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Belgians Doubt Link To Sterling

By HERBERT M. BRATTER

(Special Correspondent of the "Chronicle")

Uncertainty Regarding Future Value of the Pound Causes Concern to Belgian Business. A Financial Official's Views. Black Market Not Regarded as an Unmixed Evil. Fear Regarding Restoration of Diamond Industry of Antwerp.

BRUSSELS, BELGIUM — Despite the reassurance which the financial and monetary program of M. Gutt, Belgian Finance Minister, has brought about, the several Belgian business men with whom the writer has talked have expressed more or less concern over the future of the pound sterling. Although the British may not consider Belgium as coming within the Sterling Area, the Belgian business men seem convinced that a decline in sterling from the present $4.03 rate is bound to cause some decline in the dollar value of the Belgian franc. The writer's

Herbert M. Bratter

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Treasury's Tax Reduction Program

By FRED M. VINSON*

Secretary of the Treasury

Stressing the Need for Continued Large Government Revenues and Reiterating His Taxation Principles Expressed as War Mobilization Director, Secretary Vinson Requests Congress Not to Reduce Taxes More Than $5 Billions. Recommends That Tax Reductions Be Geared to Prevention of Both Inflation and Deflation, and Proposes Repeal of Excess Profits Taxes and the 3% Normal Income Tax. Wants War Excise Taxes Eliminated July 1, 1946, and Recommends Revision of Payroll Taxes Be Delayed. Says Far-reaching Changes in Tax System Should Be Considered Later, but That Legislation on Proposed Reductions Should Be Enacted Not Later Than Nov. 1.

It is a pleasure for me to appear before the Ways and Means Committee because coming here is like coming home. It is also a pleasure because you are considering not the necessity of tax increases but the opportunity for tax reductions. After climbing the mountain of war taxation in 1940, 1941, 1942 and 1943, and moving along the crest during 1944 and 1945, we are now in the fortunate position of being able to go a little way down the other side. We did not reach the peak of wartime taxation in one revenue act; it took five major acts in four years.

Secretary Vinson

House Ways and Means Committee on Oct. 2 recommended various tax cuts. For report of action, see page 1605.

*Statement of Secretary Vinson before the Ways and Means Committee of the House of Representatives on Oct. 1, 1945.

(Continued on page 1600)

Stabilizations "Pro Forma"

By MELCHIOR PALYI

Continuing His Analysis of the Present Problems of Foreign Exchange Stabilizations, Dr. Palyi Contends That Exchange Controls Are Leading to "Multiple Currencies" Similar to the German Pre-War Practices. Holds That Exchange Controls Cannot Permanently Avoid Devaluations and Illustrates His Point by Reference to the Present French Currency Situation. Says France Is Following the Error of Great Britain in Ignoring Monetary Volume as a Guidance in Determining Rates of Exchange for Their Currencies.

The article on U. S. and British exchange rates, published in the "Chronicle" of Aug. 30, 1945, came to the conclusion that—

(a) Restrictions on most foreign balances in this country are likely to be gradually relaxed. If so, the dollar will be restored more or less to the pre-war type of gold standard;

(b) The pound sterling, too, is to be "stabilized" at its present parity, but under thorough regimentation by foreign exchange restrictions with the result that it will become an internal unit of exchange without an international "gold content."

Dr. Melchior Palyi

This pseudo-stabilization will not be affected by the change of British Government. The radical minority in the Labor Party (A.

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"End Deficit Spending"

By HON. ROBERT A. TAFT*

U. S. Senator from Ohio

Asserting That Despite Promises of Post-War Prosperity There Exists No Workable Governmental Plan, Senator Taft Stresses the Need for a Sound Fiscal Policy as the Best Impetus to Expanded Enterprise and Full Employment. He Criticizes the Government Deficit Spending Projects and Calls for a Balanced Post-War Budget of Around $20 Billions. Advocates Reasonable Loans Abroad but Holds Loans Will Not Remedy European Ills. Sees Inflationary Dangers in the Wallace Spendthrift Policies and Cautions Against Further Extensions of Federal Power.

Robert A. Taft

It is a pleasure to me to participate in this project of the Financial World designed to improve business methods and the active interest of stockholders in the business corporations which contribute so largely to progress and prosperity in our economic life. The subject of business management and economics has become infinitely more complicated, but at the same time this difficult economics has come to dominate politics. And so if we are going to have an intelligent public opinion regarding political policy, cer-

*An address by Senator Taft at a dinner given by the Financial World, Waldorf-Astoria Hotel, Oct. 2, 1945.

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Revising the British Securities Act

By A. M. SAKOLSKI

The Cohen Committee Reports on Amendments, and Although Urging More Publicity of Corporation Affairs, More Details in Prospectuses and Definite Responsibilities of Directors and Experts, Proposes No Radical Changes in the Existng Law. Considers the Problem of Shareholders' Control of Management and the Relations Between Holding Companies and Subsidiaries. Praises London Stock Exchange.

In June 1945, Hugh Dalton, then President of the Board of Trade and at present Chancellor of the Exchequer of the British Government, appointed a committee of 13 members, headed by Justice Lionel L. Cohen, "to consider and report what major amendments are desirable in the Companies Act of 1929," a law corresponding to our own Securities Act of 1933. This committee, which was assigned the particular task of reviewing "the reguirements prescribed in regard to the formation and affairs of companies and the safeguards afforded for investors and for the public interest," submitted its report in June of this year, thus consuming two full years in holding meetings and in hearing oral evidence. The document, (CM 6659) covers 115 pages, and includes eighteen major sets of recommendations for the amendment of the present law, and, in addition, presents a number of interesting suggestions. The membership of the Committee, no one of whom appears to have had specific economic training, comprised men of widely varying experiences, of whom only two were members of Parliament.


A. M. Sakolski

In its introductory statement, the committee reported that "we are satisfied that the great majority of the limited companies are honestly and conscientiously managed," and added "that the system of limited liability companies has been and is beneficial to the industry and trade of the country and essential to the prosperity of the nation as a whole." Yet, notwithstanding the amendments made to the Companies Act during the last half century, the Committee pointed out that "opportunities for abuse will inevitably exist." To lessen such opportunities, it recommends the

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Amos Treat & Co. Is Formed in New York

Following the dissolution of the partnership of Hughes & Treat, as of Sept. 29, Amos S. Treat and Charles W. Treat, limited partner, announce the formation of Amos Treat & Co. The new firm will transact a general investment business at 40 Wall Street, New York.

"Management Must Tell Its Story"

By JAMES E. McCARTHY*
Dean, College of Commerce, University of Notre Dame

Prominent Educator Stressing the Importance of Public Relations in Promoting Harmony in Industry Urges a Campaign to Combat Economic Illiteracy and Revolutionary Doctrines That Condemn Free Enterprise System. Sees Grave Danger in the Spread of Statism, and Advocates Dissemination of Sound Economic Doctrines Which Produced Our National Progress. Holds Business and Management Should Undertake an Enlightened Educational Program and Use Its Public Relations Facilities as an Educational Force.

I feel certain freedom as well as great privilege in being invited to speak before the National Association of Public Relations Counsel, Inc. The freedom I feel comes from the knowledge that you and I are both engaged in educational work — but my work is highly insignificant when compared witn yours—you are the finalists in the very real struggle of enlightenment—I am engaged only in the preliminaries.


James E. McCarthy

As an obscure co-worker in the field of advocacy of economic enlightenment, I am made humble by the knowledge that I am addressing a group that will be cordial—and critical—but that is as it ought to be. I think no one may properly claim the time and attention of a group who have achieved the stature of the Public Relations Counsel Association of New York excepting he has something to say that has a bearing upon the problems of our times—and can say it reasonably well.

At the outset I should like to make the honest admission that I admire and I hope that I am a reasonably staunch advocate of intelligent, enlightened public relations programs and of the men who are charged with the responsibility for the initiation of such programs.

And may I be permitted the observation that it is my belief that men in your profession are in very large measure custodians of one of the most desperate responsibilities vested in any single group in our country. The responsibility for the preservation of free enterprise now becomes the fixed responsibility of all enlightened public relations men. I say this for the reason that other less enlightened men, on the management side, by their collective inabilities to properly appraise the pattern of the plot to destroy free enterprise, have defaulted, and are no longer capable or worthy of leading America in the fight against collectivism and statism.

May I also be permitted to say that I believe in public relations as an enlivening medium for the conveyance of messages, ideas, information and facts which enrich

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*An address by Dean McCarthy before the National Association of Public Relations Counsel, Inc., New York City, Sept. 20, 1945.

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The Cat Is Out of the Bag

Revealing Exhibit Filed by NASD in Support of Recent Amendment. Divide and Conquer Strategy Used. Amicable Relations Heretofore Existing Between Employer and Employee in Securities Field Threatened. Regimentation and Shackling of Dealers and Brokers and Their Employees Presents an Ugly Picture. Claims of Pressure and Duress Supported by Exhibits Filed With SEC.

In support of the recent NASD By-Law Amendments, there was filed with the Securities and Exchange Commission an exhibit which we regard of such significance that we here give it verbatim:

SWISS AMERICAN CORPORATION
30 Pine Street
N. Y. C. 5

June 25th, 1945

Mr. D. S. Rutty
45 Exchange Street
Rochester 4, N. Y.

Dear Dave:

Frank sent me your note of June 22nd. He asked me to answer it as he did not attend the recent Board Meeting and I did. Also, Frank is away on vacation.

There have been a good many cases where houses have been punished for sins that were 90% those of the salesmen. In such cases, a salesman not only goes scotfree but is able to leave the house and take a job with another house. Because of the terrific competition for salesmen, he usually gets the job. To some extent one might say that the houses are at the mercy of the salesmen, who again in many cases of competition are getting the inordinate share of the spread.

There is nothing in the proposal that goes beyond the requirements of the Stock Exchange with respect to customers men. Customers men are not only amenable to the discipline of the Stock Exchange, but are required by examination to prove their fitness. I have already received a letter from one prominent over-the-counter NASD member who not only approves heartily, but urges that the NASD follow the Stock Exchange in establishing some sort of a fitness test. It is not intended for the clerical force, bookkeepers, stenographers, etc., but only for those who come in contact with the public. By experience it has been found that this inevitably includes somebody in the cashiering department and, of course, the traders who have been the chief sinners in many cases. Opinion as to the wisdom of this measure was absolutely unanimous among the entire Board of Governors and all the District Chairmen. It was felt that it would be welcomed by all

(Continued on page 1609)

Air Conditioning—A Growth Industry

By S. M. AHMED*
Member of the New York Stock Exchange

Describing the Rapid Progress of the Air Conditioning Industry, Mr. Ahmed Gives Reasons for Further Continued Growth in the Immediate Future. Points to the Development of New and Improved Equipment and to the Heavy Potential Demands for New Uses of Air Conditioning Both in the Home and in Industries. Says Sales in Air Conditioning Are Self-Expanding Since One Sale Leads to Another Through Direct Competition Between Establishments.

Air conditioning has become a vital part of our modern way of life; essential to the manufacture of a vast number of products in textile, chemical, steel, petroleum, machine tool, and a score of other industries; important in the preservation and processing of foods; valuable to business and theaters, stores, restaurants, hotels, railroads, and offices; conducive to comfort and health in places where people gather or live. The importance and the size of the industry is shown by the total number of installations which are valued in excess of $1 billion; plant investment estimated at $100 million; the nearly 100,000 workers employed, with a payroll of over $200 million; and the number of nationally prominent manufacturers engaged. The industry holds potentialities for vast expansion and is ripe for profitable operations. Equipment manufacturers, who have developed their products and selling organizations, have attained a position which now gives promise of expanding


S. M. Ahmed

*An address by Mr. Ahmed before the New York Society of Security Analysts, Sept. 24, 1945.

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What America Needs Most

By NORMAN THOMAS*
Leader, Socialist Party of the United States

Mr. Thomas, After Enumerating Specifically What He Contends America Needs, States That Uppermost Is a Clear Sighted Devotion to True Democracy and to an Organized Federation of Free Peoples. Criticizes the Structure of the United Nations Organization as Being Controlled by Rival Imperialisms and Warns That Unless We Face the Facts We Will Walk the Path of Militarism and Empire. Denounces the Unconditional Surrender Policy as Having Cost Many Lives, and Deplores Punishing a Whole People for Crimes of a Few. Calls for a Spirit of Repentance, Forgiveness and Cooperation.


Norman Thomas

This subject which was assigned to me is somewhat difficult. America needs many things of different sorts and on different levels of thought and action. She desperately needs a program to end unemployment and poverty and yet keep and increase genuine freedom. She needs stronger and better basic economic and political organizations —in particular a new and meaningful political alignment. She needs a foreign policy which

*An address by Mr. Thomas at the Christ Church Forum, New York City, Sept. 27, 1945.

(Continued on page 1585)

Strategy for Investors

By G. Y. BILLARD
J. R. Williston & Co.

Feels Labor News No More Fundamentally Bearish Than After World War I. Sees Investors' Problem That of Protecting the Purchasing Power of Capital. Presents Program.

Gordon Y. Billard

Now, as after World War I, labor news is disturbing but it is no more fundamentally bearish than at that time. There is little doubt that wage increases will ultimately be translated into higher prices, despite temporarily successful efforts by OPA. This in turn means a sure advance in living costs. Voluntary wage increases, now widespread, are running upwards to 15%. Involuntary wage increases will result from strikes. The objective of labor is a 30% hourly wage increase above wartime levels; the objective of Government is a 40 to 50% rise in the standard of living above pre-war. On the basis of wartime cost-price relationships, it is estimated a 30% wage increase would mean a further rise of about 37% in material costs and a 25% to 35% increase in finished goods prices. It is perhaps feasible to force industry by artificial price control to operate at little or no profit for comparatively brief periods of time but sooner or later the existing situation is bound to find reflection in an advance in living costs. The essential point that investors, in particular, should realize is that we are entering a post-war inflationary era—an era of wage-inflation controlled by taxes. The problem challenging the investor is the protection of the purchasing power of capital.

Many securities today are selling at ceiling or near ceiling levels. Many others are selling at relatively low levels compared with where they may be selling, perhaps, 6 to 12 months from now. It therefore behooves the investor to study carefully his over-all situation and, particularly, each individual commitment to determine whether or not it is suitable for the purpose desired and to make such readjustments as seem desirable and necessary while conditions are reasonably favorable for such purposes.

The first and foremost consideration is the formulation of a plan because without a plan the investor turns into more or less of an opportunist and sooner or later accumulates a collection of securities which represents hodge podge and which usually fails to provide the protection desired or intended. The investor then sooner or later witnesses the phenomenon of perhaps a substantial rise in the market without finding anything more than minor reflection in his own holdings.

The essence of a plan is the distribution of funds available for investment. This necessitates consideration of the distribution as to cash, fixed income bearing securities (such as bonds and preferred stocks) and common stocks. It is not our intent nor desire to suggest a program as a cure-all for all investors' headaches. Obviously a plan should be considered and formulated in the light of the investor's particular requirements. Since requirements vary widely, programs should differ widely. In other words, a program to be of any real permanent value must be individualistic. We therefore shall not attempt to suggest any distribution of the proportion of one's funds in cash or bonds or preferred stocks or common stocks. Suffice it to point out that both theory and experience indicate that the most suitable media available to the investor class, in general, for the protection of the purchasing power of capital in a

(Continued on page 1610)

Reconversion Goes Ahead Rapidly

(From the October number of the "Business Bulletin," issued by the LaSalle Extension University, a Correspondence Institution, Chicago, Illinois.)

General Trend in Business Is Downward—Continued High Level of Trade Partly Offsets the Drop in Industrial Production — Factories Have Speeded Up the Change to Peacetime Production—Outlook for Business After the Reconversion Decline Becomes Increasingly Favorable—Output of Farm Crops Near Record.

Industry is going ahead with even more than its usual vigor and speed in meeting the reconversion problems which were made more urgent by the sudden ending of the war. Indications are that considerable industrial expansion will get under way this year although it may start from a somewhat lower level than now prevails. Changing the entire economic system from war to peace is not an easy task and some slowing down in output as well as widespread temporary unemployment is inevitable. It need not, however, be long extended for many employees.

The Pattern of Future Trends

The course of trade and industry since the Japanese surrender has pointed the way more definitely toward what is most likely to take place during the coming months. With the termination of war contracts, industrial activity declined sharply in order to enable plants to be cleared of machinery and equipment that was useful only to make war goods. The physical problems of reconversion are certainly most urgent and the speed with which they are solved will determine the level of production and employment during the remaining months of this year. They include not only the removal of war equipment and inventories, but also the re-equipping with new machinery, the installing of new methods, getting the right kinds of materials and parts, as well as the shifting and retraining of many workers.

The next period after the reconversion dip will be the time when consumers are buying not only for current needs but also to restock with many products which they were not able to buy during the war years. This increase will be particularly significant in the consumer durable goods lines such as automobiles, refrigerators, household electrical appliances, and residential building. Industry will be operating under this double stimulus and the result is likely to be a more-than-average business expansion. Deferred demand may be so large as to lead to a boom which may last many months or even years.

The third period will begin when consumers have caught up with their deferred purchases and industry will be compelled to rely on only normal current demand. Then, another readjustment will be necessary although (Continued on page 1586)

"The Wage Crisis"

By ERIC A. JOHNSTON*
President, Chamber of Commerce of the United States

Mr. Johnston Calls on Both Management and Labor to "Take It Easy" by Acting With Forethought and Moderation to Avoid Causing Industrial Chaos. Sees Danger in Wishful Thinking and Appeals to Each Side to Take a Fresh Look at the Situation and Not Seek a One-Sided Advantage. Asks for an Honest Job of Collective Bargaining and the Retention of a Democratic Process in Settling Differences.

Tonight I want to talk to you about the wage crisis.

The industrial strife by which we are now engulfed is not a job crisis. It is a wage crisis. It came about with the reduction in the size of pay envelopes when war production ceased and working hours were cut down.

Eric A. Johnston

This is a deadly serious hour. Thousands of workers are on strike. We have had some shutdowns and lockouts. This is an hour of stress and high tension which threatens every hope of our future and is dangerous enough to command the earnest thought of every American regardless of the way he earns his living. Let none of us dismiss it lightly. One wrong turn, and we are going to be in social and economic chaos.

But as a measure of reassurance, and with the hope that it will serve to some good purpose when we are reminded of it, I want to borrow a phrase which has come out of this war. It is a terse and trenchant phrase.

It is slang, but like most American slang it is far more forceful than it is flippant.

Soldiers have used the phrase this way: "Take it easy, Mac!" Sailors have said, "Take it easy, Mate!"

You've heard it, of course, hundreds of times.

It has been a favorite of men in the service who may have said it lightly to be sure, but they didn't mean it lightly one single bit. Used in one sense, it is a term of farewell, but in another it is a term of reassurance. "Take it easy, Mac!" our soldiers said, and what they meant was "take care of yourself; hold tight; keep your chin up, use your head and you will be all right."

I want to borrow that combat war-born phrase to apply to this industrial war. This is a time (Continued on page 1610)

*An address by Mr. Johnston over the American Broadcasting Network, Sept. 29, 1945.

Security Traders Ass'n of N. Y. Opposed to New NASD By-Law Amendments

Committee to Make Report to Board of Directors

After a meeting on Oct. 1 of about 100 members of The Security Traders Association of New York at the New York Produce Exchange Luncheon Club, it was decided to appoint a committee to make a report to the Association's board of directors on the newly adopted NASD by-law amendments, which among other things, call for the compulsory registration of traders and salesmen and automatically subjects them thereafter to the rules of the Association. After the committee's report is received the directors will decide the action to be taken in the matter.

The members of the Traders Association are preponderantly opposed to the by-laws in question.

In a letter announcing that the meeting was to be held it was stated that a committee would be delegated to convey the reactions of the members to the instant by-law amendments to the Securities & Exchange Commission. The NASD recently indicated that registration became mandatory as of Sept. 15, 1945.

Richard F. Abbe, President of the Security Traders Association of N. Y., presided at the meeting. Thomas Graham, President of the National Security Traders Association, was in the city and attended the meeting.

With Slayton & Company

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—**Arthur W. Miller** is with Slayton & Company, Inc., 111 North Fourth Street, St. Louis, Mo.

Public Utility Securities

American Water Works

American Water Works & Electric has advanced this year from 8¼ to 18⅜. While this is not a large advance as compared with some other junior holding company issues, it is partly explained by restatement of 1944 earnings on a more favorable basis, together with forecasts of still more favorable earnings in the future. A year ago earnings for the 12 months ended Sept. 30 were reported by Moody's Service as only 54 cents a share, before the special tax adjustment credit. In March, however, the same service reported earnings for the calendar year 1944 as $1.36, though it was explained in a footnote that this excluded a special tax adjustment. Since these tax credits were non-recurring (being due to tax savings resulting from new financing and sale of transportation properties) it is, of course, more conservative to exclude them from the earnings.

American Water Works will, however, benefit considerably by the proposed elimination of excess profits taxes beginning Jan. 1, 1946. In 1944 excess profits taxes, together with the tax reduction indicated above, totalled about $7,736,000 or $3.32 a share. Approximately half of this amount or $1.66 can be saved by elimination of the tax, which would bring the year's earnings to $2.35 a share.

American Water Works was one of the first utility holding companies to prepare a plan of integration and recapitalization to conform with the Public Utility Holding Company Act. This was filed in 1937, and possibly due to the company's co-operative attitude (most other companies delayed filing plans) the SEC gave the plan early approval. However, except for minor provisions it has never been carried out, because market conditions have been unfavorable. In 1937 Water Works sold as high as 29½, but in the market break of that year it declined to 8 and in 1942 dropped as low as 1⅞, from which it has gradually recovered to the present level.

The original plan provided for elimination of West Penn Electric Company as an intermediate holding company, by calling all its outstanding securities in the hands of the public. This would mean retirement of $5,000,000 debenture 5s of 2030, $16,883,600 7% preferred stock, $11,955,300 6% preferred and $5,465,600 Class A stock. Assuming that these securities could be retired at par rather than the redemption prices, a little less than $40,000,000 would be required. It was also proposed to issue some $20,000,000 additional for other purposes, and to raise the $60,000,000 total by issuing $40,000,000 collateral trust bonds and $20,000,000 common stock. However, it appears likely that the size of the issue could be reduced—possibly to $50,000,000—under present conditions.

American Water Works has been a little slow to develop a program of refunding system bonds and preferred stock, but Monongahela Power (formerly Monongahela-West Penn Public Service) recently consummated a refunding program with the issuance of $22,000,000 first 3s and $9,000,000 4.40% preferred stock. It is proposed to replace Potomac Edison's 7% and 6% preferred stocks with a 4½% issue. West Penn Power could doubtless refund its $27,000,000 3½s and perhaps the $29,707,700 4½% preferred stock since these issues enjoy a good investment rating (however, no 4½% utility issues have as yet been refunded). American Water Works itself could also effect substantial savings by refunding its $8,000,000 debenture 6s, $3,000,000 debenture 5s and $20,000,000 $6 preferred stock.

Hornblower & Weeks in a recent study of American Water Works conjectured that the original plan to retire West Penn Electric securities could be changed so that holders of that company's securities would take new debentures and preferred stock of American Water Works, reducing the amount of the financing to around $20,000,000. They estimated that, after allowance for expansion of the common stock to raise $20,000,000, future earnings might be estimated at nearly $2 a share after elimination of excess profits taxes and completion of the various refunding operations mentioned above. There would also be non-recurring tax savings resulting from refunding operations which (if included in the income statement) would increase share earnings. They estimated that the stock, after the consummation of such a program and satisfaction of all holding company requirements, might sell at approximately 15 times earnings.

Col. Geo. D. Woods Has Rejoined First Boston

Colonel George D. Woods, Vice-President and director of The First

George D. Woods

Boston Corporation, 100 Broadway, New York City, has rejoined that organization in New York. Colonel Woods served on the staff of the Commanding General, Army Service Forces in Washington from November 1942.

Corbrey Enlarges Facilities in L. A.

LOS ANGELES, CALIF.—Carter H. Corbrey & Co., 650 South Spring Street, announce that they have enlarged their offices and increased their organization. A new teletype, LA-255 has been installed and a new and larger switchboard — telephone number Michigan 4181.

With G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Charles C. Simmons** has become associated with **G. H. Walker & Co.**, 503 Locust Street. Mr. Simmons was formerly with Crago, Smith & Canavan and Blyth & Co.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Penetration of widely publicized 180 figure sets loose wave of bullishness. Though further advances seen, do not consider buying on strength practical. New purchases advisable on weakness, not strength.

The first obstacle at the exact 180 figure which was plainly evident to everybody has finally been penetrated and all the latent bullishness which was smouldering has now burst into open flame.

* * *

That the 180 figure was important was no mystery. Time and again the action of stocks showed that the barrier was there. But what is perhaps not realized is that no single figure can be considered the major obstacle. It is actually the lower point of a range where more and more barriers exist.

* * *

We have now been in a bull market for the past four years. Such markets don't end on a thin line of penetration through any preconceived resistance point. Bull markets take more positive action to end or to turn around. Like previous advancing markets this one too will come to an end, not with a burst of buying with everybody scrambling for stocks. It will go into a period of distribution characterized by sharp advances, minor declines and at the same time certain stocks will start backing away. This backing away process is already being seen in the motor issues. Currently the motors are as strong as any other group. But they are no longer as strong as the market. This, however, cannot be taken as a definite yardstick of an immediate reaction. On the contrary any sudden reactions at this stake of the market cycle will probably be of short duration and will be followed by new advances. Yet all this marks the

(Continued on page 1613)

Railroad Reconversion Prospects

By JOHN J. PELLEY

President, Association of American Railroads

Asserting That the War Has Demonstrated the Essential Need of Railroads and the Importance of Railroad Investment to Provide Lower Transportation Cost, Mr. Pelley Foresees Further Technological Improvements at an Accelerated Rate. Says Research Will Continue and Additional Investment of Vast Sums Will Be Made. Tells of New Orders for Physical Equipment, and Cautions That as Self-Supporting, Tax-Paying Business Enterprises, the Railroads Must Have Equal Treatment With Other Forms of Transportation.

The railroads still have a war job to finish. While they are doing it, however, they are looking ahead and working toward the improvements in plant and equipment which will make possible the better service of the future.

John J. Pelley

Three facts which are fundamental in assessing the future of the railroads were clearly brought out in the test of war. The war demonstrated how essential railroads are to this nation, the remarkable technological progress of the railroads, and the importance of investment in railroads in providing better transportation at lower real cost.

The first of these facts will remain valid in peacetime as in war. There is nothing in existence, or in sight, to take the place of trains of cars on tracks in transporting the vast volume of American commerce at rates which now, and for some years past, have averaged less than one cent for hauling a ton of freight a mile.

The technological progress demonstrated by results during the war will continue in peacetime at an accelerated rate. Much of this progress will not be conspicuous, for that is the way with most changes in railroading. To the naked eye, for example, steel rail rolled today looks about the same as ever, but, as a result of research, it actually has a rate of breakage per year of service only about one-fifth as high as that of rail rolled only 15 years ago. And that is but one detail in the composite picture of progress which enabled the railroads, in this war, to do twice as much work per day with nearly one-third less equipment, and to do it immeasurably better than during the first World War.

The research which made such results possible is going ahead today on a broader front than ever before. Individual railroads, the companies which supply the railroads with equipment and materials, and the technical divisions and study committees of the Association of American Railroads, all are engaged in the search for better ways to carry on the railroad business.

The third fact strikingly demonstrated by the war is that no amount of ingenuity and invention would have been enough to do the job without the investment of vast sums in better railroads. Between the two wars, considerably more than $10,000,000,000 of railroad money was spent for additions and betterments to plant and equipment. In that period, the average railroad investment went up from about $10,000 to $20,000 per man employed. Largely because of the better

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Alfred Tinker Vice-Pres. Of Clayton Securities Corp.

BOSTON, MASS.—Clayton Securities Corporation, 82 Devonshire Street, announce that Alfred B. Tinker has become associated with them as Vice-President. Mr. Tinker was recently connected with Coverdale & Colpitts, consulting engineers of New York City, and previously with Studley, Shupert & Co., Inc., and Cromwell & Cabot, Inc., of Boston.

Kirk to Head Education Staff of American Savings And Loan Institute

A. A. Kirk of Chicago took office on Sept. 15 as manager and director of education for the American Savings and Loan Institute, 23-year old educational organization of the savings and loan institutions and cooperative banks throughout the country. He has been one of the Chicago executives of the Boy Scouts of America for the past 18 years. With headquarters in Chicago, Mr. Kirk will direct the post-war expansion of the training school for savings and loan personnel, emphasizing the training to equip veterans to take their place in this type of financial institution. The organization is the educational affiliate of the United States Savings and Loan League.

Real Estate Securities

Of passing interest is the rise in price during the past year of the common stocks of New York's largest real estate operating companies, viz:—

Company	Common Stock Price Oct. 1, 1945	Oct. 1, 1944
Bing & Bing, Inc.	14	2½
General Realty & Utilities Corp.	6⅜	3⅞
Knott Corporation	19½	9½
Lefcourt Realty Corp.	8⅜	4
Tishman Realty & Construction Co.	16	7¼

The value of these companies lies mainly in the equity value of their properties although some of the corporations also manage properties that do not belong to them for the management fee involved.

Strangely enough, many real estate bonds representing a participation in mortgages securing properties owned by these companies are selling at substantial discounts from par. If the market is correct on the value of the equities of these companies, it would seem as if their liens are a bargain at a discount from par.

Bing & Bing with assets of $6,728,000 own and operate hotels, apartment houses and loft buildings. Among their bonds selling at discounts are Alden, Dorset, Drake, Marcy and St. George hotels.

General Realty & Utilities Corporation with assets of $13,000,000 operate large apartment houses and office buildings and have a mortgage participation in the Barbizon Plaza Hotel. Among their better known office buildings are 285 Madison Avenue, 444 Madison Avenue and 19 Rector Street. The first mortgage on the latter is certificated and sells at a discount.

Knott Corporation with assets of $10,214,078 owns, leases, or manages a chain of 34 hotels. Publicly held bonds trading at a discount on their properties include the Wellington Hotel and the Grammott Corporation.

Lefcourt Realty Corporation with assets of $12,793,473 control and operate five large buildings in the Garment Center of New York. First mortgage bonds are available at a discount on their Lefcourt Manhattan Building and Lefcourt State Building.

Tishman Realty & Construction Company with assets of $3,118,106 operate and manage apartment houses and office buildings. Their apartment houses are mainly located on Park Avenue.

Aside from these companies, many real estate bonds may be purchased on various properties that carry with them stock representing a share in the ownership of the properties. This stock trades free with bonds.

Clark Assures Industry of Cooperative Anti-Trust Policies

Attorney General Pleads for Government-Industry Cooperation During Reconversion Period. Justice Department to Expedite Disposition of Cases. Will Give Advance Advisory Interpretations, Including Patent Matters. Strict but Fair Anti-Trust Action a Prerequisite for Industrial Development and the American Way of Life.

Discussing his anti-trust policies before the Commerce and Industry Association of New York City Sept. 25, Attorney General Thomas C. Clark made a strong plea for a continuation of wartime cooperation between Government and industry.

Thomas C. Clark

"During the war anti-trust prosecutions were, in those instances where the Army and Navy felt it was interfering with the war, held up," said Mr. Clark. "There was teamwork there between industry and between the Government acting through the WPB and through the Department of Justice and through commerce, in which we held up various cases that might interfere with the war effort.

"That teamwork that we had during the war should continue after the war. We intend during this reconversion period to do the same type of job and with the same effectiveness that you and industry did for our country during the war.

"With that in mind, when I became Attorney General, I checked over some of the activities of the Department with reference to anti-trust and particularly with reference to reconversion. Take the act that requires reference to the Department of sales or leases over a million dollars. There had been some talk around that we had sort of held up some of the sales, some of the leases, and I looked into it and expedited those matters and I am happy to tell you today that only last Friday—I think it was Thursday—any transaction involving several million of dollars that came to us about 10 o'clock in the morning was out of there about 2 o'clock in the afternoon."

Mr. Clark emphasized the Department's policy of enforcing the written law in lieu of creating legislation. "They say that the Department of Justice does not make the law and we don't. We enforce it," he said.

"We intend only to do that which Congress intended and that

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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:

Bonds Legal for Savings Banks and Trust Funds—A list of bonds legal in a number of states including New York, and an analysis—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

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.

Investment Guide—for October —With reference to a selected list of individual issues—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

Probable Year End Dividends—A list of 47 companies which declared a special, extra, year-end or semi-annual dividend during the last three months of 1944—Brand, Grumet & Ross, 120 Broadway, New York 5, N. Y.

Timing of Reconversion Advantageous to Business—No. 202 in **Oliphant's Studies in Securities**—James H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

Aro Equipment Corporation—Analysis—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

American Forging and Socket—Circular—De Young, Larson & 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.** and **Wellman Engineering 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.**

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British-Denmark Monetary Agreement

New Bilateral Arrangement Similar to That Already in Force With Sweden, Belgium, Turkey and Several Latin American Countries.

The British Government has published a White Paper containing the text of the Monetary Agreement, signed Aug. 16, with the Government of Denmark. Following its policy of publishing these agreements, the "Chronicle" prints herewith the full text just received from London. Previous texts published comprise the bilateral agreements with France, Sweden, Belgium, Turkey, Peru, Bolivia and several other countries.

Monetary Agreement Between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Denmark.

London, 16th August, 1945.

The Government of the United Kingdom of Great Britain and Northern Ireland of the one part, and the Government of Denmark of the other part, have agreed as follows:—

Article 1

(i) The rate of exchange between the Danish krone and the £ sterling shall be Danish kroner 19.34 = £1.

(ii) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after giving to the other as much notice as may be practicable.

(iii) In all territories where they have jurisdiction the Contracting Governments shall enforce the use of the official rate as the basis of all transactions in-

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Five Weeks in Britain

By LESLIE HAVERGAL BRADSHAW*
Editor, Investment Timing

Mr. Bradshaw Gives Illustrations of the Britishers' Hardships Despite the Termination of the War. He Describes Briefly London's Devastation, the Shortages of Goods and Supplies and the Inadequate Hospital Facilities. Holds Nationalization Program Under Present Conditions Cannot Be Carried Out and Says Labor Government Is "Even More Conservative Than the One It Has Supplanted." Holds Pound Will Be Held at Present Rate and There Is Little Hope of British Investors Reacquiring American Securities.

The writer sailed for Britain on the Cunard-White Star liner "Queen Elizabeth" on July 26, and returned on the S.S. "Aquitania" on Sept. 14, both being troopships carrying eastward approximately 850 men and women in the Services along with 130 civilians, and westward 8,000 troops, 313 WACS and 37 civilians.

Leslie H. Bradshaw
Editor
"Investment Timing"

These are observations as a result of visiting various places in Britain, mostly in London, and also talks with fellow-passengers, including the Rt. Hon. the Earl of Halifax, the British Ambassador to the United States, Rabbi Stephen S. Wise, Mrs. Herbert H. Lehman, Lady Pearson, of the British Red Cross, James A. Fitzpatrick, producer of motion picture "Travel Talks" in color, and Sir Keith William Price.

Although I had intended to visit France also, this proved impossible within my time limit, owing to the various regulations in which Britain at present abounds.

Devastation

The first and soul-stirring feeling that wells up inside the visitor to Britain, especially one who is familiar with the terrain and has lived among and admired many stately landmarks steeped in hallowed tradition, is the widespread result of the dreadful destruction that Britain has endured stoically over the past six years.

Taking London as a leading example, there are innumerable gaps in the buildings in many of the streets. In the East section of the City—the financial district—whole blocks have vanished, particularly around St. Paul's Cathedral, which escaped miraculously.

The devastation in London is not greater in proportion to its size and population than that suffered by other cities, such as Liverpool, Coventry, Bristol and Southampton. In Southampton almost the entire High Street—Main Street in American nomenclature—has been wiped out with the strange exception of the Bargate, a rare old edifice erected by William the Conqueror in 1066 and formerly the centre of the town's activity.

As a result, Britain's first and foremost peacetime need is new construction to replace the areas wiped out by German bombing, plus new housing to accommodate newly-married couples and returning service men and women. Some families are still living in the shelters.

A contributing cause of the dearth of dwellings in Britain is, of course, the lack of labor and materials felt during the War. The entire population united to defend their homeland, standing alone in gallant real isolation, for the world's sake, unafraid during the dark days early in the War in 1939 and 1940 and before Dec. 7, 1941. Even women from 15 to 55 shared in the struggle, working in various capacities under Government direction. Factories that normally would produce material used for construction and other peacetime needs were concentrated in the manufacture of implements of war—airplanes, ammunition, tanks, guns, etc.

Pending the complete revival of peace-time industry, therefore, a wide market appears to await American manufacturers of the things that Britain needs so urgently.

The serious shortages of materials and labor can perhaps

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*Reprinted from the Sept. 27, 1945 issue of "Investment Timing" published by the Economics & Investment Department of the National Securities & Research Corporation, New York, N. Y.

NSTA Notes

NATIONAL TRADERS MEET WITH SEC

The National Security Traders Association represented by newly elected President Thomas Graham of Bankers Bond Co., Inc., Louisville, Kentucky; R. Victor Mosley, Stroud & Co., Philadelphia, Vice President, and Russell Dotts, Bioren & Co., Philadelphia, Executive Committeeman, met with Chairman Ganson Purcell of the Securities and Exchange Commission the other Commissioners and James E. Treanor, Director of the Trading Division.

Mr. Graham pointed out that the Association had a membership of 2,200, many of whom were proprietors, particularly in small cities throughout the country. He pledged the Association's full cooperation towards any activities for the improvement of the investment business and briefly outlined some of the objectives of his administration. All three members of the Traders Association were appreciative of the consideration and sympathetic attitude of the Commissioners.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

Paul I. Moreland, of Moreland & Co., has just been elected President of the Securities Traders Association of Detroit and Michigan, Incorporated. Moreland, who has been active for many years in both the national and local associations, is the Chairman of the Educational Committee of the national group and served last year as Vice President of the local association. Other officers elected are Harold R. Chapel, of Crouse, Bennett, Smith & Co., Vice President; Alonzo C. Allen, of Blyth & Co., Inc., Secretary, and Ralf A. Crookston, of Hornblower & Weeks, Treasurer. Reginald MacArthur, of Miller, Kenower & Company, was appointed Chairman of the Membership Committee, Claude G. Porter, of Baker, Simonds & Co., a past president, Chairman of the Program Committee, while retiring President Don W. Miller, of McDonald-Moore & Co., becomes Chairman of the Arbitration and Ethics Committee. The officers and committee chairmen constitute the Board of Directors for the next fiscal year.

Paul I. Moreland

Other appointments announced by Moreland are three past presidents to serve as National Committeemen: Ray P. Bernardi, of Cray, McFawn & Co.; H. Russell Hastings, of H. Russell Hastings & Company, and Bert F. Ludington, of Watling, Lerchen & Co. Alternate committeemen are George A. McDowell, of Mercier, McDowell & Dolphyn, A.

Harold R. Chapel

A. C. Allen

Ralf A. Crookston

Buel Quirk, of M. A. Manley & Co., and Russell H. Goodrich, of Investment Securities Company, Jackson.

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Kaelin Heads Dept. for Baker, Weeks & Harden

William R. Kaelin has joined the firm of Baker, Weeks & Harden, 52 Wall Street, New York City, members of the New York Stock Exchange, as Manager of its Institutional Department. Mr. Kaelin came from the West Coast about 17 years ago, and entered Wall Street with Sutro Bros. Since 1930, he has been with the Bond Department of the Metropolitan Life Insurance Company.

Snyder Reports on Reconversion

War Mobilization Director Optimistic on Progress and Outlook, Despite His Statement That Unemployed May Reach 8,000,000. Says Immediate Goal Is to Speed Reconversion and Expand Production and Urges Congress to Immediately Enact President's Program on Such Matters as Full Employment, Transitional Tax Adjustments, Broadening and Raising Unemployment Compensation and Raising Minimum Wages.

In a lengthy report, entitled "Three Keys to Reconversion," John W. Snyder, Director of the Office of War Mobilization, released on Oct. 1, his views on the progress and problems of reconversion from a war to a peacetime economy. Expressing the view that "with the rapid demobilization of industry and the armed services, we are emerging into an economy of mobility, and it is no longer necessary to guide industry step by step," he announces that reconversion is being worked out with many favorable factors, such as the backlog of cash, bank deposits and Government bonds held by individuals, amounting in all to more than $140 billions. After noting the steps taken to speed reconversion and expand civilian production, Mr. Snyder expressed the opinion that despite what is being done, unemployment may rise to about 8,000,000, but will later decline in view of the goal of expanding industrial output to from 40% to 50% above the pre-war level.


John W. Snyder

Apparently oblivious of the epidemic of strikes now menacing the nation and retarding reconversion, the Reconversion Director passed by, without detailed discussion, such important problems as business interruptions from strikes, the Administration's wage policies and the continuation of price controls. He, however, called for "prompt and peaceful settlements" of labor controversies and recommended that Congress adopt the President's proposal for an increase in the legal minimum wage. He mentions as steps taken by the Government in assisting business to expand production: (1) the retention and lengthening, where necessary of controls over scarce raw materials; (2) the breaking of bottlenecks by priorities; and (3) the stabilization of wages, prices and costs, but a clear program for the future along these lines was not given.

Mr. Snyder expressed the belief that the businesses of the country are better off financially than ever before, and that with the help of tax adjustments, the aid of the Reconstruction Finance Corporation and other agencies, individual firms requiring financing will be fully served.

"Broadly speaking, our strategy is one of increasing peacetime production as fast as possible," he said. "In our country, peacetime production is in the hands of the farmers, the businessmen and the workers. Government is taking action and adopting national policies that will help them get the job done.

"For that part of the economy which does not lack markets but needs manpower, materials and additional plant capacity, Government policies are aimed at helping business to get all three.

"For that part of the economy which cannot employ more workers because transitional unemployment or reduction in total wage payments prevents full development of markets, Government policies are aimed at supporting income and markets."

In his report, Mr. Snyder covered all the special problems of reconversion, such as the clearance of Government-owned plants, the cancellation of contracts, the disposal of surpluses, housing and construction, food and agriculture, transportation, veterans' rights, overseas problems and even the release of scientific information. He concludes that the real test of conversion will be "jobs," i.e., "how rapidly the economy can absorb released war workers and returning veterans." He urged the enactment of the pending measures for full employment, transitional tax adjustments, broadening and raising unemployment compensation and the minimum wage rate.

More Insurance Protection Needed

Holgar J. Johnson Says That Because of Higher Living Costs, Increased Amounts of Life Insurance is Essential for Family Protection.

Financial standards of family protection, and particularly the amount of life insurance carried, must be reappraised for their adequacy in view of the upward change in the price level during the war, is the view expressed by Holgar J. Johnson, president of the Institute of Life Insurance.


Holgar J. Johnson

Mr. Johnson spoke before the Hartford Life Underwriters Association at the Bond Hotel on Sept. 28 at the first of a series of meetings planned by the local group on the general subject of the life insurance business and its relationship to the national economy. Joseph McCance, president of the association, presided.

Prices in general have risen about a third during the war, as measured by Government figures Mr. Johnson stated, and are unlikely to go back to pre-war levels in the foreseeable future. Latest figures, he pointed out, show that the average American family has $4,500 in life insurance protection. Such an amount, he added, was inadequate for the average family at pre-war prices, and its inadequacy is accentuated by the rise in the price level.

Discussing the wartime increase in the cost of living, Mr. Johnson emphasized that the increase in this war was little more than half that of the price rise in World War I itself, not counting the runup after the Armistice. This showing, he continued, is testimony to the effectiveness of the nation's efforts to control the inflationary forces loosed by a war of such scope and magnitude, and is a particular tribute to the thrift displayed by the American people and their cooperation with necessary Government controls. The cooperative campaign of the Life Insurance Companies in America, he added, made an important contribution to the results by helping to educate the public into the inflation danger and what the individual could do to combat it.

Discussing prices and factors that influence them, Mr. Johnson pointed out that historically the long-term price trend has been upward as far back as records are available, whatever the intermediate fluctuations caused by booms and depressions, and that this trend has always been accentuated by wars and their aftermath. Furthermore, he stated, the "full employment" philosophy, with its implications regarding mass incomes and general purchasing power, in itself suggests permanently higher business and production costs all along the line.

Mr. Johnson in his address likewise emphasized the importance of a true understanding of public relations to American business in connection with its ability to gain and to hold public goodwill.

It is essential, he said, for any business or group of businesses to establish proper policies and effective means of telling their story to the American people. It is just as vital, he continued, for individuals associated with any business, whatever their job, to do their part in gaining the desired goodwill for their company in their own everyday contacts with the public. From this point of view, he declared, the average life insurance agent bears a major responsibility in connection with the efforts that the life insurance business as a whole is making to tell the American people the story of life insurance and the basic role it plays in the American economy.

Poor Prospects For Rehabilitation Loans

(Special Cable to "The Chronicle")

Members of Colmer House Committee, Having Completed Journey to European Capitals and the Far East, Expressed Doubts Regarding a Policy of Immediate U. S. Financial Aid to Europe.

LONDON, Oct. 2—Following a conscientious two month study of European economic and political conditions the House Postwar Committee is preparing to sail for home. From private talks by the "Chronicle's" representative with Committee members in London, it is gleaned that the Committee will recommend a firm foreign policy for the United States, one that will call a spade a spade. One Committee member said, "The world shouldn't look to the U.S. for everything. Reconstruction requires hard work on the part of Europeans, not merely reliance on American loans and gifts."


Wm. M. Colmer

Referring to the universal prevailing desire for American loans, Chairman William M. Colmer, Democrat of Mississippi, stated:

"Congress ratified the Bretton Woods Bank and expanded the Export-Import Bank as our contribution to the postwar reconstruction problems, and I feel Congress will be hesitant to make any further or additional loans until the Bretton Woods Plan is set up and has operated. Some of us, after traveling about Europe, Russia and the Near East, and after talking with the highest American and European government officials, including Stalin, feel that the United States should develop a backbone in its foreign policy."

Concerning Bretton Woods, Congressman Colmer's Committee, which is certain to have an important influence in Congress as a result of its itinerary encompassing such places as Stockholm, Berlin, Moscow, Teheran, Cairo, Athens, Rome and Paris, found European countries apathetic. Inquiries as to how certain potential large borrowers from the United States can repay, provided the Committee with little real assurance.

The Committee members are greatly impressed with the European economic chaos and the lack of individual freedoms in some places and are expected to warn Congress to be cautious in lending until the borrowers display more willingness to co-operate. Severe inflation already raging in many parts of the continent precludes normal economic and financial dealings with the United States. Several Committee members expressed doubts that the right answer to Europe's inflation mess is simply to pour in American goods; rather it is believed that Europe must buckle down to work. With inflation rampant, many Europeans, now flush with money, are refraining from working.

One Committee member quoted a GI in Paris as remarking, "Look at all these people sitting around cafes or kissing in the streets. Why don't they get to work instead of waiting for American gifts?" This Congressman observed: "We have offered them Bretton Woods for soup because they are hungry, yet they want to keep it for dessert. We should tell them: 'No soup no soap.' Meanwhile we should proceed very cautiously in lending. Curiously, some Sterling Area countries are now delaying in ratifying Bretton Woods for precisely the reasons American opponents cited previous to the Congressional enactment, namely, that it is still premature to freeze their relationships with British Sterling. From the U. S. standpoint Bretton Woods doesn't do more than facilitate ending of 'bilateralism,' but if we are to lend another $20 billions to boot, it will be too high a price to pay for that end."

Representative Colmer's Committee here includes Representatives Zimmerman, Wolverton, Hope, Wolcott, Lefevre and Simpson, aided by Marion Folson and Professor William Y. Elliott, who together have amassed a volume of memoranda and reports for subsequent analysis.

The views of the Congressmen reported above suggest that the recommendations of large scale American loans and investments abroad contained in the Interim Report the Colmer Committee sent to Congress last summer will have to be reviewed. Those views were in close keeping with recommendations of Wayne Chatfield Taylor when he was Under Secretary of Commerce, views which this writer critically analyzed in the "Chronicle" last December.

This writer's inquiries here disclose that the British are withholding the Bretton Woods ratification pending assurance of large American financial assistance. If that is not forthcoming, Britain will eventually ratify anyway, "provisionally," which apparently means with the conviction that the program won't long endure. Sweden's Finance Undersecretary Dag Hammarskiold is now in London negotiating regarding the Anglo-Swedish Monetary Agreement of last March. Since that time, the British have failed to deliver to Sweden the promised goods, whereas Swedish sterling balances have been mounting. The expectation is that Britain will have to effect coal deliveries to Sweden somehow, perhaps out of the German production directly or indirectly.

Calls for Government Economy

Henry H. Heimann, Executive Manager of National Association of Credit Men, Points Out That Lower Taxes Will Bring Larger Real Purchasing Power to Workers. Decries Attacks on the Capitalistic System and Says That Many European Countries Can Finance Their Own Reconstruction. Says Sound Credit Rules First Need of Business Prosperity.

The cost of Government has a very direct bearing on the purchasing power of the individual as it increases or decreases the take home pay, declares Henry H. Heimann, Executive Manager of the National Association of Credit Men, in his Monthly Business Review. Great emphasis should be placed upon the economy of Government, especially now that the nation is turning from war to peace, as the cost of Government under the most favorable circumstances will be high, but the lower it is the larger will be the real purchasing power of the majority of our workers, he declared.


Henry H. Heimann

Further discussing the cost of Government, the executive head of the National Credit Men's organization pointed out that many members of Congress are now turning their serious attention to every means of reducing the cost of Government. "The people of the nation and the administration would do well to lean upon these representatives for guidance in the matter of Government expenditures in the years ahead," Mr. Heimann said. "These men are skilled in this field and while in recent years, men showing particular aptitude and skill for a given line of work, have seldom been placed in Government positions where they could utilize that knowledge and training, the time has now come for a change. We need the best possible men at the head of Government activi-

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Taylor Ferguson With Fahnestock in Chicago

CHICAGO, ILL.—Major Taylor D. Ferguson, for the past three years with the Army Air Forces, has become associated with Fahnestock & Co., 135 South La Salle Street, brokers in stocks, bonds and commodities. Mr. Ferguson was formerly with Halsey, Stuart & Co., Inc., for over 15 years.

Chicago Exchange New Trading Hours Announced

CHICAGO, ILL. — Effective Monday, Oct. 1, 1945, and until further notice, the trading hours on the Chicago Stock Exchange will be from 10 a.m. until 3 p.m., except on Saturdays, when the hours will be from 10 a.m. until 12 noon.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL. — **Donald W. Messenger** has become associated with **William H. Flentye & Co., Inc.**, Graham Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**John J. Gallery, Jr.**, has rejoined the staff of **Glore, Forgan & Co.**, 135 South La Salle Street. Mr. Gallery has recently been serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Winston N. Parker, Jr.** and **Hovey E. Slayton** are with **Slayton & Co., Inc.**, 111 North Fourth Street, St. Louis, Mo.

Kelly With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Edward J. Kelly has become associated with Bache & Company, 135 South La Salle Street. Mr. Kelly, a member of the Chicago Board of Trade, was formerly connected with Merrill Lynch, Pierce, Fenner & Beane.

Pennsylvania Municipals

Two Pennsylvania Governmental bodies, the City of Philadelphia and Allegheny County, contributed importantly to the rather large volume of new municipal financing negotiated in the past week or so, and the extent of interest evidenced in the respective offerings was noteworthy.

The largest transaction was undertaken by the City of Philadelphia, which appeared in the market with an offering of $4,950,000 bonds. Of this total, only $2,500,000 proved a factor in market operations, the remaining $2,450,000 having been taken by the City Sinking Fund Commission.

A syndicate headed by the Chase National Bank and including such equally known national institutions as the Bankers Trust Co. and the Chemical Bank & Trust Co., acquired the block of $2,500,000 bonds, paying a price of 100.339 for 2s. The bonds mature Oct. 1, 1995 and are optionally redeemable, at the city's election, at par and accrued interest beginning Oct. 1, 1965.

The Chase National Bank and Associates reoffered the bonds on a yield basis of 1.88% to the first callable date, the return to the investor naturally being considerably greater than would have been available prior to V-J Day.

Aside from purchasing the remaining $2,450,000 bonds of similar maturity on its lone bid of 100.163 for 2s, the City Sinking Fund Commission also furnished strongest competition for the bonds awarded to the Chase Bank group. In this instance, the Fund made an offer of 100.20 for 2s, which failed to measure up to the terms of 100.339 for 2s on which the bonds were sold.

Almost coincident with the bond award was the address made by Mayor Bernard Samuel before a luncheon meeting of the Philadelphia Bond Club, in which he declared that the municipality's financial condition "is as good as that of any city in the country."

Supporting the Mayor's statement was the earlier report by the City Tax Receiver which showed that city revenues from all sources during the first eight months of 1945 represented a gain of $2,104,510 over the corresponding period in 1944. The comparative totals for the two periods were $94,779,598 and $92,675,088, respectively.

The city, incidentally, will reduce its funded debt to the extent of approximately $12,000,000 during 1945.

* * *

The Allegheny County offering of $1,500,000 bonds attracted bids from eight syndicates, with the award going to an account formed by Harriman Ripley & Co., Inc. This group, which consisted exclusively of Philadelphia and Pittsburgh houses, purchased the bonds as 1⅜s, at a price of 100.641. The

(Continued on page 1581)

Pennsylvania Brevities

Warner Company Recapitalization

Warner Company's registration of 137,592 shares of additional common stock became effective last Tuesday. Under the terms of the plan, holders of Warner Company first preferred stock have until noon, Oct. 8, to elect to accept six shares of common for each share of preferred. Common stock not taken up by the exchange has been underwritten by a group headed by Hemphill, Noyes & Co. and will be offered to the public at an initial price of $14 per share. The proceeds will be used to call for redemption on Nov. 15, the remaining outstanding shares of Warner Company first preferred at a price equivalent to its par value plus accumulated unpaid dividends (about $84 per share).

Wawaset Securities Co., owner of the entire issue of Warner Company second preferred, has voted to accept 160,500 shares Warner Company common in exchange therefor. These shares are not subject to registration.

Upon consummation of the plan, Warner Company capitalization will consist of $3,901,000 first 4s, 1959, and 474,284 shares of common stock, par $1.00. This compares with a long term debt of over $10,000,000 and preferred stocks aggregating $8,862,300 of par value in 1929.

Warner Company produces and distributes sand, gravel, central-mix concrete, limestone and limestone products. Building projects in the Philadelphia area are estimated to reach approximately $500,000,000 over a period of the next five years.

Pittsburgh Railways

Another forward step in the long and arduous task of unraveling the Pittsburgh traction tangle was achieved last week at a conference between Edward Hopkinson, Jr., Drexel & Co., Philadelphia, who represents holders of some of the system's securities, and Philip A. Fleger, executive vice president of Philadelphia Company, traction company parent. Details of the conference were not disclosed other than to indicate that "progress was made." It is anticipated that as a result of a series of such meetings it may be possible to outline the terms upon which the present receivership may be lifted and to submit an offer to purchase all outstanding securities held by the public.

Two favorable factors are of steadily increasing importance: cash in the hands of the Trustees will probably exceed $20,000,000 by the end of the year and no serious curtailment in the demand for service is anticipated by the management.

Pittsburghers will soon get their first glimpse of a "super-streamline" car, the only one of its kind in the world. The Company has accepted delivery of this exhibition car in lieu of one of its last order for 100 streamliners now in process of delivery. The new car, which has been redesigned from the wheels up, is the product of the Transit Research Corporation working in co-operation with the Advisory Committee of the American Transit Association. Some of the innovations are: windows of Lustrecool glass which absorb 60% of the sun's heat rays; concealed overhead

(Continued on page 1581)

Connecticut Lt. & Pr. New Bonds Offered

An investment banking group headed by Putnam & Co. of Hartford and Charles W. Scranton & Co. of New Haven on Oct. 2 offered to the public a new issue of $15,000,000 Connecticut Light and Power Co. first and refunding mortgage 3% bonds, Series K, due in 1980. The bonds were priced at 106¾ and accrued interest to yield 2.70% to maturity.

Net proceeds from the sale of these bonds will be applied toward the cost of redeeming on Dec. 1, 1945, at 107, $15,000,000 of first and refunding mortgage 3¼% bonds, Series H, due Dec. 1, 1968.

The new Series K bonds will be redeemable on 30 days' notice at 109¾ on or before Sept. 30, 1947, and at premiums on a scale descending to ¼ of 1% after March 31, 1980.

On completion of this refunding the company will have a funded debt consisting of $10,000,000 of 3% bonds, Series I, due in 1974; $16,000,000 of 3s, Series J, due in 1978, and the new issue of $15,000,000 of 3s, Series K; also $134,000 Northern Connecticut Light and Power first mortgage 5% bonds, due in 1946.

F. L. Jacobs Preferred Stock Offered Publicly

Offering of a new issue of 60,000 shares of 5% cumulative convertible preferred stock, $50 par value, of F. L. Jacobs Co., was made Oct. 2 by a banking group headed by H. M. Byllesby and Co., Inc., and E. W. Clucas & Co. The initial public offering price of the preferred stock is $50 per share, plus accrued dividends.

Other members of the group of underwriters include Van Alstyne, Noel & Co.; Francis I. duPont & Co.; Bateman, Eichler & Co.; Maxwell, Marshall & Co.; Nelson Douglass & Co., and Peltason, Tennenbaum Co.

Clark Dodge Correspondent For W. H. Newbold's Son

W. H. Newbold's Son & Co., 1517 Locust Street, Philadelphia, members of the New York and Philadelphia Stock Exchanges, announce that Clark, Dodge & Co., 61 Wall Street, also Exchange members, are now their correspondent in New York City.

Woolford Rejoins Pressprich As Phila. Representative

PHILADELPHIA, PA.—Lieut.-Commander John R. Woolford, USNR, formerly manager of the Philadelphia office of R. W. Pressprich & Co., has returned from active duty and is now back with the firm as its representative in the Philadelphia area.

Pennsylvania Brevities

(Continued from page 1580)

ventilating fans which take fresh air from a cowl on the roof; thermostatically controlled heating equipment providing even heat throughout the car; seat-coverings of Velon, a new woven plastic material, which is cool and waterproof; floors of rubber composition; an upper tier of windows for "standees"; a windshield slanted at 30 degrees to eliminate reflections; dash lights on front of car.

Less apparent but equally important are the many mechanical changes. The new car is all-electric and uses no compressed air. It is designed for speedier, smoother and more efficient operation.

Stockholders of Pennsylvania-Central Airlines Corp. have voted to increase the authorized common stock from 575,000 to 1,000,000 shares. For the most part, the new shares will be held in reserve against the conversion rights of $10,000,000 convertible income debentures soon to be issued by the company.

Luzerne County Gas & Electric Corp. has announced the call of all outstanding shares of its 5¼% preferred stock on Nov. 1, at 110 and accrued dividends. Stockholders were previously given the option of exchanging into a 4¼% preferred. Prepayment is available at the Pennsylvania Co. for Insurances on Lives and Granting Annuities, Philadelphia.

The entire issue of Reading Company Jersey Central 4s, 1951, has been called for payment as of April 1, 1946, at 105. Simultaneously the company has offered to purchase bonds at 107 flat on or before Dec. 28, 1945.

Commercial Credit Co. Pfd. Offered Publicly

An investment banking group headed by Kidder, Peabody & Co. and The First Boston Corp. on Oct. 2 publicly offered 250,000 shares of Commercial Credit Co. 3.60% cumulative convertible preferred stock, par $100, at $106 per share. The offering is subject in part to prior exchange rights granted by Commercial Credit to holders of the outstanding 121,938 shares of 4¼% cumulative convertible preferred stock. The exchange basis is share for share plus an amount in cash which represents the difference in accrued dividends per share on the old and new preferred stock to Oct. 31, 1945. Exchange rights will terminate at the close of business on Oct. 9, 1945.

Proceeds from the sale of new preferred will be used to retire any unexchanged 4¼% preferred and to increase working capital.

Adam Hat Stores, Inc. Common Stock Offered

A banking group headed by Van Alstyne, Noel & Co. on Oct. 1 offered 100,000 shares of common stock of Adam Hat Stores, Inc. The stock is priced to the public at $8.50 per share. The company was incorporated in 1924 in New York and operates a chain of 98 retail stores in 25 States and the District of Columbia, selling men's hats and haberdashery.

This offering of common stock is made on behalf of Elias Lustig and Harold E. Lustig, officers and directors of the company.

Henry Casho at Rambo Keen, Close & Kerner

PHILADELPHIA, PA.—Henry Casho has become associated with Rambo, Keen, Close & Kerner, Inc., 1518 Locust Street, as analyst in the Statistical Department. Mr. Casho was formerly with Kolb, Carroll & Co., Lester Harding, Inc., and Yarnall, Stetser, Malone & Co.

O'Neil Trading Mgr. For Morgan & Co.

LOS ANGELES, CALIF.—As of Oct. 1st, Donald O'Neil will become actively associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, as Manager of the Trading Department. Formerly Mr. O'Neil was associated with Ehni, O'Neil & Wood, Inc., and M. H. Lewis & Company. He is very well known in Los Angeles investment circles.

Moore-McCormack Lines Common Stock Marketed

An investment banking group headed by Kuhn, Loeb & Co. offered publicly Oct. 2, 100,000 shares of common stock of Moore-McCormack Lines, Inc., at $18 per share. These shares have been purchased from Emmet J. McCormack and his wife. Mr. McCormack is one of the principal founders and Vice-President and Treasurer of the company. He will continue as beneficial owner of 13.5% of the company's outstanding common shares, as well as an owner of approximately 15,000 shares of the company's $2.50 cumulative preferred stock.

Stork Arrives

As officially reported in an earlier issue, the stork paid September visits to the homes of A. L. Hutchinson, Buckley Brothers, and Benjamin A. Brooks, W. H. Bell & Co. Both boys.

Pennsylvania Municipals

(Continued from page 1580)

bonds were re-offered to investors at prices to yield from 0.50% to 1.35%, the maturity range being from 1946 to 1965 inclusive.

The next four high bids entered for the county issue also specified a coupon rate of 1⅜%, the second best offer naming a price of 100.539.

* * *

With the Philadelphia and Allegheny County sales out of the picture, present indications suggest that the Pennsylvania new issue field will be extremely dull over the next month or so, at the least. The present calendar of pending awards, for example, discloses that only three of the State's political subdivisions are scheduled to enter the market.

The first of these will take place on Oct. 9, when East Stroudsburg will open bids on an issue of $30,000 pipe line construction bonds, maturing from 1946 to 1950 inclusive. On the following day, however, the City of Chester will consider offers for the purchase of $500,000 improvement bonds, running from 1946 to 1958 inclusive. This will be followed by the Oct. 16 sale of $115,000 East Bloomsburg School District refunding and improvement bonds, to mature serially from 1947 to 1958 inclusive.

Of course, the current dearth of new issue offerings may not be of long duration. It is, moreover, a condition that was somewhat characteristic of the entire municipal bond market during recent months.

The fact of the matter is that Pennsylvania municipal bodies, like their counterparts in other States, have a sizeable backlog of new projects and municipal plant improvements, a considerable part of which will probably require the issuance of new bond issues.

And, of equal importance, is the admitted ability of prospective borrowers to accomplish the necessary credit operations without occasioning any undue strain on existing debt structures.

In this connection, mention may be made of the results of an official survey, which revealed that about 500 of the approximately 1,000 incorporated municipalities in Pennsylvania will ultimately be obliged to undertake construction of sewage disposal plants. Naturally, not all of them will be obliged to negotiate loans in order to provide the necessary funds.

However, it is likely that a considerable number will be market candidates and, in this regard, figures compiled by the Pennsylvania Department of Internal Affairs are extremely interesting as a barometer of the favorable debt borrowing capacity of the State's local bodies as a whole.

According to this source, not one of the 183 cities, boroughs and townships included in the survey has completely exhausted its borrowing capacity. Actually, it was shown that present net debt is relatively low in comparison with total debt limits, with the aggregate amount of remaining borrowing leeway available to the 183 units being $69,983,389.

A breakdown of the grand total disclosed that the remaining borrowing capacity of the 20 third-class cities in the group was $38,190,484; of 10 first-class townships, $5,803,058; of 11 second-class townships, $1,407,454; and for 142 boroughs the figure was $24,582,393.

* * *

Possibility of additional financing by the Pennsylvania Turnpike Commission is seen in recent remarks by Governor Edward Martin relative to proposed extension of the super-highway from Carlisle to Philadelphia. Discussing the project, western terminus of which is near Pittsburgh, the Governor flatly rejected suggestions of a Federal or State subsidy to finance the project. The extension, he said, could be provided for by the sale of a further issue of revenue bonds.

Although the Governor said that he had received an estimate from the Turnpike Commission of the cost involved, he did not divulge its nature.

* * *

Business activity in Pennsylvania during 1946 will show a marked expansion over the prewar year of 1939, with employment expected to show an increase of 20% over the latter year. The total of wages and salaries, according to the results of a survey just made public by William S. Livengood, Jr., Secretary of the State's Department of Internal Affairs, will be up 88% from the comparable aggregate in the earlier period.

Canadian Securities

By BRUCE WILLIAMS

Confidence in hard money is an ineradicable human instinct. Gold throughout the ages has never lost its universal appeal. Silver however has suffered many vagaries of fortunes, through lack of international agreement to keep the mints of the world open to silver as well as gold at a fixed ratio.

With this country holding over 70% of the world's stock of gold, the rest of the world has a totally inadequate metallic cover on which is based a rapidly mounting flood of paper currency. The world's stock of silver is roughly five times that of gold and the current production of silver is about seven times that of gold. Such an addition to the metallic backing of currencies would prove a great stabilizing factor in addition to providing a tremendous stimulus to foreign trade.

Among the teeming masses of Asia silver plays the role of gold. Should international bimetallism figure as a part of a world currency plan it would give a formidable boost to the purchasing power of the Orient and would open up in revolutionary fashion the potentially great markets of the East. Domestic propaganda in this direction has certainly not been lacking in certain quarters and it is somewhat strange therefore that stronger action has not been taken before to make the Silver question an international issue.

Now, however, the necessity of establishing new and wider outlets for the exports of this country is no doubt partly responsible for the recent raising of the price paid for foreign silver. It will not be surprising if this step is followed by a bold proposal to raise the status of the white metal by bringing the issue of bimetallism within the scope of the Bretton Woods currency scheme.

Besides Latin America and Asia, Canada would also benefit to a considerable degree from such a move. Hitherto the Dominion's silver supply has been derived mostly as a by-product in the production of gold, nickel, copper, and lead. In a general way, mines producing silver alone have not been profitable.

Now that price prospects are favorable old workings will be re-developed and many known deposits throughout the Dominion will be brought into production. The Cobalt area of Northern Ontario will take on a new lease of life as well as the Silver Mountain district in Western Ontario. Highly promising discoveries in northern British Columbia and in the vicinity of the Great Bear Lake in the North West Territories will be fully developed. Prospecting for silver previously neglected will be energetically pursued. And, with a greater reward in view, the great mining companies of Canada will penetrate still further into the mineral-rich wilderness of the Laurentian Shield.

Turning to the market for the past week, the concentration of interest in the Alberta situation caused dullness in most other sections, although prices in the external list were well maintained and the undertone remained firm. The announcement of the filing with the SEC of the registration of the $26,093,000 Alberta debentures maturing serially from 1951 to 1960 and bearing interest ranging from 2¾% to 3¼%, was especially interesting in view of the broadening of the usual underwriting group. The inclusion of Halsey, Stuart & Co., and Otis & Co., is a constructive step that can contribute to a wider diffusion of interest in Canadian Securities in this country. Internals were again dull and free funds were motionless around 10%.

With regard to future prospects market attention will be monopolized for the time being by the Alberta refunding operation and little general activity can be expected. Replacement demand, however, in high grade externals should eventually become an important factor, the impact of which should largely fall on the long term Nationals.

Wall Street Riders Elect New Officers

At the annual meeting of the Wall Street Riding Club held Sept. 27, 1945, Miss Frances M. Weller of Harry Downs & Co., was elected President for a fourth term. Miss Eugenie Dittmann, of Delafield & Delafield, was elected Vice-President and Treasurer and Miss Loraine B. Ross of F. Eberstadt & Co. was re-elected Secretary.

Directors presently serving on the board are: Marie R. Cambridge, Anne R. Campton, Eugenie Dittmann, Helen M. Doyle, E. Gordon Goff, Ed. Caffrey, Mabel Sleght, Emily Richards, Loraine B. Ross, Louise Franco, Chris Isengard and Frances M. Weller.

A benefit horse show is again planned in April, and as in the past will be for some worthwhile benefit. The last show was for the benefit of The Tribune Fresh Air Fund which received a sizeable donation.

The club plans an active season and will celebrate the opening of its tenth season with a reunion and get-together on Friday, October 5th, at its ride headquarters, 32 West 67th Street.

Seymour Fabricant Joins Staff of Wm. E. Pollock

Seymour Fabricant, recently discharged from the U. S. Army Air Force, has become associated with Wm. E. Pollock & Co., 20 Pine Street, New York City. Prior to his army service, Mr. Fabricant was with Lehman Brothers.

Fitzpatrick Resumes as Phelps, Fenn Partner

Lieut. Daniel E. Fitzpatrick, USNR, has been released from active duty and has resumed his position as a general partner of Phelps, Fenn & Co., 39 Broadway, New York City.

Dreyfus Co. to Be Formed

Jack J. Dreyfus, Jr., will acquire the New York Stock Exchange membership of Nathaniel S. Howe, and will form, as of Oct. 11th, the Exchange firm of Dreyfus & Co. in partnership with John Behrens, and Gladys Ohrbach, who will be a limited partner.

Osterman & Hutner to Form

Lester Osterman, Jr., and Herbert L. Hutner will form the New York Stock Exchange firm of Osterman & Hutner with offices at 120 Broadway, New York City, as of Oct. 11th. Mr. Osterman will be the Exchange member, acquiring the membership of William R. Potts.

OUR REPORTER'S REPORT

In the words of one market observer "anytime you happen to mention Oct. 2, 1945, you can say that it was a real successful occasion in the new issue market." He was commenting on the outcome of several corporate offerings brought out on Tuesday all of which met a hearty reception including one of the year's largest secondary undertakings on which books were opened late in the day.

Investors had rather a wide assortment of descriptions to choose from but still it seemed that the demand was greater than the supply, since several of the issues involved moved to premiums in over-counter dealings as the day progressed.

Commercial Credit Co.'s large offering of new 3.6% cumulative convertible preferred stock, priced at $105, was quickly oversubscribed, and the same was true in the case of the offering of 60,000 shares of 5% cumulative preferred stock of F. L. Jacobs & Co.

Meanwhile an offering of $15,000,000 of first and refunding 3% bonds Series K of Connecticut Light & Power Co., were absorbed quickly, and bankers handling the secondary involving 100,000 shares of Moore-McCormack Lines Inc., found that stock in brisk demand.

Another large stock secondary, involving 201,500 shares of Consolidated Edison Co. of New York common, being sold for Niagara Hudson Power Corp., one of the biggest such operations of the year, moved quickly to new owners after the closing, rounding out a highly satisfactory day for the underwriting industry.

Pennsylvania Power & Light

While the distributing forces of investment banking firms were busy with deals already on the market, a number of the houses were engaged, as members of two big groups, in competing for Pennsylvania Power & Light Co.'s huge offering of $93,000,000 of new first mortgage bonds.

The company received two bids the highest being 100.6559, and the competing tender 100.-45, both groups specifying a 3% interest rate. The successful group proceeded with plans for reoffering, probably today, at a price of 101⅜ to the public.

Preliminary inquiry indicated that this undertaking would be completed quickly, clearing the way for the sale by the same company, in competition, of $27,000,000 of debentures on Tuesday next week.

Pacific Gas & Electric

With Pacific Gas & Electric Co., planning a refinancing of $49,000,000 through the medium of new 3% bonds to replace 3½s now outstanding, and seeking to do it on a negotiated basis, the SEC commented on the recent sale of 700,000 shares of its common stock by North American Co.

Pacific Gas has asked the California Railroad Commission to recognize that by reason of the aforementioned sale, it is no longer a North American subsidiary, and that therefore the State Commission's jurisdiction supersedes that of the SEC.

SEC meantime released legal fees involved in the stock sale, but expressed its dissatisfaction with the contention that competition was limited by the size of that undertaking and contends that by reason of its size and the marketability of the stock more groups could have been formed.

Big Issue Up For Bids

Reports current in market circles indicate that Cincinnati Gas & Electric Co. probably will ask for bids on a large new bond issue, $45,000,000, before the close of the week.

It is expected that the operation also will provide that bidders seek any unexchanged portion of a new issue of 270,000 shares of preferred not taken by holders of the present senior stock.

Bidders, whose tenders probably will be opened on Oct. 16 next, will be asked to fix the interest rate on the bonds and the dividend rate on the stock, with the provision that the dividend rate on the new preferred be not in excess of 4½%.

Canadian Issue on Way

The Province of Alberta, Canada, has registered with the Securities and Exchange Commission to sell $26,093,000 of debentures, carrying interest rates to maturity ranging from 2¾% for 1951 to 3¼% for 1960.

The issue would be underwritten by a group of New York banking firms and the proceeds used in connection with debt reorganization program of the Province.

Cleveland Bond Club To Hold Fall Dinner

CLEVELAND, OHIO — The Bond Club of Cleveland will hold its fall dinner at the Country Club on Friday, Oct. 5th. Prizes, dinner, and golf are on the program.

Golf teams have been invited from Pittsburgh, Cincinnati, and Toledo, and will be classified as A and B handicap men. A similar team will be selected from the Cleveland Club and they will all compete on the basis of low net scores.

W. E. Hutton & Co. Will Admit Anglim as Partner

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading Exchanges, will admit John J. Anglim to partnership in the firm on Oct. 11th. Mr. Anglim, who will acquire the Exchange membership of Levin R. Marshall, was a partner in W. E. Hutton & Co. in the past.

London Peace Treaty Parley Collapses

Five Power Conference of Foreign Ministers Fails to Reach Accord on Matters Relating to Peace Treaties. Russia Balks at Settling Balkan Problems by All Five Powers. No Official Communique Issued, but Byrnes Makes a Statement.

After three weeks of almost continuous conferences, the Council of Foreign Ministers of the Big Five Powers, which has been meeting in London adjourned on October 2nd, without coming to any important agreement regarding the peace treaties which are to be drawn up for the canquered nations of Europe. Even the few points of accord which were decided upon are not considered binding and no real commitment has been made by the Governments concerned. Nor has any definite procedure been outlined as to the resumption of negotiations or the settlement of future differences. Even an official communique as to accomplishments or lack of accomplishments of the conference could not be agreed upon, and none was issued.

James F. Byrnes

The stumbling block appears to have been the attitude of Russia regarding the participation of all five powers in the drafting of peace treaties with the Balkan Axis nations. Mr. Molotov, the Russian representative, maintained that according to the protocol of the Potsdam Conference, under which the Council of Foreign Ministers was created, neither France nor China should participate in the drafting of the Balkan treaties. Secretary of State, James F. Byrnes, supported by Foreign Secretary of Great Britain, Ernest Bevin, took the opposite view and an impasse developed. The way out of the difficulty is not yet clear and it is not known yet whether the question will be taken up directly by the heads of the three Great Powers at a future meeting, or whether it will be referred to the Security Council of the United Nations Organization.

Secretary Byrnes' Statement

Secretary Byrnes, at the termination of the Conference, released the following statement in which he set forth the position taken by him in the chief matter of controversy:

The Council of Foreign Ministers at its initial series of meetings dealt with many matters in accordance with a directive from the Berlin Conference to continue the preparatory work for a peace settlement with a view to submitting their conclusions to the United Nations.

The present meeting is the first meeting of the principal Allies to be held since the fighting has stopped, and there emerged differences of views which had not appeared so long as the first imperative was to preserve fighting unity.

There was a considerable area of agreement. The differences which developed were explored in a spirit of conciliation and there is good reason to believe that with continued patience and understanding on all sides, an agreement on essentials can be attained. We are determined upon that outcome.

Toward the conclusion of the present series of meetings, procedural difficulties arose.

The Soviet delegation came to feel that treaty discussions should be confined in each case to the signatories of the surrender terms as contemplated by the first and narrow provision of Article II, Section 3, Sub-section 2 of the agreement, rather than under the other and broader provisions of the Berlin Agreement.

The Soviet delegation on Sept. 22 took the position that the Council should rescind or withdraw its Sept. 11 decision whereby France and China were invited to participate in all discussions. This would have meant the elimination of China from the pending discussion of the European peace treaties and the similar elimination of France, except in the case of the treaty with Italy.

The Secretary of State of the United States took the position that he would be reluctant to see such a narrowing of participation in the pending work on the European peace treaties and the elimination therefrom of permanent members of the United Nations Security Council.

He would, however, accept any preliminary treaty-making procedure which was consistent with the Berlin Agreement, provided that the Council agreed, as authorized by Article II, Section 4, Sub-section 2 of the Berlin Agreement, to call a peace conference of the principally interested states.

Such a conference should include the permanent members of the Security Council, the European members of the United Nations, and the non-European members which supplied substantial military contingents against the European members of the Axis. The Council would review the preliminary treaty work of the Council.

The Soviet delegation took the position that without personal consultation with their Government they could not make any commitment with reference to such a future peace conference.

In the circumstances, the work of the Council has been held in abeyance.

If, as we confidently hope, an agreement regarding future procedure is obtained, the drafting work of the deputies can then go forward on the basis of directives already given the deputies by the Council.

Scribner in Warner Trading Department

Willis Scribner has joined the trading department of J. Arthur Warner & Co., 120 Broadway, New York City, in charge of their New York-Hartford wire.

Walter Weil Jr. Resumes As Active Partner

NEW ORLEANS, LA.—Weil & Company, Richards Building Arcade, announce that Walter H. Weil, Jr., has been released from active duty in the United States Army and has resumed his activity as a partner in the firm.

Wage Rises and the Investor

Increased Labor Costs May Cause Temporary Impairments of Profit Margins. Proportions of Wages to Sales and Net Income Compared by Industries.

How is the investor going to be affected by the evidenced growth of labor union strength, the increases in wage rates, and the greater long-term rigidity in labor costs?

In the history of wage-price relationships increases in wage costs have been offset by increased productive efficiency, with little change in profit margins. Over the long-term future it is possible that this will be repeated. Over the short-term, however, there may be serious impairments of profit margins, with varying effects on particular companies and industries. This, of course, will importantly depend on the extent to which selling prices are kept from rising—as a result of OPA control, competition, and other factors.

At the one extreme of a low proportion of wages to volume and to net income are the oil companies and utilities (where the selling price is closely controlled), while in steel, building, and railroading the wage factor is very high.

Following is a table of leading industries, arranged in order of their percentage of salaries and wages to net sales, and showing their net income after taxes as a percentage of wages. The data are contained in the annual 1944 statements of representative companies, and the table is based on a compilation thereof made by Standard and Poor's Corporation. In evaluating them the change-over from wartime products must in many cases be taken into account.

(In millions of dollars)

Industry	Sal. & Wages to Net sales %	Net inc. to sal. & Wages %
Brewing & Distilling	5.4	84.4
Baking & Milling	10.8	21.3
Meat packers	11.0	8.0
Food products	15.8	24.2
Dairy products	16.2	14.3
Utilities	16.6	96.5
Oil	16.7	51.5
Paper products	22.6	20.2
Printing & Publishing	28.8	26.6
Industrial machinery	28.9	9.2
Metal Fabricators	29.5	6.7
Agricultural Machinery	31.0	10.9
Chemicals	31.5	38.1
Automobiles	32.2	11.5
Aircraft	33.6	2.2
Household Furnishings	34.2	9.9
Coal	36.6	7.6
Building	37.6	12.1
Electrical products	37.7	9.2
Textiles	38.9	12.1
Photographic Supplies	39.7	19.1
Railroads	33.2	10.7
Tires and Rubber	42.8	8.3
Steel	45.4	5.4

Moulton Co. Announces Official Changes

LOS ANGELES, CALIF.—R. H. Moulton & Company, 510 South Spring Street, announce the resignation of V. E. Breeden as Vice-President and Manager and the appointment of Ferris S. Moulton as Vice-President and Elmer Booth as Manager of their San Francisco office at 405 Montgomery Street.

Correction

In the Financial Chronicle of September 27th it was reported that Glenn Murrie had become associated with Carter H. Harrison & Co. and would make his headquarters at the firm's office in Milwaukee. Mr. Murrie's headquarters will be at the Stoddard Hotel in La Crosse, Wisconsin, rather than in Milwaukee.

Railroad Securities

The Seaboard Air Line reorganization proceedings, about the longest in the industry, are finally drawing to a close. The final date for depositing bonds in assent of the plan has passed and it is now expected that the new securities should actually be outstanding by early 1946. The plan is being consummated through equity receivership rather than Section 77 of the Bankruptcy Act, and the provision allowing a change in the effective date has resulted in a situation unique among recent railroad reorganizations. The original effective date of Jan. 1, 1944 has been changed to Jan. 1, 1946. The new securities will therefore carry no accumulated income on account of previous years. Any cash to be distributed from earnings of the war boom years will presumably be paid on the old bonds before the date of actual consummation of the plan.

The lack of any accumulated income on the new securities detracts seriously from the appeal of the new junior securities. No dividends can be paid on the preferred stock out of earnings for any year unless the directors have determined that available net income for the year is more than sufficient to pay interest on the Income bonds, provide for the additions and betterment fund, and meet sinking fund requirements. Naturally no dividend can be paid on the common stock until the entire preferred dividend has been provided for. As earnings of the new company will not start until Jan. 1, 1946 it will obviously be late in 1946 before any dividend action could be contemplated. Direct participation by the new stockholders in the boom war earnings is thus obviated. The direct benefits will go to the old bond holders through any distribution of cash that may be made later this year. Presumably such a payment will contemplate distribution of as much of the cash as it is deemed advisable to dispose of on the basis of the company's current finances.

Due to industrial growth of the service area and the improvement in the road's competitive position by expenditure of large sums on the property during the long receivership, Seaboard's revenue trend prior to the war was superior to that of the industry as a whole or other roads in the same general territory. Nevertheless, the record indicates that it is not a potentially high earning property even under prosperous conditions ex-war. The year 1941 was a good one for railroads in general. On the basis of its 1941 results, applied to the new capitalization and with a Federal income tax of 33⅓%, Seaboard would show earnings of around $15.50 on the preferred shares and $1.86 a share on the new common. In this computation the entire additions and betterment fund has been considered as a deduction before income taxes. Actually it will be free from tax only to the extent that it is covered by depreciation of way and structures. If the additions and betterment fund should be greater than the depreciation charge the tax would be correspondingly increased and earnings lowered. These computations also do not make any allowance for increased expenses although wages and other costs are considerably higher today than they were in 1941. It is not indicated that operating benefits derived from property improvements made since 1941 would be sufficient to offset the intervening increase in operating costs. An uncompensated increase of as much as 10% only in wage costs would wipe out earnings on the common stock on the basis of 1941 operations and reduce the earnings on the preferred to less than half the annual dividend requirement. On such a basis it is difficult to justify speculative enthusiasm for the new stocks.

There are reasons for expecting a particularly sharp contraction in Seaboard's business and revenues over the intermediate term. For one thing almost 40% of the rise in gross from 1940 to 1944 was represented by passenger business. Resumption of highway competition and even greater intensification of air line competition at a time when the closing of military establishments is reducing the potential demand for transportation bodes ill for this revenue source over the next year.

Loss of passenger business is particularly harmful from the point of net inasmuch as there will not be corresponding reduction in service or expenses. To a great extent the loss of business will come from a reduction in the load factor and in revenue per train. Another adverse factor is the fact that the ICC recently authorized the War Shipping Administration to operate ships in coastal and intercoastal trade from Oct. 1 until the end of the year. While the authority is only temporary it appears idle to hope that once steamship competition returns it will not be here for good. All things considered it appears as a distinct possibility that by the time the directors are in a position to consider dividends, a year or more hence, the earnings status of the properties may have deteriorated materially.

New York Stock Exchange Weekly Firm Changes

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

Privilege of Louis A. Mollard to act as alternate for Daniel T. Pierce, Jr., of Hirsch & Co. was withdrawn Sept. 27th.

Privilege of W. Joseph Hackett to act as alternate for William Shippen Davis of Blair S. Williams & Co. was withdrawn on Oct. 1st.

John McShain retired from limited partnership in Rakestraw, Betz & Co. on Sept. 30th.

Interest of the late Helen D. Schafer, limited partner, in Somers & Schafer, ceased on Sept. 21st.

Members Solicited for Proposed Beach Club

Founders are being solicited for an exclusive ocean and bay club bordering on both the Atlantic Ocean and Great South Bay. The club, to be known as the Ocean-Bay Beach Club, offers a seaside recreation center with facilities for sports, amusements, games, nautical hotels, private cottages, yacht basin, airport, ferries, etc. For details see Beach Club advertisement on page 1577 of the "Chronicle."

Edwin G. Colwell Dies

Edwin G. Colwell, partner in the New York Stock Exchange firm of Goodbody & Co., 115 Broadway, New York City, died at his home of coronary thrombosis at the age of 64. Mr. Colwell had been associated with Babcock, Rushton & Co. since 1900 and was a member of that firm when it was absorbed by Goodbody & Co. in 1939.

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.

What America Needs Most

(Continued from page 1571)

makes sense. Our Government has been far more successful in winning a war than a peace. In face of these and other needs, a decision which of them was the most important reminded me of grammar school debates in a pre-automobile age on the stirring issues "which is the more useful, the cow or the horse?"

But perhaps I shall not go far wrong if I assume that behind these needs for various programs and organizations is the fundamental need for an attitude of the mind and heart if ever we are successfully to conquer war and poverty and live in a fellowship of free men. I cannot easily find one word to describe the attitude that our own salvation as a democracy and the hope of the world's peace so urgently require. But I can state its elements. It must be compounded of an honest willingness to face facts; a realization that good ends cannot be achieved by bad means; that words like "democracy" are not vague and pleasant sounding descriptions of something possessed by ourselves and our friends, but that they have real meaning. A South American dictator does not become a democrat by a bought allegiance to our side; and finally that the United States cannot lead the world to the cooperation that peace requires without a humble and contrite heart. The sole possession of the atomic bomb will not long be ours to make us godlike in power to destroy, and it can never make us godlike in power to shape the future. It is even less possible by sheer force to bully conquered people into sincere repentance than for the old-fashioned teacher to impose it on a school boy, rod in hand. Repentance, forgiveness, and reconciliation, which are the spiritual bases for peace and the formation of a true brotherhood of men, regardless of race or creed, or color, must be a mutual process.

I want to illustrate these principles in something beside generalities. I might do it by primary reference to our own internal social and economic problems, to our race discrimination, to the combination of stupidity and greed which give us so much and such bitter poverty in the midst of potential plenty. I shall illustrate it in terms of a war which in a military sense has been totally won and of a peace which may yet be totally lost.

Needed: A Spirit of Cooperation

In relation to the rest of the world, our country today, thanks to its technological and industrial development, including the possession of the atomic bomb, stands at a pinnacle of power which no nation has ever reached. It will not be long before the Soviet Union, the other member of the Big Two—and really there are only the Big Two, not the Big Three, much less the Big Five—will rival or even pass us in physical power. It has potentially in population, birth rate, natural resources and strategic position, even more elements of such power than we. But for the moment, as history counts time, we are at the top. So far the sufferings of two wars have singularly failed to teach the world the absolute necessity of a spirit of cooperation of peoples rather than rivalry for power between national states. Never was imperial rivalry between victors over a common enemy sharper or more nakedly evident than it is today. Witness every report of the unsuccessful conference of the Foreign Ministers in London, and the true stories of rivalries for oil and bases.

You say: "But haven't we established the United Nations?" Yes, and that conceivably may be better than nothing. Certain of its organs, notably the Social and Economic Council, have great potential value. Nevertheless, the San Francisco Charter rests on two contradictory principles, neither of them appropriate to peace. The Assembly rests upon the dangerous myth of an equality of amoral national sovereignty between nations wholly unequal in power, but that vital organ, the Security Council, realistically acknowledges the immoral fact of rival imperialism and gives to each of the five major Powers a veto right completely incompatible with justice or the reign of law.

How little regard governments, including our own, really place in the pious professions of San Francisco is proved by the single and utterly damning fact of their continuance and intensification of competitive militarism. When responsible spokesmen for our Government tell us (1) that we must simply take the military and naval bases we need on our say-so because, contrary to historic facts "we have never been aggressors," and (2) that in the era of atomic bombs propelled by rocket force, we must follow the example of Europe and adopt that which contributed so much to her ruin, peace-time military conscription for mass armies; and that furthermore such militarism is necessary for us to do our duty, under a union of peace-loving nations in a world where those wicked aggressors, Japan and Germany, have been disarmed, they are playing fast and loose with truth and making their own allegiance to world cooperation a piece of stupid hypocrisy.

Unless the American people will soon prove capable of that honest facing of facts to which I referred as a basic necessity, we shall be lured to walk that path of militarism and empire which every nation in a position comparable to our own has followed, and we shall find, like them, that all the paths of that sort of glory lead but to the grave.

Tendencies Exist That Resist Militarism

Fortunately there are still strong tendencies in America to resist imperialism and militarism. It is easily evident that they do not pay the people in general. But they do pay certain powerful interests: The merchants and manufacturers of death; seekers of concessions abroad; the High Command of the Army and Navy in which jobs and rank and pay depend upon very large establishments; and all those who, following the European example of the last three-quarters of a century, would use militarism, conscript armies and imperialism as forms of boondoogling for an unemployment that they cannot or will not cure.

Decries Passions of Vengeance and Hatred

It is not merely the conscious or subconscious drive for power and economic gain on the part of important groups which threatens to hurl our country, despite its traditions of democracy, along the road of imperialism and militarism. It is passions of vengeance, hatred, white racial pride, and worse than pharisaic self-righteousness, skilfully manipulated by makers of public opinion, which contribute to the destruction of democracy and peace. Let me illustrate what I mean. Recently I went to a news reel in Chicago. Large signs in front of the theatre proclaimed that we would see pictures of the ruins of Hiroshima and Nagasaki and the "horrors" of a Japanese prison camp. What we saw was: first, the complete ruin of two great cities as the result of two bombs after our Government had already received offers of surrender, one of which, sent through General MacArthur, President Roosevelt had not even read; the second, the devastation in Tokio already wrought by obliteration bombing, again with the destruction of thousands of the innocent. Then came a picture of a prison camp, in which we are assured, no doubt truthfully, that great atrocities had been committed. But what we saw was not, as in Nagasaki, lonely wanderers through utter destruction, but live and happy Americans awaiting release. I believe in the trial and punishment of those guilty of atrocities. I do not believe in the indefinite punishment of a whole people either, in Japan or Germany, because of the enormous atrocities of their warlords. We have been definitely told that in Japan those same warlords, among other lies, assured their people of the excellent treatment they were giving to prisoners of war. Yet, because I said and wrote something like this a woman physician, who boasts her Christianity, wrote me that her only regret was that we did not loose more bombs to destroy more women and children so that they could not breed more warriors. Of course into this sort of letter there enters not only vengeance and hate, but irrational fear—as even high military officers have admitted neither Germany nor Japan will be capable of a new war of aggression except as one or another of the Big Three may encourage or permit it.

Into this attitude also enters an ignoble racism. Our Japanese foes were "yellow monkeys," or in one of Admiral "Bull" Halsey's least unquotable phrases, "bestial apes," whom it was equally "a pleasure to drown or to burn." This chivalrous warrior, after surrender ceremonies at which General MacArthur made a speech in the best American tradition of justice and tolerance, expressed a regret that he could not honor the representatives of a nation which has gone through surrender with unbelievable lack of untoward incident, by kicking them in the face. This Christian sentiment moved the "liberal"

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What America Needs Most

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"Nation," edited by a woman, to the declaration: "Not elegant. Not polite. But very exact and satisfying—and somehow reassuring."

And that comment along with torrents of supposedly liberal criticism of MacArthur, in the press and over the radio, leads me to thank God that at least we are not governed by that type of liberal. We would be still fighting a desperate war of extermination if the editors of "PM" had had their way, and we would be occupying Japan and Germany forever if we were to follow out the apparent ideals of Mr. Marshall Field's papers and hold those countries in great force at enormous expense to ourselves in money, national ideals, and morals of the occupying troops, until Tokio and Berlin are better and more democratically governed than Chicago — or New York, whether O'Dwyer or Goldstein wins Liberalism of this sort has completely gone back on its historic origin in faith, in reason and truth. Often your Machiavellian liberal supports good causes but with a disregard in many cases for truth, fair play and rational processes only exceeded by Communists, and Hearst at his worst.

Sinister Machiavellianism

The whole growth of Machiavellianism is sinister. Many of Mr. Roosevelt's eulogists actually boast that he put us in the war by assuring us that he was keeping the peace. Men who shouted from the house tops that lend-lease meant peace, not war, now calmly admit in the words of Arthur Sulzberger of the New York "Times" that really we entered the war when we adopted lend-lease. Now there was a case for entering the war against very sinister foes as a holy, or at least a necessary crusade. There was no moral case for our being fooled into it or for the tactics that apparently contributed to the coming of the Pearl Harbor surprise attack. Once in the war, politics rather than principle became dominant. The Atlantic Charter was scrapped. Here at home the War Department demanded a labor draft on the basis of grossly distorted figures which were exposed before congressional committees. Stalin and to a less extent British imperialism were appeased by American consent to sphere-of-influence politics which have made Europe a slum, hag ridden with hunger and hate. Her people will be hungrier and colder this winter than during the war. In part, that is the result of subordination of principles to politics and the emotional satisfaction of the nihilistic slogan "unconditional surrender" which cost the world unnecessarily so many lives.

We forever prate of democracy, yet we are still kept in ignorance of the terms of Japanese proposals for surrender allegedly close to what we finally required. These proposals were offered months ago, and if on the basis of them, strengthened if necessary by safeguards, a peace could have been worked out, hundreds of thousands of lives would have been saved and Stalin would not have bought into the Asiatic war on terms that may yet make him or his dictator-successor dominant in Asia as he is now dominant in most of Europe. We might have been spared the ridiculous attempt to clothe the devil of imperialism in the garb of an angel of light instituting reforms which in the nature of things no occupying army ever has forced, or ever will, or can force, on conquered countries. We might have tried education by example, but instead, while radio orators made the air ring with boasts of our democracy, we were dragged into prolongation of the war and toward this unsatisfactory peace on the principle "ours not to reason why, ours but to do and die," commending our souls to God with thanks that we are not as other men are.

Repentance and Forgiveness a Price of Peace

I cannot too strongly insist that part of the attitude of clear-sighted devotion to true democracy and to an organized federation of free peoples, purged of imperialism of any sort, depends upon our possession of a humble and contrite heart. Our history with regard to Indians, Negroes, and the Mexican War, for example, is not a history of non-aggression. Even now it appears that a handful of our soldiers are fighting along side British and Japanese in Indo-China against the natives in behalf of a French imperialism too weak to rule today In this cruelest of wars it would be hard to name any single atrocity to match our use of atomic bombs without even warning or previous demonstration of their power. Moreover, I repeat, our Government had received offers of surrender which, according to Secretary Byrnes's own statement, showed that Japan was already defeated. The second bomb over Nagasaki without waiting to hear the political results of the first, was particularly inexcusable. That fact calls for deep national penitence. It must be remembered in any talk of reparations to be exacted from the defeated Japanese in their overcrowded islands, stripped of many of such facilities as they had for making a living.

Part of the price of peace must be American repentance as well as American forgiveness of her conquered foes. If my judgments concerning our own selves seem harsh, think how much harsher they would have sounded, on the basis of the same facts, in the language of the Hebrew prophets or of Jesus of Nazareth, whose strongest condemnation was of the self-righteous, the hypocrites and the unforgiving.

Reconversion Goes Ahead Rapidly

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it may be postponed for some time—possibly three or four years. Even then the normal growth of population, the rise in the general standard of living, and the increase in productive efficiency should make possible a level of business activity far above that of the prewar years.

Ample Resources for High Production

From the standpoint of physical resources the country is well equipped for an extraordinary high level of prosperity. None of the plants or equipment have been destroyed by war but have been increased by much new construction during the last four years. The productive capacity of these plants is enormous, even though not all of them may be suitable for peacetime production at once. Great technological progress has been made in new methods, in training skilled workers, in utilizing new materials, and in designing new products.

The supplies of raw materials are ample, even though enormous quantities have been used up or sent abroad for war. Aluminum, for example, is more plentiful than it has ever been and the domestic capacity to produce this metal which has so many different uses is six times that of 1939. Steel capacity has increased by at least 15,000,000 tons annually. The capacity of the synthetic rubber plants is far in excess of the prewar imports of crude rubber. Many new plastics have been developed, often using materials that were formerly considered waste or of little value.

Needs in nearly every field are going to be large enough to keep industry producing at high levels for an indefinite period. Stocks of many kinds of consumer goods are low. Much transportation and industrial equipment is worn out and must be replaced. Maintenance work on highways, repairs, and construction is far behind what is needed to keep them in good condition. Shortages are even more pressing among foreign buyers who will want our goods, provided means can be devised for financing a large export trade on a sound basis. From many sources the demand can be very heavy and it can go far in making up for at least part of the $100,000,000,000 which the Federal Government spent last year. While Government spending will be much less it will be at annual rate of close to half that amount during the coming year and will provide a large market for industrial goods.

The size of the postwar market cannot be determined with any high degree of accuracy but surveys made by such forward-looking business organizations as the Committee for Economic Development and others indicate that businessmen in many communities have set a goal of about 40% above the 1940 level. If that is achieved industrial activity will be maintained after the readjustment period at a rate not far below that which now prevails.

The significant facts about the long-range fundamental tendencies are important to keep in mind in order to maintain proper perspective during the period in which production will be reduced in many lines and when much publicity may be given to the large numbers of workers who are temporarily unemployed. The limits to the state of prosperity which we can achieve are not set by productive capacity or the ability to turn out goods. They will be set by our ability to maintain proper balance among different parts of the economic system and to adjust relationships among different groups so that goods can be exchanged. To keep the economic system operating smoothly and at full capacity, prices and costs must be kept in correct balance with each other. Each group must be able to buy what other groups produce with prices equal to purchasing power.

Factory Output Is Down 20%

The present rate of industrial production, as indicated by the LaSalle Index is about 20% below the peak and 14% lower than it was a year ago. Most of that decline has taken place during the last two months although the general trend has been downward for a much longer time. The situation now is just the opposite from that which prevailed for several years previously when factory output was expanding at a rate of close to 20% a year. War contracts are being sharply cut and the momentum of the decline may carry the index somewhat lower before expansion of civilian production can get under way in greatly increased volume.

While the general trend is downward the variations among different lines have been very marked. Some industries have been affected very little for they could quickly change over to the production of civilian goods. Others have been hit hard and curtailments have been very marked in the shipyards, in airplane factories, in the metals and chemical industries. The steel industry dropped from 95% of capacity to a little over 70%, but has recovered part of that decline already. The drop in the automobile industry was even greater when the war contracts were cancelled. Reconversion in these plants is ahead of schedule, however, and unless labor difficulties interrupt, the goal of 500,000 cars this year will be reached.

Factory output, even after the decline, is almost double the average during the prewar years and about 50% greater than in 1940 just before the defense program was started. In order to appraise the present situation correctly, both the comparison with the peak and with the more nearly normal period is essential.

Business Volume Is Up 6%

Another important measure of current business conditions is the volume of all transactions which include many activities in addition to factory production. It reflects the rate of operations in the service industries, in retailing, in agriculture, in transportation, in the public utilities, in all branches of federal, state, and local governments, in payments to servicemen and women as well as to their dependents. As it is stated in dollars, it is changed by price movements as well as by changes in quantities of goods exchanges. Price factors have not been prominent ones during the last year, however, because the price level has been quite stable.

Present business volume is indicated by the LaSalle Index. For many months this index has been higher than that of industrial production, and it has shown much less tendency to decline. Fluctuations from month to month have been much wider than those in industrial production, but when these short term variations are smoothed the general trend can be readily seen.

The Index is now 6% higher than it was a year ago, although it has dropped considerably from the peak. Preliminary reports indicate some further decline during the last two weeks. The decline will probably be halted before long and some increases can be expected during the last months of the year unless the drop in Government spending should be enough to offset the usual seasonal rise in holiday buying.

Taken together these two indexes give a clearcut and definite picture of what is taking place in their broad aspects. They provide a guide to future planning, although proper allowances must be made for the wide variations among different lines of activity. Some industries may be declining while the general index rises and many may be rising when the general average is going down. Any comprehensive analysis of the current situation as well as of probable future trends in any line must include a consideration of both the general average and the individual line of trade or industry.

Employment in Factories Is Declining

The trend in factory employment has been downward for almost two years, with the biggest drop in the last two months. At the peak, about 17,000,000 persons were employed in manufacturing. That number has now been reduced to a little over 12,000,000. More workers are being laid off constantly and unemployment is rising.

Many of the workers laid off are finding other employment and in some places the number of jobs available in some kinds of work are greater than the number of workers. Not all workers can be quickly rehired, as frequently the new jobs are in different parts of the country from where the war plants have been. Some time will be required before workers can be shifted and trained for the new types of work that is to be done. Reconversion unemployment will be a problem for many months. If the period is about the same as that of conversion to war it will last until December, when it should begin to become less. By the middle of next year it may be almost eliminated.

Employment outside of manufacturing has not changed much during the past year. The total number at work is close to 52,000,000 and up until recently a larger per cent of the population was gainfully employed than at any previous time. Employment in construction, transportation, service industries and Government have increased during the last year. Only among the Government employees has the number been declining recently.

Increased Efficiency of Labor

The future trend of factory employment will be determined not only by the rate of production but also by the individual efficiency or productiveness of workers. During most of the war period output per worker increased quite steadily. New and better methods of production were devised and special emphasis was placed on effectively training workers for their tasks.

Output per wage earner in war manufacturing increased more than 25% and in many plants greatly exceeded peacetime output. As production schedules reached their peak and the best methods were put into operation, fewer workers could turn out the required quantities of goods. Increased efficiency has also reduced costs and prices of many kinds of goods that could be reduced.

The achievements of the war period in increased individual efficiency and greater output per worker are encouraging indications for the future, when the knowledge and experience that have been gained can be applied to turning out peacetime products. With lower costs of production, prices can be kept low and consumers will be able to buy larger quantities of goods. The result will be higher factory employment. The objective is 14,000,000 factory workers which is the same as in 1941.

An essential condition of maximum employment and a high state of prosperity is proper wage rates. In establishing these rates two sets of factors need to be considered and kept in proper balance. On the one hand, total payrolls must be large enough to furnish the purchasing power to buy the products and services that are offered for sale. If they are not and some goods remain unsold, production will be curtailed. On the other hand, wage rates must not be so high that the costs of production exceed the amounts for which the goods can be sold. If costs are too high, goods will not be produced and any slowing down in production will in turn result in lower purchasing power.

The amounts which consumers have to spend are determined not only by wage and salary rates but also by the number of hours worked and the number of persons employed. If wages are raised too high fewer people may be employed and total purchasing power may be lower than it would be if wages were lower and more people employed.

These considerations are of special significance in establishing wage scales during the early postwar period. The history of this country has demonstrated the value of having wages as high as possible but it has also demonstrated that when wages are pushed too high the price of the finished product may be above what the consumer can pay. The result can be lowered incomes for the workers involved. High prices tend to reduce sales and low wages have the same effect for they may cut the workers' ability to buy. Business profits must also be considered for unless there is a margin between costs and selling prices, capital cannot be raised for building factories or establishing businesses.

Price Policies For New Goods

The commodity price level has remained quite stable for the last two years in spite of rather wide variations among individual items. The Index of Wholesale Prices prepared by the United States Bureau of Labor Statistics has remained about 5% above the 1926 level since the middle of 1943. This index includes a large number of items but even a more sensitive index such as that of Dun & Bradstreet shows only slightly greater variations. At the high point this year it was only 4% higher than two years ago and it has declined some in recent weeks.

Price stability during a war period is unusual and indicates the effectiveness of the price control policies which were established early in the war. It also indicates that the co-operation between business, agriculture, labor, and the Government has been on the whole quite successful. We have so far avoided the excessive price rises of the first World War, and if we continue to do so can expect to avoid the unfavorable consequences of an extended price decline. The critical period will be the next few months until industry is ready to turn out large quantities of goods that will meet all consumer demands.

In establishing proper price policies, as in connection with wages, two sets of factors or considerations are important. The proper balance must be maintained between them. On the one hand, prices must be considered in relation to consumers, to the cost of living and to inflation. If prices are too high, consumers will not be able to buy so much and production will be reduced. A rising price trend tends to be cumulative in its effect with each rise boosting rises in other items. The result can soon be inflation which is later followed by collapse after it has extended too far.

On the other hand, prices must be considered in relation to production. If prices are set too low, producers will not receive from the sale of their products enough to cover their costs. They will be forced to curtail production or to go out of business. An important fundamental to keep in mind is that goods will not be produced very long unless the price and the demand are great enough to cover all costs.

Achieving the proper balance between these two considerations is not easy. The objective is to have prices that will make possible the largest volume of production and stimulate the greatest output. Sometimes a temporarily higher price is more desirable in controlling prices because it will stimulate production and thus increase the supply of goods. The best way to prevent inflation is to produce large quantities of goods. The enormous productive capacity of this country is the greatest assurance against excessive price rises. The important task is to make conditions most favorable for productive capacity to operate at maximum rates. As soon as reconversion is completed it will probably do so.

Another Record Year For Farmers

The achievements of farmers during the war have been quite as striking as those of industry. While industry has been turning out such large quantities of goods, farmers have been raising and harvesting crops that were considerably above average. According to the latest crop report they will come close to setting a new record this year. After a poor start early in the season, most crops have had a spectacular recovery just as they have done in each of the last three years. For the ninth consecutive year total crop production has been in the bumper class.

The increase in the production of grains has been most significant not only in relation to large demand for food from domestic consumers and the armed forces but also for meeting the large relief needs abroad. Estimated output of the eight grain crops will be 2,000,000 tons above the previous record.

The wheat crop was the largest ever harvested and amounted to 1,152,000,000 bushels, which was 46% above the 10 year average. Yield per acre was not quite so high as last year but acreage harvested was enough greater to offset that small decline. The striking and unusual situation in wheat this year, as it was last year, was that both the spring and winter wheat crops were large. Seldom do we have good crops of both kinds in the same year.

The corn corp is now forecast to amount to a little more than 3,000,000,000 bushels, but the favorable fall weather may boost the total even higher as it did a year ago. Yield per acre will probably be above last year, but the number of acres planted was a little smaller. The crop is about two weeks later than usual and an early frost would damage it considerably. Weather conditions during the latter part of September and the first part of October will be more than usually significant.

The cotton crop will be only a little over 10,000,000 bales, which is less than last year and about 20% below average. Large supplies are on hand from preceding crops, however, and the total supply will be adequate, even if the current high rate of cotton consumption is continued. During the last 12 months, 9,600,000 bales were used.

Among the other crops which will establish new peaks are tobacco, soybeans and pears. The potato crop of 433,000,000 bushels has been exceeded only once.

The production of livestock and livestock products has continued to be high but somewhat under the peak levels of recent years. Cattle production has held up better than has hog production but the numbers of both are considerably above the average of the prewar years. Supplies of meat, especially of beef, are becoming more plentiful and indications are that they will soon become adequate to meet even the present large demand. Price relationships are fairly favorable for the feeding of livestock, although they are not so good as they were two years ago.

Cash farm income has risen during the war years from an annual total of $9,000,000,000 to over $20,000,000,000. The rise has been due to larger output and to higher prices. Some falling off is likely but price support measures will keep it above prewar levels.

Rising Stock Prices Reflect Confidence

Prices of securities have been rising and indicate that investors are becoming increasingly confident that the problems of reconversion will be successfully met and that the outlook for business profits is favorable. Industrial stocks are at the highest level in eight years and railroad stocks are almost as high.

Commercial, industrial, and agricultural loans have changed very little and they are slightly above a year ago. They are much smaller in relation to bank investments in Government securities than they have been in normal times. Industry is raising but little capital to finance its reconversion and the liquid assets of corporations are adequate to meet most of the requirements.

The outlook is for continued high net profits, especially if corporation taxes should be reduced. Industry has ample resources to carry on the high level of production that is expected.

Viereck Sales Mgr. For Hartley Rogers

SEATTLE, WASH. — Jack E. Jones, Vice-President, Hartley Rogers & Company, Seattle, announces the recent appointment of Girton R. Viereck as Sales Manager and the addition of Rea D. Moore to the sales staff of the company. Mr. Viereck entered the investment business with Hartley Rogers & Company in 1939.

Westheimer Co. Admits Robert Westheimer

CINCINNATI, OHIO—Robert I. Westheimer has been admitted to general partnership in the investment brokerage firm of Westheimer & Company, 323 Walnut Street.

Mr. Westheimer has been associated with the firm since 1939. He graduated from Cornell University in 1938 after which he had a year of general experience in several brokerage houses in New York City. For the last three years he has been on leave of absence from the firm. During this period, he has been Consultant to the Staff of the Army Air Forces for Tactical Aircraft Availability at Wright Field, Dayton, Ohio. He was charged with the development and operations of systems of forecasting aircraft availability for A. A. F. Staff and Operational Planning.

He is identified with the Big Brothers Association, the War Chest Drive and other charitable organizations.

Other partners of Westheimer and Company are Irvin F. Westheimer, Charles H. Tobias, Capt. Charles I. Westheimer and Troy Kaichen. The firm is a member of the New York Stock Exchange, Cincinnati Stock Exchange, Chicago Board of Trade and other Exchanges.

Mr. Westheimer's admission to partnership was previously reported in the "Financial Chronicle" of Sept. 20th.

James Clark Joins Hemphill, Noyes Co.

James F. Clark, former director of the Rubber Bureau of the War Production Board, has joined Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, in an executive capacity. He was head of the Japanese and Liquidating Unit of the Treasury's Foreign Funds Control before becoming associated with the Office of Rubber Director in the War Production Board. Subsequently, the Rubber Bureau was created and Mr. Clark appointed as its director.

The Securities Salesman's Corner

Good Customers

By JOHN DUTTON

Several months ago this column presented a "thumb box" sketch of some of the very special types of customers that a salesman should avoid whenever it was possible to do so. After the column appeared a dealer wrote us a letter stating that all we said was true, but why not mention some of the good customers. He was right. There are more good customers than bad ones—and they do deserve the appreciation of every salesman, both in good times as well as when business is slow. The world is made up of all kinds of people—thank heaven for some like these.

THE BUSINESS EXECUTIVE WHO HAS A GOAL, KNOWS HIS JOB, AND EVEN THOUGH HIS DAYS ARE CROWDED WITH PROBLEMS, ALWAYS FINDS TIME TO DISCUSS A GOOD INVESTMENT WITH A SALESMMAN WHO KNOWS HIS JOB. He is intelligent, alert, knows what is going on in the world, always pleasant and willing to listen. See him at lunch, or by appointment—value his time, make it short, snappy and to the point. When you have his confidence he'll do business over the phone. He saves his own time and yours too—what an account—you can't have too many like him!

THE LITTLE OLD LADY WHO IS LIVING OFF HER INCOME. She wants someone in whom she can trust. She'll buy what you suggest, when you want her to buy it. She wants income. She may even send you some peaches and pears from her farm—she will also ask you to help her with her income tax report, then she will offer to pay you for helping her. Some day she will mention to someone in her sewing circle that she has an investment man who has done so much for her, AND OUT OF A CLEAR SKY YOU'LL GET A TELEPHONE CALL TELLING YOU TO GO TO SEE HER FRIEND. You'll call her friend on the telephone and either make an appointment at your office, or go to see them in person. Better if you can arrange that interview at your office. More so if you can arrange to have your customer bring the friend in to see you. Your sale is three-quarters made when they open the door. Her friends are usually desirable as customers as she has been—BIRDS OF A FEATHER FLOCK TOGETHER.

THE GOOD LOSER. Some bright day you are going to wake up and find out that some of the securities you have sold have not turned out as well as you had hoped. Something unforeseen happens and a security begins to turn sour. There haven't been too many of them during the past few years but even in times like these YOU CAN'T BE RIGHT ALL THE TIME. There are people who will hold this against you—but there are more of them that will understand that no one can be 100% right all the time. They will take their loss and tell you—"It's O.K. I am glad you told me about this now when I have a small loss instead of waiting until I had a big one." The main point to remember here is to sell them right in the first place. If you make it a point to explain to your customers that you are on the job watching out for their interest after they have bought a security, so that if something unforeseen should happen in the future, you want to help them avoid large depreciations in their capital, as well as trying to increase it—you won't have much trouble on this score.

It's an interesting business—this selling securities. There are so many opportunities where a man can actually help his fellowman. No greater opportunity (outside of the field of medicine perhaps) exists in this topsy-turvy world, for assisting other human beings toward a better personal existence. You can see results in this business—they are tangible benefits that are measured in peace of mind as well as dollars. Ours is a good vocation—let's do it well!

Credits to Chile

Wayne C. Taylor, President of the Export-Import Bank, announced on Sept. 14 that the bank's board of trustees had authorized a total credit of $33,000,000 to Chile. Associated Press advices from Washington reporting this said:

A loan of $28,000,000 was made to the Formento Corporation of Chile to assist in financing the purchase of United States equipment and services for the construction of a steel mill in Concepcion, Chile. Chile will provide the funds for installation of the equipment.

Chilean sources here had previously reported the amount at $20,000,000. Mr. Taylor said an additional credit of $5,000,000 was approved to assist in carrying out other projects planned by the corporation.

Stabilizations "Pro Forma"

(Continued from first page)

Bevan) has indicated its dislike for Bretton Woods because of the inhibitions it puts in the way of freely manipulating the currency. Possibly, this attitude is a tactical move to get more out of Uncle Sam. More likely, it grows out of the Socialists' fear that international commitments even of such mild type will create an economic climate adverse to radical experiments. At any rate, no British Government could refuse to accept America's conditions when Britain's very existence depends on American generosity. The less so since the official spokesmen of the new power in England have indicated that they wish no loans from us: they want outright presents to the tune (so far) of $3 to $6 billions. But they also insist on exchange restrictions and concomitant policies which should permit the inflationary financing of social reforms without risking an early collapse of the monetary structure.

Nor has the raising of the British gold price (June 9) from 168 shillings per ounce to 172 sh. 3 d. anything to do with devaluation. The difference between the present and the previous price is the war-time cost of transporting gold to New York. The decline of that cost permitted bringing up the pound to dollar parity (minus present cost of transport), and restoring the subsidy to the Rand miners. As the London "Economist" pointed out, no such partial step would have been undertaken "if even the bare possibility of a change of the sterling-dollar rate were beginning to loom upon the horizon."

Similarly, the new Franco-British agreement to release from government control the funds belonging to each other's nationals does not mean a departure from foreign exchange restrictions. The British release the Frenchmen's money and the French the Britishers' funds internally only. Their respective owners will be in the same position as are the nationals of those countries themselves (and also the Americans in England): they can use their money within the country in which it is located, but cannot take it over its borders. It has to stay where it is, which is the essence of exchange restriction.

Multiple Currencies

The Bretton Woods program's unqualified condemnation of multiple currency practices is the only absolute commandment it contains. They are the only device of exchange manipulation that is condemned altogether, not permitted under any temporary heading. Nothing shows better its underlying hypocrisy than this verbal righteousness while actually promoting sin. Multiple currencies result automatically from foreign exchange restrictions (which are permissible, nay, legalized) even if they are not officially decreed. But several Allied countries openly resort to multiple currency methods, beginning with Britain from the outset of the war, followed by Canada, Australia, Brazil, and other Latin American countries. The new international statutes offer pious admonition but no effective prohibition. Lately, U. S. courts have legally recognized the "right" of at least two nations, Britain and Brazil, to violate the ethics of Bretton Woods by valuing their exports to the U. S. at two different rates of exchange: the official or higher rate on certain commodities, and a lower open or black market rate on others. The purpose of this "dual exchange" on the part of the exporting country—a typical Schachtian device—is to give an additional incentive to exports of commodities which would need a devaluation of the currency to be competitive on foreign markets. (Fundamentally it serves also as an anti-inflationary measure by taxing exports.)

Note the effect of multiple currency, based as it is on exchange restrictions. It accomplishes a partial devaluation: for the one commodity but not for the other, as the case for subsidizing exports may be. Similarly, imports can be manipulated under such a regime in a discriminatory fashion without recourse to tariff rate changes and the unpleasant international treaty discussions which the latter involve.

Devaluation vs. Exchange Restriction

In short, there is no need for Britain to resort to devaluation so long as that method is taboo in American eyes and so long as she enjoys the freedom to clamp down exchange restrictions to the effect and to the extent that it suits her protectionist policies—to protect and improve the equilibrium of her balance of payment. The same holds for all other countries as well. There is not a single nation left in the world that would not use exchange restrictions to a greater or lesser degree, and probably none except the United States and Switzerland that even plans to abandon that technique in the near future. (South Africa clamors for a free gold market—meaning a higher price for gold.) But devaluations cannot be avoided altogether, not even during the Bretton Woods honeymoon into which we are entering, the period while American money is buttering close and remote neighbors.

Exchange restrictions are not always a substitute for devaluation which becomes a necessity when an all-pervading black market in gold and foreign money simply refuses to accept the official rate of a currency—when it is so depreciated that no international subsidy-spending OPA (that is after a fashion what Bretton Woods amounts to) can hold it any longer.

Run-Away Currencies

When is a currency hopelessly depreciated? Last year the Greek drachma went down the sink, after having hit astronomic figures (1,865 billions to the gold sterling). The new drachma, fixed at 150 to the dollar, is in trouble again. The Chinese dollar, stabilized in 1932 at about 30 cents, was devalued last to 2½ cents, and is depreciated now to one-thousandth of the U. S. dollar. Of course, they could be salvaged if we wanted to do so. But we are not that generous, not even for much better founded currencies, partly because the amounts needed are beyond our capacity. Also, we realize that this would have to be repeated "again, and again, and again." British credits to Greece, and some $700 millions in American and British gold loans to China merely served to lengthen the process, and in the latter instance, to provide a reserve for post-war stabilization—at some vastly devalued rate.

Mismanaging the Franc

However, such runaway cases, which are likely to include soon the German and other occupied-country currencies, are not the only ones facing the choice of devaluation within the near future, notwithstanding the ruthless application of exchange restrictions. It is a foregone conclusion that France can maintain her present exchange parity nominally only. The De Gaulle government disclaims responsibility either for the original dollar-franc rate of 1:75 established at the time of the North African invasion, or for its subsequent raising to 1:50. The reason given by the Allied authorities for this policy was to protect France against being "sold out" to the occupying forces whose purchasing power was curtailed by the artificially high value of the franc. (The black market rate, fairly representative of price gyrations in general, went as high as 1,000 to the dollar and varies now between 150 and 250.) But that could have been accomplished by giving the GI's a special currency with limited circulation privileges, such as the German "canteen money" in the Balkans, or by the British system of blocked allocations of pay to the occupation forces.

Whatever their motives, it is quite apparent that the Allies acted in France, as at home, under the influence of a theory that denies that the quantity of a money determines prices and exchange rates, and assumes that black markets can be stamped out with police clubs. They regarded high living costs and the high price of the dollar in France as due merely to shortages and to lack of confidence, factors of a temporary nature. The result of this exchange policy, and of the lack of a price policy, was in France, as in Africa, Italy, the Middle and the Far East, that our expeditions and liberations cost inordinately large amounts of dollars, the outpouring of which brought about a flood of smuggling and black market operations on a disgraceful scale.

The Logistics of Stabilization

Once the franc was established, the argument for not changing its value was that no one knew what rate to choose as final. Open market quotations, especially on an unorganized black market, vary widely and on purely speculative grounds, such as rumors and expectations of the future rate the government may choose. The monetary continuity having been broken, it is difficult to find a rational link to connect the stabilization rate with past experience. The famous purchasing power parities of Professor Cassell—exchange ratios based on the comparison of prices at home and abroad—have very little meaning in peace-time and literally none when violently fluctuating scarcity prices prevail and international trade is completely disrupted.

A logical procedure would consist in using the monetary volume of guidance, partially at any rate. It has grown since 1939 five-fold, indicating that a stabilization at, say, 200 to the dollar would come as close to a reasonable *status quo* as may be expected. It would eliminate a major cause of instability, namely, the public's conviction that the current rate is untenable, and that getting out of the franc is the course to take. But the French government seems to share the Anglo-American disdain for the "quantity theory of money," and it hopes against hope for a fundamental correction of the entire financial set-up. Following the more or less abortive Belgian example, it proceeds with confiscatory levies on "patrimony" and on the war-time "increment of wealth" (after compulsory registration of cash holdings) while continuing to finance a reduced national deficit through the central bank, whose gold reserve requirements have been suspended for good. Apparently, it waits for the outcome of the pending fiscal policies before taking its decision. It waits, too, for the effect which the improvement in essential supplies should have on prices and therefore on the valuation of gold and foreign money. It waits, too, for the release of $1.5 billion balances frozen in this country, plus a $500 million American credit in addition to a similar amount De Gaulle took home last month from Washington.

France's International Position

Exchange stabilization is not only a matter of choosing a rate, but also of defending it. The present franc rate is untenable in the long run, short of a devastating deflation, because it will be ruinous to the exports and tourist traffic of France. On the other hand, she is in a favorable position to defend a comparatively high rate of its currency, of course not such an irrationally high one as at present, because her international balance as well as her international reserves will be strong enough, once the most urgent needs of the transition period are satisfied. Together with her colonies, France is virtually self-sufficient in food, and better supplied with raw materials than is Britain (except coal). Except for transport, her reconstruction problem is far smaller than that of Britain, and she has only a negligible foreign debt, almost entirely long-term, with an annual service charge of a bare $50 millions. If she manages to put her house in order, her balance of payment should turn favorable even without foreign credits (assuming that capital outflow will be checked). At any rate, the international liquid resources of the French government estimated at $2-3 billions would give her sufficient means to protect a finally stabilized franc, provided the rate chosen is not altogether out of line.

Pseudo-Stabilization

The situation in France is most paradoxical. Since the resignation earlier in the year of economy-minded Mendes-France, the inflationary policies of Finance Minister Pleven have full swing. Wages have been raised several times, which was overdue, and also basic official prices. Cheap money is being enforced. The deficit continues, interrupted by bond issues which soak up some of the cash in circulation. On the other hand, the French Government holds on to the artificially high value of the franc that means deflationary pressure at least on some sectors of the economy, but the over-valuation of the currency also adds to the inflationary trouble by causing a run from the franc. This senseless exchange rate is being maintained, just as is the Belgian rate of 43 francs (8.5 belgas) to the dollar. (The latter is bound now to the pound by a three years' treaty as are already, or soon will be, the currencies of Sweden, Finland, Denmark, Holland, Norway, and Portugal.) At the same time, concessions have to be made to reality, such as the French "subsidy" of 30 francs per day to the GI's, which foreshadow by implication a new devaluation. It should come, indeed, presumably before France joins the Bretton Woods family.

But will it come, and how far will it go? So long as London's financial leadership predominates in Paris, represented in the person of the influential Monsieur Istel (a follower of former Premier Reynaud, who in turn is a Keynesian), the devaluation of the franc will be undertaken in a piecemeal fashion, if at all, and France will rely on exchange restrictions to do the stabilization trick. There is more than ideological influence involved. It is Britain's avowed policy to draw western Europe into the Sterling area by bi-lateral arrangements which should permit her own exchange restrictions and artificial monetary system to function without much American aid. That is the point: Britain's fatal scarcity of gold and foreign exchange, which compels her to choose between reliance on American aid or on a system of bi-lateralism, to provide herself with raw materials and market outlets without recourse to gold. The outlook at present promises both: American credits will be forthcoming but not in sufficient volume (measured by British "needs," which are bolstered by socialistic programs), and will be combined with a tight system of British exchange regulations including bilateral clearing agreements on the outlawed German pattern. France has to be the Continental cornerstone of this system, if it should work at all, and she is moving obviously in that direction. Her policy has to be understood as an adjunct to the British monetary system, guided by the philosophy of "controlled inflation" underlying the latter.

"Controlled inflation," that is to guarantee full employment at high wages and yet avoid the pitfall of rising prices, is based on two major assumptions:

1. That national prices can be controlled so long as the (nominal) foreign exchange value of the currency is kept high. The runaway inflations of the last post-war period were due, according to this now officially accepted theory, to the failure of the respective governments to hold exchange rates. The rise in those rates caused a psychological crisis and rising prices, which necessitated the printing of more money, in turn bringing about still higher foreign exchange rates, etc.

2. As to foreign exchange rates, they can be controlled always, according to the same theory, by police measures which are supposed to eliminate black markets (as soon as conditions are normalized), and by exchange restrictions which are supposed to eliminate the sources of disequilibrium in the balance of payment, and thereby to guarantee final stabilization.

There are fashions in monetary theory as in everything else. The prevalent fashion is characterized by the above essentials which dominate the policies of most nations. France follows the trend set by Britain.

August Rayon Shipments

Rayon shipments at 62,800,000 pounds during August surpassed the July total by 1% and the August 1944 figure by 6%, states the "Rayon Organon," published by the Textile Economics Bureau, Inc. Of the August 1945 total, filament yarn represented 49,000,000 pounds and staple fiber 13,800,000 pounds. The Bureau, on Sept. 10, further reported:

Eight months' rayon shipments aggregated 396,300,000 pounds of filament yarn and 109,600,000 pounds of staple fiber, or a total of 505,900,000 pounds, representing increases of 14%, 1% and 10%, respectively, over the same 1944 period.

Rayon inventories at the end of August showed little change from the low position prevailing for some time, amounting to 6,200,000 pounds of filament yarn and 3,800,000 pounds of staple fiber.

Supplies Will Increase

V-J Day brought the cancellation of many government rayon contracts, as well as most WPB rayon orders. Among the latter were those dealing with silk and nylon replacement and the export set-aside. While anticipated increases in rayon production will be small, the diversion of rayon poundage from military outlets should increase the supply going to civilians.

Analysis indicates that the trades showing declines in civilian rayon consumption, due to the war, were seamless hosiery, circular knitting and broad woven. Increased rayon takings are shown by fashioned hosiery, warp knitting, narrow weaving, and exports, plus the large increases in the rayon tire yarn program.

Air Conditioning— A Growth Industry

(Continued from page 1571)

profits from larger volume of sales.

Character of the Industry

What is Air Conditioning? Air conditioning in its broadest sense includes any treatment of air in an enclosed space that makes the air more suitable from the point of view of health and comfort, or more suitable for industrial processes. The popular concept of air conditioning is that it cools, yet that is only one aspect of the job.

Basically, air conditioning covers and is used for: (1) control of temperature, (2) control of humidity, (3) purification of air, (4) providing adequate ventilation, and (5) maintaining correct air circulation.

The application of air conditioning, particularly in the comfort field is associated with various functions which it performs during the year, such as summer air conditioning, winter air conditioning, and year-round air conditioning.

Growth Factors

The air conditioning industry was just beginning to hit its full stride when the war started. During the war years, while civilian use of air conditioning has been restricted, a vast expansion in the field for war uses has been going on. Development on a large scale was necessary for the manufacture of war materials, such as bomb sights, range finders, shells, etc.; for use on battleships, in stratosphere flying, in tropical military establishments, and in experimental work and research laboratories. Air conditioning has been utilized as never before in the storage, preservation, treatment and preparation of material, and in the assembling and testing of finished products. War plants which were completely blacked-out against possible air raids had to be air conditioned. The demands war exacted from the industry, especially the attaining of low temperatures, put its technical skill to the greatest test. The impetus of war and the inventions that have grown out of the war effort necessarily have advanced the science of air conditioning by many years.

Each new air conditioning installation has exposed more and more people to the comfort and health benefits afforded; and has contributed to the profits of the concern which had made the installation for competitive reasons. Air conditioned theaters and movie houses have made the public air condition minded. Another industry which has aided in popularizing air conditioning is the railroads. The degree of public approval received by the roads in their air conditioning venture is best proved by the increasing use of such equipment. As far as railroads are concerned, it is a necessity.

In educating the public to the increased use of air conditioning the cooperation of various interests is of value. Public utilities are in a strategic position to promote this field. It offers great possibilities for electric, gas and water load building. Utilities are particularly interested at this period in building air conditioning load to fill the gap that will be created by the dispersal of the industrial war load. Nearly 77% of utility companies are actively engaged in its promotion. In ten years (1931-1941) air conditioning load increased from 162,000 HP to 1,196,000 HP or 740%. When fully developed, it is estimated to produce $3 to $5 million in utility revenues.

The industry has not always relied on others to do its promotional work. Most of the leading companies have been extensively publicizing developments, and the increased benefits that might be derived by users. The first trade show held in 1930 proved so successful that the industry continued annual exhibits until 1941 when they were temporarily discontinued owing to wartime conditions.

Probably few industries have the advantages and benefits of outside help for promotional and research activities that air conditioning enjoys.

Retail merchants have tried their best for years by means of special sales and mark-downs, to overcome the summer slump caused by excessive heat and humidity, but with only minor success. Now, in air conditioned stores, people can shop the year round. Beginning with large department stores, the advantages of air conditioning have been so rapidly appreciated that its use has already extended into other retail establishments.

A characteristic of sales in air conditioning is that they are self-expanding—one sale leading to another through direct competition between establishments. The store or restaurant whose nearby competitor attracts with conditioned air is still the best prospect. It has long been recognized that the chief demand for air conditioning equipment is still the competitive need of commercial and industrial enterprises—in other words, the profit motive. With air conditioning thus put on a sound profit basis, the demand for it has been increasing rapidly.

Another important bearing on the future of air conditioning is that it sells its products in a large degree to growth markets such as the food, synthetic products, and chemical industries, retail trade, and commercial buildings.

A new market for air conditioning lies in making available for renting and living space otherwise wasted. It now makes it possible to rent space in many buildings placed in noisy, over-heated or dusty locations, and in hot climates; it removes the disadvantages of basement spaces; it is becoming of value to ships for below deck ventilation.

In many industries, proper air conditioning has a direct effect upon the manufacturing operation. Among these are textile and rayon mills, printing establishments, match factories, tobacco factories, and others wherein the product is a hygroscopic material.

The food industry probably provided one of the greatest stimuli to the wider application of air conditioning. Refrigeration or air conditioning or both are required for processing and preserving 70% (by weight) of the annual diet of the average American family. It has revolutionized food processing methods and established a new pattern for food production and distribution. It is employed in food processing plants, warehouses, railroad cars and trucks, terminals, and markets, as well as in the household. Without refrigeration, great areas devoted to highly specialized crops would not be developed and the present agricultural picture of the country would be vastly altered.

Acceptance of air conditioning as a necessity for comfortable living is certain to be assisted by the impending change of ideas concerning fundamental requirements of housing. Architectural design is increasingly being planned for the inclusion of air conditioning.

Today air conditioning is a modern essential for business. Thousands of stores, theaters, restaurants, office buildings, and commercial establishments of all kinds have installed air conditioning. Their businesses have shown such obvious improvement that thousands more—their competitors—are now planning on new installations. Customers have come to expect air conditioning. Executives concerned with the success of their business are planning to install a system. They know, also, its beneficial effect on employee health, efficiency and morale.

Progressive Trade Organizations and Research Program

The industry is now well organized and coordinated through trade groups, prominent among which is the **Air Conditioning & Refrigeration Machinery Association.** These groups have set up standards for operating performance and definitions. The industry is further aided by municipal and state ordinance and industrial codes covering ventilation, refrigeration and fire prevention, bearing directly on air conditioning installations. Such regulations impose definite restrictions on choices of type of apparatus and capacities, by establishing minimum requirements.

A significant factor in the growth of the industry has been the amount of money spent on research. In 1938, for instance, some six companies spent over $1,000,000 on research programs. Research activities have proceeded at a quickened pace to meet war requirements and are now turning to peacetime needs.

Development of New and Improved Equipment

The development of equipment has reached a point where growth is no longer retarded by major unsolved problems of a technical nature. The greatest strides in recent years have been in the improvement and standardization of design that can meet the needs of a growing diversified market. The leading maunfacturers now have such confidence in their products that they put their resources and reputation back of the equipment by giving actual purchasers a guarantee of free replacement. A market survey of a leading publishing house in 1938 showed that fewer than 10% of users were dissatisfied with the performance of their air conditioning installation. This cannot be considered a discouraging record for a still young industry that suffers from numerous small concerns. Moreover, air conditioning in more than one-third of the plants covered by the survey was installed over fifteen years ago. The early apparatus was cumbersome and crude, as were the radio, the automobile, household appliancees and other mechanical equipments. But progress has been greatly speeded, especially during war years, and if a survey on the performance record of new installations were to be made today, the results would be most gratifying.

No small part of the success of present-day air conditioning is the result of noteworthy progress in the field of refrigerants. Earlier air conditioning used ammonia or sulphur dioxide. The use of these chemicals, however, entailed danger to human life. The development of refrigerants, especially that of "FREON" in 1931, has been an advance of basic importance.

Of only slightly less importance to air conditioning was the discovery of "by passing," which made possible adequate simultaneous control over both the temperature and humidity in the area to be conditioned. Further interesting examples of recent technical advance are the evaporative condenser, which reduces, by as much as 90%, the amount of water consumed, and the new centrifugal compressor capable of assuming varying loads for automatic operation.

The other forward stride in air conditioning was the development of compact self-contained units, which opened up a large market in residences, offices, small stores, and individual rooms. While these small units have not been perfected to meet all the exacting requirements of the consumer, marked progress has been made so that they are able to meet the needs of three-fourths of the existing market.

Statement of Ownership, Management, &c., required by the Acts of Congress of Aug. 24, 1912 and March 3, 1933 of the Commercial & Financial Chronicle, published two times a week on Thursday and Monday, at New York, N. Y., for Oct. 1, 1945.

State of New York, County of New York, ss.: Before me, a notary public, in and for the State and County aforesaid, personally appeared Herbert D. Seibert, who having been duly sworn according to law, deposes and says that he is the editor of the Commercial & Financial Chronicle and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, &c., of the aforesaid publication for the date shown in the above caption, required by the Act of Aug. 24, 1912, as amended by the Act of March 3, 1933, embodied in Section 537, Postal Laws and Regulations, printed on the reverse side of this form, to wit:

(1) That the names and addresses of the publisher, editor, managing editor and business managers are:

Publisher, William B. Dana Company, 25 Park Place, New York, N. Y.
Editor, Herbert D. Seibert, 25 Park Place, New York, N. Y.
Managing Editor, Herbert D. Seibert, 25 Park Place, New York, N. Y.
Business Manager, William D. Riggs, 25 Park Place, New York, N. Y.

(2) That the owner is (if owned by a corporation, its name and address must be stated, and also immediately thereunder the names and addresses of stockholders owning or holding 1% or more of the total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address as well as those of each individual member must be given):

Owner, William B. Dana Company, 25 Park Place, New York, N. Y.
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(3) That the known bondholders, mortgagees and other security holders owning or holding 1% or more of the total amount of bonds, mortgages or other securities are: (If there are none, so state.) None.

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(Signed) Herbert D. Seibert, Editor. Sworn to and subscribed before me this 25th day of Sept., 1945. Thomas A. Creegan, Notary Public, Kings County, New York, County Clerk's No. 243. New York County Register No. 326-C-7. (My commission expires March 30, 1947.)

Post-War Outlook for Air Conditioning Market

Industries in general, when future opportunities are being talked about optimistically, count heavily on an unprecedented post-war prosperity. The air conditioning industry, by contrast, finds itself in the enviable position of being able to anticipate prosperity for itself without visualizing more than a prewar prosperity for the rest of the nation.

Results of several recent market surveys of the field predict a billion dollar industry in the post-war decade. Men in the industry, however, view the future with even greater optimism. **Air Conditioning Manufacturers Association** made the bold statement, "within another ten years the aggregate value of air conditioning in use will be in excess of two billion dollars and once that point is reached replacement and service needs alone should total about $350 million annually." Willis H. Carrier, founder and Chairman of the Board of Carrier Corporation, predicted that the rapid rate of growth experienced by the industry since 1932 should be maintained for the next twenty years. Before the war the volume of annual business had reached close to the $100 million level, and estimates for the year after V-J Day range upward of $200 million.

During the discussion following the foregoing address, Mr. Ahmed, was asked regarding the outlook for the principal concerns in the air conditioning industry. Mr. Ahmed then went into a discourse on the Carrier Corporation and the York Corporation.

Carrier Corporation

"Carrier," Mr. Ahmed stated, "enjoys the distinction of being the first company to pioneer and develop air conditioning, and is the largest factor in the industry. Total Carrier installations were estimated to have passed the 200,000 mark when the war started. The name 'Carrier' is closely associated with air conditioning developments and progress."

"Most of Carrier's development and growth," he added, "has been in the field of engineering and installation; this division still represents the major part of the company's business. With a new distribution system and a new manufacturing policy in recent years, the company has sought to broaden its business from that of 'tailor-made' installations to include the larger 'consumer market'—the manufacture and sale of a broad line of equipment, including self-contained units for homes, offices, and small stores. A notable diversification has been in the field of refrigeration machinery, and Carrier's activities now include production of all types of cooling equipment other than household refrigerators.

"To Carrier belongs the credit of developing the largest worldwide market for air conditioning. The company accounted for about 75% of the total U. S. exports of air conditioning equipment before the war. Through associated companies already entrenched in many countries, Carrier should be able to obtain the largest volume of foreign business. In the field of railway passenger transportation Carrier, under an agreement with the Safety Car Heating & Light Company, obtains a large part of the railroad business. After the war, air conditioning of railway cars at an accelerated pace should augment Carrier's sales. Carrier's contact with Aeorfin Corporation, one-third owned, under which it manufactures heating, cooling and other equipment employing special fin tubing, accounts for sizeable sales as well as a large share of total net income. Carrier's post-war plans include considerable expansion in the production of specially designed equipment in food processing and preserving."

"Sales of Carrier Corporation have shown a rapid rate of increase. For the ten year period from 1934 to 1944, sales rose from $6,658,000 to $38,256,000, or nearly six times. Since 1938, volume made a new high each year, approximately doubling every four years. While 1945 results may reflect cancellation of war orders and delay in the resumption of civilian sales, post-war sales are expected to maintain an upward trend, increasing approximately 15% annually over the next five years.

"Operating costs including engineering and development expenses are now well controlled. There has been striking improvement in the operating ratio which increased from 4% in 1937 to 11% in 1944. In the five year period from 1940 to 1944, when total sales almost tripled, operating income expanded nearly five times. This trend demonstrates that the company is steadily widening its profit margin and has reached a position in recent years where it can earn substantial profits."

York Corporation

"York Corporation," he said, "is the oldest company in the field of mechanical refrigeration, occupies a strong competitive and leading position in the commercial and industrial market. It has achieved a world-wide reputation as 'Headquarters for Mechanical Cooling since 1885.' York accounts for a substantial part of the total industrial refrigeration business. In the marine refrigeration field, York, as the foremost manufacturer to develop this line, did more business than any other company. The company began manufacturing air conditioning equipment about 1928, and now has become one of the two most important manufacturers. York obtains most of its business from industrial and commercial users.

"The long term sales record of York has shown steady growth. During the pre-depression years, sales were rising and had reached an $18,835,000 level in 1926. After 1926, the sale of ice machinery, which accounted for a large part of York's business, was adversely affected by development of mechanical refrigerators for domestic uses. Sales steadily declined to $7,422,000 in 1933. This trend was reversed under the forces of national economic recovery, coupled with the entry of York into the air conditioning and commercial refrigeration business.

"While total sales for the first 9 months, ended June 30, 1945, showed an increase of 21%, the full year's gain might be reduced by the cancellation of orders from the armed services. Orders booked during the nine months period have been 25% less than during the similar 1944 period. The last quarter bookings are expected to show an improvement as the company will begin to fill civilian orders. It is quite possible during the reconversion period that York's sales may experience a temporary slump. However, as and if the transition is efficiently handled, this temporary slump may be minimized.

"Full year 1945 sales are estimated at approximately $38 million or about a 12% increase over the 1944 results. On the basis of earlier discussions of the industry's growth, and on the assumption that general industrial activity will be well maintained, it is estimated that York should be able to expand its sales 12 to 15% annually for the next five year period."

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

The Government has resorted to "deficit financing" on an unprecedented scale for 12 years; as a result the banking system is now loaded with a huge volume of Government paper, and deposits have mounted to the highest peak in the history of American banking. In consequence, the ratio of deposits to capital funds has assumed exceedingly high proportions, and this fact has occasioned considerable discussion in interested circles and caused the Government to urge banks to strengthen their capital structures.

The Federal Reserve Bank of Philadelphia has recently released a study by its Economics Staff on the question of the significance of banking capital ratios in relation to the changed nature of banking assets. This study includes a chart which shows the trend of member bank capital ratios since the founding of the Federal Reserve System in 1914. In 1914 the ratio of capital funds to deposits was approximately 25%; in 1919, 14%; in 1921, 17%; in 1932, 20% and in 1944, 6%. Stating these ratios conversely, as deposits to capital funds, they are respectively, 4:1, 7:1, 6:1, 5:1, and 17:1. Between 1914 and 1932 the ratios were up and down, but since 1933, and particularly since 1935-6, the ratio trend has been strongly and steadily up. The traditional limiting ratio of 10:1 has been greatly exceeded.

It is of particular interest to review the changes that have occurred in leading New York City banks over recent years. The ratios of 16 banks on June 30, 1945 are compared in the accompanying table with their ratios on Dec. 30, 1936, as follows:—

Ratio of Deposits to Capital Funds

	12/30/36	6/30/45
Bank of Manhattan	11.2	19.4
Bank of New York	9.6	16.4
Bankers Trust	9.6	12.8
Central Hanover	10.0	17.0
Chase National	10.1	16.9
Chemical	8.0	16.1
Continental Bank & Trust	10.1	18.8
Corn Exchange	10.1	19.2
First National	4.5	8.8
Guaranty Trust	6.5	11.3
Irving Trust	5.4	10.9
Manufacturers Trust	7.5	22.4
National City	12.8	17.8
New York Trust	9.3	15.0
Public National	10.7	22.7
U. S. Trust	2.5	4.5
Average of 16	8.6	15.6

The average ratio has increased 81.5%. The ratios of Chemical and Irving have doubled, that of Public has more than doubled. while that of Manufacturers Trust has trebled. Meanwhile, total deposits of these banks have increased from $11,735,480,000 to $25,802,076,000, equivalent to 120%; holdings of Governments have grown from $4,067,156,000 to $16,035,844,000, equivalent to 294%; while capital funds have increased only 26%, from $1,416,108,000 to $1,782,880,000.

The question is, how significant and how important, or unimportant, is this striking increase in the ratio? In its introduction to the study, the Philadephia Federal Reserve Bank states: "The primary purpose of bank capital is to protect creditors, chiefly depositors, against loss. It can serve this purpose only if it is large enough and sound enough so that losses will not impair the claims of creditors. How to measure adequacy of capital in relation to possible losses is the question that has perplexed bankers and supervisory authorities for many years. Up to the present no single factor or formula has given a satisfactory answer." The study emphasizes that the conventional ratio of capital to deposits, or vice versa, is completely inadequate, and then offers for consideration three ratios which are more objective and realistic, as follows:—

(1) Capital to risk assets; (2) Net capital to deposits less cash and Governments, and (3) Net capital to risk assets less fixed assets. "Risk assets" are defined as total assets less cash and Governments, and "Net capital" is obtained by subtracting fixed assets from total capital accounts.

It may be of interest to apply the first of these three ratios to the 16 New York City banks already considered, as indicated by their balance sheets dated June 30, 1945. Also shown is the percentage which cash and Governments bear to total assets.

	% Capital Fds. to Risk Assets	Ratio Risk Assets to Cap. Funds	% Cash & U. S. G. to Total Assets
Bank of Manhattan	13.0	7.7	62.9
Bank of New York	21.4	4.7	74.0
Bankers Trust	23.2	4.3	69.0
Central Hanover	20.0	5.0	72.6
Chase National	19.4	5.2	71.6
Chemical	16.6	6.0	64.9
Continental B. & T.	10.5	9.5	52.3
Corn Exchange	51.8	1.9	90.4
First National	41.3	2.4	75.4
Guaranty Trust	15.6	6.4	69.2
Irving Trust	35.5	2.8	76.4
Manufacturers Trust	17.2	5.8	75.4
National City	19.1	5.2	71.1
New York Trust	22.1	4.5	72.0
Public National	15.6	6.4	73.3
U. S. Trust	69.3	1.4	72.1
Average of 16	25.7%	4.95	72.0%

On the basis of these figures, the position of the banks today is very conservative, since the average ratio of risk assets to capital funds is slightly under 5.0. Continental has the highest ratio of 9.5 and U. S. Trust the lowest of 1.4. Other low ratios are the 1.9 of Corn, the 2.4 of First National and the 2.8 of Irving Trust. In the case of First and U. S. Trust, heavy capitalization in relation to deposit liabilities accounts for the low ratio, while in the case of Irving low deposit liabilities in relation to capital funds is the explanation. Corn Exchange's low ratio of 1.9 is accounted for by the bank's high percentage of Governments and cash (90.4%), and its low percentage of "risk" assets, such as loans and discounts, which represent only 5.7% of total assets compared with an average of 22.0% for the 16 banks.

As the situation stands at present, there would seem to be little need for most of these banks to strengthen their capital structures, other than through the usual annual increments from undistributed earnings. If, however, the demand for bank credit by business and industry, in the forthcoming period of economic prosperity, should increase to such an extent that "risk" assets expand disproportionately, then additional capital may become desirable in some instances.

Revising the British Securities Act

(Continued from page 1570)

"fullest practical disclosure of information concerning the activities of corporations, but not to the extent of placing unreasonable fetters upon business which is conducted in an efficient and honest manner."

The Committee in its proposals, therefore, recommended that only "as much information as is reasonably required" should be made available, to shareholders, creditors and to the public. Among the suggestions of the committee is that the Board of Trade should not only make public its requirements for observance of the provisions of the Companies Act, but should vigorously investigate the affairs of corporations dishonestly and improperly conducted and have offenders prosecuted.

The recommendations made by the Committee to protect the investor fall broadly into two sections: those which seek to impose increased responsibility upon executives of companies and those which increase the shareholder's opportunities of making his views, individually or collectively, both known and effective. Instances where adequate arrangements are lacking in these matters are those of the original issue of securities together with the provisions for dealing in them; and the arrangements for and conduct of meetings. There are also minor points, such as the duties of trustees under debentures and financial relations between the corporation and its directors. The report deals with these matters in detail.

The recommendations, as a whole, fall much in line with those prevailing in the Securities Act of 1933, but there are some important differences.

Corporation Prospectuses

Regarding requirements as to the publication and the content of prospectuses, it should be borne in mind that the provisions of our own Securities Act of 1933 covering this field were largely drawn from British precedents. So it should be similar in scope and in detail to those now existing in this country. There is, however, in both countries considerable uncertainty as to what constitutes a "public offering" of securities. The British Act, in its intent, appears to limit the requirement of a prospectus to an "offer for sale," as distinguished from a mere "placement" or "allotment" of securities. On this point, the Committee announced that "we see no reason for specifically providing by statute that every 'placing' shall be deemed to involve an offer to the public of shares or securities for subscription, purchase or sale. But we think that 'placings' which are to all intents and purposes offers to the public should be brought indisputably within the provisions of the Act." This, however, it is pointed out, would not cover the placing of shares or securities "issued in the ordinary course some time previously, regarding which the London Stock Exchange, like the New York Stock Exchange, has its own listing rules in relation to information and data required to be made public if such additional shares are placed upon the market.

Requirements of London Stock Exchange

It is noted further by the Committee that "some of the requirements of the London Stock Exchange as to the information to be disclosed in prospectuses and advertisements go beyond the requirements of the Companies Act. The sanction behind these requirements . . . is the fact that if the Stock Exchange Committee are not satisfied they can refuse permission to deal or defer decision in the matter. On the other hand, as the requirements are not laid down by statute, the London Stock Exchange Committee can waive some or all of them in suitable cases. Their flexibility makes it possible for the rules to be more stringent and to afford the investor a greater measure of security than could be achieved by a statute except at the cost of hampering business." "We recognize," states the Committee further, "that particularly in recent years the London Stock Exchange Committee have exercised a beneficial influence in the matter of issues and we consider that it would be in the public interest that they should approach the provincial exchanges in respect to new issues to be brought in line with those prevailing in London."

Among the suggestions of the Committee's report is a recommendation that when a corporation in its prospectus promises to make application for permission to deal in (i.e., to list) the issue on a stock exchange, this promise should be carried out within a reasonably short time (2 days after "allotment") and if permission "to deal" is definitely refused within 21 days, the sale of the issue is to be cancelled and subscription payments returned. However, it is pointed out that this provision "will not afford complete protection to the investor, as Stock Exchange committees may decide to defer, not to refuse, permission. Under present arrangements, in the event of the London Stock Exchange Committee considering an application where the facts set out in the prospectus are either obscure or the proposition is of a highly speculative character, consideration of the application would be deferred until after the issue of the first report and accounts of the company, when the matter could be again brought forward. If no such discretion were retained by the committee they might, in such a case, be driven to err on the side of leniency, as it would be within their knowledge that a refusal might well prevent the eventual establishment of a legitimate business useful to the community."

Accountants and Experts

In regard to statements in the prospectus, directors, and accountants are to be held responsible, as under our own Securities Act, for the omission of material information as they now are for making any untrue statements. The onus for a false statement is to be placed upon the corporation directors, requiring them to show that they could not, by taking reasonable precautions, have ascertained its falsity. Similarly, if an opinion of an expert is used, the company officials are required to establish that they had reasonable grounds for relying on him. Experts are required to produce reasonable grounds for the statements made as a defense against an action for damages. The Committee holds that the public has the right to expect bankers and others "to exercise the greatest discrimination before allowing their names to appear on any prospectus."

In the case of new issues it is recommended that more information about past results be required and that auditors should bring accounting information up to date. Under another section, any provision exempting a trustee under a trust deed securing debentures from, or indemnifying him against, liability which under any rule of law would otherwise attach to him is to be void. This follows our own Trust Indenture Act.

Provisions regarding publicity of accounts are considered in two categories the contents of the statutory Balance Sheet and the Profit and Loss Account, and the provisions regarding consolidated accounts by holding companies. The recommendations in these fields are an advance over the present legal accounting requirements in the Act of 1929. The adoption of the Committee's suggestions will bring a substantial improvement in many cases in British accounting exhibits but it is also true that they fall short of the recommendations (though these were optional), made by the British Institute of Chartered Accountants to its members recently.

In regard to auditing and accounting provisions, the committee concludes that "the present legal requirements as to the contents of the accounts to be presented to shareholders are too meager. The practice of showing a number of diverse items in a lump sum and thereby obscuring the real position as to assets and liabilities, and, as to the results of trading, makes it difficult and often impossible for a shareholder to form a true view of the financial position and earnings of the company in which he is interested. While auditors have tended to press for standards in advance of the requirements of the present law, it has been suggested that their hands would be strengthened if the law were to accord more nearly with what they regard as the best practice."

Notwithstanding this conclusion, however, the Committee is opposed to control or standardization of accounting. "In our view," states the report, "The diversity of companies is such that it is doubtful whether standard forms of accounts would be practicable and in any event we fear that standard forms might restrict further progress in the technique of conveying information through the published accounts." The Committee also expressed opposition to a requirement that corporations should be required to publish details in the accounts "of sales, expenses of production, selling and distribution, administration and management." In this respect they are more liberal and less exacting than our own advocates of accounting publicity particularly those responsible for SEC and Stock Exchange regulations.

Corporation Control

The report contains an elaborate discussion of shareholders' control over corporation directors, and the relations of holding and subsidiary companies. Noting that "the illusory nature of the control theoretically exercised by shareholders over directors has been accentuated by the dispersion of capital among an increasing number of small shareholders who pay little attention to their investments as long as satisfactory dividends are forthcoming and who lack sufficient time, money, and experience to make full use of their rights . . . and are too numerous and too widely dispersed to be able to organize themselves," the committee makes a number of recommendations as to stockholders' meetings and communications between stockholders on matters relating to their interests. These are largely a clarification of existing statutory requirements.

But it is interesting to note the following remarks of the committee regarding investment trusts as a factor in loss of shareholder interest in corporation affairs:

"The growth of investment trust companies and of unit trusts in recent years has tended to divorce the investor still further from the management of his investments. Executive power must inevitably be vested in the directors and is generally to the advantage of the shareholders. There are, however, exceptional cases in which directors abuse their power and it is therefore desirable to devise provisions which will make it difficult for directors to secure the hurried passage of controversial measures, and, as far as possible, to encourage shareholders carefully to consider any proposals required by law to be put before them by directors."

The Future British Capital Market

In view of the Labor Party's present control of the British Government and its reported policy of directing the flow of capital, the Cohen Committee Report should take on more than a casual public interest in such matters. As stated in an editorial in the London "Financial News" on Aug. 21:

"Emphasis on increased productivity means modernization and the laying out of much new capital. The public will have to provide it, probably under a reformed Company Law on Cohen Committee lines. Admittedly, effective planning of investment probably means a National Investment Board. But the planning is likely to relate to the uses to which new capital is to be put, rather than the precise way in which it is to be raised. So long as the manufacturing and trading section of the national economy remains substantially under private enterprise, it is highly unlikely that any central investing body, representing the public interest, will assume financial obligations of any kind towards capital which will be employed by private concerns and will be subject to the risks of normal business. . . . Altogether the end of the world for Stock Exchange investment may still be some way off. But that does not mean that either investors or the House [i.e., The Council of the London Stock Exchange] itself can afford to relinquish the eternal vigilance which is the price of continued liberty."

Greece Gets U. S. Credits

Under date of Sept. 18 Associated Press advices from Athens, Greece, said:

The Greek Government has received official United States notification that the Export-Import Bank has opened $250,000,000 in credits in its favor, it was announced today.

A Government financial committee has decided to place immediately $20,000,000 worth of orders for bridge and road making materials and urgently needed machinery and equipment.

It was said the credits, granted in kind, were repayable at 2⅜% interest in 30 years.

Truman Hopeful of Labor Disputes Solution

President Truman expressed a vote of confidence for Secretary of Labor Schwellenbach on Sept. 26 when he told his weekly press conference, according to Associated Press Washington advices, that he knew the Labor Secretary was endeavoring to settle differences throughout the country between labor and management, and that he, Mr. Truman, hoped for a successful outcome. Mr. Truman would not make any further statement regarding the labor situation. This expression of his view was given after a newsman had pointed out that the action of the House Ways and Means Committee in shelving the "jobless pay bill" was stated to be due to the unsettled condition of labor in the nation.

N. Y. Stock Exchange Reports Debit Balance

As of the close of business on Friday, Aug. 31, total customers' net debit balances reported by member firms of the New York Stock Exchange carrying margin accounts was $1,100,184,172. Of that amount $147,788,483 represented credit extended to customers on U. S. Government obligations. The total of $1,100,184,172 includes all securities accounts, commodity accounts and all other accounts. It does not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" accounts of reporting firms, or accounts of partners of those firms.

Cash on hand and in banks reported by firms carrying customers' margin accounts, exclusive of balances segregated under the Commodity Exchange Act, totaled $250,656,423.

Customers' free credit balances, as reported by member firms carrying margin accounts, amounted to $573,285,143. This figure does not include credit balances in regulated commodity accounts, or free credit balances held for other firms which are members of national securities exchanges, nor does it include free credit balances held for the accounts of reporting firms or of partners of those firms.

"Management Must Tell Its Story"

(Continued from page 1570)

our lives and in general promote domestic tranquility.

The tribute that has been accorded your medium of information for outstanding performances in high-lighting war objectives and needs, is eloquent testimony of the over-all efficacy of public relations, and I believe that the accomplishment of certain of our wartime goals would still be in the embryo stage were it not for the magnificent, whole-hearted, cooperative job that you have so thoroughly made.

Understandably, as the sword-arm of business, public relations counsellors have always been charged with a definite responsibility—and that responsibility is to serve in the promotion of American industrialism and the sale of things . . . and while I have not the slightest intention of challenging this service or suggesting its modification, I am going to trespass upon your hospitality to the extent of asking you to give consideration with me to the subject of "economic literacy"—and what the professional public relations practitioner can contribute in the promotion of economic literacy among our American people.

In the mansion of literacy there are many rooms — there is the temple room where the believing man may "light his candles to that Lord who broke Himself for bread"—in that room there is order and definable recognition of the primacy of things that should be ordered first—in the multitude of other rooms in the mansion, there exists the accumulated knowledge and treasures of the centuries which, when explored and studied, serve to light the lamp that will light the path that we mortals must tread.

Importance of Economics

In the mansion of many rooms there is eloquent testimony that our literacy has been far-reaching and in the main triumphant—in letters and in the sciences we have achieved a mature literacy—even in the dubious science of wars we have an expanding literacy. But there is one room in the mansion cluttered with false concepts and brooding negatives—a room of cant and nonsense—and where the light should shine brightly to enrich and enoble those who come in search of knowledge and truth, there is instead but the fitful flickering of a wavering light in a befouled room. The legend over the door of this room reads—"Economics."

Of all the rooms in the mansion that should be continually ablaze with lights and vigil lamps, then relatively, this room is one. For we, all of us, and those who have gone before us, and those who will succeed us, are economic beings and the way of life that we create for ourselves is, in every measure and at every turn, intimately and irrevocably associated with economic exchanges.

A reasonable inquiry as to the reasons why the lamps of business flicker, waver, and shine so dismally at times, in very large measure is due to our collective inability to tell an essentially simple story in simple language to all our people detailing the way we earn our living.

Instead of following the precepts of the 16th Century Franciscan Monk, Pacoli, who gave us double entry bookkeeping, with all of its wherefrom, where-to simplicity, we have, since the 16th Century, been embarked upon the dubious enterprise of attempting to explain man's material existence in a combination of stock promoter, legalistic, accounting and scornful literary terms that have served only to darken and confuse a subject that should be as uncompromisingly simple as a grocery bill.

Literacy and learning and knowledge and wisdom from childhood on is a related series of progressions. We learn the alphabet, the multiplication tables, how to spell, how to read, how to study, how to think, how to reason; we learn to distinguish between false and true values; we publish more newspapers, books and magazines than the rest of the civilized world; our fellow citizens are bespoken at every instance through the medium of radio; we have more education of free and private varieties than any other people, but despite the comprehensiveness of all these things, we have failed dismally to teach and acquire a sound working knowledge of how we live.

Not so long ago the New York "Times" conducted a survey to determine the extent of our national literacy regarding American history. The indescribably shocking results of this survey, revealing a lack of literacy that was appalling in its implications, prompted the "Times" to launch a bitter attack upon a derelict education system that has failed to give our people anything excepting a superficial acquaintanceship with the reasons for our being a nation. Names like Adams, Breed, Winthrop, Williams, Putnam, Wayne, Sullivan, Hamilton, Burr and Edwards had absolutely no significance to the majority of the people surveyed. The Constitution, the Amendments to the Constitution, the Bill of Rights, Treaties, Pacts and Directives that have influenced the course of our national morals, conduct, thinking and actions were likewise without significance to the great bulk of those submitting to the sampling.

Economic Illiteracy

The dimness that prevails in the area of history is only exceeded by our illiteracy in the field of economics. That the state of economic literacy among our people is appallingly low and in need of clarity is manifest I believe and can be well documented by the number of disputes that have occurred during the past decade between management and workers, between contesting labor organizations, between so-called liberals and conservatives, between leftists and traditionalists, and between those professing conflicting political faiths. The essence of the differences between these contending elements, in our times, have their roots deep in conflicting economic doctrines and beliefs, and these conflicts are in turn the flowering of a cumulative lack of knowledge regarding economic truths.

Since our leaders are confused and terribly inept in explaining their own economic confusion, is it any wonder that uncertainties, unrest, suspicion and general lethargy is the residual matter that has flowed down to the great bulk of our people. And in an era when enlightenment was never a more desperately needed commodity, American management people have been capable of supplying nothing but hollow words and empty phrases, or they have elected to pursue the naive course of ignoring the rushing, black waters of destruction already lapping at their feet.

Dangers of Statism

Specifically, I would like to direct your attention to the fact that a growing number of our American people have become active subscribers to the tenets and beliefs of statism—that they believe our economic destinies can be best preserved and augmented by Government control of the processes of production and exchange. Another vociferous group, postulating the premise that private enterprise has failed to provide a good way of life for the bulk of our people, propose Government ownership of all productive enterprises. Pseudo liberals, academic busy-bodies, columnists, "enlightened" newspapermen, radio commentators and a galaxy of associated malcontents have seized the politician's stock in trade and are embarked upon the program of convincing the public that they are the champions of its best interests and the potential saviors of the nation. Their attacks on business and industry are based upon the ancient fallacious theory that business is something legitimately illegitimate.

These mounting, stormy penetrating tirades against American free enterprise during the last decade, far from wearing themselves out, have prospered and won new converts, because American management people have failed to provide the true story of the glorious achievements of American free industry. Even today, the best we can wring from the demagogues and crackpots is grudging acknowledgement that *perhaps* private enterprise has performed reasonably well in serving as the arsenal and pantry for most of the war-torn universe. Actually, the herculean task that American business has performed since 1941 will probably be recorded as the greatest industrial achievement of all times, and were it not for the performance of American industry, there is good reason to believe that the bird of victory might be perched on the banners of our enemies.

Let me give you an example of the type of things we must be prepared to combat: President Murray of the CIO in his 1943 annual report quotes the CIO Post-War Planning Committee as saying:

"The following essentials can and must be assured to everyone, regardless of race, color or creed: A job at union wages or a farm, business or profession that pays. A well-built, convenient home, decently furnished. Good food, clothing, and medical care. Good schooling for children, with an equal chance for healthy and happy growth. An adequate income through social insurance, in case of sickness, old age, early death of the wage earner, or unemployment. Our economy can provide all these things if we determine that it shall do so."

I question that there is a single, responsible person in the United States today who would not applaud this statement of objectives as reasonable, sincere, and necessary—and a statement that everyone will support heartily.

But listen to the way the objectives are to be achieved:

"Our huge new plants and extended farms must be continued in use after the war . . . these represent a new form of public domain, as important as the western lands which the nation owned a century ago . . . the Government should be prepared to operate plants itself, where business will not do so under proper conditions."

"We ask for the creation of administrative machinery to plan the reconversion and the long-time stabilization of our economy. This planning would be done by labor, management and Government, working together as equals for the national interest. Frankly, organized labor has no confidence in the National Association of Manufacturers' plan for restoring free enterprise to its pre-New Deal power. We remember the depression breadlines too vividly, the emphasis on profits and property rights too unpleasantly."

"A Planning Program properly executed should encompass a great program of public works on local, State and national levels. It would include a broad policy for rehousing the American people; the extension of public enterprise, particularly in electric power, conversion of our natural resources, and the like: A comprehensive social security program (passage of the Murray Bill). Instead of the present confused tax program, we should enact progressive legislation limiting corporation and personal profits, graduating the income tax so as to raise more revenue, and simplifying taxes."

"The trend toward monopoly and concentration of economic power must be reversed. We can begin by a strategic use of our new Government plants and continue it by general revision of the patent system and by a direct attack on the power of trusts and cartels."

"Labor believes, naturally, that wages should take precedence over profits; that the greatest single task of our economy is distribution of purchasing power. Because we believe this so emphatically, we of the CIO favor an annual wage at a high level. (Our present national income, operating for peacetime production, could give us a $2,900 floor in goods and services.) Finally, since Government plays an ever-increasing role in our lives, labor must be organized and politically conscious . . . *always keeping in mind, however, that the national interest must be placed above the interest of any pressure group.*"

We all want the same things for all our people that Mr. Murray so eloquently pleads for, but we feel that Mr. Murray and his coworkers have no exclusive claim to being the only ones who desire these refinements of living for our fellow-countrymen. We know just as well as organized labor that if there are segments of our people poorly housed, poorly clothed and poorly fed, that our brand of progress is in some fashion imperfect.

Production the Basis of Economic Welfare

We want all Americans to be privileged to enjoy and have and share all the benefits that are peculiar to our type of economy, but we can only have the things the CIO claims for the organized worker through accelerated production. We can't have them by simply claiming them as a right, for the corresponding entry to a "right" is a responsibility, and principal among responsibilities is the responsibility to produce.

We can't have things in abundance when workers claiming wages of $15 a day produce $10 a day worth of things, nor can we reach desired goals when organized labor claims for its services prices beyond ordinary capacity to pay. We are not going to have any healthy, realistic periods of prosperity when the products of the carpenter, bricklayer and automobile workers' services are not purchasable by men and women on farms and in offices and other industries.

Nor are we going to have any prosperity through governmental operatioin of existing manufacturing plants; we are not going to have prosperity by heavier corporation taxes. Do not the CIO and all other economic reformers know that the corporations are only unpaid collectors of taxes for the Government, and the corporations have only one source from which to obtain the money they turn over to the Government and that is from their customers?

Does organized labor not know that if the instrumentality called Government keeps on spending our money on the profligate scale that has prevailed for the past 12 years that we shall shortly be an impoverished, debt-ridden nation, and that our future work will be to pay the bill for the proverbial dead horse?

Do not our economic reformers know that without profits we shall have no money with which to extend existing industry and create new industry?

Do not the apostles of change know that our country has become great through production machinery and tools and that if there is no one with resources and savings to buy the tools and create new enterprises, there is likelihood that we might take our place alongside the toolless and unproductive nations like China and India?

Then, what of the ambitions for an economy where everyone has opportunities for education, good health, good diet, good clothing, good housing, medical care and security in his old age? They will be as unattainable as the fountain of youth, simply because we will have destroyed the sources from which all our well-being flows.

I do not think that the bulk of people who follow the false prophets are vicious, that they are intentionally embarked upon a program of destroying themselves, that they are creatures of some great revolutionary trend. I think they are misinformed. I don't believe that we are on the threshold of some Marxian revolt of the masses. I think that our people's minds have been temporarily captured by the false doctrines of economic charlatans and impractical dreamers who have in turn been assisted by the great fraternity of writers, radio-commentators, newspaper columnists and political stuffed shirts who have ventured into fields where they have no competence, but who can tell an engaging tale of economic Utopia.

Industry's Enlightenment Program

I think the average American is inherently fair and when industry underwrites a program of education and enlightenment regarding the simple way we earn a living, the Messiahs of revolution and change will quickly find themselves without audiences.

Labor has always been suspicious of corporate forms of industrialism, and largely because corporation industry has failed adequately to tell their story. They have permitted the fictions and untruths respecting the contributions of corporations to our national economy and well-being to flourish, grow and exaggerate themselves.

I think that it is time 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 our people; how they are one of the principal sources for the collection of tax revenues; how they promote the best interests of all of us through the workings of a free competitive system; where their ownership lies; and finally, how they are the indisputable source of continued economic, financial, social and moral well-being.

It is not enough for us to say these things and to assume, once they have been said, that 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 the effective role corporations play in supporting our type and concepts of a free enterprise system.

Basic Truths

We must make crystal clear basic truths like this:

1. That the elements of all productive economies are contained in three understandable classifications:
   (a) Raw material.
   (b) Tools of production.
   (c) Human energy.

2. That corporations came into existence basically as institutions to provide more and better tools for the fabrication of raw materials through the use of human energy.

3. Thus, the corporation is nothing, more or less, than a consolidation of tools into a cooperative effort for the purpose of producing and exchanging more and better goods and services.

We must tell our people that corporations are only trustees for the owners of the tools of production.

That the owners of the tools of production are men and women who pooled their savings to create cooperative ventures. That their savings were used to buy land, buildings and tools and raw materials. That men and women were engaged to run the tools of production to fashion finished units that could be exchanged with customers. That savings, ranging from $5,000 to $50,000 per worker, were necessary to provide a job for a single worker. That the person whose savings made possible the job is entitled to a reasonable and adequate return for his risk contribution to the corporation. That whenever the savings-investor in a corporation fails to receive an adequate return or wage for the tools, he is being cheated, just as surely as though he failed to receive rent for use and occupancy of a house he might own and rent to another.

Now, it is exceedingly futile to attack organized labor. Labor leaders of both the responsible and irresponsible varieties, and the millions who have been recruited into the ranks and the membership of the unions, are not to be blamed for their collective and individual inability to understand what corporations are—how they came into existence, their contribution to our national progress, the necessity for the continuance of a corporate form of economy if we are to liquidate the herculean mortgage that has been ordained for us by our political overlords in Washington.

As a matter of simple honesty, we must acknowledge that we have paid no attention to telling the workers the story of the glorious achievements of American industry and of the partnership concept that every single worker has in the structure and anatomy of American industrialism.

Our energies have been devoted to improving the techniques of producing more and better things; to refinement of the processes of marketing and to lavishly and spectacularly directing potential customer attention to our most recent products in the expectancy of inducing an increased sales volume.

I say these things in no critical sense because what we have done is very much a part of the American tempo of industrialism, but what I do wish to emphasize is the undeniable fact that we have erred grievously in not applying some of the same techniques and energy in educating the American worker, giving him confidence in the merit of corporate industrialism and of accumulatively adding to his field of knowledge respecting its values, so that instead of his being the more-or-less acknowledged enemy of the instrumentality that provides him with a level of living and competence unmatched in the world, he might, as he should, be the stout defender and earnest advocate of enlightened industrialism wherever it exists.

I know too that it is very easy to look back and say that if we could do things over we would handle our common problems with greater wisdom, but what does arouse and in many respects enrage those of us who have been working in the area of promotion of industrial harmony, is the awareness that so many of our corporations, whose operations have been victimized by groups lacking an understanding of the part tools play in promoting the commonweal, are still attempting solution of their problems, which are basically educational, with the same irrational tactics employed by the enemies of free enterprise.

No Magic Formula

In expanding this subject, I think it should be made very clear that there is no magic formula, nor is there any quick, easy route that leads to a solution of our problem. Rather, since we have been derelict for so many years in failing to tell our story, it may take us some time to recapture the areas that have been lost and it will take us some further time to plant and nournish the seeds of wisdom that will eventually bring us the fruits of industrial peace, without which we can reckon on ours being a dying economy.

What I am attempting to say, and the cause I am pleading, for is this: We must return to elementary things and employ the A, B, C's of economics, through the information channels now in existence, to vigorously educate our people and tell them of the glorious achievements of American free enterprise, and to educate them completely and honestly respecting the merit and worth and value of what we have and of the destinies we can achieve in working together toward a common goal.

Successfully planned and successfully executed we can make our people literate respecting the way jobs are created, what tools do in creating more jobs, and more things and more comfort and more leisure . . . of the necessity of encouragement of venture capitalism, of the necessity of accelerated production, since we may

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market moved ahead on increased volume as a good demand appeared for the longer term issues. . . . The last four maturities of the partially exempt bonds, reversed their recent downtrend, to be among the leaders in the upward movement in the market. . . . Despite indicated tax changes in the not distant future, the longer partially exempts seem to have quite fully discounted this feature, with the 2¾% due 1960/65 still considered the most attractive issue for institutions that need tax protection and are in a position to assume the premium involved. . . .

The latter maturities of the commercial bank eligible 2s as well as the 2½s were the market leaders in this group, with the 2½s due 9/15/67/72 again the favorite for the commercial institutions with time deposits. . . .

The ineligible bonds showed an improved tone, part of which may be attributed to reports that the restrictions on purchases by life insurance companies and savings banks in the coming Victory Loan, would limit the subscription of these institutions. . . . These rumors ranged from talk about allotments, to subscriptions based on a percentage of assets. . . . It is indicated that these restrictions will be made known before the middle of the month. . . .

SENTIMENT UNCHANGED

There is no change in the recommendations of informed students of the money markets who believe that the Government bond market in the not distant future will seek higher levels. . . . Accordingly, the bank eligible 2% group, and the longer 2½s are being advised for income and appreciation. . . . In the restricted issues the 2¼s due 1956/59 and the bonds that will be among the first eligible for commercial bank purchase are liked for non-commercial bank investors. . . .

FAVORITE ISSUE

The most favored taxable bond among the commercial banks from the end of last year to June 30, 1945, the close of the Seventh War Loan, was the 2% due 12/15/52/54. . . . A study of the bond purchases by 7,403 commercial banks showed that these institutions bought $2,119,000,000 of this bond, of which $1,890,000,000 was taken on by 4,766 member banks and $229,000,000 by 2,637 non-member institutions. . . .

Of the member banks, purchases of the Dec. 2s of 1952/54, the largest commitment, amounting to $752,000,000, was made by the country banks, with the reserve city banks, total $656,000,000 and the central reserve city banks, purchases aggregating $482,000,000. . . .

Of the central reserve city bank purchases the New York City member institutions bought $433,000,000 and the Chicago banks $49,000,000. . . . The next largest commitment by the commercial banks was in the 2% due June 15, 1952/54, which aggregated $276,000,000. . . . Of this total $264,000,000 was bought by the member banks and $12,000,000 by non-member banks. . . . The member institutions purchases of this bond showed that the reserve city banks bought $153,000,000, the central reserve city banks $84,000,000, and the country banks $27,000,000. . . . In the central reserve city banks the New York City member institutions bought $87,000,000, while the Chicago member banks were sellers of $3,000,000 of this obligation. . . .

LONG 2½s

The 2½% due 9/15/67/72 were purchased by the commercial banks in the amount of $269,000,000, of which $234,000,000 were bought by the member institutions, and $35,000,000 by non-member banks. . . .

The largest position in this bond among the member banks was taken by the country banks and the central reserve city institutions which amounted to $90,000,000 in each case.

The purchases of the reserve city banks aggregated $54,000,000. . . . The New York City member banks in the central reserve city group, reported purchases of $84,000,000, while the Chicago institutions bought $6,000,000 of the longest eligible issue. . . .

INTERMEDIATES

The 2% due 9/15/51/53 were added by the commercial banks to the extent of $236,000,000, with $233,000,000 being bought by member banks and $3,000,000 by non-member banks. . . . The largest purchasers of this security were the reserve city banks with $191,000,000, then the central reserve city institutions with $36,000,000, and the country banks, $6,000000. . . .

In the central reserve city banks, New York City institutions took on $26,000,000 and the Chicago banks $10,000,000. . . .

The commercial banks holdings in the 2% due 9/15/50/52 were increased by $210,000,000, out of which the member institutions bought $195,000,000 and the non-members $15,000,000. . . . Among the member institutions the largest commitment was made by the central reserve city banks, in the amount of $131,000,000, of which the New York City banks bought $130,000,000, and the Chicago institutions $1,000,000. . . . The country banks purchased $34,000,000 and the reserve city banks $30,000,000. . . .

2½s OF 56/58

The 2½% due 3/15/56/58 were bought in the amount of $169,000,000 as the member banks purchased $150,000,000 and the non-member banks $19,000,000. . . . The largest buying in this bond was done by the country banks, whose purchases totaled $76,000,000, while the commitment of the reserve city banks aggregated $63,000,000. . . .

The central reserve city banks bought $11,000,000, of which $10,000,000 was done by the New York City member institutions and $1,000,000 by the Chicago banks. . . .

The other purchases by the commercial banks of the taxable bonds were small and scattered over the remainder of the list. . . .

PARTIAL EXEMPTS

In the partially exempt bonds the largest purchases by the commercial banks were in the 2⅞% due 3/15/55/60, which security was bought in the amount of $169,000,000, of which $167,000,000 was taken by member banks and $2,000,000 by non-member institutions. . . . The reserve city banks bought $86,000,000, the central reserve city banks $80,000,000, of which the New York City member banks accounted for $74,000,000 and the Chicago banks $6,000,000. . . . Country bank purchases were $1,000,000. . . .

The 2¾% due 1960/65 were purchased to the extent of $160,000,000 with the member institutions accounting for $155,000,000 and non-member $5,000,000. . . .

The reserve city banks bought $88,000,000, the central reserve city banks $63,000,000, as New York City member banks took $59,000,000 and the Chicago institutions $4,000,000. . . . Country banks bought $4,000,000. . . . Commercial banks purchased $133,000,000 of the 2¾% due 6/15/58/63, of which member institutions bought $128,000,000 and non-member banks $5,000,000. . . . The reserve city banks took $88,000,000, the central reserve city banks $29,000,000, with New York City member banks buying $27,000,000 and the Chicago institutions $2,000,000. . . . Country banks purchases were $11,000,000. . . .

2¾s OF 56/59 AND 51/54

Purchases of 2¾% due 9/15/56/59, and the 2¾% due 6/15/51/54, by the commercial banks in each instance amounted to $96,000,000, with member bank commitments aggregating $81,000,000 in the former and $103,000,000 in the latter. . . . Non-member institutions bought $15,000,000 of the longer 2¾% and sold $7,000,000 of the shorter bond. . . . Reserve City banks took $69,000,000 of the 2¾% due 56/59, and $30,000,000 of the 2¾% due 51/54. . . . Central reserve city banks bought $2,000,000 of the 56/59 issue and $62,000,000 of the 51/54. . . . New York City member banks in the central reserve city group bought $2,000,000 of the 2¾% due 56/59, and $63,000,000 of the 2¾% due 51/54. . . . Chicago banks bought none of the longer 2¾s and sold $1,000,000 of the shorter issue. . . . Country banks purchased $10,000,000 of the 56/59, and $11,000,000 of the 51/54. . . .

The largest purchases by the commercial banks of the partially exempts were in the longer terms, although the central reserve city banks made sizable commitments in the intermediate and shorter-term issues.

"Management Must Tell Its Story"

(Continued from page 1595)

only have what we produce and earn.

Public Relations as an Educational Force

I am convinced that the starting point for a proposed campaign of education, designed to promote economic literacy, must start with a marshalling of all the forces of advertising and public relations. Every medium, newspaper, magazine, outdoor and radio, must be constituted as armies with specific objectives to be achieved. Their efforts must be synchronized and coordinated, for no one medium is capable of bringing sufficient fire-power into the battle.

Through newspapers, magazines, billboards and radio the industrial clients must, in simple, reportorial form, point up the false economic concepts that have gained circulation, and, without lecturing or shouting or finger-pointing or talking down, tell a constant story of how we live, of the sources of our wealth, and of the part tools perform in giving us better food, shelter, and comfort goods than any other people; of the rights and obligations of both the workers and the owners of the tools; to explain what a dividend is and of the part it plays in supporting our commercial system; to explain in understandable words what depreciation, depletion and reserves actually are and how they are made to work for the preservation of jobs; to explain taxes and why we pay them.

It seems to me, and I think my beliefs are well documented by the record, that every time our nation is confronted with a national emergency, the advertising and public relations fraternity is the first agency that is called up to explain that emergency, its perils and what we must do, in a united way, to overcome or defeat the condition or thing that interrupts the orderly, peaceful way of life that we all want for all our people.

You and your advertising associates have been called to underwrite in its entirety a war advertising campaign. You used the existing media skillfully and, from an educational point of view, you accomplished an outstanding job of educating and bringing home to our people an awareness of the enemies we were fighting and what we must do to emerge victorious in these conflicts.

Patiently and in understandable terms you informed our nation's people why we must buy war bonds, why the Wacs, the Waves, the Seabees, the Merchant Marine, shipyards and certain war industries needed man and woman power, why the USO and associated agencies were worthy of our support. These and a multitude of similar campaigns have been your amazingly good contribution to our knowledge and literacy respecting wartime aims and objectives. American industry, through the various sponsored types of campaigns, has supplied our people with more basic information concerning our common dangers than all professional and amateur literary and political propagandists could achieve in a lifetime.

But now the passage-of-arms type of conflict ends, the shooting wars are over and there is likelihood that you will be pushed back or retired to those polite sanctums, far removed from the major economic battle, which in every respect will be as serious in its consequences and implications as were the military and naval engagements.

Because of the amazing and effective talents possessed by men in your profession, I suggest that there should be no peace for you, there should be no discharges, no G. I. Bill of Rights, until you, working in concert with American free enterprise, plot the battle plan, underwrite the strategy, enlist the common support, direct the attack and in every contributory manner serve as the leaders in the war against economic illiteracy.

I truly believe that you were created from a convincing pattern, that you are men of hard humility combined with active imaginations. I believe that you should be professional improvers and the interpreters of business.

But because of too much humility, or because you have permitted habits to harden into patterned doctrines, or because it is an unpardonable sin for you to venture into the economist's field, or because some public relations and advertising men have become victims of their own vocabularies—for whatever reasons—I can understand why you have not been challenged broadly up to the present to come to the rescue of a situation that is extremely desperate.

But I believe, generally speaking, that public relations men have a good, hard realization of the primary interests associated with all business. I believe you accept the code of thinking that the interests of workers, management, owners and customers are inseparable, that one may not succeed at the expense of the other, that as good business is constituted today, no group of owners or managerial officials are embarked upon policies of human exploitation. I believe you know very well that our interests, our successes, our futures, are commonly and irrevocably linked to each other, and knowing this, that you will not permit ugly cynicism, ignorance, apathy, lack of knowledge, bureaucracy, alienism or rabble rousing to successfully challenge or threaten a nation and a system, which despite its detractors, is still the bulwark of democracy and the warehouse for nations who would have gone down to ignominious defeat were it not for the workings of a free industrial system.

Desmond McCarthy, the British literary critic, in a bitter piece of satire, depicting a day in the ageing Voltaire's life, has Voltaire saying:

"As long as people continue to believe absurdities they will continue to commit atrocities."

Atrocious economic beliefs stalk the land today — strange, unfettered, demanding, angry beliefs—beliefs having their origins in jealousy, frustration, ugliness and ignorance.

I think that men in your capacities have an immediate responsibility to point out and emphasize to the corporation officers you serve as counsellors, that the false beliefs prevailing in the current situation are as perilous as any that have ever confronted us as a nation, and that excepting our leaders, like the leaders in the founding era, "mutually pledge to each other their lives, their fortunes, and their sacred honor" in the support of the cause of freedom, we shall have no freedom.

So my appeal to you is this: Help us, help us to save ourselves and yourself, give us the benefit of the amazing talent that for so many years has worked with such good success in the promotion of ideas and things. Help us to save ourselves from the festering doubts and suspicions regarding an orderly, Christian way of life, that have infiltrated our thinking. Help us in giving our people the strength of knowledge so that we may emerge from the encircling gloom wiser, strong in our desires to hold and refine what we have, and with a happy ability of living successfully with all our fellow countrymen.

Railroad Reconversion Prospects

(Continued from page 1575)

"tools" provided by this doubled investment per worker, the men themselves received an average hourly wage double that of the first World War; the nation received better services at freight rates no higher now than they were before the recent war; and the Federal Government received an average of nearly $4,000,000 a day in railroad taxes, in contrast to a deficit of nearly $2,000,000 a day resulting from Federal operation of railroads during the first World War.

New Orders for Physical Equipment

Railroads are going ahead with their plans for further improvements in the alignment and structure of track, in signals and communications, in yards and terminals, in shops and offices, in operating methods, in every phase of the business. The changes most likely to attract attention, however, are those in locomotives and cars. There are now on order about 1,200 new passenger coaches. These new cars, most of which are expected to be delivered in 1946, will feature smart, spacious comfort. They will embody desirable changes in design and materials suggested by pre-war experience with earlier streamlined cars, by the experimental service of new types of sleeping cars and coaches built just before the war, and by direct personal checking of the preferences of passengers and prospective passengers.

Trains will be pulled not only by the newer types of power, such as electric and Diesel locomotives, but also by improved steam locomotives, including both new designs of reciprocating engines and others driven by turbines. Just as the 1945 railroad is a machine very different from that of 1920, as is evidenced by its performance record, so the railroad of tomorrow will be different from that of today.

It is possible to say with assurance, therefore, that the railroad will continue to play its indispensable part in meeting the transportation needs of this country, and that railroads will continue to be improved through enlarged and accelerated research and invention, provided only that the investment which in the past has been so fruitful of better service at lower cost can be continued in the future.

The question of the future volume of rail traffic is important. The total production and exchange of goods in the country is expected to show a decline in the next few months, to be followed, it is hoped, by the upturn which should result from more complete reconversion to the ways of peace. Railroads are vitally concerned both with the total traffic to be transported and with the conditions under which they will compete for their share, for successful railroading depends upon volume traffic.

This is true of railroads even more than of most other forms of business, because so large a part of railroad investment, approximately three-fourths of the whole, is in fixed roadways. Relatively large investment in fixed ways, in fact, is characteristic of all forms of advanced transport. The primitive pack-mule needed no prepared roadway, but trucks and trains do. The primitive canoe could thread streams in a state of nature, but the modern tow-boat and barge require costly improved channels. The barnstorming plane could use a cow pasture for an airport, but the modern airliner calls for airports and airways. All these improvements call for heavy investment by some one. In the case of the railroads, they themselves provide their roadways out of their own resources, maintain these ways themselves, and pay taxes on them which are not spent for the special benefit of railroads but for the support of the general work and services of Government.

This difference in situation as to investment and taxation is the more important because of its effect upon the distribution and division of traffic as between railroads and other forms of transport. Most commercial traffic is exceedingly sensitive to price considerations. The transportation agency which must meet all its own costs and pay real taxes besides, and must cover those costs in its rates, is at a distinct competitive disadvantage with one which can shift very real portions of its costs, wholly or in part, from those who use the service to those who pay general taxes.

The railroads are self-supporting, tax-paying business enterprises. To put all commercial transportation upon this same footing would require no more than the payment of reasonable user charges by those who use the roadways, waterways and airways, created and maintained largely by public funds, for the purpose of carrying on the business of transportation.

Under such a policy of equal treatment, traffic would normally and naturally flow to the means of transport which could offer the most satisfactory service at the lowest cost. Under such conditions, the country could be assured of the continuance of the investment of private capital necessary to supply the sort of efficient rail transportation which, as the war has so strikingly demonstrated, is a national necessity now and in the future.

Lewisohn Co. Admits Byfield as Partner

Firm Name Changed

Adolph Lewisohn & Sons, 61 Broadway, New York City, members of the New York Stock Exchange, announce the change of their name to Lewisohn & Co. Robert S. Byfield, formerly of Byfield & Co., which firm has been dissolved, becomes a partner in Lewisohn & Co.

Mr. Byfield became associated with Ames, Emerich & Co. in 1921, serving as officer and director until 1931. He is an organizer and President of American Foreign Investing Corporation which was formed in 1933; an organizer and member of the Stock Exchange firm of Byfield & Co. since 1935; and President of The Educational Alliance.

Lacy L. Kux and (Mr.) Gert Weismann also are becoming associated with the firm. Mr. Kux has been a partner of Byfield & Co. since November, 1939. Previously he was associated with the Foreign Departments of Sutro Brothers & Co. and Goldman, Sachs & Co., N. Y.; Singer & Friedlander, Ltd., London, Eng.; Reitler & Co., Vienna, Austria. He is a member of the Board of Directors of Vocational Foundation, Inc.

Mr. Weismann has been associated with Byfield & Co. since 1942. Prior to that, he was active in the international banking field, having represented Lee Higginson & Co. on the European continent from 1929 to 1939. From 1925 to 1929 he was associated with the International Acceptance Bank and the American Continental Corporation.

Ernest Lowber and Arnold Wayne, both formerly associated with Byfield & Co., and Ben Kessler and Harry J. Long, previously with Townsend, Graff & Co., also are becoming associated with the organization.

Admission of Mr. Byfield to the firm and the change in name to Lewishon & Co. was previously reported in the "Chronicle" of Sept. 27th.

Britain Cancels Lend-Lease Orders

It was reported on Sept. 23 that Great Britain had cancelled contracts for more than 50% of the $1,500,000,000 in lend-lease goods on order V-J Day, according to Associated Press Washington advices, which continued:

A spokesman for the British Supply Council said the action was dictated by Britain's desire not to assume additional debts until her financial outlook has been determined by the current Anglo-American conferences.

No food contracts have been canceled, he said, but numerous orders for tobacco, raw materials, and manufactured items have been either scaled down or canceled entirely.

The move actually does not mean a 50% reduction in purchases since Sept. 2—V-J Day—because many of the goods were of mostly wartime value and might have been canceled, if possible, had Lend-Lease continued.

However, now that the United States has ruled that all future shipments must either be paid for in cash or through suitable credit arrangements, British supply representatives have reviewed goods destined for Britain in the Lend-Lease pipeline to eliminate what they could, it was said.

Such steps are regarded as temporary precautions, he said, for Britain intends to buy needed goods in the United States to the limit of her ability if the Anglo-American negotiations lead to adequate financial assistance for her.

Fred'k Asbeck V.-P. Of Wm. J. Mericka Co.

CLEVELAND, OHIO — Frederick M. Asbeck has been elected Vice-President of Wm. J. Mericka & Co., security dealers in the Union Commerce Building, it is announced. He has been associated with the company for 12 years, and previously spent two years with Halsey, Stuart & Co. in Chicago.

Mr. Asbeck is a graduate of Lakewood High School and the University of Michigan, class of 1929. He is President of the University of Michigan Club of Cleveland and a member of the Chamber of Commerce, the Bond Club of Cleveland, and the Cleveland Security Traders Association. He is also active in Lakewood affairs, being a member of the Board of Managers of the Y. M. C. A., trustee of Lakewood High School's scholarship committee, member of Lakewood Rotary Club, and Chairman for Lakewood of the forthcoming Eighth War Loan campaign.

Mutual Funds

"Inflation Pressure Still Rising"

Drawing a graphic comparison between this war and the last one, **Keystone Co.**, in the current issue of Keynotes shows that vastly greater inflation pressure has been built up this time than was the case during World War I. While wartime price controls have been much more affective this time, to quote Keystone, "prices are like the pressure gauge on the boiler. Fixing the hand of the gauge so that it cannot rise does not lessen the internal pressure."

"In the six years since August, 1939, wholesale prices have increased 40%, whereas in the six years from 1914 to 1920, prices rose 148%.

"The nation's money supply—which has a basic influence on prices—is now over $94 billion as compared with $23.7 billion in 1920. The increase during the past six years has been 200%, as compared with an increase of 100% from 1914 to 1920. Since there is little prospect that the Government will be able to balance the budget during the next several years a further substantial increase in the money supply is indicated.

"Labor demands for higher wages are another strong influence working toward higher prices, and since the political and economic influence of union labor is much stronger today than ever before, it will be difficult if not impossible to reduce prices to consumers even when goods are plentiful."

Keystone suggests that in the light of these continued inflationary trends, investors should carefully review their investment programs. Their objectives should be (1) to consider sound opportunities for increasing income, (2) to make sure that a reasonable proportion of capital is in a position to grow during a period of generally rising prices.

Present Values in Railroad Stocks

Distributors Group's current mailing on **Railroad Stock Shares** includes two folders setting forth the position of railroad stocks and a covering letter which emphasizes that railroad stocks today are vastly improved in quality from what they were in the 1930's.

After citing the fundamental changes which have occurred in the overall position of the railroads during the war years, this sponsor expresses the opinion that many railroads "should be able to report earnings over the next several years at rates which will compare favorably with the best years of the 1920's."

"Railroad stock prices, by comparison, are today at less than half their average levels through the 1920's. They appear drastically undervalued in relation both to present and to estimated 1946 earnings."

Industry Comments

Hugh W. Long & Co., in the current issue of "The New York Letter," discusses some of the reasons why this sponsor believes that the building, mining and railroad stocks are particularly attractive at this time. In addition to the three industries commented upon, this sponsor is "especially partial toward the railroad equipment and steel industries."

Portfolio holdings of the various industry series of **New York Stocks, Inc.** as of Sept. 17, 1945 together with complete price and dividend records are included in the letter.

Key

Lord, Abbett's current Investment Bulletin on **Affiliated Fund** points to the automobile industry as "probably the key industry in the United States at the present time . . . for when automobile production is poor all industry moves in low gear; when this key industry is active, business in general is good."

The bulletin then cites the estimate of George W. Romney, General Manager of the Automobile Manufacturers Association, that it would be necessary to produce 6,000,000 cars a year from now until 1952 in order just to provide cars in sufficient quantity to reach and maintain the number which were on the road when the war began.

"This annual figure of 6,000,000 is considerably greater than the 4,500,000 to 5,600,000 range which in 1928 and 1929, and in 1936 and 1937, coincided with what we now recognize as boom years for corporation production, earnings, dividends, and stock prices. And the present promise is for six consecutive years of high activity, rather than just two at a time as previously has been the case.

"They should be interesting years for the holders of corporation shares."

Britain

Returning from a five weeks tour of Britain, Leslie H. Bradshaw, Editor of **National Securities & Research Corp.'s** weekly Investment Timing service, gives in the current issue a graphic and highly illuminating report on his trip. The picture he paints is not a happy one for the people of Britain. It is one which should instill in Americans a feeling of thankfulness and humility for the opportunities and blessings we enjoy as a nation.

Fidelity Fund

In a letter accompanying the September report on **Fidelity Fund, Paul H. Davis & Co.** advises that net assets of the Fund amounted to $8,157,077 on Sept. 22, 1945, as compared with $5,336,237 at the beginning of the year.

Keystone Custodian Fund K-1

The Annual Report of this Fund for the fiscal year ended Aug. 31, 1945 shows net assets of $20,653,304, as compared with $11,706,921 a year earlier. This growth reflects an increase of more than 50% in the outstanding shares of the Fund and an increase in the net asset value per share from $17.29 to $19.94.

The report also states that on Sept. 20, 1945 total assets of the 10 Keystone Custodian Funds amounted to more than $140 million.

Chemical Stocks

In a mailing on **Group Securities' Chemical Shares**, the sponsor, **Distributors Group**, includes a reprint of a recent article from the "Financial World" entitled "Chemicals Facing New Growth Era." The mailing also includes a revised folder on Chemical Shares which discusses the optimistic outlook for American chemical companies in both domestic and foreign markets during the years ahead.

Million Dollar Dividend

Affiliated Fund's October dividend payment will total more than a million dollars as a result of a 27c. per share disbursement from capital gains. This October dividend, including the capital gains disbursement and 3c. per share from net investment income, will amount to a total of 30c. per share.

Mutual Fund Literature

A. W. Smith & Co.—Supplementary information on **New England Fund** dated Sept. 29, 1945, to be used in conjunction with the current Prospectus. . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important," high-lighting the fact that earnings in recent years have increased faster than costs. . . . **National Securities & Research Corp.**—Revised folder on **National Preferred Stock Series**. . . . **Keystone Co.**—A new general Prospectus on **Keystone Custodian Funds** and new Supplements for Series B-1, B-3 and S-4 dated Sept. 25, 1945; revised issue of the folder, "Security Selector"; revised copies of the "Planned Investment Program" folders; a reissue of "Security Market Performance" folders covering the six months ended June 30, 1945.

Dividends

Affiliated Fund, Inc.—A regular dividend of 3c. and an extra dividend of 27c. per share, payable Oct. 20, 1945, to stock of record Oct. 10.

Mutual Fund Dividends From Securities Profits—

ARE THEY SPENDABLE INCOME?

By WALTER L. MORGAN
W. L. Morgan & Co., Philadelphia

Calling Attention to the Conflicting Opinions of Courts and Accountants Regarding the Nature and Application of Dividends of Mutual Funds From Securities Profits, Mr. Morgan Recommends That in View of the Objectives of Mutual Funds a Liberal Viewpoint Be Taken That Will Clarify the Prevailing Confusion on This Subject.

While there are differences of opinion on this subject, it is surprising how generally such dividends are regarded as spendable income. This is due to increasing recognition of the broad and liberal concepts of income as developed by court decisions and State legislation in recent years, and a clearer understanding of the objectives and functions of many Mutual Funds.

Walter L. Morgan

Management Objectives

Mutual Fund dividends from securities profits are generally regarded as income because these earnings are, and should be, a definite and fundamental part of a Mutual Fund's business and objectives. Indeed, good management in a Mutual Fund implies more than merely earning and paying a dividend from investment income. For example, it means taking advantage of the many profits possible from undervalued non-income-producing special situations. The augmenting of investment income by securities profits, the increase in the value of the shareholder's equity in good years, and the protection of his equity against loss in declining markets are all fundamental objectives of good Fund management.

In regarding Mutual Fund securities profits dividends as spendable income, one qualification might be considered from a practical angle; that the management record of a Fund should show some reasonable consistency in effecting securities profits over a period of years. This standard is established to differentiate from the situation where securities profits might be realized in only one year out of five or where the profits were particularly large or abnormal. However, even where consistency of securities profits is not present, there is sound legal ground and wide public acceptance today for the treatment of such securities profits dividends as income. Most States, including both those whose courts adhere to the so-called Massachusetts prudent-man rule and the growing number of States whose legislatures have adopted the Uniform Principal and Income Act, require trustees and executors to distribute the proceeds of all cash dividends (ordinary or extraordinary, including dividends from securities profits) to life tenants, regardless of whether the distributing corporation deals in railroad service, farm equipment, battleships, or securities. These rules apply equally to dividends paid by Mutual Funds out of securities profits. It is doubtful if investors realize how generally this practice is established.

Those who may consider this practice unorthodox may be confused by the entirely different situation which prevails under estate accounting rules when a securities profit is realized directly by a trustee. These profits are generally apportioned as to principal and withheld from the life tenant. A strict accounting approach to the question may be unsound because it may fail to consider the changes in fundamental thinking on this question of income over the past 20 years. Under strict accounting theory if an investor purchased for $300 per share a common stock paying $9 dividends, those dividends would be considered income even though the market value of the stock would decline to $100 per share. Yet the retention of this stock could hardly be regarded as good management and, from a practical point of view, it is doubtful whether the dividends should be regarded as income when the purchaser has lost two-thirds of his principal. Accounting theory too frequently neglects to recognize that in a Mutual Fund variance in asset values and not balance sheets or surplus accounts is the most important consideration.

There is one important thing to remember—dividends from securities profits may vary from year to year and while in many years securities profits are enjoyed, in other years losses may be realized. Nevertheless, variance in the amount of dividends is no reason for not including them as spendable income. Even in "Blue Chips" the variance in dividends from year to year is extreme as is evidenced by the high and low dividends of such leading companies as the following since 1934: General Motors—$4.50 and $1.50; duPont—$7.00 and $3.10; and General Electric—$4.50 and $1.50. Certainly, the variance in these dividends would not preclude the investor from considering them as spendable income.

Today, when the unprecedented low yield on high grade bonds and preferreds has driven many investors into more speculative individual stocks, in order to secure an immediate investment income return, an even greater irregularity of dividends may be experienced and often risks and losses are assumed which are at great variance with professed conservatism in the treatment of securities profits dividends. This hazard is minimized in a well-balanced diversified Mutual Fund where as many as 100 different securities are owned.

The important thing for the dealer or the investor to look at is: What is the average dividend paid by a particular Mutual Fund over a long term period of years and do the variations in liquidation value of the Fund show good management results even after treating the securities profits dividends as spendable income? The investment dealer who does not educate his customers along these lines and as to the variance in the amount of dividends is not only doing his customers a disservice but, more than this, he may hurt his own good will.

The liberalization of the treatment of income as a result of court decisions, state legislation, and everyday practice, comes from a very practical and necessary need—the protection of life tenants and trust and other income beneficiaries so that they will have enough money for living expenses. In many instances they would not have this protection otherwise due to present reduced yields. To further protect income beneficiaries, most modern trusts and wills go much further than merely allowing securities profits dividends to be spendable. They actually allow trustees to withdraw principal to take care of the needs of income beneficiaries.

The foregoing shows how necessary it is to regard the subject of securities profits from a liberal and practical viewpoint and may clarify some of the confusion on this subject which has hitherto prevailed.

Belgians Doubt Link to Sterling

(Continued from first page)

attention has been called to the wide discrepancy between the premium which the black market pays for American bank notes and that paid here for notes of the Bank of England. The former can be sold in the black market at about 65 francs per dollar—the official rate being only 43.70 francs. The pound sterling, on the other hand, worth officially about 176 francs, brings only 220 francs in the black market. Belgian business men simply refuse to believe that sterling can be held at the artificial rate of $4.03. This belief has persisted in Belgium ever since that official cross rate was established.

An Official's Views

One financial official whom the writer interviewed in Belgium expressed no concern over the future of the Belgian franc. He pointed to Belgium's large gold stock as an assurance of stability. Asked to comment on the observation made to the writer by a business man here, to the effect that the coming depreciation of the French franc is bound to have an adverse psychological effect on the Belgian franc, this financial official professed to view the situation quite calmly.

Concerning the relation between the Belgian franc and the pound sterling, the official went on to observe that Belgium is quite free under the Anglo-Belgian agreement to change the foreign exchange parity of its currency unit.

The desired loan from the Export-Import Bank would not be for the purpose of stabilizing Belgium's franc, this official continued, but would be used for acquiring needed machinery; although admittedly this would indirectly tend to strengthen the franc, both now and later.

Concerning the fact that Belgium holds a large stock of gold, my informant said: "We intend to use some of our gold." He did not share the view that every outflow of gold leads to public disquiet as to the currency. "Most Belgians are not aware of the gold statistics, or pay any attention to them," he added.

The official went on to say that Belgium since May 1, 1944, by a decree of the Government-in-Exile in London, no longer has any statutory requirement for a legal reserve ratio. Formerly the ratio was 40% gold cover against the note issue. Despite the absence of a required reserve ratio, the gold cover behind the note issue is today greater than it is in the United States.

Of course the basic consideration in the matter of confidence in the currency is not the gold reserve, but the economic strength of the country.

By the devaluation of May 1, 1944. Belgium derived a gold "profit" of 10,493,000,000 francs, which have been placed in a special account. This profit offsets an equal amount of public debt. The whole process may be likened to the clipping of coin which has characterized the monetary history of the world for many centuries.

Asked about Bretton Woods, the official observed that Belgium has until Dec. 31, 1945, to ratify. "What if the United Kingdom should fail to ratify Bretton Woods?" I asked. "Ah, well," was all my host replied, with a shrug of his shoulders.

The present inflationary and attendant black market situation is only a temporary one, said the official, and normal conditions will be restored within a year. Good clothing will be available by the end of this year. Belgium's big problem is coal. This is the problem of all Europe today.

As to exchange control, it will be necessary in Belgium for a long time yet, the "Chronicle's" reporter was told. So long as the United Kingdom, France and other countries maintain control of foreign exchange transactions, Belgium also must do so.

"We need loans mainly for the transition period," he added. "Our big problem is that of rebuilding our export market. What are our chances of selling goods in the United States? That is the crucial question," this centrally placed official observed.

On the attitude of the Belgian people toward the Belgian franc, this financial executive pointed out that not in a long time indeed has there been so much demand for Government bonds in Belgium. "Curiously," he commented, "the prices of shares on the Bourse are at a discount, compared with Government paper. Surely, this shows no lack of confidence."

The Black Market Not An Unmixed Evil

Since the beginning of the war there have been black market transactions in almost all goods. During the Nazi occupation the main effect of the black market was to consume goods the Germans wanted. It accomplished, willy-nilly, a patriotic result. Since liberation, of course, that point no longer applies. In 1940 most Belgians knew what the Germans had taken in 1914-18, and so the people stocked up on such articles as soap. Soon the shopkeepers and wholesalers took their stocks off the shelves and doled them out only gradually at black market prices. All articles of consumption produced abroad were in this class, notably coffee, wool, medicines.

Another class of black market developed in domestic farm products such as potatoes, butter, meat and fats—all perishables.

In the beginning, a study reveals, the poorer classes suffered from the low-caloried diet the Germans decreed. But with the growth of a black market in foods, the state of health of the people actually improved above pre-war level.

In the second half of the war the Germans commenced deporting young Belgians to work in Germany. Many who did not want to go fled to the countryside. Unable, therefore, to obtain their regular ration coupons in normal manner, they either were fed by farmers, stole legitimate ration coupons, as by hi-jacking the cars delivering those coupons, or obtained counterfeit coupons. All these measures, black market in nature, helped make more difficult the job of the Germans. Some German officers and men even contributed to the black market by bringing in from France such articles as butter, liquors and furs.

Since the liberation, more than a year ago, Belgium has been "occupied" by Allied troops. The latter have busily shopped for fountain pens, brief cases and other items for their own use or for gifts to be sent home, as well as gifts for their girl friends here. As their money gave out there was a tendency for these troops to sell on the black market—cigarettes, Army gasoline, raincoats and other articles. For example, quite a trade in Canadian Army blankets grew up, the Belgian women making overcoats from them. This racket was attacked by a military order prohibiting dyeing establishments from dyeing any blankets.

After liberation the shops started displaying goods that had been hidden throughout the war—lace, porcelains, perfumes, wines, fountain pens, leather goods, etc.

Belgians feel that during the war the black market benefited Belgium and saved many lives. Everyone here still is using the black market for some purchases of food and clothing, and the practice is generally taken for granted. When the supply of goods increases, as has been the case with grains, the black market will disappear. Bread already is so plentiful that there is no longer a black market. Feedstuffs coming in tend to make poultry, and ultimately meat, more plentiful. Butter and milk are increasingly available. Congo chocolate may now be had in limited rations. The first year since liberation has seen a marked improvement in the appearance of the people, thanks to imported breadstuffs.

The Diamond Industry

Diamonds have long been a prominent item in Belgium's foreign trade, and naturally a black market in them developed during the war. Diamonds have been widely used in Europe as a means of concealing capital and as a hedge against the deterioration of the currency.

Upon the liberation of Belgium the Government helped the revival of Antwerp's diamond-cutting industry by making available foreign exchange for the importation of rough diamonds—this to be balanced by the exportation of cut stones. In practice there has been widespread chiselling, not excluding the reported smuggling of stones by Allied military officers traveling between here and London. Black market transactions have been reportedly predominant in the diamond trade, although they seem to be on the wane. An ample supply of rough stones is needed to end this abnormal condition. Meanwhile, the illegal operators, who have made war-time fortunes, since liberation in some cases have been transferring some of their activities illegally to France.

Antwerp's diamond-cutting industry has been disrupted by the scattering of its skilled workers to New York, Havana, Palestine, South Africa, etc., and into other types of work for the Allied military here. How many rough diamonds Antwerp gets to cut depends on the de Beers syndicate dominated by one man in London, Sir Ernest Oppenheimer, who wants the Palestine industry sustained, partly because Palestine is in the Sterling Area. Oppenheimer, to some extent, however, is influenced by Belgian Congo diamond interests, who want to see Antwerp's trade revived. The Congo interests are members of the syndicate.

Palestine now employs some 3,000 to 4,000 workers in its diamond cutting industry. Not only the continuance of that country's diamond industry, but also the future of other countries'—such as the New York industry—depends on the supply of rough stones obtained from the syndicate. Antwerp's chief rival before the war was the Amsterdam diamond-cutting industry.

It is reported in Belgium that the diamond black market is tending to diminish; that is, that black market prices of diamonds have dropped about 25% during the past three or four weeks.

Treasury's Tax Reduction Program

(Continued from first page)

I am sure we all agree that more than one step will be necessary to convert the wartime tax system into a postwar system.

Every one of us wants to see an end to the burdens of the war as soon as possible. But these burdens do not end easily or quickly. War and its aftermath will keep Federal expenditures high for months to come. We cannot liquidate a great fighting machine overnight. It will be some time before expenditures for feeding, equipping, and paying the men and women of our armed forces will shrink to the peacetime level. Demobilization itself is expensive. Contract terminations will probably cost between $4,000,000,000 and $5,000,000,000. Mustering out pay will average about $270 per discharged man, to say nothing of the costs of bringing him home. Even after completing demobilization we must meet our obligations to the veterans and to the 85 million war bondholders. To re-establish veterans in peacetime jobs and to provide care for sick and disabled veterans is a responsibility of first importance. The Federal debt, which on September 27, 1945 was $262,500,000,000, must also be serviced at a cost of over $5,000,000,000 a year for interest alone. Finally, we are determined never again to be caught off guard. The peace must be won. That means occupation of enemy countries to make them powerless and to put them on the road to a peaceful instead of a warlike future. It also means a military establishment large enough to maintain the peace.

Non-war programs to aid agriculture, the unemployed, and the aged, and delayed public works expenditures, together with the ordinary civilian expenditures of Government, will also cost money.

These facts make it clear, first, that expenditures cannot fall immediately to their eventual postwar level and, second, that when we do reach a postwar plateau it is bound to be far higher than the prewar expenditure level.

The Real Solution

The only real solution of our tax problems and our debt problems is a high level of production, employment, and national income. A large tax paid from a high level of income is far easier to bear than a small tax paid from a low level of income. We can have a high level of income. The war has demonstrated that this is a $200,000,000,000 country; an annual gross national product of $200,000,000,000 at present prices is within our reach. We have before us the possibility of a far higher general standard of living than this country has ever known. In achieving and maintaining that higher standard we shall do more than is possible in any other way to solve the postwar tax problem. And a good tax structure will aid materially in achieving that higher standard of living.

But achieving and maintaining the high levels of production and income of which this country is capable is not a simple nor an easy task. We must have a smoothly running economic machine with ample profit incentive and ample consumer purchasing power. We must prevent both inflation and deflation—the inflation which disrupts the economy by throwing out of gear the value of our income and the deflation which leads to unemployment, depression, and stagnation.

Taxation is an important factor in expanding and stabilizing our economy. The tax structure for the postwar years should be modernized to make the greatest possible contribution to a high level of employment, production, and national income. Recently I had occasion as Director of War Mobilization and Reconversion to outline what I believed the guiding principles underlying our postwar tax policies should be. I would like to quote a few sentences from my report of July 1, 1945:

"I regard the modernization of our tax structure as the foundation of our entire program to reach and maintain full employment after the war.

"In our complicated economy it is not easy to see the ultimate effects of taxes, on whom they fall nor what they mean to the prosperity of the people. After the war, Government revenue needs will be three times what they have ever been in peacetime. The Federal tax structure will, therefore, be a far bigger factor in the economic health and stability of our Nation than ever before.

Tax Principles

"I believe the following principles should guide us in constructing our tax program:

"1. Taxes should be levied in such a way that they have the least harmful effect on the expansion of business investment and the creation of jobs, because productive employment is the source of our standard of living, of all income, and of the revenue which the Government collects from taxes.

"2. Taxes should be levied in such a way that they have the least harmful effect on the maintenance of mass markets and mass purchasing power because that is the basis of business, labor, and agricultural prosperity.

"3. Taxes must be fair among people.

"4. Tax policy should be integrated with a fiscal policy designed to prevent inflation and deflation.

"Acceptance of these principles means, in my opinion, that the personal income tax must be the chief source of tax revenue and the base must be broad.

"It means that we should eliminate as far as possible the sales and excise taxes, because they not only put an unfair and hidden tax burden on those with low incomes, but they also restrict markets for business.

"The excess-profits tax should be repealed after VJ-Day. Taxes on business earnings should be modified, bearing in mind, on the one hand, the revenue needs of the Government and, on the other hand, the incentive for risk-taking and expansion to be gained by the modification."

It is my understanding that you do not intend at this time to undertake a modernization of the tax structure. I agree that the problem of 1946 taxes is more immediate and that for the time being a thoroughgoing job of postwar tax revision must give way to it. Accordingly, I shall withhold my suggestions for basic revision until a later date and shall confine these remarks to the immediate problems of tax legislation for 1946.

First of all, let us look at some facts concerning the budgetary outlook. The peak of Federal wartime expenditures was reached in the fiscal year 1945 when war expenditures totaled $90,500,000,000 and total expenditures $100,100,000,000. The Aug. 31 Budget Bureau estimate for the fiscal year 1946, indicates a decline in war expenditures to $50,500,000,000 and of total expenditures to $66,400,000,000. Thereafter expenditures will continue to decline but will remain at relatively high levels.

Peak Revenues

The peak of wartime revenues was reached in fiscal 1945 with total receipts in general and special accounts of $46,500,000,000, leaving a budget deficit of $53,600,000,000. The latest estimate for the fiscal year 1946 indicates that revenues will decline to $36,000,000,000, leaving a budget deficit of $30,400,000,000. Although a $30,000,000,000 deficit represents an improvement over a $53,000,000,000 deficit, it remains a stubborn, sobering fact. Immediately, the thought of tax reduction must be narrowly confined.

There are no official budget estimates beyond June 30, 1946. To facilitate the work of your Committee we have prepared revenue estimates for the calendar year 1946 based on the most reasonable assumptions that we are able to make at this time as to levels of business and income in 1946. Before presenting these estimates, I should like to point out that while the figures have been prepared by the Treasury staff, they have been reviewed by a committee jointly representing Mr. Stam's staff and the Treasury tax staff. I am informed that the two staffs are in agreement on the estimates.

The revenue figures for the calendar year 1946 are presented on a liability basis; that is, they are not the amounts that would actually be collected in 1946, but the amounts that would accrue under existing tax laws on the basis of present estimates of 1946 income and business. This liability basis of estimate, rather than a collection basis, is used to give a clearer picture of the taxes which existing law will impose on individuals and businesses in the year just ahead, the year to which the Committee is now devoting its attention. The liability basis also avoids confusion by disregarding variations in the dates of collecting taxes accrued for any given year.

The tax liabilities for the calendar year 1946 under present law are expected to amount to a total of $32,500,000,000, or $8,900,000,000 less than the corresponding liabilities of $41,400,000,000 for the calendar year 1944. Thus it appears that by 1946 even without any change in tax laws, falling national income, payrolls, and profits will bring about a tax drop of nearly $9,000,000,000. The taxpayer will not feel any relief from that drop in tax liabilities but the Government must reckon with its impact on revenue receipts.

The $32,500,000,000 figure of estimated tax liabilities for the calendar year 1946 is reached without allowing anything for a possible reduction of the excise tax rates under existing law. The provision of law is that the so-called "war tax rates" shall end "on the first day of the first month which begins six months or more after the date of the termination of hostilities" as proclaimed by the President, or specified by concurrent resolution of Congress; at that time the excise tax rates revert to their levels prior to the Revenue Act of 1943. In his announcement of VJ-Day, the President stated that he was not proclaiming the end of hostilities. There is no way of forecasting at this time when the end of hostilities for the purpose of the excise tax reduction will occur; for this reason the estimates did not include any amount for reduction.

How Much Reduction?

An important question facing your Committee is: How much room is there for tax reduction at the present time? I urge that in considering this question you keep first in mind the protection of our 85 million bondholders. They must be protected against inflation and a weakened national credit. Without confidence in a strong national credit we shall be in a weak position indeed to promote business expansion, production, and employment.

In considering the possibility of tax reductions during the transition period, we must consider not merely the state of the budget, but the state of the economy as well. As I have said before, we want a tax system geared so far as possible to the prevention of both inflation and deflation.

During the coming year we shall find ourselves in a somewhat paradoxical situation. The rate of government expenditures — and particularly those expenditures which find their way currently into the pockets of consumers—will be declining rapidly. Millions of workers will be laid off and forced to seek new jobs. As the labor market loosens, the workers' total income will decline. Overtime pay will rapidly diminish. Many workers who have been promoted to well-paid classifications will find themselves reclassified into less remunerative jobs. Workers, in many instances, will have to move long distances in search of new jobs. In many States, unemployment compensation, under existing legislation, will not prove adequate to sustain mass purchasing power.

All these are deflationary factors. They do not result, however, from any fundamental deflationary situation—that is to say, they do not result from a deficiency of total purchasing power in the hands of individual consumers and business investors. On the contrary, both business and consumers have more money in reserve than at any time in our history. Rather, such deflationary dangers as we face are the by-products—many of them inevitable by-products—of a titanic physical change-over from war production to peace production.

In other words, we should have adequate demand if we were able to mobilize our physical resources quickly enough to satisfy it. Therefore, one of the primary objectives of our fiscal policy must be to encourage the boldest, the quickest and most venturesome expansion of peacetime enterprise by business investors.

So long as we remain in this

period of physical transition, we shall continue to be faced with inflationary pressures. There is an enormous pent-up demand, particularly for capital and consumers' durable goods. The budgetary deficit will be large. Accumulated individual and corporate savings are enormous. We are starved for new houses, new cars, new radios and the like.

Inflation Threat

We must, therefore, at present keep up our guards against inflation, not only through price and other direct controls, but through taxation. It would be pathetic if, after besting the enemy of inflation all through the war, we allowed it to overtake us on the home-stretch. In other words, I am convinced that, in considering how much room there is for tax reduction your Committee will be well advised to keep a weather eye to the storm signals of inflation.

At the same time, we cannot overlook the deflationary dangers to which I have already alluded. If the physical changeover of our economy is delayed or hampered, by fiscal or other impediments, the temporary phenomena of deflation may take on a more permanent and inflexible character. If business lacks confidence in the future, enterprise will be timid. If workers and consumers lack confidence, they will contract their purchases and hoard their savings. In either of these events, the prompt expansion of our peacetime economy will be endangered.

To a major degree, we must rely on non-fiscal measures to guard against deflation. Skillful wage policy, price supports for agriculture and adequate unemployment compensation are important weapons. Nevertheless, a modest reduction in taxes can help. But it must not go too far. After all, although there will be both inflationary and deflationary pressures, tax laws are nation-wide as to area and composition.

Hence after considering all factors, economic and budgetary, it is my considered judgment that total reductions should not exceed $5,000,000,000 for 1946.

This is a time when rapid reconversion and business expansion are of the utmost importance to the maintenance of a high level of employment and income. Tax reduction for 1946 should be designed to afford the maximum aid and stimulus to reconversion and expansion that is compatible with our revenue needs. Therefore, I suggest that the Committee should view the primary function of this bill to be the removal from the tax law of serious impediments which it may present to the swift transition from a war economy to a prosperous peacetime era for which we are preparing. If, as I believe, we can do this without an unwarranted sacrifice in revenues, then the present problem will be successfully met.

End Excess Profits Tax

In this connection, I wish to discuss with you the excess-profits tax because I consider it to be in a class by itself in its relation to postwar business expansion.

The excess-profits tax was imposed in 1940, and the rates were increased in 1941, 1942, and 1943. It has been a major source of wartime revenue. It should be noted, however, that the net yield from the tax has not been as large as the apparent yield, for if the excess-profits tax did not apply, the corporation normal and surtaxes would apply. The net yield of the excess-profits tax is the additional revenue produced by imposing on excess profits the 85½% excess-profits tax rate instead of the lower corporation normal and surtax rates. At the level of profits expected for 1946, the net yield for the excess-profits tax is estimated at $2,555,000,000.

Despite its importance as a source of revenue, the excess-profits tax was not imposed merely as a revenue measure and has never been viewed primarily as such. The primary purpose of the tax has been to prevent war profiteering. Although it has not altogether succeeded in that purpose, there can be no doubt of its great value in recapturing war profits.

The excess-profits tax has been a control measure, one of a large group of control measures which were absolutely necessary to the effective conduct of the war and to the maintenance of economic stability and a fair distribution of the sacrifices of war. It is the fixed policy of this Administration that every war control over American business and American life shall be dropped as soon as conditions make it possible to do so. A long list of controls has already been dropped and many more are going day by day. I believe that by December 31, 1945, conditions will be such that the excess-profits tax, as a wartime control measure, can be eliminated and I recommend that it be repealed as of that date. It should not be repealed before that date because large amounts of war profits will continue to be received during the closing months of this year, as contracts are completed and termination payments made. Moreover Dec. 31 is a desirable date on which to end the tax because it is the close of the taxable year for the great majority of corporations and thus is a convenient date, both for the taxpayer and the Government.

The case against the excess-profits tax for 1946 goes beyond the fact that it is primarily a wartime control. It is also an obstacle to that reconversion and expansion of business which are so necessary for a high level of employment and income. The testimony of businessmen is that they are unable to take the risk of full peacetime business expansion until this tax has been removed. Their attitude is not difficult to understand when we reexamine the nature of the excess-profits tax and observe the erratic character of its measurement of excessive profits.

The idea of taxing excessive profits is an attractive one in peace as well as war: If profits are truly excessive, why should they not be heavily taxed? The label "excessive" condemns them. The difficulty is that calling profits excessive does not make them excessive and calling profits normal does not make them normal.

As you will recall, the present system of excess profits taxation was not adopted in 1940 without grave misgivings as to the methods of distinguishing normal and excessive profits. Efforts were made through extensive amendments in 1941 and 1942 to remove some of the more obvious discriminations. The results were not notably successful. Nevertheless the tax was tolerable as a method for preventing war profiteering. With the war over, the tax must stand or fall on its merits as a peacetime source of revenue. Judged as a peacetime tax, it has many defects.

Serious EPT Defect

A serious defect of the excess-profits tax for the postwar period lies in the weakness of the average earnings credit, which uses prewar profits as a measure of normal profits. A corporation may continue to earn free of excess-profits tax 95% as much as it averaged during the years 1936-1939, and this amount is often enlarged by various relief provisions. A corporation with a high prewar earnings experience may thus earn 20%, 30% or more on its invested capital without paying any excess profits tax. New and rising corporations do not have the benefit of such a credit and are thus at a competitive disadvantage in relation to established long-prosperous corporations. Whatever the merits of the average-earnings credit in measuring excessive war profits, it would be grossly unfair if applied to peacetime business.

The invested capital credit also has serious limitations as a measure of excessive profits. For example, corporations are permitted to treat as current invested capital amounts which have long since ceased to contribute much if anything to earning capacity. This gives them an unfair tax advantage over more recently established concerns not having inflated capital structures.

These are only a few of the ways in which excess-profits as computed for tax purposes may differ widely from any logical concept of excessive profits—and this despite repeated efforts by the Congress during the war to remedy the defects.

All Corporations Will Benefit

It is often assumed that the problem of excess-profits taxation is practically synonymous with the problem of big business. It is, of course, true that a much larger percentage of very large corporations than of small corporations have been subject to wartime excess-profits tax. Even so, in 1943 over 70% of the corporations with incomes subject to excess-profits tax had net incomes of less than $100,000. Even with the $25,000 exemption in effect, it is estimated that if the excess-profits tax is continued into 1946 roughly one-half of all corporations with income subject to excess-profits tax will have net incomes of less than $100,000. Moreover, by no means all large corporations pay excess-profits taxes. In 1943, the latest year for which actual tabulations are available, 33.3%—one-third—of the corporations with incomes of $1,000,000 and over did not have taxable excess profits. Repeal of the excess profits tax will give relief to corporations of all sizes, except those already exempted, and throughout all industry.

In recommending repeal of this tax I am not suggesting that there will not be any excessive profits in 1946. There will be and part of them will be attributable to the war. The excess-profits tax would reach some of them; but some of them it would not reach.

(Continued on page 1602)

Treasury's Tax Reduction Program

(Continued from page 1601)

because of its defective structure. The excess-profits tax would also reach certain amounts of high level profits which were not due to the war. In addition the excess-profits tax in 1946 would reach large amounts of profits which would not be excessive by any acceptable standard. This is too erratic a tax engine to turn loose for even one full year of the postwar period. I am confident that for peacetime the only satisfactory cure for the defects in our present excess profits tax is repeal.

Continue Carrybacks Another Year

One of the methods of improving the excess-profits tax was the carryback of losses and of unused excess-profits credits placed in the law in 1942. The chief purpose of the carrybacks was to correct inflated wartime profit figures by allowing a deduction of war-induced costs not incurred until the end of the war. It appears that a considerable volume of such costs will remain to be incurred after Dec. 31, 1945. Accordingly, despite repeal of the excess profits tax, the carrybacks should continue for one more year.

It would, of course, be highly satisfactory to all of us if a great deal of tax reduction could be made effective immediately and if it could be spread in many places. Unfortunately, that cannot be done.

Any changes that we do make at this time should meet two tests. They should contribute to a vital, invigorated peacetime economy. They should be fair in themselves and should, insofar as possible, remedy present inequities.

The repeal of the excess-profits tax will meet these tests. There is another change, of even broader implication, which I would now like to discuss.

Let us never forget the human side of the taxation problem. No system of taxation is an inanimate thing. Directly or indirectly, it inevitably touches the pocketbooks and influences the lives of every man, woman and child in our country.

In this connection I urge that in distributing the limited amount of tax reduction now possible, you give full consideration to relieving the direct pressure of wartime taxes upon lower income groups.

Whatever relief can be given in reducing personal income taxes will be most beneficial, in sustaining mass purchasing power, when given to the individuals and families to whom a dollar means most. And beyond this economic argument is the overpowering logic of equity.

Normal Individual Taxes

I direct your particular attention to the so-called normal individual income tax. This tax is normal in name only. In 1942 Congress imposed the so-called Victory tax of 5% (less certain credits) on gross income above an exemption of $624, thereby sweeping into the income tax system some 10-12 million families not subject to the regular income tax. This tax contained a provision for automatic repeal at the end of the war. In the Revenue Act of 1943 the Victory tax was modified into a tax on net income with an exemption of $500, and was designated the normal tax. The automatic repeal provision was omitted.

The normal tax imposes income tax on about 12 million families which are exempt from the surtax. Thus, a family composed of a man, his wife, and one child has three surtax exemptions of $500 each and is thus exempt from surtax on net income up to $1,500. The normal tax, however, applies on all net income above $500 for each income receiver without regard to family status or number of dependents. Accordingly, this family would pay normal tax of 3% on all income above $500. The amounts of tax are relatively small from the viewpoint of the Government and, accordingly, relatively expensive to collect, both through withholding and through the method of estimates and returns. The amounts are, however, by no means negligible to hard-pressed families with small incomes and large numbers of dependents. The normal tax applies, of course, to taxpayers subject to the surtax. Its repeal would be an equitable method of reducing their taxes. For example, in the case of a married taxpayer with two dependent children, receiving $3,000 of net income before personal exemption, the repeal of the normal tax would reduce his tax from $275 to $200, a reduction of $75. This is very substantial relief and goes to the kinds of taxpayers needing it the most. I recommend that you repeal this special wartime normal tax levy as of Jan. 1, 1946. The revenue loss from repeal is estimated at $2,085,000,000.

Additional relief to individuals which would be particularly helpful to the lower and middle income groups can be given also by setting an effective date for the excise tax reductions now provided in the law. The industries involved in the excise taxes have pointed out the disadvantages arising from uncertainty in the effective date for these automatic reductions. I recommend that the effective date for the reductions be made July 1, 1946, which is at the end of the fiscal year. This would result in a reduction of excise tax liabilities for the calendar year 1946 estimated at $547,000,000.

$5 Billion Revenue Cut

When the revenue reductions associated with the three recommendations just made are added, the total is somewhat in excess of $5,000,000,000. However, in estimating the revenue effect of each of these items, no allowance has been made for their interrelation or combination effects. Thus, the reduction in the excess-profits tax would be expected to result in increased dividends with resulting increases in individual income tax collections. Likewise, the elimination of the normal tax makes more money available for expenditure and thus to some extent should increase the excise tax collections. And of course it is hoped that the proposed program will mean a higher level of business in 1946 than would otherwise be the case. Although I do not suggest any figures to indicate these combination effects, I believe they would be of sufficient magnitude to bring the total program within the $5,000,000,000 limit which I have proposed.

Defer Payroll Tax Revision

Another issue which must be met before the end of the year is whether or not to allow the payroll tax rates for old-age and survivors' insurance to rise on Jan. 1, 1946 as provided by existing law. At present, as the result of four successive postponements of rate increases, the rates stand at 1% on the employer and 1% on the employee instead of 2% on each as the law originally provided. Another increase, this time to 2½%, is scheduled to take place Jan. 1, 1946. Thus in the absence of legislation, these payroll taxes will rise from 1% each to 2½% each. I understand that active consideration of the whole problem of social security coverage and financing is now underway in the Congress. I believe that revision of payroll tax rates should wait to be made part of the broader action on social security financing as a whole.

Not to be Retroactive

These proposals are all for 1946. I believe it would be very undesirable to make any tax reductions retroactively for the taxable year 1945. Incentives work only with respect to the future. To get the maximum incentive from a tax reduction it should be enacted long enough in advance of its effective date to permit businessmen and investors to take the reduction into account in making their immediate plans. Since one of the main purposes of tax legislation at this time is to encourage business to speed reconversion and expansion, it is highly desirable to pass the contemplated tax legislation early this fall. Moreover, if individual income tax changes are made, the Bureau of Internal Revenue will need to reprint and distribute new withholding tax tables to employers and taxpayers in time to go into effect on Jan. 1, 1946. To meet this schedule the new bill should become law not later than Nov. 1, 1945.

Only a very simple bill with a minimum of controversial features can be moved through the necessary legislative processes before that date. The pressure for speed combined with the continuing requirements for revenue necessarily limit the scope of the bill.

Next year Congress undoubtedly will want to consider more far-reaching legislation. There will be more time then to plan a thoroughgoing and basic revision of our revenue laws. We shall have better knowledge of our budgetary requirements. We shall be in a better position to view the national economic picture as a whole and to fit the tax revisions to that picture.

In closing I should like to make one more point. I am sure the members of this Committee feel, as I do, a deep sense of duty. Only a few weeks ago we celebrated the surrender of Japan. Our military victory was earlier and more complete than we had dared hope for. We are able to make an earlier start on the road toward our peacetime goals. But we will win the rewards of Victory only if we are able to bring to the tasks of peace the same devotion we demonstrated during the days of war.

We have had our celebration. We now face new responsibilities. Our responsibilities extend alike to business and labor and agriculture, to the nation's bondholders, to the disabled men of our fighting forces; in short, to all the people. They have shown their willingness to shoulder extra burdens when there was need for them to bear them. They have the right to expect that their load will be lightened as there is opportunity to do so. They also want their Government to fulfill the obligations remaining from the period of war and the new duties pressing upon us with the peace. Taxation presents perhaps the most difficult of legislative problems. Those problems can be met only with a sense of responsibility for the interests of all the people.

Government Expenditures

Mr. Vinson also presented to the House Ways and Means Committee the following discussion of Government expenditures for the fiscal years 1940, 1945 and budget estimates for 1946:

The following table shows a summary of Federal expenditures by fiscal years for 1940, a pre-war year; 1945, the peak war year; and Budget estimates for 1946, a year of transition from war to peace. The table also includes net receipts and deficits for each of the years.

Total expenditures increased from $9,300,000,000 in 1940 to $100,000,000,000 in 1945, and will fall off to about $66,400,000,000 in the current fiscal year which ends next June 30.

SUMMARY OF ACTUAL RECEIPTS AND EXPENDITURES OF THE FEDERAL GOVERNMENT FOR THE FISCAL YEARS 1940 AND 1945 AND BUDGET ESTIMATES FOR 1946*

(In billions of dollars)

	Actual, Fiscal Year 1940 (Pre-War Year)	Actual, Fiscal Year 1945 (Peak War Year)	Budget Estimate, Fiscal Year 1946 (Reconversion to Peace)	Inc. (+) or Dec. (—) 1946 Compared with 1940
Net receipts	5.4	46.5	36.0	+30.6
Expenditures:				
War activities:				
Budgetary items	1.7	90.0	51.0	+49.3
Government corporations (net)	--	.5	—.5	—.5
Total, war activities	1.7	90.5	50.5	+48.8
Other activities:				
Veterans' administration	.6	2.1	3.2	+2.6
Refunds	.1	1.7	2.9	+2.8
Interest on the public debt	1.0	3.6	4.5	+3.5
Sub-total	1.7	7.4	10.6	+8.9
Unemployment relief	2.2	----	----	—2.2
International finance	----	----	2.3	+2.3
Other expenditures:				
Budgetary items	3.4	3.0	3.4	----
Govt. corps. and credit agencies	.3	—.8	—.4	—.7
Total, other activities	7.6	9.5	15.9	+8.3
Grand total, expenditures	9.3	100.0	66.4	+57.1
Excess of expenditures	3.9	53.6	30.4	+26.5

*Includes net outlays of Government corporations and credit agencies.

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

War Activities

In the fiscal year 1945 more than 90¢ out of every dollar spent by the Federal Government went to meet the direct costs of the war. According to the revised Budget estimates released Aug. 31, this proportion will drop to about 76¢. This reduction is the net result of decreased war expenditures and by an increase in other expenditures. War expenditures, according to the Budget, will amount to $50,500,000,000 in the current fiscal year, compared with $90,500,000,000 in 1945, a reduction of about 44%. The estimate for 1946 of $50,500,000,000 might seem high at first appraisal in view of the capitulation of Japan just 1½ months after the beginning of the fiscal year. It should be kept in mind, however, that even though billions of dollars of contracts have been and will be cancelled, cash outlay will remain relatively high for some months. Time is required to demobilize more than 12,000,000 men; probably $4,000,000,000 or $5,000,000,000 will be spent in terminating war contracts; mustering-out pay will require about $270 for each man discharged; to name some of the factors which will tend to keep expenditures from dropping quickly.

The following shows a rough breakdown for several years of war expenditures including net war outlays of the Reconstruction Finance Corporation and its affiliates:

	1940	1941	1942	1943	1944	1945	1946 (Est.)
	Fiscal Years—In Billions of Dollars						
Munitions	*	4.5	20.3	55.2	60.2	58.5	21.0
Nonmunitions:							
Pay and subsistence	*	1.1	5.2	9.5	12.0	10.4	10.5
Miscellaneous	*	1.1	5.2	9.5	12.0	10.4	10.5
Total	1.7	6.7	28.3	75.3	89.7	90.5	50.5

*Breakdown not available

The estimate for 1946 represents more than a six-fold increase compared with 1940. During the current year these "aftermath of war" items will account for about two-thirds of all Federal "non-war" expenditures.

Total expenditures for veterans' benefits might be at a higher level in the next two or three years than the $3,200,000,000 now forecast for the current year due largely to the educational and readjustment allowance programs. However, these programs, as well as the Government's contribution to the National Service Life Insurance Fund, should be substantially reduced in later years.

The fiscal year 1946 is probably the peak year for refunds of taxes, the estimated expenditures for this purpose amounting to $2,900,000,000. This is due principally to the provisions of the Tax Adjustment Act of 1945 speeding up corporate refunds following the end of the war. It is believed that both corporate refunds and refunds arising from individual withholding will decrease substantially below the current year level.

Expenditures for interest on the public debt will no doubt increase from the level of $4,500,000,000 estimated for 1946, the Budget estimate of total public debt outstanding on June 30, 1946, being $273,000,000,000. The extent to which interest payments increase or decrease in the future will depend upon the rapidity with which the Government can balance its Budget.

Unemployment Relief

The Budget estimates for the fiscal year 1946 do not contain any provision for unemployment relief. In 1940 expenditures for unemployment relief amounted to $2,200,000,000, about $1,500,000,000 of this sum having been expended by the Work Projects Administration. The balance of the program took the form of aids to youth by the Civilian Conservation Corps and the National Youth Administration, and loans and grants to States, municipalities, etc. by the Public Works Administration.

International Finance

Budgetary expenditures for international finance, that is, subscriptions to the International Monetary Fund, International Bank for Reconstruction and Development, and capital stock of the Export-Import Bank, are estimated to aggregate $2,300,000,000 for the fiscal year 1946. This excludes $1,800,000,000 to be subscribed to the International Monetary Fund out of the United States Stabilization Fund created by the Gold Reserve Act of 1934.

The breakdown for the fiscal year 1946 is as follows:

	In Millions of Dollars: Amount Authorized	Estimated Payments in 1946: Budgetary Items	Estimated Payments in 1946: From Exchange Stabilization Fund
International Monetary Fund	2,750	950	1,800
International Bank for Reconstruction and Development	3,175	317	----
Export-Import Bank, capital stock	999	*999	----
Total	6,924	2,266	1,800

*Includes $174,000,000 to be paid to the Reconstruction Finance Corporation to retire capital stock previously subscribed by that corporation.

As will be seen from the above table, membership of the United States in the International Monetary Fund will require subscription of $2,750,000,000, payment for all of which is expected to be made by June 30, 1946. Also, on the basis of Budget estimates, payments for the full remaining authorized capital of the Export-Import Bank of $999,000,000 is expected to be made by the end of this fiscal year, which, together with $1,000,000 of stock already owned by the United States, will give that bank capital stock of $1,000,000,000. In addition the Export-Import Bank may borrow not to exceed $2,500,000,000 from the Treasury to carry on its authorized program. It is not believed that any of this latter amount will be required until after the fiscal year 1946. With regard to the International Bank for Reconstruction and Development Congress has authorized subscription for capital stock by the United States to a total of $3,175,000,000, of which $317,000,000 is estimated to be paid in the fiscal year 1946 and about the same amount again in 1947. The remaining $2,540,000,000 can be called only when needed to meet the proportionate share of any losses suffered by the bank in the course of its operations.

Other Expenditures

The balance of expenditures, under the classification "Other Activities," consists of (1) the budgetary items: aids to agriculture, public works, social security and railroad retirement, the Government's contributions to employees' retirement funds and the regular operating expenses of the various departments and establishments; and (2) net outlays of Government corporations and credit agencies other than war expenditures of the Reconstruction Finance Corporation and its affiliates. The budgetary items amounted to an aggregate of $3,400,000,000 in 1940, $3,000,000,000 in 1945, and, although there are various internal shifts, are expected to again amount to $3,400,000,000 in 1946.

Expenditures for aids to agriculture, including administrative and other expenditures of the Department of Agriculture classified in daily Treasury statements as "departmental," amounted to $1,571,000,000 in the fiscal year 1940 compared with the Budget estimate for 1946 of about $700,000,000, a reduction of $871,000,000.

Expenditures for principal items of a continuing public works character amounted to $571,000,000 in 1940, while in 1945, due to postponements on account of the war, they aggregated less than half of that amount. Such expenditures are estimated to be about $400,000,000 in the current year. These items are likely to increase in the immediate future as Congress has already authorized additional outlays for public roads, and rivers and harbors and flood control.

Expenditures of the Social Security and Railroad Retirement Boards increased from an aggregate of $493,000,000 in 1940 to $779,000,000 in 1945 and for 1946 are estimated at about $875,000,000. Increased grants to States for old-age assistance, aid to dependent children, aid to the blind, and transfers to the Railroad Retirement Account are responsible for the higher level of expenditures in 1945 compared with 1940. The grants to States are estimated to be still higher in the current year, while transfers to the Railroad Retirement Account will be slightly lower.

The balance of Budgetary expenditures—"General administration, etc."—represent for the most part the regular operating costs of the various departments and establishments of the Government. These expenditures amounted to $814,000,000 in 1940, $1,174,000,000 in 1945, and are estimated at about $1,400,000,000 for 1946. These expenditures do not include costs of administration of "War Activities," "Veterans' Administration," "Aids to Agriculture," "Public Works," and "Social Security and Railroad Retirement Boards."

The outlays of Government corporations and credit agencies represent transactions in checking accounts maintained with the Treasurer of the United States and are stated net, i.e., gross payments by the agencies less their gross receipts. In 1940 net expenditures of these corporations and agencies amounted to $254,000,000 compared with net collections of $846,000,000 in 1945. In 1946 net collections are expected to be about $400,000,000. Since the war began liquidations of loans of such organizations as the Reconstruction Finance Corporation, the Home Owners' Loan Corporation and the Federal Farm Mortgage Corporation have proceeded at a faster pace, resulting in total net receipts rather than net expenditures as in earlier years in this category. The lower net receipts in 1946 compared with 1945 is due principally to an expected increase in net expenditures of the Commodity Credit Corporation in the current fiscal year.

Advanced Analysis Courses to Open

Also Building Lectures

The New York Institute of Finance, 20 Broad Street, New York City, announces the schedule of advanced investment analysis courses commencing the week of Oct. 1st:

Railroad Securities, under Pierre R. Bretey, Baker, Weeks & Harden.

Public Utility Operating Company Securities I, under Charles A. O'Neil, R. W. Pressprich & Co.

Public Utility Holding Company Securities, under W. Truslow Hyde, Jr., Josephthal & Co.

There will be ten weekly sessions in each course. Tuition for each is $17.50.

A series of authoritative and instructive lectures will also be given on building. Subjects will be:

Housing—A Post-War Responsibility and Opportunity, by Antonin Raymond, Oct. 8th.

Electrical Living, by John H. Squires, Jr., Oct. 15th.

The Solar House, Le Roy H. Monteith, Oct. 22nd.

Lighting, Donald P. Caverly, Oct. 29th.

Insulation in Modern Homes, E. W. McMullen, Nov. 5th.

Construction, Rolland Hamilton, Nov. 12th.

Plywood in the Home, Vernon F. Sears, Nov. 19th.

Tuition for the courses is $10 (including transcript of each lecture) or $7.50 excluding transcripts.

Dwight Faulkner Jr. Is With J. R. Williston

J. R. Williston & Co., 115 Broadway, New York City, members New York Stock Exchange, announce that Dwight F. Faulkner, Jr., has become associated with them. Mr. Faulkner was formerly with Baker, Weeks & Harden. In the past he was trading manager for Libaire & Co.

Dodge 25 Years at Abraham

Edwin F. Dodge, partner in the firm of Abraham & Co., 120 Broadway, New York City, members of the New York Stock Exchange, is celebrating the 25th anniversary of his connection with the firm.

N. Y. Chamber of Com. Proposes Tax Changes

Calls for Government Economy and Recommends Reductions of Personal Income Taxes and a Gradation That Would Not Exceed Taking More Than Half of an Individual's Taxable Income. Advocates Repeal of Excess Profits Tax, Reduction of Corporate Taxation and Retention of Social Security Taxes at Present Level.

The Chamber of Commerce of the State of New York on Oct. 1 made public a post-war tax program prepared by its Committee on Taxation for submission to Congress. Six major recommendations and three suggestions—the latter dealing solely with personal income taxes—were made in the program, which will be presented by Edmond E. Lincoln, Chairman of the Committee, for approval at the first fall meeting of the Chamber which is being held today, Oct. 4.

A foreword to the program emphasizes the necessity of reducing Government expenditures "to a point where the Federal budget can be balanced with greatly reduced tax rates" and says that it "would probably be wiser to underestimate the revenue required by taxes—and thus to encourage enterprise—than to overestimate the requirements with consequent retardation, or even depression, of our industrial activities."

The program follows:

1. Personal income taxes should be reduced all along the line and the gradation of these taxes should in the near future be such, that, in principle, the Government would take in the aggregate no more than one-half of the entire taxable net income of any individual.

(a) For purposes of revenue, as well as in the interest of sound government, the exemptions including those for dependents should be kept as at present, although we hope that within the near future it may be possible to raise them somewhat above wartime levels.

(b) For purposes of revenue, although the base rate will have to be kept high, as compared with pre-war levels, nevertheless, substantial reduction appears possible. One the basis of information now available to us, we suggest for the near time future a base rate of 15%, as compared with the present levies which amount to virtually 23% on the lowest taxable incomes—3% "normal" tax plus around 20% "surtax," applicable to all.

(c) We suggest further that the surtax rates over and above the recommended base rate of 15% be graduated from 1% up to a maximum rate of 50%, so that the highest percentage paid on the top brackets of taxable net income shall not exceed 65%.

2. The corporate excess profits tax should be repealed, applicable to the year 1946. This tax was designed as a war measure. Its inappropriateness to peacetime conditions is clearly recognized by all tax experts.

3. The corporate normal tax and surtax combined should not exceed 40%, as at present, and should be progressively reduced to a substantially lower figure as conditions permit.

4. We are opposed in principle to duplicate taxes, either on corporations or individuals. We recommend that dividends received by corporations be tax free. We further recommend that as soon as practicable, appropriate means be devised for taxing only once the dividends received by individuals.

5. We recommend retaining the major excise taxes (i.e., taxes on liquor, tobacco and gasoline) as an important and relatively stable source of revenue. They are also easy to collect.

6. Social security taxes (this refers particularly to old age benefits) should not be increased until the entire problem is thoroughly reviewed in the light of post-war conditions.

The committee has several other phases of the Federal tax problems under consideration, but regards most of them as either relatively unimportant as revenue producers or having to do primarily with administration. Among these the Committee lists repeal of the capital stock tax, modification or ultimate repeal of the capital gains tax; allowing taxpayers more discretion in determining rates of depreciation and obsolescence and the tax deductible amounts which may be spent for research and development; the desirability of a reduction of the estate tax and gift tax and the distribution of estate taxes between the State and Federal Governments.

The tax program bore the unanimous approval of all the members of the Committee on Taxation. The Committee follows: Mr. Lincoln, Chairman; Charles B. Couchman, of Barrow, Wade, Guthrie & Co.; Robert L. Hoguet, Chairman, Emigrant Industrial Savings Bank; Philip F. Keebler, Executive; Charles F. Noyes, Chairman, Charles F. Noyes Co.; W. J. Schieffelin, Jr., President, Schieffelin & Co., and Beardsley Ruml, Chairman of the Federal Reserve Bank of New York.

Another report just issued by the N. Y. Chamber of Commerce warns of the deflationary danger of continued Government wartime controls in a peacetime economy.

This report, which was drawn by the Committee on Internal Trade and Improvements, said that controls which direct the flow of labor and raw materials and establish arbitrary prices and production schedules, provide little incentive to investment and production. Such controls, the report added, will impose a burden on management and labor "which will almost certainly provided an impetus to a sharp deflationary spiral in this country."

N. Y. Municipal Club Outing Is Today

The Municipal Club of New York will hold its twelfth annual field day today at the Winged Foot Golf Club, Mamaroneck, N. Y.

Golf, including an inter-city match between a selected team from the New York Club and the Municipal Bond Club of Philadelphia, tennis, baseball, horseshoes, luncheon, and a stock exchange affair, will make up the day's program.

New officers of the club are:

President: L. Walter Dempsey, B. J. Van Ingen & Co.

Vice-President: John J. Clapp, Jr., R. W. Pressprich & Co.

Secretary: David H. Callaway, Jr., First of Michigan Corp.

Treasurer: Darnall Wallace, Coffin & Burr, Inc.

Committee in charge of the field day consisted of: Roald A. Morton, Chairman, The Blue List; Thomas F. Adams, Adams, McEntee & Co.; Fred. W. Buesser, Chemical Bank & Trust Co.; David H. Callaway, Jr.; Edward A. M. Cobden, Kean, Taylor & Co.; Daniel E. Fitzpatrick, Phelps, Fenn & Co.; William T. Hall, Jr., The Bond Buyer; Clifton A. Hipkins, Braun; Bosworth & Co.; P. Scott Russell, Jr., Glore, Forgan & Co.; Joseph F. Vandernoot, Frank C. Masterson & Co., and George R. Waldmann.

Benson Elected Pres. of Druggists' Group

Al. B. Benson of Boston was elected President of the National Wholesale Druggists' Association

Al. B. Benson

at the organization's annual meeting in New York. He is Eastern Regional Vice-President of McKesson & Robbins, Inc.

$93,000,000 Issue of Pennsylvania Pr. & Lt. Bds. Offered at 101.375

A nationwide syndicate of which Smith, Barney & Co., The First Boston Corporation and Dillon, Read & Co., Inc., are the managers, is offering to the public a new issue of $93,000,000 First Mortgage Bonds, 3% series due 1975, of Pennsylvania Power & Light Company, at 101.375% and interest.

This financing is a step in the company's general plan for the simplification and strengthening of its capital structure as filed with the Securities and Exchange Commission. Consummation of this financing is not, however, conditioned upon prior approval of the rest of the plan by the SEC or upon prior consummation of any other part of the general plan. Bids on the company's proposed $27,000,000 of sinking fund debentures are scheduled to be opened on Oct. 16. Other steps in the general plan involve the proposed sale of additional common stock to raise about $18,000,000 of new equity capital; creation of a capital surplus of about $11,700,000 to be utilized in making the accounting adjustments provided for by the general plan; and retirement of the three outstanding preferred stocks through exchange and redemption operations.

The proceeds from the sale of the $93,000,000 of new First Mortgage Bonds will be used, together with treasury funds, to redeem $93,820,000 of First Mortgage bonds, 3½% series due 1969, at 106½%.

Thrifty Drug Stores Preferred Stock Issue Offered to Investors

An underwriting group headed by Eastman, Dillon & Co. is offering to the public 16,259 4½% cumulative preferred shares, series A, $100 par value, and 150,000 common shares, $1 par value, of Thrifty Drug Stores Co., Inc. The preferred is being offered at $100 per share and accrued dividends and the common at $20 per share.

The company will receive the proceeds from sale of the 16,259 preferred shares. The 150,000 common shares are being sold by certain stockholders.

Proceeds to be received by the company estimated at $1,546,549, will be used in connection with the opening of new stores and for additional working capital.

The company operates a chain company estimated at $1,546,-of 63 drug stores in Southern California, principally in the Los Angeles area. Most of the stores are of the so-called "super" type, combining large merchandise selling space with extensive soda fountain and restaurant facilities. Merchandise carried includes staple drugs and pharmaceutical supplies; tobacco; liquor, wine and beer, all sold for off-the-premises consumption; candy; toiletries; electrical appliances; household supplies; stationery; phonograph records and many other items.

Says Banks Have Not Profited From War

First National of Boston, Pointing Out the Large Bank Holdings of Government Bonds, Maintains That Exchange of Maturing Obligations for Non-Interest Bearing Certificates Would Put the Banks So Deeply in the Red They Would Be Forced to Cease Operations. Says Commercial Banks Are the Keystone of Private Enterprise.

"The question of commercial bank earnings rises far above the concern of the individual bank or the banking system and involves in its scope the future economic welfare of this country," says The First National Bank of Boston in its current New England Letter.

Continuing the bank says: "Approximately 93 cents out of every dollar of bank funds are in the form of deposits owned by the public and subject to withdrawal on demand. Consequently, the banks must be kept in a sound position to meet the demand of the depositors, pay expenses and taxes, as well as to make a reasonable return on the investment of the stockholders.

"The commercial bank's fundamental function is to serve as a reservoir for idle funds and make them available for productive use. Toward this end, banks invest in corporate and Government securities and make loans to large and small business enterprise as well as to individuals. More than four-fifths of our commercial loans, for instance, are under $25,000.

"Banks offer many services, the principal ones being checking and savings accounts. Our bank has 263,000 savings accounts and 81,000 commercial checking accounts, and of this number about one-third are for amounts of less than $300. More than sixty-seven million checks are handled by our bank each year, while the total handled by all commercial banks of the country is in the neighborhood of seven billion. Checks have become so much a part of the daily experience of the general public and are handled so efficiently and with so relatively few mistakes that this procedure is looked upon as a simple task. But back of this smooth and swift performance there is a tremendous amount of exact accounting and careful routine. The success of this highly complicated mechanism is the outgrowth of many decades of experience, and demands trained personnel with natural ability and a capacity for speedy and accurate work.

"To perform the manifold activities of a bank, a large staff is necessary. In our bank 3,300 men and women are engaged in various capacities. The total personnel employed by all banks in the country is around 280,000. The amount of salaries and wages paid this group in 1944 was 627 million dollars, and constituted nearly one-half of the total current operating expenses. In addition to compensation to employees, the banks last year paid 188 million dollars in interest to depositors, while all other expenses aggregated 542 million dollars.

"Since the end of 1939 the commercial banks of the country have increased their holdings of Government securities by around 60 billion dollars, and now have about one-third of the total interest-bearing Federal debt. It was not a deliberate policy on the part of banks to acquire such a huge proportion of these securities. On the contrary, the banks played the major role in the distribution of bonds to the general public, as shown by the fact that these institutions handled — without commission and with considerable expense to themselves—more than four-fifths of the total subscriptions by non-banking groups. The reason the banks today hold a disproportionate share of Government securities is due to the fact that the public did not invest a larger share of its war-swollen savings in Government securities. In consequence, the banks have stood ready at all times to absorb whatever securities were not subscribed to by other groups. Without the aid of the banks, it would have been impossible for the Treasury to carry through its war financing program.

"There is an impression in some quarters that banks have profited unduly during the war at the expense of the country. This is an illusion. From 1939 to 1944 the yield on each dollar of investment declined by 37% and on loans by 23%, while during this same period wholesale commodity prices increased by 35% and hourly factory wage earnings by nearly 50%. On recent purchases of Government securities, banks are receiving on the average only about one-half as much as the rate on bonds sold to the general public.

"In view of the possibility of losses, banks maintain capital funds as a safeguard to depositors. The traditional rule of thumb has been one dollar of capital funds for every ten dollars of deposits. As a result of war financing, deposits skyrocketed—at a rate six times that of capital funds—and in consequence the capital-deposit ratio is now about 1 to 16. Federal and state supervisory agencies have urged the banks to increase their capital funds by conservative dividend policies and by the sale of bank stock. The banks have endeavored to strengthen their capital position by placing in the aggregate nearly two-thirds of their net operating earnings back into the business, but they have sold a comparatively small amount of new bank stock because such investment has not been attractive due to the uncertainty over the future bank income from Government investments.

"Commercial banks are the keystone of private enterprise since they are the principal source for the pooling of community funds which are used to finance the production and marketing of goods. This service by the banks has been an indispensable factor in the unmatched economic progress of this country, and is absolutely essential for our future development. It is for the best public interest that the compensation of banks be adequate rather than niggardly. In case, for instance, that maturing Governmental obligations were exchanged for non-interest bearing certificates, as has been suggested, the banks would be so deeply in the red that they would be forced to cease operations and the Government would take over all banking functions. Carried to its logical conclusion, the Government would become the chief reservoir of all capital and credit, and this would be accompanied by the eventual destruction of private capitalism and the disappearance of our democratic form of Government. It is clear, therefore, that the question of the adequacy of bank earnings has far-reaching implications."

House Committee Acts on Vinson's Tax Cut Plan

On Oct. 2 the House Ways and Means Committee tentatively approved a $2,400,000,000 compromise cut in individual income taxes for 1946, discarding, however Secretary Vinson's recommendation for repeal of the 3% normal tax, which would have concentrated relief largely in the lower individual income brackets. Washington advices in the "Wall Street Journal" of Oct. 3, indicating this reported that the Committee voted:

1. To retain the 3% normal tax.
2. Substitute the present surtax personal exemptions of $500 for the taxpayer and $500 for each dependent for the present single normal tax exemption of $500.
3. Reduce each surtax bracket rate by 4 percentage points.

Further reporting the Committee's action the account in the "Wall Street Journal" said:

The result of the Committee's action, said to have been proposed by Rep. Carlson (Rep. Kan.), will be to give a little more relief in the higher income brackets than Mr. Vinson proposed. Each plan will drop about 12 million taxpayers from the income tax roll. The Committee plan will save taxpayers $300 million more than Mr. Vinson proposed.

Committee action on the excess profits tax was postponed until today, but prevailing sentiment seemed to be for repeal. Chief opponent of repeal is the Committee Chairman, Representative Robert Doughton (Dem., N. C.).

Although the proposal adopted yesterday could be changed before the Committee actually writes it into the tax bill, indications were that it received a surprisingly large vote in committee—enough to carry it through even if some members change their minds.

According to the chart prepared by Mr. Stam's office, the total loss in revenue under the plan would be $2,410,000,000—the closest total loss yet suggested to the $2.5 billion loss expected from repeal of the excess profits tax. This was considered to be a strong argument in its favor, since it equalizes the relief to corporations and individuals.

The Carlson proposal gives exactly the same tax cut as the Vinson-backed elimination of the 3% normal tax for a family of four with income up to $2,000 per year net before personal exemptions. In the higher brackets, however, the Carlson plan gives somewhat more relief than the Vinson plan.

For example, a family of four with an income of $2,000 gets a $45 cut under both plans. At $5,000, however, the Carlson plan gives a cut of $165 against a cut of $135 under the Vinson proposal. At $10,000 the cut is $365 against $285, and at $25,000 the family of four saves $965 under the Carlson plan and $735 under the Vinson plan.

For married persons with no dependents, the Carlson plan begins to give more relief than the Vinson plan after $1,000 of net income before exemptions. Single persons reap an advantage immediately, since they get a $500 exemption in any case.

The movement which began to take shape Sept. 11 in the House Ways and Means Committee had since been steadily gaining in momentum. Early in September Chairman Doughton of the Committee stated that he had been advised that a tax bill would have to be enacted by Nov. 1 if the Treasury was to revise the withholding tax tables by Jan. 1. Preliminary plans, before the reconvening of Congress after its summer recess, were noted in the "Chronicle," Aug. 23, page 859.

On Sept. 16 Rep. A. Willis Robertson (D.-Va.), a member of the Ways and Means Committee, proposed elimination of the 3% "normal" tax on personal incomes and the 95% excess profits levy on corporations, the Associated Press reported from Washington, pointing out that Mr. Robertson's plan differs from Rep. Knutson's proposal that personal income levies be trimmed 20% "all along the board."

Rep. Robertson would have each person compute his 1946 taxes in accordance with present rates and exemptions, and then cut the amount by one-fifth. Pay-as-you-go payroll deductions would be cut similarly. From the Associated Press advices Sept. 16, we also quote:

In a statement Mr. Robertson said wiping out of the 3% normal tax was a better means of reducing levies on more than 50,000,000 personal incomes, because:

"It was imposed on all net incomes over $500 as a necessary war measure "to distribute the unavoidable burden of war taxes and without regard to the fundamental peacetime policy of ability to pay."

Its elimination would help to sustain purchasing power in 1946 during a period of falling national income.

Such action would provide relief to all on the same percentage basis "but the measure of actual relief would be greatest where the need is greatest."

Congress in the 1943 Revenue Act substituted the 3% normal tax for the wartime 3% victory tax. Its elimination would free about 10,000,000 lower income persons from paying taxes.

Mr. Robertson said further that his proposal was based on assumption that the national income in 1946 would not fall below $130,000,000,000; revenue from existing rates in that year would not be less than $28,000,000,000, and the budget for the fiscal year 1947 (the year beginning next July 1) would be limited to essential expenses and would not exceed $22,000,000,000.

Messrs Knutson and Robertson agree on erasure of the corporation excess-profits tax, but Mr. Knutson wants the cut as of Sept. 1, instead of next Jan. 1, as Mr. Robertson proposes.

Mr. Robertson estimated that erasure of the 3% normal tax would mean a revenue cut of $2,000,000,000 and elimination of the excess-profits levy another $2,000,000,000.

The House Republican Leader, Representative Joseph W. Martin, of Massachusetts, on Sept. 20, according to Associated Press Washington advices, lent emphasis to Rep. Knutson's plan by advocating a slash in 1946 taxes "of at least 20%, all along the board," including individual and corporate taxes. "Tax revision legislation should be written immediately," Mr. Martin told newsmen. "This is necessary to simulate business."

Associated Press advices on Sept. 6 observed:

The President, in his message to Congress, recommended immediate enactment of a "transition" tax bill, with limited reductions in 1946. He put emphasis on "removing barriers to speedy reconversion and to the expansion of our peacetime economy."

"We must reconcile ourselves," he said, "to the fact that room for tax reduction at this time is limited. A total war effort cannot be liquidated overnight. . . . We must not lose sight of the budgetary situation and our obligations to 85,000,000 bondholders."

V. P. Dhooge Joins Blyth Co. In Detroit

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Victor Paul Dhooge has become associated with Blyth & Co., Inc., Buhl Building. Mr. Dhooge was formerly a partner in M. A. Manley & Co. and in the past was with Watling, Lerchen & Hayes.

Roy Barkdull Joins Staff of Weil & Co.

NEW ORLEANS, LA.—Roy E. Barkdull has become associated with Weil & Company, Richards Building Arcade. Mr. Barkdull was formerly a partner in Beer & Company.

Everett Gidley Sales Mgr. for Rollins Co.

E. H. Rollins & Sons, Inc., 40 Wall Street, New York City, announce that Everett F. Gidley has been appointed Sales Manager of their New York office. Mr. Gidley has been associated with the firm for many years.

Five Weeks in Britain

(Continued from page 1577)

be illustrated simply by typical examples of everyday life. Rationing of food, severe and complete, is administered with typical British fairness and thoroughness. The diet is simple, but sufficient. Housewives queue up to buy everything, and food is sold only to those who have the requisite points.

For that matter, Londoners queue up for nearly all their needs, and no one dreams of trying to get ahead of his neighbor. People wait in line for buses, to get into telephone "boxes," to get into modest priced restaurants like the famous Lyons chain.

Meals in restaurants are limited in scope and in price; 5 shillings (about $1 at current exchange) is the ceiling price everywhere, although the highest-grade hotels and smart restaurants are allowed to add a "house charge" to cover "entertainment and expert service."

The vast system of underground transportation (five separate companies, including the "Tube") stops running soon after 11 P. M. and the buses by midnight. Taxis are few and antiquated. No mail is collected from "pillar boxes" after 5:30 P. M. in hotels and office buildings, and an hour later on the street.

There is a limit of 6 minutes on all "trunk" (long distance) telephone calls. The visitor entering a street telephone box is not encouraged to waste his substance when he is confronted by a sign asking him if his call is necessary and if a letter or postcard will not do as well.

Cigarettes are expensive and rare. A popular brand, comparable to American brands currently selling for 17c per packet of 20, commands 2 shillings 4 pence (about 50c), but the catch is that few places have cigarettes for sale, and on some days the lowly "fag" seems as rare as the Hope diamond.

Clothing is a serious problem. One may not buy a white shirt in London unless one is in the Navy or Merchant Marine.

Shoes can be purchased, but often after queueing up for some time the would-be purchaser is told that the supply is exhausted, and of course shoes exact a heavy toll in coupons. To have shoes repaired, or to have rubber heels added, one waits 3 to 4 weeks.

Women's stockings seem to be a memory. Women in the main are bare-legged, or wear cotton or mended old silk stockings.

Newspapers are published as of yore, in reduced form—some only 4 or 8 pages. Most publications will not accept new subscriptions owing to the paper shortage.

One of the most significant and distressing evidences of the present impoverished state of Britain is the condition of the London hospitals. Skilled nurses are peeling potatoes. Frequently in the wards poor women are let out in two or three days after giving birth to children.

In many hotels neither towels nor soap are provided, guests being told candidly to bring their own.

Nationalization of Industry

The definite trend to the Left had been discernible for some time, but I admit that the sweeping nature of the Labor landslide outdistanced my own calculations. It was not until I had spent some days in Britain that I began to realize more or less clearly the reasons for the change. These were set forth in an article written in London, airmailed to New York, and published in "Investment Timing" of three weeks ago, August 30.

The "nationalization" program, in view of the urgent problems of recovery, can hardly be carried out for a long time. There will be no alteration in the Bank of England's service to the public, and all signs indicate that State ownership will be limited to essential services and private enterprise will continue to be encouraged.

The Labor Situation

While the recent election put the Labor Party in complete power, it is perhaps a paradox to say that the new Government in reality is even more conservative than the one it has supplanted. This fact is indicated in several ways, a striking example being the speed—or, rather, the lack of it—with which men and women in the services are being released, or "demobbed," to use the British expression. This is in contrast to the rate of release witnessed in America.

Why are the British so much slower to "demob" their Army—especially in view of the dire shortage of labor and the need for production to satisfy universal and urgent needs? The answer is that they do not wish to hurry the operation and thereby to risk causing unemployment. They had a bitter experience with unemployment in the years prior to the War, especially in the coal mining districts in South Wales.

While the British Army is not continuing to risk life in ducking bombs and V-1 and V-2 projectiles, it is in receipt of purchasing power, and workers in war plants while not particularly active are at least given some tasks, considered better than being entirely idle. So demobilization proceeds in stately, if slow, fashion.

On my return I was astonished to be told that Professor Laski had been airing his views and receiving respectful attention in the press to the point where many Americans thought he was expressing the opinions and ideas of the new British Labor Government. This is not so. On the contrary, Professor Laski speaks merely as an individual, espousing his own economic fallacies. Perhaps it was a pity that Professor Laski ever left Harvard University to go to England! Both Mr. Ernest Bevin and Prime Minister Attlee have disavowed the Laski utterances, which receive scant notice in the British press.

While it is technically called a Labor Government, instead of being composed of horny-handed sons of toil it is more genuinely representative of the people than the previous Government. It contains many highly educated, experienced statesmen from the so-called aristocratic caste—public school men wearing the sometimes-critized but proudly-worn "old school tie," an emblem that still commands respect in its home territory.

Blocked Sterling and Loans

Much has been said and printed regarding the British $12-$14 billion of blocked sterling. The manner in which blocked balances credited to other nations and expended only within the British Empire are to be liquidated in future is of grave importance to England and America.

The simple truth is that Britain is financially exhausted as a result of having fought for the common cause from Sept. 2, 1939 until the gangster aggressors were either beaten or surrendered.

Some people think that the dollars needed by Britain to revive her economy are to be shipped to England and utilized in nationalizing industry there. The absurdity of such an idea should be obvious. Any and all dollars Britain receives will be spent in America and will help American agriculture, industry and commerce during the trying transition period now confronting us.

It is to this country's real interest to help in bringing about the unfreezing of Britain's sterling indebtedness to other countries, thus freeing the blocked channels of world trade, which will run much better with Britain in a position to co-operate. The reward to America for helping Britain will be the knowledge that the world is started towards a prosperous and peaceful future, a reward great both materially and spiritually—a reward so very great that the cost, in comparison, will prove comparatively negligible.

The Value of the Pound

There has been considerable speculation regarding the future value of the pound, with the belief expressed that in view of Britain's financial condition the pound may not continue much longer at the present value of $4.02¾. Some grounds for this belief were thought to exist in the official Army announcement of August 30 that U. S. troops were advised to close sterling accounts in English banks before September 30 because after that date "the current rate will cease and the exchange will be based on international exchange rates," with the intimation that those U. S. personnel who do not take advantage of the chance to withdraw their deposits "may sustain a loss when they do eventually convert to American dollars."

Should the current negotiations looking to a grant of from $3 to $6 billions in Washington fail, it is possible that the British might withdraw the peg and allow the pound to sink to $3 or even lower, concentrating their trade within the borders of the British Commonwealth. While such a move would hurt Britain in regard to her necessary imports of raw materials, it would also harm the American export market. Perhaps the effect would not be felt at first, with the American public's accumulated savings and pent-up demand for consumer durable goods absorbing initially restored production, but later—possibly in two or three years, when the vast industrial machine built up in this country will require a large export trade to yield the customary margin of profit—a likely result could be sharply increased unemployment in the United States.

But in well-informed quarters such a contingency is held remote, and it seems safe to assume for the time being that the pound will be maintained at its present relation to the dollar.

Lend-Lease — and Reverse

The termination of Lend-Lease came as a shock to the British public, and considerable indignation was expressed, simply because the man in the street did not understand that the termination was automatic and that President Truman had no alternative, since the law was an Act of Congress.

Similarly, the American public seems to know little about the extent to which Lend-Lease has been offset by tangible contributions on the part of Britain to America. In terms of money the reverse Lend-Lease has been one-sixth.

On both sides of the Atlantic the press seems derelict in its duty of informing its readers fully on the whole truth in these important matters.

London Stock Exchange

Normally there are about 4,000 members of the Stock Exchange in London, the number having dwindled to a little over 3,000 and transactions having been sharply curtailed during the War. Early in the War all foreign holdings of securities had to be declared and turned over to the Government, for appropriate compensation. Investment by British nationals in foreign securities is restricted, with a few exceptions, and the British public is barred by law from purchasing unless with Treasury consent—just as British nationals are not allowed to take out of the country more than £15 (and American visitors no more money than they brought with them when they entered Britain).

For the immediate future, therefore, there can be little hope for repurchase of the American securities sold to get funds to help Britain survive, or for purchase of new securities. The reason, of course, is the dire need for Britain not to lose sterling and to get all the dollars possible for exchange purposes.

Stock Exchange Volume

On the London Stock Exchange the record eliminates duplicate transactions in the same stock at the same price, showing only the total of dealings in blocks of stocks at individual prices. These average between 6,000 and 7,000 daily, as against the New York total of from 750,000 to 2,000,000 daily. There is no margin trading and activity has increased but little since the War.

Money Rates

The money market in London is comparable to that in New York, call loans being 1% to 1¼% compared with the flat 1% here. Time loans over there are 1 1/32% to 1¼%, slightly lower than the 1¼% to 1½% here, but the London rediscount rate is 1% to 1 1/32% against only ½% in New York.

Financing

The same rigidity of control and the Government's need to husband finances continue as a brake on new capital issues, which are infrequent compared with the volume and frequency seen in New York. Financing in the main consists of refundings, with few venture capital issues.

Taxes

Both individual and corporate income taxes are higher than here and there seems little likelihood of reduction in either for some time. It is generally conceded that conditions are more onerous now than during the War and that the average Briton must tighten his belt both physically and metaphorically against perhaps another two years of privation. Government pressure for funds does not permit reduction in taxes as a means of stimulating production.

Reconversion

In view of the Labor Government's cautious maintenance of controls, reconversion proceeds much more slowly than here. A good start has been made in the rejuvenation of the South Wales coal mining district, where new housing construction is steadily under way.

Inflation

As in America, inflation is a subject of great concern in England. The people know their need for consumer goods; they are not so alive to the necessity of building up exports and modernizing their industrial plant, but are as impatient as we are to eliminate or curtail price controls and to reduce income taxes, which, however, must be maintained to avert the danger of inflation and to meet Government expenses.

Home Again!

A poignant moment was when the "Acquitania" passed the Statue of Liberty. The troops moved over to the port side of the ship and gazed silently at the emblem of freedom in a new world. Men who had seen the uttermost horrors of war stood still with blinking eyes.

After observing the physical destruction of structures and homes and impairment of British industry, one debarks on American soil with thankfulness and in humility, and with the firm conviction that peaceful and cooperative relations with other nations must be preserved—particularly between Britain and the United States—in order that future generations be spared the inevitable complete annihilation of another World War.

China's Need for American Products

Director of Far Eastern Section of FEA Says More Than One Billion Dollars Are Available for Chinese Purchases. Machine Tool Manufacturers Plan Cooperation in Helping Chinese Industrial Development.

The Chinese Government will have at its disposal for purchase in this country during the period immediately ahead, funds approximating from one to one and one-half billion dollars, according to a statement by Whiting Willauer, Director of the Far Eastern Section of the Foreign Economic Administration, made at a conference of manufacturers held at the Metropolitan Club in New York Wednesday morning, Sept. 26, under the auspices of the China-America Council of Commerce and Industry. This estimate, Mr. Willauer pointed out, does not include an unknown volume of private loans and credits to be extended to the Chinese by American manufacturers and banks, but is confined to the sums that will be made available through the Export-Import Bank and other government sources as well as Chinese funds on deposit in American banks.

Mr. Willauer, who recently returned from his fifth war-time trip to China, said that American business would meet very little competition from materials that might be made available to the Chinese through the liquidation of lend-lease. A large part of the stockpiles of lend-lease materials intended for China, he said, much of which is still in India, consists of ordnance material or equipment not suitable for civilian purposes. In launching her post-war industrialization program, therefore, he declared, China will have to start from the beginning and will in the first instance look to the United States for equipment and technical skill.

The perference of the Chinese for American products was also emphasized by Ralph E. Flanders, President of the Federal Reserve Bank of Boston, who presided at the meeting, and by Alex Taub, consulting engineer to the National Resources Commission of China. Mr. Taub outlined the reconstruction program under consideration by the Chinese Government which calls for the purchase in this country during the next three years of machinery, equipment and other supplies totaling two billion dollars. This program, which is expected to go into effect as soon as current financing negotiations are completed, will mark the beginning of a long-range development designed to rehabilitate and expand China's transportation, industry and other branches of economy. Many of the specific projects included in the initial reconstruction program for China, Mr. Taub stated, have reached the stage of detailed planning and in a number of cases contracts with American companies providing for equipment and technical assistance have already been concluded.

At the afternoon session of the China-America Council conference, representatives of 25 outstanding machine building firms, led by Mr. Flanders, who is also President of Jones and Lamson Machine Company, discussed China's machine tool needs and the participation of the American machine tool industry in China's industrialization. It was agreed to form an Advisory Committee of American machine tool manufacturers to offer the Chinese Government cooperation in helping work out plans for industrial development in China during the initial reconstruction period.

"End Deficit Spending"

(Continued from first page)

tainly it is the duty of every business executive to give his stockholders the broadest education in the methods by which the machinery of free private enterprise operates in the United States.

No Plan for Prosperity

I have come from Washington today impressed with the confusion and inconsistency of principles, of issues, and of policies in which the thinking of those concerned with government is now involved. During the war we had one great purpose. Since the accomplishment of that purpose there is no clarification of issues, and no clearly defined policy has emerged. We are all dominated by a vast optimism regarding a prosperous future for the United States. I can't help feeling it myself in spite of the difficulties which face us. But there is no agreement on the methods required to reach that result, or even on the most fundamental principles of economic policy. We talk of a planned economy, under the Full Employment Bill, and otherwise, but as far as I can see, while there is plenty of miscellaneous and inconsistent planning, there is no plan. To make a plan we don't need the elaborate statistical setup of the Full Employment Bill. We just need a putting together of the figures which the Government has, a little common sense and an ability to count. In the absence of a plan, the tendency that I fear more than any other is the continued strength of the theory that the Government can bring about prosperity merely by spending money. Congress is so flooded by great spending projects that probably most of its time from now until next June will be spent in giving them consideration.

A Sound Fiscal Policy

The basic element of any Government policy to produce or maintain prosperity is a sound fiscal policy, one which estimates the necessary expenditures of the Government and the kind of tax system which is required to raise the money to pay for them. We need a post-war budget now. True, there are many uncertainties, particularly with relation to the immediate post-war period and the aftermath-of-war expenditures from which we cannot at once escape.

We should, however, have first a distinct goal for the Federal expenditure budget when normal peace-time conditions are restored. Many private estimates have been made running all the way from sixteen billion a year to twenty-five billion a year or more. But there is no official estimate, not even an official guess. President Truman's message to Congress listed countless spending projects, but never suggested that there might be a problem in raising the money to pay for them. His only reference to taxation was to a reduction of taxation designed to stimulate business without "losing sight of the budgetary situation." It is hard to lose sight of something which we have never yet seen. Temporary tax revisions are being proposed by the committees today, but they seem to be wholly unrelated to the expenses of the Government in 1946. Many private organizations have proposed permanent tax plans, with wholly insufficient knowledge of probable expense; but there has been no indication from the Government what its policy might be. In short, plans for spending proceed along one line, plans for tax reduction proceed along another, and no official attempt to reconcile the two has ever been presented.

We should determine now how heavy a tax can be levied without killing incentive, discouraging business growth and reducing employment. If that figure can be determined, we can and must then limit our expenditure to approximately that amount. A wise tax policy can put more men to work than all the public works in sight. My own guess is that we can raise about twenty billion a year without crushing initiative, and that we can hold our expenses to that figure, but we can only do it if we recognize the necessity of having to do it. The thinking of most people is still carelessly dominated by the thought that there isn't any necessity of trying. They seem to feel that since we had a deficit of fifty billion a year in war-time, we can do the same kind of thing in time of peace.

I do not believe we can escape an annual budget of about twenty billion dollars—six billion for interest on the public debt, six billion for the armed forces, three billion dollars for veterans, and five billion for the other departments of Government, including agricultural aid, social welfare and public works. Taxes to raise this amount will be heavy and probably will involve the 40% tax on business earnings and a personal income schedule beginning at 20%, but with somewhat higher exemptions and somewhat lower rates than at present, and I hope a reduction of the double taxation on business and stockholders.

Spending Bills

But today there is no plan. This year Congress has already passed bills providing for five hundred million dollars a year investment in rural electric cooperatives. The Senate has passed a bill giving seventy-five million a year as aid to the construction of airports. We shall soon consider bills to provide a hundred million a year for aid in the construction of hospitals, and several hundred million a year for aid to common school and high school education. Many other spending bills are before Congress, including a hundred million a year for aid to vocational education, five hundred million a year for a national food allotment plan, the old stamp plan, fifty million a year for a rural telephone administration, fifty million a year to provide free school lunches, fifty million a year aid to States in eliminating river pollution, fifty million a year for aeronautical experiments, a hundred million a year for additional subsidies for public housing, and many flood control projects, irrigation proposals and river projects like the Missouri Valley Authority. There are many additional proposals for aid to public health, in addition to the construction of hospitals amounting, perhaps, to as much as six hundred million dollars a year.

President Truman has even recommended that the Federal Government adopt a general policy of grants to State and local governments for all public works. I am willing to give some Federal aid when there is a direct Federal interest as I see it, but I can see no justification for Federal aid to public works of purely local concern, except the same old fallacy that the spending of public money is itself a sufficient justification, on the ground that it in some way creates prosperity.

Then we have the Murray-Wagner-Dingell bill increasing the payroll tax to 8% and providing universal compulsory health insurance and many other benefits along the lines of the Beveridge plan in England. Last year the advocates of this measure wanted 12% of all payrolls. The reduction in the present bill suggests to me that a considerable part of the expense is now to be borne by general government and become a burden on the general taxpayer. I do not agree with the theories of Sir William Beveridge, but at least he is frank in giving a fair estimate of the cost and consequences of his numerous plans. From his English figures, I estimate that the Beveridge plan, if fully applied in this country, would cost about eighteen billion dollars a year. The Murray-Wagner-Dingell bill moves a long way in that direction.

Of course we have almost unlimited proposals for further aid to the veterans. Certainly some substantial changes will have to be made in the G.I. Bill of Rights.

Then we have the huge sums proposed for foreign lending. We have already authorized about six billion dollars for Bretton Woods, three and a half billion dollars for the Export-Import Bank, and $1,350,000,000 for the UNRRA. It is suggested now that we loan or grant Great Britain approximately five billion more. Russia would like six billion. Many European countries will follow in their wake, although I think most of them can be taken care of by the Export-Import Bank. UNRRA wants another billion, three hundred and fifty million dollars.

Only Reasonable Loans Abroad

I have always felt that we should make reasonable loans abroad to enable war-devastated countries to get their own machinery in working order, but I have never felt that American dollars could cure the troubles of the world or make more than a small contribution to the success of a foreign nation in solving its own problems. But foreign lending on any such scale as is now proposed becomes another general charge against the American taxpayer. Our experience with the World War debts, our experience with lend-lease, teaches us that if the sums loaned are so large as to become truly burdensome they will never be paid. Present plans contemplate the outpouring of American money abroad at the rate of perhaps five billion a year for four years. That would add twenty billion dollars to our public debt, and I doubt if it can ever be recovered.

We are drifting rapidly, therefore, to a chronic condition of deficit spending. With the huge reserves of purchasing power in this country, with forty billion dollars of E bonds outstanding and convertible into cash, with a huge increase in currency and commercial deposits, with a great backlog of pent-up demand, we are headed for the biggest spending spree and inflation this country has even seen. We must resume immediately some sense of responsibility and planning in our spending and taxing. We must provide for a definite and steady reduction in the Federal budget to reach a balance in the fiscal year 1948.

Many of the spending projects are entirely worthy, but taken all together they are impossible. I have felt that perhaps a billion dollars a year might be added to

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"End Deficit Spending"

(Continued from page 1607)

the budget for improvements in social welfare, and public works other than roads, provided that every other expense is reduced to the minimum. If the budget is allowed to run as high as twenty-five billion a year, I believe it would require such a burdensome system of taxation as to stifle the very prosperity which pays the taxes. It would mean a total tax burden, Federal, State and local, of about thirty-five billion, probably more than 25% of the nation's income. But this is merely a guess. I believe that no further expenditure should be authorized until we have an overall plan for taxation and peace-time expenditure.

Inflation Dangers

There is more danger of inflation in the present Government policy outside of direct Government spending. A strong group in the Government is favoring further increase in wage rates brought forcibly to our attention by the wave of current strikes demanding a 30% increase in such rates. The last figures from the Bureau of Labor Statistics show that since January, 1941, adjusted straight time average hourly earnings of factory workers have increased about 40%, take-home wages increased about 80%, while the cost of living has increased 30%. It is doubtful if, during this period, labor has become substantially more efficient except in a few industries. No doubt wage increases are due in some industries. But if wages go up generally, it will undoubtedly bring about a corresponding increase in prices, and start a spiral of inflation.

The President has also recommended a substantial increase in the minimum wage, at least 62½% from 40 cents to 65 cents. Any such large increase for all those above that level. The same tendency is shown in the demand for an increased unemployment compensation wage to $25 a week after many States last winter fixed a lower rate.

Many of these wage increases may be wholly justified, but the effect of a general increase in wages can only be an increase in prices and a strong boost for inflation. The general tendency of the Administration is shown by the recommendation that every Congressman and Senator be raised to $20,000 a year, a hundred per cent increase, the normal effect of which would be to encourage increases in every line of salary and wages throughout the United States. Even the Congressmen themselves don't take this particular recommendation seriously.

The Administration's only proposal for the prevention of inflation is the strenuous maintenance of price control. Chester Bowles stands like King Canute bidding the flood tide of inflation to recede. Inflation to him apparently means an increase in the published OPA price for retail stores, regardless of the fact that the whole country is becoming involved in a flood tide of inflation The stronger this tide becomes, the greater incentive to a spreading black market. The only effect of Mr. Bowles's lonely activity will be to interfere with the operation of legitimate industry and discourage the expansion of production and employment. If costs and wages are allowed to increase and prices are held down, there will be no incentive to increase production at this time; there will be no incentive to new men to venture their money in losing enterprises. The large companies, of course, can stand a loss, but the policy is destructive of existing little business and discouraging to all those new enterprisers we need to provide more jobs. The result of decreased production, then, is more inflation, because the supply is less able to meet the demand. The only permanent solution for high prices is a rapid increase in production.

The Administration makes the mistake of regarding increased prices and cost of living as inflation when it is merely the evidence of inflation. In 1929 we were told that we were living in a new era, that we had solved the problem of depression and prosperity, and the argument was supported by the fact that there had been no increase in commodity prices. But there was inflation just the same, brought about by an undue expansion of private credit. The collapse of that balloon, which also include incidentally a good many unsound foreign loans, brought the greatest depression that we have ever seen in this country. Now we face the same result through an unwise expansion of public credit.

The Wallace Inflationists

The proponents of the so-called Full Employment Bill endorsed by the President are frankly inflationists. Mr. Wallace, whose book on the subject was published last week, proposes that we maintain in peace-time the some production of goods and services as at the peak of the war activity, approximately two hundred billion dollars annually. Under the terms of that bill, as introduced, if the President estimates that production will be less than some conjectural figure required for sixty million jobs, and cannot think of any way to stimulate private activity, he must propose a program of Federal investment and expenditure sufficient to reach the goal. I cannot imagine any more inflationary proposal. Fortunately, the Senate amendments have destroyed the compensatory Government spending theory contained in the original bill.

I do not believe the Administration has thought through the consequences of the combination of the various policies proposed. Fortunately, when these proposals are translated into concrete measures they offend the common sense of the average American if he is not too much dazzled by the particular spending projects which appeal to his personal interest. A majority of Congress is instinctively opposed to inflationary measures of any kind. This week I was interested to see the most eager spenders repudiating the idea they were for deficit spending.

We must change the whole spendthrift policy which is probably necessary in time of war. We must weigh every expenditure in the light of the necessity of raising from our people, millions of plain working men and women, the money to pay for such expenses. We must stop appropriating money and see where we stand. We must exorcise from our thinking the theory that the Government can spend itself into prosperity or that the creation of purchasing power is a sufficient excuse for spendnig.

Speed Private Enterprise

The only way this can become a prosperous country is to speed up the machine of private enterprise. The largest public works program anyone has imagined is about five billion dollars a year, which will put two and a half million men to work. We wish to employ more than fifty million men. If, by sound fiscal policies, we can keep the private enterprise machine on a stable basis and increase its operation by 10%, we can put more additional men to work than the largest possible public works program. Public works are necessary and should be expanded when unemployment occurs, but they can never be a panacea for depression.

It is important to adopt such a fiscal policy and policies that there will be a proper incentive of private industry to expand; a proper relationship between wages, prices, and the cost of living; a proper relationship between farm prices and industrial prices; and a proper relationship between savings and consumer expenditures. There are many other elements which can be indirectly affected by Government policies dealing with taxation and agriculture, credit, and controls or relaxation of controls. Public spending is only one of many policies, not by any means the most important and not by any means a catch-all solution. The machine won't run any better if you pour in more gasoline while you throw monkey wrenches in the machinery.

Extension of Federal Power

There is another objection to unlimited Federal spending. Every time a new method is found to spend Federal money it requires a great extension of Federal power which is never easily relinquished. If public works cannot supply enough jobs, the next step is for the Government to go into business to compete with private enterprise. This in itself would discourage any further expansion of private enterprise in that field because no one can compete with a billionaire government. If we adopt or weakly acquiesce in the spending theory the mere fact that a measure provides for pouring out Federal funds thereby becomes a sufficient recommendation for its adoption, and all critical judgment of the merits of the particular plan is discouraged. In other words, the adoption of the spending theory means the indefinite expansion of Federal regimentation over States, local governments, and private business.

And so I urge you above everything to insist upon a program and a plan and to oppose every type of additional spending until we can judge just what the proper limit of Federal expenditure will have to be. If we have any such inflation as present policy indicates it will be followed by a greater depression than the last, by suffering, hardship and unemployment, and I fear by the destruction of free economy which has made this country the greatest and most powerful nation in the world, and with the highest standard of living.

Calls For Government Economy

(Continued from page 1579)

ties in the post-war period and that means men who will know the problems with which the Government will have to deal in their particular department."

"We have had in this country what I consider a very favorable exposition of the productivity of the capitalistic system. No one can say it has not been without its faults. In the early days it committed many indiscretions and much of the reform that has been brought about in recent years was sorely needed, but in the past few years the pendulum of reform and regulation, in my opinion, has swung too far against the free operation of the capitalistic system. The answer to any system of production and distribution is its ability to serve the people. That is the whole objective. It does seem strange to many students of economic systems that this nation, which boasts of the highest standard of living, would have the system which helped attain that standard of living subject to such damning accusations from time to time. In truth, the accomplishment of that system is the envy of the world. In a measure the system may create its own challenge in the sense that it stimulates the under-privileged in the rest of the world to greater ambition.

"This stimulation, however, can be constructive if the mass of the people are fully informed as to how to obtain and earn an improved standard of living rather than to be sold the idea that the better things in life result from a hand-out. This nation will represent the strongest nation that still has the framework of a free enterprise system at the completion of the war. I believe inherently everyone wants to maintain that system. To do so requires the cooperative effort of all groups. Let us not for a minute forget that under our system we have developed a strong middle class group. The existence of a strong middle class group is the very strength of a nation. If recent tendencies have alarmed us in any way it has been due to the fear that some of our more recent policies have had a tendency to liquidate the middle class group.

"This system of ours has not been without a heart, as is so well demonstrated in our help to other nations. We intend to continue doing this within emergency limits, but we hope the pattern we have set is not to be a perpetual one. If it does tend to become perpetual then our own standard of living and our own capitalistic system will flounder on the rocks of inflation and bankruptcy. It would seem advisable to have the principles for which we stand more definitely emphasized than to constantly play up the millions we possess. We do not wish to buy good will. It should be our objective to merit it on the basis of our conduct and our treatment of our fellow-man. It is not helpful to our administration to find in the press headlines about our Chief Executive's trip abroad, the glaring statement 'Billions Truman's Ace in Hole.' There is an end, of course, even to all of our billions and most citizens believe that the President's really strong ace in the hole, if you can describe it in such terms, should be our demonstration throughout our history of our adherence to principles and our willingness to do what we can to bring about a peaceful world.

"It is also known by many students of economics that many of the nations abroad are not as financially impoverished as people are generally led to believe. Their people are poor and there has been a tremendous war destruction but as far as their governments are concerned some of these countries, even those that were occupied, possess gold holdings adequate to do a large measure of their own reconstruction financing. It is true that the attainment of these reserves has generally been through an inflationary route with its serious adverse effect upon the individual. However, the governments have an obligation to their people which they should discharge."

Mr. Heimann, in addressing a Victory Luncheon Forum of the New York Association of Credit Men at the Hotel Pennsylvania in New York City on Sept. 13, reiterated his demand for tax reduction as a spur to post-war business and cautioned his hearers that "a return to sound credit rules is the first need of business prosperity."

"Unemployment resulting from reconversion need not be prolonged," Mr. Heimann pointed out. "Given some assurance on tax measures which permit a reasonable return on investment, a prompt settlement of terminated war contracts and a judicious handling of surplus war material, private business will respond quickly to its employment responsibility."

Pointing out that while business is anxious to move into high production to meet the demand for goods and services of all kinds, which exists not only in this nation but throughout the world, and is better organized to begin the race for business than at any previous time in our history, certain features of credit analysis, especially of new customers, present a much needed safety requirement.

"Credit executives are warned to analyze carefully the management capacity of those new companies which have been engaged in war production, but which never have faced private competition," Mr. Heimann pointed out. "It is one thing to run a business with government money on a cost-plus, or war sales price basis, and quite a different problem to secure private financing and produce at a unit price which makes possible meeting private competition in a post-war world. In this connection, special attention should be paid to the source of capital because of the dangers lurking in the undisclosed liabilities of certain war time operators. Concerns engaged during the war in black market operations cannot now present a sound balance sheet, for whatever their statements might indicate as their present capital figures, their character risks are unacceptable and their capital will be in constant jeopardy should the Government succeed in tracing down their black market operations."

Pointing to some of the other vital problems facing business, Mr. Heimann stressed the importance of serious sales effort, indicating that he believed the competition for post-war business will be intense.

"The war has left in its wake extravagances in business which must be liquidated immediately if a company expects to produce at a competitive price.

"In the export-import field many nations have accumulated strong balances which they intend to use for purchases here. This should account for an increased foreign business. Even some of the occupied countries are in possession of gold holdings that contradict the poverty presentation we so blandly accept as a fact. We will have to do some financing abroad but this time it is to be hoped it will be on a sounder basis than our effort following the first world war.

"Labor must realize that the people throughout the world are eager and anxious to produce and that in this nation if we are to compete in a world market we must accept higher production per man as a corollary to a higher wage scale.

"In the matter of unemployment, the Pacific Northwest and the West Coast areas will be hardest hit, but it should not be overlooked that over the longer range period of time these sections will be the principal beneficiaries of the decentralization movement of industry. This movement, under way at the start of the war, will be resumed at an accelerated pace in the post-war period.

Business Man's Bookshelf

Uncle Sam's Billion Dollar Baby—A Taxpayer Looks at the TVA—Frederick L. Collins—G. P. Putnam's Sons, 2 West 45th Street, New York 19, N. Y.—cloth—$2.50.

New York Business in the National Economy—Critical analysis of local business structure—Herbert S. Swan, 299 Broadway, New York 7, N. Y.—paper—$1.00.

The Cat Is Out of the Bag

(Continued from page 1571)

employers. However, this is not a philosophy but a rule and it is up to the members to vote "yes" or "no." From what I have seen in some cases here, salesmen are getting so much of the spread that they are really independent businessmen. What the English call a half commission man and I see no good reason why they should not be required to carry some share of the responsibility.

It was nice to hear from you. I suppose you are always too busy when you come to the City, but nothing could give me more pleasure than to have your company at luncheon.

Signed GEORGE N. LINDSAY

It should be borne in mind Mr. Lindsay is the Chairman of District No. 13 of the NASD, and further that the "Frank" referred to in the above exhibit is Frank L. Scheffey, Executive Secretary for the same district. With this knowledge the communication takes on official character.

The attempt to place blame upon salesmen and traders is clearly stupid.

It is not true that there have been "a good many cases where houses have been punished for sins that were 90% those of the salesmen."

Counsel for the **Securities Dealers Committee** were prepared to furnish testimony on the issue of blame, but the SEC would not set the matter down for a hearing.

Principals in the security field know what their salesmen are doing. By and large the industry is a basically sound one and honesty is prevalent.

We deny that "the traders . . . have been the chief sinners in many cases."

We believe the taking of testimony on this issue would demonstrate beyond doubt that such a contention is completely fallacious.

The most heart-breaking product of the recent NASD By-Law Amendments is this attempt on the part of the "Brass Hats" to shift the blame.

As we have known it, there has always existed an entente cordiale between employers and their employees in the securities business.

If employers and employees use the tar brush on each other, then a diseased condition will prevail. That's the sort of thing the NASD and the SEC thrive upon. It constitutes a new form of the divide and conquer principle and lays the foundation for further shackling and regimentation.

Employers, traders, salesmen, partners et als., should be alert to all this. They must combine to fight effectively the strictures upon their freedom which are being forged by administrative groups—whether official or voluntary.

The claim that salesmen get an inordinate part of the commission really lets the cat out of the bag. It supports the position that we took initially. We claimed that it was the purpose of the NASD to control the amount of the salesmen's compensation—to reduce such compensation—and the above exhibit makes it abundantly clear we were right.

This bill of goods, the passage of this amendment requiring registration and providing for the future control of profits, commissions and other charges was sold, it seems to us, by means of a preconceived plan.

Member firms of the NASD by a divide and conquer propaganda, were led to believe they could escape liability for wrongdoing by placing the blame on salesmen and traders. This was a dangerous offense and, in our judgment, a dishonest course. It will produce a sickening harvest. For in it, there exists no basis in truth.

Salesmen and traders who were made the pawns and whose livelihood will be directly affected, were in no wise consulted. Their views were not canvassed, nor were they given a fair opportunity to be officially heard. If this is Americanism, then we do not understand our institutions.

To top it off, the opinions and findings of the Commission clearly imply that there is a foundation for Mr. Lindsay's position. This implication is not only an insult—but is also utterly unjust. It was the duty of the Commission to order the taking of testimony so that traders, salesmen and employees could be heard, under oath, and further so that there could be cross examination of Mr. Lindsay and those others who supported his position, to test its accuracy.

We have examined many of the exhibits filed with the Commission and these make it abundantly clear to us that official pressure was used, both in bringing out the vote and coercing the voters to approve the amendment.

ON THE WHOLE THE ENTIRE BACKGROUND OF THIS REGISTRATION SCHEME AND THE ATTEMPT TO CONTROL PROFITS, COMMISSIONS AND OTHER CHARGES, PRESENTS AN UGLY PANORAMA.

NSTA Notes

(Continued from page 1577)

The Securities Traders Association of Detroit and Michigan, founded in July, 1935, is one of the larger and faster growing units of this trade association in the country, numbering among its membership over 150 stock and bond traders of Detroit and the State.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia met at the Benjamin Franklin Hotel last Friday night for its Fourteenth Annual Election and Dinner. Having been formally organized in 1932, it preceded any local Traders group as well as the National Security Traders Association with which it is now affiliated. Thomas Graham of Louisville, Ky., the newly elected National President attended and commented on the contribution Philadelphia has made to the securities business nationally and the problems to be encountered by the N. S. T. A. in the coming year.

Russell M. Dotts, Bioren & Co. was the retiring President. The new officers are: President, Edmund J. Davis, Rambo, Keen, Close & Kerner, Inc.; First Vice President, Alfred W. Tryder, W. H. Newbold's Son & Co.; Second Vice President, Frederick S. Fisher, H. N. Nash & Co.; Secretary, Wallace H. Runyon, Graham, Parsons & Co.; Treasurer, Paul Fredericks, Warren W. York & Co.

Governors elected for three year terms: John M. Hudson, Thayer, Baker & Co.; R. Victor Mosley, Stroud & Co.; R. Conover Miller, E. W. & R. C. Miller & Co.; George J. Muller, Janney & Co.; Thomas J. Love, George E. Snyder & Co.; Harry B. Snyder, Yarnall & Co. For two year terms: John Barton, F. P. Ristine & Co.; Harry Fahrig, Reynolds & Co.; Benjamin A. Brooks, W. H. Bell & Co. For one year: Harold F. Scattergood, Boenning & Co.

President Davis outlined a tentative constructive program for the ensuing year and appointed chairmen of standing committees: Membership, Alfred W. Tryder; Arrangements, Thomas J. Love; Arbitration, Russell M. Dotts; Attendance, John Barton; Publicity, Samuel K. Phillips, Jr., Samuel K. Phillips & Co.; Auditing, Frank Laird, Stroud & Co., and National Municipal Representative, Russell M. Ergood, Stroud & Co.

Since its formation, the Philadelphia organization has done much, locally and nationally, to promote and maintain high standards in marketing Over-the-Counter securities and new issues, which has been beneficial not only to those in the business but to all security holders as well. A recent undertaking has been the formation of a committee with R. Victor Mosley (recently elected National First Vice President) as Chairman to assist returning veterans in getting placed in the Securities Business.

Draper Retires as Deputy Commissioner of FHA

Earle S. Draper, Deputy Commissioner of the Federal Housing Administration, announced on Sept. 29 his retirement from Government service to enter private business in Washington. In accepting Mr. Draper's resignation, effective Sept. 30, FHA Commissioner Raymond M. Foley wrote him:

"Your desire to return to private business after 12 years of public service in government is readily understandable. Especially have those years spent with the FHA been of large benefit to the public. I am sure you can justly feel that you have made important contributions, especially toward solution of the war housing problems of the nation."

Mr. Draper, who has been connected with FHA for more than five years, said he planned to establish offices in Washington as a consultant in city and land planning, housing construction and housing finance. Since 1943, Mr. Draper, as Deputy Commissioner, has been in charge of all field offices and mortgage insurance operations of FHA. As assistant FHA administrator in the early years of the war, he directed the FHA war housing program.

Prior to joining FHA he had been connected for seven years with the Tennessee Valley Authority first as director of land planning and housing and later as director of TVA regional planning studies.

Rejoins Calvin Bullock

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—**Alexander W. L. Forsyth,** who was formerly resident manager of **Calvin Bullock** for 14 years, has recently been discharged from the U. S. Army and has rejoined the staff of the firm in the Colorado National Bank Building.

"The Wage Crisis"

(Continued from page 1573)

when we must all keep our chins up—and use our heads.

Segments of our economy which should be working in absolute harmony and understanding are pulling and straining in opposite directions. They should be pulling together toward the same objective. But they are running head on at each other. These segments are labor and management. The objective they both want, of course, is **a high level of prosperity** for all of us and a program of helpfulness for those nations which were our brothers in arms just a few months back.

The coming of that **era of high prosperity** will depend in large measure on the reason and the restraint and the leadership we exercise now. It will depend in part on just how well we will follow the advice of our men in service and—"take it easy."

When I say that we can anticipate a bright era of good times, I am not trying to play fortune teller. I am not making idle predictions based on wishful thinking. I am not blinding myself to a single discouraging factor in the economic picture and I am allowing for the crushing load of federal debt besides.

Field Open for High Level of Employment

But still I can tell you that the only thing which will deny us an extensive period of sustained prosperity will be our own failure to take advantage of our opportunities. The field is now definitely open for high levels of production and high levels of employment—which we call prosperity—for a relatively long period —depending on what decisions we make **now.**

Let's reason together:

Millions of people want new radios; they want new refrigerators; farmers want to paint their homes and their barns and their poultry houses; millions of people want new automobiles—and washing machines—and matresses and furniture. They want reading lamps; they want woodworking tools for their basement hobby shops; they want harnesses for their horses. The list is endless. There's a tremendous backlog of pent-up wants in this country. Everybody wants and needs innumerable things. There's a tremendous backlog of purchasing power, as well. Put those two together, and they spell high production, high employment, good wages, reasonable profits and good times for all of us.

We're not going to have good times if we're going to hit ourselves over the head with the hammer of industrial strife and nail ourselves into a coffin of chaos. Of course, we're going to have troubles and worry and disappointment. It is not a one-sided problem, and it is not an easy problem. In my opinion, it is one of the most difficult tests our country ever faced, and yet it is a test we must face, and we must face it in terms of reason and restraint and give and take.

Above all, it is going to involve risks. Yes, risks. But what sort of risks are they compared to those which our young men took day in and day out in the foxholes and fo'castles all over the world?

Management must take some risks if this industrial war is to work its way toward peace; labor must take some risks as well; therefore, I would like to make a suggestion to management and a suggestion to labor.

Advice to Management

To management, facing a wage crisis, I would say this:

I urge you to take a fresh look at the wages paid in your plants and at your ability to increase them.

We in management must recognize that millions of American war workers have had big slices taken out of their pay envelopes. None of us likes to have his pay cut. Who **could** like it? It means a lower standard of living. The family budget is thrown out of balance.

I understand how the worker feels about this, and I appeal to management to take these factors into consideration and to be as generous and as fair with labor as it can.

We in management must take leadership in this hour of crisis. Is American industry which forged the weapons of war afraid to take leadership in the cause of another victory—a victory over ourselves and for the sake of us all?

It will involve risks. That leadership must recognize that reduced income in plants is a reduced income for the communities in which those plants are located. We must realize that reductions in our payrolls hit everyone in the community.

In recognition of this, some firms have already increased wages by 10, 12 or 15%. More will follow. But of course we must recognize that many firms cannot increase wages at this time without increasing prices, and that we do not want.

The important thing is real wages — not dollar wages — the kind of real wages which enabled America to have a higher standard of living. Merely raising wages and then raising prices and repeating the process from time to time means going through a vicious inflationary circle which obviously hurts everybody.

We pay an American coal miner more than three times what a coal miner is paid in Great Britain. He earns it because he produces more than three times as much coal. In the automotive industry, American workers before the war were getting twcie as much as German automotive workers. The American worker was worth it. He produced more than twice as much.

Over and over again we must reduce costs, produce more efficiently and increase income to perfect and develop these high standards of which we all have a right to be proud.

It is efficiency which has permitted us to pay our coal miners three times the British wage and gave our automobile workers more than German workers. That efficiency is based on individual skill and on production methods which were developed long before the last war, and which have been improved during this war. We will improve them again in the post-war years.

Such efficiency presents a problem we must solve during these next prosperous years. What proportion of the advantages gained from increased efficiency will go to labor, what proportion will go to the investor, and what proportion will go to the consumer?

If any one element gets too large a share of the benefits of increased efficiency, the whole economy is thrown out of balance.

Advice to Labor

To labor, confronted with loss of pay, I would say this:

I urge you to take a fresh look at your wage demands and see if they are not excessive.

Give management time to turn around. Labor, I am sure, will understand that in many, many cases, management cannot accurately predict what its costs will be when it is converted into full production. Management can better judge its position then. I ask labor to be far-sighted enough to give management a chance to reconvert, to get its breath, and to get into the stride of peace-time production.

Labor should be willing to accept moderate increases at this time, leaving the way open for further negotiations at a future time.

To both labor and management I would say this:

Do an honest job of collective bargaining. Sit down around the conference table and work your problems out. Collective bargaining is the civilized, democratic process of settling differences. This democratic process involves sitting down together for an exchange of viewpoints. It is the answer to whatever selfishness may prevail in a situation of this kind and reveals any misunderstanding which may exist.

But I do see a deadly parallel between what happened after World War I and the present situation. We ought to draw a needed and salutary lesson from our experience after the first World War. Fighting ended officially on Nov. 11, 1918. But the era of goodwill and peace which we all hoped would come to pass did not materialize. Violence continued in Europe. It spread to this country. The year 1919, when many of our troops were still on foreign soil, was perhaps the worst year for industrial conflict in American history.

Srikes and lockouts were not the exceptions. They prevailed in every corner of the country. There was an unrestrained increase in prices to complicate the hardship situation. There was a steel strike, a soft coal strike, a dockworkers' strike, a railway shop workers' strike, a police strike in one city, and lesser disorders in wide numbers. Civil disorders—bloodshed—broke out between opposing groups in the Pacific Northwest. We learned then that violence is one of the easiest things to start and one of the hardest to stop. There was violence then not only in action but in thought, speech and method.

So it was that in 1919 we lost a great many of the things for which we fought. President Wilson called a labor-management conference. It was a dismal failure, and within one year after November, 1918, we were at war again—this time on the home front—this time among ourselves. It could well be said that we had lost World War I—on the home front.

Avoid a Home Front War

Now, in an environment threatening to approach that of those years, we look forward to another labor-management conference, called by President Truman; again there is difficulty abroad as well as at home—as it was in 1919.

Are we going to say of ourselves that we won World War II abroad in 1945 and lost a war at home in 1946?

We know what we all want. We want peace. We want steady, good-paying jobs. We want peace at home as well as abroad. It is our own job to make peace at home—and keep it.

What are other people going to think of us unless we do? We have practically promised to show all the world the way to peace. We can't be at war with ourselves and point the way to peace in other countries.

I appeal to both management and labor to use their heads and not to lose them. Be moderate. Go forward in the best American tradition. Of course we will always have differences. But we ought to be able to adjust them in the traditional American way—in friendly fashion—in a spirit of mutual understanding. America has achieved her greatest success by moderation and self-confidence. I say to both management and labor:

"Take it easy, Mac!"

Strategy for Investors

(Continued from page 1572)

controlled inflationary era, such as we believe we are in, is common stocks.

The most perplexing problem facing the investor is which common stock. There are listed on the N. Y. Stock Exchange approximately 1,250 issues. Not all are attractive, in our opinion, not by any means. Since it is not possible to deal individually with such a large number, we shall therefore refer to groups of securities. Which of these groups, then, offer best investment values—and in what degree?

In order to present something tangible for the consideration of our investment clientele, we have assembled considerable data and have drawn certain conclusions from the study of such data in the light of existing and, more particularly, prospective conditions as we view them. Some sections of the market appear to offer relatively outstanding investment values while others only moderately so. To present such a picture we have expressed such relative attractiveness in percentages so that the total equals 100%.

With this necessarily brief preamble, we detail below a program which, in our opinion, would more or less assure participation in the post-war inflationary peace boom with minimum risk.

Oils	12%
Retail trade	10
Automotive	8
Foods and beverages	6
Metals and mining	5
Banking and insurance	4
Public utilities	4
Steels	4
Rubbers	4
Building	4
Chemicals	3
Pulp and paper	3
Railway equipment	3
Machinery	3
Containers	2
Amusement	2
Agricultural machinery	2
Aviation	2
Drugs	2
Textiles	2
Rails	1
Office equipment	1
Sugar	1
Special situations	12
	100%

We desire to quickly point out that the foregoing has been prepared as a suggested program for the consideration of the longer range investor—and not semi-investor or speculator. It should not be inferred for instance that we consider the oils as offering the best near or intermediate term speculative media—we don't —we think the rails, which for certain reasons are well down in the list, probably offer better media for such purposes for the reason that as a group they are perhaps farthest behind the market. Also in a similarly favorable near and intermediate term position are certain selected issues in the amusement, chemical, office equipment, railway equipment, steel and sugar groups—not to mention some groups which have been deliberately omitted from our tabluation. The same may be said for "Special situations", as for the oils. In "special situations", the most frequent error committed is timing. Opportunities in this category, for instance, usually are found off the beaten path and in a dynamic advance in the market such situations are sometimes slow to reflect a rise fostered by speculative element. Many "Special situations" which qualify for inclusion in a well diversified program require time to work out. Truly it may be said of "Special situations" that patience is a greater virtue than judgment.

The primary purpose of the foregoing is to present some concrete illustration of what a reasonably well diversified common stock investment account should look like. The percentages indicated should not be taken literally but rather as a broad indication of our view of the relative attractiveness of various groups within the market from the longer term investment standpoint. As previously indicated, for short and intermediate term speculative purposes the list which we would present would not perhaps bear much resemblance to what we have tabulated above.

As a creed for investors we believe that the market, despite its three year advance, is in a fundamentally strong position; we believe corrections will be of a temporary and relatively moderate nature (less than 10% before much higher levels are reached); we believe that longer term investors, generally speaking, are relatively under-invested rather than over-invested in equities; we believe the rails will record a new high during coming months (if not this year, then early next year); we believe this will ultimately bring about a resurgence of activity with rising prices; we believe many stocks are overvalued (some temporarily and some perhaps more or less permanently) but many more stocks are undervalued; we believe dividends being paid by many corporations are relatively low as compared with payments a year or so from now; we believe it advisable to avoid temporarily, at least, stocks of companies facing major reconversion problems and which are faced with sharply lower earnings and where dividend omissions are a real possibility; we believe that achievements of managements during the war years are relatively unimportant as compared with the achievements in the pre-war period; and we believe that two essential attributes of common stocks qualifying for consideration in the program we have outlined are quality and marketability.

Aug. Cotton Consumption

The Census Bureau at 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 August, which compares with 22,030,280 cotton spindles active during July, 1945, and with 22,240,676 active cotton spindles during August, 1944.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 1576)

Benguet Consolidated Mining—circular—F. Bleibtreu & Co., Inc., 79 Wall Street, New York 5, N. Y.
Also available are memoranda on **San Mauricio Gold Mines** and **Mindanao Mother Lode Mining**.

Boston & Maine Railroad—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

E. & G. Brooke Iron Co.—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.
Also memoranda on **Gear Grinding Machine Co.** and **Western Light & Tel.** new common.

Chanin Building Corp.—Circular—Walter Murphy, Jr. & Co., 49 Wall Street, New York 5, N. Y.

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, Oregon Portland Cement.**

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

Continental Can Co.—Analysis—Abraham & Co., 120 Broadway, New York City.

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.**

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

General Industries Co.—Recent report — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.
Also available a report on **National Stamping Co.**

Gray Drug Stores, Inc.—Memorandum—Merrill, Turbin & Co., Union Commerce Building, Cleveland 14, Ohio.

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.**

Jefferson Lake Sulphur Co.—Discussion of interesting speculative possibilities as an inflation hedge, for price appreciation, and future income—Pitman & Company, Inc., Alamo National Building, San Antonio 5, Tex.

Johnson Automatics Inc.—Descriptive circular—du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Jonas & Naumburg Corporation—Memo on outlook—Syle and Company, 19 Rector Street, New York 6, N. Y.

Lamson & Sessions Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries; Alabama Mills, Inc.; American Hardware; Douglas Shoe; TACA Airways; American Window Glass; Michigan Chemical; Lawrence Port. Cement; Oxford Paper; and Purolator Products.**

Lawyers Mortgage Corporation—Bulletin—J. W. Gould & 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.**

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

Locomotive Firebox Co.—Circular discussing attractive postwar possibilities—Amos Treat & Co., 40 Wall 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.**

Ocean Marine Insurance—Bulletion discussing underwriting prospects and possible effect on total underwriting results—Mackubin, Legg & Company, 22 Light Street, Baltimore 3, Md.

Philadelphia Transportation Co.—Circular—Stroud & Co., 123 So. Broad Street, Philadelphia, Pa.

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; Maryland Casualty Co.,** and **Serrick Corporation.**

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

Rio Grande Case—Review of situation under proposed reorganization plan—Vilas & Hickey, 49 Wall Street, New York 5, 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.

Southeastern Corp.—special analysis—Allen & Company, 30 Broad Street, New York 4, N. Y.

Southern Pacific System—Original analysis—A. W. Benkert & Co., Inc., 70 Pine Street, New York City.

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. Finishing Company—Bulletin—Allan N. Young & Co., Lewis Tower Building, Philadelphia 2, Pa.

Weyerhaeuser Timber Company—appraisal of the situation—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

British-Denmark Monetary Agreement

(Continued from page 1576)

volving a relationship between the two currencies.

(iv) The Bank of England and Danmarks Nationalbank, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

Article 2

(i) The Bank of England (acting as agents of the Government of the United Kingdom) shall sell to Danmarks Nationalbank (acting as agents of the Danish Government), against Danish kroner to be credited at the official rate to the Bank of England's No. 1 Account with Danmarks Nationalbank, such sterling as may be required for payments which residents of Denmark, under the exchange regulations in force in Denmark, are permitted to make to residents of the sterling area.

(ii) Danmarks Nationalbank (acting as agents of the Danish Government) shall sell to the Bank of England (acting as agents of the Government of the United Kingdom), against sterling to be credited at the official rate to Danmarks Nationalbank's No. 1 Account with the Bank of England, such Danish kroner as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of Denmark.

Article 3

(i) The Bank of England shall have the right at any time to sell to Danmarks Nationalbank, against all or part of the sterling balances held by that Bank, either Danish kroner at the official rate or gold to be set aside at the Bank of England in London.

(ii) Danmarks Nationalbank shall have the right at any time to sell to the Bank of England, against all or part of the Danish kroner balances held by that Bank, either sterling at the official rate or gold to be set aside at Danmarks Nationalbank in Copenhagen.

(iii) Gold set aside in Copenhagen in accordance with the provisions of this Article shall be at the Bank of England's free disposal and may be exported.

(iv) Gold set aside in London in accordance with the provisions of this Article shall be at Danmarks Nationalbank's free disposal and may be exported.

Article 4

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of Denmark for making—

(*a*) transfers to other residents of Denmark;

(*b*) payments to residents of the sterling area; or

(*c*) transfers to residents of countries outside Denmark and the sterling area to the extent to which these may be authorized by the United Kingdom Government under the arrangements contemplated in Article 7 (iii) hereof.

(ii) The Danish Government shall not restrict the availability of Danish kroner at the disposal of residents of the sterling area for making—

(*a*) transfers to other residents of the sterling area;

(*b*) payments to residents of Denmark; or

(*c*) transfers to residents of countries outside the sterling area and Denmark to the extent to which these may be authorized by the Danish Government under the arrangements contemplated in Article 7 (iii) hereof.

Article 5

The Contracting Governments shall co-operate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between the sterling area and Denmark which do not serve direct and useful economic or commercial purposes.

Article 6

Any sterling held by Danmarks Nationalbank shall be held and invested only as may be agreed by the Bank of England, and any Danish kroner held by the Bank of England shall be held and invested only as may be agreed by Danmarks Nationalbank.

Article 7

(i) If, during the currency of this Agreement, either of the Contracting Governments adheres to a general international monetary agreement, the terms of the present Agreement shall be reviewed with a view to making any amendments that may be required.

(ii) While the present Agreement continues in force the Contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and Danmarks Nationalbank, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement and will collaborate closely on exchange control matters affecting the sterling area and Denmark.

(iii) As opportunity offers the Contracting Government shall seek with the consent of the other interested parties—

(*a*) to make Danish kroner at the disposal of residents of the sterling area and sterling at the disposal of residents of Denmark available for making payments of a current nature to residents of countries outside the sterling area and Denmark; and

(*b*) to enable residents of countries outside the sterling area and Denmark to use sterling at their disposal to make payments of a current nature to residents of Denmark and to use Danish kroner at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

Article 8

For the purposes of the present Agreement—

(i) The expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom.

(ii) The expression "Denmark" shall include Greenland.

(iii) Transactions between the Bank of England and Danmarks Nationalbank are to be considered as transactions between the sterling area and Denmark.

(iv) Transactions entered into by the Government of any territory within the sterling area or by the Danish Government are to be considered as transactions entered into by a resident of the sterling area or Denmark, as the case may be.

Article 9

The present Agreement shall not apply to the Faroe Islands until a date to be agreed between the two Contracting Governments.

Article 10

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall enter into force on the 20th August, 1945. At any time thereafter either Contracting Government may give written notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate five years after the date of its coming into force unless the two Contracting Governments agree otherwise.

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

Done in duplicate in London, this 16th day of August, 1945.

On behalf of the Government of the United Kingdom of Great Britain and Northern Ireland:
(L.S.) ERNEST BEVIN.

On behalf of the Royal Danish Government:
(L.S.) GUSTAV RASMUSSEN.

With Morris F. Fox & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—**James T. Hale, Jr.** has become associated with **Morris F. Fox & Company,** 753 North Water Street. Mr. Hale has recently been in the U. S. Army. Prior thereto he was with the Milwaukee Company.

Municipal News & Notes

With the Chicago Park District definitely scheduled to make an early appearance in the long-term market, and the City of Chicago considered a good prospect, it is of interest to review some of the findings presented in a recent extensive analysis of the debt structures, etc., of the six Chicago governmental bodies.

The data, prepared by the Chicago Civic Federation, pertains to the City of Chicago and the School Board, the Chicago Park and Sanitary Districts, Cook County and the Cook County Forest Preserve District.

The Park District undertaking, it should be noted at this point, will consist of an offering of $28,475,000 refunding bonds, the proceeds of which, together with funds on hand, will be used in the redemption of $37,250,000 of outstanding 2¾% to 5% bonds which are callable in 1946.

With the completion of the refunding, according to President R. J. Dunham, the district's outstanding debt will amount to $56,102,700, a reduction of $57,172,706 from the June, 1936, aggregate of $113,275,406.

As for the city itself, the voters at the June, 1945, election authorized issues in the amount of $26,000,000, which includes an item of $15,000,000 for airport purchases.

Getting back to the main theme of this discussion, the survey previously referred to discloses that the various corporate entities continued in 1944 the policy followed in previous years of making sharp inroads in their debt structures. This is evident in the fact that the volume of outstanding bonds was reduced to the extent of $35,507,890 during 1944, the total indebtedness at the year end being $269,654,760. The latter total compares with an aggregate of $305,162,650 at the close of 1943, the percentage decline for the year being 11.63%. During 1943 the dollar reduction was $25,260,100, or 7.64%, and in 1942 it was $23,290,500, or 6.58%.

During the eight years ending in 1944 the six major taxing units in the Chicago area reduced their gross overall funded debt by $203,808,000, for a percentage drop of more than 43%. Projecting the city's record back to 1930, the survey revealed that the reduction of funded debt since that year amounted to $90,434,400, or 64.35%.

Mainly as a consequence of the reduction in net debt, each of the six governments was able to show an increase in margin of borrowing power at the close of 1944. A contributing factor, according to the survey, was an increase in assessment property basis to 100% from the previous level of 37%.

Commenting on the debt reduction achieved by the respective agencies, the survey stated as follows:

The excellent record of the Chicago community in public debt reduction in the past decade without question is largely due to the constitutional debt limitation of 5% and the decided depression of assessed valuations on the 37% basis. That the issuance of bonds by the various governments must be approved by popular referendum, unless otherwise specifically provided by the Ligislature, also had a bearing on the debt reduction. With the greatly enlarged debt incurring ability of public bodies, brought about by the 1943 shift to a 100% assessment basis, greater citizen vigilance is needed to guard against undue increases in the total bonded debt.

Hendersonville, No. Caro., Exchange Offer Ends Oct. 31

Holders of the $967,211.78 outstanding general refunding bonds of the City of Hendersonville, No. Caro., are being advised that the offer of exchange previously announced will expire on Oct. 31, next.

The plan, in brief provides for exchange, on a par for par basis, of new 2¾% non-callable serial bonds, dated Dec. 1, 1945, and due from 1947 to 1971 inclusive, for the current obligations. The latter are dated July 1, 1937, mature on July 1, 1972, and are redeemable on Jan. 1 and July 1 of any year at par and accrued interest. They bear 2½% interest to July 1, 1947, and progressively higher rates to a maximum of 5%.

The city intends to call for redemption on Jan. 1, 1946, all of the outstanding refunding bonds of 1937. Funds required to retire bonds not surrendered pursuant to the exchange offer are expected to be obtained through public sale on or about Nov. 27 next, of that portion of the new serial bonds available for that purpose.

Copies of the Exchange Proposal and Letters of Transmittal may be obtained from the North Carolina Municipal Council, Inc., 1011 Raleigh Bldg., Raleigh, No. Caro.

New Georgia Constitution Poses Serious Problems Regarding Local Bond Issues

The new constitution ratified by the electorate of the State of Georgia on Aug. 7 revised in some respects the procedure governing the issuance of bonds by political subdivisions in the State. The result of the new provisions, according to an opinion made available to Brooke, Tindall & Co., of Atlanta, by Messrs. Spalding, Sibley & Troutman, also of that city, is that the right of local communities to incur new funded debt "is now in an utter state of confusion." The text of the opinion furnished the bond house by the law firm follows:

Brooke, Tindall & Co.
Citizens & Southern Bank Bldg.
Atlanta 3, Georgia
Gentlemen:

You have requested an opinion relative to the effect of the amendment to the Constitution of 1877, generally referred to as the New Constitution, which was ratified by the electorate on Aug. 7, 1945, as it pertains to the issuance of bonds of political subdivisions of the State.

This question, while on its face appears comparatively simple, actually raises many points. To illustrate:

The New Constitution provided that no political subdivision of the State could issue bonds "without the assent of the majority of the qualified voters * * * voting in an election for that purpose to be held as prescribed by law." The old Constitution was to the effect that bonds could not be issued by political subdivisions "without the assent of two-thirds of the qualified voters thereof * * * provided said two-thirds so voting shall be a majority of the registered voters * * *"

There were statutory laws in existence prior to the adoption of the New Constitution, which followed substantially the language of the old Constitution relative to the issuance of bonds. Without question there is a conflict between the old Constitution and the New Constitution, and the same exists between the New Constitution and the old statutory laws. There is no Supreme Court decision construing this particular part of the New Constitution and any opinion given is based solely on conjecture as to what the Supreme Court would hold. This Court should hold that if the bonds were authorized by two-thirds vote of the qualified voters, and if the said two-thirds constituted a majority of the registered voters, then the bond issue would be good. However, there is strong argument against this for the Supreme Court could possibly just as well hold that until an Enabling Act had been passed by the General Assembly no political subdivision can issue any bonds on account of the conflict mentioned above.

I have not attempted to deal with certain additional problems affecting local school districts, such as, if the district is still in existence and if not, what, if anything, can a county school district do about issuing bonds, and the procedure required to be followed. This would entail too much discussion to incorporate in this letter.

Stated briefly, the right to create bonded indebtedness by political subdivisions is in an utter state of confusion.

Very truly yours,
(Signed) SUMTER KELLEY,
Spalding, Sibley & Troutman.

Test Case Now in Progress

As a follow-up to the foregoing report, we learn that a test case designed to resolve status of some local bond issues whose validity has been questioned is scheduled for early hearing by the State Supreme Court. A "friendly suit," according to the Atlanta "Constitution," was initiated by the Board of Trustees of Lafayette School District and a lower court has ruled that the district "still exists under the new constitution and has the right to vote bonds and tax itself." This decision is being appealed to the Supreme Court "on a fast bill of exceptions," the press account stated. Further quotations follow:

"A building program scheduled in several Georgia cities and school areas is being held up until some leading bond companies are assured bond elections can be legally held before the legislature enacts enabling statutes for the newly ratified constitution.

"Some bond companies are declining to purchase bonds issued since the new constitution was ratified, and are hoping for an early Supreme Court decision to clarify the alleged inconsistencies.

"A test case already is headed for the Supreme Court which will settle the question of whether or not a school district any longer has the right to issue bonds, and which may settle whether a city can vote bonds before a legislative act is passed to activate the new constitutional provisions.

"A few communities which already have voted bond issues totaling between one-half million and three-quarters of a million dollars are unable to get the cash because bonding companies want to wait until the courts construe the new charter. Building programs held up include: Lafayette school district, which voted an $80,000 bond issue; McIntosh county, $50,000; Fargo school district, $27,500; Millen, $50,000, and St. Mary's school district, $40,000.

"Meanwhile, several cities are going ahead with plans for holding bond elections. Decatur will vote Oct. 17 on a $600,000 issue, and Athens will vote Oct. 23 on a $325,000 issue. Cedartown is planning a $200,000 issue, but has set no definite date for an election.

"Perry was planning a $25,000 bond election, but called it off until the new constitutional provisions are cleared up.

"The new constitution provided that no political subdivision of the state could issue bonds 'without the assent of the majority of the qualified voters . . . voting in an election for that purpose to be held as prescribed by law.' This provision replaced one in the old constitution which required the assent of two-thirds of the qualified voters.

"Attorney General Eugene Cook says: 'It is questionable whether any bonds can be issued by any of the political divisions of the state until the general assembly has passed proper enabling acts, or amended the present existing acts.'"

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)
DENVER COLO.—**Harry Theodore Buchenau**, who has recently been in the U. S. Army, has become connected with **Bosworth, Chanute, Loughridge & Company**, 660 Seventeenth Street.

(Special to THE FINANCIAL CHRONICLE)
DENVER COLO.—**George H. Shaw, Jr.** has become affiliated with **Merrill Lynch, Pierce, Fenner & Beane**, First National Bank Building. He was formerly with Marble & Co. and Sincere and Company in New York.

(Special to THE FINANCIAL CHRONICLE)
DENVER, COLO.—**William E. Sweet, Jr.** has been added to the staff of **Peters, Writer & Christensen, Inc.**, U. S. National Bank Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH.—**George J. Walker**, who has recently been serving in the U. S. Navy, is now associated with **Mercier, McDowell & Dolphyn**, Buhl Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Frederick A. Braman** has joined the staff of **Charles A. Parcells & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
FT. WAYNE, IND. — **Harry E. Hill** has become connected with **Thomson & McKinnon**, 120 East Berry Street. Mr. Hill was formerly with Leonard J. Fertig & Co.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN.—**Madeline M. McEvoy** has been added to the staff of **Robert C. Buell & Co.**, 36 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)
JACKSONVILLE, FLA. — **John B. Arnot, F. Spence Perry** and **Harry L. Rockwood** have become associated with **Southeastern Securities Corp.**, 304 West Adams Street.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO. — **Nathaniel Grant, Sr.** is now affiliated with **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)
MILWAUKEE, WIS.—**Robert H. O'Keef** has rejoined the staff of the **Marshall Company**, 762 North Water Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
OMAHA, NEB.—**Keith M. Griffith** has rejoined the staff of **Griffith Company**, 414 Farnam Building.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO.—**Henry M. Smith** and **J. L. Shepherd** have become connected with **Herrick, Waddell & Company, Inc.**, 418 Locust Street.

Senate Passes Broadly Revised "Full Employment" Bill 71 to 10

After several days of active debate on the so-called "full employment" bill, the measure, with broad revisions of its original provisions, was passed by the Senate on Sept. 28, [by a vote of 71 to 10] the Associated Press reported from Washington, and gave the following as the terms of the proposed legislation in brief:

1. Lays down the principles that—"it is the responsibility of the Federal Government to foster free competitive private enterprise and the investment of private capital."

"All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular and fulltime employment."

2. Directs that, to achieve these principles, the Government shall "develop and pursue a consistent and carefully planned economic program" in co-operation with local governments and private enterprise.

3. When full employment cannot be achieved otherwise, the Government shall provide investment and expenditure, consistent with other obligations and national policies, to assure full employment.

4. Directs that the President transmit to Congress each January a job budget. This would estimate the prospective number of private and state jobs and job seekers.

With the budget he would submit a program for any needed Federal spending to provide jobs, together with a tax program designed to prevent any net increase in the national debt over a "reasonable period of years."

5. Establishes a joint Congressional committee of 15 Senators and 15 House members to make a "continuing study of matters relating" to the job budget.

6. Specifically prohibits: Operation of manufacturing plants by the Government, compulsory measures for distribution of man power, any change in present appropriation procedures, and any appropriation for any program set up under the national budget, unless authorized by a law other than the full employment act.

The Associated Press drew attention to the fact that the principal change in the legislation as passed by the Senate was a requirement that every plan for Federal spending to create jobs be accompanied by a plan for taxes to raise the money.

After Senate approval the bill was sent to the House where leaders among the original measure's supporters declared that "they could not accept" the Senate version, the Associated Press reported on Sept. 29; and continued by stating that these leaders, representing a group of 115 House members, asserted that they had the support of President Truman for a fight to eliminate broad Senate revisions of the legislation.

This report, according to the Associated Press, came from Representative Outland, Democrat, of California, Chairman of the group of 115, and Representative Patman of Texas, author of the House bill which they are backing. The two conferred earlier this week with Mr. Truman. The Associated Press added:

Mr. Outland told a reporter that Senate revisions of the measure "virtually sabotaged the whole thing." He added:

"We'll make a fight for the original language and we think the people will go with us."

Questioned about hostility which some members of the House Expenditures Committee had shown to the Patman measure Mr. Outland said:

"They may report a weaker version to the House than we want, but we will fight the issue on the floor."

Both Mr. Patman and Mr. Outland said that the Senate-passed bill "merely says everyone is entitled to an opportunity to try to find a job."

They want the legislation to provide specifically that all Americans able to work are "entitled to a job."

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, 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. on Sept. 18 registered $2,000,000 collateral trust sinking fund bonds and $500,000 collateral trust serial notes. Interest rates are to be filed by amendment.

Details—See issue of Sept. 27.

Offering—Offering price to be supplied by amendment.

Underwriters—To be filed by amendment.

TUESDAY, OCT. 9

PUBLIC SERVICE CO. OF OKLAHOMA on Sept. 20 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.

Details—See issue of Sept. 27.

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.

Underwriters—To be sold at competitive bidding.

NATIONAL MANUFACTURE & STORES CORP. on Sept. 20 registered 40,756 shares of $2 cumulative preferred stock (no par).

Details—See issue of Sept. 27.

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.

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.

LIBERTY FABRICS OF NEW YORK, INC. on Sept. 20 registered 100,407 shares of common stock, par $1.

Details—See issue of Sept. 27.

Offering—The offering price will be filed by amendment.

Underwriters—R. H. Johnson & Co. named principal underwriter.

CALIFORNIA WATER SERVICE CO. on Sept. 20 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.

Details—See issue of Sept. 27.

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.

Underwriters—Union Securities Corp. and Harris, Hall & Co. (Inc.) named principal underwriters.

WEDNESDAY, OCT. 10

NORTHERN STATES POWER CO. on Sept. 21 filed a registration statement for $75,000,000 first mortgage bonds, due Oct. 1, 1975.

Details—See issue of Sept. 27.

Offering—Interest rate to be filed by amendment.

Underwriters—To be sold at competitive bidding.

THE UNION ELECTRIC CO. OF MISSOURI on Sept. 21 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.

Details—See issue of Sept. 27.

Offering—The proceeds 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.

THE MONTANA POWER CO. on Sept. 21 registered $40,000,000 first mortgage bonds due 1975.

Details—See issue of Sept. 27.

Offering—Offering price and interest rate to be filed by amendment.

Underwriters—To be sold at competitive bidding.

THE CENTRAL ARIZONA LIGHT & POWER CO. on Sept. 21 registered 840,000 shares of common stock, no par.

Details—See issue of Sept. 27.

Offering—Price to be filed by amendment.

Underwriters—To be sold by competitive bidding.

SATURDAY, OCT. 13

PENNSYLVANIA POWER & LIGHT CO. on Sept. 24 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.

Details—See issue of Sept. 27.

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.

Underwriters—None.

THE NORTHERN NATURAL GAS CO. on Sept. 24 registered $25,000,000 serial debentures.

Details—See issue of Sept. 27.

Offering—Offering price and interest rate to be filed.

Underwriters—To be sold at competitive bidding.

HOUSTON OIL FIELD MATERIAL CO., INC. on Sept. 24 registered 12,500 shares of 5½% cumulative ($100 par) preferred stock.

Details—See issue of Sept. 27.

Offering—Company will offer holders of outstanding $1.50 dividend cumulative preferred stock the right to exchange their shares for new stock on the basis of 1 1-10th shares of 5½% preferred with a cash adjustment for fractional shares for each four shares of old preferred.

Underwriters—Include Dallas Rupe & Son, Dallas Union Trust Co., Rauscher Pierce & Co., Inc. and Pitman & Co., Inc.

TEXTRON, INC. on Sept. 24 registered 200,000 shares of 5% convertible preferred stock, par $25.

Details—See issue of Sept. 27.

Offering—Offering price to the public, $25.

Underwriters—Blair & Co., Inc. and Maxwell, Marshall & Co.

F. L. JACOBS CO. on Sept. 24 registered 40,000 shares of $1 par common stock.

Details—See issue of Sept. 27.

Offering—Price to public to be filed by amendment.

Underwriters—H. M. Byllesby & Co., Inc. and E. W. Clucas & Co. named principal underwriters.

UNITED STATES POTASH CO. on Sept. 24 registered 50,000 shares (no par) common stock.

Details—See issue of Sept. 27.

Offering—Offering price to be filed by amendment.

Underwriters—Lee Higginson Corp. named principal underwriter.

SUNDAY, OCT. 14

CELANESE CORP. OF AMERICA has registered $40,000,000 of 3% debentures, due Oct. 1, 1965 and 157,945 shares of common stock.

Address—180 Madison Avenue, New York 16, N. Y.

Business—Manufacture and sale of cellulose acetate yarns and fabrics.

Offering—Offering price of bonds and stock to be supplied by amendment. Holders of presently outstanding common will be given the right to subscribe for new common stock on basis of one new share for each 10 shares held.

Proceeds—Redemption of company's outstanding 3½% debentures, due July 1, 1962, at 101¾% and interest, balance of proceeds to be placed in general funds of company.

Underwriters—Dillon, Read & Co., Inc. and Morgan Stanley & Co. are named principal underwriters.

Registration Statement No. 2-5935. Form S-1. (9-25-45).

DRESSER INDUSTRIES, INC., has registered 60,000 shares of ($100 par) convertible preferred stock. Dividend rate and conversion privileges will be filed by amendment.

Address—1130 Terminal Tower, Cleveland 13, Ohio.

Business—Oil, gas, water and building equipment.

Offering—Offering price to be filed by amendment.

Proceeds—Will be issued to retire $2,100,000 demand notes; 11,000 shares of preferred stock at $102 and dividends of Roots-Connersville Blower Corp., additions and improvements to plants and equipment of company and subsidiaries at cost of $1,500,000; remainder will be placed in general funds.

Underwriters—Harriman Ripley & Co., Inc., Reynolds & Co., Glore, Forgan & Co., Kidder, Peabody & Co. and Lazard Freres & Co. named underwriters.

Registration Statement No. 2-5936. Form S-1. (9-25-45).

MONDAY, OCT. 15

SYLVANIA ELECTRIC PRODUCTS, INC., has registered 100,000 shares of $3.75 cumulative preferred stock (no par).

Address—500 Fifth Avenue, New York, N. Y.

Business—Manufactures light bulbs and other electronic products.

Offering—Offering price to be filed by amendment.

Proceeds—Proceeds together with general funds of company will be used to redeem $3,770,000 3¼% sinking fund debentures due June 1, 1957 at 102½ and interest; for additional plant, machinery and equipment, for possible acquisition of other businesses, for additional working capital, and for advances to the company's subsidiary, Colonial Radio Corp., in connection with Colonial's program for expansion.

Underwriters—Paine, Webber, Jackson & Curtis, White, Weld & Co., Lee Higginson Corp., Estabrook & Co., and Merrill Lynch, Pierce, Fenner & Beane.

Registration Statement No. 2-5937. Form S-1. (9-26-45).

NATIONAL VULCANIZED FIBRE CO. has registered $3,500,000 15-year 4¼% sinking fund debentures due Oct. 1, 1960 and 400,220 shares ($1 par) common stock.

Address—Maryland Avenue and Beech Street, Wilmington, Del.

Business—Manufacturer of vulcanized fibre.

Offering—Offering price to the public to be supplied by amendment.

Proceeds—Underwriters will pay company $8,693,160 which in turn will be paid indirectly to selling stockholders.

Underwriters—Union Securities Corp. and E. H. Rollins & Sons named principal underwriters.

Registration Statement No. 2-5938. Form S-1. (9-26-45).

DAYTON POWER & LIGHT CO. has registered $28,850,000 first mortgage bonds series due 1975. Interest rate will be filed by amendment.

Address—25 North Main St., Dayton 1, Ohio.

Business—Public utility.

Offering—Price to be filed by amendment.

Proceeds—Proceeds will be used to redeem $23,256,000 3% bonds at 106½% and $1,326,000 3¼% bonds at 103½%; balance will be added to general funds of company.

Underwriters—To be sold by competitive bidding.

Registration Statement No. 2-5939. Form S-1. (9-26-45).

TUESDAY, OCT. 16

SANGER BROTHERS, INC., filed a registration statement for 22,000 shares 5½% cumulative preferred stock, par $30.

Address—Main and Lamar Streets, Dallas, Texas.

Business—Retail department store.

Offering—The offering price is $30.50 per share.

Proceeds—Net proceeds will initially be added to the working capital to be available for general corporate purposes. Ultimately the company proposes to use the money for modernization of store building and installation of air conditioning equipment.

Underwriters—Includes Stifel, Nicolaus & Co., Inc.; Dempsey-Tegeler & Co.; A. G. Edwards & Sons; Rauscher, Pierce & Co.; Reinholdt & Gardner; Prescott, Wright, Snider Co.; Dittman & Co., and Wm. F. Dowdall & Co.

Registration Statement No. 2-5940. Form S-1. (9-27-45).

GENERAL PLYWOOD CORP. has registered 135,591 shares ($1 par) common stock.

Address—3131 West Market Street, Louisville 12, Kentucky.

Business—Manufacturer of hardwood plywood.

Offering—Offering price to public $5 a share.

Proceeds—Net proceeds estimated at $549,365 will be added to working capital.

Underwriters—F. S. Yantis & Co., Inc., and W. L. Lyons & Co. are named principal underwriters.

Registration Statement No. 2-5941. Form S-1. (9-27-45).

AEROVOX CORP. has registered 176,025 ($1 par) common shares.

Address—740 Belleville Ave., New Bedford, Mass.

Business—Manufacturer of fixed electrical condensers.

Offering—Offering price to public $9.25 a share.

Proceeds—$500,000 of proceeds will be used to reduce bank loan of $1,025,000; balance will be applied to general corporate purposes.

Underwriters—Ames, Emerich & Co., Inc. and Dempsey & Co. are named principal underwriters.

Registration Statement No. 2-5942. Form S-1. (9-27-45).

MONROE AUTO EQUIPMENT CO. has registered 40,000 shares of 5% cumulative preferred stock (par $50), and 100,000 purchase warrants, of which 40,000 warrants will be issued to purchases of preferred stock, 40,000 warrants to B. D., W. D., and C. S. McIntyre in considera-

(Continued from page 1613)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1575)

first stages of a major top which may take weeks before it culminates.

If I knew the exact top it would be child's play to advise buying and then getting out at the last eighth. But all I can see is top signals with no actual top in sight.

For that reason I advised the cutting down of full commitments to half portions. By this method holders of stocks are not entirely cut off from future rallies and at the same time gain additional protection in case of a surprise reaction.

While no real break is in the immediate offing, it might be wise to emphasize that markets approaching, or in, selling areas, are all too frequently hit by "surprise" news. Where such news can come from now is not too hard to figure out. All you have to do is read your daily papers. But the most important news is buried in the dope stories dealing with various colonies. Java, French Indo-China, India and North Africa are not merely names with romantic implications. Neither are they just places where major battles were fought. These are places that have been the backbone of Empire wealth. What happens in those countries will affect our markets not for ten points but for a hundred or more points. Obviously I don't know what will happen there. I read that there are major disturbances and that natives of these places want self-government. This is hardly the place to discuss the ramifications of moves of independence but you can be sure that whatever happens there will be reflected here.

But leaving the long view implications alone I see the present market extending its advance by at least another four to seven points. I don't, however, think it is the time to start new buying. Should a reaction occur now, additional purchases might be made with stops; on strength no reasonable stops can be estimated.

You still have the following issue: A. M. Byers at 19, half was sold at 21. Stock is now about 22. Raise stop to 19. . . . Jones & Laughlin bought at 35, half was sold at 41. Currently about 41. Raise stop to 38. . . . Paramount, bought at 30½ with a stop at 28½. Half was sold across 35. With present price about 39 I suggest stop be moved up to 35. . . . U. S. Steel came in to the list at 56, stop 65. I kept it in the column on the assumption that stop was not broken but a correspondent points out that it was broken. So for the purposes of this column (unless I hear to the contrary) Steel is out of the list. . . . White Motors bought at 29½, stop 28; half sold across 35. Present price still about 35. Raise stop 32.

* * *

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.]

Calendar of New Security Flotations

(Continued on page 1614)

tion of employment contracts and 20,000 warrants to underwriters as part consideration for entering into underwriting agreement. In addition 100,000 shares of common stock were registered, which will be reserved for exercise of warrants.

Address—1400 E. First Street, Monroe, Michigan.

Business—Manufacturer of auto equipment.

Offering—Price to public to be supplied by amendment. Unit of one share of preferred and one warrant to be offered.

Proceeds—Of the proceeds estimated at $1,875,000 company will use $263,184 to reimburse working capital for expenditures for plant expansion subsequent to June 30 last and $292,320 will be used for additional plant facilities in 1946. Balance will be added to working capital.

Underwriters — Hayden, Stone & Co. principal underwriter.

Registration Statement No. 2-5943. Form S-1. (9-27-45).

FLORIDA POWER CORP. has registered 539,240.8 shares ($7.50 par) common stock.

Address—101 Fifth Street South, St. Petersburg, Fla.

Business—Public utility.

Offering—Offering price to be filed by amendment.

Proceeds—Of stock registered 142,857 shares are to be sold by Florida Power Corp. and proceeds used as follows: $500,000 for payment of bank loans; $50,000 for expenses of financing and remainder will be used for construction and general corporate purposes. The remainder of st... is to be sold by General Gas & Electric Corp.

Underwriters—To be sold at competitive bidding.

Registration Statement No. 2-5944. Form S-1. (9-27-45).

HARRIS-SEYBOLD-POTTER CO. has registered $2,500,000 sinking fund debentures, due Oct. 1, 1960. Interest rate to be filed by amendment.

Address—4510 E. 71st Street, Cleveland, Ohio.

Business—Printing machinery and associated equipment.

Offering—Offering price to be filed by amendment.

Proceeds—Of proceeds $800,000 will be used to redeem 5% debentures now outstanding, $350,000 for additional plant and equipment and the balance will be added to general funds of the company.

Underwriters—McDonald & Co., named principal underwriter.

Registration Statement No. 2-5945. Form S-1. (9-27-45).

THE AMERICAN LOCOMOTIVE CO. has registered 400,000 shares ($1 par) common stock.

Address—30 Church Street, New York 8, N. Y.

Business—Locomotive manufacturer.

Offering—Offering price to be filed by amendment.

Proceeds—Company will use proceeds to reduce outstanding cumulative 7% preferred stock from $32,460,100 to $20,000,000 which will require $14,329,115, plus accrued dividends.

Underwriters — Union Securities Corp. named principal underwriter.

Registration Statement No. 2-5946. Form S-1. (9-27-45).

NATIONAL SUPPLY CO. has registered 170,000 shares of cumulative preferred stock, par $100. Dividend rate to be filed by amendment.

Address—Gerant Building, Pittsburgh 30, Pa.

Business—Manufacturer and distributor of oil and gas field equipment.

Offering—Holders of 291,091 shares of prior preferred stock, 5½% series and 6% series will be given the opportunity to exchange such shares for the new preferred. Underwriters will take shares not taken in exchange.

Proceeds—Proceeds plus $12,000,000 to be borrowed from seven banks will be used to redeem outstanding prior preferred stock at $105.

Underwriters — Lehman Brothers and Goldman, Sachs & Co. are named principal underwriters.

Registration Statement No. 2-5947. Form S-1. (9-27-45).

NATIONAL BATTERY CO. has registered 60,000 shares of common stock.

Address—First National Bank Building, St. Paul, Minn.

Business—Manufacturer of batteries.

Offering—Offering price to be supplied by amendment.

Proceeds—18,367½ shares are to be sold by stockholder and remainder by company. Proceeds to company will be used for general corporate purposes.

Underwriters—Goldman, Sachs & Co. and Piper, Jaffray & Hopwood are named principal underwriters.

Registration Statement No. 2-5948. Form S-1. (9-27-45).

WEDNESDAY, OCT. 17

THE PENNSYLVANIA POWER CO. has registered $9,793,000 first mortgage bonds, series due 1975, and 42,000 shares 4.25% cumulative preferred stock (par $100). Interest rate on bonds will be filed by amendment.

Address—19 East Washington St., New Castle, Pa.

Business—Public utility.

Offering—Preferred stock to be offered on a share for share basis plus cash dividend adjustment to holders of presently outstanding 42,000 shares of 5% preferred stock. Offering price of bonds will be filed by amendment.

Proceeds—Proceeds from sale of bonds together with $... funds, and $600,000 to be contributed by Ohio Edison Co. will be used to redeem on Dec. 1, 1945, $87,000 at 100 and on Dec. 31, 1945, $6,281,000 first mortgage bonds 3½% series of 1936 due 1961, at 105¼%; to redeem on Dec. 1, 1945, $25,000 and on Dec. 31, 1945, $1,800,000 of first mortgage bonds 4% series of 1936 due 1961 at 100 and 105¼ respectively, and to provide funds for the construction of a new 35,000 kilowatt turbo-generator and boiler unit at the company's New Castle steam-electric generating plant, and additional transmission facilities, at an estimated cost of $3,200,000.

Underwriters—W. H. Newbold's Son & Co. named principal underwriter to obtain acceptances of exchange offer. Bonds to be sold by competitive bidding.

Registration Statement No. 2-5949. Form S-1. (9-28-45).

GENERAL SECURITIES CORP. has filed a registration statement for 200,000 shares of common stock, par $5.

Address—Atlanta, Ga.

Business—Operates six small loan companies in the State of Georgia; also controls Agricultural Life Insurance Co.

Offering—The price to the public is $7.50 per share.

Proceeds—General corporate purposes, including broadening the capital structure of the loan companies and the life insurance company, and for either organizing or acquiring a casualty insurance company, a fire and marine insurance company and additional small loan companies.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

Registration Statement No. 2-5950. Form S-1. (9-28-45).

EUREKA CORP., LTD., filed a registration statement for 2,595,000 shares of common, par $1.

Address—Room 2710, 25 King St., West, Toronto, Canada and Room 1841, 230 Park Avenue, New York.

Business—Exploration, development and mining.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd. and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

Proceeds—The net proceeds will be used for plant and development work, and for contingencies and working capital.

Registration Statement No. 2-5951. Form S-3. (9-28-45).

CROSS CO. has filed a registration statement covering 60,000 shares of 5½% cumulative convertible preferred stock, par $10; 60,000 warrants to purchase common stock; 100,000 shares of common, par $1, issuable upon conversion of preferred and 60,000 shares of common issuable upon exercise of common stock purchase warrants.

Address—3250 Bellevue Avenue, Detroit, Mich.

Business — Manufacturer of specialized machine tools.

Offering—The preferred stock is to be offered to the public at $10 per share. The warrants which entitle the holder to purchase common stock at $5 per share for a period of three years are to be sold to the underwriters for 5 cents per warrant.

Proceeds—The proceeds will be added to working capital.

Underwriters—F. H. Koller & Co., Inc., is named underwriter.

Registration Statement No. 2-5952. Form S-2. (9-28-45).

NATIONAL BELLAS HESS, INC.—William M. Becker, Samuel Cutler, Ira R. Dickson, Arthur E. Dawson and George Marks, voting trustees under voting trust agreement dated Aug. 28, 1945, filed a registration statement for 1,988,448 voting trust certificates for an equal number of shares of common stock, $1 par, of National Bellas Hess, Inc.

Address of Issuer—14th & Swift Avenues, North Kansas City, Mo.

Purpose—A modification extension agreement to a voting trust agreement under which outstanding common shares of National Bellas Hess had been deposited was executed on Aug. 28, 1945. The total issued and outstanding stock of the corporation aggregated, as of Sept. 8, 1945, 1,988,207 shares. As of Aug. 28, 1945, 372,609 of these shares were on deposit under the voting trust agreement as modified and extended. The voting trust agreement was entered into for the purpose of providing unity of voting power held by the owners of the company's common stock, and for the purpose of securing stability and continuity of management and policy.

Registration Statement No. 2-5953. Form F-1. (9-28-45).

METALS DISINTEGRATING CO., INC., has filed a registration statement for 100,000 shares of common stock (par $1). Of the total, 30,000 shares are being sold by the company and 70,000 shares by certain stockholders.

Business—Producer of metal powders, metallic pigments, etc.

Address—Elizabeth, N. J.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds to be received by the company will be added to working capital to provide for payment of raw material purchases, etc. The proceeds from sale of 70,000 shares will go to the selling stockholders.

Underwriters—Cruttenden & Co., Chicago, heads the underwriting group.

Registration Statement No. 2-5954. Form S-1. (9-28-45).

GRAY MANUFACTURING CO. has filed a registration statement for 95,544 shares of capital stock, par $5.

Address—16 Arbor St., Hartford, Conn.

Business—Manufacture of telephone pay stations, radar assemblies and components, field telephone switchboards and miscellaneous products.

Underwriting—None named.

Offering—The company proposes to offer 50,000 shares to management and key personnel on options, 3,364 shares in exchange for stock or assets of the B. A. Proctor Co., Inc., and 42,180 shares to stockholders. The offering to stockholders will be at $10.25 per share on the basis of one share for each four shares of stock held. The board may issue and sell any unsubscribed shares at not less than $10.25 per share. The statement stated 25,000 shares are under option to Walter E. Ditmars, President, at prices ranging from $5 to $10 and averaging $7.50 per share, and the remaining 25,000 shares to personnel are under option at same prices.

Proceeds—Net proceeds will be used for corporation purposes, including additional working capital.

Registration Statement No. 2-5955. Form S-1. (9-28-45).

AVIATION CORP. filed a registration statement for 300,000 shares of cumulative convertible preferred stock (no par). The dividend rate will be filed by amendment.

Address—420 Lexington Avenue, New York, N. Y.

Business—The company as of Sept. 28, 1945, had the following subsidiaries with per cent of voting securities owned: American Propeller Corp., 100%; Crosley Corp., 88.1%; American Central Manufacuring Corp., 60.8%; New York Shipbuilding Corp., 59.3%; and Consolidated Vultee Aircraft Corp., 29.6%. In addition, New Idea, Inc., will become a subsidiary of the company upon consummation of the agreement made with its principal stockholders, dated Sept. 25, 1945. In addition to the securities of its subsidiaries owned by it, the company also holds substantial investments in the air transportation industry.

Offering—Of the 300,000 shares the company is offering 289,675 shares to its common stockholders at a price and on a basis to be filed by amendment. Any unsubscribed shares and the 10,325 additional shares will be purchased by the underwriters and offered to the public at a price to be filed by amendment.

Proceeds—The company will utilize all net proceeds from the sale of the 300,000 shares of preferred stock in repayment of amounts outstanding under a loan agreement with ten banks dated Oct. 1, 1945.

Underwriters—The group is headed by Lehman Brothers and Emanuel & Co.

Registration Statement No. 2-5956. Form S-1. (9-28-45).

BARIUM STEEL CORP. has filed a registration statement for 166,063 shares of common stock, par $1.

Address—1502 Allen Avenue, S. E., Canton, O.

Business—Production of alloy and carbon steels.

Offering—Company is offering to the holders of its common stock the right to subscribe to the new common shares at $3 per share, at the rate of one new share for each five shares held. There are no underwriters, but the corporation reserves the right to sell any unsubscribed shares at a price which will net the corporation at least $3 per share.

Proceeds—Of the net proceeds $125,000 will be added to working capital; $100,000 will be advanced to Erie Bolt & Nut Co., a subsidiary, and $250,000 paid in partial payment of debt to Clyde Iron Works, Inc., a subsidiary, such funds to be used by latter as additional working capital.

Underwriters—Not underwritten.

Registration Statement No. 2-5957. Form S-1. (9-28-45).

LEHIGH COAL & NAVIGATION CO. has filed a registration statement for $13,000,000 sinking fund mortgage bonds, series A, due Oct. 1, 1975. The interest rate will be filed by amendment.

Address—123 South Broad St., Philadelphia, Pa.

Business—The principal assets of the company consist of railroad properties and controlling stock interests in railroad properties comprising the Lehigh & Susquehanna RR.; all the common stock (except qualifying shares) of Lehigh & New England RR.; extensive coal lands in Pennsylvania, together with mines and mining facilities, the greater portion of which are leased to Lehigh Navigation Coal Co., a wholly-owned subsidiary; lands having a large potential water supply and investments in affiliated and unaffiliated companies.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used to redeem on Jan. 1, 1946, all of the $9,594,000 consolidated mortgage sinking fund 4½% bonds, series A, due Jan. 1, 1954, at 105 and to reduce loans payable to banks by $1,694,000. Any balance will be used for company's general purposes.

Underwriters—Drexel & Co. heads the underwriting group.

Registration Statement No. 2-5958. Form S-1. (9-28-45).

SATURDAY, OCT. 20

WISCONSIN POWER & LIGHT CO. has filed a registration statement for 120,000 shares of 4½% preferred stock, cumulative, par $100.

Address—122 West Washington Avenue, Madison, Wis.

Business—Public utility.

Offering—All of the 120,000 shares of 4½% preferred will be offered to holders of the 167,663 outstanding shares of 6% and 7% cumulative preferred stock on a share for share basis. The company also will pay to holders of the old preferred stock exchanged $5 in cash, being the difference between $105, the issue price of the new preferred, and $110, the redemption price of the old preferred and make an adjustment in dividend payments. The exchange offer will expire at the close of business on Nov. 15, 1945. If the number of shares deposited for exchange exceed 120,000 the number of shares will be pro rated. Should the exchange offer not be consummated, it is the company's present intention to offer for sale at competitive bidding $12,000,000 of preferred stock, the dividend and price to be fixed by the bidders, and to use the proceeds, with treasury cash, to retire $12,000,000 of outstanding 7% and 6% preferred stock.

Purpose—To refinance outstanding preferred stock.

Underwriters—The company will form a group of security dealers to obtain acceptances to the company's proposed exchange offer.

Registration Statement No. 2-5959. Form S-1. (10-1-45).

PROVINCE OF ALBERTA, CANADA, has filed a registration statement for $26,093,000 serial debentures due annually on June 1 in 1951 through 1960. The debentures carry interest rates of 2¾% to 3¼%, according to maturity.

Offering—The price to the public will be filed by amendment.

Purpose—The proceeds will be used to supply a portion of the monies required to be made available to carry out in full the provisions of the debt reorganization program provided for in the Province of Alberta debt reorganization offer dated July 16, 1945.

Underwriting—First Boston Corp.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; Wood, Gundy & Co., Inc.; Dominion Securities Corp.; A. E. Ames & Co., Inc.; McLeod, Young, Weir, Inc., and Otis & Co., Inc.

Registration Statement No. 2-5960. (10-1-45).

KERITE CO. has filed a registration statement for 50,000 shares of common stock, par $10. Company was formerly called Kerite Insulated Wire & Cable Co. The shares are issued and outstanding and are being sold by certain stockholders.

Address—30 Church St., New York, N. Y.

Business—Specialized insulated wire and cable.

Offering—The offering price to the public will be filed by amendment. The shares are being sold by certain stockholders included among whom are Lee Higginson Corp. and Chas. W. Scranton & Co., who are also included among the underwriters.

Proceeds—Go to the selling stockholders.

Underwriters—The group is headed by Lee Higginson Corp. and Chas. W. Scranton & Co.

Registration Statement No. 2-5962. Form S-2. (10-1-45).

SUNDAY, OCT. 21

WIEBOLDT STORES, INC., has filed a registration statement for 35,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Address—106 South Ashland Boulevard, Chicago.

Business—Operates four retail department stores in Chicago and two in suburban districts.

Offering—Stockholders on Oct. 19 will be asked to approve an issue of 50,000 shares of new cumulative preferred stock and to authorize 160,000 additional common shares. Of the initial series of 35,000 shares, 13,950 new preferred will be offered in exchange share for share for the 13,950 outstanding $5 prior preferred shares and 19,689 shares will be offered in exchange on the basis of 0.51 of a share for one, for 38,606 of the 58,606 outstanding 6% preferred shares. The underwriters will purchase unexchanged stock and 1,361 additional shares.

Purpose—To refinance preferred stock.

Underwriters—The group is headed by A. G. Becker & Co., Inc., Chicago.

Registration Statement No. 2-5963. Form S-2. (10-2-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN 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.

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 145,088 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 59,784 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—André 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.

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.

BULLOCK'S, INC. on Sept. 14 registered 80,000 shares of 3¾% cumulative preferred stock, par $100, and 237,775 shares of common stock.

Details—See issue of Sept. 27.

Offering—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.

Underwriters — Blyth & Co., Inc. is named principal underwriter.

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 $550 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.

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.

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 $4.20 cumulative preferred stock (no par) and 176,552 shares of $4 cumulative second preferred stock (no par). 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.

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.

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.
Request to withdraw registration filed Sept. 27, 1945.

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.

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.

INDUSTRIA ELECTRICA DE MÉXICO 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.

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 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.
Issue Awarded—$93,000,000 bond issue awarded Oct. 2 to Smith, Barney & Co., First Boston Corp. and Dillon, Read & Co. as joint managers as 3s on bid of 100.6559.

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.

RAYTHEON MANUFACTURING CO. on Sept. 12 registered 100,000 shares of $2.40 cumulative preferred stock and 233,334 shares of common stock (par 50c).
Details—See issue of Sept. 20.
Offering—Offering price to be supplied by amendment.
Proceeds—To redeem 5% pref. stock and purchase all outstanding capital stock of Russell Electric Co.
Underwriters—Reynolds & Co. named underwriter.

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, has been postponed.

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.

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.
Bids Invited—Bids for purchase of the bonds will be received at room 2315, 195 Broadway, New York, up to 11:30 a.m. on Oct. 8.

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.

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.

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.

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.

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.

Clark Assures Industry of Cooperative Anti-Trust Policies

(Continued from page 1576)

is to see that the laws that they write on the books are enforced. It is not the purpose of the Department of Justice to write the laws and enforce the laws and to interpret the laws and to be the last word in that respect. It is our duty, as we see it, to enforce the law, to enforce it the way that Congress intended that it should be enforced. We don't mean by that that we intend to make persecutors out of prosecutors."

Setting forth his new policy of advisory interpretation of the anti-trust statutes, the Attorney General continued by saying that "we are debarred from advising individuals. The reason for that is twofold. One is that we get so many inquiries that we couldn't answer them and the second one is that we would get in trouble pretty quick. But on anti-trust matters, I feel there is a little difference there and it shall be my purpose to cooperate with industry in an effort to try to come to a reasonable interpretation of those laws—I am talking about the anti-trust laws—so that industry won't eternally be behind the 8-ball.

"Now, you can bet your bottom dollar that if I catch any of you off base, there is going to be a prosecution and if it is not something that has grown up in the industry, there is going to be a criminal prosecution. If it has grown up in the industry, publicly known for many years, I do not think that is a proper case for criminal prosecution.

"However, in cases that there is no such practice, cases where you have a fixing of prices through a meeting of the minds of competitors, cases like I know of such as one or two up here—the one that comes to mind has been disposed of—I think the department stores up here, as I remember, three or four years ago,—cases like that, perhaps, will be and should be on the criminal side of the document.

"We want to be fair in this matter. At the same time, we want to be and shall be firm about it. By 'fair,' I mean that we represent you just as much as we represent these fellows over here. We are the Department of Justice, they call it. Justice doesn't mean that we will not hear but one side. It doesn't mean that we will take certain facts and ram them down the throats of a jury and hope that they will bring in a verdict of guilty. It means that we will listen to both sides and in keeping with that—and this is a distinct departure from some policies that have been in the Department—I intend to hear both sides. By that, I mean that the lawyers on the other side will come in and lay their cards on the table with me and I will talk with them frankly about it.

"You will find that I am very frank about these matters. And I am very much in earnest about them. So, if you happen to get a subpoena or somethtng some time and you are worried, we will be glad to talk it over with your lawyer. I don't mean by that that there will be any hoodwinking in the prosecution. I don't mean by that that there will not be a case filed. But I mean simply this: We will give you in anti-trust prosecutions, and that is all I am speaking of today, an opportunity to present to the boys in the Department, as we say, your side of the case. That is just a simple, everyday, common justice and common sense.

"Now, taking it one step further, there has been a lot of talk about cartels. Thurman Arnold used to say it was a squeezed orange. I think it has been squeezed many times more than it should have been, but I just give you that as an example.

"I know that many of you possibly, if you haven't already done so, will be interested in patents and other matters that might be developed subsequent to the war by foreign inventors in foreign countries. You will send people over to London. Some of you, I am sure, have already sent some people over there. Some of you have some people there now.

"Well, the patent situation, agreements arising under them and cross licensing and all the various ramifications of that type of legal business, has sort of, as we'd say down in Texas, come a flux. If you have any matters of that type that you'd like to present to us and get an informal view of the Department on it, we'd be glad to give it to you. I don't mean by that that we are going to give you a stamp saying it is okay for you to do anything in that regard, but I do mean that we will talk it over with you frankly and tell you what our view about the matter is so that you can, at least, proceed on a better business basis than you could by shooting in the dark. We will be glad to talk over matters of that type."

Stressing that anti-trust enforcement is necessary for competition and for our democratic way of life, Mr. Clark stated that, "I believe that a strict enforcement of the anti-trust laws is important in this country and I believe that for this simple reason: If you are going to have political freedom, you must have economic freedom. The reason for Fascism is not because some fellow just got bigger and stronger than the other guy overnight. The reason is that the little fellows over there were economically squeezed and they had no other place to go and when they got together in that position, there was only one thing for them to do and that was for Fascism to spring up or Naziism to spring up or, perhaps, Communism to spring up.

"So it is over here. You businessmen, I know, realize that. You must, too, be fair. It is to your advantage to have competition. It is to your advantage not only in your pocketbook but it is to your advantage in the goods you make and things you sell. It is to your advantage because it helps your industry; it develops your business and besides it is the American way of life."

Britain and Netherlands Sign Monetary Pact

An agreement between Great Britain and the Netherlands fixing the exchange rate at 10.691 guilders to the pound sterling for the next three years was signed on Sept. 7, effective immediately, according to a wireless message on that date from London to the New York "Times" which added:

The agreement covers all Netherland territory except the Netherlands Indies, where the rate of 7.6 guilders to the pound, fixed in 1940, will be continued.

The pact follows closely the lines of Danish, Swedish and Belgian monetary agreements with Britain. Similar agreements with Norway and Portugal are likely to follow.

The pact provides for reciprocal arrangements for the central banks of Britain and the Netherlands to furnish supplies of their currencies up to limits of £5,000,000 or 53,450,000 guilders. Any sums in excess of those amounts are to be provided against gold.

The agreement is to provide a basis for the mutual resumption of trade between the sterling and guilder areas.

Advocate End of Price Controls

The Brookings Institution, an economic research organization located in Washington, has just published a pamphlet entitled "Should Price Control Be Retained?" by Dr. Harold G. Moulton, President of the Institution, and Karl T. Schlotterbach. After reviewing the arguments put forward for the retention of price control and analyzing the inflation experience after the last war as well as the present supply and demand situation for consumer goods, and other economic factors in the post-war situation, the authors conclude that:


Harold G. Moulton

(1) The rapid advance in prices in 1919-20 was rooted in the fear of shortages of raw materials and foodstuffs, which led to speculative buying and inventory accumulation on a vast scale. In the acute stage we had the familiar spiral of rising prices, rising costs, and again rising prices. Consumer goods prices rose less than the prices of producer goods, and we eventually had a consumers' strike against the high cost of living.

(2) Today we are faced with surpluses rather than shortages of most raw materials and food products. With the information as to supplies now available, business men have little reason to engage in speculative buying of raw material inventories. Moreover, the Government is in a position to check inventory speculation, whether in foodstuffs or raw materials, by releasing supplies now controlled by the services and the Surplus Property Board.

(3) The acute shortages are confined chiefly to the field of durable consumer goods, where 80% of the production is accounted for by 20 companies which have consistently exemplified the principle of mass production, low unit costs, and low prices to consumers.

(4) War experience in this and other countries has demonstrated that the control of wage rates, the most important element in costs, is indispensable to price stabilization. In the light of the newly-announced policy of relaxing wage controls and increasing wage rates in order to sustain purchasing power, firm control over costs, and hence over prices, has been surrendered.

(5) The transition from war to peace affects the cost-price situation quite differently in the various divisions of industry. Accordingly, the whole price structure has to be reviewed. Moreover, since rising costs in any particular industry will affect costs in related industries, continuous review and readjustment of prices is necessary to meet the needs of a rapidly changing situation. The time required for any administrative agency to make wise and equitable price readjustments is so great that the expansion of production and employment would be seriously impeded.

(6) Without effective control over wage costs, all that the OPA can hope to accomplish is to retard price advances by delays in granting price relief or by applying "the squeeze" somewhere along the line.

(7) The announced policy of requiring distributors to absorb increased costs at the manufacturing level greatly magnifies the problem of price control at the retail end. War experience indicates that rationing is essential to the control of retail prices in lines where there are acute shortages. But it is apparently recognized that a rationing system for durable consumer goods in peacetime would not be tolerated.

(8) The principal argument advanced for the continuation of price control is that it is necessary to prevent the excess purchasing power from pulling up prices where shortages exist. We have shown that if the price stabilization program were successful, the excess purchasing power would not have disappeared; hence it would be necessary to continue the price control indefinitely. Similarly, we have shown that if prices are adjusted upward because of wage or other cost increases, there is no foreseeable stopping place; price control would have to be retained as long as inflationary pressures from the cost side existed.

In the light of this analysis we reach the conclusion that, beyond the setting of initial prices for products whose manufacture was suspended during the war, the continuation of price control is impracticable. Without wage stabilization and without rationing, the OPA is not in any case in a position to hold the price line. And the process of continuously reviewing and readjusting a multitude of prices to meet the needs of a rapidly changing situation would be so time-consuming that the expansion of production and employment would inevitably be retarded.

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