what base will prices be fixed? Will it be upon the bid side of the market or upon the offering side? As to over-the-counter securities, will the National Quotation Sheets be used as a foundation or is it the intention to use the quotations circulated by the NASD?

In fixing a "reasonable profit" what consideration will be given to the overhead of each individual member firm? How far will the position that a dealer has taken in a particular security affect the formula? What attention will be given to the duration of that position?

These are but a few of the problems that will present themselves to the SEC and the NASD when the ultimate effort is made—as it will be—to define "unreasonable profit" and to force upon the securities industries an adherence to that definition.

We all know that in the ordinary course of business, overhead is and must be one of the determining factors in the estimating of profit and unless due allowance is made for this factor, the small dealer is bound to suffer intensely.

We doubt whether the term "intense suffering" is adequate because any attempt to create uniform spreads without consideration of the cost of doing business, must result in the extinction of a large number of the smaller dealers in securities.

The attempt to regulate salesmen's and traders' spreads will prove to be another boomerang. There will be two classes of salesmen and traders—those who are employed by member firms of NASD, and those who are not. The former class, of course, will have to register with the NASD and be under control. As to the latter, there will be no such compulsion unless by some form of gregarious interpretation the SEC attempts to impose upon all salesmen and traders, whether registrants or not, the edicts of the NASD. Otherwise, the securities industry may witness the anomalous condition of varying spreads and commissions, one for salesmen and traders who are registrants, and another for those who are not.

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"No Hat in Hand": Halifax

British Ambassador Broadcasts Information Regarding His Country's Economic Plight, but Says Situation Is Not Desperate. Sees Alternative of British Isolation Within the Sterling Area or Agreement With U. S. for Expanding World Trade. Denies He Comes "With Hat in Hand" and States Britain Will Accept No Obligation Which She Cannot Honor.

Speaking over the Columbia Broadcasting System on Sept. 22, the Earl of Halifax, British Ambassador to the United States, described Britain's economic problems and the purpose of the parley of Lord Keynes and himself with Assistant Secretary of State, William L. Clayton. He emphasized that the Labor Party victory meant no radical change of policy in England, and, despite the serious economic situation, and the need for outside aid, he has not returned to the United States "with hat in hand" as a suppliant.

Lord Halifax

The complete text of Lord Halifax's broadcast follows:

Although I only went to England at the end of July and came back two weeks ago, enough happened while I was there to fill any ordinary year—the change of Government in England; the atomic bomb and the unconditional surrender of Japan.

I fancy the result of the election was a surprise and somewhat of a shock to many people here. Surprise, that we should change our government before the war was over; and shock, that Mr. Winston Churchill, who had led the nation so incomparably from defeat to final victory, should not have been chosen as leader dur-

(Continued on page 1457)

The Faith That Makes Sales

By PAUL B. WEST*

President, Association of National Advertisers

Stressing That It Is the Task of Advertisers to Maintain and Increase the Growing Confidence of the People in American Industry, Mr. West Maintains That Advertising Must Be Unified With Public Relations, and Industry Must Be Public-Relations Minded. He advocates as Means of Inspiring Public Confidence by Individual Concerns: (1) An Understanding of Its Own Contribution to Public Welfare; and (2) Demonstrations of Its Concern for Public Welfare. Sees Need of Spreading Knowledge of Economics and Tells of Plan to Continue Work of War Advertising Council.

"Anyone who thinks that $140 billion worth of goods and services per year are going to be **bought** in this country after the war has another think coming. They are going to have to be **sold.**" That's the vice-president of an important industrial corporation speaking.

"The selling of goods and services is the great challenge that will face the American economy . . ." This is what C. E. D. says. It's stated at the very outset of its latest report.

Paul B. West

Government economists are said to agree that the sudden ending of the war left us with supersalesmanship as the only instrument capable of keeping our factories humming and our workers employed. So reports a Washington dispatch in the New York "Times."

And coming closer to home, may I restate what another — a prominent research man — has said: "Production, without aggressive and sound selling, is as futile

*An address by Mr. West before the Pittsburgh Advertising Club, Pittsburgh, Pa., Sept. 11, 1945.

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Reconversion of Automobile Industry at Crossroads

By GEORGE W. ROMNEY*
General Manager, Automobile Manufacturers Association

Asserting That the Automotive Industry Has Been Working Out Reconversion Plans for Two Years, Mr. Romney Predicts That Except for Strikes, New Cars Should Be in Dealers' Hands by December. Points Out Serious Reconversion Difficulties in the Industry and Sees Immediate Demand for 18 Million Passenger Cars. Says Prices of New Cars Are Unpredictable and Denies Industry Seeks to Destroy the Labor Unions. Holds Wage Demands Should Be Settled by Individual Companies and Decries Organizations of Workers on a Nationwide Basis.

We are now in the post-war period we talked so much about during the war. One of the most significant predictions about post-war conditions was made by "Boss" Kettering when he said, "There will be a lot of confusion then because people are being led to expect so much."

George Romney

Actual conditions remind me of a Joe Cook gag. You remember his elaborate and complicated inventions which never accomplished anything. Joe invented a shower bath that, according to his plans, would enable people to take baths without undressing or getting wet. He set this elaborate machine up on the stage and chose a man from the audience to try it. Joe turned on the water and the man was promptly soaked. But that didn't baffle Joe. He examined the valves carefully and said: "I must have overestimated my ability."

I doubt Dr. Jordan realized the magnitude of the subject he asked me to discuss. There is no important aspect of national reconversion which doesn't directly affect automotive reconversion and its problems exceed those of any other industry.

An authority on this subject would have to know the particular reconversion problems of 10 passenger car companies, 60 taxicab, truck and bus manufacturers and at least 2,000 regular parts suppliers. Some parts companies, incidentally, are larger than many motor vehicle companies. Then, there are 200 special automotive tool and die companies. Involved in this automotive reconversion process are approximately 4,000 separate plants located in 32 states and this does not include the incalculable number which sell parts of parts, semi-fabricated materials, nuts and bolts and other essentials used in parts assemblies.

I assure you that I approach this assignment with no intent to pose as an industry spokesman. This is impossible since the motor vehicle companies alone converted to produce more than 3,000 separate war products. No two companies' war production was the same and consequently none of them has identical reconversion problems.

Reconversion is a separate problem for every automobile and automotive company. Consequently, I've decided to talk in the capacity of a reporter who has had a ringside seat to observe peacetime and wartime production in the automotive industry. I'm a queer sort of reporter, however, because I am going to ask the questions and answer them. However, I'll try to be objective by asking myself the hottest current public questions about automotive reconversion.

Until the last few days, the first and most frequently asked question was:

"When Can We Get New Cars?"

Not as early as you should have if the government had ac-

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*An address by Mr. Romney before the General Session of the National Industrial Conference Board, New York City, Sept. 20, 1945.

Accounts to Fate—The Public Debt

By DONALD B. WOODWARD*
Research Assistant to the President
Mutual Life Insurance Company of New York

Assuming That Predictions of Increased Wealth Production Are Realized and Therefore the National Debt Will Be No Problem, Mr. Woodward Lays Down as Essentials of Future "Plenty": (1) Increased Use of Automatic Machinery and Division of Labor; and (2) the Preservation of Institutions and Techniques of a Sound Money Economy. Stresses the Importance of Interest Rates and States That the Problem Is Either the Reconstitution of the Role of Interest or the Creation of a Substitute Technique. Points to the Task of Reconciling the Public Debt and the Money Economy and Holds That Money and the Public Debt Are Now Practically Identical.

I.

Any misconceptions which may exist about my viewpoint should be cleared away at once so that they will not encumber our subsequent discussion. I shall not pour for you a paean of praise that the public debt is a national blessing. I shall not seek to seduce you into a soothing somnolence with the argument that the public debt does not matter because we owe it to ourselves. And I shall not dole out a dirge of despair that this debt is a daemonic destroyer of all hope for the future. The public debt is simply Brobdingnagian. Most of all, it is simply a fact.

Donald B. Woodward

Let us proceed from there, leaving the determination of why and wherefore to the historians, and the determination of right or wrong to the moralists.

We enter this post-war world with that Brobdingnagian debt as a fact—and, in my opinion, with another fact. That other fact has been pointed to by many. The CIO said recently: "It will shortly be within our power to determine for ourselves the nature of all the surroundings amid which we live our lives." The BIS said in its thirteenth annual report: "Man's material welfare need be held back neither by lack of technical knowledge nor by insufficiency in nature's gift of basic materials." T. G. MacGowan, Firestone

*An address by Mr. Woodward before the Financial Analysts of Philadelphia, Sept. 21, 1945.

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"Without Help Britain Must Be Socialist"

By SIR NORMAN ANGELL*
Former Labor Member of Parliament

British Publicist and Nobel Prize Winner, Commenting on Last British Election, Points Out That a Majority of Votes Was Not Gained by Victorious Labor Party, and That the Crucial Issue Will Be Not Whether Socialism or Capitalism Should Prevail, but Whether There'll Be "Foreign Help Today and Foreign Trade Tomorrow." Asserts Without Foreign Trade, Britain Will Be Driven to Socialism to Equitably Divide an Inadequate Food Supply and Because of Dependence on the Empire "Bevin Follows Closely His Predecessor's Policy." Stresses Power of British Trades Unions During War and Sees No Conflict Between British Socialism With Nations Having Capitalist Organization.

The significance of the British election as marking a revolutionary economic transformation has been exaggerated and over-emphasized, while its significance as constituting a very real victory for democracy has been underemphasized. Most of the economic changes planned by the Labor Party would have been brought about, even though described under somewhat different names, even if the Conservatives had been returned to office. Much of the socialization which Britain had undergone this last quarter of a century had been brought about under Conservative governments.

Sir Norman Angell

Which does not mean that the Labor Party has had no part in bringing them about: the Conservatives introduced them precisely because a Labor Government was a possibility in the electoral offing and the Conservatives made both a political virtue and a political advantage of impending necessity.

Position of the Labor Party

We shall never understand the real position of the Labor Party, nor the motives which are likely to guide, in part at least, its policy unless we take into account a fact about the election which seems to

*Excerpts from an address by Sir Norman Angell at the dinner-forum of associate members of the New School of Social Research, New York City, Sept. 25, 1945.

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Sees Drop of $8 Billion in Incomes For Last Half of Year

Secretary Wallace Summarizes Commerce Department's Estimates of Effects of Reconversion. Expects Continued Decline in Manufacturers' Payrolls.

Reconversion from a war economy to a peace economy will result in a drop of about $8 billion, or about 9%, in income payments to individuals during the second half of 1945, according to a Department of Commerce review summarized Sept. 24 by Secretary Henry A. Wallace.


Henry A. Wallace

The income payments reached the highest level in history—an annual rate of approximately $165 billion—last February. Then they began drifting downward, and the average for the first half of 1945 was $163 billion. The present sharp decline began with the surrender of Japan and the accompanying heavy cancellation of military contracts, and is expected to reduce the annual rate for the second half of 1945 to $148 billion. This will bring the year's total to the 1944 level of income payments.

"This decline," Mr. Wallace said, "represents in part the cost of reconversion, and in part the easing off of war-time pressure upon the economy, which necessitated drawing workers from homes and schools into the labor force and utilizing labor's services generally over an abnormally long work week.

"The decline in income payments will be largely a decline in the volume of wages paid in the manufacturing industries. This will not eliminate all of the immediate inflationary pressure. Some of the pressure will still be there, but that portion which remains will not be created by rising incomes; rather, it will grow out of production problems, and the way to relieve it will be through stimulating the required production of consumer goods, durable goods and housing.

"That means that the big problem today is to get production started and to take care of the aftermath of demobilizing soldiers and war workers. While the immediate curtailment of purchasing power will not be serious, prompt reconversion by business and vigorous government action is needed to prevent mounting deflation and unemployment."

The data developed in the review give a clear picture of what happened to the structure of American income due to war-time expenditures. It also shows the readjustments that take place as war-time spending drops, and highlights the problems which are involved in reconversion.

The rise in income payments (Continued on page 1463)

Public Utility Securities

The Case for Commonwealth & Southern Common

Alfred J. Snyder of Philadelphia is counsel for the new committee of common stockholders of Commonwealth & Southern. In a recent talk before the New York Society of Security Analysts he cited his reasons for demanding a change in the SEC-approved recap plan. The original plan called for a 80-20% split in the new common stock between preferred and common stockholders. Due to the protest of important institutional holders of preferred stock this was changed to 85-15%, and at that time the common stockholders appeared to be dormant in defending their interests. In the interim, however, general market conditions have greatly favored their side of the argument, resulting in the present militant appeal by Mr. Snyder (who, however, represents only about 1% of the common stock). The large corporate holders of Commonwealth—Electric Bond & Share, United Corp. and American Superpower—which together have a much bigger stake than the Snyder group, have not joined the latter.

Mr. Snyder appealed to the Circuit Court of Appeals at Philadelphia for a review of the SEC ruling of June 30 approving the company's recap plan, but the three-judge court in a unanimous decision refused a hearing and stay in the proceedings. Presumably Mr. Snyder will have to await the regular hearing in the District Court, when the SEC takes the plan to that court for confirmation. It is rather unusual to by-pass the District Court, as Mr. Snyder tried to do. In the meanwhile, however, he plans to carry his fight into the special stockholders' meeting, and has applied for SEC permission to solicit proxies in opposition to the plan (the date for the meeting has not yet been set). Mr. Snyder's arguments against the plan may be summarized as follows:

Holders of small amounts of the common stock will receive fractions of shares as low as 16/10,000 share, which will be a nuisance even if Commonwealth handles their sale and remits cash. Mr. Snyder also feels that the proposed 85-15% ratio is entirely unfair for the following reasons: The common stockholders contributed about 84% of the cash and securities (at market value) which originally went into Commonwealth, and the preferred stockholders only 16%; the proposed exchange ratio practically reverses these proportions. Originally the holder of each common share contributed about $20 value and the stock was thus carried on the books at that figure, but in 1932 was cut to $5, which is still maintained. The SEC proposes to allow against this assets which it values at only 91 cents.

Commonwealth was formed in 1929 and today has revenues of 212 million dollars compared with only 141 million dollars in 1930. The present revenues are obtained with the lowest rates of any holding company group in the country, and the actual service rendered to consumers is nearly three times as great as in 1930. In 1930 costs and fixed charges (other than Federal taxes) consumed 71% of gross revenues and in 1933 85% but in 1943 they were less than 60%.

The reason for the bad position of the common stock is the rapid increase in Federal taxes—Commonwealth and its subsidiaries pay heavy excess profits taxes. But despite the big tax burden, over a period of years 65% of net earnings (according to Mr. Snyder) would have been sufficient to pay the preferred dividends, leaving 35% for common dividends and surplus.

Mr. Snyder admits that Commonwealth has written off huge capital losses on sales of certain properties, but it has also built up large reserves and surpluses in the subsidiaries, and plant capacity has been greatly expanded without borrowing much new capital. A broad refunding program has been carried through. The future benefits of all this plowing back of earnings, which would normally have enriched the common stockholders as owners of the business, will go to the preferred stockholders to the extent of 85%.

According to Snyder the SEC estimates of future earnings, on which the plan was based, were far too low. The Commission assumed future revenues of 162 million dollars compared with the recent rate of 212 million dollars and Commonwealth's estimate of a future 198 million dollars. With Federal income taxes at a straight 40% rate (eliminating EPT) the Commonwealth estimates of earnings two years after the war would work out at $31,611,844, though to be conservative, the company's expert reduced this to (Continued on page 1455)

Tomorrow's Markets Walter Whyte Says——

By WALTER WHYTE

Market seems to be leveling off around the 180 level though nearby reaction not indicated. However leveling process around old obstacle must be viewed with suspicion.

* * *

Last week the market was going to pot. The rally was over and strikes were responsible. That was the widespread belief. But despite the then prevailing pessimism the industrial averages managed to move up from around 173 and crossed 180. Right away the strike scare dwindled into nothingness and a new optimism took over. The fact that new and more serious labor disturbances were in the immediate offing was shrugged off. The Street was no longer in need of excuses. The market was up and everything was going to be dandy. The philosophy of they're strong, so ergo! they will continue strong, became the accepted one.

* * *

A philosophy, that strength fosters strength, is a human and a comfortable one. Its colloquial application "Never bet against a champ" is widely quoted as a sound practice. Unfortunately it is as unrealistic as a dream. You can lose everything you ever made, or have, by applying that kind of reasoning to the market. Market enthusiasm is always greatest at a crest or the approach to the crest. A public appetite whetted by (Continued on page 1475)

Public Utility Securities

(Continued from page 1454)

$26,698,860. Yet the SEC "assumed" a figure of only $17,700,000.

With earnings at the level estimated by the expert, all preferred arrears could be paid off within three years, which would then mean about 50 cents a share earnings for the common stock. But under the plan the preferred would get $15 a share (based on the expert's estimate of earnings), or $10.15 according to the SEC figures, instead of the $6 to which they would be entitled after arrears are paid. In taking care of arrears under the plan, earnings on the common stock are reduced from the expert's estimate of 50 cents to less than 13 cents, and the SEC's figure is cut from 26 cents to less than 8 cents.

The modern trend seems to be toward use of rights to retire senior securities. While Mr. Snyder does not suggest it, it would seem a logical possibility for Commonwealth to sell (by issuance of rights) as many of its Northern subsidiaries as might be necessary to retire the preferred stock. Then the balance of holdings in the Northern group could be distributed pro rata to the stockholders, meeting geographical requirements of Section 11. The company would then continue to hold the Southern group of companies as in the plan, with common stockholders thus retaining the equity in that group. As a practical matter, it might be necessary, if the rights method was used, first to reduce the unwieldly number of common shares by a 1-10 "reverse split," as Cities Service did some years ago.

Working Out the Housing Problem

By RAYMOND M. FOLEY*
Commissioner of the Federal Housing Administration

Federal Housing Executive, Stating That There Never Has Been a Greater Backlog of Housing Demand, Stresses the Need by Private Building to Make Ready for the Task of Early Action to Do the Bulk of the Work. Says There Is Still Need of Providing Low Cost Homes, and That All Factors Should Cooperate, to do the Job With Aid of Government, None Claiming More Than Its Fair Share of Profit. Tells of Plans of FHA to Assist in Movement and Expresses Confidence That "the Big Job Will Be Done."

Never in this country has there been a greater general public consciousness of housing problems. Not only are the personal needs and desires of millions of individuals for better homes keenly in their minds, but housing as a social force and its production as an economic factor are better understood today than ever before.

Raymond M. Foley

Never has there been a greater backlog of housing demand. It is everywhere, in the cities, in the small towns and villages, and beyond into the rural areas.

Never has there been a time when the opening future presented a greater opportunity for doing a vast constructive job for human betterment in meeting that need—nor a greater danger in failure to meet it well.

And never in recent years has there been a more generally expressed agreement that the housing task of this nation is one to be done for the most part by private enterprise. War emphasized the need; now peace accentuates that opportunity and challenge.

As one recently commissioned to be national head of an agency of Government designed to help improve the housing situation in America, through individual initiative, I come to speak to you today.

In 10 years of work in local fields, I have always spoken frankly to private enterprise of its duties and opportunities in housing as I saw them. I can do no other now or hereafter.

The Post-War Housing Market

The size of the post-war new housing market has been variously estimated. The smallest estimates are large. A million houses a year is a common one. From the Government's standpoint there is no underestimating the importance of the place of building and improvement of homes in the economic picture of the future. The President's message to the Congress placed the estimate at six to seven billion dollars a year and stressed the fact that this was primarily the job of private enterprise.

If American families are to live happily and securely, they must have real homes, and we cannot be complacent about their demands.

If millions of veterans who fought for what the word "home" implies are not to be disillusioned, we cannot idle about. The day for delivery has dawned upon us.

If American workmen are to be fully employed, we must accept our job in housing and do it.

All builders must be aware of, and at the task of getting ready. There is much more to be done than merely to wait for materials. There is a big immediate task of organization — of planning — of make-ready and early action. The public needs a vast improvement in its housing situation. It expects that improvement to take place with reasonable despatch, even though not all can be done today or tomorrow. It expects an evidence in the early tomorrows that the job is being tackled in-

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*Address delivered by Mr. Foley before a committee of Financial and Building Interests, Hotel Waldorf-Astoria, New York City, Sept. 12, 1945.

Real Estate Securities

Are the 40 Wall Street Building, Inc. Debentures of 1966 Which Carry 100% of the Equity Underpriced at Current Levels? Comparison of Markets and Facts Relating to This Property Discloses Interesting Situation.

The property owned by Forty Wall Street Building, Inc. (actually by the holders of the Debentures of 1966) consists of:

Land—A plot having a frontage of 150 feet on Wall Street and 209 feet on Pine Street extending the full depth of the block, which averages about 194 feet. The entire plot comprises a total ground area of about 33,590 square feet, roughly 23% owned in fee and the balance, roughly 77% held under ground leases extending to April 30, 2022.

Building—The corporation owns the 70-story building erected on the plot. The building is of modern fireproof construction and contains 63 stories of office space and 7 additional penthouse floors. Net rentable area approximates 845,000 square feet. The Bank of Manhattan occupies banking and other space under lease to May 1, 1951 at an annual rent of $1,000,000, with options to obtain three renewals extending 71 years.

This property is considered to be one of the finest office building structures, has little government space and is in an enviable competitive position.

The present debentures are the result of a reorganization of this property as of Dec. 1, 1940 after a default in the payment of interest on May 1, 1939. They were issued to holders of Forty Wall Street Corporation First Mortgage Fee and Leasehold 6's on a par for par basis. The capital stock issued at the rate of 2 shares per $1,000 bond represents the equity acquired by the bondholders. No consideration was given to any other indebtedness. $5,387,000 principal amount of General Mortgage bonds together with 32,500 shares of Preferred and 1,200 shares of Common Stock were eliminated in the reorganization.

The available net income for any six months' period is to be used 80% for interest (not to exceed 2½%) and 20% for sinking fund, any excess of the 80% fund over an amount sufficient to pay 2½% interest shall be (a) credited to reserve for working capital and contingencies, or (b) applied to the sinking fund, or (c) added to gross cash income for the next six months' income period, as the Board of Directors shall determine.

A survey of conditions reveals the following trend of rental income:

1937	$2,676,000
1938	2,587,000
1939	2,206,000
1940	Not Available
1941	1,814,000*
1942	1,840,000*
1943	1,971,000
1944	2,302,000
1945	2,503,000†

†Based on 1st 6 mos. of $1,251,500.

*Sharp drop in rental income occasioned by the loss of former equity owner and affiliates as tenants.

For a basis of comparison the following schedule is of interest as it shows the improved situation as far as the debenture holder is concerned. As a first mortgage bondholder in 1937 he held no part of the equity; in 1945 he owns his pro-rata share of 100% of the equity. In 1937 the funded debt was about $5,770,000 more than in 1945. In 1937 fixed interest charges were $210,000 in excess of available income; in 1945 there are no fixed interest charges but earnings are sufficient to provide for interest in excess of 4% and to provide over $120,000 for debt retirement at a discount to increase the equity value position of the stock:

40 WALL STREET COMPARISON

	1937	1945
Market	4-27-37—71½ bid	9-24-45—64 bid
Funded debt	$16,876,500	$11,106,500
% Equity with bonds	None	100%
Ground rent	700,000	700,000
Real estate taxes	585,120	560,000
Rental income	2,676,590	*2,503,522
Excess income before interest charges	802,000	610,000
Fixed interest charges		None
1st mortgage 6%	689,370	
General mortgage 6%	323,220	
Income interest charge 80% of excess		488,000 (approx. 4.4%)
Deficit after interest charges	210,590	None
Available for sinking fund	None	122,000
Bonds retired since reorganization in 1940	------	383,000

*1945 income based on $1,251,700 for first six months. Total for year will no doubt exceed $2,503,522.

We believe the future prospects are bright for this property and that the debentures with stock at current levels around 64 are underpriced and merit consideration.

Says Lay-Offs Have Passed Peak

Former Manpower Commissioner McNutt Expresses No Concern Regarding Reconversion Unemployment and Says Bulk of War Plants Are Reconverting to Civilian Production. Holds U. S. Employment Service Will Aid Veterans in Getting Jobs.

In reporting over the Mutual Network on reconversion lay-offs and prospects for return of war workers and veterans to peace time jobs, Paul V. McNutt, former Manpower Commissioner and now High Commissioner of the Philippines, released some interesting figures on reconversion unemployment.

Paul V. McNutt

"The United States Employment Service," Mr. McNutt began, "which was the operating arm of the War Manpower Commission while the mightiest labor force of all times was being mobilized for war production, was transferred to the United States Department of Labor last week. Now it is an integrated part of the nation's peacetime organization for full employment. The job of the War Manpower Commission has ended. But the job of the United States Employment Service is far from done. In fact, it faces bigger and more complicated problems than those with which it coped so successfully during the war years."

Continuing, Mr. McNutt said that "during the past week the regional directors of the United States Employment Service have been meeting in Washington to

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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:

Comment on Railroad Securities—Contained in the current issue of "Railroad Securities Quotations" issued by B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Also available is a new six-page analysis pertaining to the **Boston & Maine $7 Prior Preference Stock.**

Flexibility—Discussion of bank and insurance stocks—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

Also comarative figures on certain bank and insurance issues.

Guide to Railroad Reorganization Securities—Revised plan of reorganization of **New York, Susquehanna & Western RR. Co.**—The second in a series of revisions amending the fourth edition of the "Guide."—Pflugfelder, Bampton & Rust, 61 Broadway, New York 6, N. Y.

News Review—Containing comparative data on Fire and Casualty Insurance operating results—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

Prospects for Gold—Discussion of situation, with particular reference to **United Gold Mines Co.**—B. E. Simpson & Co., California Building, Denver 2, Colo.

Also available a colored map of the Cripple Creek district showing location of properties, etc.

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

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

Also a leaflet of ICC **Comment on Transportation Statistics.**

American Agricultural Chemical common—Analysis—Brady & Co., 49 Wall Street, New York 5, N. Y.

American Forging and Socket—Circular—De Young, Larson &

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Nominating Committee of the Security Traders Association of New York will hold an open meeting at the New York Produce Exchange Luncheon Club on Wednesday, Oct. 3, from 4:30 until 5:00 p.m.

The purpose of the meeting is to give all members an opportunity to recommend to the committee candidates for five Officers, three Directors, two Trustees of Gratuity Fund, four Members of the Nominating Committee, three National Committee Men and five Alternates to be voted upon at the annual election in December.

The Committee will welcome any recommendations that will assist them in promulgating a strong group of candidates for the coming year.

Members of the Committee are Willis M. Summers, Trustee, Currie & Summers, chairman; Arthur W. Bertsch, G. A. Saxton & Co., Inc.; Charles H. Jann, Estabrook & Company; T. Frank Mackessy, Abbott, Proctor & Paine; Harry F. Reed, Van Tuyl & Abbe.

SEATTLE BOND TRADERS CLUB

The following have been elected officers of the Seattle Bond Traders' Club for the coming year:

Albert O. Foster, President, Foster & Marshall; Edwin Mott, Vice President, Blyth & Company, Inc.; W. L. Stein, Treasurer, Bramhall & Stein; Robert M. MacRae, Secretary, MacRae & Arnold.

Aldrich to Address N. Y. State Chamber

Winthrop W. Aldrich, Chairman of the Chase National Bank of New York and President of the International Chamber of Commerce, will address the first fall meeting of the Chamber of Commerce of the State of New York at 65 Liberty St. on Oct. 4. Mr. Aldrich recently returned from London where he presided at the meeting of the Council of the International Chamber. The subject of his address at the New York Chamber will be announced later.

W. W. Aldrich

Weinberg Now Partnership

Celia Weinberg has been admitted to partnership with Samuel Weinberg in S. Weinberg & Co., 60 Wall Street, New York City. Philip Weinberg was formerly a partner in the firm.

"No Hat in Hand": Halifax

(Continued from page 1451)

ing the coming years of peace. They thought the British—to say the least of it—ungrateful. Perhaps they also thought the result would mean revolutionary changes in every field of policy. I've no doubt whatever that an overwhelming majority of Britons of all parties remember, and can never forget, the great and indeed unpayable debt that we, and I think the world, owe to Mr. Churchill. But under our system we have to vote for a party and not for a man; and they were not going to try to discharge their great personal debt by voting for one party, if they had come to the conclusion that for various reasons they wanted another lot of men to deal with all the problems that came crowding in upon us as soon as the war was over. That they so decided did not mean that they were ungrateful to Mr. Churchill. He has a place in history and in the hearts of his fellow countrymen which no man can take from him. His fame is secure. Most truly can it be said of him, as Stanton said of Abraham Lincoln, that "now he belongs to the ages."

No Rash Experiments

Nor should it be assumed that the new government is going to plunge into all sorts of rash experiments. In England we have a strong tradition of continuity, and, after all, many of the leading men in the Labor Party were in the War Cabinet with Mr. Churchill; so that the policy of the old government was theirs as well as his. And no one could have sat in that Cabinet with them, as I did, without coming very quickly to have high regard for their patriotism and statesmanship. During the coming months there will be plenty of differences of opinion about ways and means, but not much, I believe, about ultimate ends. I need not labor the argument. You are a democracy, as we are. You know how the democratic system works; and you don't quit trusting it even if it doesn't always seem to work quite the way you think it should.

Then the atomic bomb, which in Britain, as here, was greeted with mixed feelings—of profound relief that this earth-shaking weapon had been discovered by us and not by the enemy; of awe and even horror at the terrible destructive power it unloosed; of hope that it would bring, as it did, a speedy end to this war and thus save more life than it destroyed; of fear of what would be the future of the world if we did not now find a means to make an end to all war. It lays, with blinding certainty, an even heavier load of responsibility than before on the shoulders of those whose duty it will be to ensure peace. And I suppose that here, too, it is the prayer of all thinking people that this time our political wisdom will not lag behind our scientific invention; and that now at last the first will learn how to use the second for the world's welfare and not for its destruction.

Peace followed quickly, bringing to our bombed and beleagured island certainly a sense of relief, that those perhaps can hardly realize who happily have never had the enemy at their gate or waited nightly upon death. I went to the great service of thanksgiving in Westminster Abbey, and was moved by the memory that the last time I was there was just before Dunkirk, when we were interceding for a great army of our fellow countrymen almost, but not quite, caught in the closing jaws of the Nazi trap. One looked back from these days to those with an overwhelming sense of deliverance and thankfulness to God who had given us victory and peace.

So we celebrated V-J Day in Britain; and, having done so, turned to the less cheerful task of facing some of the difficulties ahead. These were formidable enough to make a Black Monday of the morning after. To begin with, we were short of everything: of manpower, having suffered over 940,000 casualties out of a population of 47,000,000 and having mobilized for war a greater proportion of our people than any other United Nation; of houses, having had more than a quarter of our houses destroyed or damaged by enemy action, and needing in addition about a million and a half new houses to make up for those we had not built during the war; of food, of fuel, of clothing, of all the things that make life a bit easier and more comfortable, and that we had cheerfully gone without during the years of war.

Britain Suffers from Shortages

Human nature being what it is, people had hoped that peace would lighten some of these difficulties. But what actually happened was that one minister told us we were going to be short of coal this winter, another that our clothing ration must be cut down, and a third that we should have less to eat. They were quite right to tell us, but the news did bring us down with a bump from the relief and rejoicing of V-J Day.

I think this is worth remembering, because it explains the reaction of many of our people when a few days later they heard that Lend-Lease was going to end almost immediately and that the shortages were therefore likely to be even greater than they had supposed. No one questioned your right to stop Lend-Lease as soon as the war was over. But we had not expected it to end so soon because we had not expected the war to end so soon; and when we got this news on the top of everything else, it hit our people a bit hard. I think that against a similar background we would have seen the same reaction in this or any other country.

As you know, Lord Keynes is over here now, and he and I are at the moment engaged in talks with your representatives. The talks were of course planned long before anything had been said about the finish of Lend-Lease, because your people and ours had known all along that when the war was won we should have to try to handle some tough economic problems.

You won't expect to hear from me anything about what is happening in these talks, but I will say a few words as to what it is all about.

Situation Not Deperate

Our economic situation in Britain is serious. It's not desperate, because "desperate" suggests despair, and no one in Britain feels that. We remember the days of 1940 and the first battle of Britain. Our position then was very serious. A lot of people here and elsewhere said it was desperate. But we came through. What we are in now is really a second battle of Britain, and I haven't the least doubt we shall pull through that, as we pulled through in 1940.

In one sense, we have made our present difficulties for ourselves by what we have done in the war. We put everything into it, and kept nothing back. The war had to be won, whatever the cost, and nothing else mattered. In the early days, when we badly needed equipment and food from overseas, we sold most of our gold and marketable foreign investments to pay for them. In this country alone we spent some \$6 billion in this way. Then Lend-Lease came along; we no longer needed to pay cash for weapons; and so we let our export trade go the way of our foreign investments. Incidentally, we never had the idea of Lend-Lease I have sometimes heard expressed here, as a kind of huge Christmas present all the year round from Uncle Sam to the world. We saw it rather as a great pooling of Allied resources, which placed the weapons where and by whom they could best be used. And so Lend-Lease, for all its saving virtue as a war instrument, allowed us to forget our export trade while the war was on. It enabled us to make our country into an arsenal only second in output to yours; to help ourselves and also to help our Allies; for to you alone we gave in reciprocal aid nearly as much in relation to our national income as you gave us in Lend-Lease.

We put all our efforts, our manpower and our plants to the single purpose of victory; and now, when victory is won, our foreign investments have largely gone, our foreign trade is mostly gone, and we are still 47,000,000 people, living on a small island, and only able to work or live so long as we can import. We can only import so long as we can pay. We can only pay by our exports or by services like shipping. And we cannot export or revive our great carrying trade until we have reconstructed our plants and restored our merchant navy. That is the vicious circle we have to break.

Britain's Alternatives

Broadly speaking, we have two courses now open to us. One is to cultivate our own garden, that is to say, to develop our trade as much as we can with what is known as the sterling area, the peoples from whom we can buy without having to pay in dollars we have not got. We should buy as much as we could from them and as little as we could outside. That means controls, barriers and restrictions. It may not be the best solution, but if it seems to be the only way out, whether we want to or not, we may have to take it. The other solution is that you and we should try to see if we can't work out something together that will make for freer and expanding world trade; in the belief that if we can get this, in the long run everybody will be better off.

This is not only our problem, or your problem, but something which vitally concerns the whole world. It's our problem because when a man puts a fence around his garden, he's doing two things—he's keeping himself in and other people out. It's your problem, because before the war Britain was your best customer, taking about \$500,000,000 a year in American goods; and when you have satisfied the accumulated demand of your own consumers you will be looking for markets outside. It concerns everybody because the other people will turn to the large nations for economic leadership in peace, as they turned to them for military leadership in war.

We are not coming to you hat in hand as suppliants. We do not want to ask anything of you which you are not satisfied is in the ultimate interest of your own country. We shall not accept any obligation we are not quite sure we shall be able to honor. Nor, of course, are we holding out a gun and suggesting that you must do this or that or take the consequences. All these courses would not only be stupid, but would be a complete misreading of the situation. What we are doing is to come to you as your allies and comrades in a great and victorious war; to tell you our situation and to learn from you of yours; and then to see if together we can make our partnership as great a power for peace as it has been for war.

Proposes Post-War Tax Reductions

A Committee Headed by Roswell Magill Would Fix Initial Individual Tax Rates Between 15 and 20% and Would Impose but a Single Tax on Corporations With a Progressive Reduction in Rates. Advocates Retaining Excise Taxes.

Recommendations for revising the Federal tax system to fit the post-war years, contained in a 275 page report, were made available to the Joint Congressional Committee on Internal Revenue Taxation and to Treasury officials by a "Post-war Tax Committee," headed by Roswell Magill, former Under Secretary of the Treasury.


Roswell Magill

The Committee is composed of leading fiscal authorities working under a special grant from the Maurice and Laura Falk Foundation.

Recommendations for reductions in taxes on both corporations and individuals are included in the report. Federal taxes ultimately would be reduced to from $15 billion to $22 billion a year, compared with war revenues which reached a peak of nearly $47 billion in the fiscal year ending June 30, 1945.

The report cautions, however, that the extent of tax reductions after the war should depend upon how much Federal Government spending is reduced, and how soon—that "if a policy of free spending is followed, very few choices among taxes will be possible." "Expenditures are the key," the Committee states, "and irresponsible fiscal policies in the post-war period would prove not merely costly, but unsupportable."

The Committee cites as its primary aim high production and employment and stresses its belief that a healthy and vigorous economy, "achieved without sacrifice of individual liberty," can be attained only "through the encouragement and re-energizing of private enterprise."

The Committee takes a clear stand in favor of continued efforts to balance the Federal budget, to eliminate deficit spending, and to reduce the national debt at the earliest possible date.

Tax Revision

The Committee recommendations in regard to tax revision deal with a "transition period," and with the "normal, long-range post-war period" which will follow.

During the "transition period," estimated at two to three years, the Committee recommends as a first step to relieve individual tax burdens the repeal of the 3% normal tax. This would free approximately 9,000,000 people, principally in the low income brackets, from paying any Federal income taxes. The Committee would establish a single set of progressive tax rates on individuals, eliminating the present combination of normal tax and surtax so far as tax returns go. The tax rates would be scaled downward as the Federal budget is reduced.

Tax reductions on corporations recommended by the Committee for the transition period include immediate repeal of the excess profits tax now that the war has ended; repeal of the capital stock tax and the declared value excess profits tax; gradual reduction of the corporate normal tax and surtax, with the application of a lower rate on small corporations. All of these reductions, the Committee declares, necessarily, "have in mind the permanent tax system to be maintained in the post-war years."

Post-war Proper

In the post-war period proper, the Committee believes that expenditures by the Federal Government should be reduced rapidly to the point where a balanced budget is possible. The Committee recommends further tax relief both for corporations and individuals at this time.

"Our interest," the Committee declares, "is in a tax program for a solvent America. By national solvency we mean that the Government can and does live within the fiscal resources which are provided for it by the people through taxation. In a fundamental sense a government is insolvent if it regularly and habitually provides public benefits in excess of the amounts which the people are able—and willing—to pay in taxes. . . .

"The goals of high living standards and national solvency are linked together. . . . There cannot be high level, widespread prosperity and a general advance in personal and family well-being on a basis of national insolvency, a condition under which government is continually seeking to create the illusion of prosperity by adding to the public debt."

Individual Taxes

In the long-range post-war period, the Committee suggests, the initial tax rate on individuals should be set at between 15 and 20%, depending upon the level at which Federal expenditures are set. The rates would then range progressively upward to 25-30% at the $8,000-$10,000 bracket, 40-45 per cent at the $25,000-$50,000 bracket and 49-54% at the $75,000-$100,000 bracket, with a top rate of 67-72% at the $1,000,000 level.

This contrasts with present rates which begin at 23%, including the 3% normal tax, and range up to 91% on incomes over $200,000.

The Committee would keep the present exemption of $500 for each taxpayer and for each dependent. It would alleviate the present double taxation of corporation dividends paid to individuals by allowing a credit to stockholders receiving the dividends. It would retain the withholding principle and current payment of taxes. It would continue to permit married persons the option of making joint or separate returns. The Committee recommends no present change in the tax treatment of capital gains.

Corporate Taxes

In connection with corporate taxes for the long-range post-war period, the Committee recommends a program of simplification. It would eliminate the surtax and impose a single tax on corporate income, the goal to be the same rate as the initial rate on individual income. This, the Committee feels, would promote employment and production by equalizing the tax burden on all types of income.

Repeal of the excess profits tax would leave the corporate rate at its present level of 40%. This rate, the Committee feels could stand for the first transition year, provided there were assurances that it would later be reduced, perhaps to 35 or 33½% in the second transition year and eventually to a level equal or close to the initial individual rate.

In keeping with the objective of alleviating the double taxation on dividends, the Committee would remove the tax on inter-corporate dividends. It would also repeal the penalty tax on consolidated returns.

Other Recommendations

The report suggests that there is a proper place for excise taxes. While most of the wartime "nuisance" excise taxes should be removed, a reasonable number of excise taxes should be retained after the war. These taxes the Committee views as desirable to diversify the sources of tax revenue and to stabilize the tax yield in times of financial strain.

Taxation of estates, gifts and gasoline the Committee would leave to the 48 States in the interest of preserving the financial independence of the States in the performance of State and local functions.

Finally, the Committee makes recommendations concerning the personnel and administration of the Bureau of Internal Revenue of the Treasury Department, urging more adequate salaries and security of tenure to attract competent career men.

Committee Members

Members of the Committee on Post-War Tax Policy are, in addition to Mr. Magill, Fred R. Fairchild, Knox Professor of Economics, Yale University; Rowland R. Hughes, Comptroller, National City Bank of New York; Victor H. Stempf, President, American Institute of Accountants, and Thomas N. Tarleau, member of New York Bar and former Tax Legislative Counsel, the Treasury Department.

The background work in preparing the Committee report was done by a staff of research experts under the direction of Dr. Harley L. Lutz, Professor of Public Finance, Princeton University, who served as Director of Research on the project, and Alfred Parker, who was Associate Director.

The Committee on Post-War Tax Policy came into being in May, 1944. It was the result of a special conference attended by a score or more of the nation's leading economists and presided over by Dr. Henry M. Wriston, President of Brown University.

Harold Gibbs Joins Staff of J. Walter Thompson

CHICAGO, ILL.—Harold W. Gibbs, for many years associated with financial advertising on La Salle St., has resigned from Doremus & Company to join the financial advertising staff of J. Walter Thompson Co. in the Chicago office, 410 North Michigan Avenue.

Kaiser-Frazer Corp. Common Stock Offered By Otis & Co. Syndicate

One of the largest public financing operations in the history of the automotive industry is scheduled for today with the offering by a nationwide underwriting syndicate headed by Otis & Co. (Incorporated), First California Company and Allen & Company of 1,700,000 shares of common stock of the newly formed Kaiser-Frazer Corporation. The stock is priced at $10 per share.

With its formal launching, Kaiser-Frazer Corporation, according to automotive authorities, becomes the most important new entrant into the automobile industry in several decades and will be in the hands of a management which includes Henry J. Kaiser, widely known West Coast industrialist, as Chairman of the board of directors, and Joseph W. Frazer, prominent automotive executive, as President. The corporation plans to produce cars in the low-price field.

Messrs. Kaiser and Frazer were instrumental in the organization of the corporation in August, 1945, Mr. Kaiser acting on behalf of Henry J. Kaiser Company, The Kaiser Company and California Kaiser Company, and Mr. Frazer acting on behalf of Graham-Paige Motors Corporation, of which he is President and Chairman of the board.

The corporation presently has outstanding 500,000 shares of common stock, which the Kaiser interests and Graham-Paige purchased directly from it at $10 per share in cash. Giving effect to the public financing, the company's outstanding capitalization will consist of 2,200,000 shares of common stock, par $1.

The corporation has arranged to lease from the Reconstruction Finance Corporation a major portion of the Willow Run bomber plant and at the outset the corporation intends to have its principal place of business in the Detroit area. The management may in the future consider plans for manufacturing or assembly operations in other localities, including the Pacific Coast.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Edward K. Hardy, Jr.**, has rejoined the staff of **The Illinois Company**, 231 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Peter L. Maes** is now with **Republic Investment Company**, 231 South La Salle Street. Mr. Maes was formerly with S. R. Miller & Co.

Thomas Miller With Merrill Lynch in Cgo.

CHICAGO, ILL.—Homer Hargrave, resident partner of Merrill Lynch, Pierce, Fenner & Beane, announced today that Thomas Miller has become associated with the Chicago office of the firm, Board of Trade Building. Mr. Miller was formerly a partner of Winthrop, Mitchell & Co.

B. H. Sincere Resumes as Sincere Co. Partner

CHICAGO, ILL. — B. Henry Sincere has resumed an active interest as a partner of Sincere & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. For the past year and a half he has served with the Psychological Warfare Division of Supreme Headquarters in England, France, Belgium and Germany.

Links Inter-American Solidarity With World Peace

Senator Connally Tells Pan American Society the Inter-American System for Providing for Settlement of Disputes Is Integrated With the United Nations Organization.

In an address at a testimonial dinner to Dr. Leo S. Rowe by the Pan American Society of the United States at the Waldorf Astoria Hotel in New York City on Sept. 17, Senator Tom Connally, Texas, Chairman of the Senate Foreign Relations Committee and a U.S. Delegate to the San Francisco United Nations Conference, expressed hope for future world peace and security, and pointed out that the work of the Pan American Union, under the leadership of Dr. Leo S. Rowe, together with other similar inter-American organizations is a pattern of successful international solidarity and could be integrated into a "related world-wide organization," the United Nations Organization.

Sen. Tom Connolly

"Satisfactory steps have been taken to integrate the inter-American peace machinery with the United Nations Organization," Senator Connally said. "As you know I am a firm believer in the world security system. In the words of Briand, the great Frenchman, 'There is not one peace for America, one peace for Europe and another for Asia, but one peace for the whole world.' In line with this philosophy I did everything in my power at San Francisco to help create a strong Security Council endowed with enough authority and strength to act speedily and decisively in time of crisis."

"This does not mean in any way that we have weakened the effectiveness of the inter-American peace machinery outlined in the Act of Chapultepec," Senator Connally continued. "On the contrary it has been strengthened by the specific recognition in the Charter of the useful role which can be played in the settlement of disputes of a local or regional character by regional agencies. Moreover in case of the occurrence of an armed attack, the American Republics always have the right of individual and collective self defense until the Security Council has taken the necessary measures to restore peace and security.

"In recognizing, as it does, the permanent authority of the Security Council in enforcement action, as well as the inherent right of self defense against attack, the Charter thus paves the way for the effective integration of our regional system with the wider world system of security.

"On this point there is no conflict. The delegates at Mexico City and San Francisco all realized that world peace and security are necessary first of all if the Americas are to be free from attack.

"In October representatives of the 21 American Republics will convene again for the purpose of putting into permanent treaty form the regional peace machinery contemplated in the Act of Chapultepec. Our hemisphere system will then become one of the permanent pillars in the temple of peace built at San Francisco. I have high hopes that the forthcoming conference will add greatly to the spirit of the unity and harmony already developed in the new world.

"Thus, I believe, we have a map for the future. I think we have builded well, and the great men of the past would, could they be with us now, have little cause to think that their struggles have been in vain.

"We are building for the future, but we are not forgetting the heroic past. In the spirit of Washington, Bolivar, San Martin and O'Higgins we are endeavoring to make secure their conceptions of liberty and constitutional government. To their ambition we are adding that of hemispheric security and hemispheric solidarity in behalf of peace. Upon this rock we shall erect an enduring structure. We shall not fail."

Nominees Presented For NY Group of IBA

The following have been nominated for officers and members of the executive committee of the New York Group of the Investment Bankers Association of America:

Chairman: John C. Maxwell, Tucker, Anthony & Co.

Vice-Chairman: W. Manning Barr, Barr Brothers & Co., Inc.

Secretary-Treasurer: Hearn W. Streat, Blair & Co., Inc.

Ranald H. Macdonald, Dominick & Dominick, and Clifford Hemphill, Hemphill, Noyes & Co., were nominated for governors of the IBA to serve one year as ex-officio members of the New York group.

Wickliffe Shreve, Lehman Brothers, and Reginald W. Pressprich, Jr., R. W. Pressprich & Co., were named as members of the executive committee to serve three years. Frank A. Willard, Reynolds & Co., as retiring chairman, will automatically serve one year as a member of the executive committee.

E. D. Allen in Baltimore

BALTIMORE, MD.—Edward D. Allen has resumed his investment business, from offices at 225 East Redwood Street. Mr. Allen was formerly a partner in Edward D. Allen & Co. He has recently been serving in the U. S. Navy.

Broker-Dealer Personnel Items

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

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**George L. Minning** has become associated with **Harrison & Company,** Union Trust Building. Mr. Minning in the past was with W. D. Gradison & Co. and Thomson & McKinnon.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO—**Lawrence G. Frantz** has rejoined the staff of **Grant Brownell & Co.,** Winters Bank Building. Mr. Frantz has recently been in the armed service. In the past he was with Greene & Brock.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—**Herbert F. Johnson** has become associated with **Bradbury-Ames Co.,** Grand Rapids National Bank Building. Mr. Johnson was formerly with Schouten, White & Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—**Cyril H. Shanahan** is now connected with **King & Company,** Michigan National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — **Frederick R. Shaw** has become associated with **E. W. Clucas & Co.,** 70 Pine Street, New York City. Mr. Shaw in the past was with W. R. Bull & Co. and prior thereto was head of F. R. Shaw, Inc., in Hartford.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—**Joseph L. Naftaly** is with **Thomson & McKinnon.**

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**John C. Bragg** has rejoined the staff of **H. O. Peet & Company,** 23 West 10th Street. Mr. Bragg has recently been serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**John Joseph DeHoben** is now affiliated with **Prescott, Wright, Snider Company,** 916 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

LAKELAND, FLA.—**William H. Phipps** is connected with **Herrick, Waddell and Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Morris R. Geggie** has become affiliated with **Nelson Douglass & Co.,** 510 South Spring Street. Mr. Geggie was previously with Dean Witter & Co. and Bancamerica Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Harve Carter, Clarence D. Hague** and **Howard T. Snedicor** have become associated with **Fairman & Co.,** 650 South Spring Street. Mr. Carter was previously with Walston, Hoffman & Goodwin. Mr. Hague and Mr. Snedicor were with H. R. Baker & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Raymond B. Fox** and **John Macbeth** have become affiliated with **Slayton & Company, Inc.**

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Frank L. Edenfield,** previously with Clark Davis & Co., has joined the staff of **Cohu & Torrey,** Alfred I. duPont Building.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—**Glenn F. Murrie** has become associated with **Carter H. Harrison & Co.,** Schroeder Hotel. Mr. Murrie was formerly with The Wisconsin Company and Paine, Webber & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—**Earl C. Barton** is now with **The Milwaukee Company,** 207 East Michigan Street. Mr. Barton was previously with The Wisconsin Company and the First National Bank of Madison.

(Continued on page 1463)

Chase Opens in Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Russell N. Chase has opened offices in the Union Commerce Building, to engage in a securities business.

Ohio Municipal Comment

By J. AUSTIN WHITE

It's an interesting situation: the dealers seem to be concerned with trying to figure out how much the market is off now from a month or two ago, but the banks, in Ohio at least, seem to be little concerned about the market. From a recent trip around southwestern Ohio, we found that by far most of the bankers in that section of the state—and we assume the same thoughts would prevail with bankers in the balance of Ohio at least—had the same attitude toward municipal offerings as they had a month or two ago, in fact the same attitude as they had a year or two ago.

J. Austin White

We found few customers who even talked about the future course of municipal prices. Comments appeared to be about the same as they have been for several years. Some feel they have no surplus funds for investment, now—and this thought comes and goes periodically with most buyers. Most bankers who do have funds for investment, and some even who are "out of the market now because of lack of funds," are still interested in seeing offerings of municipals of the type and quality in which they have been interested in the past, and most worthy of note is the apparent fact that they would be willing to buy such suitable municipals at about the same price levels at which they have bought such bonds in the recent past, if only the bonds were available. Naturally, a little better yield makes the bonds the more attractive, but it would seem that many, if in fact not most, of these bankers would actually buy at the same yields at which they would have bought a few months ago.

In other words, many bankers are definitely interested in high grade municipals especially of new names, at about the same yields as prevailed before the war ended.

Admittedly, some buyers except better yields, and refuse to buy a suitable offering unless there is a concession in price. This fact necessarily takes the edge off the market. Moreover, some of the larger buyers have reduced their price ideas in an effort to buy bonds cheaper—and, of course, they have been successful in doing so, at least to a moderate extent. There is no question but that the market is off, and yields are more liberal than was true two months ago, on the bonds that are available. But by far most of the municipals that have come into the market, most of the Ohio's at least, are the usual run of names that have no especial appeal, even at reduced prices.

It is true today, the same as for the past few years, that the supply of bonds with an unusual appeal is small indeed. If a banker won't buy Akron bonds, it matters little to him whether the yield on Akrons due in 1952 is 1.20% or 1.40%. If he is a buyer of such bonds as Columbus, Findlay, some other good county seat town, or some small but good school district, it would seem to us from conversations with several such customers last week, that he is still interested in buying such a bond if he can find it, and the only requirement as to price would seem to be that the yield be about in line with that which has interested him in the past.

By and large, it seems to be true that bonds like Akron, Cleveland, Toledo, etc., are usually bought by the banks in Ohio (Continued on page 1472)

Ohio Municipal Price Index

Date—	*	†	‡	§
Sep. 19, 1945	1.38%	1.58%	1.18%	.40%
Sep. 12	1.38	1.58	1.18	.40
Sep. 5	1.40	1.62	1.19	.43
Aug. 29	1.44	1.66	1.23	.43
Aug. 22	1.45	1.67	1.23	.44
Aug. 17	1.40	1.62	1.17	.45
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
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.

Leonard Cooper With Goshia & Co. in Toledo

TOLEDO, OHIO—Leonard C. Cooper has become associated with Goshia & Co., Ohio Building, as cashier and bond trader. Mr. Cooper, who has recently been with a war plant in Chicago as cost accountant, credit manager, and priorities supervisor, was formerly with the trading department of Stone & Webster and Blodget in Chicago.

Paul H. Davis Opens Cleveland Office

CLEVELAND, OHIO—Paul H. Davis & Co., Chicago investment house which marks its 30th year in 1946, announces the opening of a Cleveland office in the Union Commerce Building.

Dean D. Francis, a partner of the company since 1939, has been named manager of the new office. Mr. Francis has been a Clevelander for 13 years.

J. R. Johnston With McDonald & Company

CLEVELAND, OHIO—John R. Johnston, a member of the bond department of the old Union Trust Co. from 1922 to 1928, and who has had 20 years of experience in the security business, has become associated with McDonald & Co., Union Commerce Building.

Mr. Johnson returns to Cleveland after serving three years as deputy regional administrator of the Office of Price Administration in New York City. He was connected with Smith, Barney & Co. in New York from 1933 to 1941.

Ohio Brevities

Gray Drug Stores, Inc., of Cleveland, formerly Weinberger Drug Stores, filed a registration statement with the SEC covering proposed issuance of 20,000 shares of cumulative convertible preferred stock of $50 par value.

The company said of the approximately $1,000,000 proceeds, a total of $570,000 will be used to retire indebtedness incurred in the recent acquisition of Widmann & Teath, Inc., operators of a chain of 27 drug stores in Pennsylvania and New York.

From the original six stores in 1928, Gray Drug has steadily expanded to the present 81 retail outlets. Since its incorporation in 1928, the company has an unbroken record of profits and cash dividends.

Merrill-Turben & Co. of Cleveland head the underwriting group offering the stock after the effective date of the registration statement.

* * *

General Electric Co. has proposed to buy all the assets of Electric Vacuum Cleaner Co. of Cleveland, for approximately $3,200,000.

A special meeting of the Cleveland company's stockholders will be held in New York Oct. 15 to vote on the proposed sale and dissolution.

Under the terms of the G. E. proposal, it would acquire the assets for 65,918 G. E. shares, or about one share for each 1.3 shares of the 84,864 outstanding shares of Vacuum Cleaner.

The Cleveland concern was founded in 1919 and since that time between 40 and 50% of its cleaner output went to G. E. which was sold under the latter's name.

Chairman Julius Tuteur and Director Maynard H. Murch notified stockholders the sale was advisable as G. E. was planning to cancel its contract with the Cleveland company.

* * *

John A. Zangerle, Auditor of Cuyahoga County (Cleveland), reports that Cleveland Heights, a Cleveland suburb, is practically without debt.

The city now has only $185,000 bonded indebtedness as compared with $1,028,928 in January, 1940. And at present the city has a cash reserve to meet the bonds when due.

He said East Cleveland and Lakewood are other suburbs that soon will be free of debt while Berea and Rocky River are two others whose debt has been whittled down sharply.

* * *

Otis & Co. and Curtiss, House & Co. of Cleveland offered 25,000 shares of 5% cumulative convertible preferred stock of $25 par value, of Leland Electric Co. of Dayton, O. The new stock is convertible into common stock at the rate of two shares of common for (Continued on page 1461)

Cleveland Dealers Announce a Veterans' Placement Program

Local Securities Dealers Organizations in Cooperation With Cleveland Stock Exchange Form an Investment Dealers Veteran Placement Organization, Under Chairmanship of Morton A. Cayne.

Under the sponsorship of the Cleveland Stock Exchange, the Bond Club of Cleveland, the Cleveland Securities Traders Association and the Cleveland members of both the Investment Bankers Association and the National Association of Securities Dealers, a plan has been announced under which veterans and trainees of the armed services will be trained and placed in local positions in the securities business. The plan affords an opportunity to the veteran whose income is supplemented by the Government during the training period as he begins his career in the securities business. Thus the employer has the advantage of retaining a qualified trainee, who is not entirely dependent upon his position's income for complete sustenance. The training will consist of "on-the-job" instruction supplemented by such related academic training as may be recommended and approved by the employer and the Veterans' Administration. There is no obligation on the part of an employer to retain the trainee for any specific period and should the trainee prove unsatisfactory the employment may be terminated as in the case of any other employee.

Morton A. Cayne

It is claimed by the sponsors that theirs is the first plan to be offered in the securities business for veterans, and it is expected that similar action along the same lines will be taken up by all affiliates of the NSTA and become a nation-wide program.

In a letter dated Sept. 15 of E. E. Parsons Jr., District Chairman, addressed to the members of the Cleveland Stock Exchange and to Cleveland members of the National Association of Securities Dealers, the object of the veterans' training programs are stated as follows:

1. To obtain competent personnel for the securities business.
2. To train qualified applicants in a reasonable period of time through a planned program.
3. The planned program outlined shall be:
   (a) "On-the-job" instruction as is consistent with the details and procedure leading to the objective.
   (b) Related academic training as may be recommended by the employer and the United States Government Veterans' Administration.
   (c) A series of lectures to be given all trainees by competent members of the industry.
4. It is agreed that the Cleveland Stock Exchange will act as a clearing house to receive veteran applications for placement, and it is further agreed that all dealers registered under this program will furnish statements indicating their employment needs.
5. We believe that the aforegoing program will afford the veteran an opportunity to avail himself of a planned training program as he embarks upon a career in the securities business.

Morton A. Cayne, Chairman of the Public Relations Committee of the Cleveland Stock Exchange, in calling a meeting to initiate the plan, addressed the following note to members and other parties:

We are all aware of the neces- (Continued on page 1469)

Ohio Brevities

(Continued from page 1460)

each preferred share for five years and at the rate of five shares of common, for each three preferred shares for the next five years. Manufacturers of electric motors ranging up to 5 h.p. the company has its main plant at Dayton and a subsidiary at Guelph, Ont. The Canadian plant produces practically all the gasoline pump motors sold in Canada.

* * *

Management of Jack & Heintz, Inc., is planning to repurchase from present and former employees 105,912 class A shares sold to them by the company to provide reserve funds.

The employees will meet at the plant this week to vote company authorization to repurchase the stock which was sold at $100 per share. The stock, President William S. Jack said, is held under voting trust agreement and that two-thirds of the class A holders must approve the plan.

Class A holders will also be asked to approve a company resolution allowing repurchase of the shares "at such price as the officers may determine" but not in excess of the $100 par value for each share.

* * *

Metropolitan Paving Brick Co of Canton, informed holders of the company's 750 outstanding shares of 7% cumulative preferred stock that the shares would be callable next Jan. 1 at $201 a share, including $91 dividend arrearages. Redemption agent is the Harter Bank & Trust Co., Canton.

* * *

Three Cleveland firms were members of a Halsey, Stuart & Co. group which offered $75,000,000 Great Northern Railway bonds.

Otis & Co.'s participation amounted to $4,000,000; Wm. J. Mericka & Co. had $150,000 and First Cleveland Corp. $100,000.

* * *

A Cleveland and Texas bank are providing a $2,000,000 loan to Maguire Industries, Inc., to increase the company's working capital for peacetime operations and acquisition of companies with peacetime earnings, President Russell Maguire announced.

Society for Savings Bank of Cleveland is participating to the extent of $1,600,000 with the Mercantile Bank of Dallas, providing the remainder. The company's oil properties in Texas and Kansas were pledged as security. The interest rate will be 4% with the loan to be repaid in three years by monthly payments.

* * *

Shareholders of Tappan Stove Co., of Mansfield, O., voted a five-for-four split of the company's stock on the basis of one new share for each four held. The company issued an additional 31,562½ shares, increasing the total outstanding to 157,812½ shares.

* * *

Stockholders of Ward Baking Co. of Cleveland will meet this week to take action on a plan of reorganization, Board Chairman Faris R. Russell reported.

* * *

A syndicate headed by Fahey, Clark & Co. and including National City Bank of Cleveland, and Stranahan, Harris & Co., of Toledo, was awarded $600,000 Cuyahoga Heights Cuyahoga River purification 1¾% bonds on a bid of 101.53.

The suburb stated the project includes diverting Cuyahoga river waters polluted by steel and other industries into sewers in order to help purify the lower reaches of the river.

The bonds will mature $30,000 annually from Dec. 1, 1947, to 1966, inclusive. They were reoffered at prices to yield from 0.70 to 1.65%, according to maturity.

* * *

National City Bank of Cleveland submitted the top bid of par and $651 premium for 1¼s for $100,000 Shaker Heights series P refunding bonds. The proceeds would be used to redeem a similar amount of higher coupon bonds.

Ryan, Sutherland & Co. of Toledo bid $637 premium; Wm. J. Mericka $444.44; Halsey, Stuart $427, and Braun, Bosworth, Toledo, $333.

* * *

American Coach & Body Co., a 37-year-old Cleveland company now reported valued over $1,000,000, is to get a new President.

He is Allen T. Greiner, a 40-year-old engineer from Salem, O., who has resigned as General Manager of Salem Engineering Co., to take on his new duties Oct. 1. He also becomes a director.

James Holan, who founded the business, moves up from the presidency to Chairman of the Board and continues as Treasurer. Mr. Greiner has acquired a substantial interest in the concern.

* * *

MORE NEW FACES IN HIGH PLACES—John A. Hornaday is the new manager of national accounts for **Sherwin-Williams Co.**, world's largest manufacturers of paints and varnishes. His headquarters will continue to be Cleveland. . . . **C. T. Gilchrist**, former Clevelander, has been made assistant general manager of sales in Chicago and H. A. Squibbs is assistant to the Vice-President of sales, also Chicago, for **American Steel & Wire Co.** . . . **Henry G. Clum** is sales manager for **Art Metal Co.**, Cleveland lighting and germicidal fixture manufacturer. He has been President of New Jersey Council of Electrical Leagues since 1942. . . . **Brigadier General P. W. Johnston** of Cleveland, was elected Vice-President of the **Erie Railroad.** He recently came back from the Far East where for most of 3½ years he headed procurement, lend-lease and reciprocal lend-lease on the staff of General Douglas MacArthur. . . . **Addressograph - Multigraph Corp.** advanced four of its sales executives. . . . **B. J. Stone** is assistant sales manager of the Addressograph division, **T. H. White** in the same post with the Multigraph division, **Albert F. Wike** manager of the new Addressograph Methods and Sales Training department, and **R. A. Dooley**,

* * *

and Sales Training department. . . . **Leroy E. Lattin**, Cleveland, now is Vice-President and general manager of **Ohio Bell Telephone Co.'s** northeastern area succeeding **John A. Greene**, promoted to operating Vice-President. Greene succeeds **Franklin M. Stephens**, now President of **Wisconsin Telephone Co.**

* * *

Colonel William Harvey Kyle soon will assume the position of Vice-President in charge of the consumer credit department of the Bankers Trust Co. of New York.

Colonel Kyle, a veteran of the first World War, was manager of the personal loan and finance department of the Cleveland Trust Co. when he re-entered the Army in April, 1942.

He had been serving as aide to Secretary of War Stimson and is the holder of the Legion of Merit medal.

President S. Sloan Colt of the bank, in a statement, declared: "Prior to the war, Colonel Kyle specialized in bank credit to individuals, dealers and small business. His election inaugurates Bankers Trust Co.'s entry into this field which will play such a significant part in financing reconversion and post-war business."

The new Vice-President enlisted in World War I while attending high school, and was in the Argonne and St. Mihiel. He graduated from the U. S. Military Academy at West Point in 1922.

* * *

Another Ohio industrialist back from the wars is Colonel Alan P. Tappan who has resumed his old duties as Vice-President and general manager of the Tappan Stove Co. of Mansfield.

Colonel Tappan joined the service as a Captain in July, 1942. He was first stationed at Wright Field, Dayton, being shipped to England late in 1942 where he was made a Major. He became a Lieutenant Colonel in the fall of 1943 and a full Colonel in March this year. He served on the Mexican border in World War I.

* * *

Fred O. Kiel, economist of the Kansas City district of the OPA for the last year, has become industrial economist in the Fourth Federal Reserve district, President Ray M. Gidney of the Cleveland Federal Reserve bank announced. Gidney also reported appointment of Claude I. Hummel as agricultural specialist. Hummel has been with Ohio State University Agricultural Extension Service since 1932.

The appointments, Mr. Gidney said, are to carry on an expanded program of research and public relations in the fourth district.

The former industrial economist, Orin E. Burley, resigned to become professor of marketing at Wharton School of Finance and Commerce, University of Pennsylvania.

Wallace H. Wood of Central National Bank of Cleveland, now presides over the Cleveland Chapter, American Institute of Banking, in which he has been active for many years.

Mr. Wood, formerly First Vice-President of the chapter, was named to succeed F. J. Blake, who resigned his Federal Reserve Bank post to join Sterling & Welch Co., Cleveland department store. Wood has served on the bank's educational and social organization for officers and employees and is active in the Junior Chamber of Commerce.

* * *

The new President of the Cleveland Sales Executive Club is Harry Morine, Vice-President of the Wm. Powell Valve Co. Morine is a member of the Cleveland Chamber of Commerce, Cleveland Athletic Club, Rotary Club and the Shrine. Other new club officers are Elmer Webb, Vice-President; Harry West, Second Vice-President; G. B. White, Secretary, and Courtney W. Turney, Treasurer.

Smith Barney Offers Armstrong Cork Pfd.

The syndicate headed by Smith, Barney & Co., Kidder, Peabody & Co., and Mellon Securities Corp. which underwrote Armstrong Cork Co.'s recent offerings to stockholders of a new issue of 161,522 shares of $3.75 cumulative preferred stock, announced on Sept. 26 that 8,826 shares were subscribed for by holders of subscription warrants and 45,076 shares were taken in exchange by the holders of the company's old 4% cumulative convertible preferred stock. Subscription rights and the exchange offer expired at 3 p. m. (EWT), Sept. 25.

The underwriters are purchasing the balance of 107,620 shares not subscribed for or taken in exchange and are publicly offering these shares at the public offering price of $102.75 each.

Railroad Securities

The change in the prospective nature of the proposed new Chesapeake & Ohio preferred stock has put a somewhat different complexion on the contemplated merger (or consolidation) of this road with its affiliates, Pere Marquette, Nickel Plate and Wheeling & Lake Erie. It is now proposed that the new Chesapeake & Ohio preferred would carry a dividend rate of $3.50 a share and be convertible into Chesapeake & Ohio in the ratio of 1.6 shares for each share of preferred, the equivalent of approximately 62½ for Chesapeake & Ohio common. One of the weaknesses is that the preferred would be callable at 105 so that at least theoretically holders could readily be deprived of their participation in the potential rise in the value of the common stock. This weakness could be removed by the simple process of making the stock non-callable for a period of years.

As the market stands today the change in the provisions of the preferred stock, giving it a conversion option, does not sufficiently improve the treatment of the Nickel Plate or Pere Marquette preferred stocks to make acceptance of the terms by stockholders feasible. It is possible, however, that the increased earnings that would accrue to Chesapeake & Ohio in merger will bring a sufficient market rise in the share in the interim before stockholders will vote on the plan to make the terms palatable even to Nickel Plate preferred holders. It in this group which has apparently voiced the strongest objections to the plan.

Under the plan Nickel Plate preferred is offered one share of preferred and 7/10 shares of C. & O. common, or the equivalent of 2.3 shares of C. & O. common if conversion of the preferred becomes valuable. Taking Nickel Plate preferred at par, rather than call price of 110, their full claim including dividend accumulations through the first half of 1945 would be for $184. It would therefore take a price of 80 for the Chesapeake & Ohio common to settle this claim in full. With an indicated $1.50 to $2.00 a share to be added to C. & O. common earnings there are a number of analysts who consider this well within the realm of possibility in a reasonable time.

With chances apparently, at least, moderately improved for successful consummation of the merger or consolidation there has been a considerable acceleration of real investment interest in the Nickel Plate and Pere Marquette preferreds as a means of eventually creating the new preferred stock at low prices. Nickel Plate preferred has been selling around 129½. Taking C. & O. common at the recent price of 55 the buyer of Nickel Plate preferred would be creating the new preferred stock at a price of 91. On a similar basis purchasers of Pere Marquette prior preference stock at recent levels of 109¾ would be paying the equivalent of 91⅝ for the new Chesapeake & Ohio preferred. In this instance there is the added advantage of getting current income on the stock purchased. Dividends at the regular rate on the prior preference stock were resumed in the spring of 1945, the third quarterly distribution having been declared by the directors last week. Finally, purchasers of the Pere Marquette preferred at recent prices of 88 would potentially be creating the new C. & O. preferred at 82½.

If the plan is consummated it is hardly likely to be under less favorable market conditions than those now prevailing or with Chesapeake & Ohio common selling below recent price levels. On the contrary, if the plan is to be consummated it is likely that Chesapeake & Ohio common will have to be selling considerably higher which would reduce the potential cost of the new preferred to present buyers of the old preferreds. As against the low price at which the stock can theoretically be created it is generally agreed that such a strong preferred with a conversion feature would sell at a considerable premium over par.

Buyers of the old preferred stocks are working on the further theory that if the plan is not consummated the failure will be due to the general belief that the offer does not adequately provide for the actual value of the claims of the old stocks. Under such conditions the assumption is that the market would put a higher evaluation on the old preferred stocks.

William Judge Heads Dept. for Valentine

John H. Valentine Co., 50 Broadway, New York City, announces that William E. Judge has become associated with them as manager of the trading department. Mr. Judge was previously with Bonner & Bonner.

Germany's War Potential

(Special Cable to "The Chronicle")

PARIS, FRANCE, Sept. 25.—It is reliably learned here that Germany's war potential which was concentrated in the west was not materially destroyed by bombings. Industrial damage was principally confined to the easily repaired buildings, while debris often protected the machinery beneath. While the Russians are deindustrializing their zone, some Americans deplore the possibility of the recreation of the German war industry, once coal and transportation are available there. The Russians, dominated with the desire for security, are pressing the Allies there to take action.

American investigations of western Germany have verified the conviction of the intimate collaboration of German industries with the Nazi Wehrmacht, both domestically and outside Germany. Evidence has been uncovered which includes the industrial support of Nazis and a reciprocal reward in industrial loot, including shares in American and other foreign concerns often under neutral cloaks. Moreover, the German industrialists provided posts for Nazi spies abroad. A conspicuous case is IG Farben. Though we have taken this concern over, we have not demilitarized its war potential.

The basic safe haven problem is still unsolved. Thus the Farben's Swiss company still survives. The military, recognizing the weaknesses created on Sept. 12 under Colonel Bernard Bernstein's decision to investigate German economic concentration and foreign assets, but a mere investigation is believed to be fruitless if the German war potential is permitted to survive for a third war. Many cases of American, Swedish, Swiss and Latin American dummies of German companies are being conclusively unearthed in Frankfort. The Allies are relying on diplomacy to persuade neutrals to implement the Potsdam safe haven pronouncement, but some American diplomats will need Washington prodding.

American business men flying to Europe and to Britain will face a chaotic outlook pending the indeterminate resumption of civilian airlines. When ATC discontinues its intraeuropean revenue traffic at the end of September business men at Embassies have become virtually valueless here, and business men contemplating flying to this side of London should stay home until the situation clarifies.

NOTICE OF REDEMPTION

To the Holders and Registered Owners of

Southern Pacific Railroad Company

First Refunding Mortgage Gold Bonds Due January 1, 1955.

NOTICE IS HEREBY GIVEN that, in accordance with the terms of the said Bonds and of the First Refunding Mortgage dated January 3, 1905, executed by Southern Pacific Railroad Company and Southern Pacific Company to The Equitable Trust Company of New York, as Trustee (under which Mortgage The Chase National Bank of the City of New York is now Successor Trustee), Southern Pacific Railroad Company has elected to exercise its right to redeem, and will pay and redeem on January 1, 1946, all of the Southern Pacific Railroad Company First Refunding Mortgage Gold Bonds, due January 1, 1955, outstanding under and secured by said First Refunding Mortgage at 105 per cent. of the face value thereof, with accrued interest thereon to January 1, 1946.

On January 1, 1946, there shall become and be due and payable upon all of said Bonds, at the agency of the Railroad Company, namely, The Chase National Bank of the City of New York, Successor Trustee under said Mortgage, 11 Broad Street, New York 15, New York, the principal thereof, together with accrued interest thereon to January 1, 1946, and a premium of five per cent. (5%) upon the face value of said Bonds. From and after such redemption date of January 1, 1946, all interest on said Bonds shall cease to accrue, and the coupons for interest maturing subsequent to said date shall be and become void.

Holders and registered owners of the above-described Bonds should present and surrender them for redemption and payment as aforesaid on or after January 1, 1946, at said agency of the Railroad Company, with, in the case of coupon Bonds, all coupons maturing subsequent to January 1, 1946, attached. Coupons due January 1, 1946, may accompany said Bonds when presented for payment or may be presented for payment in the usual course. In the case of registered Bonds, where payment to anyone other than the registered holder is desired, the Bonds should be accompanied by proper instruments of assignment and transfer.

SOUTHERN PACIFIC RAILROAD COMPANY,
By J. A. SIMPSON, Treasurer.

Dated: September 26, 1945.

PREPAYMENT PRIVILEGE.

Holders and registered owners of the above-described Bonds desiring to receive prior to the redemption date payment of the full redemption price (including premium and accrued interest to January 1, 1946), may do so upon presentation and surrender of said Bonds in the manner prescribed in the foregoing notice, at The Chase National Bank of the City of New York, 11 Broad Street, New York 15, New York, the agency of the undersigned.

SOUTHERN PACIFIC RAILROAD COMPANY,
By J. A. SIMPSON, Treasurer.

Symposium on British Election

New School for Social Research Hears Views on Effects of Labor Party's Victory. Rukeyser Ascribes Labor's Victory to War Weariness and Warns That Britain's Precarious Finances Are Inconsistent With a Vast Scheme of Investment. A. Wilfred May Presides Over Proceedings.

A lively controversy over the implications of the British elections was stirred up on Tuesday evening, Sept. 25, by opposing speakers at a dinner-forum held under the auspices of the Associate Members of the New School for Social Research.

Sir Norman Angell, Nobel Peace Prize winner and former Labor Member of Parliament, delivered the principal address which is covered elsewhere in this issue of The "Chronicle," page 1453.

Merryle S. Rukeyser

A. Wilfred May

Merryle Stanley Rukeyser, economic commentator for the New York "Journal-American" and International News Service, was another speaker. He asserted that the vagaries of the program of the British Labor Party raised questions in the minds of Americans as to what we were being asked to finance.

"At a time," Mr. Rukeyser declared, "when the British Financial Mission, headed by Lord Keynes is seeking over here an advance of $3,000,000,000 to $6,000,000,000 on the ground that Britain's finances are in a precarious state, it seems inconsistent for the new majority party in Britain to be embarking on a vast scheme of investment by the Exchequer in home industries now privately owned. To do so will increase the risks and hazards which the Exchequer assumes. Certainly, from the standpoint of the predictable receipts and expenditures of the British Government, the impending socialization program does not make Britain a more inviting place for foreign investment."

According to Mr. Rukeyser the voters in the British elections were expressing war weariness as well as ideological preferences. "War exhaustion has left the British Isles with acute economic problems," he said. "Rather than face the hard realities, there doubtless was an attempt at escapism through the device of putting the Socialist label on sick industries such as coal. But such legalistic changes are not enough. Important technological changes to raise the productivity of the British miner are indicated."

"It is frivolous to assume," Mr. Rukeyser continued, "that the Socialist label, on the one hand, or money manipulation and subsidies, such as Lord Keynes advocates, on the other, will assure long-term British solvency. Instead there should be a businesslike new orientation. A fundamental national blueprint for reconstruction should be prepared. Instead of dodging the basic issues, the British should objectively face the need of exporting surplus population on the one hand, and of further cultivating home agriculture, on the other, along lines advocated by the Liberal Party in its classic study entitled "The Land and the Nation."

"As a good neighbor, we should not meddle in British internal politics," Mr. Rukeyser concluded. "However, if politics bear directly on Britain's prospective capacity to honor newly incurred financial commitments, we as a creditor cannot close our eyes to such relevant factors."

Other speakers included Dr. J. Raymond Walsh, Director, Department of Research, CIO Political Action Committee, and Redvers Opie, economic adviser to the British Embassy in Washington. Dr. Alvin Johnson, President of the New School, introduced the chairman of the evening, Mr. A. Wilfred May. Following the addresses there was a general discussion lead by Henry Hazlitt of the New York "Times"; Chaim Raphael, noted British economist; Commander Roland Robinson, Conservative member of Parliament for Blackpool, and Elisha Friedman, economist and author.

Hodge Returns to Desk At Glore, Forgan Co.

Lt.-Col. Charles J. Hodge, with the army since 1940, has returned to Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, as manager of their sales and trading departments. As Commander of the 117th Mechanized Cavalry Squadron (Essex Troop), Lt.-Col. Hodge served in the North African, Italian, French and German campaigns.

Broker-Dealer Personnel Items

(Continued from page 1459)

(Special to THE FINANCIAL CHRONICLE)

NEPTUNE BEACH, FLA.—**Alan F. Pike** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane.**

(Special to THE FINANCIAL CHRONICLE)

NEPTUNE BEACH, FLA.—**Halford W. Dupree** is connected with **Thomson & McKinnon.**

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN.—**Edward J. Rudden** has become associated with **Chas. W. Scranton & Co.,** 209 Church Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Adrian W. Miles** has joined the staff of **First California Company,** 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Andrew W. Lerios** is with **Henry F. Swift & Co.,** 490 California Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**William E. DeWitt Jr.,** and **Lawrence H. Easterling** have become connected with **Walston, Hoffman & Goodwin,** 265 Montgomery Street. Mr. Easterling was previously with Stone & Youngberg.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—**George L. Case** is with **Slayton & Company, Inc.,** 111 North Fourth Street, St. Louis, Mo.

Sees $8 Billion Income Drop in Last Half of '45

(Continued from page 1454)

for the economy as a whole has been tremendous since the first defense spending began in 1940. At the start of that year, total income payments were slightly below $80 billion. Starting with 1940, they rose 23% a year for four years, with most of the increase concentrated in three fields—manufacturers' pay rolls, agricultural income, and payments by the military.

At the end of 1943 the pattern began to change. Manufacturers' pay rolls leveled off and then began in decline slowly, even though the peak of the war effort had just been reached. Agricultural income also leveled off, though it did not enter a similar decline. Military payments kept on growing, and since they rose faster than manufacturers' pay rolls declined the total volume of income payments kept on going up until early this year.

When the war ended the effect was first and most drastically in manufacturers' pay rolls. Military pay rolls of course began to drop, but this drop was offset to a large extent by mustering-out pay. But the decline in manufacturers' pay rolls will go on for sometime to come.

This is so because of the reasons for the original rise in manufacturers' pay rolls.

Roughly half of the increase was the result in the rise in employment and in basic wage rates. The other half was due to longer hours, over-time pay and the wartime shift from low-wage to high-wage industries.

Another way of saying the same thing is to point out that there would have been a heavy increase in manufacturers' pay rolls even if the number of workers in the manufacturing industries had remained the same. The war industries, by and large, pay better than peace industries. In addition, war brought extensive overtime payments; the 40-hour week gave way to something which, on average, was much closer to 48 hours.

But with the coming of peace the whole process has gone into reverse. The shifts are occurring from high-wage to low-wage industries. At the same time, the pre-war work week is being restored. These two factors alone would cut manufacturers' pay rolls by about one-third, even if the total volume of manufacturing employment remained the same. But the total volume is going down too, even though some of it is being offset by expansion of employment in service industries.

All in all, therefore, a sharp drop in income payments, centered in the manufacturing field, is under way. Hand-in-hand with this drop is coming a drop in military pay rolls. Offsetting both, to some extent, will be expanded veterans' benefits, and unemployment compensation.

Normally, the anticipated 8 billion drop in income payments would have had a depressing effect on retail trade. For the immediate future, however, no such effect is likely to be noticed, since it will be overshadowed by the rush of consumers to buy long-wanted goods which are now beginning to appear on the market. On the other hand, expansion of retail trade to a full-employment level will be delayed as long as income and employment are curtailed.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

On Sept. 20, 1945 the stock of Home Insurance was quoted 29⅝ asked; ten years ago, at the low point in the market of 1935, it was quoted 26 asked. After adjustment for a 3.45% stock dividend in 1937, today's price is equivalent to 30⅜ and is 16.8% above the 1935 price.

It is of interest to compare the market change of two other leaders in the fire insurance field, over the same ten year period, viz.: Hartford Fire and Insurance Co. of North America. The comparison is as follows:

	April, 1935 Low	Sept. 20, 1945	% Change
Home	26	30⅜ (Adj.)	16.8
Hartford Fire	61¼	112	82.9
Ins. of N. A.	53⅞	99½	84.7

It is also interesting to compare the growth in liquidating values that has taken place over the period, as shown in the following figures:

LIQUIDATING VALUE PER SHARE

	Dec. 30, 1935 $	Dec. 30, 1944 $	% Change
Home	29.13	32.13 (Adj.)	10.3
Hartford Fire	69.90	113.46	62.3
Ins. of N. A.	77.76	120.13	54.5

The discrepancy between Home's record and that of the other two is startling, and will bear some investigation. Three tabulations are therefore presented which show the ten year earnings records of each company. All figures are on parent company basis. Home's record is shown in Table 1, as follows:

TABLE I
HOME INSURANCE CO.

	Total Net Under. Profits	Total Net Inv. Inc.	Total Fed. Taxes	Total Net Operating Profits	Total Dividends
1935	$3,797,000	$3,114,000	--------	$6,911,000	$5,580,000
1936	884,000	5,178,000	--------	6,062,000	3,625,000
1937	527,000	5,451,000	--------	5,978,000	4,760,000
1938	2,354,000	4,331,000	--------	6,685,000	4,800,000
1939	2,677,000	4,560,000	$1,326,000	5,911,000	4,800,000
1940	721,000	4,925,000	205,000	5,441,000	4,800,000
1941	1,422,000	5,259,000	--------	6,681,000	4,800,000
1942	—173,000	4,873,000	2,152,000	2,548,000	4,800,000
1943	5,288,000	4,345,000	2,734,000	6,899,000	4,800,000
1944	764,000	4,318,000	505,000	4,577,000	3,600,000
Total	$18,261,000	$46,354,000	$6,922,000	$57,693,000	$46,365,000

It will be observed that dividends have been earned 1.25 times, and that total net operating profits exceed them by $11,328,000, which amount has been ploughed back over the years to increase stockholders' equity and to provide additional capital funds for investment. Despite this, the trend of investment income since 1936 has been downward. It is of interest to note that the aggregate undistributed earnings are equivalent to $3.77 per share, compared with a growth in liquidating value of $3.00 per share.

The record of Hartford Fire Insurance Co. is shown in Table II, as follows:

TABLE II
HARTFORD FIRE INSURANCE CO.

	Total Net Under. Profits	Total Net Inv. Inc.	Total Fed. Taxes	Total Net Operating Profits	Total Dividends
1935	$4,789,000	$2,616,000	$586,000	$6,819,000	$3,000,000
1936	2,569,000	2,584,000	712,000	4,441,000	2,400,000
1937	4,168,000	2,727,000	716,000	6,179,000	2,400,000
1938	3,048,000	2,740,000	683,000	5,105,000	2,400,000
1939	2,333,000	3,192,000	536,000	4,989,000	3,000,000
1940	2,847,000	3,452,000	534,000	5,765,000	3,000,000
1941	3,945,000	3,600,000	536,000	7,000,000	3,000,000
1942	2,699,000	3,638,000	1,470,000	4,867,000	3,000,000
1943	4,696,000	3,881,000	1,799,000	6,778,000	3,000,000
1944	2,746,000	4,255,000	938,000	6,063,000	3,000,000
Total	$33,840,000	$32,685,000	$8,510,000	$58,015,000	$28,200,000

Hartford's dividends have been earned 2.05 times, and total undistributed earnings over the period have aggregated $29,815,000, equivalent to $24.85 per share. Net investment income has shown a steady increase over the period, and in 1944 was approximately 63% above the 1935 figure.

In Table III the record of Insurance Company of North America is presented:

TABLE III
INSURANCE COMPANY OF NORTH AMERICA

	Total Net Under. Profits	Total Net Inv. Inc.	Total Fed. Taxes	Total Net Operating Profits	Total Dividends
1935	$2,702,000	$3,098,000	--------	$5,800,000	$3,000,000
1936	940,000	3,487,000	--------	4,427,000	3,000,000
1937	1,588,000	3,748,000	--------	5,336,000	3,000,000
1938	1,168,000	3,277,000	--------	4,445,000	3,000,000
1939	1,371,000	3,803,000	$352,000	4,822,000	3,000,000
1940	1,998,000	4,262,000	652,000	5,608,000	3,300,000
1941	2,077,000	4,435,000	591,000	5,921,000	3,600,000
1942	59,000	4,604,000	271,000	4,392,000	3,600,000
1943	4,192,000	4,801,000	1,564,000	7,429,000	3,600,000
1944	2,474,000	4,185,000	1,205,000	6,454,000	3,600,000
Total	$18,569,000	$40,700,000	$4,635,000	$54,634,000	$32,700,000

Dividends by North America have been earned 1.67 times on a parent company basis, which, though not as favorable a ratio as Hartford's, is considerably better than that of Home. Heavy war ocean-marine losses in 1942 cut rather deeply into underwriting operations. The aggregate amount of undistributed earnings is equivalent to $18.28 per share. Investment income shows, as in the case of Hartford, a strong upward trend.

It is also of interest to note that Home's underwriting record is exceptionally erratic and that total underwriting profits for the ten years aggregated only 39.5% of total net investment income. Hartford, on the other hand, has a relatively steady underwriting record, with total underwriting profits fractionally exceeding total net investment income. Insurance Company of North America occupies a middle position, having a fairly steady underwriting record, except for the years 1936 and 1942, and with total underwriting profits over the period aggregating approximately 45.5% of investment income.

At current prices, Home's dividend yield is 4%, Hartford Fire yields 2.25% and Insurance of North America 3.0%. Relatively speaking, Home is a high-yield stock, while Hartford and North America are equity-growth stocks. You pay your money and you take your choice. (All earnings figures have been obtained from the 1945 edition of Best's Digest of Insurance Stocks.)

Halsey Stuart Offers Seaboard Air Line Ctfs.

Halsey, Stuart & Co., and associates submitted the only bid for an issue of $3,810,000 of Seaboard Air Line Ry. equipment trust certificates, naming a price of 99.05 and a rate of 2%.

Re-offering was made on Sept. 26 at prices to yield 0.90 to 2.40% for April 1 and Oct. 1, 1946 to 1960 maturities, subject to approval by the ICC and formal award by the company.

William P. Bunyan Is With Edgerton Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William P. Bunyan has become associated with Edgerton, Wykoff & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Bunyan was formerly a partner in Maxwell, Marshall & Co., with which firm, and its predecessors, he was connected for many years.

Dillon, Read Underwrite General Mills Pfd.

Holders of subscription warrants of General Mills, Inc., largest flour milling and one of the largest package cereal companies in the United States, subscribed for a total of 93,091 shares of a new issue of 100,000 shares of 3⅜% convertible preferred stock under the company's subscription offer extended to common stockholders of record at the close of business Sept. 7. The subscription warrants expired Sept. 19.

Under the company's offer, common stockholders of General Mills, Inc. were privileged to subscribe at $100 per share for one share of the 3⅜% convertible preferred for each 20 shares of common stock held after giving effect to the three for one split-up of common stock approved by the shareholders Aug. 21.

Dillon, Read & Co. Inc., headed a group of investment houses which underwrote the issue. The unsubscribed 6,909 shares have been taken up by the underwriters.

Westvaco Pref. Shares Offered at $100 per Sh.

An investment banking group headed by F. Eberstadt & Co. on Sept. 21 offered to the public 56,018 shares of $3.75 cumulative preferred stock (no par) of the Westvaco Chlorine Products Corp. at $100 a share and accrued dividends. The offering is the portion of a total issue of 97,000 shares remaining following expiration of an exchange offer by the company to holders of its outstanding $4.50 preferred and $4.25 preferred stocks. The proceeds of the financing will be used to redeem on Nov. 2, all of the $4.50 and $4.25 preferred shares not exchanged.

The new $3.75 preferred is redeemable at $104 a share prior to Nov. 1, 1950, and at $102.50 a share thereafter. A purchase fund of $145,000, or 16% of consolidated net income, whichever is greater, is to be set aside annually for the purchase of new preferred stock at prices not exceeding $101 a share. Westvaco Chlorine's outstanding capitalization, after giving effect to this financing, will consist only of 97,000 shares of $3.75 preferred stock and 353,132 common shares.

Henry Welsh Back at Desk With Lilley

PHILADELPHIA, PA.—Henry C. Welsh is back at his desk at Lilley & Co., Packard Building, after serving 38 months in the U. S. Navy as Lieutenant Commander.

Mr. Welsh was last assigned to the International A Division with the Navy Department in Washington in connection with lend-lease and reverse lend-lease. He had previously been in charge of the fleet service section in Philadelphia. He was associated with Lilley & Co. for 20 years prior to the war.

Releasing Price Controls

(Continued from first page)

war in effect brought about practically an unlimited demand for materials that were often very limited in supply. There was a point beyond which even the highest prices could not have stimulated increased production of these materials. But if we had fixed merely the prices of materials and services needed to fight the war, we could have brought about precisely the opposite of the real end that we were seeking. For we were trying to achieve the greatest possible volume of war output. We were trying to keep down ordinary civilian production to the lowest possible level consistent with national health and efficiency. If we had limited merely the price of war goods, or merely the price of the necessities of life, then we would have limited the wages and profits of those who were making those goods without limiting the wages and the profits of those who were making nonessentials and luxuries. The ultimate result of such a policy, if no other controls had been adopted, could have been to discourage the production of war goods and civilian necessities and to stimulate the output of nonessentials and luxuries. This was precisely the opposite of what we were trying to do. The case for the control of the prices of war essentials, therefore, could plausibly be stretched to a case for the control of all prices and all wages.

Both the case for narrow and and the case for broad price control, however, whatever their merits may have been in wartime, completely disappeared on the day that Japan capitulated. From that moment there has been only one real question. What is the best method of terminating the wartime controls and returning to a free peacetime market economy?

So many miracles were expected of price control, so many miracles are still expected of it, that it is worth our while to examine for a moment precisely what it does. And so that this examination may be fair, I shall assume that this price control is administered without any intentional favoritism to or discrimination against any group, and without a taint of politics. I admit that such a premise is apt to seem a little academic to some of you, but I think we ought to make it to clarify our thought.

Now there is no point in assuming a price control that would fix prices exactly where a free market would place them in any case. That would be the same as having no price control at all. We must assume conditions as they were during the war and as they are now. That is, we must assume that the purchasing power in the hands of the public is greater than the supply of goods available, and that prices are being held down by the OPA below the levels to which a free market would put them.

Now we cannot hold the price of any commodity below its market level without in time bringing about two consequences. The first is to increase the demand for that commodity. The second is to reduce the supply of that commodity. If we did nothing else, the consequence of the price-fixing, therefore, would be to bring about a shortage of that commodity. To mitigate that consequence we must ultimately take a further step, which is for the Government to say who shall have priority in buying that commodity, or to whom and in what quantities it shall be allocated, or how it shall be rationed. If a rationing system is adopted, it means that the Government is trying to do, by coupons or points, part of the job that a free market would have done through prices. I say only part of the job, because it merely limits the demand without also stimulating the supply, as a higher price would have done.

Now price-fixing may seem to be successful for a short time. It can seem to work well for a while in wartime when it is supported by patriotism and a sense of crisis. But the longer it is in effect the more its difficulties increase. When prices are arbitrarily held down by Government compulsion, demand is chronically in excess of supply. If you ration one commodity, and the public cannot get enough of it, though it still has excess purchasing power, it will turn to some substitute. The rationing of each commodity as it grows scarce, in other words, must put more and more pressure on the unrationed commodities that remain. If we assume that we can and do prevent black markets, therefore (and I confess that is a rather large assumption), continued price control would drive us to the rationing of more and more commodities. This rationing cannot stop with consumers. In war it did not stop with consumers; it was applied first of all, in fact, in the allocation of raw materials to producers.

The natural consequence of a thorough-going over-all price control which would seek to perpetuate a given historic price level, in short, whether that of 1942 or any other past year, must ultimately be a completely regimented economy. Wages would have to be held down as rigidly as prices. Labor would have to be rationed as ruthlessly as raw materials. The end result would be that the Government would not only tell each consumer precisely how much of each commodity he could have; it would tell each manufacturer precisely what quantity of each raw material he could have and what quantity of labor. Competitive bidding for workers could no more be tolerated than competitive bidding for materials. The result would be a completely petrified totalitarian economy, with every business firm and every worker at the mercy of the Government and with a final abandonment of all the traditional liberties that we have known. For, as Alexander Hamilton pointed out in the Federalist Papers a century and a half ago, "A power over a man's subsistence amounts to a power over his will."

This is a dark picture; but it must be remembered that I have been describing perfect, long continued, and nonpolitical price control. Abroad, some of the more fantastic errors of the bureaucrats have been mitigated by the black market. And at home it is obvious that we have not had and are not going to have nonpolitical price control. I shall deal, therefore, with the actual price-control program as it has been outlined by the President, by Mr. John W. Snyder, by Mr. William H. Davis, the Director of Economic Stabilization, and by my fellow guest tonight, Mr. Chester Bowles, the Administrator of the OPA.

Mr. Davis the other day gave out a most remarkable lecture on economics to the Washington reporters. It appears from this that he will soon issue new wage-price regulations intended to permit substantial wage increases without, however, affecting the general price level. When the question was raised whether wage increases would not automatically increase the prices of commodities, Mr. Davis replied that such thinking was fallacious economic reasoning. Wages, he assured his listeners, are not a major part of costs. At all events, the Government's postwar economic policy is to raise wages 40% to 50% within the next five years without increasing the cost of living. Under the new wage-price policy, the War Labor Board is to be asked to consider how a given wage increase will affect costs. The OPA will be asked to determine whether a wage increase requires a price increase or whether it can be "absorbed." The OPA will be forced to cancel any voluntary wage increases made under the new wage policy if an employer subsequently comes to the Government and requests higher prices.

A Policy of Black Magic

One hardly knows where to begin in analyzing such black magic. Imagine, for example, how simple and easy it would be (and what a wonderful contribution to labor harmony) first to grant a wage increase and then, when the employer asked for a price rise, to reduce wages again! To allow the OPA to decide, without the most rigid standards, whether a manufacturer could add a wage increase to prices or whether he would have to absorb it in profits would put every manufacturer at the mercy of bureaucratic discrimination or caprice.

And on what basis will it be decided how a given wage increase will affect prices? Every company has a different margin of profit per unit of production, depending on its relative efficiency, location, volume of output, and countless other factors. One company could absorb a wage increase that would put its competitor out of business. Is each company then to pay different wages? And will the workers getting less than the highest wages paid in a given industry or geographical section be expected placidly to accept such a program?

The truth is that the WLB and OPA are being asked to decide something that cannot be decided by anything but an open competitive market economy. The formula of granting an increase in wages wherever it will not require an increase in prices is, in fact, neither determinable nor workable. It is a political, not an economic formula. It would place in a handfull of appointed officials the power of making or

(Continued on page 1467)

Mutual Funds

Selectivity Plus Vigilance

If an investor doubts the need for continuous supervision of investments we suggest that he read the summary of an article by Thomas S. Gates, Chairman, University of Pennsylvania, presented by **Selected Investment Co.** in a current memorandum on **Selected American Shares.**

Mr. Gates points out that an investment in the Government bonds of the six strongest nations at the turn of this century would, in the short space of 20 years, have resulted in a total loss with respect to half of the investment and a partial loss with respect to that portion in French Government bonds.

Citing another example, Mr. Gates shows that had an investor placed his funds in the 20 common stocks which comprised the Dow-Jones Industrial Average in 1924 his position today would be unsatisfactory. Two of the 20 corporations have in the meantime been reorganized with a large loss to the stockholders; only six of the 20 have maintained dividend payments without interruption; two have paid no dividends in 10 of the last 20 years and only nine of these corporations are sufficiently representative to be included among the Dow-Jones Thirty Industrial Stocks today.

"We are compelled to conclude that capital cannot be preserved either by broad diversification of risk or by the purchase of securities which in the judgment of informed men represent sound investments at any one given time. It is only by the application of unremitting attention and the exercise of continuous sound judgment that the original value of the principal can be maintained or increased."

* * *

Selected Investments Co. reports total net realized profits of almost $350,000 for **Selected American Shares** in the first eight months of this year, with an additional net unrealized appreciation in the portfolio amounting to approximately $2,900,000. The Directors of **Selected** have decided to set aside a special reserve of $300,000 in U. S. Treasury bonds for "possible capital profits distribution" and should additional profits be realized between now and the end of this year this reserve will be increased accordingly.

"From Pearl Harbor to Peace"

The Parker Corporation in a letter on **Incorporated Investors** analyzes the performance of 15 standard stocks chosen by a leading financial publisher during the period from Pearl Harbor (12/7/41) to VJ Day (9/2/45). In this period the stocks analyzed showed percentage gains ranging from a high of 212% to a low of 18.1%, with an average gain of 67.6%. In the same period **Incorporated Investors** recorded a net gain of 148.8%. Only three of the stocks did as well as the shares of **Incorporated Investors** which outperformed the 15 stocks, taken as a group, by better than two to one.

Wellington Fund

"Is Management Important?" asks **W. L. Morgan & Co.** in a letter on **Wellington Fund,** and then goes on to answer the question as follows:

"Good management is just as important in handling investments as it is in operating such successful companies as General Motors, American Telephone and duPont. The average investor needs expert financial advice just as much as he needs the advice of a doctor or a lawyer. Good investment results are not secured from diversification alone. You need expert management, too!"

A measure of the long-term management record of this fund is given by a comparison of its performance during the war period from 1939 to 1944. During this period the shares of Wellington Fund showed a gain of 218% compared with 140% for the Dow-Jones Composite Average.

Angle

Lord, Abbett's current Investment Bulletin on **Affiliated Fund** contains an interesting "angle" chart showing the course of the present bull market in comparison with that of the last two major bull markets. Both in point of time and rate of climb the previous bull markets far outdistanced the performance of the present bull market to date.

Lord, Abbett concludes, "So far the 1942—? pattern corresponds very closely to the 1921-1929 record. If the present trend is to conform to these precedents it will not only have to continue upward, but also at a considerably more rapid rate."

Common Stock Earnings

Keystone Corporation devotes the current issue of Keynotes to an analysis of common stock earnings assuming elimination of the excess profits tax. Figures are given for the four **Keystone Stock Funds** showing 1944 earnings after present taxes and the same earnings adjusted to eliminate the excess profits tax.

	1944 Earn. After Present Taxes	Adj. to Elim. E.P.T.
30 High Grade Common Stocks (S-1)	$4.92	$7.96
40 Income Common Stocks (S-2)	3.80	6.57
40 Appreciation Common Stocks (S-3)	4.07	10.18
50 Low-Priced Common Stocks (S-4)	2.08	4.50

Inflation Dangers

National Securities & Research Corporation states flatly that the inflation danger is not past in its current issue of National Notes. A chart showing the price rise during and after the first World War as compared with the price rise which has taken place in this war shows, significantly, that 20% of the World War I price rise occurred after hostilities ceased. Should we have a similar experience this time it is obvious that the inflation danger is still with us.

Generous Income

"In the last 12 months," writes **Distributors Group, "Institutional Bond Shares** paid regular dividends equivalent to 3.7% plus extra dividends of 1.2%, for a total return of 4.9% on the current offering price." The sponsor adds that in these days of declining income from quality investments, income at this generous rate from a broad and continuously supervised portfolio of New York "legal list" bonds should be highly attractive.

Manhattan Bond Fund

Hugh W. Long & Co. has issued an important dividend notice to all stockholders of **Manhattan Bond Fund.** In addition to the regular quarterly dividend of 10¢ per share payable Oct. 15, 1945 to stock of record Sept. 29, the Directors have declared a special fiscal year-end capital gain dividend of 75¢ a share. This capital gain dividend is payable at the option of the shareholder either in cash or in capital stock of the fund at its asset value.

The sponsor believes "it is to the advantage of the great majority of shareholders to receive additional stock and maintain their investment at its full level." A detailed discussion of the reasons for this conviction is contained in a printed folder addressed to stockholders.

Fidelity Fund

Paul H. Davis & Co. reports that Mr. Edward C. Johnson 2d has recently resigned as vice president of **Incorporated Investors** in order to devote his entire time to the presidency of **Fidelity Fund.** Folders giving the historical record and the current portfolio of Fidelity Fund accompany the announcement. This fund, which was founded in 1930, had 310,855 shares outstanding on June 30 this year, comprising a total net asset value of $7,743,463 on that date.

Thirteen Years Old

Calvin Bullock's bulletin on **Dividend Shares** comments on the 13th anniversary of this fund, which now has assets totalling more than $55,000,000.

"In these 13 historic years the total cash dividends paid to shareholders have amounted to $26,521,820, of which $9,179,772 was from profits realized from sales of securities owned by the Company."

Timing

Hare's Ltd. has published a new folder on the shares of **Institutional Securities, Ltd.** emphasizing the thesis that these shares "provide timing in the selection of that type of securities which is currently most desirable; security selection based thereon and daily supervision by experienced investment personnel." **Massachusetts Investors Second Fund**—This fund's quarterly report shows an increase in total net assets at the close of August this year to $12,605,500 compared with $10,636,616 a year ago.

Mutual Fund Literature

National Securities & Research Corp.—Current issue of Investment Timing continuing its discussion of the impracticability of the full employment bill. . . . **Calvin Bullock**—September issue of Perspective discussing "A Comparative Study of Economic Conditions World Wars I and II." . . . **Broad Street Sales Corp.**—September letter on **National Investors** and **Broad Street Investing Corp. . . . Distributors Group**—Current issues of Industrial Machinery News and Steel News; revised basic folders on **Industrial Machinery Shares** and **Steel Shares. . . . Selected Investments Company**—Current issue of "These Things Seemed Important."

Dividends

Massachusetts Investors Trust—A quarterly dividend of 20¢ a share payable Oct. 20, 1945 to shareholders of record Sept. 28.

Business Man's Bookshelf

Directors and Their Functions—John Calhoun Baker—Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—paper—$2.50.

Guideposts to a Free Economy—Harley L. Lutz—McGraw-Hill Book Co., Inc., New York City—$2.00.

Private Monopoly—David Lasser—Harper & Brothers, 49 East 33rd Street, New York, N. Y.—cloth—$3.00.

Should Price Control Be Retained?—Harold G. Moulton and Karl T. Schlotterbeck — The Brookings Institution, Washington 6, D. C.—paper—50¢.

South American Handbook—Annual guide and book of reference to the countries, products, trade and resources of Cuba, Mexico, Central and South America—The H. W. Wilson Co., 950-72 University Ave., New York 52, N. Y.—fabrikoid—$1.25.

State Aid and Shared Taxes in New York State—Citizens Public Expenditure Survey of New York State, 100 State Street, Albany 7, N. Y.—paper.

Releasing Price Controls

(Continued from page 1465)

breaking any given labor union or business firm by granting or withholding a wage increase or price increase. Its effects are already evident in the demands of the automobile unions for a 30% hourly increase in wages, even above the wartime level, together with an insistence that there must be not a penny increase in the price of cars or of anything else.

As for Mr. Davis's opinion that wages are not a major part of costs, one may get a rough estimate of the truth by recalling that in the 15 years from 1929 to 1943 wages and salaries accounted for an average of 69% of the national income. These wages and salaries had to be paid out of the national product. If we carry the analysis far enough, indeed, practically all costs can ultimately be traced to labor costs, past or present. The real fallacy is to look only at the labor costs of a particular firm. But the cost of its raw materials, its machinery, transportation, light, heat and power (assuming that these are supplied from the outside), must in turn be broken down into labor costs of other firms.

To promise to raise wages and to keep down prices would no doubt be the ideal political formula—if it could be made to work. To prove that it can, Mr. Davis points triumphantly to an increase of average hourly wages from 47 cents to $1.02 from 1919 to 1944, with the cost of living virtually unchanged. But this improvement required 25 years. It reflected the increase in labor productivity in the meantime. We can continue to raise wages in relation to prices only by a continued increase in labor productivity, brought about by a progressive market economy. But Mr. Davis wants Government officials to get the credit for this progress. A hasty effort, however, to raise wages and keep down prices by Government edict, faster than this increase in productivity can take place, can only work to wipe out profit margins, to create uncertainty, to reduce production and to bring about the very unemployment that the Government most wishes to prevent.

Wage Increases and Gradual Decontrol

We have heard a great deal of talk of the need of emerging from price control "gradually." I confess that I am a little suspicious myself when I hear this word. It can too easily become an excuse for harmful delay but I do think there was a good deal to be said in favor of an orderly and properly synchronized release of price controls. With the virtual removal of the controls over wages, however, this orderly and synchonized removal of price controls is no longer possible. By encouraging wages to rise while sitting on prices we can only reduce production and create unemployment. The Government's wage policy, in short, has made it necessary to get rid of price-fixing with the least possible delay.

It should immediately, therefore, abandon completely any attempt at overall price-fixing. It should not attempt for a day longer to fix the price of any luxury or semi-luxury. It should not attempt to fix the price of any article that was out of production during the war. The OPA's reconversion price-fixing formulas are complicated, unrealistic and unfair. They can only have the effect of holding up reconversion, of delaying, not stimulating, production. But I do not believe these formulas should be revised; I think they should be abandoned altogether. If they are applied to a multitude of small companies they cannot be enforced, and in the case of really large companies they are altogether unnecessary. Companies like Ford and General Motors, like Westinghouse and General Electric and scores of others, depend utterly upon public good will. They cannot afford to exploit shortages. They must price as closely as they can in any case, but they ought to be free to make their own decisions in the light of their own intimate and immediate knowledge of what the situation is. The whole plan of reconversion pricing, in fact, ignores the enormous role of competition in controlling prices and bringing them down toward the lowest workable long-term level.

An immediate abandonment of price-fixing in the reconversion and luxury field would simplify the task of OPA enormously. It would reduce it to controlling only the most necessary cost-of-living items, and a few other items still being rationed. Even on these it should no longer make any rigid effort to "hold the line." Rather the Government should give way month by month in allowing moderate increases in prices, liberalization or removal of the rationing that remains, and tapering off or removal of subsidies. If this program is well managed, the OPA could get rid of 75% of its present price-fixing job before the end of this calendar year. It could liquidate practically all the rest well before June 30 of next year when its present legal life expires. If it is still thought necessary to control home rents in existing houses and apartments—and I shall not now discuss the wisdom of this — the states and localities can be warned well in advance that it is for them to take the job over.

Fight Causes of Inflation!

But, it will be asked, how are we going to fight inflation? How are we going to prevent a runaway price rise? The answer to this is that there is no safe or workable way to fight inflation except to stop the basic cause of inflation. That cause is Government deficit financing. This deficit financing leads to heavy Government borrowing from the banks. This Government borrowing from the banks puts into circulation added bank deposits and added currency. It means, in other words, a constant increase in the supply of money in relation to the supply of goods. That must inevitably reduce the value of money in relation to the value of the goods. We can put the matter in another way by saying that the Government is increasing the volume of monetary purchasing power in relation to the volume of goods. It is the Government's own policy, in short, that is forcing up prices. During the war it could be argued that this whole process was in large part beyond the Government's control. But now at last we are in a position to start bringing the federal budget into balance. The sooner we do it the sooner we can solve the problem of inflation. And there is no other way.

Certainly we cannot solve the problem by more deficit financing, by continuing to pump new money or to pour new excess purchasing power into the economic system at one end and then sitting on prices at the other. That is like pumping gas into a balloon and trying to keep the balloon from expanding. If you hold it at one part, it merely expands all the more somewhere else. By trying to sit on the lid, by trying to control inflation through holding prices, you merely put the national economy in a strait-jacket and bring about mass unemployment.

Mr. Bowles and other Government officials have frequently set two criteria for terminating price control. They have said — and I quote from President Truman's message to Congress of Sept. 7—that they will "eliminate rationing and price controls on one commodity after another just as soon as supply comes into balance with demand." But this overlooks that the very price control itself, as long as the basic causes of inflation continue, will prevent supply from catching up with demand. It is precisely the function of free prices in a free market to bring supply and demand into balance. But a price below the free market price must encourage excessive buying at the same time as it discourages production. So if we adhere to this criterion, we never will terminate price control. The other criterion often announced by OPA officials is that price controls will be terminated "as soon as the danger of inflation is past." But this again is a criterion that would mean perpetual price control. The danger of inflation will not be past until deficit financing is brought to a halt; and even when that happens prices will have to catch up with the level that the excess purchasing power in existence has already made inevitable.

To continue the budget deficit any try to cure inflation by price control is to continue the basic causes of inflation while trying to prevent the symptoms. It is like increasing the patient's fever while trying to make him look as good as ever by holding the thermometer down to normal. To the extent that this policy is not counteracted by a growth in black markets, it means that profit margins will be cut or wiped out, that reconversion will be delayed, that production in many lines will be discouraged, that unemployment will be created by the Government's own policy.

We are told finally, that we must have continued price control, even though the war is over, to prevent the kind of violent price fluctuations that took place immediately after the last World War. Now this view involves several mistaken assumptions. It assumes that unless we control prices the pattern of price changes now will be essentially the same as the pattern from 1919 to 1921. This assumption is not justified, however, unless it can be shown that the conditions affecting prices in the present period are essentially the same as those that existed from 1919 to 1921. There are even a number of factual misconceptions in this comparison. For example, one frequently hears it said that there was a 40% to 50% increase in commodity prices after the last war. Actually the advance of wholesale prices from the high point of the war in November, 1918, to the high postwar point in May, 1920 was only 21%.

The pattern of prices after the last war, moreover, was determined by the policies followed after the last war. It is true that prices were carried up in part by speculative excesses and by inventory hoarding. But the memory of the bad consequences to the speculators and inventory hoarders of 1920 will themselves tend to prevent the repetition of that particular error.

The main reason for the 1920 boom, however, seems to me to have been of a different nature. After the last war the United States Treasury continued to make advances to its European Allies of several billions of dollars. At the same time private individuals, banks and corporations extended an unfunded debt to Europe to a total of more than $3,500,000,000. Together these Government and private loans financed an excess of exports to Europe between the end of 1918 and September of 1920 of $6,600,000,000. It was this export boom financed by credit that mainly led to the 1920 price rise. In addition there was a great wave of wage increases which carried wages far beyond even war levels. When the export boom, based on credit, came to an end, prices here began to drop.

It is naive and unrealistic to believe that we could have cured all this merely by fixing prices and not doing anything about the causes that were working on prices. The result of such a course in 1919 would probably have been to make the situation much worse than it was. It might have discouraged the increased production that helped to bring the price rise to a halt. It would have been even greater folly to try to prevent the fall of prices in 1920. Prices were then merely adjusting themselves part way back to the prewar level. While it is desirable to have price stability, it is much more desirable to have maximum production and maximum employment. To fix prices below the point where a free market would place them, discourages production by cutting off profit margins. To fix prices above where a free market would place them, discourages consumption and hence production. Thus both price ceilings and price floors reduce production and bring about economic strains and maladjustments.

What does all this lead to? It leads, it seems to me, to only one conclusion. We can solve the danger of postwar inflation, not by price-fixing, but only by a return to prudent Government spending and by a return to a free market economy.

Canada Early Wheat Grading Satisfactorily

The Bank of Montreal's weekly survey of crop conditions in Canada dated Sept. 20 says that early wheat returns are grading satisfactorily except in the dry areas but the quality of unthreshed grain may be lowered in sections where excessive moisture has lately been reported. The Bank reports that wet weather continues to delay harvesting over most of the Prairie Provinces. Cutting, it say, is nearing completion and threshing is well under way in Southern and Central areas. Frosts in Northern Saskatchewan have occasioned little damage, according to the Bank's report. Wheat production in the Prairies is estimated at 297,000,000 bushels compared with 410,600,000 in 1944, and coarse grains at 430,-991,000 bushels compared with 556,309,000.

In the Province of Quebec, says the report, the harvesting of a satisfactory grain crop is well advanced and threshing is general in most districts. In Ontario threshing of spring grains has been practically completed with below-normal yields generally reported. In the Maritime Provinces harvesting of a below-average grain crop of fairly good quality is well advanced. In British Columbia cooler weather has prevailed during the last two weeks, with some rainfall in the lower mainland.

Wedd Elected V.-P. of Bank of Commerce

TORONTO, ONT., CANADA—Stanley M. Wedd, General Manager of The Canadian Bank of Commerce, has been elected a Vice President of the bank.

Canadian Securities

By BRUCE WILLIAMS

The economic pointer still swings northward. Further confirmation of the depletion of commercial sources of supply of minerals in this country is given in the recent report of the Interior Department. This development, however, is by no means tragic. Canada's almost inexhaustible untapped resources can fill the breach. Moreover, as the Dominion's mineral deposits are largely located in the Laurentian Shield, which is also the seat of Canada's unrivalled hydro-electric power, this region is the lowest cost source of supply in the world.

This greater dependence on imports of raw materials can also prove to be by no means a detrimental factor. It can be instrumental in creating a more natural balance in this country's international commerce, and its economic benefits can far surpass those secured by the more or less artificial absorption of foreign gold and silver.

In this connection the recent boost in the price paid for foreign silver will aid Canadian producers of the metal, and notably Consolidated Mining and Smelting Co. This further enhances the bright prospects of this company, which is the world's largest low-cost producer of lead and zinc, and in the past few years has greatly increased its output of sulphur, sulphuric acid and fertilizers, in addition to making a large contribution to the United Nations' supply of mercury.

Its strong basic position is further aided by the company's far-flung interests in newly discovered gold fields, which will be developed as soon as labor and machinery are available.

The promising position of Consolidated Mining and Smelting Co. directs favorable attention to Canadian Pacific Railway stock. Owning a 51% interest in Consolidated Mining & Smelting, this vast Canadian transportation system, which is an integral part of the Dominion economy, can not fail to participate largely in Canada's inevitable tremendous expansion.

Turning to the market for the past week, previous latent strength was translated into greater activity. As anticipated, following the call of the Dominion 3s of 1968, high grade externals were firm but offerings were negligible. There is very little doubt that the replacement problem in this section will become increasingly acute.

There was a resumption of demand for Montreals, which still appear to have scope for considerable improvement. Albertas were active but there was little change in price. It is expected that the proposed public offering in this country in connection with the Alberta refunding plan will shortly be filed for registration with the SEC.

Internals were dull and free funds fluctuated narrowly around 10%. The terms of the $1½ billion Ninth Victory Loan showed no departure from previous policy of maintaining the low interest pattern by extending the maturity instead of decreasing the coupon. Consequently, the offerings include the customary 1¾% and 3% bonds maturing in five years and 20 years and 10 months, respectively.

With regard to future prospects, the only unfavorable feature of the market for external bonds is the scarcity of supply which will curtail activity. Any large scale replacement orders in connection with the redemption of the Dominion 3s of 1968 and anticipation of the possible call early next year of the 3s of 1953, 1958 and 1967, will be difficult to satisfy and only demand at higher prices will stimulate the supply. The internals section is likely to remain dull until the currency situation is further clarified.

Bond Club of N. J. To Hold Field Day

The Bond Club of New Jersey will hold its annual field day on Friday, Sept. 28, at the Rock Spring Club, West Orange, N. J. The outing is for members only. Golf, softball, horseshoes, riding, swimming, luncheon and a dinner will be features.

Committee in charge of arrangements consists of: John J. Schermerhorn, Milliken & Pell; C. M. Haight, Jr., Tripp & Co.; J. William Roos, MacBride, Miller & Co.; P. S. Russell, Jr., Glore, Forgan & Co.; John J. Ryan, J. B. Hanauer & Co.; Richard F. Saffin, Boland, Saffin & Co.; and Laurence W. Souville.

Officers of the club are: William C. Rommel, J. S. Rippel & Co., President; Frank R. Cole, Campbell, Phelps & Co., Vice-President; Alexander Seidler, Jr., Julius A. Rippel, Inc., Secretary; and J. William Roos, Treasurer.

OUR REPORTER'S REPORT

Circumstances surrounding this week's second large piece of refinancing by the American Telephone & Telegraph Co., involving $160,000,000 of 2¾% debentures, gave the investment world a good insight into the current market as it compares with conditions prevailing previous to the surrender of Japan in mid-August.

The Treasurer of the company, in commenting on the terms of the first sale, expressed a bit of disappointment that the issuer had not received a bid of at least "par" for its debentures. The high bid at that time was 99.559 and the reoffering price to the public was fixed at par for the $175,000,-000 total.

This time, on the slightly smaller undertaking, the company again received two bids of which the higher was 99.8199, a shade better than two months ago, but still not quite in keeping with the hopes of the company's fiscal boss. The reoffering price was fixed at 100¼ and the bankers reported the entire issue placed in considerably less than an hour, setting a record for an undertaking of such proportions.

The slightly better price, which cut the underwriters' spread to around $4.30 a $1,000 bond from $4.40 on the earlier occasion, probably reflected the lesser proportions of the business.

As far as the investment world is concerned, however, the operation indicated clearly that the shift from war to peacetime conditions has not changed the status of high grades. Investment funds are still around and since the bulk of new financing coming to hand represents refunding, the supply of new securities of such type, outside U. S. Treasuries, is if anything, inclined to taper off a bit.

Closing Big Month

This week brings to a close one of the biggest months in recent years in the field of corporate underwritings, with the total of new issues offered having been exceeded only in July last when more than $1,000,000,000 of new offerings reached market.

Including Union Pacific Railroad's $81,620,000 of refunding mortgage bonds, series B, on which bids were opened yesterday, the total for the month was expected to approximate $770,-000,000 provided, of course, no rail or other issue, momentarily unscheduled, develops before next Monday.

American Telephone's financing stands as the biggest single undertaking for the period, with Southern Pacific's $125,000,000 refinancing running a close second, and Consumer's Power's $113,825,-000 issue standing well up near the top.

October Holds Promise

October bids fair to run the current month a close race, in point of volume, as corporates push to get their refunding operations through in advance of the Victory Loan Drive scheduled to start about a month hence.

Already there is a potential backlog of close to $500,000,000 in new issues slated to move to investors in the next three weeks or so. This total includes a prospective issue of around $135,000,000 of revenue bonds by Public Utility Districts of the State of Washington.

This operation, if it materializes, as now expected, would involve the transfer to public ownership of the properties of Puget Sound Power & Light Co. At least one large banking group, headed by mid-western interests is forming for the competition.

Next largest would be the refinancing projected by Pennsylvania Power & Light Co. which plans to sell $93,000,000 of new bonds and $27,000,000 of debentures.

Kaiser-Frazer Stock

The first sizeable issue for the purpose of raising new venture capital was due on the market today in the form of 1,700,000 shares of $1 par value capital stock of the Kaiser-Frazer Corp.

In view of the widespread publicity which the new venture has received through the Kaiser affiliation and its move in leasing a sizeable portion of the Willow Run Bomber plant operated by Ford Motor for the Government during the war, the outcome of the current offering should reveal rather fully the disposition of the public toward such securities.

The Kaiser interests and the Frazer interests already have subscribed for 250,000 shares each at the same price fixed for public offering, namely $10 a share.

Townsend Appointed By War Finance Division

Ted R. Gamble, National Director, War Finance Division, has announced the appointment of Morris M. Townsend as Assistant Director of the Banking and Investment Section under Director Stanley W. Prenosil.

Mr. Townsend was Executive Secretary for War Finance in New York City and Long Island before he volunteered for the Army in December, 1943, where he was attached to the Army Courier Service in Washington. He was also given assignment as liaison between the War Finance Committee and financial institutions in the Capital.

The new Assistant Director was formerly with the Wall Street firm of W. E. Hutton & Co. and is well known in investment banking circles. He is holder of a citation for distinguished service rendered in the 7th War Loan in the District of Columbia.

Holds Banks Can Expand Credits

Guaranty Trust Survey Points to Contribution of Banks in Supplying Government Financial Needs, and Maintaining at the Same Time a Strong Position, Which Enables Further Expansion of Credits if Needed. Sees No Large Demand for Commercial Credits.

The September issue of the "Guaranty Survey" published by the Guaranty Trust Company of New York contains an analysis of the contribution of the banks to Government war financing and the present position of the banking system to supply both Government and business with credits.

"The unprecedented financial demands made upon the nation's banking system during nearly four years of participation in the war have been met without serious strain," says the Survey. "Although the task of meeting those demands has resulted in broad changes in the condition of the banks," continues the report, "it has left the commercial banking system as a whole in a strong position to finance reconversion and supply the credit requirements of post-war trade and industry. The main financial problem during the next few years will not be to provide adequate credit facilities but to avoid the monetary instability and disorder that so often result from wartime credit expansion."

Strong Financial Position

"The success with which the enormous financial exigencies of the war were met was due partly to the use of much sounder financing methods than were followed during World War I, but even more largely to the good fortune that had placed the United States in possession of the strongest monetary base ever enjoyed by any nation in the world's history. From the time of the devaluation of the dollar in January, 1934, to the entry of the nation into the war in December, 1941, the gold stock of the United States increased from $7,036 million to $22,774 million; the ratio of reserves to deposit and note liabilities of the Federal Reserve banks rose from 65 to 91%, as against a legal minimum of 35% against deposits and 40% against notes; and excess reserves of member banks increased from about $900 million to more than $6,900 million in October, 1940, declining thereafter to about $3,800 million at the time of our entry into the war.

"The Federal Treasury, seeking to avoid a repetition of the mistakes made in financing World War I, has consistently aimed at the twofold objective of meeting as large a share as possible of the cost of the war through current taxation, and of borrowing as much as possible of the remainder from non-bank investors. Mr. Morgenthau, upon his retirement from the Secretaryship of the Treasury in July of this year, was able to report that 'in contrast with World War I, when less than one-third of our expenditures was financed from taxes and other non-borrowing sources, we have in this war financed 41% of our total expenditures since July 1, 1940, from such sources and reached a peak of 46% in the fiscal year 1945.' The success of the effort to borrow from investors other than banks is measured by the fact that, of the $211 billion increase in the interest-bearing public debt from July 1, 1940, through July 9, 1945, about $122 billion was absorbed by non-bank investors and about $89 billion by commercial and Federal Reserve banks.

Contribution of the Banks

"The commercial banking system has supplied about 26% of the financial needs of the Government during the war period, despite the efforts of the Treasury to rely to the greatest possible extent on other sources of funds. About $70 billion, or 20% of the Government's requirements, has been provided by the commercial banks, and $19 billion, or 6%, by the Federal Reserve banks. The importance of the contribution of the Federal Reserve banks is, of course, out of all proportion to its numerical amount, because in purchasing Government securities the Reserve banks place additional reserve funds at the disposal of the commercial banks and thereby enable the latter to expand their own security purchases.

"The principal objective of Federal Reserve policy during the war has, in effect, been to keep the commercial banks in a position to supply such part of the Government's financial needs as could not readily be met from non-banking sources. The excess reserves of member banks, which totaled about $3.8 billion at the time of our entry into the war, were allowed to decline gradually to about $1 billion at the end of 1943 and have since been held at or about that level, with only temporary fluctuations above and below.

Federal Reserve Operations

"The main instrument of this policy has consisted of purchases of Government securities by the Federal Reserve banks. Such purchases have been sufficient to increase the Reserve banks' holdings of Government obligations by nearly $21 billion since the end of 1941 and, supplemented by smaller amounts from other sources, have poured enough funds into the money market to supply an increase of more than $16½ billion in the amount of money in circulation, to meet a decline of nearly $2⅔ billion in the gold stock, and to provide more than $3 billion in additional member bank reserves. This last amount, together with the excess reserves held by member banks at the time we entered the war, has been sufficient to permit the commercial banks to absorb the necessary amounts of Government securities and at the same time to maintain their excess reserves, as already noted, at a general level of about $1 billion.

"In supplying these requirements, the Federal Reserve banks found that their ratio of reserves to deposit and note liabilities was gradually approaching the minimum figure required by law. It was calculated that, if the demand for currency continued unabated and further inroads were made into reserves, the ratio by the end of 1945 would be near the legal minimum. The Federal Reserve Board accordingly recommended legislation providing for a reduction in the reserve requirement to 25% in gold certificates against both notes and deposits, as against the existing figures of 40% in gold certificates against notes and 35% in gold certificates and other lawful money against deposits. The proposed reduction became effective on June 12 of this year.

"The principal effect of war financing on the condition of the banks has been to produce a very sharp rise in holdings of Government obligations and a roughly equivalent increase in deposits. Total loans and investments of all banks in the United States at the end of 1944 were more than $58 billion in excess of the figure at the end of 1941, with an increase of more than $60 billion in holdings of Government securities and comparatively small declines in other investments and in loans. Deposits exceeded $141 billion, as against less than $82 billion three years earlier. Demand deposits totaled nearly $92 billion, as compared with $44 billion at the end of 1941.

Capacity for Expansion

"The financing of the war has left the Federal Reserve banks in possession of large amounts of resources which can be made available to meet any additional requirements that reconversion and post-war industrial expansion may bring. Reserves of the Federal Reserve banks now total $17.2 billion, of which only $6 billion is required as reserve against notes, leaving $11.2 billion available as reserve against deposits. At 25%, this reserve is sufficient to support $44.8 billion in deposits. With non-member deposits at $2 billion, there remains $42.8 billion available against member bank reserve deposits. The average reserve requirement against all member bank deposits is about 15⅝%, so that member bank deposits could be expanded to 6½ times the amount of the reserve, or to $278 billion. Actual member bank deposits in the second half of June (exclusive of war loan deposits, against which no reserve is required) averaged about $89 billion, leaving a possible expansion of $189 billion in deposits and hence in loans and investments. The capacity for expansion could, if necessary, be made much greater by reducing member bank reserve requirements to the legal minima (which were in effect from 1917 to 1936) and by numerous other means at the disposal of Treasury and Federal Reserve authorities.

"This calculation is based on the assumption that other factors will remain unchanged. In particular, it assumes that no further outflow of gold will occur and that there will be no further increase in the amount of money in circulation. The validity of these assumptions is open to question. The volume of funds held in this country for foreign central banks and governments and for private owners (the latter consisting mostly of short-term banking funds) represents, in the aggregate, a large potential claim against the gold stock, although there is a very substantial offsetting factor in United States investments abroad, and further offsets will appear in case foreign demand for American goods results in an export trade balance. As for the amount of money in circulation, it appears to have been generally assumed that the decline in industrial payrolls at the end of the war would result in a diminution of demand for currency for hand-to-hand use; but no such tendency has yet appeared.

"With any reasonable allowance for these uncertain factors, the expansive possibilities inherent in the present banking position would seem to be far in excess of any probable demand in the near future. As far as can now be foreseen, the short-term credit needs for reconversion will be moderate. Industry will require large amounts of fixed capital and considerable quantities of working capital, but business as a whole is in a strong financial position and seems likely to meet a substantial part of its requirements without assistance from the commercial banks. A recent survey by the Department of Commerce indicates that utilities, railways and manufacturing companies will spend nearly $6 billion for fixed capital requirements during the next 12 months and that manufacturers will increase their working capital by nearly $5 billion during the same period. The industries surveyed, however, apparently intend to finance from their own resources and from the cash proceeds of current operations three-fourths of the anticipated expenditures for fixed assets and the increase in working capital. In the case of the utilities, less than 1% of the contemplated financing is scheduled to come from bank loans.

"It seems likely, therefore, that for some time the principal demand for bank credit will continue to come from governmental rather than private sources. Even if the latter prove more important than now appears probable, there need be no concern as to the ability of the banks to supply the necessary funds. Smooth, orderly and rapid transition from a wartime to a peacetime economy will not be impeded by any shortage of credit facilities."

Cleveland Dealers Announce a Veterans' Placement Program

(Continued from page 1460)

sity of bringing new men into the securities business both from the standpoint of clerical and producing personnel. A rare opportunity presents itself to our profession by virtue of the "G.I." Bill of Rights and the United States Government Veterans' Administration.

The Cleveland Investment Dealers' veteran placement program is being sponsored by the Cleveland Stock Exchange; The Bond Club of Cleveland; the Cleveland Security Traders Association; the Investment Bankers Association (Cleveland members), and the National Association of Securities Dealers, Inc. (Cleveland members). The Exchange will serve as the clearing and placement center for all of the veterans who qualify under our program.

You, as well as all other Cleveland brokers and dealers, are invited to attend a meeting to be held at 3:30 p.m., on Friday, Sept. 21, at the Mid-Day Club. At this meeting we will have the pleasure of hearing J. E. Crouch, training officer of the Veterans' Administration, and Dr. J. E. Jones, vocational adviser. Complete details will be disclosed and all necessary information will be furnished in regard to our program.

Please note the date and time of this meeting, and we hope to have the full cooperation of all brokers and dealers in Cleveland. This is the first organized plan to be offered to our industry, and not only will it be copied in other large financial centers, but we expect it to be given nation-wide publicity.

Very truly yours,

Cleveland Investment Dealers' Veteran Placement Program.
Morton A. Cayne, *Chairman*.

State Laws Governing Mortgage Investments Analyzed in Booklet

The Mortgage Bankers Association of America has published "State Laws Regulating the Investment of Mortgage Funds," a book summarizing the legislation in all states affecting mortgage lending. The study includes legislative changes made by the State Legislatures this year, and shows the action taken by these bodies on G. I. loans. The study was made in cooperation with the states' banking and insurance commissioners. The limits within which state banks, trust funds, insurance companies and savings and loan associations can invest in mortgage loans are detailed.

Copies are available on request to the Association at 111 West Washington Street, Chicago.

Carl M. Loeb to Admit

Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit J. Herbert Higgins to partnership in the firm on October 3.

The Securities Salesman's Corner

By JOHN DUTTON

Two salesmen were given an equivalent number of leads. One salesman immediately went out and made his calls. He conscientiously followed every lead and he automatically opened a few accounts. Several of these customers have given him repeat business. The sales volume derived from this particular group of leads has paid him for his effort and just a bit more.

The second salesman **did not go right out** and make his calls. He stopped and investigated FIRST. He took each name and checked to see if he could find out any revealing facts about the prospect before he made his calls. First he checked occupation by using the telephone directory (Doctor, Lawyer, Merchant, etc.). He looked up several leads and found these prospects to be interested in lines of business that were allied with other types of businesses, which were conducted by some of his friends and customers. He called his customers to find out if they knew those particular individuals. While digging around for pre-approach information he discovered that two of the prospects were very substantial investors AND ONE WAS A TRUSTEE OF THE UNIVERSITY WHICH HE HAD ATTENDED. This man turned out to be a large security buyer.

Armed with this valuable information he set up his sales campaign. He went forth to battle with a reserve force of sales equipment which the first salesman did not possess. He also had several marked objectives that IF THEY COULD BE TAKEN WOULD GIVE HIS FORCES AN OVERWHELMING VICTORY INSTEAD OF WINNING A FEW SKIRMISHES.

After about six weeks of this kind of pre-approach investigation and actual sales work in the field—he made one sale that gave him more profit than the combined sales which were made by salesman number one.

The trustee not only handled his own investments but also supervised the portfolio of securities owned by the university. This man knew his business. When the salesman made his first call he was prepared to talk in a manner that convinced the trustee that HERE WAS A SALESMAN WHO WAS WORTHWHILE HAVING ON HIS CALLING LIST. Most salesmen get into his office once, and only a few more than once. This salesman consumed two hours on the first call—those who didn't get the opportunity to call again never spent over 15 minutes. During that first interview the salesman learned the basic preferences of this investor—he also discussed a few of his holdings AND HE REMEMBERED THEM.

About a month after this interview he saw a letter which was written to his firm by the president of a certain company. This company was one of the several which the prospect had discussed in the first interview. The letter was informative and of interest to a stockholder. He asked his firm for the privilege of mailing a copy to his prospect. Permission was granted. A photostatic copy was prepared and along with it was sent a short and friendly letter from the salesman. The prospect acknowledged its receipt and stated he appreciated this information.

A few weeks later the salesman sent the trustee a circular which analyzed the securities of a company in which his firm was interested at the time. It was the type of security that his prospect liked (he knew this because of his revealing first interview). Along with this analysis he sent another letter asking for an interview to discuss the situation in detail. The interview was granted. The sale was made and it alone was worth more in commissions than all the little sales the first salesman had consummated.

This account from now on will bring salesman number two a large volume of business, and it will take less of his time and energy, than salesman number one will expend in months of patient and unintelligent plodding.

President Signs Bill Abolishing War Time

The bill passed by Congress abolishing war time, or daylight saving time on Sunday next, Sept. 30, when the nation will return to Standard time, was signed by President Truman on Sept. 25. As a result of the new legislation clocks which were set ahead one hour in 1942 when Congress created wartime as a means to conserve fuel and provide longer daylight working hours, will be turned back one hour at 2 a.m., Sept. 30.

The House voted unanimously on Sept. 12 to end war time—the House Interstate Commerce Committee the previous day, without dissent having similarly acted.

The bill ending daylight saving was unanimously approved by the Senate on Sept. 20, and sent to the White House. With the signing of the bill by the President, Associated Press advices from Washington Sept. 25, published in the New York "Herald Tribune," said:

In Albany it was explained that the signing of the Federal bill ending war time at 2 a.m. Sunday means an automatic return to Standard time in New York State.

An act creating war time in New York, passed in connection with the State War Emergency Act, provided that advanced time should continue in the state until "the advanced time fixed by the act of Congress . . . shall cease to be in effect."

The State War Council likewise passed a resolution at its last meeting calling attention to the authorized end of war time in New York as soon as the Federal provision had been passed.

The Faith That Makes Sales

(Continued from page 1451)

as a hen on a china egg. Unless the urge to buy is as great as the urge to sell, there can be no great prosperity . . . The war's end is a signal to put our selling and advertising activities into high gear."

There doesn't seem to be any controversy at all—not even any doubt—about it, gentlemen. Each of you has a tremendously big—and important—job to do. Yesterday it was the production experts and the scientists who were essential to the national health, safety and welfare. Today yours is the lead role.

Advertising Tasks

Your No. 1 job now undoubtedly is to move your merchandise—as inexpensively as possible and as much of it as possible—from the factory through to the ultimate consumer. This challenge is so great that it seems presumptuous to suggest you must undertake another job. But, in fact, unless you undertake this other job, your chance of succeeding in the first instance may diminish to the vanishing point.

This second task is to maintain and increase the growing confidence of the American people in American industry—and by so doing to increase the people's faith in their own security. This confidence—this faith—will have more to do with product sales than all the figures on pent-up demand and dammed-up savings. People are markets — clear-eyed people with visions of better tomorrows —not gloomy people with dark forebodings about the security of their jobs.

All the evidence—public opinion polls included—shows that industry again has a reasonably good standing with the public.

It seems plausible to say the reason for this is the "miracle of production," and the equally miraculous reconversion record industry is now hanging up. Also that its standing has been enhanced because of the public services industry performed — with its scrap drives, bond sales, nutritional education, and so on. But that's only the half of it. The other half is that industry (1) has presented its war production story intelligently and effectively to the public and (2) has demonstrated its interest in the public welfare by its advertising sponsorship of official war programs.

Just one index of how much more attention industry paid to telling its story during the war years is a compilation made by the Bureau of Advertising. It shows the dollars spent for industrial public relations advertising. An increase from one million in 1939 to 17 million by 1943. These totals are for so-called institutional advertising only.

Advertising and Public Relations

Let me say that I use the term "public relations" here in the most modern sense—not our prewar concept of it.

It is quite beyond me to fathom the mind of any one who says that advertising and public relations are entirely separate in his organization. Perhaps it is sometimes wishful thinking that causes us to try to separate advertising from public relations. There are still, unfortunately, a few of us who would have cause for rejoicing if the public did not judge us by our advertising—if all our advertising were not inevitably and inseparably an instrumentality of public relations.

Parenthetically, I might say there is another statement about public relations which startles me even more. It's the statement—still too often made by industrialists—that we don't have any public relations or we don't want any public relations. Maybe, as with other kinds of relations, we don't want any—but, like it or not, we've got 'em. The only question is whether we are going to assure that such relations are conducted on a mutually satisfactory and profitable basis.

I have touched on the primary reason we in industry must continue to be public-relations minded — to inspire a confidence which will give people faith in their future — so that they will buy and keep on buying.

If that isn't reason enough, there are others. For instance Leslie Gould, Financial Editor of the Hearst newspapers, reports: "Government today is cutting itself in for anywhere from 50 to 80% of the net profit in business, and the average 'take' is around 65%." Does this reflect that the public—the master of our Government—has enough confidence in us—as much as we need? If this condition should be allowed to grow worse, any interest of ours in sales, purchasing power or markets will be purely altruistic.

Much of the public is thoroughly sold on the merits of our advertised branded products. But they are still quite far short of being entirely sold on what is behind the product—the corporation that makes it and the system which permits the producer of superior merchandise to grow big and sometimes prosperous. By way of example, 65% of newspaper editors say that people generally regard the products of a large corporation more favorably than they regard the corporation itself or its officers and directors. So reports "Printer's Ink" in a recent issue. Industry is still—and will always be—in a very real sense—on trial before the bar of public opinion in this country.

Many of you, I trust, do not think I am tilting at windmills. So let's consider together how we should go about maintaining and increasing that public confidence which is indispensable to us.

Methods of Maintaining Public Confidence

There is one method of approach often proposed and utilized on numerous occasions in the last decade. It is for large industrial concerns to pool their resources—their money, their trained manpower and sometimes agency talent—to carry out a program instructing the public in the merits of free enterprise, the American way, freedom of competition or opportunity, and so on.

Many of these jointly sponsored programs have helped create public understanding. Some have been particularly good—especially those designed to serve as a backdrop for advertising on the same theme by individual companies cooperating in the program.

There is certainly no fault inherent in such cooperative, coordinated programs. But I would caution that this method if used alone, and not as a backdrop for individual efforts, can never do the entire job that needs doing.

Ever and again some of us in industry keep making the mistake of thinking this method alone can effectively persuade the public to preserve the good in our economic system. We in industry want to stick to our knitting—mind our business. Which is making things and selling them, isn't it? We don't want any public relations, thank you — certainly not if it means we have to do extraneous things like teaching higher economics. So we help support dozens of organizations to carry the whole burden of bringing to pass a millenium in business relations. But we're really not supporting any of them if we try to shift the whole responsibility on to their shoulders.

There is one primary and indispensable way to inspire faith in American industry and in our system of industrial democracy. It is the obvious way. It is for every industrial concern (1) to create a public understanding of its own contribution to the general welfare and (2) to demonstrate by its actions its concern for the general welfare.

Perhaps this hardly needs saying. I hope so. But I am reminded that Ralph Starr Butler, vice-president of General Foods, thought it worth saying.

"The mass of the people in its attitude toward business, is moved very largely by its feelings rather than by intellectual conviction," he says. "What any person thinks about business in general is a mosaic of his feelings about the businesses with which he has contact and of which he has knowledge. If he has confidence in these businesses, he is likely to have confidence in business in general, and if he does not have confidence in the particular businesses he knows about, then he is likely to be critical of all industry . . .

"Actions speak louder than words, but words are necessary because we must bring our story to millions beyond the direct influence of the things we do."

Another — one who, as a research expert, has delved deeply into the thinking and aspirations of wage earners—has well said, in similar vein:

"The company that will talk to the wage earners in terms of their own interests and aims, about what that company is planning to do to maintain production, employment and wages after the war . . . will be surprised at the speedy spread of interest and enthusiasms. . . .

"Wage earners are not interested in the programs of business associations. They are interested in General Electric Company, for that to them is an individual entity. The G. E. trade mark is something they know, which they have seen on the products they buy and use. That is something real. So are U. S. Steel, and hundreds of other manufacturers. Companies are individuals which can be comprehended. They are not abstractions and associations which are intangible and from which the man in the street tends to shy away and suspect. So the story of industry's planning must be presented to the wage earners by individual companies over their own names.

"Advertising is the most effective means for doing this important public relations job. It then becomes a direct, personalized message from a responsible person. It is straight and ungarbled. It is handled as the advertiser intends it. It carries the prestige of the trade name."

Let me say "Amen" to the statement that advertising is a most effective means of getting our story over to the people. Indeed I don't know how on earth we could ever succeed without harnessing the advertising method. The advertising method, if properly utilized, can get our story across because, unlike any other method of communication, it starts by finding out through research what people want and what appeals they respond to, what they are confused about and where they are misinformed—it dramatizes and simplifies the message in terms of the other fellow's interests—it channels the messages to the desired audience in predetermined units of space or time and at desired intervals—and it repeats and repeats until the message sinks in, until ideas are moved from one mind to another.

In the infancy of public relations, all of the various publics—stockholders, dealers, employees and so on—were neatly labeled and treated as separate and distinct compartments. This meant basing public relations on the lowest denominator of common interest.

As R. T. Haslam, a director of

the Standard Oil Company of New Jersey, has pointed out:

"We just can't lump people into classes by labeling them 'capitalist' or 'common man' or anything else. A man may be a capitalist—that is a saver—but he is also many other things—a citizen, a father, a Presbyterian, a Democrat, a worker with his hands, a consumer."

Finding the Highest Common Denominator

The advertising method recognizes this and sets about to find the highest common denominator among the public—in interests, hopes, aspirations. It remembers that we are all pretty human. It knows that the best way to avoid unfounded suspicion among employees, in the local community and with the public at large, is to take these folks into our confidence—for example, by rendering an annual report to them in terms they comprehend, not just stopping with the stockholders. The advertising method, too, has found through research that stockholders don't mind at all receiving an interesting and readable annual report.

Good public relations like charity begin at home. Some public relations programs are so much concerned with all the hypothetical publics that they forget all about people — the people on whom a company depends most—its employees.

Amazing things would happen, I am sure, if when talking about their company and its management, workers began saying not "they" but "we"—and really thought it and meant it.

Much that is good is being done in this field. One of our member companies is doing an outstanding job because its program is soundly based on the enlightened self-interest both of the employees and the company. Let me paraphrase a statement from a recent booklet issued to employees by this company—and it's typical:

"If every member of the Shell family will make just a few good friends, and will have a good word for his associates and his company, within a year the Shell family will have thousands of new friends and supporters. And a good, strong, well-liked company is a mighty fine guarantee of a good, steady job."

Why not continue in this postwar era to use some of your advertising to tell about the company's employees, to tell a little perhaps about the ways in which their company recognizes their services, to explain what provisions the company is making for employing veterans. And when you talk about new products, why not suggest that these mean more jobs and better ones.

But let's not stop there. The need goes deeper. It has been well put — and, interestingly enough, by one outside of the business, with an understanding of human relations, namely, Dr. McCarthy of Notre Dame—that:

"We must use advertising to make simple explanations of what corporations are; how they come into existence; what they do in providing employment and better goods and services for all; how they are a principal source of tax revenues; how they promote the best interests of all of us through a free competitive system; where their ownership lies; and finally, how they are the indisputable source of continued national well being.

"It is not enough to say these things once and to assume they will be understood and accepted. They must be said again and again. They must be said effectively in simple form so that everyone, no matter what his or her level of education or intelligence or prejudice is, will understand."

Importance of Economic Knowledge

No longer can we fall back on the time-worn alibi that we can't teach economics to people of average mentality. An impressive start has been made with the anti-inflation program. Back in 1942 when the War Advertising Council first undertook this campaign, some economists warned it was hopeless to try to repeal the law of supply and demand. We didn't exactly repeal the law, but we haven't had the runaway inflation they predicted either. After this campaign had been running —thanks to generous space donated by the magazine publishers —Elmo Roper made a survey and found that people had grasped the reasons why inflation would threaten their security and that as a result people had taken the trouble to learn the seven simple ways they personally could help prevent inflation, the seven ways that were listed in every ad on the subject.

We can't stop with telling people only the things we want them to know, either—we've got to use some of our time and space telling them what they want to know if we intend to demonstrate that we really are concerned with their welfare. An important revolution took place in business public relations during the war. Many businesses stopped using their advertising to protest defensively that they were in the public interest and began **demonstrating** that they actually were. They demonstrated it by sponsoring official war advertising programs, such as war bonds, conservation and recruitment, in cooperation with the War Advertising Council.

These two objectives—first, of telling people what we want them to know; and, second, of telling them what they want to know—are not mutually exclusive—they never have been.

During the war and at present the Life Insurance Companies of America have been doing a magnificent job of providing the straight facts the people want—and need to know—about inflation. But this also has been the most profitable kind of advertising for the insurance companies because it shows people the sound sense of taking out insurance or increasing their policies at this particular time.

I can foresee a time—perhaps not so far away—when it may well be in the interest of both the public and business to run advertising encouraging people to **spend.** In the public interest, because it will help provide more jobs; in the interest of business, because it will help create markets.

During the war it was in the interest of the food processing companies to give people the facts they wanted—and needed to know—about Crop Corps enlistments so that the processors would have more fruits and vegetables to sell. It appears now that Congress will soon authorize a food-stamp plan for low-income families. This may well offer food processors a further opportunity (1) to help the public by giving the facts about this plan and (2) at the same time to move their own merchandise.

To assist business to continue the same high order of statesmanship, the same concern for the public welfare which it demonstrated during the war, we are going right ahead with the War Advertising Council. I don't know—not with any certainty—what national problems people will need to be informed about six months or a year from now. We never knew during the war either. But there will be such problems. And I know that in order to meet the need for public enlightenment, we must maintain a mechanism to spot these problems, coordinate information on them, suggest how the problems can be presented through advertising and disseminate this information to industry, advertising agencies and media.

One topic about which people currently want authoritative information from industry is the supply situation. Industry fully recognizes that it is to the interest of all concerned to give people this information in ungarbled form through advertising. To avoid confusion by assuring that WPB and industry's statements on the availability of consumer goods are in accord, a special committee of ANA, under the leadership of Charlie Carr, has been working in an advisory capacity to WPB, with excellent results.

Competition for Leadership of Public Opinion

If industry should turn its back on national problems—if we become so busily obsessed with our competitive struggles that we have no time to demonstrate our interest in the public welfare, what then? Don't worry, there are plenty of other candidates for leadership of public opinion. There's the plan being considered by the so-called Commission on the Freedom of the Press for the establishment of a "Radio TVA" by putting Government into the business of operating a radio network to serve as a "yardstick" by which private radio could be judged. Here is the CIO issuing bulletins, pamphlets and its monthly Economic Outlook, showing that American industry made a "profit" of $24.9 billion during 1944—but not saying that this "profit" becomes $8.5 billion after taxes, of which only $4.3 billion was paid to stockholders, the rest being kept as a reserve for expansion or maintenance of employment and other proper purposes. Next, there's the United Automobile Workers (CIO), which has already applied for its first F. M. radio station licenses in six large cities, with the expressed intention of "concentrating on educational features, including . . . economics, political and social sciences." Then there's the labor press, with its circulation of 18 million.

Yes, there is no dearth of competition for leadership of public opinion. Our abdication would but encourage others to redouble their efforts—and leave more room for their success.

Let me make it clear that I do not for a moment believe that good public relations is all a matter of the proper use of advertising techniques. Charlie Carr, with that genius of his for putting first things first, defines public relations as—first, the ethical conduct of one's business; and second, the intelligent presentation of that conduct to co-workers, customers and competitors. Ethical conduct will always remain the primary requisite. If one whose house is not in order undertakes a public relations program, that program is at best foredoomed to ultimate failure and it runs the risk of making people regard its sponsor, with whom they were previously unconcerned, as deceitful or ridiculous.

I believe a public relations program such as I have outlined will pay for itself and ultimately reduce costs. Such evidence as there now is bears out this view.

Here, for instance, is a brewer with national distribution who finds—not just during the war—who has found, in fact, since 1937 —that it pays to devote a significant part of his advertising budget to strictly public service themes. Not that it pays in some intangible known as good will or consumer acceptance but that it pays off in actual sales—in dollars and cents.

Here is a cereal manufacturer in that highly competitive, trademark-conscious field running public relations advertising over the corporate signature because such advertising brings results at the cash register.

After four years of straight wartime public service advertising, while it had no products to sell, Westclox with its Big Ben finds brand consciousness at an all-time high, from identical public polls made before and near the end of the war. I leave to your imagination the effect this will have on sales.

Placing Welfare on a Profit Plane

This business of being interested in the friendship and the welfare of our customers has too long been placed on a plane of altruism. It should be placed where it belongs—on a plane of profit.

We at ANA are undertaking a research to get some evidence as to whether it does pay in cold cash to do an intelligent job of public relations and public service advertising.

We are also preparing soon to issue a comprehensive study of the corporate functions of advertising, a study based on a thorough examination of a cross-section of our membership by McKinsey & Co., management consultants. The report will offer practical suggestions about how managements can bridge the gap between public relations and advertising.

That is a gap which will have to be bridged because we are rapidly learning that there should be no distinction—or to be more literally true, that we should make no fallacious distinction—between product advertising and public relations advertising—but instead should recognize that all advertising can and does by its very nature have an important effect on our public relationships—that, in truth, every advertisement can do a constructive public relations job for its sponsor.

When we have fully learned this, advertising will resemble a certain small city in Eastern Europe described by another West, Rebecca West. It was, she says, "so civilized that it could conceive of a God who would be pleased not by the howlings of His worshippers and the beating of their breasts but by their gaiety, by their accomplishment, by their restraint and dignity."

Thomas Rose Joins Dallas Rupe & Son

DALLAS, TEXAS—Thomas A. Rose, Jr., has joined the investment banking firm of Dallas Rupe & Son, Kirby Building, as head of the Statistical Department. Mr. Rose was formerly with the Provident Trust Company of Philadelphia in the security analysis department. He attended the University of Texas and the University of the South at Sewanee and received his master's degree in the Harvard Graduate School of Business. In Dallas he has served as chief accountant for the Central Contracting Company. He was released from the Army in August, after service with the Air Transport Command, stationed in Dallas.

Spear & Leeds Partner

Spear & Leeds, 54 Pine Street, New York City, members of the New York Stock Exchange, will admit James Crane Kellogg, 3rd, Exchange member, to partnership in the firm on Oct. 1.

Municipal News & Notes

With the sale scheduled for tomorrow (Thursday), of $5,379,000 refunding bonds, the City of Long Beach, N. Y., will conclude the final chapter of a program designed to place its financial standing on a permanently sound basis.

The initial steps in this about-to-be reached goal were initiated in 1938 when the city concluded a general refunding exchange program. One of the fundamental purposes of this operation was to allow for a systematic and eventual elimination of floating indebtedness. Obligations of this nature had been incurred with increasing regularity subsequent to 1929, with the result that a peak level of $1,052,329.44 had been attained by 1936.

The need for interim credit had its origin following the 1929 business debacle, which brought in its wake large-scale tax delinquencies. This condition ultimately reached a point where the city in 1933 was obliged to negotiate a partial debt refunding.

With the relief in financial burdens provided by the 1938 refunding, however, municipal officials turned to the task of correcting the basic cause of the unfavorable fiscal status. To this end, attention was focused on the tangled real estate situation, with particular reference to delinquent properties.

In consequence of these efforts, the city was finally able to liquidate the amount volume of floating indebtedness in its entirety, with the last of such debt having been extinguished in 1943. This was accompanied by a reduction in funded debt of about 7% from its peak.

Earlier, however, the city had taken the necessary steps to insure against a repetition of such a problem. Accordingly, effective with the 1941 budget, the municipality began to conduct its operations pursuant to the cash basis law, the effect of which is to prohibit by statute the creation of any floating indebtedness. By virtue of strict adherence to the pay-as-you-go principle in budget operations, the city has had a surplus every year since 1941.

The $5,379,000 refunding bonds to be awarded tomorrow are scheduled to mature serially from 1946 to 1959, inclusive. Thus the city is committed to the redemption of its funded debt over the next 13 years.

Its ability to successfully accomplish this objective, incidentally, finds support in the fact that, assuming an interest rate of 2½% on the new refunding debt, the estimated average debt service payments for the next 14 budget years is $478,493, as against an average for the past 14 years of $524,655.

Also contributing importantly toward early retirement of municipal funded debt, is the unlikelihood that the city will be obliged to undertake any material new debt issues. Underlying this favorable outlook is the fact that all 50 miles of the city's streets are already paved; water and sewer systems completely installed, and an incinerator in operation for the disposal of garbage and refuse. In all, it is noted, the city has $8,000,000 worth of municipal improvements.

With floating indebtedness now a relic of the past, the city's financial prospects are additionally brightened by the growing trend toward expansion of the taxable list. In this regard, it is officially reported that over $1,500,000 of properties have been restored to the tax rolls thus far in fiscal year 1945, and the estimate is that another $500,000 will have been added before the end of the fiscal period. Tax collections for fiscal year 1945 are expected to reach 98%, as compared with 93½% in the earlier period.

Although Long Beach, in its earlier history, was primarily a summer resort community, it has long since taken on the characteristics of a suburban residential area. The permanent population increased from a total of 5,817 in 1930 to 9,036 in 1940, and at present is officially estimated at 12,000. The summer population is placed at 40,000.

Emphasizing the greatly improved status of the city's financial standing was the recent action of Moody's Investment Service in increasing the Long Beach bond credit rating from B to BA. The former was the highest rating heretofore enjoyed by the Long Island community.

A Big Day

Tuesday of the present week was one of the most active days experienced by the municipal trade for quite a spell. Paced by the $8,000,000 San Diego, Calif., financing, the volume of new issues awarded amounted to approximately $15,000,000.

Four syndicates submitted offers for the San Diego offering, with the winning bid being made by an account formed by Halsey, Stuart & Co. This group acquired the bonds on a bid of 100.0527 for a combination of interest rates, the net interest cost to the city being 1.9375%.

Proceeds of the financing will be used by the city for new capital projects, with $6,000,000 to be employed in extending the municipal water system. The bonds mature serially from 1946 to 1976 inclusive.

The three unsuccessful bidding groups were headed, respectively, by the Chase National Bank of New York, Phelps, Fenn & Co., and Blyth & Co., and the various offers were not too far off from the winning bid, considering the size of the issue and the rather unsettled state of the municipal bond market. As against the 1.9375% net cost provided by the successful Halsey, Stuart syndicate, the comparable figures contained in the three competing tenders were 1.96%, 1.9804% and 1.997%.

Of the $4,950,000 bonds offered by the City of Philadelphia, bids were received from investment bankers for only the $2,500,000 of electoral obligations. The winning bid for this block was made by the Chase National Bank of New York and Associates, which paid a price of 100.339 for 2s. The bonds mature in 1995 and become optional in 1965. The balance of the offering, comprising $2,450,000 non-electoral bonds of similar maturity, were taken by the City Sinking Fund, the only bidder, as 2s, at 100.163.

An interesting aspect of the Philadelphia financing was the fact that the Chase National Bank account outbid the City Sinking Fund for the $2,500,000 portion of the offering, the latter having made the second best offer of 100.20 for 2s.

Another Pennsylvania unit that contributed to the day's activity was Allegheny County, which awarded $1,500,000 bonds, maturing from 1946 to 1965 inclusive, to a syndicate headed by Harriman Ripley & Co., Inc., on a bid of 100.641 for 1¾s. Next best offer of 100.539 for 1⅝s came from a group formed by Halsey, Stuart & Co.

The Maryland State Roads Commission offering of $1,500,000 Chesapeake Bay Ferry System improvement bonds, due from 1947 to 1960 inclusive, attracted considerable interest, with the award going to the Union Securities Corp., New York, and Associates.

The successful bid was a price of 100.18 for 1¼s, while the runnerup offer, sponsored by the National City Bank of New York, specified a price of 100.06 for $1,384,000 1½s and $116,000 1¼s.

$135,000,000 Washington Utility Districts Financing in Prospect

The largest municipal revenue bond utility underwriting is scheduled to take place in the near future, according to present indications. The offering is expected to consist of $135,000,000 bonds and will be made in connection with proposed acquisition by Washington Public Utility Districts of the Puget Sound Power & Light Company properties.

Lending force to the apparent imminence of the undertaking is the disclosure that Halsey, Stuart & Co., and John Nuveen & Co., are forming a syndicate to underwrite the projected issue. In addition, company officials are said to be agreeable to recommending to Puget Sound shareholders the offer made by the utility districts to purchase the utility on the basis of $18 for each share of common stock outstanding.

Ban on Conventions Lifted After Oct. 1

The ban on conventions, group meetings and trade shows will be removed Oct. 1, Col. J. Monroe Johnson, Chairman of the War Committee on Conventions and Director of the Office of Defense Transportation, announced on Sept. 11. The lifting of the restrictions was scheduled on recommendation of the Office of War Mobilization and Reconversion, at whose instance they were imposed, effective Feb. 1, 1945. The committee set up to consider convention applications was composed of Col. Johnson and representatives of the Army, Navy, War Production Board and War Manpower Commission. The advices from the Office of Defense Transportation further said:

"Until Aug. 17, permission of the War Committee on Conventions was required for the holding of any meeting of non-local character or with more than 50 non-local participants. A recent liberalization increased the attendance limit to 150 persons and permitted State-wide gatherings of any size.

"Col. Johnson expressed his thanks to the convention and trade groups and to the nation's hotels for their cooperation during the period the restrictions have been in effect.

"He said that the scheduled lifting of the ban by the War Mobilization Director is not an invitation to travel, 'nor can it be considered an assurance that transportation capacity will be available.' The ODT director asked sponsors of conventions, group meetings and trade shows to defer meetings whenever possible and to keep necessary meetings small until after the peak of the troop movement, which will come early next year."

Ohio Municipal Comment

(Continued from page 1460)

when there is little else to be bought. It is true that there has been little else to buy in Ohio during the past year, and during the past month, but there has always been, with the general run of banks in Ohio, a considerable sales resistance to such names. It has always been easy for a banker to say he is "out of the market," waiting to see what develops," "has no funds," "has his limit of them," or to give any of the other stock refusals to offerings of these names. Since V Day the buyer is more inclined to give one of these refusals to an offering of a bond for which he really has no keen appetite, and naturally it takes a price concession to sell the bonds. However, if the offering be of a bond for which the buyer really has an appetite, there probably would be little need for a yield much different from that at which he has bought in the recent past.

Thus it would appear that demand for Ohio municipals is still about as keen as it was two months ago, but is at the same time more selective. Whether demand will continue as keen in the future will probably depend largely upon whether or not buyers drop out of the market because of (1) becoming filled with even select names or (2) feeling that tax exemption is no longer sufficiently valuable to warrant continued purchases at recently prevailing high prices.

The dealer, of course, is more concerned about market price than is the investor because the dealer who buys for his own account must consider the future course of prices when he buys, for while he may expect to sell his merchandise an hour after he buys it, he may find, and sometimes does, that he has been too optimistic and that he must continue to try to sell under conditions prevailing a week hence, or a month, or two months hence.

Yet, it does not seem that the supply of unusual Ohio municipals will be sufficiently large in the next year to fill the demand now existing for such names. And as long as buyers cannot get enough of the unusual names to fill their demand, they will probably continue to fill it with the usual names, albeit perhaps at some price concession. No one, of course, knows how valuable tax exemption will be next year, or five years hence, to an individual or to a corporation. The consensus of opinion appeared to be two weeks ago that early tax reductions would be only quite moderate, at least for the general run of municipal buyers. More recent proposals for more worthwhile tax reductions may very possibly be made for political effect.

It would indeed be regrettable if so serious and so important a matter as tax reduction should become a political football. Certainly tax relief is important, but a proper servicing of the Federal debt is likewise important. In fact, the balancing of the Federal budget is probably more important than any other post-war problem. To balance the budget will certainly require heavy taxation, even if expenditures are cut to a sound and reasonable level, and one has reason to wonder if expenditures will be cut to such a level, which doubt increases the probability of continued heavy taxation if the income is to meet expenditures even before considering enough income from taxes to reduce the Federal debt.

In the discussion of tax relief, as well as in past discussion when taxes were raised to present heights, one can scarcely avoid the double-barrel blow at those of our citizens who are seemingly fortunate enough to earn sizable incomes. Progressive tax rates have always, of course, been a medium for "soaking the rich," and when tax rates were raised to the highest war time peaks, the man with a sizable income was made to pay considerably higher rates than the average citizen. Now, when it is expected that taxes will be lowered, the same philosophy comes forth to "soak the rich" again with the contention that reductions should not be made on a flat percentage basis, since such a basis would give the rich man a greater tax reduction in dollars than it gives the average voter.

In other words, when taxes are increased, the rich man is made to pay at a considerably higher rate than others are required to pay, and when taxes are decreased, the rich man apparently is to be allowed considerably less reduction than is allowed the average voter. It is small wonder that tax free municipals have been gaining in favor during the past few years.

One simply cannot predict whether tax reduction will be of sufficient measure to cause many municipal buyers to feel that tax exemption will be of much less value to them than it has been in the past. However, on the basis of present conditions, it seems that there are enough buyers of unusual names, who are not likely to be filled for some time, to warrant a continued demand for such names at usual prices, and that as long as such conditions prevail, the demand for usual names should be sufficient to take such bonds at prices only slightly, if any, lower than have prevailed.

In closing, however, one must admit that as the municipal market continued to go higher and higher, to the point where the "unusual" names, that have good appeal in Ohio, afford only a 1.00% yield for a 10 or even 12 year maturity, the number of buyers for even such names at these levels became fewer and fewer. Naturally, if only a few of these remaining buyers decline to buy, for any reason, the price level may be expected to decline. However, as it does decline, some of the buyers who dropped out of the market as prices went up, will come back into the market, and thus provide a broader support. Again, however, the number who might drop out now, and the number who come back in at a lower level, will depend upon (1) whether the supply of suitable bonds is sufficient to fill portfolios, which does not seem likely in the case of unusual names, and (2) whether buyers generally will continue to be willing to pay about as much as in the past for tax exemption, which no one can answer.

It seems obvious, however, that many buyers are at the moment willing to pay about as much as previously for tax exemption in bonds which they really like and, certainly, the supply of funds available for investment is plentiful.

Exchange Firms Group to Hold Fall Meeting

The fall meeting of the Board of Governors of the Association of Stock Exchange Firms will be held on Oct. 8 and 9 at the Westchester Country Club, Rye, N. Y., it is announced by W. Wymond Cabell, President.

A feature of the meeting will be a dinner on Oct. 8 at which members of the Board of Governors of the New York Stock Exchange and members of the staff will be guests of the Association. John Coleman, Chairman, and Emil Schram, President of the Exchange, will make brief addresses.

Belgians Air Their Economic Problems

(Continued from first page)

month consisted of 450 grams of fresh meat and a like amount of canned meat. The 1,500-gram ration this month consists of 700 grams of fresh meat, 500 grams of canned meat, 100 grams of fat pork and a choice between 200 grams of pressed head, 100 grams of sausage, pate de foie, or sterilized meat, or 50 grams of pure meat sausage.

The margarine ration was lowered from 750 to 500 grams, butter increased from 200 to 250 grams, vegetable oil from 92 to 115 grams and lard from 100 to 200 grams. In view of the addition of fat pork to the meat ration, there is little change in the total ration of fats as fats.

The bread ration remained at 400 grams per day, sugar at one kilogram per month and potatoes at nine kilograms per month.

Belgium's Financial Problems

Commenting on the Belgian financial situation, a high official of the Belgian Ministry of Finance stated to this writer his views as follows:

"Belgium's biggest financial problem on liberation was to solve the legacy of monetary inflation left by the German occupation. The then Finance Minister, Camille Gutt, did solve this problem quite effectively by drastic measures which at the time were unpopular, but which the public is now coming to appreciate when it looks at the situation in France. Gutt reduced the note circulation from approximately 100 billion francs to about 30 billions. Under his program, also, bank deposits of all types were reduced from 60 billions to 25 billions, making a total compression of means of payment of 105 billion francs. All this was done under a decree of last October which required that all paper currency above 50 francs denomination must be deposited in designated banks. Those deposits and all bank deposits above balances existing on May 10, 1940, were treated as follows: 60% were blocked indefinitely and the rest were decared 'temporarily blocked.'

"In the beginning the public reaction to those steps was excellent, but later there was grumbling, which is now giving way to praise, as it is realized that these severe measures saved the Belgian franc. Unfortunately, the Governmbent has not been able to carry out its original intention to gradually unblock the 'temporarily blocked" deposits, except in certain individual cases. The reasons for this have been that supplies of goods have not been coming on to the market and that there has occurred a movement in the direction of inflation due to the requirements of the allied forces here. Those forces have been and still are fairly large. There are in Belgium about 69,000 American and 65,500 British troops, apart from those who come here in large numbers on leave and in transit.

"The presence of these foreign forces requires their payment in francs, which when spent for necessary supplies and entertainment swell the volume of purchasing power in the hands of the Belgian public. For this reason primarily the note issue outstanding has increased from the low point of 30 billion francs to the present 63 billions. Bank deposits naturally have expanded, too. This increase is easy to comprehend when it is remembered that the Belgian Government has turned over to the Allies for troop pay in Belgium some 14 billion francs and has supplied reverse Lend-Lease and reciprocal Mutual Aid to a total of some 15 billions more. Belgium is the only country, other than the United States and Canada, which is a creditor on Lend-Lease account.

"So long as Belgium was receiving Lend-Lease supplies, it sold them on the market here and thereby mopped up about 1,800 million francs. Now, if something like Lend-Lease takes its place, we can continue to mop up public purchasing power by supplying goods in that manner. The exact status of Lend-Lease is not clear, in view of conflicting statements from Washington relating to its termination. The British are apparently seeking something to fill the gap of Lend-Lease in their international economic life and if they work out a formula there seems to be no reason why Belgium, also, should not receive a 'substitute' for Lend-Lease.

"One minor thing that has complicated our financial situation is the fact that considerable time elapses between our making francs available to the foreign armies for troop pay here and the receipt by Belgium of the equivalent in dollars or sterling. As much as 8 to 10 months may elapse before payment is received and goods bought out of the proceeds imported.

"Total reverse Lend - Lease supplied by Belgium to date approximates 178 million dollars whereas the net Lend-Lease aid received by Belgium comes to only about 40 million dollars.

"With the seeming termination of Lend-Lease on V-J Day, we used about $15 millions of our $750 millions gold stock to finance purchases in the United States. The revelation of this expenditure of gold in the statement of the National Bank of Belgium was disturbing to the public and had a weakening effect on the franc.

"We now have a mission in Washington which is going into all important economic and financial questions, including the matter of Lend-Lease, a 30-year Export-Import Bank loan, the acquisition of surplus American military supplies located in Belgium or elsewere and payment of amounts already owing to Belgium. After those discussions in Washington are completed, the Belgian franc will be on a firmer basis.

"Concerning the Bretton Woods program, it must be realized that it is only one element in the picture. The point is that we want to finance our purchases abroad by whatever means are available. We are not alone in this. Many countries want payment in dollars, among them such countries as Argentina, Brazil, and to some extent Canada. Whether we get dollars through Bretton Woods, Lend-Lease, soldiers' pay, or a loan, it is all the same in the end. Bretton Woods is, among other things, one way of getting dollar exchange.

"Belgium is fully in favor of Bretton Woods and it is quite possible that we shall soon take steps to ratify it. We would like Britain to ratify first. We are hoping that the British will ratify, and it is hard to see how in the end they can stay out of it. But in any case we plan to go ahead and ratify.

"What Belgium would like from the Export-Import Bank would be a 30-year loan of $300,000,000. This it would be quite within Belgium's capacity to repay, for normally Belgium is a country with a favorable balance of trade, visible and invisible. So far as concerns Belgium, such a loan by the Export-Import Bank would be eminently sound. There can be no question of that.

"Whether in the aggregate America recovers on the loans it is about to make in various countries of the world depends entirely on whether the American public is willing for the country to have an import balance of trade. I think the American people have seen the light. Excepting for the importation of gold which the United States does not need, the only way for the American nation to receive repayment of foreign loans is in the form of goods and services. If Americans are unwilling ever to have an import balance of trade, they might just as well stop lending and pushing exports abroad.

Views of a Belgian Banker

The chief worry of Belgian bankers today is the cost of doing business, according to Mr. Albert Janssen, President of the Belgian Bankers Association, who was interviewed here by this writer this week. Mr. Janssen is chairman of two Belgian banks, the Societe Belge de Banque and the Banque Diamantaire Anversoise, the last mentioned having an agency in New York. "Salaries of bank employees have gone up 60% since 1940 and the lower-paid personnel will now get another 20%. Thereby, the banks' profit margin is reduced," said Mr. Janssen.

Mr. Janssen continued: "We have suffered also from the cutting off of all foreign-exchange business. Also, the stock exchange was closed down from September, 1944, until this spring. These restrictions also cut into our business. Now, however, we find that business is reviving and with it the demand for bank credit.

"In Antwerp a marked revival of the diamond trade already is apparent, with between 6,000 and 7,000 persons at work in diamond cutting. Of course, a great number of such workers went to New York during the war. Before the war, Antwerp employed some 15,000 to 20,000 in that work. New York is able to compete with Antwerp on large stones, but high American wage rates give Antwerp the advantage on small stones.

"The Diamond Bank which I head came out of the war in very good shape, since our stock of diamonds was sent abroad before the Germans came in. During the war, of course, we had nothing to do in that bank. Whereas, before the war we often handled 1,500 checks a day; during the war we handled only one or two a day.

"Belgian banks are ready to resume commercial lending whenever opportunity presents. We do not have here, as you do in the States, agitation for banks to make capital loans to businesses, whether small or large. Belgian banks refuse to make such loans. Our deposits are demand obligations and we are determined to keep our banks liquid. Long-term borrowers must go to special institutions, such as mortgage institutions.

"Another American banking problem of which we have no counterpart here is the matter of business loans to veterans. There is no agitation for that in Belgium. For very small firms, employing say five workers, we have special small-loan institutions enjoying Government support, like the Caisse Central de Credit Professional."

Asked for his opinion on international economic and financial matters from the Belgian viewpoint, Mr. Janssen, who was in the twenties Belgian Finance Minister, served on the financial committee of the League of Nations, and on the Dawes Bank Committee, said: "The opening up of trade here depends on the United States and Great Britain. Of course, we are most anxious to get rid of controls over business and finance. We are tired of doing paper work for the Government, utterly tired.

"We are much interested to know whether the British intend to keep the pound-dollar rate where it now is. The Belgian franc is linked to the pound. If the pound should decline, it would be very difficult for Belgium not to follow suit. In fact, many countries would be in the same boat; all countries of the sterling area.

"I think if the United States would have a little inflation of the price level, it would be helpful to Belgium. Of course, I am not an advocate of inflation."

Recent Decisions on Blocked Deposits

In connection with the blocking of Belgian bank deposits as part of the Belgian Government's attack on the inflation problem, during August certain measures were decided upon by the Chamber of Representatives. The new program calls for the taking over by the Government of the 60% of all bank deposits which were blocked, these to be taken as a forced loan to the Government. In exchange, the owners of the deposits will receive securities which, in the beginning, at least, will not be negotiable and which, commencing next January, will bear interest at progressively increasing rates. The special securities will be usable for payment of the extraordinary taxes which are to be levied under the program.

The second part of the program calls for a 5% capital levy, but with certain exemptions. Then there is to be a tax increasing from 70 to 95% on all wartime excess profits; as well as a 100% tax on all profits made out of business with the occupying forces of the Nazis. Finally, there is to be an amnesty on fines, etc., incurred by persons who failed in 1938 or thereafter, to date, to pay taxes; so long as the individual concerned now comes forward, declares his liability, and pays the back taxes due.

As to the 40% of bank deposits which were "temporarily blocked" but which as yet have with minor exceptions not been released, it is probable that those funds will be released soon after the above-mentioned measures become law; but this is predicated on the availability of greater quantities of goods for sale to the public.

Accounts to Fate—the Public Debt

(Continued from page 1453)

Tire & Rubber Co.'s manager of market research, said in a study published by the Bankers Trust Co. of New York: "After the war we shall see manufacturing productivity per worker rise to heights which would have seemed fantastic a few years ago." Dr. T. W. Schultz of the University of Chicago stated: "We are going to have a much larger volume of farm products than we had before the war. Taking agricultural output as a whole, it means one-fourth more than we had in 1939." And the "London Economist" spoke in its centenary issue of ". . . the means for ending poverty and insecurity, which this generation is the first to possess."

If these men, and many others who are speaking in the same vein, are right—and I believe that they are—this other fact is the promise of plenty. Never before in history has that promise existed outside of dreams. To this generation, the first in all time, that promise, I believe, is real.

These two facts—the existence of our gigantic public debt and the existence of the almost incredible promise—play upon each other with a primeval significance. If we can realize the promise, the debt is no problem. If we can appropriately manage the debt we shall have an excellent chance to realize the promise. Here is a challenge, with the highest stakes in all history.

II.

The American economy has in its progress reached this beneficent promise of plenty by the partial and, thus far, very inadequate exploitation of the technique of the division of labor. In the division of labor everyone becomes a specialist and, as a result, is more productive than the jack-of-all-trades. Essentially, this specialization is attained by vast investment in tools and facilities, for the specialist requires vast equipment. It is by the use of vast equipment that he is more productive.

A striking microcosm was given by Frank D. Newbury, Vice-President of Westinghouse Electric, in a recent speech before the American Management Association, in regard to the household incandescent lamp. He said: "The work is done largely on automatic machines by relatively unskilled women. In 1924 the average hourly rate for this class of labor was 37 cents; it had increased to 57.8 cents per hour in 1940, or to 156% of the 1924 rate. The direct labor cost per lamp in 1940 was only 19% of the corresponding cost 16 years earlier, and hours per lamp had been reduced to 12% of the hours required in 1924. In this case wage rates were increased, and selling prices were reduced. The 100-watt lamp sold for 60 cents in 1924, and a better lamp of the same size sold for 15 cents in 1940."

With this specialization of adequately equipped labor, the productivity of the economy has become so great, and its knowledge of how to go far farther is so large, that the miracle of war production could be realized and the promise of plenty can come within view. This specialization is the key to the future, just as it has been the fulcrum which has lifted our society from the serfdom of the past.

This specialization entails a high degree of urbanization of population. A recent study of the National Housing Administration shows where we are going when it says: "If the trend is maintained, which is likely under favorable economic conditions, it appears that non-farm families may constitute 85% of all families by the end of 1955." A projection still further ahead probably would raise the percentage. The contrast with Colonial times, when the percentage was under 10%, is striking.

This specialization requires freedom of the individual and of business, and it requires willingness to work for value produced. These two requisites for utilization of division of labor, and, as well, the necessity for equipment of the worker and for urbanization, I assume, require no discussion, being, surely, so obvious as to be visible to the naked eye of even the most myopic of all God's creatures.

But there is a final requirement which may not be so evident. This division of labor entails a money economy. Only the unskilled jack-of-all-trades can seek to produce what he requires and to do the slight exchange he needs by barter. The skilled urbanized workman, utilizing the tools provided by large investment, must exchange his labor for money and the money, in turn, for goods and services he requires. Indeed, that exchange through money is an essential part of his freedom. As F. A. Hayek says in his popular "Road to Serfdom": ". . . money is one of the greatest instruments of freedom ever invented by man. It is money which, in existing society, opens an astounding range of choice to the poor man—range greater than that which not many generations ago was open to the wealthy."

The miracle of war production and the unprecedented promise of the future, while properly attributable to the division of labor, are, therefore, just as attributable to the operation of the money economy. The money economy is just as requisite as the division of labor—they are but the reverse sides of the same coin.

This money economy has functioned in the development of the country through a series of financial institutions and techniques. It is not too much to say that these institutions and techniques *are* the money economy.

These institutions and techniques have been, and are being, profoundly affected by the rise in the public debt. That rise in the public debt, as a part of war finance, has had an impact upon them which the statistics show strikingly: the rising proportion of assets which consist of Government securities, the preponderant degree to which Government securities constitute the money and capital markets, and the degree to which the interest rate structure and mechanism of international finance are involved in the public debt. I shall not stop to recount the figures here; most of you are doubtless fully familiar with them, and they are easily available in the "Federal Reserve Bulletin" and the "Treasury Bulletin."

But while the statistics show the impact quantitatively, they do not convey adequately the tremendous implications to the functioning, both present and future, of this vital money economy.

III.

Realization of the promise of plenty requires that the institutions and techniques of the money economy—inseparable Siamese twin of the division of labor—which have brought us to the periphery of the land of promise, continue to function adequately. Since the public debt has such a tremendous impact upon them, the management of the public debt will in very large measure determine whether they do so function. This may be illustrated more specifically by five examples:

1. The commercial banks have been a vital instrument in the money economy in two ways: first, they have provided a major—and, until the war, an increasing proportion of—the medium of exchange, and second, they have financed the short- and medium-term operations of business and individuals. To perform these functions in a developing and rapidly changing economy, the commercial banking system has had to be exceedingly flexible. Deposits and assets have had to move rapidly from section to section of the country and within sections. The proportions of assets devoted to varying purposes have had to change freely. New techniques for clearance and operation have had to be rapidly developed and rapidly changed to fit the country's requirements. Deposits have had to shift in form between time and demand and savings, and there has had to be extensive interchangeability between deposits and currency. The total volume of credit provided by the system has had to change. Extensive losses have had to be taken, partly because of loans poorly made, but also to a very considerable degree because of economic, technological and social change within our country, and these have had to be covered by reserves or surplus—else bank failure resulted. The essence of commercial bank functioning, therefore, has been flexibility. The weaknesses which have marked commercial banking at various stages of our history have essentially arisen from inability to be sufficiently flexible.

In the future the need for flexibility in this group of institutions, so essential to the money economy, will surely not be less than in the past, and may more likely be greater. It is at this point that the expansion in the public debt becomes so significant. Ere long the commercial banks are likely to have three-quarters of their assets in Government securities, and most of the balance in cash at the Federal Reserve banks—which is also Government securities. And realistically, the prospects are that for a very long time after the war and its immediate aftermath have passed, the volume of Government securities which must be held by the banks will not significantly diminish; indeed, during the next two or three years bank holdings must expand very considerably—probably more than most bankers realize or are prepared for mentally.

There is, therefore, a great problem in the development of a technique whereby the commercial banks can maintain the high degree of flexibility which is so necessary if the money economy is adequately to function, and at the same time carry that large volume of Government securities which the public debt will necessitate. I suppose very few will now question the use of that word "necessitate": in any event, the "Economist" seems aptly to have described the condition. Its centenary issue pointed out that: "Thirty years ago the banks were trading institutions like others, with particular responsibilities for probity and caution, but with no closer organic connection with the central mechanism of the State than many other industries. Today they have been caught up in that mechanism beyond the possibility of disentangling. . . . In other words, the textbook definition of a bank is now badly out of date." Later, on Aug. 28, 1944, it said, of the American scene, that: "The primary function of banking will continue to be the holding of whatever (large) part of the public debt at whatever interest rate is necessary to comply with official requirements. Presumably, the banks will continue to exercise this function voluntarily. The entire system, including the Federal Reserve, has given hostages (or has had them taken from it), and it will be a long time before these are returned." The Scylla in this picture is that the banks will become rigidified in public debt, and the Charybdis is that their efforts to provide the economy with sufficient flexibility will sporadically upset the Government security market and the management of the public debt.

2. The Federal Reserve System, as the nation's central bank, is functionally a part of the commercial banking system and is important to the economy in the same way and for the same reasons as the commercial banks. In the long stretches of American history in which there was no central bank, monetary operations were exceedingly spotty and often impaired the functioning of the economy. In those three periods when a central bank has existed, the record is by no means spotless; yet on balance, the need for a central bank to facilitate the operation of the money economy seems beyond argument.

The flexibility required of the commercial banks is even more greatly required of the central bank. It is the epitome of commercial bank requirements; it is the institution of final resort for the provision of flexibility.

With the expansion of the public debt and the necessary reliance by the Treasury upon the commercial banks, the central bank also has become the instrument of final reliance for the Treasury. The commitments, regarding marketability, convertibility, price and yield, on the public debt which the Treasury has made and is making depend for their fulfillment in final essence upon the Federal Reserve System—the Treasury is making commitments for someone else to validate.

In the past the obligation of the central bank was the provision of the necessary flexibility for the commercial banks as a means of facilitating the operation of the bounteous money economy. In the future a second obligation is added by the public debt, and that is the obligation to the Treasury.

The Federal Reserve System to an even greater degree than the commercial banks is now filled with Government securities as a consequence of war finance and expansion of the public debt. Its statutory restrictions have recently had to be relaxed to permit it to carry the load. But this expansion of resources to meet immediate requirements by statutory alteration is only an episode and is not a coping with the basic problem. That basic problem, to repeat, is the reconciliation of the two obligations which the central bank must carry. The development of a technique and understanding of how this can be done is urgent.

3. A third essential institution of the money economy is life insurance. In an agricultural society life insurance played a minor role since the farm was the instrument of social security and provided a means of livelihood and retirement for old age and dependency. In an urban society, which is so necessary an aspect of division of labor, a substitute had to be found for the farm. This substitute was the sharing of risks of death and the provision for old age and dependency, through life insurance. So vital was the requirement for a substitute for the farm that, in addition to private life insurance, a public social insurance system had to be provided in order to assure some minimum for an urbanized people. But this governmental institution does not and cannot do the entire job, because a minimum—not yet provided for all of the population—is wholly inadequate to meet the varying desires and requirements of a free, diversified specialized, highly productive and enterprising people. Furthermore, as the standard of living rises, the economic need for life insurance increases.

Just as the basic method to provide more goods and services has been to make them more efficiently and, therefore, more cheaply, so the primary way to provide more adequate life insurance is to make it cheaper. An essential in the mechanism of life insurance is an interest return on reserve funds. The lower is the interest return, the more expensive is insurance, and *vice versa*. As F. M. Hope, Actuary Emeritus of the Occidental Life of California, put it in a recent paper: "The job of interest is to make life insurance cheaper and to provide contingency funds." Consequently, the decline in the interest rate over the last decade has made that substitute for the farm increasingly expensive to American citizens. The trend in this direction is accentuated by the growing proportion of assets which must be held in Government issues on the fixed pattern of rates and maturities.

But life insurance fulfills another role—though one which is being challenged by what, in words Lancelot Hogben used in his "Science for the Citizen" in another connection, is ". . . a theory with nothing to commend it but the elegance of flawless reasoning from premises which have no foundation in fact." It is a view well stated by a contributor to the January, 1945, issue of "Foreign Affairs," as follows: "It seems generally agreed that the chief difficulty in the United States will be to reverse the trend which has led to the extraordinarily high level of savings." As a major substitute for the farm for social security, life insurance through the reserves accumulated by the millions of small savers has become a major pool of capital in the country. It surpasses in size by a wide margin all of the other institutional capital pools—savings banks, building and loan associations, trust companies, etc. It is the instrument by which to a greater degree than any other the small savings of the millions are converted into the capital equipment of industry by which mass production and division of labor operate to their munificent ends. But as a concomitant of war finance, the assets of this capital pool have been converted into Government securities, so that at war's end perhaps two-thirds or more of this pool will consist of Government paper.

Before the war these institutions had the requirement of providing life insurance as cheaply as possible and of transforming savings to capital equipment of industry. As a consequence of the rising public debt, a third obligation has been added, which is a participation in the support of the public debt. Reconciliation of this obligation with the most desirable functioning of life insurance as an essential part of the beneficent money economy is an urgent problem.

4. The structure of interest rates has played a most vital role in the operation of our economic system based upon division of labor and money. Differentials in rate between securities of somewhat similar term have constituted a market evaluation of relative risks and the wherewithal to establish reserves to carry the risk. Differentials between securities of comparable quality have measured the differences in risk and in reward required for differing time periods. Alterations over time in the level of these rates and in their interrelationships have constituted the method by which the complex of economic forces in a free economy have tended to attract additional funds to areas of need with greater or less vigor. Fluctuations in the rate have constituted the economy's signal to attract more savings or to pull funds from abroad or to discourage savings and let funds go abroad. Changes in rates and rate rela-

tionships over time have been the method by which institutions with funds to invest or lend have been guided as to the disposition of these funds most appropriate to the economy. Fluctuations in rates have expanded or diminished the earning power of the financial institutions in broad accord with the success by which their functions were being fulfilled. Fluctuations in rates and rate differentials have permitted various users of funds to make their needs felt by those who had funds to lend or invest.

While in a small and simple economy these economic functions might conceivably be performed consciously, and without the interposition of changes in rate, directly by those with funds, the magnitude and complexity of the American economy, and of the world of which it is a part, make the conscious performance of these functions almost inconceivable. However extensively staffed by whatever degree of expertness, it is hardly conceivable that any institution on Wall Street, or Locust Street, or in Washington can completely know and adequately evaluate the relative needs and desires of every money and capital-using segment of this economy. Unless some central body of experts can know and adequately evaluate and determine priorities, the money system must have a mechanism through which this function can be performed. That function has been the structure of interest rates.

With the war and the vast expansion of the public debt, a rigidification of interest rates on Government securities has been deemed desirable. This rigidification has been applied not only to a rate, but to the entire structure of rates. The open market personnel of the Federal Reserve System were specifically ordered, as the annual reports show, to carry on operations "for the purpose of maintaining about the present general level of prices and yields of Government securities."

But we now have reached demobilization and the reconstitution of a financial system to operate in the time of peace. We come to that period with a public debt so large that a great social interest attaches to the level and structure of interest rates—far greater than ever before. And because of that public interest, we come to peace with the interest structure on Government securities substantially rigidified on a curve from 3/8% to 2½%, and with maturities limited to 25 years. Because of the functioning of financial institutions this rigidification of rates on Government paper substantially rigidifies rates on all paper of high quality, and, subject to varying concepts of risk, the rigidity is imparted to lower quality securities. In this situation the complex but vital economic role of the interest rate in the money economy has been made almost non-existent. I do not mean to suggest that interest rates are too high, or that they are too low, or that they are correct—even if they were any one of these at the moment, they would be another at a different time in a different environment.

The problem faced, therefore, is either the reconstitution of the role of interest to perform the peace-time function, or the creation of a substitute technique to perform that function. It is a function or series of functions that will somehow occur. The reconstitution or invention of a substitute must provide for the performance of the indicated economic functions and, as well, for adequate consideration to the Treasury, and therefore the social need.

5. The division of labor and the money economy have not been phenomena of the domestic economy alone. They have been the process by which world economy has operated at least since the industrial revolution, and aside from the past, they are the inescapably necessary techniques if the division of labor is to be followed.

The reconstitution of an international monetary system of exchange has been recognized to be an essential of post-war world organization which few question to be a prerequisite for any enduring hope. But the international monetary organization cannot be divorced from the domestic monetary organization since, indeed, they are but pieces of the same whole. For there to be an international system, the monetary systems of participating countries impinge at least peripherally. A relation exists between interest rates and yields, between the quantities of money and the qualities of money, and through these and other factors, in the costs of production and prices, and thus, the volume and terms of trade.

Clearly, then, the domestic monetary system and its techniques are integrally related to the international monetary system. And, therefore, the policies of public debt management and interest rates have a most significant bearing upon the success or failure of efforts to reconstitute a world order. Here again, therefore, there is a problem of reconciling the needs and desires of the Treasury and of domestic purposes to the world order.

I certainly do not mean to suggest that the money economy or the institutions which constitute it have functioned to perfection in the past, or that they are likely to do so in the future. But these functions must be performed, and unless we, as a country, intend to abandon division of labor—which is inconceivable if we wish even to maintain the present standard of living, to say nothing of improving it—the great problem is to restore and, if possible, improve their operation. Unless we can do so, we can hardly hope to realize the pulchritudinous promise of plenty.

IV.

In short, the orientation of this economy to peace presents the problem of how to reconcile the major new factor of the gigantic public debt with the functioning of the money system in an economy which operates by the division of labor. The problem is even more complex than the examples in the preceding section may suggest because those examples are all bilateral, i.e., relationship between the indicated function or institution and the public debt. In fact, these relationships are all multilateral, and every one interplays upon every other. Not only does this complexity exist, but there are in addition other institutions and techniques of the money system than those which are indicated in the illustration given above and which are a part of the complex interplay.

The task of reconciliation of the public debt to the money system is not a simple one of absorbing into the monetary system a new factor among other factors, nor is the magnitude of the task indicated by the fact that the public debt will be some six times larger than it was prior to the war. The public debt has not only increased quantitatively: the quantitative increase has been so great that the very nature of the public debt is different: a dog evolved to elephantine proportions is no longer a dog, but something else. Before this war the public debt was a modest, and in many cases, a negligible proportion of the assets of the institutions in the money system. Before the war the medium of exchange might fluctuate due to many changes, and in most periods, the public debt was a minor one. Before the war the financial institutions could perform their function of clearance and exchange in many forms of paper of which public securities were among the less important.

As this economy shall emerge from the war, none of these facts will be true. The public debt and the money system will be in fact identical. The public debt will be the money system, and the money system will be the public debt. And the functioning of the economic system which must, if it is to progress, utilize the division of labor and the money system to an ever increasing degree, will be shaped and will be determined by the management of the public debt.

The task, therefore, of reconciliation of the debt and the necessary functioning of the money system is not a small one, and it is not a matter of slight adjustment to reattain previous techniques. It is, instead, one of the most difficult, even *the* most difficult, which the nation faces and is in many respects the most portentous for the country's future. The institution of a day of prayer for the officials of the Treasury and the Federal Reserve would not be inappropriate.

The public debt accounts may, therefore, in Masefield's words used in the title of this paper, be called "accounts to fate." The quotation, from "The Widow in the Bye Street," is:

"The time for payment comes,
early or late,
No earthly debtor but accounts
to Fate."

This economy, this society, is the debtor, and the time for payment is come. We shall, with the public debt, account to Fate, and our accounting will determine in very large degree whether we realize the promise of plenty.

Amer. Telephone Issue Quickly Sold by Morgan Stanley Syndicate

Morgan Stanley & Co., heading a group of 100 investment banking firms, purchased at competitive bidding Sept. 24 $160,000,000 American Telephone & Telegraph Co. 30-year 2¾% debentures due Oct. 1, 1975 and completed sale of the issue to the public in less than one hour after the post effective amendment of the registration statement was cleared by the Securities and Exchange Commission.

The bankers paid 99.8199 for the issue, an interest cost to the company of a little less than 2.76%. The issue was reoffered to the public at 100¼, to yield a little less than 2.74%. One other bid was received for the debentures, a group headed by Mellon Securities Corp. and Halsey, Stuart & Co. offering 99.6811 for the bonds.

Company officials regarded the price received from the bankers as "quite satisfactory." Proceeds will be used, along with other funds, to retire on Dec. 1 at 105 and interest the company's $160,000,000 outstanding debenture 3¼s of 1966.

The rapid sale of the bonds was attributed to country-wide interest in the issue on the part of institutional buyers of all kinds, including insurance companies, banks, savings banks and the like.

The company sold $175,000,000 in 35-year debenture 2¾s to a Morgan Stanley group late in July, that issue also going to the public rapidly. With the present financing the parent telephone company has completed refunding operations for some time to come.

Bond, McEnany to Admit

Bernard J. Conlin will be admitted to partnership in Bond, McEnany & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on October 1.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1454)

profits sees still greater profits ahead. It visualizes a picture of plenty it eventually comes to believe in and so is convinced of its truth. But truth and stock markets seldom have anything in common. First of all truth as we know it is a market chimera. It is made up of a great many little facets few of which have any basis in fact. So to apply it as a determining factor to stock market value is the height of naivete. A stock worth ten dollars is selling for a hundred. Anothe rstock worth a hundred is selling for ten. Which is the truth? The answer is that both stocks are selling for exactly what they're worth, no more. If this sounds screwy try converting your hundred dollar stock into cash.

* * *

For the past few weeks this column has been saying that the 180 figure would be a tough obstacle. It also added, in last week's article, that though attainment of this figure indicated a reaction, it need not be a major one. But as the writer had and has no information as to the extent of that or any other future reaction, he advised profits be protected by the process of selling half holdings when, as and if certain areas were reached. These areas were based on the presumption that the 180 figure would be seen or at least approximated. Fortunately things worked out all right and profits were available.

* * *

But before the ink in last week's column was dry the the market came back again with a vigor that brought it from the mid 170's to across 180. Readers who sold half their lots may have started wondering if they should get back in again. Before going on, this column's reply is a flat "No!" In coming back to, and across, the 180 obstacle the market proved nothing. When a half position is sold it presupposes a reaction but it doesn't eliminate the possibility of further rally. And in a market which is as thin as this one rallies may come with suddenness, and so may further spills.

Speculation is now starting about this market reaching the 190-194 range established in 1937. Perhaps it will do it. But even so the original sell half position is sound. The time to buy them back is not when they are going up, or everybody thinks they are going up. You buy them when they are going down and everybody thinks they are going lower. The latter is a broad market philosophy which doesn't always work. But close application usually leads to more profits and involves you in fewer mental whirlpools. In any case none of the stocks you hold has done anything outstanding since last week. At best they managed to add a few fractions which don't even pay commissions.

* * *

The list still remains as follows: A. M. Byers, bought at 19, stop, 16, half sold at or about 21. Rest hold . . . Jones & Laughlin, bought at 35, stop 33, half sold in the 41 area (actual high was 40⅜ but a point either way is selling zone). Hold rest. . . . Paramount, bought at 30½, stop 28½, half sold across 35. Other half to be held. . . . U.S. Steel, bought at 56, stop 65, half sold across 74. Remainder to be held. . . . White Motors, bought at 29½, stop 28, half sold across 35. Hold the other half. When full positions will be replaced, or entirely disposed of, is too soon to say. When the market indicates something definite you will be advised.

* * *

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.]

Public Service of Ind. $48,000,000 3⅛% Bd. Issue Over-Subscribed

Halsey, Stuart & Co. announced that the $48,000,000 3⅛% series F first mortgage bonds of Public Service Company of Indiana, Inc., had been over-subscribed and the subscription books closed. A syndicate headed by the above-mentioned investment house offered the bonds for public investment on Sept. 21, at a price of 102.46. The subscription books were closed in quick order and the bonds have since been quoted at a premium over the offering price.

Continued Price Control to Retard Inflation

(Continued from first page)

proper that I should lay some of those worries before you.

I know that, in doing so, I am running the risk of making a few people mad. The things I say will be misinterpreted by some. Because the picture, as I see it, is not wholly pleasant, I will be accused of being a scaremonger in addition to the usual charges of bungling bureaucracy.

I am sure that many of you will disagree emphatically with what I say. However, perhaps we'll all feel better as a result of the frank, open, across-the-board discussion about the condition of our country as I see it, and particularly the position of business in the period which lies directly ahead.

Record of War-Time Price Control

Let me start by reviewing briefly the record of war-time price control. It's a good record, and every one of us, whether he be a worker, farmer, business man or Government official, has a right to be proud of it.

Just four years ago today most prices throughout America were rising rapidly. Each month the prices of household equipment, food, raw materials and finished products were pushing upward, as America grew closer to war.

Then, as now, most of our people knew that inflation was dangerous business. But only a limited few seemed to think that anything could be done to prevent it.

Some said Congress could never be induced to pass a strong enough law to enable the Administration to hold prices in check.

Some said that even though Congress were induced to pass an adequate anti-inflation law, the pressure groups would be sure to wreck it. America was too selfish and greedy, they claimed. Farm pressure groups, labor pressure groups, and business pressure groups would gang up on any effort to stand in their way of immediate higher compensation and profits.

Others maintained that effective inflation control was impossible in America because it simply could not be administered. Our country was vast and complicated. No governmental organization could possibly be built which could keep the various price elements in proper relationship. The whole operation, they said, would certainly fall under its own weight.

But these defeatists, as in the case of many other defeatists in the past, were wrong. In fact, they were very wrong, as the record clearly proves.

In the last war from 1914 until Armistice Day, four years later, average prices rose nearly 100%. Many prices rose 200, 300 and even 500% above pre-war levels

In this war, since Hitler invaded Poland in 1939, five years ago this month, consumer prices have risen only 30%. That's one-third of the rise that we experienced during the World War One period.

Even more impressive is the fact that three-fourths of the price rise during World War Two came in the first half of the war period. Only one-fourth of the price rise in World War Two has occurred in the last two and one-half years.

So we see what the defeatists said was impossible has up to the present time been accomplished. In fact, to be very frank, price and rent control have been even more effective than the optimists of 1941 would have dared hope—in the face of the greatest inflationary pressures that this country has ever seen. It is estimated that inflationary pressures during 1944 and 1945 have been some five to seven times greater than those which caused the disastrous skyrocketing prices of the first World War.

It is also interesting to note that industrial production and retail sales during the period of effective price control have reached by far the highest levels in history. There are many economists who say that price control made an effective contribution to this record production because it stabilized business costs. I'll be content to point out simply that there is no evidence that price control has stood in the way of our industrial effort.

Price Control Had Full Support of All Groups

The public during the last few years has supported price and rent control firmly. It has griped in the traditional American way over shortages, red tape and bureaucrats. But when the chips are down Mr. and Mrs. Average Citizen have offered their vigorous support to this anti-inflation program.

Our farmers, our industrial workers and our business men have also done some group complaining about the balance between wages, prices and profits. Labor believes that wages have been held tightly, while too many prices have been allowed to go up.

Industry has seen the situation in reverse. Prices have been held rigidly, they say, while wages have been allowed to go merrily upward.

Our farm groups, after nearly 20 years of consistently depressed times, very naturally looked on the war period as a chance to even things up. For this reason, particularly in the early stages of the war, many of them sharply resented Government control over food prices. Two years ago this coming winter they fought us vigorously on the use of subsidies to hold down the price of food at retail. They fought a stiff battle, and they almost won. But since that time they have been among our strongest supporters.

Once the use of consumer subsidies had been clearly established as an anti-inflation weapon, their leaders came forward to lend their full support to the Government's anti-inflation program. Over and over again, these leaders have shown the utmost statesmanship in refusing to go after short-range advantages which they knew would only jeopardize the whole anti-inflation campaign.

Labor, too, while sincerely feeling that the balance between prices and wages has been unfair to them, has solidly backed price control. From one end of the country to the other, labor has fought side by side with us to hold down the cost of living, the cost of home appliances, rents and housing.

Several leaders of business have also come forward during the war to express their strong backing of price control. But the records indicate that these few business leaders who have given us their vigorous outspoken support and backing have been far outnumbered by those who have fought tooth and nail to weaken our program. The witnesses who appeared last spring and the spring of 1944 before congressional committees to plead for either the elimination or the emasculation of price and rent control were largely business men. The tens of thousands of telegrams that poured into Washington irresponsibly urging the raising of rents and the raising of prices came from business men.

Almost invariably the attacks of these business men have been prefaced by a statement that inflation was a bad thing which, like wife-beating, should be discouraged. But this statement of support for the principle of price control has invariably been accompanied by a proposal which, if accepted, would only serve to push prices or rents strongly upward.

When Eric Johnston and two or three other business leaders courageously came forward to support the price control program they were immediately swamped with wires and letters from other business men denouncing their action.

Now let me make myself abundantly clear. Very emphatically I do *not* believe that the business leaders who have fought to crack the Government's price and rent control program represent the majority of business men. Not by any means!

During the last three years I have received thousands of sincere letters from business men telling me that they personally were behind us to the limit.

I have talked to the presidents of many business groups who have urged me with deep feeling to stand by my guns and to resist at any cost the pressures applied to us by other members of the business community.

Conscientious, enlightened representatives of business groups in Washington have also told me both through the mail and in personal conversations that they felt that we were right and that above all we must hang on.

I believe it is these men—and not the pressure group critics—who represent the majority viewpoint among our business men on this subject of inflation control. But it is the noisy critics and the special advantage seekers who make the headlines.

As a result I am afraid millions of average citizens have wrongly come to look on business as a whole as the arch enemy of price and rent control. This fact is clearly brought out time and time again by letters which the little people all over the country write to us by the tens of thousands. It is brought out overwhelmingly in the conversations with everyday citizens who constantly visit our local offices throughout the country.

I shall return to the subject later. But for the moment let's look ahead.

Inflation or Deflation Ahead?

What lies ahead? Obviously, no one can possibly know. Some experts predict devastating deflation over a period of the next 12 months, with 12 to 15 million unemployed. Others feel the present inflationary pressures will continue without let-up in all but a few fields for many, many months to come. Others take a middle ground and suggest that inflationary and deflationary pressures in the next year or so are likely to follow the same pattern that we encountered after World War One.

Anyone who attempts to choose dogmatically between these various prophecies is a brave man. I believe, however, that all of us should thoroughly understand what *could* happen if we relax our vigilance.

Post-War I Inflation

Most of you are familiar with what happened after World War One. On Armistice Day in November, 1918, what few controls were then in existence were quickly pushed aside. Those who feared inflation were quickly reassured when prices dropped rather sharply in some commodities during the months of December, January and February.

In March, 1919, however, as workers returned to their jobs in peace-time plants, this trend began sharply to reverse itself. By June the boom was in full swing. Prices increased rapidly. Manufacturers, wholesalers and retailers were forced into a wild scramble for inventories. Prices soared higher and higher.

In May, 1920, came the inevitable collapse. Inventories were dumped for whatever they would bring. The loss in inventories alone in a single year amounted to 11 billion dollars—enough to wipe out completely the business reserves accumulated during the war period.

More than 106 thousand businesses went into bankruptcy. Factory payrolls fell 44%. Corporation profits disappeared. Within a few months' time one-sixth of our entire working forces were unemployed. During the next three years 450 thousand farmers lost their farms through foreclosure.

That was the sorry spectacle on the domestic front to which our veterans returned after World War One. Because of our fumbling, reconversion was delayed for two full years. The groundwork was laid for the jittery prosperity of the 1920s and the collapse of 1929.

This same pattern in greater or lesser degree has repeated itself after each major war for the last 5,000 years. There are some who say that it has caused as much human misery as war itself.

I do not prophesy, and I have never prophesied, that a sweeping inflation would inevitably follow as it has in the past if controls were removed tomorrow. So many observers, including the New York "Times," have pointed out the economic situation is different in many ways from that of 1919.

While some prices under OPA ceilings are too high and other prices perhaps are too low, the pattern of prices in general is more rational. Finally, our productive powers during the last generation have increased more than 100% and there is a larger supply of raw materials.

Present Inflationary Pressures Greater

Opposed to these favorable indications, however, there is the hard fact that inflationary pressures today are infinitely greater than those which caused such havoc in 1919 and 1920. The Federal Reserve Board has estimated that the total of all liquid assets in this country has reached the staggering amount of more than 300 billion dollars. Our workers, our farmers and our veterans, moreover, are far better organized than they were 25 years ago. If living costs and the prices of new houses and equipment start moving upward, their own demands quite properly will increase at a rapid tempo.

Let me repeat that I lay no claim to being a prophet as far as our economic future is concerned. But I am impressed with the fact that those who so blithely pooh pooh the danger of inflation rarely carry any public responsibility. If they should happen to be wrong, they would undoubtedly find some way to rationalize their error. But disaster would be on us nevertheless.

If these gentlemen were charged with the responsibility which rests on our shoulders, I have a feeling that they would be far less dogmatic.

Certainly our friends, Mr. and Mrs. Average Citizen, are worried rightly or wrongly over the potentially inflationary dangers which surround us.

Each week hundreds upon hundreds of letters pour into the Office of Price Administration from little people throughout America—farmers, workers, housewives, consumers, small business men. These people are anxious to know that their rents will not be raised, anxious to know that clothing prices will not be allowed to go up, that food prices will remain stable.

In most every section in America there are today some people who have lost their jobs. The present total of four million is expected to grow to roughly nine million before the winter is over. For every man who is unemployed or who will be unemployed, there are many others who *fear* that they too will lose their jobs. As we have dropped from a work week of 44 hours or longer to 40 hours, the loss of overtime has deprived many millions more of our people of the extra income which they enjoyed during the war itself.

Farmers foresee the possibility of falling prices on many items which they sell. These sagging prices would, of course, enable us to lift our ceilings. But their reduced income would increase this squeeze which they would face if the prices of things they buy in the store loomed upward.

Believe me gentlemen, our country today is uneasy, and I believe with good reason. Our people are looking earnestly to their government for continued protection against the savage inflationary forces which during these next few months could destroy their savings and wreck their chance for a prosperous future. Their fears are reflected in a recent Gallup report which indicated that three out of four people feel that prices should be firmly held in line for the present.

But what are we hearing today from business? I am still getting many letters from businessmen which tell me that we must stand firm. I still have many businessmen tell me that above everything else we must not give in to the pressures that threaten to engulf us.

But in the newspapers our people read that some business groups are attacking our program of price and rent control with renewed vigor. One retail group has urged the complete abandonment of our cost absorption pricing standard which has enabled us so far to keep inflation in check.

This standard has been developed over a period of three years. It has been approved by the courts. It has been endlessly debated and finally approved by Congress. It has been established in executive orders by the President.

The Cost Absorption Principle

In effect, this cost absorption principle requires manufacturers to balance cost increases against cost decreases within certain precise limits. Certainly in normal times manufacturing cost increases are not reflected automatically into price increases. Any manufacturer who follows that practice in a competitive industry would soon find himself in hot water.

In the distributive trades the set theoretical margins allowed by the manufacturer were rarely the actual percentage margin which the retailer receives. Trade-ins, markdowns and other extra cost elements were subtracted to make his actual realized margin.

To follow the retailer's advice and to abandon our principle of cost absorption now in favor of cost plus pricing would be to fly in the face of experience.

But the recent attack of this retail group on the anti-inflation program is only one of many.

For instance a group of landlords recently launched an attack on me because I stated that rent control in congested areas was still essential. Can you gentlemen imagine what would happen if rent control were thrown out the window in Detroit today? Of for that matter in Pittsburgh, Cleveland, Los Angeles, or right here in New York City, where there is hardly a vacancy to be found? The intentions of many landlords are made clear by the leases which many tenants in New York are being asked to sign right now. These leases say in effect, "I, the tenant, hereby agree that as soon as OPA rent controls are withdrawn, my rent may be increased up to 10%." That's not a particularly reassuring message to get from your landlord just after you have lost your job.

The Construction Industry

Today the construction industry represents one of our greatest opportunities for the future. With good judgment and cooperation on the part of labor, management, and government, we can sustain a building boom in this country for at least ten years. We can build from one million to one and one-half million new homes annually.

This industry under such conditions could offer steady jobs at good pay to 4½ million workers. It could offer excellent profit opportunities to tens of thousands of architects, builders, contractors, and suppliers.

According to a recent survey by Architectural Forum, millions of Americans are looking forward to building a new home in the immediate future. The price that they expect to pay averages $5,500. But mark this warning. If the price is even as little as $1,000 higher, more than 40% of them say that they will have to put off building or abandon it completely. And yet many building associations, speculators, and promoters are demanding that we sharply modify or even eliminate price ceilings on lumber, bricks, tile, shingles, mill work, and all the other items which go into home building.

Mr. and Mrs. Average Citizen will also see in their daily paper that some business men are demanding that we abandon entirely all price control on vacuum cleaners, washing machines, radios and automobiles; and that, if we must continue price ceilings, we should set them 20, 30, and even 50% above the levels we had before the war.

While one automobile manufacturer has publicly stated that the industry is so competitive that there is no need for any OPA price control whatsoever, another automobile manufacturer has requested a 55% increase in the price at which he sold his car in 1942, even though his 1942 price was already substantially higher than he charged six months before that.

Now let me repeat so there can be no mistake about what I am trying to say. In my opinion the business groups who are staging this all-out attack on inflation control represent a small minority of business men. But what worries me is that it is their voices that are being heard, while the great majority of business men sit by in silence.

Gentlemen, if price control is eliminated too soon, as it was after the last war, if we get the speculative excesses of an inflationary boom followed by the bankruptcies, the foreclosures and the unemployment that we had in 1920-21, the experts may differ as to the cause until the cows come home. But I am afraid the average citizen will have no such uncertainty. Remembering clearly the bitter attacks on price and rent control by many business groups, he is likely to lay the blame for the disaster squarely on the doorstep of all business.

That, we will all agree, would be a calamity. Why then do the majority of business men sit by silently while a handful of men carry on a campaign which is literally packed with dynamite?

Is it because the majority of business men feel that they have no personal stake in controlling inflation? Certainly you and I will agree that that is nonsense.

Our business men have a bigger stake in inflationary control than any single group. It is they who have the capital investments. It is they who have the bulk of our savings. It is they who would eventually lose the most through a major inflationary boom followed by the inevitable collapse.

Do business men allow the public to get the impression that they are fighting price and rent control because they have failed to make good money during the war or because they sincerely fear that industry will be unprofitable in the future? Again that cannot be the answer.

Manufacturing profits after taxes were in 1944 more than double their pre-war level. Before taxes, they went up nearly 400%.

Moreover, the action of the stock market would indicate that the investors as a whole are looking forward to substantially higher dividends and profits in 1946. This is indicated particularly in the action of the so-called blue chip investment stocks which have been moving steadily higher. As a matter of fact, if excess profit taxes are removed the investors are undoubtedly right.

No, gentlemen, I believe that the fact that so many business men are willing to give the impression that they are opposed to price and rent control is due to a combination of several things.

First, too many business men fail to understand the pricing principles upon which we operate. I am amazed to find some who are still unaware of our basic pricing standard which guarantees each industry price ceilings high enough to at least achieve their average peace-time profits. With our present shortage of goods in most fields that actually constitutes a floor under profits.

Many business men, moreover, feel that we are completely rigid and unrelenting. Once we fix a policy, they believe that it will never be changed. That is a wholly wrong conception.

On the contrary, our pricing standards and procedures are constantly under review. We have changed them promptly and we will change them again when conditions indicate the need. This principle of flexibility to meet the problems of production is clearly laid down in President Truman's executive order.

Second, many business men honestly feel that the Administration wants to continue Government control over prices indefinitely. Believe me, gentlemen, that is nonsense.

There is no group in all America who are quite so anxious to eliminate price and rent controls as we who have had the difficult and distasteful job of administering them through four difficult war-time years. We are sick to death of our task, and the sooner it is completed the happier we will be.

Already we have eliminated price control on two or three hundred non-essential items. Decontrol on thousands of others will follow during the coming months. Price control on any essential item will be first suspended and then removed as soon as supply and demand conditions cause the price to sag below ceilings. This same holds true of any rental area when vacancies are sufficient to restore the normal bargaining relationship between landlord and tenant.

It is my feeling that controls on many relatively important items will be removed more quickly than some of you people think. At the same time, it is only fair to state that the shortages of electrical appliances, building materials, radios, automobiles, and other consumer durable goods will remain acute and dangerous for many months to come.

Third, many business men sincerely feel that their business is different from anyone else's. They are well aware of the overall danger of inflation and anxious to see that we prevent it. But somehow many of them feel that an exception can and should be made in their case, by allowing their own price to move upward.

Fourth, a substantial number of business men, while agreeing theoretically with overall price control, feel that a 5, 10, or 15% increase in the general price level would not constitute inflation, and might even be a good thing. Some respected people have even claimed that it would furnish a healthy stimulus to our economy.

"Gentle Inflation" Dangers

At first blush this point of view may seem reasonable. But in reality it is highly dangerous. It ignores the fact that one man's price is another man's cost. It ignores the fact that once the general movement of prices begins, the situation would rapidly get out of hand. I have stated many times that while creeping inflation may seem harmless and even desirable, I know of no way in which it can be administered.

There is another reason why I say that those who advocate a "gentle" inflation are talking pure theory. They fail completely to take into account the attitudes of the other groups which go to make up our economy.

Labor is saying today with increased emphasis that labor productivity is bound to increase rapidly during the next two years and that many wage increases are possible with no corresponding increase in prices. They point to the fact that the price levels today are roughly equal to 1919, while hourly wage rates have been doubled.

Wages are definitely not my job. But I believe it should be clear to anyone that the proposed 10 to 15% "gentle" inflation in prices would multiply the demands of labor many times over.

Nor would our farmers accept for one moment this increase in industrial prices. I know them well, and I can assure you that they will not tolerate for one instant a situation in which farm incomes were going down while industrial profits were going up. Moreover, our farmers do not lay their demands on the bargaining table. They go straight to Congress, and they have a pretty fair record of getting what they want.

Let us measure this proposal of a "mild" inflation (assuming that it could be controlled) against the kind of economic background against which we are likely to be operating in 1946.

Several groups of economists in Washington have been working hard for several months in an effort to determine the kind of economic conditions which we are likely to face during the coming months. While their figures vary in detail, the extent of agreement between them is remarkable. Generally speaking, the picture to them looks something like this:

The Economic Outlook

In 1945 retail volume was roughly that of 1944—by far the biggest year in history. In 1946 retail volume will equal that of 1945. Then economists expect a drop in the sale of some food products and non-durables, and a substantial increase in sales of consumer durable goods.

If the excess profits tax is removed, they tell us that profits after taxes will reach the highest point in history. Dividends will rise. There will be a superficial atmosphere of free spending and widespread prosperity.

But under the surface, they say, the picture will be far less happy. These experts agree that by the middle of the winter we shall see nine million unemployed. They anticipate a drop of some 25 billion dollars in gross national income. They expect that unemployment will decrease gradually through the year and will still remain as high as six million by a year from this coming Christmas. According to their best estimate, half of the unemployed in 1946 will be veterans.

I maintain, gentlemen, that this situation should give those who urge a moderate inflation (even granting it could be controlled and administered) pause for sober thought and reflection.

If against this background industrial prices move upward, millions of people may seem temporarily to prosper. But millions of others will be hurt and bitter. Sooner or later we will meet disaster and it is my guess that it will be sooner rather than later.

We will have our boom all right. There is no question about that. We will have the speculation, the zooming prices and the appearance of superficial prosperity. But when the inevitable collapse finally comes it can shake our whole economic foundation.

I have talked to you frankly tonight and as freely as I know how. I have made some blunt statements which may not sit too well with some of you. I have done so because I am deeply impressed with the real dangers which I believe we are facing.

We are passing through difficult times—times that call for all our tolerance and forebearance. I am speaking of all of us. Our workers, our farmers, our businessmen, and our government. The world is watching eagerly to see what we do and what we fail to do.

The American people are seeking a future of peace and prosperity for us all. They are determined that men who want to work have an opportunity to do so, that men who want to farm have an opportunity to make a decent living and support their families in reasonable comfort. They are equally determined that when a man wants to start a new business he shall have a reasonable opportunity to survive and prosper. They know what we have been able to do in wartime and no amount of argument can persuade them that we can't do it in peacetime too.

They simply are not going back to the unemployment, the low wages, the low farm income, the idle capacity, the high rate of business failures which we knew before the war.

All of us are a little tired and edgy after four long years of war. It's hard to keep our patience and our understanding of the problems of others.

During the next few months we will be tested — labor, farmer, business, government — as we have never been tested before during peacetime. If we should fail to meet this test, it will be a calamity for all mankind.

I am deeply, ardently confident that we shall come through with flying colors. For then, and only then, will we have come to the full stature as a nation—entitled to the full respect of a disturbed and worried world.

Problems in Profit Control

(Continued from page 1451)

As we have said on other occasions, the efforts of the NASD and the SEC to provide "Safeguards against unreasonable profits, unreasonable commissions, and other charges" will cause plenty of grief, not only to the regulators but also to the regulated.

We predict that many a member firm of the NASD which voted to approve this By-Law Amendment will in the future wish that it had exercised better judgment.

If the NASD intends ultimately to shave salesmen's and traders' spreads and commissions, the tendency will be for the abler men who seek adequate reward for their talents to gravitate toward non-member firms. The short-sighted policy of the NASD Board of Governors will result in this penalty being placed upon members.

As all industry has its small business problem, this is true, too, in the securities field during the present period of reconversion and reconstruction. The duty to give small business a leg-up is apparent. NASD and SEC rigidity in the regimentation of dealers and their employees is a stumbling block which has injured and continues to injure dealers and has placed a stigma upon these enforcement agencies.

Fortunately, the present controversy over the recent NASD By-Law Amendments has created a revival of courage among dealers and brokers and their employees. It seems that the fight to disarm the NASD and the SEC has just begun.

* * *

The NASD is Washington bound. It is removing its offices from Philadelphia to the National Capital.

This movement is worthy of appraisal. It fits in well with that organization's determination to extend power over the industry, for in the national capital is the seat of legislative activity. It makes possible vis-a-vis negotiation. Add to this, the use of funds to cover a substantial budget which member firms are providing, part of which goes to the interment of some of their freedoms, and you have a ready facility for further extension of power.

How much longer will dealers and brokers and their employees be taken in?

It is high time that they emulated the example set by their policemen and placed themselves in close proximity to the national capital where their commercial destinies are being settled.

Cannot they who pay to be clubbed also pay to be protected?

In other activities of the nation, controls are being relaxed. This is said to be one of the evidences of the termination of the war and the return of the peace.

In the securities field additional irksome controls and regimentation are being enforced. Why? Are the dealers and brokers and those who serve them the bad boys of the nation?

If the cry of the policemen is "on to Washington" then those that are being policed had better adopt the same slogan or else the policemen will ride and the policed will be their mounts.

The Public Debt— A Long Range View

(Continued from page 1450)

of years, when most such details have been circumscribed by the well-established limits of a wartime economy, it is not surprising that our major attention should have been largely restricted to them. In other words, insofar as Treasury securities and the public debt are concerned, we perhaps have become used to thinking in terms of a fairly rigid basic pattern for such things and, consequently, we may have tended to confine our view of the future problems and possible solutions to too small a sphere of possibilities. For example, too many discussions of these problems and solutions may have been erected from a base in which banking, credit and related subjects are held in the status quo of our pre-war economy. It is my conviction that from here on we will have to look at these matters in an increasingly different light and on a far broader plane. The methods which have been used for the management of public debt operations will have to be changed. The problems which will be coincident in those changes will create forces which could result in profound changes in our over-all social and economic machinery—changes which could be surprisingly revolutionary if they are not thoroughly understood beforehand.

You, gentlemen, as savings bankers, can appreciate that the elements of private banking, private credit, public credit, public debt, and Government fiscal policies comprise an interlocking and intricate piece of machinery which, for successful operation, requires a considerable degree of technical training and practical experience. Men are not endowed by their intuitive senses to make correct decisions in these fields, nor are the best decisions likely if they are derived from training which is predominantly gained from text books and charts. Comprehensive minds, of great practical experience, operating with relative freedom from political pressures, are necessary. There is a pressing need, today, for all kinds of bankers, through both their individual and their joint efforts, to assert a sincere and active interest in the larger problems involved in the management of the prospective 300 billion dollar debt of the United States.

* * *

Importance of Debt Legislation

The weight of this debt (financially, economically and politically) will inspire many proposals with respect to it which will find their way into the committees and sessions of Congress. Many of these will be inadequate and unsound. Yet, some measures eventually will be adopted. If bankers fail to provide sound and constructive (as well as expedient) proposals for the management of the public debt, the consequences to banking and to the country can be severe. I urge each of you, therefore, to devote yourselves as assiduously as possible to some of these larger problems now, and suggest that you use every possible means to make available to your Representatives and your Senators in Congress your general knowledge and any ideas you may devise for a sound approach to the management of the public debt.

This morning I shall attempt to illustrate three major considerations which conceivably could give a dangerous direction to Congressional legislation in the broader fields of debt management. Such legislation may, or may not, give a clear picture of its ultimate results at the time it is considered. It is quite possible that legislation may be proposed which might have as its origin rather simple solutions to some debt problems yet prove to be the platform from which more drastic changes would be propelled. The three considerations are:

First, the debt itself, with respect to its general character, the financial burdens it imposes, and the possible effect on total interest payments of various changes in the debt and the rates of interest paid;

Second, the vulnerable position of the commercial banking system as the largest single holder of our debt (I should add that savings banks seem likely to be a beneficiary, in one degree or another, of this vulnerability of the commercial banking system); and

Third, the degree by which the accumulated potential purchasing power, which has been created by our wartime fiscal policies and wartime efforts, may complicate the achievement of sound debt management and perhaps even threaten the private capital system.

The Size and Nature of the Debt

First, with respect to the debt itself. We know that the costs of Government (other than debt) will require in the form of taxes a larger portion of our annual income than anything which followed World War I. This seems likely to be true for some time. But, on top of this, we will have to add the service costs of our public debt. These service costs will be heavier than heretofore also and will sit on top of the whole of Government expenditures like the ghost of the gargantuan beast of War. There will be many long and continuing cries for increased tax relief, and these debt service costs will become the subject of accelerating attack. Consequently, I have tried to measure the relative burdens of debt imposed upon us by World Wars I and II. The results were interesting and emphasized to me the degree by which the service costs of the debt may be the subject of future political scrutiny.

At the end of World War I and during the decade which followed it, the general situation with respect to debt was as follows:

(1) The total Federal debt reached a peak slightly in excess of 25 billion dollars.

(2) During the ten years following the war we reduced the debt by almost 9 billions but, of this reduction, less than three billions came from the general receipts of the Treasury — we might say, from taxes. The remainder, or bulk of the debt retirement, was provided for by decreases in General Fund balances, receipts from foreign nations, franchise taxes of the Federal Reserve Banks, etc.

(3) The average computed interest rate at the end of the war was 4.18% and there was no upward change in the cost of borrowings. On the contrary, a minor decrease was witnessed during the ten-year period.

(4) The decrease in the service costs of the debt (brought about partly by the decrease in the amounts outstanding) was a contribution of some degree to the steady reductions in taxation which were characteristic of the period.

At the end of this war the situation seems likely to be as follows:

(1) The peak of debt, after a substantial reduction in the General Fund balances, seems likely to reach 300 billions.

(2) The philosophy with regard to debt retirement apparently has undergone a change. With a 25 billion dollar debt we were bold enough to attempt to pay it down fairly rapidly and we met with considerable success, although only a minor portion of the retirement was from taxes. With a 300 billion dollar debt, retirements of which must come largely from taxes, there seem to be few bold enough, or rash enough, to suggest that we drastically reduce it. The degree of debt retirement will be determined by the consensus of political opinion as to how much we should attempt to retire debt in order to provide some cushion for the increases coincident with future emergencies. One figure that has been suggested is 1%, or three billions per annum. Others think that such a figure represents too large an annual drain on revenues. Since, however, 1% average debt retirement over a period of ten years would reduce the debt by no more than 30 billions, I have presumed to use such a figure in this comparison.

(3) The average computed interest rate as of August 31 was 1.95%. This is a low average rate. It may be possible to reduce it further but the total of interest payments by the Treasury seems likely to approach 6 billions per annum.

(4) The prospective total service charges on the debt are, therefore, somewhere between 8 and 9 billion dollars per annum, but such a figure provides for a sinking fund so small relatively, that there is no prospect (under normal conditions) that the debt service charges will materially decrease over the next ten years. In other words—they may stand in the way of future tax reductions. Perhaps, under such an outlook, political expedience will call for a lower sinking fund than 1%, but it must be said that any smaller sinking fund seems improvident. We cannot wholly rely on the long-term upward trend of national income to outweigh the costs of future emergencies.

In the decade following World War I the average national income produced was approximately 71 billions. Let us assume that over the next ten years the average national income produced will be 150 billions. I would like to call to your attention here that "national income produced" is always a lower figure than the one which has been popularized by Government economists, namely, "gross national product." A figure of 150 billions on the basis given, barring a substantial inflationary increase in the price level, is admittedly a reasonably optimistic one. I have given you these national income figures because it is more realistic to measure the annual burden of debt in terms of national income than in absolute figures. The comparison shows, nevertheless, that with a 1% sinking fund and the prevailing low rates of interest, the average annual burden of the debt following World War II will be almost four times (in terms of our income) that which was borne in the ten years following World War I.

No matter what eventual action is taken with respect to debt retirement, any total of Treasury interest payments that tends to reach a 6 billion dollar figure is bound to be a subject of strong political attack. Consequently, I would like to spend a little time to show how difficult it is (under customary handling of debt) to reduce the total of those payments except via heavy debt retirement.

The Treasury has been proud, and in some respects justly so, of its achievements, with respect to the lowering of the relative interest costs of the two Wars. Not only is the rate of 2½% substantially below the comparable rate of World War I; it represents fully taxable income to the recipient and, consequently, a lower net borrowing cost than a simple rate comparison would show. The real means, however, by which the low borrowing costs of this War were achieved, was the substantial use of short-term securities offered at rates which were unprecedented for the circumstances. The corollary, therefore, to the resulting low-interest cost on the debt is to be found in its structure.

As of Aug. 31, last, 36% of the public **marketable** issues may be said to mature, for practical purposes, within 12 months. The average interest cost on this portion of the debt was .88% per annum. In addition to this short-term liability, the Treasury also had outstanding 10 billions of Savings Notes and 43 billions of E, F and G Savings Bonds. These represent, in varying degree, demand liabilities within the one year classification. Consequently, it may be said (in at least a technical sense) that 50% of the publicly held issues outstanding as of Aug. 31st represented a 12 months Treasury liability.

This may sound as though one of the outstanding weaknesses in our financing policies has been the heavy use of short-term securities. This is not necessarily true. A controlled interest-rate market requires some degree of "compulsion." If the maximum characteristics of a free market are to be maintained under the threat of compulsion, then it necessarily follows that when the supply placed in the market as a whole, exceeds the buying which comes into that market (within the rates determined upon) that the remaining needs must be offered with a higher degree of compulsion attending them. As a matter of market mechanics, this was wisely accomplished in the shortest section of the market. The banking system was asked to recognize the needs of War and to cooperate in this and all the other objectives of Treasury War finance.

As a matter of fact, the 2½% long-term rate was an accident of War because that was the rate employed by the Treasury for its financing operation in December 1941; an operation that was hardly concluded at the time of Pearl Harbor. It seems that Pearl Harbor found us as wholly unprepared with respect to Wartime financing methods and fiscal policies as we were unprepared in a military way. If there were ever to be any chance (under such initial circumstances) that at the end of the War either the Government or the market could readjust Treasury interest rates that were thus accidentally imposed—the entire situation had to be flexible. The only way that we could have a flexible situation when hostilities ended, was by having a substantial portion of the public debt in short-term form so that not too many holders would be hurt by any upward revision of interest rates that might seem to better fit our peacetime conditions.

The difficulties with which we are now confronted in our debt is not that such heavy use was made of short-term securities. Our basic difficulties originate more from the combined effect of other fiscal and borrowing decisions. The War borrowing pattern of rates and methods took almost two years to fully develop. The Wartime tax policies were also slow of formulation. Both failed to tap adequately the segments of individual income which grew at the fastest rate under our Wartime efforts, namely those $5,000 and less. The Treasury pushed a little hard, perhaps, in the direction of low borrowing costs when it established its Wartime rates. The high degree of technical knowledge of market mechanics and interest-rate relationships that is so necessary if small errors are to be kept from pyramiding was not always in evidence. Perhaps this was due in part to the necessity of obtaining agreement among the unusually large number of persons consulted—both within and without the Government. On the whole, our difficulties are largely the result of financial unpreparedness; of "too little and too late," and a lack of adequate technical proficiency. We are entering into the problems of Peacetime management of debt exactly as we were forced into the Wartime debt problems by the Jap attack on Pearl Harbor.

Our major concern, however, is not with history but with the future. We have a prospective interest burden of close to 6 billion dollars. This annual levy would be far higher were it not held down by the very large percentage of short-term low-coupon issues. It is worthwhile to illustrate what can happen to interest payments as changes in the debt structure occur.

First, it seems probable that some substantial shifts of ownership will be witnessed. One principal change is likely to be the transfer of debt from business and individual holders to the commercial and Federal Reserve Banks. Where such a change takes place through marketable securities, no substantial change will result in the interest payments made by the Treasury. (This is, of course, subject to the premise that in the transfer of such holdings the market will remain favorable to the Treasury. There is every prospect that this will be the case, and that the Treasury will take steps to insure that it is.)

Second, to the extent that redemptions of E, F and G bonds are refunded with longer-term marketable securities (such as 2¼s and 2½s) the reduction in the total interest payments by the Treasury would be insignificant if any.

Third, if substantial holdings of E, F and G bonds are refunded into the commercial banks with short-term certificates, then some decrease in the total of Treasury interest payments might result. It is hard to say how much of a reduction would take place under those circumstances because the Treasury accounts are handled on a cash basis. This means, for example, that only the increase in the redemption values of the E and F bonds are taken into account each year. Thus, the saving might be more apparent than real at this time. Furthermore, any savings that resulted would exist only so long as the floating debt is held at its currently high figure.

Fourth, any reduction in the short-term debt, other than Savings Notes and Savings Bonds, will have to be delayed (in effect) until after redemptions of Savings Notes and E, F and G bonds have been refunded into longer-term obligations. Consequently, any significant reduction in the currently high 12 months liabilities of the Treasury seems unlikely except over a fairly substantial number of years.

Fifth, obviously any reduction in the present actual short-term debt, via refundings into longer securities, would require an increase in the total interest payments.

To sum up, there seems very little prospect of reducing the total of interest payments with a debt structure of the type that was in existence last Aug. 31st—even if the shorter and longer-term financing rates are held at their present levels. If any reduction in the total of payments is to be effective (except by substantial debt reduction) it could be accomplished only by increasing the short-term debt already outstanding, or by attaining an even lower level of interest rates (particularly in the up-to-one-year classification).

Treasury Financing Costs

Here are a few interesting sidelights on what actually has been happening to the costs of Treasury financings. On Aug. 31st, a year ago, the average computed interest rate on the debt then outstanding was 1.928%. On Aug. 31st of this year the average rate had increased to 1.945%. In spite of the low rates which have accompanied the War financings, and in spite of the sharp increase in short-term liabilities, the average rate on War-issued securities is 1.84%. Note that this is only 10/100ths of 1% less than the average rate on the debt outstanding as of Aug. 31st. The average rate on the securities sold in the Seventh War Loan Drive was 1.99%.

That interest payments are a political consideration, and that this slight increase in borrowing costs was being watched, is attested to by the Treasury's acquiescence to the lowering of market rates that has taken place in bank-eligible securities this year. This has been underscored by the consistency with which the Treasury has been refunding maturing obligations with ⅞% certificates, and by the omission in the Victory Drive of any marketable issues between ⅞% and the bank-ineligible 2¼s. There is every reason to believe that future refundings, in which the maturing issue is held largely by commercial banks, will continue to be refunded—and I am inclined to use the word solely—solely with certificates.

Certainly we should remove from the realm of political **desirability** any future increase in short-term interest rates. Also, we must recognize that if it should prove practical or, for any reason desirable, over the next five years, to reduce the present and prospective floating debt, it will be necessary to **decrease** the rates on short-term securities or witness **increases** in the total of Treasury interest payments.

Perhaps we might sum up here some of the things which we have been over with respect to the structure of the debt, etc.:

First, I think it has been clearly shown that the annual service costs of our Public debt will be a major item in our Peacetime expenditures and potentially the subject of major attack in Congress.

Second, that the principal item of service costs is that represented by Treasury interest payments and that it will be very difficult to lower the total of these payments under any increase in short-term interest rates.

Third, that to avoid an increase in the total interest payments also requires that we either continue indefinitely with our present high percentage of floating debt or bring about a further decrease in the interest rates on short-term securities.

Fourth, that the Treasury is apparently quite conscious of the political dynamite provided by our large total of interest payments and may, by consistent reliance upon shorter-term securities, starve the intermediate market and thereby bring about an even lower rate of interest for bank-eligible securities. (I might add here that it is my opinion that the Treasury will not attempt to reduce the long-term 2½% rate on ineligible bank securities and that the continuation of this rate, together with a lower rate for bank eligibles, is practical over an indefinite period.)

Commercial Banks and the Debt

We will now take up our second consideration which concerns the vulnerable position of the commercial banking system as the largest single holder of our debt.

I would like to emphasize in the beginning that the holdings by the commercial banks of Treasury securities has been brought about largely as a matter of Treasury policy and Wartime needs, and that the position of the commercial banking system (both with respect to its holdings and the rates in the bank section of the market) was taken involuntarily and, in largest measure, in response to the Government's request for the cooperation of the banks in our War effort.

As of the end of last year all commercial banks held 77½ billion of the 213 billions of the public issues then outstanding. This was 37% of these issues, and roughly ⅓ of the total outstanding debt. The rate of absorption by the commercial banks of recent debt increases has been, however, at a higher rate than the 37% percentage of holdings. Because of this, and because of the prospective shifts in ownership (from corporations, individuals, etc., to commercial banks) chances favor that when the Wartime debt peak has been reached that the percentage of bank holdings of public issues may approach 45% or more.

According to estimates which I have made, the commercial banking system was receiving at the end of 1944 almost 30% of the Treasury annual interest payments. In spite of what seems to be Treasury policy of refunding existing bank holdings with certificates, the rate of increase in holdings is sufficient to justify the belief that as the bank percentage of the debt increases further, some increase will occur also in the percentage of Treasury interest payments received by them—certainly for several years to come.

At the same time, recent bank earnings have been as follows: For the year 1943 net profits after taxes were 638 millions, and in 1944, 751 millions. In 1943 the amount of net profits was only slightly greater than the amount of Treasury interest payments to the banks, and in 1944 the net profits apparently were wholly offset by Treasury interest payments. It is not a question of whether the net earnings of the banking system are greater or less than can be justified from an economic, banking or equitable point of view. The point is that politically, Treasury interest payments will be a subject of increasing concern and that the earnings (before taxes) of banks will continue to increase.

In that connection we cannot overlook the fact that there should be some additions to the gross income of the banking system from the reconversion and peacetime credit needs of business, consumers, agriculture, etc. Unfortunately, while the rates offered by banks for such credit accommodation appear to be inordinately low, particularly when one considers the element of credit risks involved in peacetime operation, the additions to gross interest income may well come along in the years 1946, 1947, etc., whereas the bulk of losses may be postponed until later years. Thus the true net result of loaning operations would not show in those years during which Treasury interest payments may be a source of maximum political scrutiny.

It is perhaps pertinent also to point out that if a fairly substantial redemption of Savings Notes and Savings Bonds takes place, with a corresponding refunding into short-term issues to be acquired by the commercial banks, that an increase of as little as ¼ to ⅜% in the short-term rates (up to five years) would, of itself, increase the gross income of banks by an amount equal to the net profits before taxes for the year 1944.

To summarize our second consideration and tie it into what has gone on before, we might say that:

First, the principal recipient of Treasury interest payments is the commercial banking system, and

Second, that any increase in short-term interest rates will accentuate the political vulnerability of the banking situation as political concern over Treasury interest payments increases.

Purchasing Power and Debt Management

Now with respect to our third consideration, namely, the degree by which the accumulated potential purchasing power of the country may complicate sound debt management and perhaps even threaten the private capital system. I shall use some figures here to illustrate something that is well known, namely, the relative increase in the potential purchasing power of business and individuals. I would not attempt to defend these figures. I know that estimates of the kind which I shall use could be made the subject of considerable debate by my more erudite economist friends. The accuracy of the figures is not important. It is their general size which is important. Therefore, regardless of any differences based on grounds of strict accuracy, I believe the general outline is not debatable as to its possibilities.

In a study published last June in the Federal Reserve Bulletin, a measure was made of the rapid growth in the liquid assets of businesses and individuals during the years just prior to entrance into the War and subsequent thereto. This study showed that as of Dec. 31, last, the liquid assets of businesses were 375% of those which existed at the end of 1939. At about the same time the SEC published a compilation of the increase in the net working capital of U. S. corporations which showed that this had expanded from 25 billions at the end of 1939 to 46 billions at the end of 1944.

The Federal Reserve study also showed that the liquid assets of individuals were 260% greater at the end of 1944 than at the end of 1939.

To put it another way and using dollar figures, the Federal Reserve estimated that the combined liquid assets of businesses and individuals totaled 194 billions at the end of 1944 compared with 66 billions at the end of 1939.

From another source, the Life Insurance Companies of America, a survey published last August estimated the combined liquid assets of businesses and individuals at approximately 250 billions compared with less than 100 billions at the start of the war.

Obviously any such sharp increase in the liquid assets of businesses and individuals makes it possible for very severe pressures to be placed under the price structure at a time when governmental controls (rationing, wages, etc.) are being lifted. Whether or not this large total of liquid assets will be held out of the market until such time as peacetime production is capable of absorbing it without an undue increase in the price level, is a matter of conjecture. Certainly, we are dependent, in this respect, on two things:

(1) On efficient cooperation between business, labor and Government sufficient to give us a fairly speedy attainment of reasonably full peacetime production, and

(2) Upon the whims of mass psychology.

This situation is important because if things work out unfortunately, that is, if mass psychology took an adverse turn, or if business, labor and Government were unable to work sufficiently well together, we could precipitate some kind of explosion in our price level which could be devastating. Under such circumstances, fairly sharp actions might be taken by Government to obstruct the forces behind this explosion, and any such attempts by Government would be made in the direction which would be the least unpopular at the time of their instigation.

Even if, by good fortune, and good individual judgment, and efficient utilization of our productive facilities, we are able to avoid any such unfortunate situation, it seems that at some time in the future it will be necessary to place upon our economy some brakes which will avoid repetition of our experiences following World War I.

It is in these respects that the economic and the fiscal problems of Government clash. It is generally conceded that quantitative controls for such purposes (such as upward revision of Federal Reserve rediscount rates, tightening of Federal Reserve credit, etc.) cannot be used except at the expense of increasing Treasury interest payments. Some alternatives have been advanced, such as the refunding of a part of the bank-held debt into special obligations bearing an extremely low interest rate; but most of these alternatives open up possibilities of legislation which might have a drastic effect on the free operations of a private banking and private credit system.

Consequently, some have foreseen the ultimate need of qualitative controls. Qualitative controls might be governmental restrictions applicable to various types of credits, such as those used to regulate borrowing on securities. But, the moment that we get into qualitative controls, particularly when we are faced with the kind of a situation that we have with respect to our debt structure, its ownership, and the importance of Treasury interest payments, we are on dangerous ground. It might be compared with trying to reduce the size of a toy balloon by pushing a finger in one side of it. We quickly find that we must attempt to surround the entire surface of the balloon with both hands in order to gradually compress it without popping it.

In other words, legislation which starts out with the ostensible purpose of meeting the relatively simple problem of Treasury interest payments and interest rates could become involved quite quickly in measures of qualitative controls which might bring a further encroachment by Government into the fields of private banking and private credit.

If the private banking and the private credit systems are not kept free of further encroachments by Government, or if they prove, in their operations, inadequate to the needs of peacetime production, then it seems to me that we have truly come face to face with a most sincere danger to the private capital system. It is the private capital system upon which many of our individual freedoms depend. A peacetime production that is satisfactory to Americans cannot be attained without it.

Therefore, I say to you, gentlemen, that interest rates (as such) seem to me to be the least of our worries. But, if there are any prospective changes in interest rates in the offing, then the overpowering position of Government, and the obvious desires of Government may bring about a lower interest rate in the short and intermediate areas rather than higher ones. The longer rate I expect to see unchanged. The most important obstacles which lie ahead of us in the peacetime years are the broad problems of public debt management. Any general lack of understanding of these can permit unwise legislation to strike at the heart of the private capital system. I hope each of you, as individuals, and acting jointly, will concentrate as much time and effort as you possibly can on the larger and more important aspects of public debt management and its related fields, and I hope that every Congressman and Senator will see you more often, hear from you more often, and receive more of your assistance than ever before.

Says Lay-Offs Have Passed Peak

(Continued from page 1456)

discuss these problems, which are of such vital importance to the nation, the States, and every individual community in the reconversion period.

"These men and women who direct the operations of the more than 1,750 free, full-time employment service offices in the United States and Hawaii confirmed what our telegraphic surveys have indicated—that the nation is now well beyond the crest of job layoffs resulting from war contract cutbacks and cancellations.

"In the first four weeks following the Japanese surrender some 2,500,000 layoffs occurred. But ever since the first week, when layoffs totaled 1,800,000, the rate of release has been declining steadily. Last week it was down to only 160,000. And, although approximately 1,000,000 additional layoffs are expected before the end of the year, we anticipate a steady decline in the weekly rate of separations.

"The return of veterans to the civilian labor force in the coming weeks will greatly outnumber the workers released from war plants. General Marshall has informed Congress that the War Department is prepared to increase the monthly demobilization rate from 450,000 discharges this month to about 800,000 by the end of this year.

"In the next four months, therefore, the United States Employment Service must be prepared to help more than 2,500,000 veterans find jobs and re-establish themselves. Each day finds the reconversion program further ahead with employers calling for workers to return to the machines which will turn out peacetime products.

"For example, the United States Employment Service has just completed a survey in the Southeastern States to find out how many war production plants would reconvert to civilian production. Only 23 of the 410 industrial plants included in that survey reported they expected to discontinue production entirely as a result of the end of the war. It was found that 377 plants had definite plans to reconvert within a short time; 166 planned to reconvert at a future date; 150 had no reconversion problem and 43 had already completed reconversion.

"Reconversion plans are changing rapidly, the survey showed, and there is a possibility that some of the employers who stated that they had no plans to continue operations may secure work which will enable them to do so.

"Within one week, for example, six plants which at first did not expect to continue production, later notified the United States Employment Service that they had received orders which would enable them to keep their plants in operation. The same situation prevails in other parts of the country.

"In meeting the problems of post-war employment the United States Employment Service is taking full advantage of the techniques and procedures which were developed during the war years. Most important of these is the spirit of cooperation and mutual understanding at the community level through which labor, managements and the public work together for the solution of their common problems."

Halsey, Stuart Sells Union Pacific Issue

A banking group headed by Halsey, Stuart & Co., Inc., on Sept. 26 was the high bidder for an issue of $81,602,000 of 3% refunding mortgage bonds due 1990, offered by the Union Pacific Railroad Co., in competitive bidding.

The group bid 103.3599 for the bonds, with a second syndicate, headed by Kuhn, Loeb & Co., offering to pay the road a price of 103.209 for the issue.

The successful syndicate reoffered the issue publicly on the same date at a price of 104, subject to formal award and approval of the Interstate Commerce Commission, and was able to announce oversubscription and closing of the books in a matter of minutes.

Full Employment In Exchange for What?

(Continued from first page)

sponsors of the proposal have the means by which they can smother such analyses while, at the same time, they can give wide dissemination to glittering statements and plausible propaganda in favor of the proposed program. A far-reaching propaganda machine is in operation, and it is steadily gaining momentum.

Furthermore, the proposals in the bill are presented in a manner that will tend to win approval more or less automatically and to disarm those who may not read between the lines or grasp any dangerous implications which the plan may contain. The principal device employed to accomplish this aim is the incorporation in the bill of a lengthy declaration of supposedly-admirable purposes. Such material is in the nature of a preamble; and this is not law, despite the fact that it follows the enacting clause. "Legislating by preamble," a device that has been employed extensively in Washington in recent years, cannot be defended in legislative law; and it is dangerous because it is used to mislead a trusting public.

It is this preamble-type of material that enters chiefly into the popular discussion of this bill and is utilized, because of its emotional appeal, in the organized propaganda now being brought to bear upon the general public and members of Congress by certain Administrative, Congressional, and various other pressure groups.

But the major defects or virtues of this bill are not found in the announced purposes. They are in the mechanism designed to provide "full" employment. And since this mechanism involves complex questions regarding statistical measurements and intricate causal relationships in the economic world, many economists and others opposed to the socialization of our economy fear that the general public may not be in a position to weigh the factual evidence which reveals the merits or dangers in this program. Regarding many, if not most, of the basic assumptions made in the bill, some of our most experienced and reputable economists are entering vigorous denials as to their accuracy or practicability.

Provisions of the Bill

The bill provides for a "National Production and Employment Budget," shortened to "National Budget"—a budget which far exceeds in complexity of concept our large and complicated Federal Budget. It is to include the estimated size of the labor force and the estimated aggregate volume of investment and expenditures by private enterprises, consumers, and state, local, and Federal governments supposedly **required** to produce the gross national product deemed necessary, at expected prices, to provide full employment opportunities. It is also to contain estimates of the **contemplated** investment and expenditures of these groups, **apart from** the National Budget program, including such foreign investments and expenditures for exports and imports as affect the volume of the gross national product.

The President is required to transmit such a budget to Congress at the beginning of each regular session. The Budget is to be applicable to the ensuing fiscal year or such longer period as he may deem appropriate. If the estimated volume of prospective investment and expenditure for any fiscal year or longer is less than the estimated volume required to assure "full" employment, the National Budget shall provide for correction of the deficiency. The President is to set forth ways of encouraging non-Federal investment and expenditure to increase employment and, to the extent that these are thought likely to prove insufficient, he is to provide a program of Federal investment and expenditure. His recommendations are to favor the utilization of private enterprise "except where the performance of such work by some other method is necessary by special circumstances or is authorized by other provisions of law."

If, conversely, the estimated aggregate volume of investment and expenditure is more than is supposed to be required to assure "full" employment, the President is required to present a program designed to contract this volume.

He is also authorized to submit supplemental or revised estimates, or programs, or legislative recommendations to Congress "from time to time." He is required to review all Federal investment and expenditure quarterly to ascertain any changes supposedly needed in the volume of Federal investment and expenditure, and "the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring continuing full employment. . . ."

This National Budget is to be prepared in the Office of the President in consultation with the members of his Cabinet and other heads of departments and establishments. In addition, there is to be a Joint Committee on the National Budget composed of fifteen members of the Senate and fifteen members of the House who are supposed to study the Budget and to report to Congress by March 1 of each year.

The bill provides that nothing in it shall be construed as calling for or authorizing the operation of plants, factories, or other productive facilities by the Federal government; or the use of compulsory measures in the distribution of manpower; or any change in existing procedures on appropriations; or the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by some law other than this bill.

The arguments that have been offered in behalf of this program are essentially those set forth in the bill's declaration of purposes. The significant considerations for the people of the United States are those raised by analysts who have studied the bill carefully and are in a position to appraise its implications with accuracy. In general, their queries and observations, thus far, follow closely the following summarization.

What Is the National Budget?

Serious questions arise concerning the concept of the National Budget. Its reliability and value, quite apart from matters of purpose and practicability of administration, rest upon other concepts such as those of gross national product, the aggregate volume of investment and expenditure, regular and full-time employment, and so on, regarding which our statistical data are inadequate and of a questionable character. Most of these concepts are matters of dispute among economists both as to definition and as to the possibility of accurate measurement.

What, for instance, is "regular" and "full-time" employment—how many days per week must one work, how many hours per day, how many adult members of the family must work, how many holidays may there be, at what age may one begin work, and at what age may or must one retire? How can the notion of "continuing full employment" be applied to seasonal workers, specialized workers, migratory workers, apprentices, incompetents who are discharged, and those changing jobs? Is not the need for "full" employment greatest when the living standard of people is lowest, and least when their standard is highest? Does not the idea of "full" employment dissociate wages from productivity? Are not prosperity and productivity, rather than "full" employment, the major considerations?

Some of the other concepts mentioned, such as that of gross national product, involve, probably, even more difficult questions.

This bill directs the President to proceed as though our statistical data on the basic elements involved were complete and reliable or can be made available when needed. It directs him to make predictions on the basis of data known to be incomplete and unreliable. It proceeds upon an assumption that a deficit in what is supposed to be the "proper" amount of spending and investment can be stated with accuracy, and that this deficit can be related in a definite manner to the unemployment which has prevailed or may be predicted.

Assertions Cut Loose from Realities

Indeed, the bill is essentially a series of assertions cut loose from realities. It states how governmental policies are to promote private enterprise, how they are to bring about the desired activity on the part of business, how they will assure "full" employment, how consumers' expenditures will be increased or decreased as desired, how capital outlays of business will be increased or decreased as needed, and so on, just as though assertions of this type in a law can effect the ends desired.

The bill incorporates what has come to be known as a compensatory economy program, the soundness of which has been challenged repeatedly by many of our most responsible economists. Provision is made for government spending to take care of the "deficits" in the National Budget. No consideration is given to the effects of taxation or borrowing on the private economy. In so far as the theories in this bill go, taxation and borrowing might be exceedingly heavy and disturbing. No consideration is given to the possible size of the Federal debt or to other unfortunate disturbances which the proposed government policies and actions probably would cause. Under this plan we could have a series of deficits until the public credit collapses.

Compensatory Economy in the Past

The bill, like the general run of comments on it by its proponents, seems to reveal no clear understanding of the net effects of similar government policies in the past, as, for example, during the 1930's. When a policy, much like the one proposed, was tried in this country during those years, the economy was so disturbed that unemployment remained at a high level despite the heavy governmental expenditures. The flow of capital into new enterprises declined to a mere trickle. The velocity of bank deposits, which in general reflects people's optimism or pessimism, declined to the lowest level on record up to the time we embarked upon our armament program—to a point below that reached at the depth of the depression in July, 1932. Facts of this type are ignored by the proponents of this bill. Moreover its sponsors offer none that would warrant support for the theories on which it rests. They are asking the people of the United States to accept the bill on faith—on the basis of assertions and the declaration of purposes.

Another important consideration is whether a government can really do the things which this bill takes for granted. There are qualified persons who maintain that it is more reasonable to assume, in the light of the evidence that is available, that governments will make serious mistakes and cause maladjustments than it is to assume that they will always act with wisdom and proper foresight.

The bill takes for granted that even though a nation has been plunged into a severe war, with all the attendant serious and radical adjustments that are involved, the central government, if it will only take appropriate measures, can effect a smooth transition to a peace economy and enable the country to escape a severe postwar reaction. Many economists doubt that there is any basis in economics, or in economic history, for such an assumption. They insist that much of our thinking in the late 1920's was of this type. We thought then, they say, that if we could maintain a stable price level and continue certain other "enlightened" policies, which our government was supposed to be pursuing, we could escape a secondary and severe postwar reaction. We were soon taught the foolishness of those notions. Today we are seeing essentially similar assumptions made. The importance of a stable price level is being stressed just as in the late 1920's.

How Much Spending Is Necessary?

There is nothing in the proposed plan that would indicate how much government spending is necessary to put a certain number of people to work. For instance, during the days prior to the pump-priming program of the 1930's, when the Federal budget was approximately five billions of dollars, what was the relationship of this budget to the number of people employed? According to fairly conservative estimates, the best we can expect in the way of a "normal"-time postwar budget is one of, say, 25 billions of dollars. With a budget of five times the pre-pump-priming budgets, what would be the relationship of this extra 20 billions of Federal expenditures to the number of people that would and would not be employed?

The plan fails to recognize what qualified economists know to be the difficulties in "solving" the problem of unemployment by government action: A government is a cumbersome machine and slow in launching public works. It is difficult to start these in the areas of unemployment and, therefore, labor often must be moved to distant points and perhaps be provided with special housing and other facilities. Projects, once started, are rarely stopped when the need for such employment disappears, partly because of the waste involved in the incompleted enterprises. There is the question of how to utilize the products or services for which there may be little or no demand. The supervisory bureaucracy is wasteful, expensive, politically minded, and tends to perpetuate itself and to expand its undertakings. There is a tendency to compete unfairly with private enterprise and to cause it to shrink or die, which, in turn, provides the excuse for still further expansion of government employment activities.

Shortcomings of a Statistical Program

Despite provision for advisory and other committees, the proposed National Budget would be in control of a small group of statisticians who would devise programs of national expenditures based upon their statistical estimates. It is hardly reasonable to suppose that the thirty otherwise busy members of the Joint Committee of Congress would go behind the reports of the statisticians and obtain a genuine understanding of the nature and shortcomings of the raw material used in such estimates. What one can count on is that this Committee and other advisory groups, Congress, and the President would take what this small group of managerial statisticians gave them, and that both Congress and the President would act upon such estimates. Otherwise, they would be defeating the chief purpose of the program. The probable consequence would be the discovery that, through the passage of this bill, we had instituted in large degree a Federally-managed economy with the management actually in the hands of a small group of statisticians.

Question of Individual Freedom

Another serious question involved in the program is whether security in the form of assurance of "useful, remunerative, regular, and full-time employment" can be given to individuals by any government without at the same time sacrificing, to an undesirable degree, the freedoms which individuals must have if they are to go forward in the best possible manner. The bill does not face the fact that an individual cannot have freedom without, at the same time, incurring risks. It assumes that the people of the United States have reached a stage in which they are willing to sacrifice their guarantees of freedom to obtain what is in fact a spurious guarantee of employment. It embodies the doctrine that every person is entitled to obtain a living from the government regardless of whether he has the ability or the willingness to produce enough to justify the pay which it is proposed that he shall have.

Just how does the Federal government propose to see to it that the person who desires "useful, remunerative, regular, and full-time employment" is to get it? Who will decide whether the job is "useful" and what is "remunerative"? Will rates of pay differ or will they be uniform? What is a "regular" and a "full-time" job, and how is one to get it if there are no openings in the fields where one's qualifications lie? The net meaning of all these vague words—"useful, remunerative, regular, and full-time employment"—can be nothing but government regimentation of those people who may be so unfortunate as to become the victims of the system which this bill, by its nature, apparently will institute.

The fact is that if an attempt is to be made by the government to provide employment in accordance with the vaguely-worded promises in this bill, the government, of necessity, must determine when, where, and under what conditions the seekers of employment may work. This fact is not altered by the statement in the bill that nothing in the plan may be construed as calling for or authorizing "the use of compulsory measures of any type whatever in determining the allocation or distribution of manpower." The existence of a painful amount of unemployment will supply all the compulsion that is necessary. This bill opens the way to far-reaching government action to insure such employment as it may see fit to provide. The government could, and probably would, enter many fields of activity that are not proper functions of government—if we are to maintain the system of private enterprise.

Although the declaration of purposes is not law, but rather a psychological trick, the statement that one of the purposes of the plan is to "contribute to the full utilization of our national resources" is symptomatic of the unhealthy nature of this bill. No well-informed person could possibly expect to have or to want "full utilization of our national resources." Such utilization would mean the end of all conservation and would leave little or nothing for future generations.

Creates a "Welfare State"

Despite the great concern repeatedly expressed in the bill over the preservation and fostering of free, competitive, private enterprise, the program in its essence is a monument to a striking lack of faith in the virtues and strength of private enterprise. The faith of the sponsors of this bill lies in the so-called "Welfare State," a fact adequately demonstrated by the declaration of purposes. And the true nature of the "Welfare State" is a matter of grave concern to those who wish to maintain private enterprise in this country. "The slave state," says the British economist Hayek, "always starts out as a welfare state. It promises freedom from worry, want—as many freedoms as you wish, except freedom from the state itself." This bill provides for much less, not more, freedom from the State. Indeed, some careful critics regard this program as probably the boldest attempt yet made in this country by government "planners" to usher in a Federally-controlled peacetime economy.

"Continuing full employment" cannot be assured in a free society. If this bill should become law, the probable effect would be to discourage rather than encourage private enterprise and to decrease rather than increase nongovernment employment. The Federal government will have assumed an explicit responsibility for "full" employment, and for unemployment, in this country. Presumably, the best Administration would be the one that would employ the most people. This could easily lead to huge Federal spending, huge bureaucracy and patronage, and, finally, to national bankruptcy.

Although the bill expresses again and again an aim to encourage and to utilize private enterprise in carrying out the proposed program, escape clauses are invariably provided which would enable the President, with the cooperation of a majority in Congress, to do practically anything he pleases. In addition, there are various broad and vague provisions under which those responsible for the proposed policies could attempt almost anything in the way of instituting a Federally-managed economy.

What Alternative?

The alternative to this bill does not involve doing nothing to combat unemployment—a matter of great concern to all enlightened people. There is, as qualified economists well know, an alternative that can be helpful and at the same time actually preserve and strengthen private enterprise and foster a healthy economy.

In brief, if our government officials really desire to preserve and to encourage private enterprise and private capitalism, they should give more attention to what makes it function best and what causes the maladjustments that result in unemployment. Then they should endeavor to create the atmosphere favorable to the best functioning of the system.

Specifically, they should foster free and fair competition. They should not compete unfairly with private enterprise. They should provide the nation with currency and fiscal systems in which the people have confidence and which facilitate rather than disturb the operation of the system of private enterprise. They should protect the weak from the strong and give careful consideration to ways to aid the needy aged and helpless without undermining their self-reliance and self-respect. They should see to it that those who handle other people's money adhere to the highest standards of ethics. They should encourage science, invention, and learning, and seek to broaden rather than to narrow the scope of individual freedom. They should regulate in the interests of peaceful settlement of disputes rather than endeavor to produce and to direct. They should narrow rather than enlarge government activities. They should encourage hard work, prudence, saving, and self-reliance. They should cease to cultivate the enervating notions that self-reliance is no longer a virtue, that the government owes all citizens a job and a living, that there are distinct limits to the penalties that may attach to lack of prudence, and that there can be too much saving and that "over-saving" is a bad thing.

They should do other things of a similar nature. Some public works, if they are needed and if they can be properly conceived and executed in times of unusual unemployment, might accomplish some small benefits; but there is no basis for supposing that the benefits can ever be comparable to those assumed in this bill. Such works, when designed primarily to provide employment, besides being too expensive, rarely produce anything that leads to continuing employment. At their best, their accomplishments compare poorly with those resulting from a small fillip in the private enterprise system.

It is in these directions, rather than in more national planning of the type proposed in this bill, that our non-Socialist economists of repute believe the road to higher standards of living, greater individual freedom, and greater national well-being is to be found.

A basic question presented to the people of the United States by the Full Employment bill is whether their thinking and activities are to continue in the direction of preserving and enlarging the freedom of the individual or whether they are to follow those of Socialist-Communist-Authoritarian Europe.

Reconversion of Automobile Industry at Crossroads

(Continued from page 1452)

cepted industry recommendations which I described to you just a year ago in a speech entitled, "Idle Talk Means Idle Men."

In its annual report issued just before V-J Day the Senate Mead Committee (formerly the Truman Committee) after pointing out government's procrastination in dealing with reconversion problems said:

"The automobile industry early advocated that essential prereconversion work be authorized as soon as it could be carried forward without interfering with war production, but official permission to go ahead on almost all of the significant and important phases of prereconversion activities was withheld until April of this year."

Its conclusion was: "It is already apparent that pacing of reconversion has been too slow for any early achievement of volume production."

Despite these obstacles described by the Mead Committee, two companies have already started production. Both are in a position to step up output nearly as rapidly as in prewar years, but Ford is down because of strikes in plants of 23 suppliers and Hudson is down because of a foreman strike and strikes in plants of six suppliers. Other producers were planning to start production within the next few weeks. All but one or two models could be in production in October. The physical side of automotive reconversion is sufficiently mastered to state that we are over the hump in automotive reconversion and that means we are over the hump nationally. So far reconversion speed has exceeded industry and government expectations.

Arrival of V-J Day before partial reconversion had been completed by most automobile companies has resulted in their tacking the full job. As a result, while initial producion may be slower in some cases, attainment of peak production will come much faster. Certain tooling items needed for post-war production levels are still scarce and this will interfere with production in some spots for several months.

Except for strikes, new cars should start reaching dealers' hands in October and by December a very considerable number should be available for sale. Production of 500,000 before the end of the year is a fair estimate. By February, production could be at prewar levels and by late spring at a new all-time peak annual rate of 6,000,000 units, which is 60% greater than 1940 and 33% greater than 1929, the industry's biggest year.

"Are There Unnecessary Delays in Clearing Government-Owned War Products, Raw Materials and Production Equipment from the Plants?"

Fortunately, planning efforts started more than two years before the end of the war are paying off now. Companies which had pre-termination agreements are particularly well set. The company which spearheaded this industry in pioneering the development of pre-termination agreements has virtually completed its clearance job, one month after cancellation. The plant clearance program is working. Barring a breakdown in case disposal agencies cannot take the full load in the next 30 days, we anticipate no interferences with reconversion from this quarter. Only one point of field criticism is being heard. It is that disposition decisions are not being made rapidly by one or two procurement agencies; in other agencies, contracting officers are showing that it can be done, by doing it. Fortunately, the automotive industry made an issue of plant clearance starting two years ago, because today's performance—compared with plant clearance during the war—is its own justification.

We know that Robert W. Hinckley, Office of Contract Settlement Director; General Hauseman, Chief of Army's Readjustment Division, and Admiral Merring, Chief of Navy Industrial Readjustment Branch, must feel as happy about this as we do.

"What Is the Industry's Experience with Contract Settlement?"

Procedures established under the Contract Settlement Act in 1944 have been well tested. OCS, War and Navy Department cooperation in working out termination regulations was excellent. Between V-E Day and V-J Day procedures got a real workout and many bugs were eliminated. Tremendous volumes of paper work are still ahead of us and the war agencies. Admiral Merring's statement that the Navy can do its end of the job by New Year's if contractors get their claims in by October is heartening and his effort has met with favorable reaction. Some companies may have difficulty in meeting his deadline, particularly where hundreds of subcontractors are involved.

"Will Materials Shortages Interfere with Production?"

Except for tin and textiles, no materials shortages or abnormal difficulties have appeared. Mr. Krug and the War Production Board have done a great job in clearing the materials road of Governmental regulatory obstacles. Apparently tin is still scarce and WPB says it will not be freed for civilian use until foreign sources are reopened. It has facts presented by industry engineers within the past few days and has promised that where tin is definitely needed to permit production, it probably will be made available on appeal. Tin is an essential in body solder, some types of pistons, bearings and some other applications. My own conviction is that we'll be getting tin from the East Indies much quicker than Government officials apparently expect.

WPB action on textiles has been relatively slow but, except for osnaburg and burlap, there appears to be no need for major concern on this score.

"What Will We Have to Pay for New Cars?"

At present, nobody in the industry can answer that one authoritatively. Mr. Bowles is perhaps the only person in the country who can, because industry prices are completely and thoroughly regimented. I have little knowledge on this subject, certainly much less than Mr. Bowles now has in his possession. Even Mr. Bowles could not get the automobile companies to discuss prices as a group. Even if prices were not regimented and manufacturers knew tomorrow's price of important elements like labor and steel, just to name two of myriad fluid cost factors, no answer would be possible now. I doubt that any car company has received prices from all of its suppliers. Manufacturers seldom announce car prices until they have stocked their dealers with cars and are ready to sell them. Based even on Mr. Bowles' car price formula, with which I am not familiar in detail, car prices will be higher—how much higher depending on considerations too numerous to enumerate.

Nevertheless, our industry is committed to the policy of creating a better product at lower real prices. New cars will be among America's best values and this will be the result, primarily, of 45 years of competitive mass production and distribution.

Perhaps this will make it clear: The average age of cars scrapped during the war is upwards of 10½ years as against an average of 6½ years in 1925. Mileage of scrapped cars runs more than 81,000 against 21,750 20 years ago. These factors, together with lower prices, have reduced cost per mile performed by 80%. Each mile in 1925 cost 4.4c. compared to .9c. at present, or, in 1925, 23 miles were obtained for each $1 of retail price, compared to 112 miles for cars scrapped during the war—five times as much!

"What is the Employment Outlook in the Automotive Industry?"

Employment has already started to rise and should continue to mount rapidly unless strikes continue to force shutdowns. Unemployment is less than predicted and need not approach government estimates. Because parts for sub-assemblies on which 90% of the workers are employed must be manufactured from two months to six weeks in advance of car assembly, employment should advance rapidly. Automotive industry prewar employment levels can be passed during January or February and new peaks set by April or May, depending upon the strike situation.

"What Will Happen to Car Production and Employment When Pent-up Wartime Demands Have Been Met?"

Several market surveys conducted independently by individual manufacturers indicate an immediate demand for about 18,000,000 passenger cars—exclusive of trucks and buses. Based on company production plans, this probably represents about three years' output, but during those three years, approximately 12,000,000 cars will be scrapped. This will leave our national car inventory substantially below prewar levels.

I estimate that the number of cars registered will rise to a 40,000,000 level by 1960. It does not appear likely that current and pent-up demands will be met before 1952. By that time, if prepared and programmed national, State and local highway modernization plans are carried out, new peaks of car use should begin to reflect themselves in still greater car demand. Getting cities out of their traffic muddle can mean almost as much as getting the country out of the mud after World War I because 85% of car use occurs in cities.

Surely by 1952 foreign markets will be back on an economic basis to purchase needed cars and trucks in volume. Economic development is commencing in South American, African and Asiatic countries where geographical and population dispersion require highway transportation development along the same lines as this country. This has never been true of Europe.

Remembering the effect that high level automotive production has upon other fields of commerce and industry and remembering, too, that the most conservative estimate of postwar national income is $125 billion a year, one cannot determine when output will level off or at what new higher plateau average annual car production will tend to stabilize. The effect of higher national and individual income in terms of automotive production is revealed by consumer expenditure studies made by the National Resources Committee in 1939. Those studies established that people with annual incomes of less than $1,000 spend only $100 a year for cars, while those with 2,000 nearly $700 and those with $2,000 about $750. This, of course, includes maintenance, repair, and operating costs as well as purchase price.

Yet, for some reason, certain groups and individuals are picturing the automotive industry as planning to hold production to prewar levels and of being fearful of over-abundance.

In the past few days, there has been a marked change in the type of questions we are being asked. Leading the list is this one:

"What is the Industry Going to Do About the Union's 30% Wage Increase Ultimatum?"

Now, my honest answer is, I don't know, and I don't expect to know because the answer is one for each company individually. I am inclined to believe that generally they recognize the far-reaching consequences of the answer to this question inflation-wise and otherwise. Without knowledge of the specific facts, but based on my general knowledge of the industry, I don't see how it is possible for any automobile company to absorb further wage increases without reflecting it in their prices. Because of the magnitude of the reconversion problem of each company and the time it will take to reach volume production, it is certain that all companies will manufacture cars at a loss during the early months of production. You may be sure, and I believe Mr. Bowles must feel sure, that automobile companies will spread early losses over a long period.

Union wage demands raise questions of such public importance that it is hard to see how they can be settled on any basis other than determination of public interest. The people who have most at stake are the buyers of automobiles—the public as a whole. Certainly, no one expects a wage increase in our industry to stop there. Buyers of all manufactured products would ultimately be affected and the relationship between industrial and

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Reconversion of Automobile Industry at Crossroads

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agricultural prices would again become a national issue. I believe automotive managements will undertake to ascertain the public interest in arriving at their decision. Without regard to the current issue—what is the industry's wage attitude? It was best expressed by a **pioneer** who said that $50 a day is not too high if it is earned, but $1 a day is too high if it is not earned. A sound wage policy must relate wages primarily to production. This industry was the first of any consequence to base its operating policy on an acceptance of the fact that workers are customers. It was, therefore, the first industry in which a $5 day minimum factory wage was adopted. It pioneered in adopting the 8-hour day and in the modernization of factory buildings and the use of labor lightening devices. An industry executive recently pointed out that, whereas after World War I, there was not a single worker in the automobile plants of Detroit, Toledo, South Bend or Kenosha who could buy a car out of his earnings, nearly every automobile worker now owns his own car and is a prospective purchaser of a new car.

"Is the Automobile Industry, or Any Automobile Company, Trying to Break the Unions?"

If harmonious and workable labor-management relationships are to develop on a permanently effective basis, the right answer to this question must be accurately given and widely understood. I believe I can be more definite and positive and certain in answering this question than in answering any other on an industry-wide basis. **There is no effort being made by the automotive industry to destroy the unions.** On the contrary, last spring the entire industry authorized me to make this statement to the Senate War Investigating Committee when it held hearings in Detroit:

"Collective bargaining is an established process in this industry and individual managements are conscientiously discharging their obligations under existing agreements. I know of no policy-making individual, company or organization in the automotive industry that opposes the organization of rank-and-file employees."

During the Committee's questioning, the Chairman, Senator Mead, asked me, "Are you personally antagonistic or are you personally in favor of the setting up of these unions in these plants? How do you feel about it personally?"

My answer was, "Senator, I don't believe that these plants in this industry, operating on as large a scope as they do and on as large a scale, could operate effectively and efficiently without their workers being organized."

He then said, "So you favor organization?"

I replied, "Yes, I have tried to make that clear to the best of my ability in these hearings."

This week I was told by one of the leading officials of a leading company that, "If we did not have unions in our plants, it would be necessary for us to organize them. In fact, before the present unions were even dreamed of by their organizers, we were in the process of helping employees to set up organizations in our plants to bargain with us collectively. We can't operate in mass production without workers being organized."

I have checked within the past few days with the heads of the automobile companies and I found all of them sure that unions are here to stay and that they have a potentially permanent constructive part to play in our economy; that as a new economic force, in America, their proper part in the economy must be determined and this part played in a responsible manner if we are to continue our past record of economic progress. Misconstruction of our industry's efforts to bring this about does not aid the attainment of this objective.

A third question in this field that is asked today is:

"Why Don't the Automobile Manufacturers Get Together to Fight the Unions and the Unions' Demands?"

This apparently simple question actually has two parts.

Its first part is, "Why don't automobile manufacturers get together on collective bargaining?"

Experience abroad and at home demonstrates clearly that getting together on wages and hours, to deal with unions organized on an industry-wide or national basis, is a first step in getting together in the same way on other things—such as production and prices. To get together to bargain collectively, the automobile companies would have to delegate to some group or organization the power to bind them individually on wages, hours and working conditions. Elsewhere this has resulted in organized employers and the organized unions jointly conspiring to control production and prices. This is true in England and it is true in our coal industry and elsewhere in this country. Industry-wide collective bargaining has proved a big step in cartelization.

The auto union is organized on an industry-wide basis and its tactics at present are, according to its own official statements, designed to bring about industry-wide bargaining. It is one of the demands.

For years CIO and UAW have advocated industry councils composed of government-management-labor representatives empowered to "determine and put into effect," production and other non-collective bargaining programs on an industry-wide basis. What reason is there to believe that industry-wide bargaining would stop with wages, hours and working conditions when "a voice in management" is already a major union objective? As long as unions are organized on an industry-wide basis, granting them this demand would mean that through the union the managements of all companies in an industry would be interlocked, a thing Americans have opposed in any other form.

Automotive companies are opposed to cartelization on any basis and are for a competitive economic system based on individual responsibility and voluntary cooperation under economic policies fixed by government. Union-management cooperation must come quickly, but not at the sacrifice of these fundamentals upon which our past is based and our future depends.

We are confronted with the perplexing situation where centralized unions are growing vastly more powerful than decentralized employers. According to International News Service, Walter Reuther last Saturday said the planned union blockade to enforce its demand would "wreck the business of any industry affected by it." Under those circumstances, it is easy to understand why this question about the companies getting together is asked.

The second part of the question is; "Why don't the automobile companies get together to fight the unions?"

There not only is no desire on the part of automobile companies "to fight the unions," but there is positive belief that our economic progress will be ended and the attainment of new job and wage levels blocked if we fail to develop a basis on which collective bargaining can work, the mutual interests of unions and management can be accepted and the separate responsibilities of each can be recognized.

In a sincerely objective effort to help develop a formula under which peaceful and productive labor-management relations would become possible, our industry recommended to the Senate War Investigating Committee a strengthened national labor policy comprehending these points:

(1) A carefully considered policy that would retain or restore to management the ability to manage;

(2) Protection of workers from coercion by unions and protection of unions and management from Governmental coercion;

(3) Application of penalties to unions in cases of irresponsibility;

(4) A reversal of the tendency toward centralization of labor policy administration in Washington;

(5) Decentralization of industrial unions and designation for collective bargaining purposes of unions exclusively representing the employees of a single employer;

(6) Protection of separate unions from undue concentration of power in industry and national union organizations.

It was the industry's viewpoint that "there are only three possible courses union-management relations can take."

"(1) A continuation of the past pattern of management-union disagreements which would mean more strikes and stoppages and further reductions in productivity;

"(2) Achievement of union objectives, either through the intermediate step of industry-wide collective bargaining or in the direct substitution of a centrally managed economy for our present competitive system;

"(3) Adoption of the recommended national labor policy to establish cooperative labor-management relationships on a voluntary basis that would perpetuate a free and competitive industrial system."

With responsibility for collective bargaining equally decentralized, it was anticipated that individual managements dealing with union representatives responsible solely to the workers of the particular company involved could and would work out effective cooperative relationships of mutual interest to the workers, the company and the public.

National and industry unions would require all their present facilities to adequately play their part in servicing autonomous member unions and developing needed cooperation on programs that serve the public interest. Their services would supply separate member unions the economic background and advisory assistance needed for intelligent and responsible collective bargaining.

How can union responsibility at contract levels develop when union representatives of workers covered by a contract are not as fully responsible as management for the contract and performance under it? On the proposed basis, I am convinced that invaluable voluntary cooperative labor management relationships on an industry and national basis can be developed. In fact, such cooperation did develop in Detroit on manpower problems as a result of WMC Chairman McNutt's far-sighted decentralized approach to these problems and under the sound administration of Edward Cushman, Detroit Area WMC Director.

No one has explained how decentralized industry can bargain collectively with centralized industrial unions without losing the individual freedom and responsibility on which competitive enterprise is based.

Decentralization of the tremendous and still growing economic, political and social power of industrial unions is in accord with American public policy. Other economic units have obtained excessive power in the past and they have been decentralized. In our early days we had to break up the banking monopoly. Doing so did not destroy the banks. To the contrary, their usefulness increased.

When, at the end of the Nineteenth Century, the American people were confronted with a vast network of strangling monopolies in the fields of railway transportation, meat-packing, food processing, steel-making and oil-refining, the measures which the people took to break those strangle-holds **did not** destroy the affected industries. On the contrary, those measures created the necessary ground-rules that enable those industries to render greater public service than they had ever been able to supply without those rules.

To quote an editorial from yesterday's Detroit "Free Press":

"When they (the union leaders) publicly proclaim that they will block the return of national prosperity unless they get what they want they are putting themselves in the same position as Big Business of another generation when 'the-public-be-damned' was the order of the day.

"The American public has never liked the idea that it can be damned by Business, Politicians or Union Leaders."

The following statements are also from the same editorial:

"The worker should be protected from the Union Politician as well as from the Big Business Politician.

"Our national prosperity is at stake.

"Shuffling the cards in the Department of Labor is not the answer. The people are also tired of card tricks."

And now I am going to ask and attempt to answer two basic questions:

"What is Automotive Management's Primary Obligation to the Public?"

The automotive industry believes its primary obligation is to put the public interest ahead of everything else. The public interest or national interest is the industry's interest. You might call this selfish enlightenment, for, of course, the public is the buyer of automobiles.

One measurement of the etxent to which management meets its obligation is the number of customers its values attract. Without customers, there can be no jobs. Management alone doesn't make jobs, it must have the cooperation of customers, workers and owners. These groups are the public and in America they are also the government.

Our industry's postwar ability to produce cars at a price that customers can pay is in jeopardy. Government and union interference have reduced management's ability to manage. Restrictions on the freedom to organize the use of tools by workers are restricting their industry's ability to produce cars customers can afford to buy.

The manufacture, distribution and use of motor vehicles provided one job out of every seven before the war; this was because automotive managements organized mass production for the masses, not for any class or classes. We believe this is in the public interest. We know it cannot continue if customers, workers, owners—the public and the Government—fail to realize how this ability to organize, to manage, is being crippled.

The second questions is:

"What is Management's Primary Obligation to Labor?"

In answering this question, the term "labor" is used to designate the workers who perform the tasks laid out for them, not the workers known as management who lay out the tasks. Management's obligation to labor is simultaneously to produce the greatest quantity of quality goods that customers will buy and to pay the highest possible wages. The automotive industry has produced cars at low prices and paid high wages because its management had and made effective the concept of machines and methods designed to produce high volume in relation to the expenditure of human energy. Workers didn't work harder than elsewhere, but they did produce more because of management's responsibility and ability to manage men and materials effectively.

Management's discharge of its obligation to workers is being thwarted by a widespread and growing misconception of the source of wages. Wages come from production and production results from customer demand. Customer demand depends upon need and cost. Cost depends primarily upon productivity. Productive output of the things people want is the source of wages. Labor and customers must join with management in seeking increased productivity if the job and wage goals of America are to be realized. This is nowhere more true than in the automotive industry.

May I emphasize, in conclusion, that:

(1) No effort is being made by the industry or any automobile company to destroy unions. On the contrary, sincere efforts are being made to develop a basis on which cooperation and mutual helpfulness can expand our dynamic economy.

(2) Industry-wide agreement on wages and hours inevitably leads to industry-wide agreements on prices and production.

It would be a fatal first step toward an employer-employee conspiracy against the consumer. That is not only illegal in this country, it is morally wrong. It is contrary to every standard of social-economic good that has been proven sound and become traditional in this country.

It is, in a word, un-American. To take this step would be to encourage in this nation the growth of that very evil against which this nation has just waged the most destructive war in all history.

Weinberg Resumes Duties at Newborg

Frank J. C. Weinberg, who served as Lieutenant Commander in the Navy, has resumed his duties as partner of Newborg & Co., 30 Broad Street, New York City, members of the New York Stock Exchange.

New York Stock Exchange Weekly Firm Changes

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

William J. Crowley will retire from partnership in Hirshon & Co., New York City, effective Sept. 29.

Harold W. Eppink retired from partnership in George D. B. Bonbright & Co., Rochester N. Y., on Sept. 13.

Bowen to Represent Smith Barney in Albany

ALBANY, N. Y.—Smith, Barney & Co., members of the New York Stock Exchange, announce the appointment of Edmund J. Bowen as their Albany representative with offices at 90 State Street.

The Foreign Trade Outlook

(Continued from page 1450)

to see that no permanent change took place in our basic free enterprise methods of doing business with foreign countries. Top policy officials of the Government gave assurance from time to time that wartime controls and regulations would be relaxed at the earliest feasible moment. We note with satisfaction that these pledges of the Government have already been fulfilled in many cases, but we must continue alert to see that reconversion includes prompt relaxation and elimination of remaining Government controls affecting trade and American commercial relations throughout the world.

The third objective to which we have devoted much discussion throughout the war years is the very evident need for an expanded post-war foreign trade, linked as it is to our hopes for prosperity and a high level of employment. The time has now come. The job is here to do, and we are now free to do it. I submit that the initiative in foreign trade must come from business rather than from Government, and that there is much careful thinking and plenty of hard work to be done if we are to make the most of our opportunities. Our policies, I believe, can be formulated with the assurance that cooperation will be forthcoming from the Government, but we should not look to Government to set the plan or provide the leadership for the greater foreign trade relationships that can be attained. Experienced foreign traders must take this responsibility.

Public Opinion Shifted

One decidedly fortunate development came about during the war period. Looking over these very recent years, we note that foreign trade has achieved a national and a world status as essential to sound economic progress. Today's public recognition of the importance of foreign trade is most heartening. It has made itself strongly felt in Congress, and, although it may seem somewhat presumptuous to do so, it can be truly said that the nation has come of age. With this maturity has come responsibility and a determination to take our relative place of leadership in the world. The Reciprocal Trade Agreements Act was renewed last Spring by large majorities in both the House and the Senate. Additional tariff bargaining power was provided, the significance of which will become apparent as agreements are negotiated and put into effect. The Bretton Woods international financial measures were likewise approved by large Congressional majorities. The San Francisco Charter of the United Nations has been acted upon favorably. These are perhaps the outstanding examples which demonstrate that the United States will pursue a course of international cooperation and that foreign trade will receive the recognition and encouragement it should have. This new emphasis on our international commercial relations is certainly most welcome.

There has been another shift in public thinking which can also be regarded as sound and helpful. Stress is rightfully being placed on imports. Necessary imports present both a problem and an opportunity to which much constructive thought is being devoted. Our tariff policies already have been revised and strengthened. Some farsighted executives formerly concerned chiefly with exports, have established import departments within their own organizations. This type of progressive action presents great possibilities for a more stable foreign trade. The Tariff Commission recently issued a detailed study of imports and their probable effects on domestic production, a study which can aid many businessmen who attempt to develop import trade. It is safe to say that foreign traders no longer think just in terms of exports. This reflects a sound business attitude because no sale is a sale until the goods are paid for. There is solid ground for hope that the problems of foreign exchange and dollar scarcities can be solved when we consider, and effectively operate, our foreign trade relations on the "two way" basis that must exist.

Warning Given

We sense that an era of foreign trade expansion is at hand, and a word of warning may be in order. The desired expansion will not be achieved by words and talk. Experienced foreign traders are needed. A few shipments do not make an exporter or an importer. Manufacturers with new plant capacity have told me of Lend-Lease orders they handled during the war, and insisted that they therefore are in a position to continue to do export business. While this was a healthy indication of interest in foreign business, the complete lack of appreciation of what constitutes export selling and distribution was appalling. No thought of market analysis, adaption of the product for the market, terms of sale, foreign exchange, shipping or other important factors seemed to be in their minds. There is now and will be an increasing demand from the owners of idle productive capacity and from labor to consider the foreign markets as a ready solution to their problems and to insist that in some way, possibly by Government purchase and distribution, their products be sent abroad, irrespective of the result of such action on our economy or that of other nations. Interest in exports must be combined with experience. Fortunately, there exists both here in this area and throughout the country the required experience and know-how to make a success of foreign trade.

Much is said about dollar funds created by our war purchases abroad, owned by foreign governments or foreign nationals and available for the purchase of American goods. There is a tendency to become over-optimistic when such amounts as the $4,000,000,000 available to Latin America is considered. We must bear in mind that the Latin American countries will, in all probability, use their funds judiciously to develop and build up their economies along the lines which they think are most desirable. So the selling job there will require more effort than some perhaps anticipate. Devastated and formerly occupied areas will continue to encounter severe difficulties and must use the relatively limited dollars available to them for essential imports to rebuild their economic life. UNRRA has been and will be of some help, but in the long run those unfortunate sections must find means to pay for imported materials.

Lend-Lease Settlements

The termination of Lend-Lease was accompanied by Mr. Crowley's offer of a method by which former recipient countries could continue to accept goods, to be paid for with funds already available or obtained through loans. It is already apparent, however, that the Export-Import Bank's $3,500,000,000 lending capacity is insufficient to meet the demands which we can be certain will be made. What can be done in this situation? A large part of the answer might be to cancel all the debts still existing as a result of the first world war, and to refrain from demanding dollar payments in Lend-Lease settlements. At the same time, it would be well to avoid misunderstanding of the President's statement concerning the cancellation of Lend-Lease accounts. Although dollar payments may not be expected, settlements which contribute to our strategic security and to the promotion of our foreign trade may very well be considered appropriate. There should be no hardship imposed on any friendly nation of the world, but we are entitled to settlements by which discrimination against United States trade is eliminated.

As a result of our overwhelming productive capacity and the relatively sudden coming of V-E-Day and V-J-Day, our Government finds itself possessed of staggering amounts of surplus materials both here and abroad. While much is not commercially usable, there remain vast quantities, covering literally millions of items of American-made goods, to be disposed of. The method and effect of such disposal can easily determine for years to come the course of our export sales in many markets. There will be little chance to sell products of current manufacture in a market where surplus equal to many years' demand is disposed of or overhangs the market. There appears to be little integration between the disposal of surplus located abroad and that located in the United States but available for export. Two different governmental agencies are involved. There should be an integration of the whole surplus disposal operation as it affects goods which will ultimately find use abroad. While it is a most difficult and complex problem, every effort must be made to prevent, as far as possible, the hindrance to trade and employment which surplus disposal inherently holds.

There is the fear that new peacetime production will be channeled into foreign markets to the detriment of the domestic economy. There is a corresponding fear that the new civilian production will be almost totally absorbed by domestic demands, and that foreign customers will be neglected to our long-range disadvantage. The best thinking thus far on this problem is to leave decisions to competent individual executives who will in a responsible manner see to it that a balance is struck and maintained between sales in the home and in the foreign markets. It is believed that this approach would be more effective than any effort to establish an overall national policy of export quotas. Experienced export executives can offer highly useful advice within their own companies. Foreign trade potentialties will be attained far more rapidly if private enterprise, through the exercise of sound business judgment, is allowed freedom to move ahead.

The whole question of the sterling area is extremely important. Negotiations looking toward some favorable solution are now going on. Without forgetting that there is just so much dollar exchange available, we can seek a reasonable re-allocation of that exchange now that the hard necessities of war have come to an end. It would hardly seem advisable for an importing nation to conduct its trade in too arbitrary a fashion. We must arrive at a sound and sane basis for the clearing away of the sterling area problem, guided by the goal of freer and expanding commerce.

Reparations Complicated

The complications arising out of reparations, war losses and their tax treatment are almost endless. Such groups as the Foreign Property Holders Protective Committee and the Tax Committee of the Council are giving these matters intensive study. Some of the major items of concern cover access by American firms to their properties abroad; restoration of properties to their owners for management; assessment of damages and other determinations; the provision of adequate and acceptable compensation when war damage has occurred; the tax treatment of war loss recoveries on a basis which will not penalize those who have already taken write-offs for war losses. Progress has been made in establishing our position and every possible step is being taken to the end that the property rights and interests of Americans receive fair and adequate treatment.

The system of bulk purchasing and foreign buying missions must be examined in the light of peacetime needs, and appropriate adjustments and changes must be made. Because of the element of sovereignty, it cannot be stated flatly that central trade control agencies cannot be established. However, this procedure should not be actively encouraged by our Government. The operation of a foreign purchasing agency cuts off the normal trade relationship of exporter, agent, distributor and importer. We must study very seriously any procedure whereby agencies of the United States Government are used to carry out the buying for foreign purchasing missions. It is altogether likely that we should call for the discontinuance of this system.

A number of changes have been effected by the development of synthetic products under the stress of wartime necessity. Furthermore, there is the related question of stockpiling of imported strategic materials. Large scale production in this country of goods formerly imported does reduce the possibility of balancing our trade through sufficient imports, while huge Government stockpiles might well have an adverse effect on the price structure. Considerations of security enter into the picture. This entire question of stockpiling on the one hand and production of synthetics on the other has still to be worked out.

Other Problems

There are also problems, and acute ones, in international communications, in aviation, in petroleum, in restoring Far East trade, in developing a sound policy on the Middle East, and in many other fields of direct concern to foreign traders. There is the cartel question, the need for modernization of the Foreign Service of the United States, and the problem of insurance. Helpful policies for small business must be formulated.

As many of these problems as can be dealt with in three days will be included in the program of the Thirty-Second National Foreign Trade Convention, scheduled to meet in New York on Nov. 12, 13 and 14.

The importance of the Convention, coming as it does just when we are entering a hopeful new era of peacetime trade, cannot be overstressed. The attendance of a large delegation of foreign traders from the Chicago area will contribute a great deal to the success of the Convention. Last year more than a hundred of you attended, and we hope that that fine record will be bettered this year.

Great Opportunity Ahead

As I have emphasized on other occasions, we need no subsidy for foreign trade, either in cash or in thinking. What we do need, and it appears now that we shall have it, is the opportunity to take full advantage of the possibilities, rising to meet the demands of the future as we have successfully done in the past. Given this opportunity, American foreign traders will face and solve the problems of the transitional period, and move steadily forward toward the achievement of an orderly and expanding world trade.

The outlook for foreign trade is one of great opportunity. The whole world needs goods after the destruction and devastation of war. Fortunately, we in the United States have the productive capacity, know-how, and financial resources to lead in the world trade of the coming years. We must plan and operate so that we do not merely take advantage of a temporary situation but build for a lasting and stable basis of American participation in international commercial relations. Certainly, there are problems to be solved but the future can, and should, be bright if we are willing to adapt ourselves to the realities of a changing world, use common sense, and exercise fair dealing. We need be neither Santa Claus or Uncle Shylock unless our perspective becomes so out of focus that we forget our rightful place in the world.

Aug. Cotton Consumption

The Census Bureau of Washington on Sept. 19 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles in the month of August.

In the month of August, 1945, cotton consumed amounted to 739,811 bales of lint and 84,255 bales of linters, as compared with 673,087 bales of lint and 102,732 bales of linters in July and 841,540 bales of lint and 126,203 bales of linters in August, 1944.

In the 12 months ending July 31 cotton consumption was 9,575,829 bales of lint and 1,481,063 bales of linters, which compares with 9,943,370 bales of lint and 1,364,794 bales of linters in the corresponding period a year ago.

There were 1,833,487 bales of lint and 231,745 bales of linters on hand in consuming establishments on Aug. 31, 1945, which compares with 1,962,602 bales of lint and 245,998 bales of linters on July 31, 1945, and 1,709,924 bales of lint and 269,999 bales of linters on Aug. 31, 1944.

On hand in public storage and at compresses on Aug. 31, 1945, there were 7,839,009 bales of lint and 28,465 bales of linters, which compares with 8,372,539 bales of lint and 26,980 bales of linters on July 31 and 7,970,446 bales of lint and 42,898 bales of linters on Aug. 31, 1944.

There were 22,170,180 cotton spindles active during July, which compares with 22,030,280 cotton spindles active during July, 1945, and with 22,240,676 active cotton spindles during August, 1944.

News Agency in State Dept.

The Office of International Information and Cultural Affairs has been created within the State Department as a permanent agency to make known to the world's peoples the United States viewpoint. In establishing the new agency, which will begin operations Jan. 1, Secretary of State James F. Byrnes gave the following as its announced objectives, according to the Associated Press report from Washington, Sept. 17:

1. The co-ordination and direction of the formulation of policy and the taking of action in the field of international information and cultural affairs.

2. Development of policies and programs promoting freedom of information among people.

3. The furtherance of international interchanges of persons, knowledge and skills with other countries.

4. Co-ordination of the programs and activities of other Federal agencies in the international interchanges of persons, knowledge and skills with over-all United States foreign policy.

Establishment of the Office of International Information and Cultural Affairs was announced simultaneously with the swearing-in of William Benton, of Southport, Conn., as Assistant Secretary of State in charge of cultural and public relations.

Mr. Benton, former New York advertising executive and assistant to the chancellor of the University of Chicago, succeeds Archibald MacLeish.

Working Out the Housing Problem

(Continued from page 1455)

telligently and wholeheartedly, and will be carried through by all concerned in the post-war years. Because it has heard private enterprise claim the whole job as its own, the public expects it to do the great bulk of this work.

Private enterprise has already done a great deal more in housing families of low income than is generally acknowledged. Under the FHA program alone more than one-half of the million and a half home owners purchasing single family houses are now paying for them in monthly instalments of less than $40. In 1941, the last reasonably normal building year, 40 out of every 100 owners were paying for their homes and meeting all fixed charges with monthly payments of $30 to $40, while 23 out of every 100 were paying *less* than $30.

But the public, with its great need pressing upon it, now wants to know—does private enterprise propose to attack the *whole* housing field, or only some of the easier and more quickly profitable parts thereof?

Will it be enabled by conditions within and without the industry to move steadily ahead in the problem areas?

Is it making sufficient progress in the movement already started to unify an assemblage of separate businesses, crafts and professions in a generally accepted plan and agreement on constructive purpose and action?

I am convinced private enterprise can and will do these things, and so weld its tremendous forces into *one* still more tremendous.

Who is John Doe, who asks these questions?

He is the man of moderate income, average sized family, average eagerness for work and for leisure. He generally sees security represented by continuing comfort at home. That John Doe wants to know whether he can have a decent place to live, that he can buy and keep—or a decent place to rent until he is ready to buy. He believes in home ownership, but wants it—at a price and on terms he can afford. Maybe he wants to be on a farm—maybe in a small town—perhaps in a city suburb—or perhaps in the heart of a city. Possibly he wants to go a bit beyond the suburbs and have a little land for a vegetable garden, small live stock and those other means of subsistence that will make him self-sufficient.

If his income is very small, he doesn't relish the suggestion that private enterprise may have little to offer him except substandard rental property—or substandard new shell, or jerry-build structures.

He is part of what has been inadequately called the middle market, but it is middle only in that it lies between two extremes.

Look around our central blighted areas and you will find the evidence that John Doe wonders about when private enterprise claims the low rent housing field as its own. He wonders whether private enterprise means merely private ownership.

Look at the immense inventory of sound urban housing in growing disrepair, and you will realize there exists a very large opportunity for a better organized, better operated branch of private industry in rehabilitation work.

Look around the fringes of our cities and you will see in many areas the results of the unreadiness of private interests to handle the lower ranges of that market sufficiently in the past—the brave, unaided efforts of men of small income to provide their families some sort of home.

Look around the rural areas and you will find an immense housing inventory below our vaunted standards—because we haven't, as private enterprise, really recognized the scope of the job to be done, or *really* applied to it even the means and methods we already possess.

My own experience of 10 years, and that in many other parts of the country, convinces me that when the building industry says it is ready and willing and able to attack the *total* field of housing need and to serve a much larger part of it than heretofore, it is sincere. But the same experience also convinces me that the industry and those financing it have not achieved success to the degree and with the speed John Doe wants and ought reasonably to expect. And it raises this question to be examined carefully—is private enterprise now fully ready and fully equipped?

What's Needed for the Job

I am convinced the industry can be made ready and able to increase greatly its field of actual housing production in the problem zones, as it has done in all other zones, if we assume certain premises. These are:

(1) That it will strive to become one totally constructive force—embracing men, money, materials, methods and management with a common purpose to serve a steadily growing segment of the *whole* housing market.

(2) That it will recognize the problem areas of housing as fields in which to work, rather than avoid or neglect them.

(3) That it will study out, make known, and intelligently press for provision of such action and aids from Federal, State and local governments as may be legitimately useful for it to do the job.

(4) That Government responds properly and adequately, and

(5) That labor will study the contributions of efficiency it can make, and labor and management will work together, *neither* claiming more than its fair share of profit.

And right here let me say parenthetically that a basic premise of the Government's reliance upon private initiative to accomplish its allotted task is that management is entitled to its fair share of profit and labor to a fair—a living wage; but that neither one nor the other should seek or expect advantages to the detriment of the consuming public of which they themselves are in fact a part. In its own long-range interest private business should avoid adopting any shortsighted policy of excess profits to be gained from the present temporarily unbalanced supply and demand condition of the market.

For all must remember constantly: The best long-range interest of the consumers of housing is the best interest of all others concerned—be we in management, in labor, or in government.

The problem areas, as I vision them, are in the low-rent market, in proper shelter for our minority groups, in low-cost mass market for home owners, in rehabilitation of existing houses, in rural home betterment and country homes, in urban redevelopment, and in the sphere of veteran aids.

That is an imposing list. It challenges the best minds in the industry. This means not only that part of the industry of whom we think when the word "builder" is mentioned. It means also the keepers of investment capital. It means the suppliers of materials, the fabricators, the designers, the inventors and the developers of land. It applies to labor, to municipal building departments, to tax authorities and governing bodies in charge of zoning and health safeguards.

For a solution involves all of these, and calls for efficient, understanding application of effort by all concerned.

And in Federal Government agencies it calls for an intelligently realistic and sympathetic approach within existing law and authority and amendments or additions which may be made from time to time.

In private building, that signifies to most of you the Federal Housing Administration and the powers conferred by the National Housing Act, perhaps most prominently among Federal agencies.

The Federal Housing Administration

It is generally agreed that under the three Commissioners who have preceded me, the FHA has done a progressively successful job. It began in depression days to promote employment and better housing and better home financing. Through 11 years the organization has met changing conditions with sound success. It has served well in the demands and difficulties of war-time. Its war task is nearly completed, and now—as it happens, under my direction—it approaches the tremendous job of helping to meet a vastly greater housing need in time of reconversion and of peace.

The building industry rightly asks: How far will the FHA be an agency of help to the people and to us in the new period? How are you proposing to function?

To that we reply: We intend within the authority and responsibility placed in and on us by the Congress to attack the total housing field with you insofar as possible. We are inventorying now all of our resources of procedure, device and mechanics to determine what further aid we can provide within that authority; and to ascertain wether, in order to help most, there needs to be suggested to the Congress amendments or additions not contemplated in any bills now pending.

To carry out the purpose of the National Housing Act, the FHA, it seems to me, must present to the public ample, but simple and practicable procedures to be used by builder and lender in the public's interest in this developing new situation. We propose to make our equipment as complete and usable as possible in view of the job to be done, and still be true to our trust.

Our headquarters and field staffs have been depleted by war. We intend to strengthen them where needed to unite all parts of our operation into a single implement of action—fitting into the unified plan and purpose we are urging private enterprise to adopt in the housing field.

Whether it be for rehabilitation of the great inventory of old but usable housing, through Title I perhaps, or provision for better and more reasonably priced rental accommodations under Section 207, or some new provision to that end, or small homes, or larger ones, or for improvement on the farms, or for country homes, we hope very soon to have a complete, workable plan being actively presented in a generally uniform fashion, locally adaptable, through our field offices in every area of the country.

And when materials are again freely available, and the rigors and repressions of war have completely passed, I believe we can find ourselves more busily and more successfully engaged together than ever before in meeting, through the channels of private enterprise, the great accumulation of varied private housing needs, which today constitutes a public problem.

To the performance of that task the American public demands action from all who are directly interested in the home building industry. In its performance I pledge you all the aid the Federal Housing Administration can find room to give within its authority and in keeping with its responsibility.

For FHA is a public service agency, conceived and operated to serve on an economically sound but practicable basis. We serve not one group—but all groups that make up the public using or in any way contributing to the provision of housing—the home buyer or tenant, the lenders, material suppliers, land developers, labor, and many others. Our duty is to give maximum service to each without detriment to the others—and that duty involves constant review, constant alertness against fixation in our approach which might prevent a wider usefulness.

In my opinion the big job can be done by all of us together better than it has ever been done before.

It's a vast and challenging task. It is the kind of undertaking in which American initiative and enterprise have always proved their strength and grown stronger.

"Without Help Britain Must Be Socialist"

(Continued from page 1453)

be almost universally neglected, namely, that in the recent election a greater number of votes were cast against the Labor Party than for it. If the three main parties—Labor, Liberal, Conservative—had obtained Parliamentary seats by proportional representation, according to voting strength, the Conservatives and Liberals would have had a majority in Parliament over Labor. This anomaly is common in British elections and is explained mainly by the difference in the numerical size of the parliamentary constituencies. In 1924 it gave the Conservatives, with a poll of 48% of the voters, a majority of Parliamentary seats of about 200 over all other parties. In the recent election Labor, with a 48% of the poll, has secured a majority of nearly 200 seats. The Brtish public accept this anomaly as being satisfactory in Parliamentary practice because with a good working majority in Parliament a government has to assume clear and definite responsibility for its policy and, if condemned, give way to the government of a rival party which also will have a fair chance of a decisive majority of seats.

The Crucial Issue

The crucial issue which will confront the Labor government is not one as between socialism and capitalism in England, but foreign indebtedness (caused by the war), foreign help today and foreign trade tomorrow. A completely socialist Britain deprived of foreign trade would be a starving Britain. Yet a Britain, under whatever government, that had no foreign trade would be compelled to apply socialism or communism—equal distribution of goods—in order to divide as fairly as possible the inadequate food it might produce. If help is denied, Britain must be largely socialist, even under a Conservative government.

The Labor victory is seen as a great democratic triumph if we keep in mind the fact that a socialist party based on organized labor, coming to power in a country of ancient tradition — monarchy, hereditary House of Lords and so forth—although not having behind it a decisive electoral majority, will be given every chance to use its parliamentary majority for socialist purposes. The Labor party has achieved its victory without violence, or hate, or purges, or threat of concentration camps or the liquidation of anybody or of any class. This surely is a test of political maturity, revealing a spirit on both sides of the political fence which gives good hope for the post-war world of the atomic bomb; particularly as the one of the only two great powers which are democracies in the sense in which Jefferson and Gladstone used that word. There are countries apart from the English speaking nations which are still splendid democracies—Switzerland, Sweden, Norway, Denmark and others; but they are not great powers. There are other great powers in the world, but they are not democracies in the political sense, though they may become so one day. This partly accounts for the fact that Bevin follows so closely his predecessor's policy, since the security of Britain is very closely linked to the maintenance of the Commonwealth and Empire. If there had been no Commonwealth or Empire after the fall of France in 1940, Britain could not have stood up, the German forces would have triumphed in Africa, pushed through the junction with the Japanese in the Indian Ocean and the totalitarian world would have triumphed and the democratic world gone under.

The Labor Party has won, not by virtue of a class war, but of class cooperation, if indeed "class" is the word to use in the case of a nation which for six years has been turned by the needs of war into an army, partly in and partly out of uniform. For six years, every soul in Britain, including the children, has been at the orders of a working class Trade Union official, Ernest Bevin. If he, or his department, issued orders that the Duchess was to scrub canteen floors, she did so, or the Eton boy to go down the coal mine and work underground, down he went.

The Power of Parliamentary Control

Three features are to be noted about those powers: First, they had been granted to a Trade Union official by a Parliament composed predominantly of Tories. Second, that the working class official who applied the powers was part of a Cabinet presided over by a Tory Prime Minister, incidentally the grandson of a Duke. Third—and perhaps most important of all—the Parliament which granted these powers could rescind them from one day to another, and could at any moment compel the official and his Prime Minister alike to give an account of their stewardship and could turn out the government from one day to another if the account proved unsatisfactory. There is in the parliamentary mechanism the possibility of a very direct popular control over the acts of an administration or of its bureaucracy, more effective perhaps than anywhere else in the world. Such a detail as questions in Parliament constitute a constant daily check upon administrative or bureaucratic abuse.

The Labor Party has fully accepted these constitutional features and obviously intends to be guided by them. They are a guarantee that the socialism which Britain may develop will be of a British brand. That is to say, it will have little of violence or extremes; it will be gradualist, tolerant, compatible with full cooperation with nations of a different economic structure; with nations that may give a large place to free enterprise or capitalist organization.

R. Byfield to Become Lewisohn Co. Partner

Robert S. Byfield will become a partner in Adolph Lewisohn & Sons, 61 Broadway, New York City, members of the New York Stock Exchange, on Oct. 1, and the firm name will be changed to Lewisohn & Co. Mr. Byfield was a partner in Byfield & Co., which will dissolve as of Sept. 30.

Readers' Views of Employment Problems

S. Craig Little Challenges CIO to Demonstrate That Wages Can Be Increased Without Affecting Profits; "An Old-Fashioned American" Says "the Right to Work is a Meaningless and Dishonest Phrase."

Editor, Commercial and Financial Chronicle:

Over the radio, in the press and from the platform, Philip Murray and other CIO officers have made their position clear. There is to be no reduction in the hourly wage rates and no increase in the hours of labor. An increase in wages and a shortening in hours of work is to be the objective sought. Also there must be no increase in the cost of living.

Without questioning the sincerity of Mr. Murray and his supporters I think the time appropriate for a demonstration. The CIO has at its command millions of idle dollars. The government has manufacturing plants for sale. By buying and operating one or more of these plants the CIO can demonstrate to the public that they can pay the increased wages they advocate, work the shorter hours suggested and sell products manufactured at ceiling prices.

To prove their contention and to make this a fair and just test the corporation should be operated for a number of years in competition with others in the same industry. Whatever product, or products, made should bear no mark of identification. The records and books to be open at all times to an impartial C. P. A. Taxes, dividends, etc., must be on an average with other firms in the same line.

Spartanburg, S. C. S. CRAIG LITTLE

Editor, Commercial and Financial Chronicle:

The "Full Employment" bill now before Congress asserts "the right to work" as a fundamental governmental policy, and critics of the measure have been quick to point out that the constitution of the U. S. S. R. contains a similar declaration of policy, and to draw invidious conclusions therefrom.

Also, certain leaders of American business have rather querulously raised the question as to why any man should demand as a "right" that somebody else should furnish him with a job—why doesn't he go out and make a job for himself?

There is something in this latter question that makes a strong appeal to the typical independent American. Why, indeed, should one man be expected to furnish the brains, initiative and capital to put another man to work? Why shouldn't every man in a free country be expected to take care of himself, to create his own job opportunity? Or, if he hasn't the ability and initiative to do so, and must look to some one else to "give him work," why shouldn't he be an appreciative and loyal employee of that other man?

Of course every man has "the right to work." But "the right to work" is not synonymous with "the right to a job."

A "job" involves finding something useful to make or do which some one else is willing to pay for. It is a two-sided transaction calling for initiative, intelligent planning, and the use of capital, and involving some degree of risk.

"The right to work" is a meaningless and dishonest phrase, a typical politician's promise. But the "right to a job" is something else again—something that so far our politicians have not dared to promise and cannot deliver without abandoning the free enterprise system to which they still pay lip homage. They know they have no power to compel the owners of private business enterprises to furnish employment. They know that under our system of free private capitalism no one has a "right to a job" unless he makes that job for himself. That is why, in the last analysis, the proponents of "the right to work" are driven inexorably into some form of totalitarianism, either of the Left (Communism) or of the Right (Fascism or Nazism).

The government which undertakes to implement "the right to work" must either control and regiment privately owned industry, or expropriate the private owners and run the industries itself.

It is thoroughly dishonest to declare one's support of the free enterprise system and at the same time promise everybody "the right to work," or, what is implied, "the right to a job."

Freedom of any kind involves risk. The man who would be free must accept the risk as the price of his freedom.

Fortunately, freedom and the highest degree of opportunity, not only to work but to prosper, go hand in hand. It has yet to be demonstrated that any form of totalitarianism can guarantee as many satisfactions to the average man as freedom of individual initiative.

"AN OLD-FASHIONED AMERICAN."

Urges Revamping Federal Banking Agencies

Chairman Eccles of Federal Reserve System Makes Public Letter to Senator McCarran Stating That Bill Authorizing President to Reorganize Executive Offices Should Not Exclude His Own Organization.

Following is text of a letter which the Board of Governors of the Federal Reserve System has sent to Senator McCarran, Chairman of the Senate Committee on the Judiciary, and also to Representative Manasco, Chairman of the House Committee on Expenditures in the Executive Departments, with regard to reorganization legislation:

Marriner S. Eccles

The Board has noted with approval the endorsement by the Comptroller General and by the Director of the Budget of reorganization legislation without exemption of any Government agency or department, excepting the General Accounting Office.

The Board desires to call the attention of the Committee to the enclosed excerpts from the Board's Annual Report of 1938 emphasizing the need for reorganization of the Federal banking agencies, in view of the confusions and conflicts inherent in the existing diffusion of powers and authority in the Federal bank supervisory and regulatory agencies.

The Board has long favored enactment of a reorganization measure that would give the President a free hand, subject to Congressional approval, to initiate necessary reorganizations in the Executive Branch. The Board had not previously requested and does not now wish exemption from the operation of such a measure.

The Board, therefore, favors enactment of a reorganization bill which does not include exemptions, except for the General Accounting Office. Such a measure would make possible a reorganization of the Federal banking agencies which the Board feels is urgently needed to meet the needs of the postwar world.

Sincerely yours,

(Signed) M. S. ECCLES, Chairman

Dealer-Broker Investment Recommendations and Literature

(Continued from page 1456)

Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Arizona Edison Co.—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also a detailed circular on **Foundation Co.**

Baker-Raulong 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 and New Bedford Rayon.**

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.**

Cliffs Corp. — Memorandum — Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

Columbia Gas & Electric Corp. —Study of proposed plan of recapitalization and possible enhanced value for common therefrom—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, 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 Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Continental Aviation & Engineering—Study of outlook and possibilities for this company which is a factor in the field of jet propulsion—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 and Purolator Products.

Dayton Rubber Manufacturing Co.—Discussion of prospects for appreciation—H. Hentz & Co., Hanover Square, New York 4, New York.

Also available is the **Fortnightly Investment Letter** and memoranda on recent **Utility Developments** and **United Drug, Inc.**

Dictaphone Corp. — Analytical discussion—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, New York.

Also copies of the September issue of the **Preferred Stock Guide** and memoranda on **New England Power Association** and **Iowa Electric Light & Power Co.**

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

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

Federal Machine & Welder Co. —Study of situation and outlook—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

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

Gear Grinding Machine—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

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

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

Gro-Cord Rubber Co.—recent analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a study of **Mississippi Glass Co.**

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.**

Jet Propulsion—How High—How Fast?—An illustrated booklet discussing Jet Propulsion and its probable effect on the aircraft industry—Copies on written request — Reynolds & Co., 120 Broadway, New York 5, N. Y.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Pittsburgh Railways, Simplicity Pattern Co., Inc.,** and **Winters & Crampton.**

Lehigh Coal & Navigation Co.—Detailed memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

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

Maryland Casualty Company—Report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Michigan Steel Casting—report —Strauss Bros., 32 Broadway, 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.**

Missouri Pacific Lines—Analytical study—A. W. Benkert & Co., Inc., 70 Pine Street, New York 5, New York.

Also available to private investors is a special analysis of **Western Pacific RR. Co.**

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

Old Ben Coal — Descriptive data—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Pollak Manufacturing—analysis —Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is a study of **Baltimore & Ohio.**

H. K. Porter Company—analysis—Sills, Minton & Company, Inc., 209 South La Salle Street, Chicago 4, Ill.

Also available are statistical memoranda on **Liberty Loan Corporation,** and **Serrick Corporation.**

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

Savoy-Plaza, Inc. — Circular — Walter Murphy Jr. & Co., 49 Wall Street, New York 5, N. Y.

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

Sheraton Corporation vs General Realty Corporation—Descriptive circular—du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

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

Southeastern Corp.—special analysis—Allen & Company, 30 Broad Street, New York 4, N. Y.

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

Also available is a memorandum on **Macfadden Pub. Inc.**

U. S. Truck Lines, Inc.—Memorandum—Otis & Co., Terminal Tower, Cleveland 13, Ohio.

Also memoranda on **Standard Stoker Co.** and **Steep Rock Iron Mines, Ltd.**

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

Weyerhaeuser Timber Company —appraisal of the situation—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

John Arrowsmith Joins Staff of Lobdell Co.

John E. Arrowsmith, who has been serving as Lieutenant Commander in the Naval Air Forces, has recently returned from duty in the Pacific, and has joined Lobdell & Co., 20 Exchange Place, New York City, in an official capacity. Mr. Arrowsmith was in service from December, 1941, to August, 1945. He was previously proprietor of Arrowsmith Co., Inc., 165 Broadway, New York City.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, SEPT 27

SOUTHWESTERN BELL TELEPHONE CO. on Sept. 8 registered $75,000,000 40-year, 2¾% debentures, due October, 1985.

Details—See issue of Sept. 13.

Offering—Offering price to be filed by amendment.

Underwriters—To be sold at competitive bidding.

CINCINNATI GAS & ELECTRIC CO. on Sept. 8 registered $45,500,000 first mortgage bonds due 1975 and 280,000 shares of cumulative, $100 par, preferred stock.

Details—See issue of Sept. 13.

Offering—Offering price of bonds to be filed by amendment. The dividend and interest rate on preferred and bonds will be filed by amendment. Company will offer the 280,000 shares of new preferred stock in exchange to holders of the presently outstanding 400,000 shares of our preferred stock on a share for share basis. New preferred not taken in exchange will be sold to underwriters.

Underwriters—To be sold at competitive bidding.

SATURDAY, SEPT. 29

WILSON & CO., INC., on Sept. 10 filed a registration statement for 250,000 shares of cumulative preferred stock and on unspecified number of common shares.

Details—See issue of Sept. 13.

Offering—250,000 shares of the new cumulative preferred stock will be offered to holders of the presently outstanding 274,085 shares of $6 cumulative preferred stock on a share-for-share basis, and the company will also offer an unspecified number of common shares to holders of 50,000 shares of the old $6 cumulative preferred stock on the basis of an unspecified number of common shares for each share of preferred. The company provides that if more than 24,085 shares of old preferred are offered in exchange for the common, the number of new preferred shares offered in exchange for the old preferred will be correspondingly reduced. The exchange offer will expire on Oct. 10, 1945 and the balance of preferred not taken in exchange and still exchangeable for preferred stock will be sold to the underwriters.

Underwriters—Smith, Barney & Co. and Glore, Forgan & Co. named principal underwriters.

F. L. JACOBS CO., on Sept. 10 filed a registration statement for 60,000 shares of 6% cumulative convertible preferred stock, par $50.

Details—See issue of Sept. 13.

Offering—Price to public to be filed by amendment.

Underwriters—H. M. Byllesby & Co., Inc., and E. W. Clucas & Co. head underwriting group.

MILLER MANUFACTURING CO. on Sept. 10 registered $600,000, 5% sinking fund debentures, dated Dec. 1, 1945 and maturing serially from 1952 to 1970.

Details—See issue of Sept. 13.

Offering—100% plus interest as to $288,000 of debentures maturing 1952 to 1960, inclusive; 99¾% as to $160,000 maturing 1961 to 1965 inclusive, and 99½% as to $152,000 maturing 1966 to 1970 inclusive.

Underwriters—P. W. Brooks & Co., Inc.

SUNDAY, SEPT. 30

MOORE-McCORMACK LINES, INC., on Sept. 11 registered 100,000 shares of $10 par common stock.

Details—See issue of Sept. 13.

Offering—Offering price to be supplied by amendment.

Underwriters—Kuhn, Loeb & Co. principal underwriters.

HAWAIIAN ELECTRIC CO., LTD. on Sept. 11 registered $5,000,000 first mortgage, Series E bonds due Oct. 1, 1970 and 150,000 shares of Series C, cumulative preferred stock. The interest rate on the bonds and preferred stock will be filed by amendment.

Details—See issue of Sept. 20.

Offering—Offering price of bonds and preferred stock will be supplied by amendment. The Series C cumulative preferred stock will be offered for sale to common stockholders on the basis of one full share of preferred for each 2⅓ shares of common stock held on record date of Sept. 29, 1945.

Underwriters—Dillon, Read & Co., Inc. and Dean Witter & Co. will each underwrite one-half of the issues.

MONDAY, OCT. 1

CONNECTICUT LIGHT AND POWER CO. on Sept. 12 registered $15,000,000 first and refunding mortgage 3% bonds, series K, due 1980.

Details—See issue of Sept. 20.

Offering—Offering price to be filed by amendment.

Underwriters—Putnam & Co. and Chas. W. Scranton & Co. named underwriters.

RAYTHEON MANUFACTURING CO. on Sept. 12 registered 100,000 shares of $2.40 cumulative preferred stock.

Details—See issue of Sept. 20.

Offering—Offering price to be supplied by amendment.

Underwriters—Reynolds & Co. named underwriter.

TUESDAY, OCT. 2

WARNER CO. on Sept. 13 registered 137,592 shares of common stock, par $1.

Details—See issue of Sept. 20.

Offering—The shares of common will be offered in exchange to holders of company's presently outstanding 22,932 shares of 7% first preferred stock on the basis of six shares of common for each share of 7% cumulative preferred stock and accumulated and unpaid dividends thereon.

Underwriters—Hemphill, Noyes & Co. is named principal underwriter.

AMERICAN COLORTYPE CO. on Sept. 13 registered 39,221 shares of 4½% cumulative convertible preferred stock (par $50).

Details—See issue of Sept. 20.

Offering—The company is offering to holders of common stock rights to subscribe at $50 per share for the 39,221 shares of 4½% cumulative preferred stock at rate of one share of preferred for each four shares of common stock held. Preferred shares not taken by common stockholders are to be offered to holders of company's 5% preferred stock in exchange for their present holdings on the basis of 2 1-10th shares of 4½% preferred stock plus $5 in cash for each share of 5% preferred presented for exchange.

Underwriters—White, Weld & Co. named principal underwriters.

WEDNESDAY, OCT. 3

INDUSTRIA ELECTRICA DE MEXICO on Sept. 14 registered 197,500 American shares with par value of approximately $20 or 100 pesos.

Details—See issue of Sept. 20.

Offering—Offering price will be supplied by amendment.

Underwriters — Underwriters headed by Kuhn, Loeb & Co., include A. G. Becker & Co., Inc., Blyth & Co., Inc., Glore, Forgan & Co., Harriman Ripley & Co., Inc., Lee Higginson Corp., Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane, Smith, Barney & Co., Union Securities Corp., and White, Weld & Co.

DEVOE & RAYNOLDS CO., INC., on Sept. 14 registered 40,437 shares of Class A stock (no par).

Details—See issue of Sept. 20.

Offering—35,827 shares of new class A stock will be offered for subscription to holders of presently outstanding class A and class B stock, at offering price to be filed by amendment, on the basis of one share of new class A for each 4 shares of class A held and one share of new class A for each 20 shares of class B held. Shares not taken by present shareholders and the remainder not offered present shareholders will be sold to public.

Underwriters — Shields & Co. named principal underwriter.

THE ADAMS EXPRESS CO. on Sept. 14 registered a maximum of 450,000 shares of common stock (par $1), certificates of deposit for a maximum of 601,100 shares of common stock of American International Corp.

Details—See issue of Sept. 20.

Offering—Adams Express Co. which now owns 398,900 (39.8%) of the outstanding stock of American International Corp. will offer holders of the remaining 601,100 shares of common stock outstanding of American International on the basis of the relative net asset values of the two companies as of Oct. 31, unless the exchange offer shall be extended for 30 days in which case the relative net asset values of the two companies as of Nov. 30 will be used. The initial exchange offer will not become effective unless a minimum of 301,100 shares of American are tendered. On the basis of the relative net asset values of the two companies as of Aug. 31, 1945 each share of American would have been exchangeable for 0.71 of a share of Adams.

Underwriters—None.

BULLOCK'S, INC. has registered 80,000 shares of 3¾% cumulative preferred stock, par $100, and 237,775 shares of common stock.

Address — Broadway, Hill and Seventh Streets, Los Angeles 55, Calif.

Business—Department store.

Offering—Offering prices will be supplied by amendment. Preferred to be sold to public and common to be offered to present common stockholders on the basis of one share of new common for each four shares of common presently held.

Proceeds—Proceeds will be applied to payment of $290,886 mortgage loan, I. Magnin & Co.; to payment of $2,200,000 unsecured notes payable and to redemption of presently outstanding 39,853 shares of company's 5% cumulative preferred stock at $102.50, and balance will be added to general funds of company.

Underwriters — Blyth & Co., Inc. is named principal underwriter.

Registration Statement No. 2-5915. Form S-1. (9-14-45).

SATURDAY, OCT. 6

NASHUA MANUFACTURING CO. on Sept. 17 registered an unspecified number of common shares without par value.

Details—See issue of Sept. 20.

Offering—The offering price will be supplied by amendment. Company will offer present common holders right to subscribe to new common on basis of ½ share of common for each share held. Company would have to utilize 31,001½ shares of common to make this offer.

Underwriters—J. Arthur Warner & Co. named principal underwriter.

CHASE CANDY CO. on Sept. 17 registered 50,000 shares ($1 par) common stock.

Details—See issue of Sept. 20.

Offering—Stock to be offered to public at $8 per share.

Underwriters—Herrick, Waddell & Co., Inc. named principal underwriter.

GEORGE W. BORG CORP. on Sept. 17 registered 150,000 shares of capital stock (par $1).

Details—See issue of Sept. 20.

Offering—Offering price to be filed by amendment.

Underwriters—Paul H. Davis & Co. named principal underwriter.

SUNDAY, OCT. 7

MUSKOGEE CO. has registered $2,000,000 collateral trust sinking fund bonds and $500,000 collateral trust serial notes. Interest rates are to be filed by amendment.

Address—135 Independence Square, Philadelphia, Pa.

Business—Holding company for railroad securities.

Offering—Offering price to be supplied by amendment.

Proceeds—The proceeds will be applied to redeem on Dec. 1, 1945 the 28,502 outstanding shares of company's 6% cumulative ($100 par) preferred stock at $105 plus accrued dividends. Aggregate cost will be $3,035,463 and additional funds will be supplied by company.

Underwriters—To be filed by amendment.

Registration Statement No. 2-5918. Form S-1. (9-18-45).

TUESDAY, OCT. 9

CHEMICAL FUND, INC., has registered 1,000,000 shares maximum of $1 par common stock.

Address—39 Broadway, New York 6, N. Y.

Business—Investment trust.

Offering—At market.

Proceeds—For investment.

Underwriters—F. Eberstadt & Co., Inc., named principal underwriter.

Registration Statement No. 2-5919. Form A-1. (9-20-45).

PUBLIC SERVICE CO. OF OKLAHOMA has registered $22,500,000 first mortgage bonds series A, due July 1, 1975 and 98,500 shares of cumulative preferred stock, par $100. Interest rates to be filed by amendment.

Address—600 South Main Street, Tulsa 2, Oklahoma.

Business—Public utility.

Offering—Company proposes to offer to holders of its 5% preferred stock privilege of exchanging holdings for new preferred stock on the share for share basis plus a cash payment representing the difference between the initial offering price of the new preferred and the redemption price of the old preferred. Offering price of bonds and stock will be filed by amendment.

Proceeds—Proceeds from sale of bonds plus general funds of the company to be used to redeem at 106.50 the $16,000,000 principal amount of first mortgage bonds, Series A. 3¼%, due Feb. 1, 1971, and to redeem at 104.75 the $6,581,100 principal amount of First Mortgage Bonds, Series A, 3¾%, due Dec. 1, 1969 of the Southwestern Light & Power Co. Preferred stock not taken in exchange will be sold and proceeds applied toward redemption of old 5% preferred at $110 per share plus accrued dividends.

Underwriters—To be sold at competitive bidding.

Registration Statement No. 2-5920. Form S-1. (9-20-45).

NATIONAL MANUFACTURE & STORES CORP. has registered 40,756 shares of $2 cumulative preferred stock with stated value of $25 a share but no par value.

Address—619 Forsyth Building, Atlanta, Ga.

Business—Operates chain of retail furniture stores.

Offering—Company will sell 12,000 shares to public at offering price of $41.25 and remainder of stock will be offered to holders of company's presently outstanding $5.50 prior convertible preferred stock on the basis of two shares of $2 cumulative preferred for each share of $5.50 preferred.

Proceeds—Company intends to use proceeds from sale of 12,000 shares of stock by underwriters to redeem that portion of $5.50 preferred not offered in exchange and balance will be applied to working capital.

Underwriters—Norris & Hirshberg, Inc., Clement A. Evans & Co., Inc., J. H. Hilsman & Co., Inc., The Robinson-Humphrey Co., Wyatt, Neal & Waggoner, and Brooke, Tindall & Co. are named underwriters.

Registration Statement No. 2-5921. Form S-1. (9-20-45).

LIBERTY FABRICS OF NEW YORK, INC. has registered 100,407 shares of common stock, par $1.

Address—244 Madison Avenue, New York 16, N. Y.

Business—Manufacturer of veilings and nettings.

Offering—The offering price will be filed by amendment.

Proceeds — Proceeds will go to selling stockholders.

Underwriters — R. H. Johnson & Co. named principal underwriter.

Registration Statement No. 2-5922. Form S-1. (9-20-45).

CALIFORNIA WATER SERVICE CO. has registered $11,282,000 first mortgage 3¼% bonds Series C due Nov. 1, 1975, 139,000 shares of cumulative preferred stock, Series C, par $25, and 29,142 shares of common stock, par $25. Dividend rate of preferred stock to be filed by amendment.

Address—374 West Santa Clara St., San Jose 8, California.

Business—Public utility.

Offering—Offering price of bonds to be filed by amendment. Company will call 139,000 outstanding shares of 6% cumulative preferred stock, Series A and Series B and at same time offer holders option of exchanging their stock on a share for share basis for new Series C preferred stock. Common stockholders will be offered rights to subscribe to the new common at $30 a share on the basis of ¼ share of new common for each share of common held as of Oct. 8, 1945.

Proceeds—Proceeds from sale of bonds will be used to redeem on Nov. 6, 1945 at 105½% plus accrued interest all company's outstanding $11,682,000 principal amount of first mortgage 4% bonds, Series B, due May 1, 1961. Proceeds from sale of preferred stock not taken in exchange will be used to retire remaining 6% preferred at $26.25. Proceeds from sale of common will be used to augment working capital and added to general funds of business.

Underwriters — Union Securities Corp. and Harris, Hall & Co. (Inc.) named principal underwriters.

Registration Statement No. 2-5923. Form S-1. (9-20-45).

WEDNESDAY, OCT. 10

NORTHERN STATES POWER CO. has filed a registration statement for $75,000,000 first mortgage bonds, due Oct. 1, 1975.

Address—15 South Fifth Street, Minneapolis 2, Minnesota.

Business—Public utility.

Offering—Interest rate to be filed by amendment.

Proceeds—Proceeds to be applied to redemption of $75,000,000 principal amount of first and refunding mortgage bonds, 3½% series due 1967, of the company presently outstanding, at redemption price of 104½.

Underwriters—To be sold at competitive bidding.

Registration Statement No. 2-5924. Form S-1. (9-21-45).

THE UNION ELECTRIC CO. OF MISSOURI has registered $13,000,000 first mortgage and collateral trust bonds series due 1975 and 40,000 shares of preferred stock. The interest rate on bonds and the dividend rate on the preferred stock will be filed by amendment.

Address—315 North Twelfth Boulevard, St. Louis 1, Missouri.

Business—Public utility.

Offering—The proceeds which are not estimated by company will be used to pay off outstanding promissory notes of a face amount of $9,000,000 maturing Dec. 28, 1945, and to finance on a permanent basis the purchase in March 1945 of the properties and business of Laclede Power & Light Co. at the adjusted purchase price of $8,439,909.

Underwriters—To be sold at competitive bidding.

Registration Statement No. 2-5925. Form S-1. (9-21-45).

KAISER-FRAZER CORP. has registered 1,700,000 shares of $1 par common stock.

Address—8505 West Warren Ave., Dearborn, (Detroit 32), Mich.

Business—The manufacture of Automobiles.

Offering—To be offered at $10 per share to public.

Proceeds—Net proceeds to the company estimated at $15,028,800 to be utilized as follows: $2,000,000 for machinery and equipment; $1,750,000 for tools, dies, jigs and fixtures; $1,500,000 for prepaid expenses; $1,750,000, and the remainder estimated at $8,028,800 will be held available for general corporate purposes.

Underwriters — Otis & Co., First California Co. and Allen & Co.

Registration Statement No. 2-5926. Form S-1. (9-21-45).

THE MONTANA POWER CO. has registered $40,000,000 first mortgage bonds due 1975.

Address—40 East Broadway, Butte, Mont.

Business—Public utility.

Offering—Offering price and interest rate to be filed by amendment.

Proceeds—Proceeds together with company cash will be used to redeem and retire $44,202,000 first and refunding mortgage bonds, 2¼% series due 1966 at 105%; $10,589,900 5% 30-year debentures at principal amount, and $1,748,000 Butte Electric and Power Co. non-callable 5% first mortgage gold bonds due 1951.

Underwriters—To be sold at competitive bidding.

Registration Statement No. 2-5927. Form S-1. (9-21-45).

THE CENTRAL ARIZONA LIGHT & POWER CO. has registered 840,000 shares of common stock, no par.

Address—Title & Trust Bldg., Phoenix, Arizona.

Business—Public utility.

Offering—Price to be filed by amendment.

Proceeds—Proceeds will go to American Power & Light Company, owner of the stock.

Underwriters—To be sold by competitive bidding.

Registration Statement No. 2-5928. Form S-1. (9-21-45).

SATURDAY, OCT. 13

PENNSYLVANIA POWER & LIGHT CO. has registered 1,818,719 shares of common stock, no par and 1,818,700 subscription warrants entitling holders to purchase such stock at $10 a share.

Address—Ninth and Hamilton Streets, Allentown, Pa.

Business—Public utility.

Offering—National Power & Light Co. as holder of all of the outstanding common stock of Pennsylvania Power & Light Co. will be entitled to subscribe to 1,818,700 shares of the new common. National will in turn offer its stockholders the right to subscribe to the new stock on the basis of ⅓ share of new Pennsylvania Power & Light common for each one share of National Power & Light Co. common stock held. Electric Bond & Share Co. has agreed to take the number of shares proportionate to its common holdings in National (46.56%) and National has agreed to take the shares not taken by its remaining stockholders.

Proceeds—The proceeds will be used by Pennsylvania P. & L. to provide new equity capital to strengthen its capital structure.

Underwriters—None.

Registration Statement No. 2-5929. Form S-1. (9-24-45).

THE NORTHERN NATURAL GAS CO. has registered $25,000,000 serial debentures.

Address—Acquila Court Building, Omaha 1, Neb.

Business—Public utility.

Offering — Offering price and interest rate to be filed.

Proceeds—Proceeds, estimated at $24,750,000, together with general funds of company will be used to redeem the $16,000,000 first mortgage and first lien bonds, Series A, 3¼%, due 1961, and to construct additional property and facilities which will cost approximately $10,179,000.

Underwriters—To be sold at competitive bidding.

Registration Statement No. 2-5930. Form S-1. (9-24-45).

HOUSTON OIL FIELD MATERIAL CO., INC. has registered 12,500 shares of 5½% cumulative ($100 par) preferred stock.

Address—1524 Maury Street, Houston, Texas.

Business—Oil well supply and service business.

Offering—Offering price to be filed. Company will offer holders of its presently outstanding $1.50 dividend cumulative preferred stock the right to exchange their shares on the basis of one and one-tenth shares of 5½% preferred with a cash adjustment for fractional shares for each four shares of old preferred.

Proceeds—Proceeds will be used to pay expenses of refinancing of and to retire those shares of old preferred ($1.50 dividend) not offered in exchange.

Underwriters—Include Dallas Rupe & Son, Dallas Union Trust Co., Rauscher Pierce & Co., Inc. and Pitman & Co., Inc.

Registration Statement No. 2-5931. Form S-1. (9-24-45).

TEXTRON, INC. has registered 200,000 shares of 5% convertible preferred stock, par $25.

Address — 808 Turks Head Building, Providence 3, Rhode Island.

Business—Weaving and knitting of yarns.

Offering—Offering price to the public, $25.

Proceeds—Proceeds will be used to redeem outstanding prior preference stock at cost of $532,980, to purchase and install new high speed flat knitting machinery for the production of fine quality knitted fabrics to supplement the other lines of the corporation at an estimated cost of $500,000, and the balance of the proceeds will be held available for further expansion of its operations and the acquisition of additional machinery and businesses, either directly or by stock control, when available at reasonable prices.

Underwriters — Blair & Co., Inc. and Maxwell, Marshall & Co.

Registration Statement No. 2-5932. Form S-1. (9-24-45).

F. L. JACOBS CO. has registered 40,000 shares of $1 par common stock.

Address—1043 Spruce Street, Detroit 1, Michigan.

Business—Manufacturer of metal parts for automobiles and trucks.

Offering—Price to public to be filed by amendment.

Proceeds—Proceeds will go to selling stockholders.

Underwriters—H. M. Byllesby & Co., Inc. and E. W. Clucas & Co. named principal underwriters.

Registration Statement No. 2-5933. Form S-1. (9-24-45).

UNITED STATES POTASH CO. has registered 50,000 shares (no par) common stock.

Address—30 Rockefeller Plaza, New York 20, New York.

Business—Mining, refining and distribution of potassium salts.

Offering—Offering price to be filed by amendment.

Proceeds — Proceeds will go to selling stockholders.

Underwriters — Lee Higginson Corp. named principal underwriter.

Registration Statement No. 2-5934. Form S-1. (9-24-45).

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.

ADAM HAT STORES, INC., on Aug 29 filed a registration statement for 150,000 shares of common stock, par $1, of which 100,000 shares are to be offered for sale for cash and 50,000 shares reserved for issuance upon the exercise of stock option warrants. Of the stock to be offered, 95,000 shares are being sold by Elias Lustig, President, and 5,000 shares by Harold E. Lustig, Vice-President and Treasurer. The statement also covers 50,000 warrants of which 25,000 are being sold to certain officers and employees of the company and 25,000 to underwriters.

Details—See issue of Sept. 6.

Offering—The price to the public is $8.50 per share.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co.

ALLIED CONTROL CO., INC., on Sept. 1 filed a registration statement for 100,000 shares of 55-cent cumulative preferred stock (par $8) and 20,000 shares of common (par $1).

Details—See issue of Sept. 6.

Offering—The securities are to be initially offered in units of one share of preferred and one-fifth share of common at a price per unit to be filed by amendment.

Underwriters—Ames, Emerich & Co., Inc., and Dempsey & Co. are named principal underwriters.

AMERICAN CENTRAL MANUFACTURING CORP. on Aug. 24 filed a registration statement for 142,154 shares of common stock, par $1.
Details—See issue of Aug. 24.
Offering—The company is offering the new stock for subscription by its common stockholders on the basis of one additional share for each 2½ shares held. The subscription price will be filed by amendment. Of the total, 85,304 shares will be offered to Aviation Corp., as stockholder, and 56,850 shares will be offered to other stockholders. Any shares not subscribed by other stockholders will be purchased by Aviation Corp.
Underwriters—None named.

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.

ARDEN FARMS CO. on Aug. 31 filed a registration statement for 50,000 shares of $3 cumulative and participating preferred stock, without par value.
Details—See issue of Sept. 6.
Offering—The company has granted holders of its preferred stock rights to subscribe to the new preferred at the rate of one share for each 2½ shares held at $52 per share. Unsubscribed shares shall be sold at such price as fixed by the board of directors.
Underwriters—To be filed by amendment.

ARMSTRONG CORK CO. on Aug. 25 filed a registration statement for 161,522 shares of $3.75 cumulative preferred stock (no par).
Details—See issue of Aug. 30.
Offering—The company is offering 108,528 shares to holders of common stock of record Sept. 13, 1945, in the ratio of one share for each 13 shares of common held at $102.75 per share. Rights expire Sept. 25. The company also is offering 52,994 shares to holders of its 4% cumulative convertible preferred stock in exchange on a share for share basis. The exchange offer will expire Sept. 25. The underwriters will offer any unsubscribed or unexchanged shares at a price to be filed by amendment.
Underwriters — The underwriters are Smith, Barney & Co.; Kidder, Peabody & Co.; Mellon Securities Corp.; Blyth & Co., Inc.; E. W. Clark & Co.; Dillon, Read & Co., Inc.; Drexel & Co.; Eastman, Dillon & Co.; First Boston Corp.; Goldman, Sachs & Co.; Graham, Parsons & Co.; Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers; Moore, Leonard & Lynch; Morgan Stanley & Co.; Reynolds & Co.; Singer, Deane & Scribner; Stone & Webster and Blodget, Inc.; Stroud & Co., Inc., and Union Securities Corp.

BENSON HOTEL CORP. on Aug. 22 filed a registration statement for $440,000 first refunding mortgage serial and sinking fund bonds series A dated July 2, 1945, due serially Jan. 1, 1946 to July 1, 1957.
Details—See issue of Aug. 30.
Offering — The offering price to the public will be as follows: $75,000 of 3s at 100.50, $84,000 of 3¼s at 100.75 and $281,000 of 3½s at 101.
Underwriters—B. C. Ziegler & Co., West Bend, Wis., is named underwriter.

BROOKLYN BOROUGH GAS CO. July 11 filed a registration statement for 15,000 shares of 4.40% cumulative preferred stock (par $100).
Details—See issue of July 19.
Offering—The stock is being offered to holders of present preferred for subscription at par. Subscription will be accepted up to Oct. 15. Unsubscribed stock up to 11,000 shares will be taken by Brooklyn Trust Co. as trustee for investment.

BURRILLVILLE RACING ASSOCIATION on Aug. 28 filed a registration statement for $1,000,000 6% 20-year debentures due Sept. 1, 1965, and 10,000 shares class A stock (no par).
Details—See issue of Sept. 6.
Offering—The public offering price for a unit consisting of $500 of debentures and five shares of stock is $500 with the underwriter receiving a commission of $25
Underwriters—Barrett & Co., Providence, R. I., underwriters.

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.

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.

CONSOLIDATED GROCERS CORP. on Sept. 9 filed a registration statement for $6,000,000 15-year sinking fund debentures, 40,000 shares cumulative preferred stock, par $100, and 100,000 shares of common, no par. The interest rate on bonds and dividend rate on preferred will be filed by amendment. Of the common stock registered, 50,000 shares are being sold by Nathan Cummings, President and the remaining securities by the company.
Details—See issue of Sept. 13.
Offering—The offering prices will be filed by amendment.
Underwriters—The underwriters include A. C. Allyn & Co., Inc.; H. M. Byllesby & Co., Inc.; Central Republic Co., Inc.; Paul H. Davis & Co.; W. C. Langley & Co.; Paine, Webber, Jackson & Curtis; E. H. Rollins & Sons, Inc.; First Cleveland Corp.; First Trust Co. of Lincoln; Stifel, Nicolaus & Co., Inc.; Ames, Emerich & Co., Inc.; Julien Collins & Co.; Dewar, Robertson & Pancoast; Rauscher, Pierce & Co., Inc.; Mason, Moran & Co., and Mason-Hagan, Inc.

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.

CROWN ZELLERBACH CORP. on Sept. 6 registered 353,103 shares of cumulative preferred stock and 176,552 shares of cumulative second preferred stock. The dividend rate on the stocks will be filed by amendment. Second preferred is convertible into common.
Details—See issue of Sept. 13.
Offering — Company will offer 353,103 shares of new first preferred and 176,552 shares of second preferred convertible stock to holders of the presently outstanding 529,655 shares of $5 preferred on the basis of ⅔ of a share of 1st preferred and ⅓ share of second preferred for each share now held. Shares of 1st and 2nd preferred not taken in exchange will be sold to underwriters.
Underwriters—Blyth & Co., Inc. principal underwriter.

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.

FRONTIER REFINING CO. on Aug. 25 filed a registration statement for $400,000 5% sinking fund debentures, due Sept. 1, 1950.
Details—See issue of Aug. 30.
Offering—Price to the public will be 100.50.
Underwriters—Boettcher & Co., Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co.

GENERAL FINANCE CORP. on Aug. 29 filed a registration statement for $2,000,000 15-year 3¾% debentures, due Aug. 1, 1960.
Details—See issue of Sept. 6.
Offering—The price to the public will be filed by amendment.
Underwriters—Paine, Webber, Jackson & Curtis, principal underwriters.

GRAY DRUG STORES, INC. on Sept. 6 filed a registration statement for 20,000 shares of convertible preferred stock. The dividend rate will be filed by amendment. Company also registered 40,000 shares of common reserved for conversion of the preferred.
Details—See issue of Sept. 13.
Offering—Price to the public will be filed by amendment.
Underwriters—Merrill, Turben & Co., Cleveland, heads the underwriting group.

INTERNATIONAL RESISTANCE CO. on Aug. 31 filed a registration statement for 175,000 shares of 6% cumulative convertible preferred (par $5) and 525,000 shares of common (par 10 cents), of which 350,000 are to be reserved for conversion of the preferred stock.
Details—See issue of Sept. 6.
Offering—The stock will be offered in units consisting of one share of preferred and one share of common stock for $5 per unit.
Underwriters—The principal underwriters are Newburger & Hano, and Kobbe, Gearhart & Co., Inc.

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.

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.

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—Blyth & Co., Inc.

MORRIS PLAN CORP. OF AMERICA on Aug. 24 filed a registration statement for 937,500 shares of common stock, par value 10 cents.
Details—See issue of Aug. 30.
Offering—The company on Aug. 21, 1945, received $7,500,000 in cash from American General Corp. as the purchase price of the 937,500 shares covered by the prospectus. The 937,500 shares are offered by American General pursuant to agreements with Morris Plan Corporation for sale at $8 per share or for exchange under certain conditions. Under offer one the holders of common stock of Morris Plan Corporation, other than Industrial Finance Corp., will be entitled to purchase 1.60 shares of common for each share of new common stock held. The holders of 7% preferred of Industrial will be entitled to purchase 18.5 shares for each share held and the holders of common of Industrial will be entitled to purchase 0.40 shares for each share held. In the event that 7% preferred and common stockholders of Industrial do not elect to purchase the entire number of shares covered by the offer they will be entitled to exchange their shares on the following basis: for each share of 7% preferred of Industrial 12.50 shares of common of Morris Plan, and for each four shares of Industrial common one share of Morris Plan. A plan announced last month provided that Morris Plan would provide the stock to be sold by changing the authorized number of shares of old common from 200,000, par $5, to 3,500,000, par 10 cents each, and to issue four shares of new common for each share of old common outstanding so that as a result 591,165 shares of new common would be outstanding.
Underwriters—American General Corp. is named underwriter.

MURRAY CORP. OF AMERICA on Sept. 6 filed a registration statement for 104,500 shares cumulative preferred stock, 4% series, $50 par.
Details—See issue of Sept. 13.
Offering—The company is offering the 104,500 shares of preferred to the holders of its common stock for subscription prior to Oct. 8, 1945, at $50 per share at the rate of 11 shares of preferred stock, for each 100 shares of common stock held of record Sept. 26. The underwriters have agreed to purchase any unsubscribed shares.
Underwriters—The underwriting group is headed by Harriman Ripley & Co., Inc., and Watling, Lerchen & Co.

PENNSYLVANIA - CENTRAL AIRLINES CORP. on Sept. 5 filed a registration statement for $10,000,000 15-year convertible income debentures due Sept. 1, 1960. The interest rate will be filed by amendment.
Details—See issue of Sept. 13.
Offering—The price to the public will be filed by amendment.
Underwriters—The underwriting group is headed by White, Weld & Co., and Carl M. Loeb, Rhoades & Co.

PENNSYLVANIA POWER & LIGHT CO. on Aug. 20 filed a registration statement for $93,000,000 first mortgage bonds due Oct. 1, 1975, and $27,000,000 sinking fund debentures due Oct. 1, 1965.
Details—See issue of Aug. 30.
Offering—The price to the public will be filed by amendment.
Underwriters—The bonds are to be sold at competitive bidding, with the interest rate named by the successful bidder. Names of the underwriters will be filed by amendment.

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 is offering 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.

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.
Stop Order Hearings—Hearing set for Sept. 10 to determine whether a stop order should be issued suspending effectiveness of registration statement.

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.

DIVIDEND NOTICES

BUR-MIL QUALITY

Dividend Notice

September 21, 1945

BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following regular and extra dividends:

4% CUMULATIVE PREFERRED STOCK
$1 per share
COMMON STOCK ($1 par value)
25 cents per share
COMMON STOCK (extra dividend)
25 cents per share

Each regular dividend is payable December 1, 1945, to Stockholders of record at the close of business November 15, 1945. The extra dividend on the common stock is payable November 15, 1945, to Stockholders of record November 1, 1945.

WILLIAM S. COULTER, *Secretary*

CONSOLIDATED NATURAL GAS COMPANY
30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 4

THE BOARD OF DIRECTORS has this day declared the following dividends on the capital stock of the Company, payable on November 15, 1945, to stockholders of record at the close of business October 15, 1945:

Regular semi-annual cash dividend of 50¢ per share; and Extra cash dividend of 50¢ per share.

Checks will be mailed.

E. E. DUVALL, *Secretary*
September 26, 1945

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 50c per share on the Common Stock of the Company, payable October 1, 1945 to Stockholders of Record at the close of business September 18, 1945. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business September 18, 1945 until October 1, 1945.

ROBERT B. BROWN, Treasurer.

THE SUPERHEATER COMPANY
Dividend No. 161

A quarterly dividend of twenty-five cents (25c) per share on all the outstanding stock of the Company has been declared payable October 15, 1945 to stockholders of record at the close of business October 5, 1945.

M. SCHILLER, Treasurer.

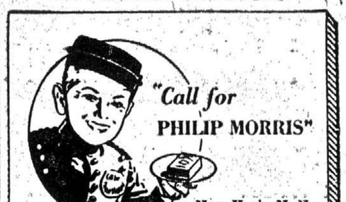
SUN-KRAFT, INC. on August 8 filed a registration statement for 100,000 shares of 30-cent cumulative convertible preferred stock and 200,000 shares of common reserved for conversion of the preferred.
Details—See issue of Aug 16.
Offering—The price to the public is $5 per share. In addition to the 90,000 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.

THRIFTY DRUG STORES CO., INC. on Aug. 28 filed a registration statement for 25,000 shares of 4½% cumulative preferred, series A ($100 par), and 150,000 shares of common (par $1). Of the total, 16,259 shares of the preferred will be sold by the company and the remaining 8,741 shares of preferred and the 150,000 shares of common will be sold by certain stockholders.
Details—See issue of Sept. 6.
Offering—The price to the public will be filed by amendment.
Underwriters—Eastman, Dillon & Co., underwriters.

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.

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.

DIVIDEND NOTICES



New York N. Y.
September 19, 1945

Philip Morris & Co. Ltd., Inc.

A regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, has been declared payable November 1, 1945 to holders of Preferred Stock of record at the close of business on October 15, 1945.

There also has been declared a quarterly dividend of 37½¢ per share on the Common Stock, ($5 Par), payable October 15, 1945 to holders of Common Stock of record at the close of business on October 1, 1945.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each will be recognized after October 1, 1945, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are therefore urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

FROEDTERT GRAIN and MALTING COMPANY, INC.

"Largest Commercial Maltsters in the World"

COMMON STOCK DIVIDEND

The Board of Directors of Froedtert Grain and Malting Company, Inc., today declared a regular quarterly dividend of twenty-five (25c) per share, plus an additional dividend of fifteen cents (15c) per share on the Common Capital Stock of the Company, payable October 31, 1945, to Stockholders of record October 15, 1945.

ALVIN R. CORD
Vice President and Treasurer

Milwaukee, Wis.
Sept. 11, 1945

PACIFIC GAS AND ELECTRIC CO.
DIVIDEND NOTICE
Common Stock Dividend No. 119

A cash dividend declared by the Board of Directors on September 12, 1945, for the third quarter of the year 1945, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on October 15, 1945, to shareholders of record at the close of business on September 28, 1945. The Transfer Books will not be closed.

E. J. BECKETT, *Treasurer*

San Francisco, California

CONSOL

The Board of Directors of the
CONSOLIDATION COAL COMPANY
(Incorporated in Delaware)

at a meeting held today, declared a quarterly dividend of 25 cents per share on the Common Stock of the Company, payable on October 15, 1945, to stockholders of record at the close of business on October 6, 1945. Checks will be mailed.

C. E. BEACHLEY,
Secretary-Treasurer

September 25, 1945

UNITED STATES SMELTING REFINING AND MINING COMPANY

The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock payable on October 15, 1945 to stockholders of record at the close of business September 29, 1945. No dividend was declared on the Common Stock.

September 20, 1945

FRANCIS FISKE,
Treasurer.

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, September 22, 1945.
COMMON STOCK DIVIDEND No. 89.

The above company has declared a dividend of fifty cents per share on the Common Stock of the company to stockholders of record at the close of business September 27, 1945, payable October 15, 1945. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market continues firm with somewhat reduced volume. . . . A good tone is evident in the bank eligible 1½% due 1950, the 2s and the longer 2½s. . . . The demand for these securities probably reflects some buying by institutions that wanted a larger return than was available in the ⅞% certificates offered in exchange for the partially exempt 2¾% bonds on Sept. 15. . . . The restricted obligations have shown only minor fluctuations with indications that these securities at present levels have quite fully discounted the new financing that gets underway the end of next month. . . .

The June and December 2s of 1952/54 and the 2½s due 9/15/67/72 are still liked for appreciation and income. . . . One of the large dealers is advising the sale of the 2½s due 1956/58, and the purchase of 2½s due 9/15/67/72, for appreciation, and taking down of premium. . . .

It was also pointed out that in an unsettled market the defensive position of the longest 2½s should be superior to that of the 2½s due 1956/58. . . .

The restricted 2¼% due 1956/59 is still being recommended by shrewd market followers, for non-commercial bank investors. . . .

Although the note market has not been too active recently, it is believed that these obligations will be getting more attention in the not distant future. . . . It is reported that some of the larger banks are watching this section of the list very closely and undoubtedly will be making commitments in these issues, with an easing of the reserve positions. . . .

RESTRICTEDS MOUNTING

Aside from certificates, the principal increase in the marketable issues for the year 1945, will be in the restricted obligations. . . . During the Seventh War Loan these bonds increased by $13,235,000,000, consisting of $5,277,000,000 of 2¼% due 6/15/59/62, and $7,958,000,000 of the 2½% due 6/15/67/72. . . .

These securities will again be added to during the coming Victory Loan, since in order to attract funds from individuals and non-bank investors, the Treasury will offer restricted 2¼s and 2½s with a slightly longer maturity than the outstanding obligations. . . .

The restricted bonds are presently outstanding in the amount of $38,284,000,000 and from indications, in the near future, will be almost as large as the commercial bank eligible taxable bonds, which now aggregate $47,794,000,000 and will not be increased during the drive. . . . The restricted obligations are already considerably in excess of the partially exempt bonds, which are declining and will be further decreased in the next year. . . .

AVERAGE RATE UP

The greater use of the restricted obligations by the Government in financing the deficit has increased the debt burden slightly. . . . The average interest rate has risen from 1.92% last December, to 1.94% at the end of June. . . . The level of interest rates is still the most important element in the Treasury's financing, and undoubtedly something will be done to bring it down after the Victory Loan. . . . The elimination of the 1½% and 2% bonds which played an important role in the various War Loans, and which were purchased in the open market, after the drives, by the commercial banks, in large amounts have been excluded from the coming campaign. . . .

This means that these institutions will have to confine their after drive purchases to the ⅞% certificates, or the outstanding notes and bonds, which will tend to lower the average rate for commercial bank eligible obligations. . . .

Thus it seems as though the Treasury is preparing the money market for the time when it will be possible to check the rise in the average interest rate. . . . The sale of ⅞% certificates and other short-term low coupon securities to the commercial banks should result in bringing down the interest burden. . . . At the same time this policy will concentrate bank holdings more largely in the short-term securities and thus maintain the high degree of liquidity of the commercial banking system. . . .

GOLD INFLOW

The termination of lend-lease will no doubt be followed by a reversal of gold shipments from the United States. . . . Now that our export trade is to be placed on a commercial basis for the most part, a large cash export surplus is certain during reconversion period, with consequent heavy gold imports. . . . A renewal of the gold flow into the United States will effect money market conditions here. . . . Gold imports cause a corresponding increase in bank excess reserves, as gold certificates are deposited in the Federal Reserve Banks by the Treasury against the newly received metal. . . . At the same time, excess reserves will be swelled also by a return of currency from circulation. . . .

The high excess reserves that will be created will tend to depress interest rates further and to encourage banks to expand their investments and loans and thus their deposits. . . .

This will add further to the nation's inflated money supply. . . .

CENTRAL BANKS

To prevent this development, the Federal Reserve Banks, would have to reverse their wartime policy and reduce thir holdings of Government securities. . . . Central banks holdings of Government obligations consist principally of bills and certificates maturing within less than a year. . . . They can dispose of these holdings to member banks. . . . With excess reserve at high levels it is not expected that Federal will have any trouble disposing of these securities to the member institutions. . . .

On the other hand if the latter are unwilling to buy more of the short-term obligations, the Treasury may have to issue longer-term yielding securities to the banks to pay off Treasury bills and certificates held by the Reserve Banks. . . .

In either event, this policy would check the increase in excess reserves by shifting part of the Federal Reserve Banks portfolio of Government securities to member banks. . . .

SAVINGS BANKS

Indications are that the savings banks may not be as large sellers of the unrestricted securities as had been believed by some. . . . These institutions, which have substantial positions in the restricted obligations, do not feel that these securities have as good a market as the unrestricted securities. . . .

Accordingly, in order to be assured of greater marketability, it is reported that the savings banks will not be disposing of sizeable amounts of their unrestricted issues, despite the attractive levels at which they are now selling. . . .

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