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Objectives of the Reconversion Policy

By JOHN W. SNYDER*

Director of War Mobilization and Reconversion

Mr. Snyder Urges That Workers' Wartime Earnings Be Maintained While Price Increases Be Curbed. In New York Address, He Stresses Necessity of Maintaining Buying Power to Support Full Production and Employment. Holds This May Mean Many Companies Will Make Less Profit.

John W. Snyder

This scene in New Haven is, I am sure, being duplicated in many cities throughout the United States. Conferences on reconversion are discussing the problems of the transition period in our economy. They are preparing for America's future and their own. You manufacturers, and others like you through-

*An address by Mr. Snyder before the Connecticut Manufacturers' Association at New Haven, Conn., Oct. 17, 1945, and part of another address in New York City before the American Association of Advertising Agencies on the same date.

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Our Post-War Planning

By JOHN M. HANCOCK*

Partner, Lehman Brothers, New York
Co-author of Baruch Report on Reconversion

Mr. Hancock Warns of State Socialism, Evidenced in Full Employment Philosophy. Terms Government Controls "a Cancerous Growth," and Pleads for a Free Market. States That Our National Planners Have Created a Decade of Large Unemployment and a Start Toward Bankruptcy. Contends That the Federal Government Can and Must Forestall Inflation.

To be of any use for laying out a safe course for a ship at sea, navigation charts must show the rocks and shoals to be avoided if the ship is to go ahead safely on its way. The expression "rocks and shoals" was the—shall we say—unofficial term applied in the Navy to the Articles for the government of the Navy—a statement of rights and duties, a listing of the acts directed or approved on one hand, and those forbidden and disapproved on the other.

John M. Hancock

As my main interest has been that our people maintain faith in our form of government and maintain the American Way of Life, it seems appropriate to point out that likewise there are rocks and shoals on the course of our Ship of State.

When a ship piles up on rocks or shoals, the wreck may be caused by human failure to know

*A speech delivered by Mr. Hancock before the National Marketing Forum, New York City, Oct. 22, 1945.

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A Guaranteed Annual Wage

By ARTHUR LOWE

Writer, Contending That a Guaranteed Wage Would Increase for a Favored Group Incomes Equal to Their War-Inflated Earnings, Points Out That Measure Would Not Increase Purchasing Power Generally, Because Guarantee Would Be for Only a Year or Less, Thus Requiring Saving, and Because Those Having Guaranteed Wages Would Benefit at Expense of Others. Sees No Way of Enforcing Guarantee if Employer Is Unable to Carry Out Contract, and Holds It Would Lead to Bankruptcies. Says Solution Lies in Amelioration of Business Cycle.

In the final analysis the case of those labor leaders who demand that industry guarantee minimum weekly wages to union members rests upon assumed psychological reactions. Its appeal is to the emotion. An individual assured of a steady income is much more able to satisfy his economic wants than one whose earnings are subject to business fluctuations. Such an individual can spend his income freely with no thought of the morrow. If, therefore, union members can be assured of such economic protection, a long step will have been taken towards freeing them from want and from fear of the future. Living in economic storm-cellars the continuing purchases of the workers will absorb the capacity output of the nation's productive facilities, and will, thereby, bring about, and maintain, everlasting prosperity. Or so the

Arthur Lowe

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Role of Selling In Full Employment

By HON. HENRY A. WALLACE*

Secretary of Commerce

Secretary Wallace Stresses the Role of Distribution as One Aid to Full Production and Full Employment and States the Goal Must Be at Least 50% More Production and Distribution Than in 1940, With a Gross National Output of $200 Billions. Says We Will Have Unemployment in Prosperity and Upholds the Senate Full Employment Bill. Foresees Heavy Capital Expenditures and Advocates Expanding Markets Both at Home and Abroad. Pleads for a High Income Economy and Says Business Must Share the Burden With Government in Attaining It.

I want to talk to you tonight about the post-war economy. We cannot yet see, as definitely as we would like to see, just what that economy is going to be like. Yet as we look ahead I think some of its main outlines are fairly clear.

First, we are living in an age when abundance for all is clearly possible. Whether we actually achieve it or not, whether we are prepared for it or not, whether we shall know how to act in it or not, that fact is inescapable: once we are past the mechanical change-over from war production to peace production, we are going to be living in a nation in which there can be enough of everything to go around. The tremendous performance of America's industrial machine during the war has written on the page of history the profound truth that from this time on we can make all we need to

Henry A. Wallace

*An address by Secretary Wallace at the First National Marketing Forum at the Waldorf-Astoria Hotel, New York City, Oct. 22, 1945.

(Continued on page 1982)

The Problem of Government Controls

By W. W. Cumberland*

Partner, Ladenburg, Thalmann & Co., New York City

Dr. Cumberland Recounts the Progress of Controls and Forecasts Continuance in Agriculture, Industry and Finance. These Controls Comprise Regulation of Wages and Prices, and Are Based Upon the Theory That High Wages Are Necessary to Stimulate Purchasing Power and That Deficit Financing and Cheap Money Must Be Worshipped. Attacks the Low-Interest-Rate Policy as Leading to Curtailed Enterprise and Inflated Commodity Prices and Calls the "Free Money Theory," That Implies Banks Should Not Profit From Government Bond Holdings, as Dangerous. Concludes That Government Controls Add Up to Higher Costs and Lower Efficiency.

Philosophers are particularly concerned with what should be. Business men must attempt to understand what actually exists and what is going to occur in the future. Of course business men also have the obligation as citizens to try to change those things which they believe to be wrong. But as business men their principal task is merely correct appraisal of the present and future.

W. W. Cumberland

Thus the task for business men is to calculate correctly the extent to which government controls, and especially price controls, will continue or be relaxed and also the effect on our economy of continuance or removal. In approaching this problem, several industries will be examined, and correct conclusions should emerge if the analysis is correct.

Banking and railroads have longest been under government regulation, which has gradually developed into virtual control, though in recent years such segments of our economy as utilities, agriculture, coal mining and trading in securities have seen their

*An address by Dr. Cumberland before the Boston Conference on Distribution, Boston, Mass., Oct. 16, 1945.

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Peacetime Appraisal of Railroad Securities

By PATRICK B. McGINNIS*

Holding That Opportunities for Gain From Railroad Securities "Are Still Here," Despite the Substantial Rise in Values During the War Years, Mr. McGinnis Calls Attention to Favorable Prospects in Defaulted Bonds. Holds That There Is Too Wide a Spread Between Rails and Industrials, and That Rails Should Be Selling Relatively Higher. Points Out Defects in Dow-Jones Averages as Price Indicator and Sees Shift in Rail Market Back to Institutions as Favorable Market Factor. Outlines Favorable Developments in the Railroad Industry and Gives Information Regarding Pending Reorganization Issues Such as Those of Missouri Pacific, Rock Island and Baltimore and Ohio.

A great many situations which I could talk about have gone, obviously, but nevertheless we have today railroad bonds still comparable one with the other.

Patrick B. McGinnis

I just happened to notice today that the gross business of the Great Northern and Missouri Pacific, excluding International Great Northern and New Orleans, Texas and Mexico, are about the same and there is about the same amount of first mortgage bonds. In other words, Great Northern has about $270,000,000 worth of bonds which are selling on a 3% basis. The Missouri Pacific 5s, after the Denver and River & Gulf 4s of 1933, are paid, will be the only lien on its railroad, and there are outstanding of these bonds about $223,000,000. In my opinion, by the time Missouri Pacific is reorganized, these Missouri Pacific bonds will receive at least a $1,000 bond and all the back interest in cash. I think that may take two or three years, and I believe they will pay at least a hundred dollars a year, over the foreseeable future, until the back interest is paid. So we still have, in effect, a three-year 1st mortgage 10% bond selling at 85, as compared to a road of similar gross, as the Great Northern, selling on a 3% basis, with no back interest, of course.

So opportunities, I think are still here. They are fewer to talk about now, obviously, than they were four or five years ago. This, I think is the fourth time I have addressed this audience and now that the war is over, we have to look a little bit more carefully to the individual situations, and particularly because, price-wise, the only discount bonds available now in any quantity are defaulted bonds. Three or four years ago there were billions of railroad bonds, like Northern Pacific, Southern Pacific, and Southern Railway, which could be purchased at 40, 50 and 60 cents on the dollar. They are all gone.

Defaulted Bonds

So this afternoon I am going to confine a great deal of my discussion to those defaulted bonds, despite the "crack" that is frequently made in rebutting what I have said— "He is always 'bullish.'" Frankly, the answer to

(Continued on page 1968)

*An address by Mr. McGinnis before the Association of Customers' Brokers in New York City, on Oct. 16, 1945. Mr. McGinnis is a partner in the firm of Pflugfelder, Bampton & Rust, New York City.

The Outlook for Industrial Prices

By HAROLD G. MOULTON*
President, The Brookings Institution

Dr. Moulton Contends That in the Present Period the Primary Factor in Industrial Price Trends Is Wage Rates. Asserts That Although Wages as a Price Factor Vary in Different Industries, Advancing Wages Necessitate Higher Prices in Many Important Lines, and Points Out the Inconsistency of Trying to Prevent Inflation Caused by Accumulated Purchasing Power by Raising Wages. Looks on the Whole for Raw Material Surpluses Rather Than Shortages. Sees No Real Ground for Fearing a Runaway Inflation at This Time.

The key to industrial price trends in the near future is not to be found in the over-all supply of money and credit or in fiscal measures. Whatever may be the long-run effects of easy money policies and of deficiteering, their influence will not be important in the next 12 to 18 months. During this period the primary factor in industrial price trends will be the movement of wage rates.

Harold G. Moulton

Wages are related to industrial prices in a two-fold way: as income received by workers, wages constitute purchasing power, or demand for goods and services; as outlays by business enterprisers, wage payments constitute a major element in cost of production. Looking at the price problem from the purchasing power side, an increase in wage rates—if unaccompanied by corresponding increases in production—raises demand relatively to supply. In consequence, we have what is known as a seller's market in which there is a temptation to mark prices up in accordance with what the traffic will bear. From the cost side an increase in wage rates—unaccompanied by increases in efficiency—exerts a direct pressure for compensating increases in prices. Of the two forces, my observation is that the latter is ordinarily of much greater importance. The increase in purchasing power is a permissive factor; whereas the rise in costs is a compelling force.

Variations in the Labor Cost Factor

The importance of the wage cost factor varies widely in the different lines of manufacturing. In some fields wages plus salaries make up less than 20% of the manufacturing costs, whereas in other lines the wage factor accounts for more than two-thirds of the total cost. The range is indicated by the following:†

	Per Cent.
Cigarettes	13.1
Chemicals	28.3
Food canning	34.3
Glass containers	41.9
Meat packing	47.8
Industrial machinery	52.8
Automobiles and accessories	57.6
Woolen goods	59.5
Cars and car equipment	67.2
Shipbuilding	71.7

*An address by Dr. Moulton before Boston Conference on Distribution, Oct. 16, 1945.

†Based on 1939 Census data.

Similar variations in the wage cost factor are found in non-manufacturing lines. They tend to run high in raw material production, in transportation, and in retail trade.

It is apparent from the figures given that pressure toward higher prices resulting from wage rate

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Looking Ahead

By LEWIS H. HANEY*
Professor Economics, Graduate School of Business Administration, New York University

Dr. Haney Contends That Although There May Be Surpluses in a Few Raw Materials, These Are Far Exceeded by Shortages of Many Important Items. Says Biggest Surplus Item Is Money, but This Will Disappear if a Natural Price Level Prevails. Holds That the Facts of Inflation Exist and That the Dollar Has Depreciated as Indicated by the Foreign Price of Gold. Sees Large Backlog of Buying Power as Preventing Deflation and Believes Real Production Over-Estimated. Predicts Higher Prices, and Interest Rates and a Large Post-War Boom.

I take the term, raw materials, to mean the more basic heavy or crude products which are used by manufacturers in making finished goods, not only from products, such as cotton, wool, grain and cattle; but also minerals, such as coal, ore, and oil; and products of furnaces, smelters, and the like, including many metals.

Lewis H. Haney

Many "Raw Materials" Too Low

My point in making this introductory statement is that these so-called raw materials include most of the items classed by the government statisticians as "semi-finished" or "semi-manufactured" products, and that in these "semi-finished" products lies one of the great price maladjustments of the day. As a group, these are too low. They are out of line in a way that I doubt has ever been seen before. I believe that this maladjustment will be corrected, that it will be corrected by a rise in the average price of semi-finished goods, and that then, and not until then, will the cycle of war inflation and postwar boom be completed.

Shortages Exceed Surpluses

I take it that any consideration of the general price outlook by such a gathering as this must center on the average condition. Fortunately, therefore, the present situation, insofar as averages are concerned, is vastly simple. There are two great cases: (1) Some commodities exist in surplus, there being quantities available that are larger than can be sold at current prices within the usual

*An address by Dr. Haney before the Boston Conference of Distribution, Boston, Mass., Oct. 16, 1945.

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Legal Chess

SEC Refusal to Enter Order Disposing of Hearing on NASD By-Law Amendments Stymies Appeal. Mere "Opinion and Findings" Constitutes No Such Formal Termination as to Give Rise to the Right of a Court Review. Situation Offers Congressional Opportunity for Legislative Relief. Strategy Will Bear Watching

When the Securities and Exchange Commission, of its own motion and of its own order, set the hearing date on the recent NASD by-law amendments providing for the registration of salesmen and traders, etc., we believe that the opposition which developed on the hearing date caused no end of surprise, not only to the Commission, but also to the sponsors of the then proposed amendments.

As we reason, no active opposition was expected on the hearing date.

So far as we know, no petition for such a hearing was filed by any individual or any group.

Under the terms of the governing statute, the proposed amendments would become effective within 30 days after the Commission had been officially notified by the NASD of their passage, unless within that time the Commission entered an "Order of Disapproval."

The perfectly natural question then arises, why did the Commission set the matter down for a hearing?

Our answer is, because if any future opposition develops as a result of placing the amendments into operation, the opponents could then be told the time to have been articulate was when the hearing was held before the Commission.

Now that such articulate opposition has in fact developed, and was made abundantly evident at the hearing before the Commission, we may ask the colloquial question, "so what?"

The Commission has handed down its opinion and findings. That is history, and in view of the Commission's failure to indicate what part it played, if any, in connection with the origin of these amendments, unsavory history.

We shall always continue to challenge the righteousness of back door policing methods, where one of the partners sits in review of the activities of the other. We shall continue to insist that under those circumstances the reviewing body

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Post-War Credit

By M. S. SZYMCZAK*

Member, Board of Governors of Federal Reserve System

Describing War Task of the Federal Reserve as (1) Supporting Treasury Financing, and (2) Preventing Currency Depreciation, Mr. Szymczak Contends That Maintenance of Low Interest Rates Was "An Unexampled Feat in War Financing." Says Task Was Accomplished Through (1) Open Market Operations and (2) by Using Commercial Bank Resources to Facilitate Banking, Reserve Requirements Were Lowered and Entirely Suspended on War Loan Deposits. Holds Greatest Responsibility Now Is to Prevent Inflation by Restrictions on Consumer Credit and Stock Speculation. Urges Passage of Wagner-Spence Bill to Aid Production.

I was born and raised here. I worked here. From this very hotel I made weekly radio broadcasts on current topics. I like it here. It's always a pleasure to be back.

M. S. Szymczak

The war is over and here we are. Here we are—facing a new situation. We've faced so many situations together that this could easily be called just another situation; but this is more than that—at least that's the way it appears to me, at this point of transition from war to peace. It's worldwide, it's complicated, and we are in the forefront. The entire world looks to the United States for leadership. We're a creditor nation, greater than ever before.

And yet — our nation has emerged from the war in better shape than any major nation.

VE-Day and VJ-Day did not permit finance to demobilize. Rather, finance has moved up into the front line of the battle of peace. Our nation, which yesterday was the world's main source of war materials and armed men, is now looked upon as the world's principal source of peacetime goods and credit. The difficulties we have already overcome provide assurance that we can cope with those that lie ahead.

The War Task of Federal Reserve System

No one man saw the entire story of the credit problems of the war, but we in the Federal Reserve System did have close contact with its main theme. The System, as you know, is the central banking agency of the nation, and its broad function is that of contributing its share to the Government's purpose of maintaining economic stability. The Reserve System's part is played by influencing the supply, cost and uses of money and credit. Very early, with the approach of the war, it became evident that the System's task, in the event of war, would center upon helping the Treasury to obtain all funds needed for the prosecution of the war and, equally upon stabilizing the market for Government obligations. That the nation was to absorb Government securities in excess of $220 billion on top of an existing national debt of $40 billion could not, of course, be accurately foreseen, but even so early it was evident that the demands upon investment would be vast and beyond all past experience. It was apparent that market fluctuations must not be permitted to interfere with Treasury offerings. But the necessity of supporting Treasury financing was parallel to another responsibility of the Federal Reserve System—that of fighting inflationary developments so far as possible by means at its disposal

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*An address by Mr. Szymczak before the Illinois Association of Small Loan Companies, Chicago, Ill., Oct. 25, 1945.

Our Latin-American Markets

By JOHN B. GLENN*

President, Pan American Trust Company
President, New York Board of Trade

After Commenting on the Misconceptions Regarding Latin Americans, Mr. Glenn Describes Briefly the Population, Governments, Products and Trade of the South American Countries. Asserts Latin America Offers the Most Promising Field for Immediate Development in the World and That by Buying More Goods There We Can Increase Our Exports. Says Credit Standing of Latin-American Importers Is High and That Dollar Exchange Is Now Plentiful There. Sees Increase in American Advertising in Latin America and Desires More Advertising of Latin American Products Here.

I am sure all of you here today know a great deal about Latin America, at least you are vitally interested in those countries; yet, there are many of us who have only a vague idea even of the whereabouts of Latin America. To many, it is simply "South of the Border," though several republics of our hemisphere are islands, such as Cuba, Haiti and Santo Domingo. Some of us do not know that practically all of South America lies east of New York City, or that the seasons of the lower part of the hemisphere are just the reverse of our own, and while Christmas to most of us may bring sleet and snow, December the 25th is perhaps one of the hottest days of the year in Brazil, Uruguay, Chile and the Argentine.

John B. Glenn

For years, American writers have visted Latin America and have written books on the economic, political and social conditions of these countries. Some of our authors have described countries which they had only known for three or four days.

Seldom has any Latin American author written anything about the United States, except to criticize our imperialistic policies, or to express fear of the domination of the Colossus of the North below the Rio Grande.

Misconceptions

From superficial books, and the lack of constant travel between the countries of this hemisphere, and the study of these countries in our schools, many misconceptions have arisen, which it may take years to overcome, but we are now making great strides and each day we are beginning to know one another better.

I do not think I would be far wrong in saying that for years it has been our general opinion that Latin Americans have been brought up on the three R's of revolution, romance and rumba. In fact, Latin Americans and romance are as closely associated as the United States and liberty. These romantic "caballeros" were thought to make ardent love by moonlight and strum the guitar all day long. Another fixation which we have, is that they eat food which is too hot and drink drink which is too strong, they are always late for appointments, are fond of their afternoon siestas and usually take their evening meal when an American is ready for bed. So much for the men.

The senoritas, they are all beautiful. They have dark hair and eyes, lovely complexions, long eye lashes and charming faces. But a Latin American senorita is inconceivable to us without a huge Spanish comb, a lace mantilla, an exquisite fan, a gardenia tucked in her hair and gold spangled ear rings. Of course, she is glamorous but when a senorita dances rumba or conga, or sings Latin American songs, she simply takes you off your feet.

According to Latin American opinion, an American, physically speaking, must be robust, light-haired, blue or brown-eyed and close-shaven. He dresses simply, wears ready-made suits of good quality but without a touch of personality. He has large feet, wears heavy shoes, with rubber heels and has stubby fingers and chubby hands.

He is always in a hurry, often pushing people around for no apparent reason, or rushing in front

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*An address by Mr. Glenn before the Advertising Women of New York, New York City, Oct. 18, 1945.

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Cartels and the Business World

By WENDELL BERGE*
Assistant U. S. Attorney General

Asserting That for American Business There Is No Solution in the Cartel System, Mr. Berge Points Out Only Small, Powerful, Entrenched Groups Benefit From Cartels With a Loss of Free Competition. Holds Cartels Will Involve Business in More Intensive Regimentation Than War-Time Controls and Will Weaken the Basis of Our Economic System. Contends Our Interests Are Adversely Affected by Foreign Cartels and Calls for Full Freedom in World Trade.

During the war, American industry displayed a degree of capacity and skill unmatched by any other economic community in the world. The achievements of management, technicians, and workers enabled this country to reach higher levels of production and standards of quality than had ever been attained before. This superb performance gave us a new measure of the vitality and flexibility of our economic system. It gave us new insight into the possibilities of technical development, and suggested new areas for enterprise to explore. It carried a promise for our future.


Wendell Berge

That future is now in the making. The rapid removal of necessary wartime controls and the process of reconversion present numerous complex problems requiring care and cooperation for their solution. Reconversion is difficult and intricate at best, but it is a necessary interim between a war economy and a peace economy.

It is most important during this transition stage to keep before us a clear conception of our aims. It is the deep desire of all Americans to establish the conditions of lasting prosperity within our own country, and promote as far as possible the growth of healthy economic relations with the rest of the world. It is our primary concern to demonstrate that our system of free enterprise can attain the goals of full production and employment which are essential to an expanding economy. It is our purpose to maintain economic and political liberty on the firm basis of rising standards of living for the American people.

*An address by Mr. Berge before the Boston Conference on Distribution, Boston, Oct. 15, 1945.

From this standpoint, the role of business itself is crucial. American industry is confronted by opportunities and responsibilities greater than at any time in our history. The importance which the decisions and policies of business will have in the period immediately ahead can hardly be overestimated.

The Question of Cartels

Although there are many other factors which will play a part, one of the fundamental issues with which American business must deal is the question of cartels. In many respects it is not too much to say that the cartel issue is decisive in determining whether free enterprise shall have the chance to survive and to go forward.

The history of recent years, both before and during the war, is crowded with the effects of cartelization upon international affairs, upon the military security of democratic countries, upon technical advancement and upon the general welfare. We have seen the consequences of cartel activity to the political integrity of democratic government and to the industrial strength and wealth of nations. We have become aware of the adverse influence of cartels upon the flow of world trade, and upon the ability of governments to work out effective reciprocal arrangements to stimulate commerce.

There is, however, a major area in which doubt and confusion frequently arise. It deserves repeated emphasis, therefore, to assert that nowhere have the effects of cartels been good for business as a whole. Small, powerful, entrenched groups have sometimes benefited from cartels, but they have done so at the cost of all other interests in the economy, and at the expense of free enterprise. It is at this point that the cartel philosophy and the practices which stem from it diverge completely from the economic principles of a free society and from the laws and traditions of the American economy.

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Swedish Economists Favor Planned Expenditure

However, Professor Ohlin Says They Do Not Fully Agree With Keynesian and Hansen Theories of Prosperity Through Planned Spending. Says Sweden Is Not Part of Sterling Area and That for All Practical Purposes the Krona Is Pegged to Gold.

Special Correspondence of the Commercial and Financial Chronicle

STOCKHOLM, SWEDEN—Swedish economists do not go along all the way with Keynes and Alvin Hansen in their theories of prosperity through planned spending, the "Chronicle" was told by Bertil Ohlin, the well known professor at Stockholm's School of Commerce and for the greater part of a year Minister of Commerce in the coalition government which preceded the present labor or socialist government.


Prof. Bertil Ohlin

Speaking specifically of his own position, Ohlin told this correspondent that "I do not agree with Keynes and Hansen on one important point of the current theories: I think that they exaggerate the volume of savings under full employment. When incomes are increased, savings will tend to increase the first year, but that does not go on indefinitely. People rather tend to live up to their incomes. So with businesses. A business that works on a fiscal or calendar year basis does not know definitely until the year is over how much it has made. If you had full employment permanently, you would not have such large savings as Keynes and Hansen estimate. I am not convinced that Hansen is on the right track with his estimate of $20 billions. It follows that I do not feel that the volume of construction work needed is as large as Hansen thinks."

Ohlin, who is well known in American academic circles for his work on League of Nations economic studies and for his book, "International Economic Reconstruction," published in 1936 by the International Chamber of Commerce, is today the leader of the Liberal Party in Sweden and a member of the Riksdag. He writes a regular weekly newspaper article on economic and political subjects. He was an important contributor in 1933 and 1934 to a series of studies made by Swedish economists on the economics of unused resources, his contributions to the project dealing with monetary policy, public works, subsidies, and tariffs. In 1937 he was guest professor at the University of California.

Asked about Sweden's attitude toward Bretton Woods, Prof. Ohlin said, "we are waiting to see what the UK does. The international liquidity of the UK is important to the well being of the whole world, so world prosperity waits for the settlement of the sterling problem." Prof. Ohlin made the point that Sweden's currency is not linked to the pound

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Donald F. Brown With Boettcher in Denver

DENVER, COLO.—Donald F. Brown, who has been serving as a Major in the U. S. Army Air Corps for the past three and one-half years, is now sales manager for Boettcher & Co., 828 17th Street, members of the New York Stock Exchange. Mr. Brown was formerly head of Donald F. Brown & Co. in Denver.

Price Now Exec. V.-P. of Bosworth Chanute

DENVER, COLO.—Starling W. Price is now Executive Vice-President and Treasurer of Bosworth, Chanute, Loughridge & Co., Security Building.

Jacques Coe to Admit Dryfoos & Proskauer

Jacques Coe & Co., 39 Broadway, New York City, members of the New York Stock Exchange, will admit Donald Dryfoos and Richman Proskauer, an Exchange member, to partnership on Nov. 1. Mr. Proskauer has been active as an individual floor broker. Mr. Dryfoos will acquire the Stock Exchange membership of Fred A. Fendel, who is retiring from Jacques Coe & Co. on Nov. 1.

Ricksen Trading Mgr. for Rice in New York

Daniel F. Rice & Co., members New York Stock Exchange, announce that Robert E. Ricksen, Jr. has been appointed manager of the trading department of their New York office, 14 Wall St. Mr. Ricksen left a similar position with Auchincloss, Parker & Redpath in 1942 to fly anti-submarine patrol. Subsequently he has been flying transports for both the Naval Air Transport Service and the Air Transport Command. Mr. Ricksen came to Wall Street in 1933 as securities trader for G. L. Ohrstrom & Co. and left that firm in 1937 to become Vice-President of Fitzgerald & Co.

Robt. E. Ricksen, Jr.

Newman Baum to Admit; Change Firm Firm

Effective Nov. 1, Clement M. Stuart, member of the New York Stock Exchange, will become a partner in Newman, Baum, Rand & Hollander, 120 Broadway, New York City, members of the New York Stock and Curb Exchanges. William Rand will withdraw from partnership in the firm on the same date and the firm name will be changed to Newman, Baum & Hollander.

Public Utility Securities

Florida Power Corp. New Common

A year ago it was assumed that a considerable number of electric operating company stocks would either be sold to the public, or distributed to stockholders by utility holding companies during 1945. But as the old saying is: "The mills of the gods grind slowly." But until recently only one new electric issue has been offered to the public—Lake Superior District Power. Blocks of Central Hudson G. & E. and Pacific G. & E. also were sold (representing holding company interests) but these were already known to the public.

However, an important stock offering appeared recently. General Gas & Electric, which holds the entire common stock of Florida Power Corp., sold the amount of its holdings which would be assigned to Associated Gas & Electric (shortly to become General Public Utilities) under the Gengas plan. The former 3,000,000 shares of Florida Power (stated value $2.25) are being exchanged for 1,000,000 shares (par value $7.50). Of the latter, 857,143 shares go to Gengas, while the balance of 142,857 has been sold by Florida to raise new funds. Of the former amount 396,383 shares (representing the amount going to Associated Gas) was sold bringing the total sale to 539,240 shares. The remaining 460,759 shares will be distributed to public holders of Gengas A and B common stocks, and hence is not included in the recent sale.

Florida's capitalization will now consist of $16,500,000 first mortgage 3⅜s due 1974, $3,495,000 serial debenture 3¼s, 40,000 shares of 4% preferred stock and 1,000,000 shares of common. Capital ratios based on the pro forma consolidated balance sheet are about 61% debt, 11% preferred stock, and 28% common stock equity. Plant account includes a small amount of intangibles and plant acquisition adjustments.

During the 12 months ended Sept. 30, 1945, dividend payments were at the rate of 70c per share on the new common stock. It is the intention of the company (based on the present level of earnings) to increase the rate to 80c and directors are expected to declare a 20c quarterly dividend payable on or about Dec. 20.

According to the pro forma consolidated earnings statement (including operations of the wholly-owned subsidiary, Georgia Power & Light) earnings on new common stock have been as follows: Year ending July 31, 1945, $1.02; calendar year, 1944, $1.07; 1943, 93c; 1942, 70c, and 1941, 89c. But these figures do not tell the whole story. The company's rates will probably be reduced Feb. 1, 1946, to effect annual savings to customers estimated at $350,000, which might be cut down by tax savings to around $210,000 or 21c a share.

On the other hand substantial operating savings are anticipated by the management. The company is using about 1,400,000 barrels of oil a year based on the present volume of business. The average annual cost of fuel oil was $1.75 in the 12 months ending July 31. Since that date, oil has dropped 30c and a further reduction is anticipated around the end of the year. Some 60% of certain fuel savings will be passed along to wholesale consumers under rate provisions, while part of the remaining amount would be lost in increased Federal taxes. However, the remaining gains should be substantial—probably sufficient to offset the reduction in rates, it is estimated.

The management is also very optimistic regarding the outlook for increased business, according to the remarks of President Higgins at the meeting held for representatives of the bidding groups at the Hotel McAlpin. A great deal of information relating to the potential growth of Florida industries, including the tourist business, was presented at the meeting by use of colored lantern slides, special exhibits, and distribution of literature. The management's estimate of earnings for next year was approximately $1.23 excluding the ice properties, most of which have been ordered sold by the SEC. By 1950 the management apparently expects a gain in gross business of about 25-30%.

It is reported at this writing that the successful bidding group, headed by Kidder, Peabody & Co., will (assuming SEC approval) offer the stock publicly at 17. This would represent a yield, based on the indicated dividend rate, of 4.70%, which is somewhat below the average for utility stocks and presumably reflects hopes for a higher rate over the next year or so. The price-earnings ratio based on the pro forma earnings would be 16.6, which is slightly above average for the utility group as a whole, but doubtless discounts the anticipated increase in earnings. Based on the share earnings forecast for the calendar year 1946,

Britain's Financial War Burden

Sir Charles Lidbury, General Manager of the Westminster Bank, Ltd., Recounts Britain's Economic Plight as Consequence of War and Asserts Excessive Spending Power Must Be Locked Up in Long Dated Securities if People Want to Escape the Bedevilment of Inflation. Discusses Overseas Sterling Balance Problem. Says Recovery Can Come Only by Hard Work, Saving and Sacrifice.

In his inaugural address as President of the Institute of Bankers of Great Britain, Sir Charles Lidbury, Chief General Manager of the Westminster Bank, Limited, one of the five leading British private banks, discussed the economic consequences of the war in England. After outlining the general measure of the British war effort with elaborate statistics and other data, Sir Charles remarked that "the material costs of war are seen in the destruction, depreciation and dislocation of our economy. And of these the worst is probably dislocation. In the last war we suffered practically no destruction in our cities and, the war being shorter and our effort less intense, much less depreciation of our plant and equipment. This time we have a far worse reckoning to face on account of each of these 'd's.'

Sir Charles Lidbury

"There has been destruction and depreciation both at home and abroad, the greater part of which we cannot gauge as yet. Here at home over 3¼ million properties have been damaged, 42% of them in London; 92% of the damage is to homes. Some 24,000 factories have been damaged and 42,000 commercial buildings.

"The scene which met your eye outside this hall speaks for itself.

"I must ask you to remind yourselves of the unpleasant fact that our resources for making good this destruction and depreciation are limited by the inexorable needs of export industries."

Continuing along this line, Sir Charles pointed out that:

"There has been an enormous depreciation in durable goods and in properties, for whose upkeep and maintenance it has been impossible to provide. Most of us here are deeply conscious of the disrepair of our own houses and the 'make-do-and-mend' character of our furniture and fittings and kitchen equipment. This is but a homely symbol of the circumstances throughout our national economy.

"In our European markets the destruction of war also affects us indirectly. Europe before the war took about one-third of our trade and while military considerations justified the damage to the German economy, still that was the key economy of continental Europe. What we may gain in markets where Germany was a competitor may be set against losses of direct trade, but it is impossible to suppose that the paralysis of the Ruhr, for example, does not impoverish all Western Europe and affect us adversely with the rest. We are too much a nation of shopkeepers to believe that one gets rich by ruining one's customers or one's customers' customers."

Regarding the financial aspects of the war effort, Sir Charles says that, "in a war economy the Government becomes the chief customer of industry, its expenditure

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the price-earnings ratio would drop to 13.8.

The company is in the excess profits tax bracket, but this is not an important earnings factor. With EPT eliminated, earnings would gain about 5c a share, other factors being equal.

Stringfellow Again Active at G. Graves

Major Robert B. Stringfellow, who has been with the U. S. Army Air Corps since April, 1942, has resumed his duties as an active partner of Gordon Graves & Co., 30 Broad St., New York City.

Robt. B. Stringfellow

Major Graves was stationed in Harlingen, Texas, as an aerial gunnery instructor during the earlier stages of the war. Prior to the outbreak of World War II he was on the New York State National Guard rifle team and was commissioned in the Air Corps to assist in building up a system of gunnery instruction.

Foresees Continued Government Intervention in Labor Disputes

Committee of Twentieth Century Fund, Headed by William H. Davis, Decries Irresponsibility of Union Leaders in Collective Bargaining and Advocates "A Genuine Up-and-Down Membership Participation," a Change Which Must Come Within Unionism Itself.

As America swings into peacetime production, labor and management should be given the fullest possible freedom—and responsibility — for working out their own collective bargaining agreements with a minimum of government intervention.

William H. Davis

This recommendation, issued as the country looks forward to President Truman's labor, management and government conference called for November 5, was made public Oct. 13 by a special Labor Committee appointed by the Twentieth Century Fund. The Committee, which has been making a long-term survey of collective bargaining practices in this country, is headed by William H. Davis, former Chairman of the National War Labor Board, and the membership includes a former president of the National Association of Manufacturers, official representatives of the AFL and CIO, labor economists, government officials and "public" representatives.

On the basis of its investigations, the Twentieth Century Fund's Committee observes: "It is an idle dream to assume that, with the coming of peace, . . . government intervention in the affairs of managements and unions will now automatically cease. . . . The extent of government participation in collective bargaining will wax or wane in direct ratio to the success of voluntary action by managements and unions. . . .

"Even those services of necessity carried on by government should be handled not by administrators alone, but those directly affected must be allowed to share in the formulation of policy. . . . Both managements and unions can at times contribute immeasurably to the success of government action by sharing directly in administration."

A strongly worded statement of principles to which all members of the group have signed their names says: "The Committee be-

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Maj. Pershing Resumes Activity in Wall Street

Major F. Warren Pershing, senior partner of the brokerage firm of Pershing & Co., 120 Broadway, New York City, members of the New York Stock Exchange, has returned to the firm after an absence of three years and nine months in the United States Army. He was attached to Headquarters of the First Army in Europe.

Major F. W. Pershing

With W. H. Bell & Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**Rex W. Dodge** is with **W. H. Bell & Co., Inc.,** 49 Federal Street, Boston, Mass. He was formerly with F. L. Putnam & Co. and Frederick M. Swan & Co.

Real Estate Securities

News on Various Issues

We Hear That:

Hotel St. George Corporation has asked for tenders of first mortgage 4% bonds in an amount sufficient to exhaust the sum of $174,958 until Nov. 7, 1945. Previous sinking fund operations have retired $977,000 to reduce the issue to approximately $7,770,000.

80 Broad Street, Inc., will pay 4% interest on Nov. 1, 1945, and will ask for tenders to exhaust the sum of about $55,500. The amount of the sinking fund in the previous fiscal year was $36,600. The authorized issue in the reorganization was $1,820,000 having been reduced to $1,717,755 before the application of the present amount available.

Governor Clinton, Inc., will make an interest distribution Nov. 1, 1945, at the rate of $24.385 per $1,000 bond. $20 represents the extra interest above 2% fixed interest for the fiscal year ended Aug. 31, 1944, the other $4.38 represents the carry over which was not distributed but earned in the previous fiscal year. The Trustee will ask for tenders of bonds to exhaust $79,400 sinking funds deposited with them. The $79,400 represents only 25% of the surplus earnings above 4% interest for the fiscal year. The other 75% of surplus earnings, or approximately $238,000, is retained by the corporation for corporate purposes. It is probable that at least some portion will be used for the purchase of additional bonds for retirement.

The Madison, Inc., will make an interest distribution of $18 per $1,000 bond on Nov. 1, 1945. This payment will make a total of $46 for the year and will reduce the unpaid accumulation per $1,000 bond to $34.

Silver Bills in Congress

Senators Green and McCarran Introduce Bills. Green's Bill Authorizes Sales of Surplus Silver for Industrial Uses. McCarran Would Raise Treasury's Purchasing Price to $1.29 an Ounce and Repeal the Tax of 50% on Silver Profits.

(Special to the "Commercial and Financial Chronicle")

WASHINGTON, Oct. 24.—Senator Theodore F. Green, Democrat, of Rhode Island, today introduced a bill to authorize the use by industry of silver held or owned by the United States, by giving the Secretary of the Treasury power to sell or lease for manufacturing

Sen. Theo. F. Green

Sen. Pat McCarran

uses, including manufacturing uses incident to reconversion and the building up of employment in industry, upon such terms as the Secretary of the Treasury shall deem advisable to any person, partnership, association or corporation or any department of the Government any silver held or owned by the United States at not less than 71.11 cents per fine troy ounce, provided that at all times the ownership and possession or control within the United States of an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates heretofore or hereafter issued by the Secretary of the Treasury shall be maintained by the Treasury.

Previously, on Oct. 15, Senator Pat McCarran (D.) of Nevada, carrying on the tradition established by the late Senator Key Pittman of the same State, introduced a new silver-subsidy bill. This bill would do two things. It would raise the bonus price now being paid by the Treasury for newly-mined domestic silver from the present 71c an ounce to $1.29 an ounce. Secondly it would repeal Sections 6, 7 and 8 of the Silver Purchase Act of 1934. Those are the sections which empower the Government to regulate the transportation of silver, to nationalize silver, and which impose a tax of 50% on profits arising from transactions in silver. The effect of these three sections has been to prevent trading in silver futures in the United States. After the passage of the Silver Purchase Act the Commodity Exchange in New York discontinued silver trading.

It will be recalled that in 1935 Senator McCarran made an unsuccesful attempt to get those three sections of the silver law repealed. He at that time threatened the Treasury with a Senatorial investigation of its conduct of the silver purchases under the 1934 law. However, Senator Key Pittman, who was an older hand at Senatorial maneuvering and who perhaps then felt in some debt to the Administration for what it had already done for silver, sidetracked the McCarran effort by having the Senate create the Senate Special Silver Committee under Pittman's chairmanship. That Committee is still in existence, its present Chairman being Senator Elmer Thomas (D.) of Oklahoma. In 1935 Senator Thomas also was interested in seeing Sections 6, 7 and 8 of the Silver Purchase Act repealed.

The most obvious argument against increasing the price of silver to $1.29 at this time is that

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The Way to Industrial Peace

By **DONALD R. RICHBERG***

Formerly, National Recovery Administration Director

Holding That Industrial Warfare Is a Disgrace to 20th Century Civilization, Mr. Richberg Asserts That Strikes Can Be Made Unnecessary When Peaceful Methods Are Available. Says Collective Bargaining Has Become "Collective Anarchy" and That Strikes Are Won by Racketeering and Intimidation. Opposes Compulsory Arbitration but Urges the Application of the Railway Labor Act of 1926 to General Industry as Provided for in the Pending Hatch-Burton-Ball Bill, Which Requires Peaceful Negotiations Before a Strike.

The greatest Peacemaker ever known often spoke in parables. As a humble apostle of peace, it seems appropriate to begin this talk with a parable.

Donald R. Richberg

One day I met a man walking down Main Street carrying a large battle-ax. I stopped him and said: "What on earth are you doing with that dreadful weapon?"

He replied "I am engaged in collective bargaining and, believe me, I am going to collect!"

"But," I said, "you won't swing that battle-ax on anyone, will you?"

"Not if this fellow agrees to pay me what I think is coming to me. But if he doesn't, I shall surely beat him up."

"Don't you realize," I remonstrated, "that it's unlawful to extort money by threats and that you will be put in jail if you hit anybody with an ax? You can't collect debts that way. Under the law, you must go to court and sue the man."

Thereupon the ax-man laughed so loudly I thought he would drop his ax. Finally, he said:

"You don't understand. I am not trying to collect a debt. The man doesn't owe me any money. I am going to make him agree to pay me for some work that I am going to do. I can threaten him and beat him up all I want to, because he is an employer and this is a labor dispute!"

Now in order that the point of this parable should not be misunderstood, and that listeners may not think of the man with the battle-ax as an ignorant fellow who doesn't understand the law, let me hasten to explain that he is a very smart man who hires very good lawyers and follows their advice closely whenever he goes bargaining with an ax.

Union Racketeering

Many people think that the laws against intimidation, extortion, and violence apply to all people alike, whereas the fact is that these laws are given a very special and limited application to organized workers engaged in labor disputes. For example, some years ago the Congress, in a somewhat indignant mood, passed the Anti-Racketeering Act, which

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*An address by Mr. Richberg, a partner in the law firm of Davies, Richberg, Beebe, Busick & Richardson of Washington, D. C., before the Associated Employers of Indiana, Indianapolis, Ind., Oct. 10, 1945.

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)

BOSTON, MASS. — **Alfred H. Keizer** is with **John G. Sessler & Co.,** 10 Post Office Square.

(Special to The Financial Chronicle)

DENVER, COLO.—**Malcolm B. Nicholson,** who has been serving in the U. S. Army, has been added to the staff of **Bosworth, Chanute, Loughridge & Co.,** Security Building.

(Special to The Financial Chronicle)

DENVER, COLO.—**Mitchell P. Christensen** and **Donn P. Fenn** have become affiliated with **Garrett-Bromfield & Co.,** Security Building.

(Special to The Financial Chronicle)

DENVER, COLO.—**Frederick F. Barker** has become connected with **Peters, Writer & Christensen, Inc.,** U. S. National Bank Building. He has been serving in the U. S. Army Air Corps.

(Special to The Financial Chronicle)

ST. LOUIS, MO. — **David S. Friedman** has become associated with **Peltason, Tenenbaum Co.,** Landreth Building. Mr. Friedman was formerly with Waldheim, Platt & Co. for many years.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Lewis W. McElroy** is representing **Slayton & Company, Inc.**

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**John E. Wheeler** has become affiliated with **Turner-Poindexter & Co.,** 629 South Spring Street.

(Special to The Financial Chronicle)

PORTLAND, ME.—**Gorham D. Hoffses** is now connected with **Paul & Co., Inc.**

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Richard T. Murray** is with **John R. Kauffmann Company,** 506 Olive Street.

Sees Pound Devaluation If Britain Is Refused Assistance

Dean Madden Also Foresees British Refusal to Ratify Bretton Woods and Extension of Sterling Area. Says Only Solution for Removal of Exchange Restrictions Is to Cooperate to Establish Conditions That Will Permit British to Foster Multi-lateral Trade

A Bulletin entitled, "The Pound Sterling and the Sterling Area after World War II," issued by Dean John T. Madden, Director of the Institute of International Finance of New York University, states that if no adequate financial assistance is granted to Great Britain that country will be compelled to adopt measures best suited to its own needs. The most important measures would be (1) refusal to ratify the Bretton Woods Agreements; (2) devaluation of the pound sterling, and (3) continuing and even widening the sterling area and raising the walls around it by enacting more rigid foreign exchange restrictions. The termination of lend-lease operations on Aug. 21, 1945, has again brought into the limelight of economic discussion the problem of the difficult international financial position of Great Britain. The situation created by the cessation of United States lend-lease shipments was of such grave import to Great Britain, especially during the reconversion period, that the British Government immediately instituted negotiations with the United States with the object of reaching an agreement about (1) ways and means of settling Britain's financial problems resulting from the war, including lend-lease; (2) commercial policy, including trade arrangements within the sterling area, and (3) type, amount, and conditions of financial assistance that may be granted by the United States.

Dean J. T. Madden

Britain's Position

The position of Great Britain at the end of World War II may be briefly summarized as follows: After almost six years of war Great Britain has outstanding a short-term external debt consisting of foreign-owned sterling balances of between 12 and 14 billion dollars. The country has divested itself of a substantial portion of its best foreign assets with the result that the income from abroad in the form of interest, dividends, and profits will be considerably smaller than in pre-war years. The outlook for earnings abroad by shipping and insurance companies in the near future is uncertain if not bad. In view of the decrease in the current income from abroad Great Britain would have to raise the volume of post-war exports 50% above the 1938 level in order to be able to pay for imports equal in vol-

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Our Foreign Policy

By HON. J. W. FULBRIGHT*
United States Senator from Arkansas

Senator Calls for Real International Law. Holds United Nations Organization Is Without Life and Vitality. Says the Charter Is Deficient Because It Furthers Imperialism, Sovereignty and the "Hopeless" Veto Power. Sees True Significance of Atomic Bomb Being Ignored.

To say that there is confusion in this country regarding our foreign policy, particularly in governmental circles, is a rank understatement. Science has so changed the world that the ancient international political order is intolerable. The conflict in a world united by science and separated by outworn political barriers will continue, either until science destroys man, or man destroys that archaic political system. In July, after months of preparation and weeks of debate, we adopted the United Nations Charter. We thought we had taken quite a large step toward the creation of an effective political system for the maintenance of a stable and peaceful world. Although some of us thought the Charter, as adopted, inadequate to maintain a lasting peace, we believe there would be sufficient time to improve it later on. At least the United States had joined it, and there seemed to be universal support which was lacking in the creation of the League of Nations. But our satisfaction was short lived. Within a few days of the adoption of the Charter, the atomic bomb, not only blasted the Japanese into submission, but it also blasted our confidence in the Charter. A profound uneasiness has spread over the world, and uneasiness of fear of the unknown. Like primitive man in the darkness of the caves and jungles, we too are faced with elemental and infinite forces which we do not understand; forces which threaten to snuff out our lives as one does a candle between the fingers. We are doubtful of our ability to control this terrifying new force. We have lost our bearings and are unsure of our future.

J. W. Fulbright

Ten years ago, it was unthinkable that human beings could possibly be as savage and as completely immoral, according to Christian ethics, as the Germans have proved to be. We have had an ugly but powerful demonstration at Belsen, Dachau, and many other extermination camps, of what lies beneath that thin crust of civilization so laboriously acquired by man through countless centuries of struggle up from the jungle. Although we talk bravely about our prowess, we in the United States are worried in our hearts. Like children who have lost their parents, we have lost, since the airplane and the rocket bomb, the protection of two great oceans. We are now exposed at close quarters to violent forces of a turbulent world. Our confidence in our own invincibility and our faith in the solicitude of a beneficent providence have been shaken by the atomic bomb.

The incredible scientific progress of the last few decades induced in many people, besides the Germans, a certain arrogance and a feeling of superiority which seemed to make them unconscious of moral obligation to other men. Few people were concerned about the fate of the peoples of other lands. "Let them stew in their own juice" was the common slogan. The great and the powerful could take care of themselves and, therefore, they reasoned they must be good. But the cleverness of man has now brought into the world a power of destruction against which there is no defense. We are troubled by a feeling of helplessness. We are beginning to take a greater interest in our fellow human beings. Now we wonder if those people who concerned us so little are good people. We hope they are and that they will not use the bomb against us first. On every hand this fear, amounting almost to hysteria, causes otherwise rational men to act in strange ways and to utter the grossest absurdities. Men re-

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*A speech delivered by Senator Fulbright at the Foreign Policy Association Forum, Oct. 20, 1945.

Dealer-Broker Investment Recommendations and Literature

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

Comparative Bank Stock Prices and Comparative Insurance Stock Prices—Leaflets giving comparative figures—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

Desirability of Railroad Securities for Investment—reprint of article by Arthur C. Knies, partner in Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Chicago, Rock Island & Pacific Arbitrage.**

Dow Theory Barometer — A weekly service predicting future trends in the stock market—Four weeks' trial, $1—Gaylord Wood, Inland Building, Indianapolis Ind.

Excess Profits Tax Cushions—Memorandum listing 111 companies with high excess profits tax cushions—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

ICC Monthly Comment on transportation statistics—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

More Bank Stock Extras Seem Imminent—New bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also a new bulletin on **Third Quarter Statistical Comparison of 19 New York City Bank Stocks.**

Paint Industry — comparative figures on several companies offering speculative attraction—Brand, Grumet & Ross, 120 Broadway, New York 5, N. Y.

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

Also available is a study of **General Public Utilities Corp.** (successor company to Associated Gas & Electric).

Realty Bond Price Averages—Late bulletin on real estate bond market—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Research Comment—Memorandum of comment on several issues—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a review of **National Power & Light**, the **Fortnightly Investment Letter**, and a leaflet of **Market Comment.**

What American Manufacturers Estimate for 1947—Report on chief industry groups—Daniel F. Rice & Co., Board of Trade Building, Chicago 4, Ill., and 14 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 detailed circulars on **Foundation Co.; Fashion Park, Shatterproof Glass,** and **Wellman Engineering Co.;** and reports on practically all **Real Estate** issues in New York City.

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.**

Bank of America — analytical summary—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

Also available is a memorandum on the situation in **New York City Bank Stocks.**

Bank of America N. T. & S. A.—dividend history of the bank and its predecessors—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Blair & Co.—descriptive memorandum on interesting low-priced speculation in financial underwriting—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Central & Southwest Utilities Co. 7% preferred stock—Study of the situation which offers interesting possibilities—Thornton & Co., 60 Wall Street, New York 5, New York—Ask for Circular "CC."

Chanin Building Corp.—Circular—Walter Murphy, Jr. & Co., 49 Wall Street, New York 5, N. Y.

Also available is a report on **Savoy Plaza, Inc.**

Cliffs Corporation — memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

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.

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

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

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Empire District Electric Co.—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also memoranda on **Eastern Corp.** and **Osgood Co.**

Equity Oil Co.; and **Utah Southern Oil Co.**—Circular—Forbes & Co., First National Bank Building, Denver, Colo.

Also available is an attractive map of the **Rangely Field** showing in color the holdings of all the operating companies in the field.

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

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.; Red Rock Bottlers,** and a new analysis of **Panama Coca-Cola.**

Home Insurance Co.—Detailed memorandum on current situation—Butler-Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Also a special bulletin on **Bank of America.**

Interstate Co.—Detailed study of the company which operates restaurants, serving the public at key transportation centers—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also memoranda on **North West Utilities Co.** and **Portland Electric Power Co.**

Jonas & Naumburg Corp.—Supplementary circular on current situation—Syle & Co., 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.**

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.**

Locomotive Firebox Co.—Circular discussing attractive post-war 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.

Magnavox Company—Report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

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

Midland 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.**

Mississippi Glass Co. — Recent analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

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

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.**

Ohio Water Service—Memorandum — Otis & Co., Terminal Tower, Cleveland 13, Ohio.

Also available are memoranda on **Leland Electric Preferred; U. S. Truck Lines, Inc.,** and **Standard Stoker Co.**

Pittsburgh Equitable Meter Co.—Memorandum—J. G. White & Co., 37 Wall Street, New York City.

Pollak Manufacturing—analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is a study of **Baltimore & Ohio;** and a New England company established in 1862 which has arrears of $67.50 on the 5% $100 par preferred stock—ask for analysis M.C.P.

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.

Also notes on the Sept. 30, 1945, statement.

Sardik, Inc., and its wholly-owned subsidiary, **Sardik Food Products Corp.**—Circular—George F. Breen, 20 Pine Street, New York 5, N. Y.

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

Southern Pacific System—Original analysis—A. W. Benkert & Co., Inc., 70 Pine Street, New York City.

Vinco Corp.—Circular — James M. Toolan & Co., 67 Wall Street, New York 5, N. Y.

Whiting Corp.—Late memorandum—Strauss Brothers, 32 Broadway, New York 4, N. Y.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Robert F. Boedecker,** formerly with Blyth & Co., has become associated with **Central Republic Company,** 209 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Paul M. Schoessling** has become affiliated with **Doyle, O'Connor & Co., Inc.,** 135 South La Salle Street. Mr. Schoessling was previously with Otis & Co. and Ames, Emerich & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Harry Ahlf** has been added to the staff of **Enyart, Van Camp & Co., Inc.,** 100 West Monroe Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Charles R. Vanek** and **John C. Manley** are with **Kneeland & Co.,** 141 West Jackson Boulevard. In the past Mr. Vanek was an officer of Alexander & Company.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — **Erwin Smith** has become associated with **Conrads & Company,** 321 West State Street. Mr. Smith in the past was with John J. Seerley & Co. and Banning & Co. He has recently been active in other fields.

NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver has elected the following officers for 1945-1946:

President: J. Harold Myers, Harris, Upham & Co.

Vice-President: Bernard Kennedy, Bosworth, Chanute, Loughridge & Co.


J. H. Myers


Bernard F. Kennedy


Phillip J. Clark

Secretary: Ralph E. Smith, Earl M. Scanlan & Co.

Treasurer: Phillip J. Clark, Amos C. Sudler & Co.

Directors: Walter Coughlin, Coughlin & Co.; Carl Stitt, J. A. Hogle & Co.; Raymond Cody, Colorado National Bank; and Ernest E. Stone, Stone, Moore & Co.

Members of the nominating committee were: Edward Hanifen, McCabe, Hanifen & Co.; Wilber Irion, International Trust Co.; Walter Coughlin, Coughlin & Co., and Fred Ulrich, Bosworth, Chanute, Loughridge & Co.

CLEVELAND SECURITY TRADERS ASSOCIATION


R. A. Gottron

Richard A. (Dick) Gottron of Gillis, Russell & Co., has been elected the president of the Cleveland Securities Traders' Association.

Mr. Gottron, who has been very active in the Association's affairs for several years, replaces Morton A. Cayne of Cayne & Co.

The group's new Vice President is Everett A. King of Maynard H. Murch & Co. while L. O. Ross of Gordon Macklin & Co. is the new Secretary. Arthur Metzenbaum of Will S. Halle & Co. is Treasurer.

New to the board of governors are: Arthur (Buck) De Garmo of Merrill Lynch, Pierce, Fenner & Beane; Carl H. Doerge of Wm. J. Mericka & Co.; Tom A. Melody of First Boston Corp.; George F. Opdyke of Ledogar, Horner & Co.; and Mr. Cayne, who automatically becomes a member.

THOMAS GRAHAM REPORTS TO THE MEMBERS OF THE GENERAL POLICY COMMITTEE

I have just returned from a trip East where I attended the following meetings regarding NSTA matters:

Met with Fulton, Conway and Nolan in Washington regarding National Association of Securities Dealers as it affects the trading business.

Dotts, Mosley and myself met informally with all the SEC Commissioners and Treanor where we discussed the trading business and told the purposes and aims of the NSTA. We offered our cooperation for the constructive development of the industry and from the general tenor of the meeting we are very hopeful that fruitful results may emanate.

Attended the annual meeting of the Investment Traders Association of Philadelphia Friday night, Sept. 28, and I cannot too highly congratulate that organization on its splendid cooperation with the NSTA. Philadelphia has been doing things and has some excellent plans for this next year.

Met Monday afternoon with the Security Traders Association of New York, where Mr. Pizzini explained the recent registration ruling of the NASD re individual registration. Your President, when called on, brought out one thing which I believe is of vital importance to our industry; namely, the importance of political contacts not only with the Congress and Federal and State regulatory authorities, but also the necessity of the individual traders protecting their political interests insofar as the NASD is concerned. Recently ex-Governor Edison in a timely speech urged businessmen to "stop being timid about politics."

Vic Mosley, I am delighted to say, has agreed to burden himself with two important duties this next year—as Chairman of the Corporate Committee and Chairman of the Special Executive Committee. The latter Committee has to do with the relationship of our organization with State and Governmental bodies, such as State Securities Commission, Securities and Exchange Commission and the NASD.

One of the finest accomplishments our organization could bring about would be a report on changes that may be advisable in the General Securities Acts. These matters are going to come up before the Interstate and Foreign Commerce Committee in the next six months and probably our group can be the spearhead that can coordinate the ideas of the various organizations in the security business.

As was outlined in our meeting with the SEC Commissioners, we made the following suggestions:

To the Members of the General Policy Committee:

Elimination of registration requirements for companies whose securities are listed on a registered stock exchange and/or registered, with up-to-date supplements, under the 1933 Act;

Increase in the exemption from $300,000 to $1,000,000;

Modification of the restrictions against giving out information through "red herrings" or otherwise about a new security during the SEC-incubation period.

Clarification of the problem of price maintenance; and other important matters.

Members of our organization will have other ideas which should be added to this list and each affiliate ought to have a Committee studying these vital problems. After all, almost every organization of every kind—Stock Exchange, Municipal, Corporate, Investment Trust—has a trading department, at least of sorts, so that our own organization is a broader cross-section of the business than any other.

The Special Executive Committee will be as follows for this next year and the balance of the Committees will be submitted to you as soon as the Chairmen have selected the members:

R. Victor Mosley, Chairman, Stroud & Co., Inc., Philadelphia; Stanley McKie, Vice-Chairman, Weil Roth & Irving Co., Cincinnati; Russell Dotts, Bioren & Co., Philadelphia.

Your Secretary and Chairman of the Convention Committee is sending a questionnaire out to all members of the National Committee, Executive Committee and Presidents of all affiliates. Nothing will be done in this particular regard until results have been very carefully compiled and then submitted to the Executive Committee for action.

The suggestion has been made regarding a monthly news memorandum to the membership incorporating reports from various affiliates, etc. This of course would entail a lot of work. I am wondering what you think of the idea.

Also, one of the most important things that should be sent out and headlined is the rehiring plan for returning veterans. Any news regarding the local affiliates or Committees should be given to your local member of the Publicity Committee to pass on to the Chairman, Ora Ferguson.

I am pleased to state there is a great deal of interest in the proposed Constitution Revision and many fine suggestions have been made. I trust that the officers, Committee Chairmen, etc., may have the full cooperation of the General Policy Committee.

Montana Power Bonds Placed on Market by Halsey, Stuart Group

A banking group headed by Halsey, Stuart & Co., Inc., on Oct. 24 offered to the public $40,000,000 first mortgage 2⅞% bonds, due in 1975, of the Montana Power Co. at 101% and accrued interest. The group won the award of the bonds in competitive bidding Oct. 22 on a bid of 100.2799 for the issue on a 2.86% interest basis.

Proceeds from the sale of these bonds, together with funds from the company's treasury, will be used for the retirement of $58,385,900 of funded debt now outstanding, consisting of $46,412,000 first and refunding 3¾s, due in 1966; $10,589,900 of 30-year 5% debentures, and $1,384,000 underlying Butte Electric & Power Co. 5% first mortgage bonds, due in 1951. Upon completion of this financing, the new bonds will be the sole funded debt of the company. American Power and Light Co. owns all but 6,071 shares of Montana Power's common stock.

Einstein & Stern to Admit

Einstein & Stern, 14 Wall St., New York City, members of the New York Stock and Curb Exchanges will admit Joseph H. Kastor, a member of the Curb, to partnership in the firm on Nov. 1.

Carter Harrison Admits Edw. Lillig to Firm

CHICAGO, ILL.—Carter H. Harrison & Co., 209 South La Salle Street, members of the Chicago Stock Exchange, have admitted Edward A. Lillig to partnership in the firm. Mr. Lillig has been with the firm for some years as Cashier and Office Manager.

New York Stock Exchange Weekly Firm Changes

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

Carter Tiffany retires from partnership in Gamwell & Co. on Oct. 31st.

Privilege of George Snedecor, Jr. to act as alternate on the floor of the Exchange for Vincent H. La Frence of J. Robinson-Duff & Co. was withdrawn on Oct. 22nd.

Ohio Brevities

Merrill, Turben & Co. headed an underwriting group that offered 20,000 shares of $50 par value $2.20 convertible preferred stock of Gray Drug Stores, Inc., growing retail drug chain, formerly known as Weinberger Drug Stores, with headquarters in Cleveland.

The stock was oversubscribed, going to a premium of ¼ point. The sale price was $52 a share.

Stockholders also approved an increase in authorized common stock from 100,000 to 150,000 shares.

Others in the offering group were Curtiss, House & Co., Hayden, Miller & Co., Prescott & Co., Joseph & Co. Inc., and Ohio Co.

The company and subsidiaries now operate a chain of 81 drug stores in Ohio, New York and Pennsylvania.

* * *

Six cents separated three bids for $600,000 refunding bonds of the City of Akron.

An Otis & Co. group, including the Ohio Co., Merrill, Turben & Co. and Stranahan, Harris & Co. of Toledo, bid 100.67 for 1½ per cents, edging the bid of 100.63 per $100 bond by W. F. Kurtz & Co.

Third was Provident Savings Bank & Trust Co. of Cincinnati with a bid of 100.61 per $100 bond. The bonds, due Nov. 1, 1953, and Nov. 1, 1954, were reoffered to yield prices from 1.20 to 1.30%. There were three other bids.

* * *

Identical bids of 1.62% were submitted by Central National Bank of Cleveland and Central Hanover Bank & Trust Co. of New York, for $1,848,000 promissory notes of Erie Railroad offered at par value. The banks were to share the notes equally.

The railroad said proceeds would go to pay for about 80% of the estimated cost of drop-end 70-ton capacity gondolas to be built by Bethlehem Steel Corp. at Johnstown, Pa.

* * *

Harriman Ripley & Co. headed a group of 27 underwriters which sold 60,000 convertible preferred shares of Dresser Industries, Inc. The stock, of $100 par value 3¾%, was offered at $103 a share and accrued dividends. It is convertible into common stock before Sept. 15, 1955 at the rate of 2½ common for each preferred.

* * *

Hinde & Dauch Paper Co. directors have issued a call for 5,000 of its $4 cumulative convertible preferred stock at $105 a share and accrued dividends of 50 cents per share as of Nov. 15. The new stock is convertible on the basis of 3 1/3 common shares for each preferred.

* * *

McDonald & Co., of Cleveland, was the principal underwriting house in an offering of $2,500,000 of sinking fund debentures of Harris-Seybold-Potter Co., large manufacturers of printing machinery at Cleveland. The debentures were offered at 103 and interest.

The company said proceeds would be used to retire $866,485 outstanding 5% debentures, due 1951, to purchase $350,000 of machinery, and for additional working capital. The company, largest producer of offset lithographic presses and power-driven paper cutting machinery, does not anticipate any serious difficulties in reconverting to its usual products and expects high employment during the reconversion period.

* * *

The Cleveland houses of Hornblower & Weeks, Hayden, Miller & Co. and Merrill Lynch, Pierce, Fenner & Beane were in the Harriman Ripley group that offered 89,402 shares of 4% cumulative preferred stock of Murray Corp. of America. The stock was the unsubscribed portion of 104,560 shares offered common holders.

* * *

Stockholders of Canfield Oil Co., 59-year-old Cleveland refiner and distributor, will vote on a proposed merger with Standard Oil Co. of Ohio late this month. Officials of both concerns said under merger plans Standard Oil would purchase substantially all properties and assets of the Canfield company.

While merger terms were not announced it was understood Sohio has offered ½ share of its new preferred stock and three shares of its $10 par common for each Canfield common share. Sohio also offered sufficient of its preferred to retire Canfield preferred, it was said. The offer, it was stated, would be equal to around $122 for each Canfield common.

"If the sale is approved, it is planned that the operations will continue indefinitely under the name 'Canfield' and under the present management," an official statement said.

* * *

Brown Fence & Wire Co., of Cleveland, announced stockholders have approved an employees pension plan that will be retroactive to last July 1.

* * *

J. N. Dillen has become Secretary of the Wheeling & Lake Erie Railway Co., according to President George Durham.

* * *

Raymond J. Morfa, long-time assistant to Robert R. Young, Chairman of the Chesapeake & Ohio Railroad, departed the Cleveland scene to accept the post of Chairman and a director of Missouri-Kansas-Texas Railroad Co. at St. Louis. Morfa said he was severing all connections with Young and the C. & O.

* * *

W. King White, former President of Cleveland Tractor Co. and since its consolidation with Oliver Corp. has served as Vice-President, has resigned. He will continue as a director of Oliver. No reason was advanced for his resignation.

President W. T. Holliday of Standard Oil Co., of Ohio, announced appointment of C. H. Metz Jr. as director of industrial relations.

Stock Exch. Firms To Hear Daniel Bell

The Hon. Daniel W. Bell, Under-Secretary of the Treasury of the United States and former Director of the Budget, will be the principal speaker at the annual dinner meeting of the Association of Stock Exchange Firms, on Monday, Nov. 19th, at the Hotel Commodore, New York City, it was announced by Wymond Cabell, of Richmond, Va., President of the Association.

"Now that the war is ended," Mr. Cabell said, "the Association this year is enlarging its annual meeting program. Two sessions are planned, one in the afternoon for the annual election of Governors and a discussion of various phases of the organization and administration of the New York Stock Exchange, particularly as they relate to member firms' operations, by Stock Exchange officials; and the other, the dinner which Mr. Bell will address."

Gidley Opens in Syracuse

SYRACUSE, N. Y.—Delwin H. Gidley is engaging in a securities business from offices at 305 Houston Avenue. In the past Mr. Gidley was Syracuse manager for E. H. Rollins & Sons, Inc.

Ohio Municipal Comment

By J. AUSTIN WHITE

For the past several weeks the municipal market as a whole has been developing a firmer tone, and during the latest week or two, this improvement in sentiment has been finally reflected in higher prices. Not only have bids improved generally during the past fortnight, but also many prices have been marked up on old inventory. In several instances bonds have traded between dealers for price mark-ups—as in days of old.

It is quite possible, if not actually likely, that the general municipal market will snap back at least toward the price level prevailing in mid-summer, without such a snappy rise in prices in the Ohio municipal market. During all the years we have been following the market for Ohio municipals, one development has been outstanding: the Ohio market never seems to recede as fast nor as far, nor recover as fast as does the general municipal market. Often the comment is heard that "The Ohio market seems to be in a class by itself." Such would seem to be the case as far as market fluctuation goes. Possibly the reason is that there is such strong support for Ohio bonds amongst Ohio banks and investors, especially the banks.

A month ago in this column we reported that even then it seemed there was still such a demand among investors for unusual names of good quality that one could find buyers for such bonds at prices not much, if actually any, different from those prevailing two or three months previously. Buyers of such names have been so starved by not having opportunities to purchase such bonds, that our report of last month can be repeated today with even greater force.

Supply of Bonds is Small

The supply of bonds for the Ohio market is indeed quite small at present, and has been small even during the recent period of price recession. During the past month or so several Ohio communities have sold new issues, but most of the bonds have been placed readily with investors, the outstanding example being the $2,000,000 Dayton issue sold Oct. 5. Very few bonds have come into the secondary market. Dealers and investors are, therefore, in need of bonds.

The sale next Tuesday of $3,000,000 Cincinnati bonds due 1946-70 will add few bonds to the Ohio market, for Cincinnati unlimited tax bonds usually command such a high price that they do not sell too generally in this market. Incidentally, except for an issue of water bonds sold in 1939, this will be the first new issue of Cincinnati City bonds sold in the public market for at least 10 years. In the past several years, various city funds have taken for their own investment account, practically all city bonds that have been issued.

However, inasmuch as the city's bonds can be sold in today's market at much lower interest rates than the yields at which taxable Government bonds can be purchased by such funds, these $3,000,000 of bonds will be sold publicly. The city sinking funds have for several years been purchasing Government bonds and allowing their holdings of Cincinnati bonds to run off, and have in fact, been selling city bonds annually for the past several years.

This dearth of supply in the Ohio market may be alleviated after the election on Nov. 6. The Ohio Municipal Advisory Council reported about a month ago that preliminary schedules of bonds to be voted upon at such election totaled $95,519,000. Included in these issues are many unusual and scarce names that will have very good appeal in this market. Whether or not many of such issues will be approved, cannot, of course, be foretold, although recent experiences with other issues being voted easily would indicate that dealers and investors alike can look forward to being able to buy some choice bonds after the election. However, many of the issues are being submitted to finance postwar projects that are not expected to be completed for a period of several years. Hence, many of the bonds that are approved at the election may not be put on the market for one, two or three years afterwards.

Bonds Submitted for Voters Approval Sets New Record

Many of us are, of course, interested in estimating the total supply of Ohio municipals, not just the scarce names that may be forthcoming after the election. The Ohio Municipal Advisory Council throws some important light on such estimates by reporting as follows: Before this year the recent high record of bonds submitted was set in 1938 when $73,730,917 were voted upon, of which amount 33% was approved. Last year $57,102,664 were submitted with 94% of the amount approved. As previously reported, the preliminary total to be voted upon this year is $95,519,000, and as the Ohio Municipal Advisory Council states, ". . . all indications again point to a relatively high ratio of approval this year."

In other words, it seems more than likely that the supply of Ohio muncipals will increase after the election next month. While the degree of increase is indefinite, it could be material and should certainly be worthwhile. It is partially in anticipation of such an augmented supply, that the market has declined since V-J Day. In fact, some dealers and investors for awhile were fearful that the increase in supply would be so great that it would bring prices down considerably, when coupled with anticipated tax reductions.

Lately dealers and investors alike have a more realistic conception of the tax reductions that will actually result from the end of the war. Certainly it is now clear to all that tax reductions actually to be made for next year are small indeed, so small as to have little effect on the municipal price structure. Moreover, one is,

Ruvoldt Opens

REYNOLDSBURG, OHIO — James O. Ruvoldt is engaging in a securities business from offices on Main Street.

Ohio Municipal Price Index

Date—	*	†	‡	§
Oct. 17, 1945	1.36%	1.54%	1.18%	.36%
Oct. 10	1.37	1.55	1.18	.37
Oct. 3	1.38	1.57	1.18	.39
Sep. 26	1.38	1.58	1.18	.40
Sep. 19	1.38	1.58	1.18	.40
Aug. 17	1.40	1.62	1.17	.45
July 18	1.22	1.42	1.02	.40
June 20	1.20	1.39	1.01	.38
May 16	1.19	1.35	1.02	.33
Apr. 18	1.19	1.34	1.03	.31
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov. 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

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

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

unfortunately, given to fear that tax reductions even after next year will again be only very moderate.

Moreover, the market's appraisal of the future supply of bonds is certainly more courageous than it was a month or two ago. So far there has been no flood of offerings. Everyone expects more bonds to be sold in the coming months and years than during the war. However, the largest proposals being approved by the voters are being submitted as community projects to be developed over a period of years. Hence, all of the bonds voted this year will not reach the market even within the following year.

Increased Supply Should Be Taken By Increased Bank Investments

All of the above comments relative to tax reduction and future supply have been discussed frequently in the trade. However, there is one important aspect relating to the supply which we have not seen even mentioned. Much of the fear expressed today for the future price level in the municipal market is based upon the probability that some $500,000,000 more municipals will reach the new issue market annually during the next few years, than were sold before 1941. It seems to have been entirely overlooked that there is far more money available for investment now than in 1941. For example, many banks are several times larger than they were in 1940. The banks are today one of the principal groups of buyers of municipal bonds and in Ohio, at least, it is probable that the banks are the principal support of the Ohio market. The investment accounts of these banks are tremendously larger today than in 1940. A purchase of $10,000 worth of municipals in 1940 may have then seemed like a sizable commitment to a bank which today would buy several such amounts as routine business. Certainly in 1940 many banks who bought $100,000 of Governments felt they were making quite large commitments, and today most of those same banks will buy or sell that many Governments scarcely without even checking their cash position.

This week we were looking through a file and noticed the offering by the United States of $500,000,000 of bonds for subscription by the public as recently as 1940 and 1941. It seems fantastic to realize that now bonds are offered by the Treasury in amounts of $14,000,000,000, rather than in such paltry sums as a mere $500,000,000. If the banking system can accommodate increases in Government financing running into several billions, surely it can accommodate its share of an increase in municipal financing running to a half a billion.

Ohio Personnels

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O. — **George F. Oswald** has rejoined the staff of **Clair A. Hall & Co.,** Union Trust Building. Mr. Oswald has been serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O. — **Carl G. Schirmer** has become associated with **Horan & Grischy,** Union Trust Building. In the past he was with Ballinger & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—John F. Egan has become associated with The First Cleveland Corp., National City Bank Building.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Paul H. Klocker has rejoined the staff of W. P. Quinn & Co., Union Commerce Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Robert P. Ramsey has rejoined the staff of The Ohio Co., 51 North High Street, after more than three years in the armed service.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO — William J. Lukaswitz has become associated with Westheimer & Co., Third National Building. Mr. Lukaswitz has recently been in commercial work. In the past he was an officer of Hunter & Lukaswitz of Dayton.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, OHIO—Joseph R. Mace has been added to the staff of J. C. Flannery & Co., City Bank Building.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, OHIO—Kenneth R. Emery, after four years' service in the armed forces, has become associated with S. T. Jackson & Co., Inc., Union National Bank Building.

Public Service of Okla. Bonds Offered at 99.50

An underwriting group headed by Halsey, Stuart & Co., Inc., on Oct. 19 offered to the public $22,500,000 Public Service Co. of Oklahoma first mortgage 2¾%, series A, bonds. The bonds, due in 1975, were priced at 99½ and accrued interest. The Halsey, Stuart group was the successful bidder for the issue at competitive sale on Oct. 15 with a bid of 98.7799.

Net proceeds from the sale of the bonds, together with general funds of the company as needed, will be applied to the redemption of $16,000,000 first mortgage 3¼s, series A, bonds and $6,581,000 of first mortgage 3¾s, series A, bonds of Southwestern Light & Power Co., which was merged with Public Service Company of Oklahoma early this year. Upon completion of this financing, the company will have outstanding only the present issue of $22,500,000 bonds; 98,500 shares of 4% preferred stock, and 111,167 shares of common stock, all of the latter being owned by Central and South West Utilities Co. and a subsidiary.

The bonds will be secured by an indenture which will constitute a first mortgage lien, with certain exceptions, on substantially all permanent physical property now owned by the company. A debt-retirement provision is included by which the company is required to retire annually, beginning in 1946, 1% of the greatest amount of bonds outstanding.

Polaroid Corp. Common Offered Publicly

Kuhn, Loeb & Co. headed a banking group which offered Oct. 24 to the public 34,061 shares of common stock of the Polaroid Corp. at $28 a share. The company is issuing to its stockholders rights to subscribe for 80,875 shares on the basis of one additional share for each four shares held, and certain stockholders have waived their right to exercise subscription warrants received by them for the purchase of the 34,061 shares now offered.

Net proceeds to be received from the sale of 80,875 shares will be added to the general funds of the company.

Favors Aid to Britain If Restrictions Are Removed

Eugene P. Thomas, President of National Foreign Trade Council, Issues Statement Recommending Removal of British Empire Preferences and Modification of Sterling Area Arrangements Which Restrict U. S. Foreign Trade.

Financial aid that may be extended by the United States to Great Britain, or to any other countries, "should be conditioned on the effective removal for future operations of discriminations and restrictions against American foreign trade," it was advocated on Oct. 19 in a statement of the National Foreign Trade Council's position on restrictions of the sterling area affecting American foreign trade, made public by Eugene P. Thomas, Council President.

Eugene P. Thomas

Pointing to peace-time economic goals mutually agreed during the war, in the Atlantic Charter and lend-lease agreements, the Council declared:

"War conditions have required the adoption of measures in many countries which run directly counter to the agreed peace-time economic goals as set forth in the Atlantic Charter and the Master Lend-Lease Agreement. Trade and exchange controls have been operated in a discriminatory manner for security reasons.

"The National Foreign Trade Council recognizes the need for financial aid by the United States and other countries to help Great Britain provide for her import needs during the transition period and to deal with her commitments in the sterling area which have accumulated in the prosecution of the war. The Council has strongly supported the measures adopted by the United States, such as the Reciprocal Trade Act, designed to promote international trade and provide the opportunity to create dollar exchange for Great Britain, the members of the sterling bloc, and other countries.

"However, the Council feels that such financial aid as the United States may extend at this time to Great Britain or any other countries should be conditioned on the effective removal for future operations of discriminations and restrictions against American foreign trade, which is a basic principle of our foreign economic policy. This calls for an agreement on the part of Great Britain to modify the sterling area arrangement to the extent required to restore fair competitive opportunities in the sterling area countries and to the adjustment of trade and exchange controls which enforce this arrangement. It also calls for an agreed revision of British Empire preferences and determination by both parties to maintain a firm dollar-pound relationship.

"The removal of discriminations and restrictions against American foreign trade should also be called for in the case of any other agreements which the United States may enter into for the extension of financial aid to other countries."

Metals Disintegrating Common Stock Offered

A banking group headed by Cruttenden & Co. of Chicago on Oct. 24 offered 100,000 shares of Metals Disintegrating Co., Inc., common stock (par $1) at $12.75 per share. Of the shares offered, 30,000 shares are being issued by the company, the proceeds from which will be used for working capital and for financing post-war expansion. Other members of the underwriting group include: A. G. Edwards & Sons, Mackubin, Legg & Co., Watling, Lerchen & Co., Livingston & Co., Doyle, O'Connor Co., and George D. B. Bonbright & Co.

Canadian Securities

By BRUCE WILLIAMS

Healthy economies and orthodox finance are inseparable. After attempting to go against this principle for nearly ten years, the Province of Alberta has now returned to the fold of sound monetary practice.

The deviation from the orthodox path has proved to be a completely wasted effort. Fortunately, thanks to the stern persuasion of the Dominion Minister of Finance, the province has made full restitution to its creditors, and has thereby been able to reorganize its credit along practical lines.

However, it can be fairly stated that during the past decade the full development of this richly endowed province has been considerably retarded. Now there is little doubt that Alberta, with its vast tracts of virgin fertile soil, its enormous deposits of undeveloped coal and oil, and the growing importance of its capital city Edmonton as a world airport, will pull its full weight in the inevitable economic upsurge of the Canadian West.

This movement will be further aided as a result of the recent elections in Manitoba, that produced another landslide triumph for the coalition government of Premier Stuart Garson, and another defeat for the C. C. F. With even more compulsion to depart from the path of orthodox finance, Manitoba weathered the economic storm and emerged with its credit and economy stronger than ever before.

The brilliant leadership of Premier Garson has not gone unnoticed and it is thus well within the bounds of possibility that the West will furnish the next Prime Minister of Canada.

In a similar but not unaided fashion sorely tried Saskatchewan also continued to pay its obligations in full throughout the difficult period of the early 30s. Here again as in the recent case of Alberta, the Dominion Government has made every effort to preserve the high standing of Canadian credit.

Whatever doubts might be inspired by the installation in power in Saskatchewan of an untried C. C. F. administration, it must be borne in mind that the Federal Government, either by direct means, or following agreement to the adoption of the Government plans at the forthcoming Dominion Provincial Conference, will do everything in its power to prevent any further blot on the Dominion's financial record. It is also very unlikely that the first and only C. C. F. Government in Canada will do anything that will depart from the strictly orthodox.

Turning to the market for the past week the long expected Alberta offering met with a good initial response and gave every promise of complete success. Nationals and other high grades were in increased demand and available supplies were readily absorbed.

Saskatchewans moved ahead briskly with the 4½'s of 1960 up about two points at 97¼ bid. Montreals as anticipated continued to find favor and there still appears to be scope for further improvement.

Internals were in renewed demand with a resumption of buying of gold shares on gold price rumors in addition to fairly heavy subscriptions to the Ninth Victory Loan. Free funds improved in consequence to 9¼% and are likely to remain strong until the close of the loan.

With regard to future prospects everything points to an increased demand for Canadian securities at higher prices, especially in the high-grade bank eligible section. There is increasing evidence of a universal movement towards lower interest rates on securities designed for commercial banks, and consequently Canadian high grade bonds of suitable maturity appear increasingly attractive. Activity, however, is likely to continue to be restricted by the dearth of market supply especially in view of the probable early redemption of the Dominion 3's of 1967.

Chas. Gundy V.-P. of Wood Gundy Co., Ltd.

Charles L. Gundy

TORONTO, CANADA—Charles L. Gundy has been appointed a Vice-President of Wood, Gundy & Co., Ltd., 36 King Street, West. Mr. Gundy returned from overseas in September, having served as a Major with the British Army General Staff in the Middle East following service in Scotland. Mr. Gundy joined the firm in 1926 and has been associated with the organization in various offices throughout Ontario, Western Canada and London, England. Prior to entering the Army he occupied the position of Sales Manager at the head office in Toronto.

Canada Crop Report of Bank of Montreal

All of the provinces of Canada east of British Columbia have suffered from excessive moisture this year, with the result that harvesting has been seriously delayed and in many areas the qualities and grades of crops have deteriorated, according to the crop report of the Bank of Montreal on Oct. 18. In the Prairie Provinces the total wheat crop will be substantially less than a year ago and also below the last ten-year average, says the report, which states that the first official estimate places wheat production in the three provinces at 297,000,000 bushels, compared with 410,600,000 bushels in 1944 and the ten-year average of 348,829,600. Harvesting of a satisfactory sugar beet crop is nearing completion, but the honey crop is estimated as somewhat below normal. The report, likewise, says in part:

"A heavy crop of good quality hay was harvested in the Province of Quebec and grains returned a good average crop. Canning crops, however, suffered from late rains and were below average. The yield of potatoes was also below normal, although other root crops were fair.

"In Ontario, an abundance of hay was stored and an average crop of good quality fall wheat was harvested. Production of flue-cured tobacco was above average and a good crop of buckwheat is in prospect. In the Maritime Provinces, the yield of potatoes is below average but the quality is good."

MacQuoid & Coady to Admit

MacQuoid & Coady, 120 Broadway, New York City, members of the New York Stock and Curb Exchanges will admit Junius B. Close to partnership in the firm on Nov. 1st.

$26,093,000 Province of Alberta Debentures Offered in Debt Reorganization Program

Province's Recent Economic Progress Aids Complete Revamping of Debt Structure at Greatly Reduced Cost. Pay-As-You-Go Basis Undertaken. New Debenture Issue Offered in United States by Underwriting Group Headed by The First Boston Corporation and Wood, Gundy & Co., Inc.

Yesterday's offering of $26,093,000 Province of Alberta Debentures—one of the largest Canadian Provincial bond issues ever to be placed in the United States—and the completion of its debt adjustment program, strikingly reflect the combination of the existing cheap money market and Alberta's recent remarkable economic progress. This final step in the complete revamping of Alberta's debt clears up the maturities, and the arrearages in interest, half of which has been in default since June 1936; reduces the annual average interest cost from 4.89% to 3.35%; and puts the entire debt on a "payout" serial maturity basis over a 35-year period.

The advance in Alberta's economic fortunes is evidenced by the doubling of her revenue over the last decade; and by the trebling of her production, the doubling of the value of her agricultural products, and the 80% rise in her mining production, since 1939.

Questioned as to the revelance of the Social Credit Party's political policy and aims, Premier E. C. Manning yesterday emphatically stated they have no relationship to the previous bond default; and that his government does not follow socialistic ideals, is being vigorously opposed by the truly socialistic C. C. F. group, and is aggressively furthering individual enterprise. The radical Douglas monetary scheme is being blocked by invocation of the Canadian constitution.

Last July the Province made an official offer to the holders of the $113,000,000 of outstanding indebtedness, and to date holders of approximately $92,000,000 of debentures and stock have assented to the plan.

The $26,000,000 of new bonds offered here have been registered with the SEC. The $80,000,000 of new securities going to depositing existing holders do not require registration because they entail merely a debtor-creditor transaction.

The currently offered debentures mature serially from June 1, 1951 to 1960, and are priced to yield 2.90% to 3.45%. The underwriting group is headed jointly by the First Boston Corporation and Wood, Gundy and Co., Inc. Associated with them in the offering are: Harriman Ripley & Co., Inc., Smith Barney & Co., Halsey Stuart and Co., The Dominion Securities Corporation, A. E. Ames & Co., Inc., McLeod, Young, Weir Inc., and Otis & Co. (Incorporated).

F. H. Hovey Dead

Frederick H. Hovey, former national tennis champion and retired investment broker of New York and Boston, died at his home in Miami Beach at the age of 77. Mr. Hovey, a former member of the New York and Boston Stock Exchanges, was associated in New York for some time with the late Howard F. McConnell.

Drexel & Co. and Others Offering Bonds Of Lehigh Coal & Nav.

A banking group headed by Drexel & Co. and including as principal underwriters Union Securities Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co., Kidder, Peabody & Co., Paine, Webber, Jackson & Curtis and Blyth & Co., Inc. is offering today at 100% and accrued interest a new issue of $13,000,000 The Lehigh Coal and Navigation Co. Sinking Fund 4½% Bonds, Series 3½% Series A, due Oct. 1, 1970.

Net proceeds from the sale of these bonds will be applied to the redemption on Jan. 1, 1946 at 105% of all the $9,594,000 principal amount of the Company's outstanding Consolidated Mortgage Sinkiing Fund 4½% Bonds, Series A, due Jan. 1, 1954; to reduce loans payable to banks to the extent of $1,694,400; with the balance available for use for the Company's general purposes. Upon retirement of the Consolidated Mortgage Bonds, the Mortgage securing them is to be canceled.

The financing is carried out in pursuance of the Company's program of reducing its bonded indebtedness, which will have been reduced upon completion of this financing by $10,096,000 or 43.7% since 1935. Annual interest charges on funded debt of the parent company will be reduced approximately 50%.

New Birnbaum Partners

A new partnership of Birnbaum & Co., 60 Broad St., New York City, has been formed consisting of Morris J. Lutterman, Nahum Birnbaum, and Hana D. Lutterman. Partners were formerly Gustave L. Birnbaum and Morris J. Lutterman.

A Positive Approach to Full Employment

By IRA MOSHER*
President, National Association of Manufacturers

Asserting That It Will Take "More Than a Slogan" to Attain an Expanding Economy That Will Create and Maintain Full Employment, Mr. Mosher Criticizes the Senate Bill as a "Defeatist" Measure Placing Responsibility on the Government and "Doing Nothing to Realize the Goal." Recommends a Special Committee of Experts to Study Needs for Legislative Changes to Correct Management of Money and Credit, to Guide Bankers in Formulating Policies, and Provide Taxation That Will Stimulate Business. Holds Government Spending Will Not Create Full Employment and That Over-all Business Forecasts Are Certain to Be Inaccurate.

The National Association of Manufacturers, of which I am President, has 14,000 members. About two-thirds of these members have less than 500 employees and so are properly classed as "small business." My own company, I may say, falls in that category.


Ira Mosher

There is no organization in the nation which is more seriously or more sympathetically or more selfishly interested than we are in the maintenance of "full employment." We cannot prosper unless people have jobs and can buy our goods. The very economic existence of all of our members depends upon this being a nation of "full employment."

In thus using the term "full employment" I mean neither more nor less than a general state of prosperity and economic well-being for our country as a whole. I recognize that the term can be interpreted to mean that everyone must have a job at all times. And I am thoroughly familiar with the argument, and the fact, that such a situation can prevail only under a system of totalitarianism or under an economic

*Statement of Mr. Mosher before the House Committee on Executive Expenditures, Oct. 19, 1945.

(Continued on page 1980)

New Foreign Markets

By R. W. GIFFORD*
President, Borg-Warner International

Industrialist, Asserting That a Successful and Prosperous Post-War Period May Depend Largely On Our Foreign Trade, Points to Favorable Markets in Latin American Countries. Holds It Is Possible to Treble Our Exports and Imports. Urges Centralization of Foreign Trade Matters in a Single Governmental Agency Conducted by Experienced Men. Holds Bi-lateral Trade Agreements Hinder Foreign Trade and That Great Britain, as Regards International Payments and Liabilities, Is No Worse Off Than We Are.

Today we are faced with the urgent need for a strong and lasting peace—not for a few years while nations rearm—but for generations to come. Based on the assumption that all wars have a commercial background, it means that the settlement of our commercial trade problems will go a long way towards the goal of peace. This also means that if future wars are to be avoided, it cannot be done by political action alone, but it must include a more intelligent solution of world-wide economic problems. If we are to live together peacefully as a world-wide group of nations, we must look on foreign trade not only in terms of dollar imports and exports, but rather as something that can and should be of benefit to all parties concerned. We must strive toward an improved standard of living, not only for our own people, but for the millions of people—friends and enemies alike—who are generations behind us.


R. W. Gifford

There seems to be little argument as to the necessity of greatly increased foreign trade—although the odd person still exists who thinks this is all wrong. However, in talking about this increased foreign trade, are we thinking only of getting a larger percentage of the total for ourselves, or do we visualize a far greater volume of world trade in which all nations can share? If the former is the case, it means more strife and war in the not too distant future. If, on the other hand, we have a greater demand and need on the part of all nations, there is no reason why all cannot prosper.

It's true, of course, that we have greatly increased our capacity for production, but so also have many of the other countries of the world. We feel that if we escape mass unemployment and distress, we must find additional markets. In this, we are no different from many other countries, several of which depend far more on export trade than even we do. In all countries it can be said that the importance of international trade bears a direct relationship to the percentage of this trade to the total trade of the country. On this basis, we probably need this trade as little as any country, but even here we know that a successful and prosperous post-war period may depend largely on our foreign volume.

In order to save time, let's assume that there is a greatly expanded world market. I am sure that any of you who have traveled abroad lately or who are keeping in touch with foreign affairs will that Europe and the East have agree that this is true. We know

*An address by Mr. Gifford before the Boston Conference on Distribution, Boston, Mass., Oct. 15, 1945.

(Continued on page 1984)

Smith, Barney Group Offer $75,000,000 Bds. Of No. States Power Co.

Smith, Barney & Co. are heading a nationwide syndicate which is making public offering today of a new issue of $75,000,000 of first mortgage bonds, 2¾% series due Oct. 1, 1975, of Northern States Power Co., a Minnesota corporation.

Priced at 101 and accrued interest, the new first mortgage bonds will yield slightly better than 2.70%, a basis which is declared to reflect the market's appraisal of top ranking public utility mortgage bonds. The gross annual interest saving to the company will be $562,500.

Upon completion of this financing, the company will have a total of $80,000,000 of first mortgage bonds, represented by this issue and $5,000,000 first mortgage 2¾% bonds, series due Feb. 1, 1974. The latter were marketed at 101 to yield 2.70% on Feb. 23, 1944 and have been selling at prices to yield down to 2.60%. The only other funded debt consists of $3,200,000 of 2¼% serial notes due semi-annually to Feb. 28, 1949. The new bonds will replace $75,000,000 of first mortgage bonds, 3½% series due 1967, which are to be redeemed following the closing on Oct. 30 at 104¼% and interest and it is expected a prepayment offer will be made.

Halsey Stuart Group Offer $28,850,000 Bds. of Dayton Power & Light

An underwriting group headed by Halsey, Stuart & Co., Inc. is today making public offering of a $28,850,000 issue of Dayton Power and Light Co. First Mortgage Bonds, 2¾% Series due 1975, at 101⅝% and accrued interest.

The net proceeds are to be applied to the redemption of all of the company's bonds now outstanding, namely $23,256,000 of 3% bonds, to be redeemed at 106½%, and $1,326,000 of 3¼% bonds, to be redeemed at 103½%.

The new bonds will be redeemable at prices ranging from 106% to par. In addition, the bonds will be redeemable through the operation of an Improvement and Sinking Fund and a Maintenance and Replacement Fund at the special redemption prices ranging from 101¾% to par, plus accrued interest.

The company is a subsidiary of the Columbia Gas and Electric Corp. The latter has been required under the Public Utility Holding Company Act to divest itself of its interest in Dayton Power and has a plan to accomplish this pending before the Securities and Exchange Commission.

Common Stock Issue of Jefferson Lake Sold

An underwriting syndicate composed of D'Antoni & Co., New Orleans; G. H. Walker & Co., St. Louis; Pitman & Co., San Antonio, and T. J. Feibleman & Co., New Orleans, on Oct. 22, announced that the offering of 167,000 shares of common stock (par $1) was successfully completed. Stockholders and employees, were large subscribers and the remaining shares were placed by the underwriters without public offering.

E. R. Hawley & Co.

PHOENIX, ARIZ.—E. R. Hawley & Co. has been formed in Phoenix to engage in an investment business. The firm may be reached at P. O. Box 598.

Full Employment Here Will Help Europe, Says Mrs. Woodhouse

Democratic Congresswoman From Connecticut, Visiting Europe, Says European Free Enterprise Looks to Us to Give an Example of Its Successful Operation.

Among the many members of Congress who visited the Continent this year is Mrs. Chase E. Woodhouse, of Connecticut, one of the newer Democratic members of the House Banking and Currency Committee. Mrs. Woodhouse had the distinction of traveling at her own expense. She spent several weeks in Britain, France, Denmark and Sweden.


Hon. C. Woodhouse

Mrs. Woodhouse was particularly interested in her visit to France, where at one time she attended school. She feels that France is a people which has gone through a severe mental trial and needs to be nursed back to health. Throughout the occupation the people of France—as perhaps also those of other Nazi-occupied countries — learned to sabotage, soldier, shirk and lie, and these habits, which at the time helped the Allied cause, are not easy to snap out of.

In a statement to the "Chronicle" in Stockholm, Mrs. Woodhouse summarized her views as follows: "So far as France is concerned, the great thing for us Americans to work for is an understanding of the French people's present emotional situation. We should be able to work out a mode of living with them. Their economy is complementary to ours. The big item, of course, is that of invisible imports.

"We must understand that the French, from the mental point of view, are in a very difficult situation after years of German occupation. They have to shake off the occupation mentality. And they must avoid going back completely to the pre-1940 situation. I was very much encouraged in talking to some French businessmen who had been refugees in America during the war. Some of them impressed me as having got an understanding of what is meant in America by democratic discussion and abiding by the will of the majority, once a decision is made. Those businessmen realize that France's great need is stability and continuity of policy.

"Everywhere I have gone in Europe I have heard stressed again and again that the whole world is counting on America as a stabilizing influence and factor in recovery. In all the countries I have visited, big businessmen, small businessmen, Government officials and economists have said to me that the turn the world takes depends very largely on the maintenance of full employment in the U. S. A. That is why the full employment bill is so important now. If we can maintain reasonably full employment in the States, there is in this continent a general hope that the free enterprise system can be maintained.

"Free enterprise does not mean laissez faire, but freedom within an agreed-upon plan which would grow out of a discussion among officials, businessmen and workers. The Government should provide a climate in which free enterprise can flourish. In Europe the people are just as much opposed to private monopoly as American businessmen are opposed to Government ownership or nationalization of business.

"It should be possible for American-Swedish commercial relations to be worked out. Businessmen here tell me that what they want is multilateral trade relations and a great degree of freedom of trade. It all comes back to that. If a depression again engulfs the world, or threatens to, nationalistic systems will be built up. That is the thesis of the Swedish economist and present Minister of Economy, Gunnar Myrdal.

"We must realize that the term 'Socialist' as used in the United Kingdom and Sweden does not carry the connotation which it does in the United States. Between the Socialists here and the liberals at home there is very little difference. We ought to be sure that when we use the word we give it its original connotation.

"I think we can work out American exports to Sweden in consumers goods, for example, women's clothing. But we shall have to modify our export methods. This is a country of only 6,000,000, and is not a mass market."

Ralph Davis to Speak Before Denver Dealers

DENVER, COLO.—The Rocky Mountain Group of the Investment Bankers Association and the Bond Club of Denver announce that Ralph W. Davis of Paul H. Davis & Co., Chicago, will speak to the investment dealers of Denver at the Assembly Room at D. & F.'s, on Friday, Nov. 2, at 12:30 p. m. The Assembly Room is on the fifth floor in the Lawrence Street Building. Mr. Davis's subject will be "Underwriting and Markets and Their Relationship."

In order to save confusion and to determine exactly how many will be present at the luncheons, a new system is being put into effect—that of selling luncheon tickets in advance. Dealers planning to attend are urged to buy their tickets well in advance, as the meetings are difficult to arrange. Tickets may be procured from Elmer G. Longwell, Boettcher & Co., Secretary-Treasurer of the IBA Rocky Mountain Group, and Ralph E. Smith, Earl M. Scanlan & Co., Secretary of the Bond Club of Denver.

Railroad Securities

Early this month the new Chicago, Milwaukee, St. Paul & Pacific securities were admitted to trading on a when issued basis on the New York Stock Exchange. It is expected that the new securities will actually be delivered before the end of the year. As has been characteristic of most new reorganization railroad stocks when initially admitted to trading on the Exchange market action of the new St. Paul common has been desultory in recent weeks with a range to date of only two and a half points. There is no telling just how long the necessary period of digestion will last but it should not be too long. Once this phase has been passed many railroad analysts are looking forward to materially higher prices than those now prevailing.

There are two dividend restrictive provisions which may have some sobering influence on speculative feeling towards the shares. For one thing no dividend may be paid on the common stock unless the full dividend has been paid on the preferred for the three successive preceding years. Thus if the company should pass, or even cut, the preferred dividend in any year the common would automatically be barred from participation in earnings for at least another three years. This is certainly not a near term factor. The plan presumes that the full dividend has been paid on the preferred for the three consecutive years immediately preceding the effective date of the reorganization so there need be no lag in instituting dividends on the junior equity. Moreover, prospects over the visible future are such that there need be no apprehension as to the ability of the company to earn and pay the preferred dividend.

The plan also provides that no dividend may be paid on the common stock unless a similar amount is placed in a fund to retire Income bonds and after the Income bonds are retired to retire preferred stock. In effect, then, participation of holders of the common stock in earnings is limited to 50% of reported earnings available for the stock. Offsetting the effect on dividend prospects of this provision of the plan will be the fact that operation of the retirement fund will consistently be improving the basic position and earning power of the common.

The effective date of the reorganization plan is Jan. 1, 1944 so that the new securities will be issued with two years earnings behind them. With 1945 partially estimated it is indicated that aggregate earnings on the common from the effective date of the plan will be close to $11 a share. Moreover, the company is still in a strong financial position with net current assets as of the end of July in excess of $86,400,000. Part of the treasury cash will be needed to pay interest on bonds and the dividend on the preferred stock for the years 1944 and 1945. Nevertheless, with finances further bolstered by earnings for the last five months of 1945 and with possible tax rebates due to acceleration of amortization of defense projects finances should still be adequate to justify a reasonably liberal dividend on the common shares after the turn of the year.

One factor which should react favorably on the market position of the stock is the likelihood of a refunding operation within a short time after the new securities are issued. The new 1st Mortgage bonds will carry a coupon of 4% and will initially be callable at 105. Certainly under present money market conditions it should be possible to realize a material interest saving on this issue. It is possible that it may even be feasible to refund the bonds of the leased Chicago, Terre Haute & Southeastern which are placed on a part fixed part contingent basis under the lease revision provided in the plan.

Many rail men look with particular optimism on the post-war outlook for the St. Paul properties, pointing to the considerable industrial expansion that has taken place in the Pacific Northwest in recent years and which is expected to continue in the future. Also, the road is considered certain to benefit materially from increased trade with the Far East as these areas are rehabilitated and developed as an aftermath of the war.

The Fall Outlook

By ROGER W. BABSON

Says Strikes May Be More Psychological Than Economic In Nature. Sees Good Business for 2 or 3 Years

NEW YORK, N. Y.—I am sure that the newspapers have much more grief than the situation warrants. Naturally, the thinking people are upset by the strike stories, but these strikes may be more psychological coming as a reaction from the war rather than merely economic. The plants that I have visited show good progress toward reconversion. The voters have more confidence in their Congress and President than they have had for a long time. The situation looks good.

Roger W. Babson

Thirteen Forecasts

General Business—Good as long as the people's money holds out—which should be for two or three years. Certainly, there is nothing now to worry about.

Labor Demands—Raises of from 10% to 15% in basic wages with possibly a 35-hour week in certain industries which now have no overtime pay. Certainly, retailers should favor this.

Employment—If women return to their homes and those over 65 cease work and all under 18 go back to school, there need be no unemployment.

Agriculture — 1945 and 1946 should be good years for farmers; but after this both demand for agricultural products and the prices therefor will decline.

New Building—If prices are held in line, there should be a great boom in new building, especially in the suburban areas.

Retail Sales—These will continue high with a record-breaking Christmas. The only detriment will be the lack of sufficient parking space.

Legislation — Conditions in Washington are getting better every day. President Truman thus far has the confidence of all groups—including the persecuted utilities.

Commodity Prices—With the vast supply of idle capital, commodities—with a few exceptions—will surely rise in price. This especially applies to manufactured good.

Real Estate—Small farms and suburban land will sell higher in 1946; but big farms and most city property are now selling at top prices.

Bonds and Non-Taxables—These are selling too high. With the coming cut in Federal taxes, the demand for such bonds will surely fall off.

Stock Markets—Railroad stocks will decline further, but many industrial will sell much higher, especially the merchandising and chemical stocks.

Foreign Trade—This should be good for awhile; but before long competition from China, Russia and other European countries will be very severe. Either our labor leaders much change their attitudes or we are licked.

World Peace—The Atomic Bomb may really crystallize the United Nations into a workable World Organization which may bring peace for 50 years. This fact—aided by the profits which the U. S. will get from the Atomic Energy monopoly—may enable the Federal debt to be paid off.

What About After 1950?

Now, let us look ahead to about 1950, or after.

1. Competition from cheap **foreign** labor will be pressing us from the right.

2. Organized **domestic** labor will be striking us from the left.

3. A situation will arrive when people have spent their excess money and will again be thrifty.

4. All the above may mean 10,000,000 unemployed around 1950. Will this cause social uprisings? **Watch Russia and England!**

As to what social effects this might have upon us depends upon whether Russia will then have made a success of Communismi and how England and other countries will have got on with Socialism. No one now can foretell what these results will be. If we then have 10,000,000 unemployed and these other countries have none, the United States is headed for a social revolution. But nothing now indicates that this unequal condition will then exist. Both Communism and Socialism are now in test tubes. No one knows whether either will succeed. Besides, the new Atomic Energy may develop a great new industry and save the situation.

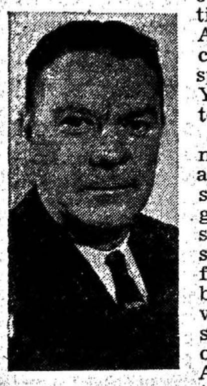
J. R. Phillips Is Albany Mgr. for E. H. Rollins

ALBANY, N. Y.—E. H. Rollins & Sons Inc. announce the appointment of J. Raymond Phillips, as manager of its Albany office, 75 State St., replacing Everett F. Gidley, who was recently made sales manager of the firm in New York.

Sees Critical Housing Shortage

John B. Blandford, Jr., National Housing Administrator, Says We Have Reached a Time for Action in Housing and Calls for Legislation to Extend Existing Programs. Wants Private Enterprise to Do the Job.

This country has reached the time for action to meet its critical need for more and better housing, Administrator John B. Blandford, Jr., of the National Housing Agency, declared in a speech in New York on October 20.



John B. Blandford Jr.

"And the nature of that action," he said, "will give the answer to our success or failure in building toward a decent standard of shelter for Americans in the immediate post-war era. It will also give the answer to housing's contribution—or lack of contribution—to an economy of full production and full employment."

Addressing a conference on housing and jobs of the Greater New York CIO Council, Mr Blandford declared that the pressure of events still to come will make housing one of the critical issues as the nation moves from war to peace.

"So we have reached the time for action in housing," he said. "In Washington the prime need is for legislation which will extend and strengthen existing housing programs, enact new programs and provide for the unified approach on the part of the Federal Government which is needed to tackle effectively the housing emergency. In the cities, where houses are built and where the ultimate responsibility for local housing programs lies, the prime need is to measure housing needs, map out plans and objectives and mobilize community forces on the problem on a broad front embracing labor, industry, the local government and the public at large which lives in houses."

Mr. Blandford said in examining the housing problem it must be recognized that the nation's housing supply is in bad shape, that cities by and large are unattractive and inconvenient for a large part of their population and warned that conditions of overcrowding will get worse before they get better.

"We estimate that by the end of this year, approximately a million and a half non-farm families will be living doubled up," he said. "And, with the mass return of veterans, we estimate that another million and a half families will have to be doubled up by the end of 1946 unless we can speedily develop measures to build more new housing next year than now seems in prospect.

"This shortage is at the root of the danger of inflation in housing prices. It calls for maximum effort to resist inflation and to stimulate new construction at prices that people can pay."

The production of housing at prices which the great bulk of American families can afford to pay is basic in any long-range appraisal of the housing problem, Mr. Blandford declared.

"Clearly the heart of our long range housing problem," Mr. Blandford continued, "is the spread which has existed and still exists between the price which American families can afford to pay for decent shelter and the price at which decent shelter, whether new or used, can be profitably rented or sold on the basis of existing construction costs and financing methods.

"It is this gap which has barred millions of otherwise self-supporting American families from a decent living. It is this gap which in the past has in effect led inevitably to the continued use of slums and shacks. And it is this gap which has limited the new housing market to only a fraction of what we will need to support an economy of full production and full employment from here on out.

"Action to narrow that gap is the real key to an effective long-range housing program. We must focus the forces of modern technology on the task of getting housing costs down. We must evolve new methods of Federal assistance to private house financing which will materially lower the monthly carrying charges of new housing. In this manner we can bring good housing within the financial reach of millions of additional families and open up the new mass market—the middle market—which is needed to support construction at the rate of a million and a quarter houses a year."

The economy of this country, Mr. Blandford pointed out, is based on private enterprise and private enterprise must be the core of the post-war housing program.

"Every effort," he said, "must be made to stimulate and assist broad growth and expansion in the private housing industry, based on a good product at a fair price, technical progress to achieve lower costs, the pioneering of new markets, good wages and greater stability of employment, and fair profits springing from a large volume of building.

"Government aid will be essential to help the industry reach those objectives. The Government is already deeply in the housing picture through mortgage insurance and credit facilities. Additional government help will be needed to open up the middle market for the industry. Government assistance will be needed for the technical research that will cut costs, and for the economic research particularly in the cities that will identify needs and markets and facilitate better local planning on housing. Government aid will be needed to help cities clear slums and blighted areas for private and public redevelopment.

"The sooner there is hard-headed recognition of the need for industry and government to get together in a combined attack on housing, the sooner we can get ahead with the job.

"Through this approach, we can constantly broaden the range of families who can pay the full costs of good private housing. We all hope that ultimately the incomes of all American families will increase sufficiently and housing costs will be cut sufficiently so that every family will attain that category. Realistically, that prospect is still remote for most families in the lowest income brackets. The only answer that squares with a program of good housing for all American families is to provide subsidized low-rent housing as long as there are families who can't pay more than slum rents and who clearly cannot afford to rent or buy adequate private housing, new or old.

"The true financial cost of subsidies for decent housing is small even when related to the excessive cost of municipal services in slum areas, and is infinitessimal compared to the social values of freeing families from the blight of a slum existence.

"These are the principal facts which must provide the groundwork for action on housing. There is no use in glossing over the crucial nature of the present housing emergency, or in minimizing the intensive and sustained efforts needed to overcome that emergency and to create a housing environment worthy of the resources and standards of this country."

Hypps Directs Market Research for Schenley

The appointment of Dr. Frank T. Hypps as Director of Marketing Research for Schenley Distillers Corp. was announced on Oct. 20 by Lester E. Jacobi, President. Dr. Hypps will devote his efforts to the merchandising and research problems arising out of the removal of wartime restrictions on the production of beverage spirits.

A marketing consultant and analyst of industry-wide reputation, Dr. Hypps has served in executive capacities with RCA Manufacturing Co., National Starch Products, Inc., and other major concerns in the analysis of markets, pricing policies, sales and promotional methods.

Dr. Hypps formerly was Vice-President and director of marketing for Norris & Elliott, Inc., management consultants, and served as director of marketing research for Brown & Tarcher, advertising agency. Prior to that, he was assistant professor of marketing and merchandising, Wharton School of Finance and Commerce, University of Pennsylvania, where he pioneered in the field of distribution costs and controls at the manufacturer, wholesaler and retailer levels.

During the war, Schenley's entire production facilities were devoted to manufacture of alcohol for war purposes. Particular attention will be given by Dr. Hypps to problems related to dislocation of some markets as a result of the tight wartime beverage spirits supply situation and the varied marketing problems of the reconversion period.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

By the time this column appears, "Fire Prevention Week" will have come and gone. Each year it marks the anniversary of the great Chicago fire of 1871, which caused an estimated property loss of $175,000,000, approximately ten times as great as the loss sustained in the great New York fire of 1835. It was the greatest conflagration in the history of the United States up to that time, and has since been surpassed only by the San Francisco fire of 1906, with its estimated property loss of $350,000,000 or twice as much.

An interesting account of these and other great fires, from the point of view of the insurance company, is to be found in that excellent volume published in 1919 by the Aetna Insurance Company entitled "One Hundred Years of Fire Insurance." The Chicago losses were considered catastrophic, and were far greater than could be sustained by many of the small fire insurance companies of that day. The following quotation is from the Aetna volume: "The mortality among the 202 fire insurance companies involved by the fire was great, as 68, or about one-third, were compelled to retire from business at once, 81 either suspended temporarily or withdrew from active operations outside their own states, and 53 paid their losses in full. In 1909, of the companies that paid losses at the Chicago fire, only 35 still remained in business. History was repeating itself; as after the fires of New York in 1835 and 1845, there was a killing-off of the weak companies, a strengthening of the strong and the organization of new ones."

The area burnt in Chicago covered more than 2,000 acres, 17,450 houses were destroyed, 250 lives were lost and in excess of 100,000 people made homeless. It is significant that strong companies, such as Aetna and Phoenix, decided that every dollar of loss must be paid. Again quoting from the volume: "The people, homeless, hungry, hopeless, after the fire was finally extinguished, had one thought, supreme, persistent, dominating, 'What will the insurance company do?' It soon became manifest that many of the insurance companies would become bankrupt; and the people, learning of this, became almost one great angry, half crazed mob."

Into this situation went General Agent Bassett of Aetna and Director ex-Governor Jewell of Phoenix. Together they decided that their imperative duty was to tell the people what their companies proposed to do. Again quoting: "On the morning of Friday the 13th of October they stood together on the banks of the Chicago River, facing ruins, ruins, ruins as far as the eye could see. . .

"Mounting a barrel, Bassett told his brief story amid a hush that was tense and dramatic. The speech may not have been a masterpiece of eloquence, but the words 'The Aetna will pay every dollar of loss, and I will now pay in full the first claim to be presented,' was eloquence enough for the audience, if cheers were needed as proof. Then Bassett signed, on his barrel-head desk, a check for $7,350 to the order of John B. Drake, in full settlement of all demands under policy No. 34,382. A few feet away, Governor Jewell, standing on an upended dry-goods box, spoke similar words for the Phoenix and paid the first claim made to his company by giving a check for $10,000 to Isaac F. Day."

Aetna's losses in the Chicago fire aggregated $3,750,000, and caused the company to reduce its capital from $3,000,000 to $1,500,000, and then immediately to restore it to normal through the sale of $1,500,000 of new stock. Today Aetna's capital is $7,500,000 and surplus $27,290,000.

The Chicago fire was followed next year by a $75,000,000 Boston fire, in which Aetna's loss was $1,634,000. Again capital was reduced and then increased by the issuance of new stock to restore it to $3,000,000. Thirty-two fire-insurance companies failed, but Aetna and other strong units in the industry moved vigorously ahead.

One result of these two experiences was that the companies thereafter watched more carefully the character of their risks and aimed for better distribution and diversification. Furthermore, the public began to realize that, if fire insurance companies were to remain in business and perform their protective functions satisfactorily, they were entitled to better rates. This particular point is pertinent today, in view of the excessively heavy fire losses of the war years and the fact that the average premium rate of fire insurance is at a record low. (State authorities and others concerned, please note!)

According to Best's "Insurance News," fire is destroying more property today than at any time during the past ten years. Fire waste in the United States is the highest in the world and averages about $4 per capita per annum, compared with less than $1 in England and a normal loss of 50¢ in Germany. Each day in our enlightened land occur: 1,800 fires and 28 deaths by fire; there are 1,000 home fires, 130 store fires, 100 factory fires, seven church fires, seven school fires and three hospital fires.

An analysis of the causes of 365,000 fires, as cited in the above publication, shows the following: 30% smoking and matches; 18% defective and overheated flues; 14%, misuse of electrical equipment and wiring; 13%, defective heating equipment; 12%, sparks on wooden shingles; 7%, children with matches; and 6%, careless handling of inflammable liquids.

Urges Tax Incentives for New Corporations

Accountant Advocates Spreading Loss Period Over Four Years for Newly Organized Enterprises As a Means of Encouraging Investment and Production.


Peter Guy Evans

In order to insure a prosperous post-war economy, Congress should permit new enterprises to spread their losses over a four-year period, instead of the present two-year period specified in the Federal income tax laws, Peter Guy Evans, C.P.A. of New York City, proposed on Oct. 18 at a meeting of the Rochester Chapter of the New York State Society of Certified Public Accountants.

Mr. Evans, who spoke on "The Tax Adjustment Act of 1945," pointed out that in new ventures the first few years, being the most difficult, are usually years in which losses are sustained. "Therefore," he added, "the present two-year carry-forward provision is wholly inadequate. In order to attract new capital these carry-forward provisions should be extended to four years. If new capital is given four years, rather than two, in which to make good the losses sustained in early years of a new business, idle capital will seek investment in new enterprises and thereby provide the millions of jobs necessary in order to carry out the Administration's 'Sixty Million Job' program.

"To encourage risk investment," Mr. Evans declared, "every potential power of our free enterprise system must be released. Venture capital creates employment, and high production is the antidote for inflation. Our savings and idle dollars will seek investment opportunities in new production facilities and ventures. But to bring out all capital and 'goldbrick' dollars, business and the nation must be assured of the right kind of future tax program. If the Government continues its 'heads we win, tails taxpayer loses' policy, our economic machine will slow down."

Referring to the excess profits tax law, for which reduced rates during 1946 are now being considered by Congress, Mr. Evans declared that newly organized corporations should be fully exempted from its provisions.

Turning to the "Tax Adjustment Act of 1945," Mr. Evans declared that American industry, because peace came in August of this year, will benefit greatly during 1945 reconversion by many of its provisions.

"The first seven months of 1945 were profitable for industry generally, and these earnings will serve as a cushion to absorb unavoidable post-war losses and higher costs," Mr. Evans declared, and added:

"Since added costs and financial losses legitimately attributable this year to reconversion are deductible from 1945 incomes of corporations, it is a certainty that as a result this year's taxes will be sharply reduced. Many corporations which, during the first half of 1945, set up large reserves for taxes will find themselves at the end of the year with much less taxes pay. Some of the earnings reports of corporations for the third quarter of 1945 have already revealed a reduction in earnings because of reconversion charges.

"Since the new tax law now under consideration by Congress retains the unused excess profits credit carry-back provision only for 1945, Congress should be urged immediately to retain it for 1947 as well. Otherwise, serious financial consequences may ensue. Even though the excess profits tax may be repealed as of Jan. 1, 1947, nevertheless it is imperative that such carry-back provisions be retained. Concentrating the losses and costs of reconversion immediately, against 1946 earnings, might be the answer.

"Taxpayers should not overlook the highly beneficial provisions of the Tax Adjustment Act of 1945, with regard to getting the quick refunds within 90 days of filing applications in connection with the carry-back provisions. This means that cash is waiting for taxpayers, both corporate and individual, but the Government can't send out checks if the taxpayers don't apply for them. With the cash thus made available to the taxpayers, reconversion can be speeded up.

"Also available to corporate taxpayers is the deferment application whereby corporations may deduct estimated or expected refunds from tax payments currently due. To date, the expected flood of applications of both types has not materialized, and are way below estimates of the Treasury Department.

"The final deadline for taxpayers to elect to amortize war emergency facilities over less than the five years originally specified when plants were ordered built is Dec. 28, 1945. Non-necessity certificates are no longer necessary, but taxpayers must advise the Commissioner of Internal Revenue of their election to accelerate amortization within 90 days of Sept. 29. Taxpayers electing to amortize over a period of less than 60 months may likewise file refund claims which will be honored within 90 days, thus providing additional cash for reconversion and working capital."

N. Y. Stock, Curb Exch. to Close on Navy Day

On Saturday, Oct. 27, the New York Stock and Curb Exchanges will close incident to the celebration of Navy Day and the visit of the United States fleet which New York City will welcome on that day. Announcement of the closing of the Stock Exchange on Navy Day, was made as follows by John A. Coleman, Chairman of the Board of Governors of the Exchange who stated that the Board at its regular meeting adopted the following resolution on Oct. 18:

"New York City is to have the proud distinction on Navy Day, Oct. 27, of welcoming and honoring America's triumphant fleet.

"This will be an occasion of such historic and patriotic significance that all sections of the New York community will wish to participate and to pay homage to our gallant naval forces who, in the highest American tradition, brought us a victory which will forever be celebrated in this Republic.

"Therefore, out of gratitude to our victorious Navy and as a means of encouraging a city-wide citizens' tribute, we, the Board of Governors of the New York Stock Exchange, resolve that business be suspended on Saturday, Oct. 27."

Kennedy Returns to C. J. Devine & Co.

Lt.-Commander Frank T. Kennedy has returned to active partnership in C. J. Devine & Co., 48 Wall Street, New York City, dealers in U. S. Government and municipal bonds, after three years of service in the U. S. Navy. Lt.-Commander Kennedy served as an executive officer of a night fighting squadron with fast carrier task forces and saw action on Iwa Jima, Yap, Palau, the Philippines, and other points in the South China Sea and Formosa. Immediately prior to his release he served at the Naval Air Station, Martha's Vineyard.

Frank T. Kennedy

C. J. Devine & Co. have offices in New York, Chicago, Boston, Philadelphia, Pittsburgh, Cleveland, Cincinnati, St. Louis and San Francisco.

General Hardin Named TACA Exec. V.-P.

Brigadier-General Thomas O. Hardin of Waco, Tex., has been elected Executive Vice-President of TACA Airways, S.A. (Sociedad Anonima), parent company of the TACA airlines in Central and South America, it was announced by Benjamin F. Pepper, Chairman of the board.

General Hardin will have direct supervision over the activities of the TACA regional Vice-Presidents and the Vice-Presidents in charge of transportation and engineering. For the present, General Hardin will be based in New York in the executive offices of TACA.

General Hardin cames to his new post with a background of more than 25 years in aviation. For the past three and one-half years he has served abroad in various capacities with the Army Air Transport Command.

A veteran with 12,000 flying hours, General Hardin served overseas in 1917-1918 with the 101st Aero Squadron. After World War I he did some barnstorming in Texas and helped to organize the first scheduled air transport service in that part of the country, a small airline called Texas Air Transport, which was merged in 1929 into a system which eventually became American Airlines. General Hardin remained with American for nine years.

Throughout his entire career General Hardin has been an outstanding exponent of safe flying practices. He helped to write the legislation that created the Civil Aeronautics Authority, and was appointed to the Air Safety Board in 1938. He was serving as its Chairman in July, 1940, when the Safety Board was reorganized out of existence.

In 1941 he was sent to South America by the Defense Supplies Corporation and was instrumental in eliminating the Nazis from control of several airlines in that part of the world. Three weeks after he arrived the Germans were maneuvered out of Bolivia, and then other South American countries, which had previously been crisscrossed by German airlines, were soon running those lines themselves with the help of Yankee technicians and equipment.

In May of 1942 General Hardin with commissioned Lieutenant-Colonel in the Army Air Corps and assigned to duty at headquarters of the Ferrying Command in Washington. A few weeks later he was given the rank of Colonel and sent to North Africa to help prepare for the invasion. In June of 1943 he assumed command of the Central African sector African-Middle East Wing in the North African theater of operation. Subsequently he became commanding officer of the eastern sector India-China Wing of the Air Transport Command, and on Jan. 21, 1944, was promoted to the rank of Brigadier-General. In March of that year he assumed command of the entire India-China division of the Air Transport Command. In this command he perfected operational procedures which resulted in attaining a degree of productivity for each airplane assigned, which exceeded the Army's most optimistic expectations. Under his command the flow of tonnage to China steadily increased and reached extraordinary proportions. In one 24-hour period the airplanes in his division flew 616 trips over The Hump with 2,600,000 pounds of cargo, smashing all records.

In November, 1944, General Hardin returned to the United States as commanding general of the West Coast Wing of the Air Transport Command, and later the Central Pacific Wing of the same division. After V-J Day, at his own request, he was permitted to return to the United States, and last week was released from the Army in order to return to commercial aviation.

General Hardin has the Air Medal, the Distinguished Flying Cross, which was awarded in 1943 for his African achievements, the Distinguished Service Medal, which was awarded to him in 1944 for exceptionally meritorious service in the India-China division, the Presidential Citation, and the Chinese Presidential Citation.

Mutual Funds

Five-Year Record

In a current bulletin **Selected Investments Co.** compares the record of **Selected American Shares** during the last five years with the performance of the Dow-Jones Industrial Average. In the declining phase of this five-year period, the Dow-Jones Industrials fell 30% as compared with a decline of 24% for Selected American Shares. Had the Average done as well, it would have stopped at about 101 instead of 92.92 at the low point.

In the subsequent rise, Selected American Shares rose more rapidly than the average, with the result that for the full five years the net gain for Selected was 69% as compared with 37% for the Dow-Jones Industrials.

* * *

Another memorandum on **Selected American Shares** compares the performance of this fund with the eight prize-winning programs on "How to Invest $100,000 for a Widow," which Barron's conducted in 1939. In the ensuing six years Selected American Shares has shown a net market appreciation of 47.7% as compared with an average of 18.6% for the eight prize-winning programs and 25.8% for the best one in the group. Moreover, Selected American Shares provided an income of $5,378 on this investment over the past 12 months as compared with an average of $4,341 for the eight prize-winning programs.

Diversification

Lord, Abbett makes a strong case for diversification in a current Investment Bulletin on **Affiliated Fund.** It is pointed out that the stock market has been in a strong upward trend during most of this year, yet many stocks have done very little marketwise. The performance records of Barron's 31 individual stock groups are shown, with the variation in gain ranging from 5.4% for banks to 62.1% for air transport issues. The average gain for these groups was 25.0%. Compared with this, Affiliated Fund, with its "leveraged" investment in 69 selected issues in 20 different industries, showed a net gain of 40.9%.

Lord, Abbett has announced certain alterations in the terms and banking group associated with the **Affiliated Fund** bank loan. The new loan amounts to $9,500,000 and is divided among eight large banks—three in New York, two in Chicago and one each in Boston, Pittsburgh and Philadelphia.

Because of some question which existed with respect to the Federal Reserve Board Regulation U limiting borrowing on securities to 25% of their value, the new loan is not secured by the pledge of any of the corporation's assets.

Two New Funds Popular

Henry J. Simonson, Jr., President of **National Securities & Research Corp.,** has announced that the sales of the two new **National Series** — i.e., **Selected Groups Series** and **Speculative Series,** originally offered on Aug. 17, 1945, exceeded $4,250,000 on Oct. 15, 1945. The dealer reception accorded these two new funds is tangible evidence of their popularity among investors.

Net assets of all National Securities Series as of Oct. 15, 1945, exceeded $33,000,000, a growth of over $14,000,000 since Jan. 1, 1945.

Nine Months' Sales

Distributors Group has mailed to dealers a tabulation showing nine months' sales, repurchases and net assets of **Group Securities, Inc.,** compared with the corresponding figures for the 69 open-end member funds in the National Association of Investment Companies.

Net sales for the industry during the first nine months of this year totaled $119,402,000 of which $26,475,000, or 22.2%, were accounted for by Group Securities, Inc. A further breakdown shows net sales of the 18 bond and specialty funds at $74,694,000 for the period, with Group Securities sales accounting for 35.4% of this total.

Mutual Fund Dividends

Wellington Fund has prepared a reprint of Walter L. Morgan's article on "Mutual Fund Dividends from Securities Profits" which appeared in the "Chronicle" of Oct. 4. The reprint is accompanied by a memo which summarizes Mr. Morgan's conclusions. It is his opinion that generally "mutual fund securities profits dividends should be regarded as spendable income." Copies of the reprint may be had by writing to **W. L. Morgan & Co.,** Real Estate Trust Building, Philadelphia.

Mutual Fund Literature

Distributors Group — Revised folder and portfolio on **Institutional Bond Shares** with reprint of an article, "Generous Income from Institutional Bonds"; current mailing on Employees Profit Sharing and Retirement Trusts with revised literature; reprint of Barron's Investment Company Gauge; current **Railroad News** and **Railroad Equipment News.** . . . **Keystone Co.**—An insert for the Supplement to the General Prospectus covering Keystone Stock Fund S-2, extending the offer to holders of certificates with warrants. . . . **National Securities & Research Corp.**—The current issue of Investment Timing, continuing the discussion of the past two weeks, "The Impracticability of the Full Employment Bill." . . . **Lord, Abbett** — Current issue of Abstracts, announcing that at least 13 cents of ABS 1945 dividend payments will be tax free.

Dividends

American Business Shares, Inc. —A regular dividend of 2 cents per share from net investment income and an extra dividend of 18 cents per share were declared payable Nov. 20, 1945, to stock of record Nov. 5.

Investors Stock Fund, Inc.—An initial dividend of 10 cents per share, payable Oct. 26, 1945, to shareholders of record Oct. 15.

A Guaranteed Annual Wage

(Continued from first page)

proponents of the guaranteed annual wage claim—must claim, necessarily, if their proposal is not to be viewed as an attempt to saddle on the rest of the community the cost of permanently maintaining this favored group in the style to which they have become accustomed.

To bring about the proposed millenium for their members labor leaders demand that:

1. Employers include guarantees in their wage contracts, which commit their companies to pay each union member regularly employed, a minimum wage each week during the life of the contract, whether he works or not. Under the terms of the proposal the non-availability of work due to plant breakdowns, material shortages, "acts of God," or other causes beyond the control of employer will not limit the company's liability. Neither will the worker's absence, due to accident or illness, nor his failure to perform the work assigned (provided such failure is beyond his control), release the company from its commitments.

2. The guaranteed minimum weekly wage shall be determined by multiplying the straight time average hourly earnings for the preceding year, or such part thereof as the employee worked, (to which base rate shall be added any upward adjustment contained in the new contract), by 40 (the number of hours in the work week).

This union demand was made during the war period, at a time when wage rates were at peak levels. Its effect, if granted, would be to guarantee to a favored group, increased far beyond its prewar numbers, peacetime incomes equal to their war-inflated earnings.

Would Require Life Time Guarantee

Individuals assured of steady incomes will spend them more freely than those whose earnings are subject to economic fluctuations. Such psychological reactions will result, however, **only** if the workers can anticipate regular pay checks—not for just a few months or a year, but for indefinite periods in the future. Lacking assurance that the contract would be renewed—that their regular incomes would continue more or less indefinitely—individual wage earners might save for a rainy day instead of spending their incomes as fast as earned. Especially would this reaction develop when the workers realized that they were paid for work not performed. To produce the anticipated results, would require the renewal of the union contracts—which normally cover only one year's work—year after year. The issue presented by the union leaders, therefore, must be viewed as an entering wedge—an attempt by the unions to assure this favored group wartime peak incomes from "the cradle to the grave."

Production creates purchasing power adequate in amount to enable its recipients to acquire the total volume of goods and services turned out. In the productive process various factors perform essential services. Investors provide the plant site, the factories and the equipment. Management, and the scientific and the administrative staffs organize and control the productive process, and furnish the "know how" necessary to carry on the company's business. Each renders an essential service. Each is entitled to a wage commensurate with the contribution it has made, and must receive such a wage if it is to continue rendering its required services.

Since the industrial workers of the nation receive — and in the very nature of the industrial process can receive only—a portion of the total purchasing power created thereby, the regular expenditure by the workers of their entire income cannot absorb industry's total output. Nor can such workers control or assure the expenditure or investment by the recipients of the other shares of purchasing power. It follows therefore that the workers—either with or without a guaranteed annual wage—are powerless to create and maintain prosperity.

No one denies that the steady and equitable distribution to each factor in production of the purchasing power resulting therefrom, if expended and/or invested regularly would bring about (1) a steady demand for goods and services, (2) a high level of production, and (3) less seasonal or cyclical unemployment. But only the maintenance of a proper bal-

(Continued on page 1965)

ance in the distribution of such purchasing power will preserve that equilibrium essential to the development of a dynamic economy, and to the advancement in the scale of living for all.

Union members demand that industry include legally enforceable commitments in its wage contracts. They do not ask for a work guarantee. Instead they demand minimum weekly wages whether they work or not. A company can make such a commitment only by pledging its assets, or its income, or both. Industry designs and equips its factories to carry on specific manufacturing processes. Used for the purposes intended they possess real value. At forced sales to make good company commitments, however, most factories would not bring enough to pay the wages required by the guaranty. And the liquidation of a company's properties would automatically preclude further employment or the payment of additional wages.

Must Have Ability to Sell Products

In the final analysis any commitment to pay weekly wages necessarily must rest upon the continuing ability of a company to sell its products—upon consumer reactions, which the company is powerless to control. Unless consumer demand is completely regimented, no one can control it—no one can assure the total absorption of industrial output—or the receipt of the funds required to make good the guaranty. Without such regimented control of consumer purchases, an industry contract to pay guaranteed annual wages is worthless because such a guaranty can not be enforced. And the regimentation of consumer demand will destroy our enterprise system and our republican form of Government.

During periods of active business the public absorbs the output of industry. Through its purchases the consuming public provides industry with the funds required to maintain a high level of employment. In such periods there is no need for guaranteed annual wages. Industry is anxious to provide employment. Only through the production and the marketing of its products can industry earn wages for its owners. At the only time when such a commitment is needed (i. e. during a period of depression), a guaranteed weekly wage would bankrupt industry, and it would not provide the regular wages demanded. If it does not sell its products industry cannot pay wages, whether guaranteed or not.

An assurance that the public would continue to absorb industry's capacity output—if it could be given—would provide no solid foundation upon which to base guaranteed annual wages. A blinding flash over Hiroshima disclosed to mankind a new source of power, containing greater potentialities for social and economic change than the Industrial Revolution. Under such circumstances no company can be certain that technological developments may not make its products obsolete almost overnight. Any guarantee based upon any assurance of continued public absorption of a company's products would be valueless if scientific discoveries should suddenly cause a shift in consumer demand.

Does Not Increase Purchasing Power

The wages a worker receives provide the means by which he exchanges the product of his labors for the output of others—by which he trades the steel he makes for the food, clothing and other necessities and luxuries produced by others. Fundamentally such trades are based upon an exchange of goods for goods. Wages (in other words purchasing power) originate in—and can only be created by—the production of goods and services. If, as would inevitably happen at cyclical intervals under the guaranteed annual wage plan, a worker received wages without producing goods in exchange therefore, he would in reality give nothing for the goods he received. The receipt of such unearned wages would not increase the amount of purchasing power available. It would simply shift purchasing power from those who had earned it to the group favored by the guaranty. "Freedom from want, which the union rightly cherishes, should not be construed as merely the right to transfer the want to another, for that means freedom to own is superseded by freedom to take without paying."

With equal logic industry could demand that the unions guarantee to absorb its capacity output. Of course labor unions could make no such commitments because their members cannot be certain they will have the funds to make the purchases. Neither can industry guarantee to pay wages to its employees for a definite period in the future for it cannot be sure that it will be able to make the payments. It is equally impossible for either industry or labor to make such a commitment.

Special Privilege Destroys Democracy

Our republican form of Government assures equality of all before the law, with no special privilege for any individual. Despite the imperfections which have developed in the operation of our basic law—due in the main to the human shortcomings of our people and our Government officials—the basic concept of individual equality must be maintained if we are to preserve our republic. The guaranteed annual wage demand proposes that a group of our people—the members of labor unions—shall be assured special privileges. Such a proposal—if adopted—would destroy the basic concept upon which our republic rests, and would in due time destroy the American form of Government.

The guaranteed annual wage proposal would create a rigidity in the national economy, which would freeze the nation's production in existing moulds. It would destroy that flexibility among the various parts of total production essential to expanding output. A manufacturer bound by such a commitment to pay his workers—whether they worked or not—for the duration of his wage contract could not afford to take a chance on a new development. Rather necessity would compel him to stick to his proven lines. "It is the creative forces of changing consumer demand, of freedom to adjust production to it and technological progress that have brought our economy forward, that have given us the highest standard of living in the world, but that, unfortunately, may also sometimes contribute to general unemployment. But it is the **inability**—not the ability—of wages, prices and production to conform to changing consumer demand that contributes to general unemployment." Instead of assuring continuity of income and an increasing scale of living for all, the adoption of the guaranteed annual wage proposal would stifle progress, generate unemployment and result in the production of a smaller volume of goods and services for distribution among our people.

Limited Use of Guaranteed Wages

A recent report by the Bureau of Labor Statistics reveals that "very few of the (wage) agreements currently in force contain a guaranty of employment, and most of those which are in effect are limited in scope." Of the 6,500 agreements in the manufacturing field examined by the Bureau only 131 provided guaranties, and they covered only 12,500 of the 6,000,000 workers employed. Among the non-manufacturing industries the Bureau found that 30,000 of the 2,000,000 employed were covered by guaranties.

A number of these contracts limit the guaranties to particular groups of workers—generally to those with the greatest seniority, who would be the last to be laid off in any event—or to some special branch or department. Some contracts guarantee less than a year's employment. As an example a recently inaugurated plan guarantees only 30 weeks' coverage. In case of necessity the State through its unemployment benefit payments is expected to provide for an additional 20 weeks. And some of these contracts permit the employer to cancel or reduce the payments should necessity compel such action. "None of them provides guaranties of employment for prolonged periods of time, since they are necessarily limited to the duration of the contracts, most of which are in effect for only one year."

Control the Business Cycle

The inability of industry to control those major cyclical movements which alternately result in business booms and depressions is the underlying reason for the infrequency of annual-wage and guaranteed-employment plans in American industry. In reality the heart of the problem which the guaranteed annual-wage plan is designed to correct lies in such economic fluctuations. Until the nation has learned to control the major swings of economic movements (and it has not yet reached the stage of economic understanding which makes such control possible)—until it has learned to level off the peaks and the valleys of the business cycle, the inevitable results of an industry-wide attempt to guarantee annual wages to its employees would be wholesale bankruptcy, industrial chaos and huge unemployment rolls.

The solution to the problem of unemployment does not lie in a guaranteed annual wage—in the granting of special privileges to any group. Rather it rests upon a more perfect functioning of the economy—upon the establishment and maintenance of a more equitable relationship between the contributions made to, and the receipts obtained from, the production and distribution of goods and services by all the factors involved.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Majority of leaders now within the 1939 obstacles which stopped previous advances. No nearby reaction indicated but presence of old barrier justifies soft treading.

Little has happened since the previous column was written to change the market outlook. Most of last week was taken up with prices fluctuating fractionally, but practically always they were within reaching distance of their old highs.

* * *

The familiar averages have gradually eaten up the distance between the 182 figure and by a series of moves have managed to advance to close to the 190 point. Incidentally, readers of this column will recall that a statement was made here some time ago that additional advances to about the 190 level were indicated.

* * *

But while the averages sort of crawled up the past few days, there was nothing hesitant about a number of stocks. On a comparative basis some of them went through the 190 level as if it were made of hot butter. It is not surprising therefore that bullishness is as strong as it is. A man who sees a stock get away from him by some 10 points is bound to become impatient about any other stock he may have been thinking of buying. That he becomes bullish is natural.

* * *

Unfortunately this kind of bullishness is seldom based on anything tangible. It begins as a hope subsequently supplanted by conviction. This feeling isn't limited to any individual or any group of individuals. It is universal. The by-products of all the news one sees becomes a source of still more optimism. Buying is no longer a calculated plan. It becomes almost completely emotional.

* * *

Emotions such as these, because they are based on hope, can change suddenly. I realize I've said this before. Yet I have to repeat it, because only by repetition can it be understood. I would like nothing better than to say "This is the time to buy" and follow it up with a greatly enlarged list of stocks. But what I can't do myself, I will not advise others to do.

* * *

Technically, many of the stocks are close to, or in the midst of, the 1939 obstacles. Incidentally, you can get a clearer picture of what these levels are by looking at some new charts which have just been put on the market by F. S. Stephens, New York. Practically all the leaders are now in that area from where a sharp jolt can occur, almost without any advance notice. Whether the jolt will come, or when it will come, is something else. Markets don't ring warning bells. They just act and later the hindsight observers can look back and see where their mistake was made.

* * *

That mistakes are made is natural. They are made both in the long and in the short side of the market. Frankly, if this column weren't committed to any stocks at this time, the temptation would be great to hop in, and perhaps a mistake, which would cost plenty, would be made. But as we are already committed there is no point in chasing stocks at this stage of the market cycle.

* * *

There are certain issues, like Commercial Solvents, Continental Diamond Fibre, etc., which really look higher. Everything else being equal, I would be strongly tempted to suggest taking them on. But I know that no stock can be stronger than the entire market—at least not for long. So we will keep these and other stocks in the back of our minds until the general market picture justifies new buying.

* * *

Last week the stops in the stocks you have were raised. Up to this writing none of these stops have been broken. So long as that condition exists positions should be undisturbed. Stocks, purchase levels and critical points are as follows: A. M. Byers, bought at 19, stop is 20½. Jones & Laughlin bought at 35, stop is 39. Paramount, bought at 30½, stop is 37. White Motors, bought at 29½ stop is 33.

More next Thursday.

—Walter Whyte

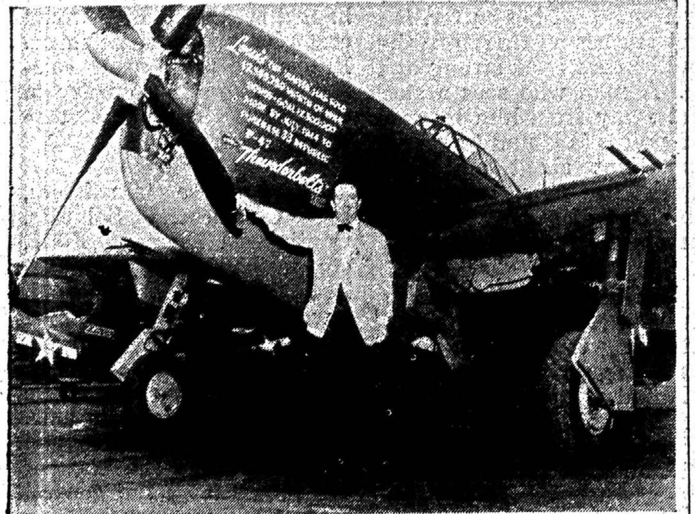
[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

The Securities Salesman's Corner

By JOHN DUTTON

$8,000,000 Worth of War Bonds Were Sold by a Fellow Who Never Sold Bonds Before in His Life. The True Story of "Louie the Waiter"—and How He Did It!

Louis J. Schwartz, of New York City, had a boy and a girl in the Marines. He also owned a delecatessen shop on 6th Avenue, near Radio City. When the Treasury Department asked for volunteers to help put over the war bond drives they never figured that from out of Manhattan's teeming millions of humble people, A WAITER WITH A BIG HEART AND A SMILE THAT WAS TWICE AS BIG, WOULD LEAD THE WAY TO ONE OF THE GREATEST



EXHIBITIONS OF PATRIOTISM AND BOND SELLING TECHNIQUE THAT HAS EVER BEEN DEMONSTRATED AT ANY TIME, ANYWHERE.

We met Louis the other day. We asked him how he did it. Here are a few tips for some of you experts who have been selling securities all your life. "First of all," said he, "I figured it out this way. Why make it complicated? Sure I sold all types of bonds, the E's, the taxables, the 2½'s, and the rest. But I didn't go into a long talk about debts, taxes, inflation, deflation, or even helping to win the war. I took it for granted that everybody wanted to back up the war effort. A lot of people had heard all the sales talks and they were fed up with them. I went after their sense of 'good nature.' I joked and I kidded about the most serious thing in the world—winning this war. I made a game out of it.

"I realized that into my restaurant came some of the finest people in the world. Show people, great stars of radio and screen, also some taxi drivers and workmen from factories and stores, as well as many wealthy business executives. Scores of them knew me—I had served them for years—they called me by name. So I decided that I'd go after their war bond purchases. I had my menus printed with the following heading: 'TO OUR PATRONS—You'll Buy War Bonds—Sooner Or Later—Get 'Em Today—From Louis The Waiter.' I printed up stationery with this heading on it. I gave away book matches with this imprint. I made a list of everyone I knew. I wrote to them and I talked with them. I worked at the job. Pretty soon I began to get the orders. One star gave me an order for a hundred thousand dollar bond—her husband was in the Navy. Another great actor wrote me a letter from Hollywood—he asked if I could send him some canned salmon and a few other hard to get items—I said sure if he would buy a $50,000 war bond. He wired back, 'Send the salmon.' He bought a $100,000 bond.

"After I sold my first two million, the papers and magazines started writing my story. I got decorations from Washington and I began wearing them on my coat. Soon my whole coat front was covered. As I walked down the street people would stop me. One lady came all the way from Omaha to buy her bond from me—she said she read about me in 'Life' magazine. The radio and television stations asked me to help with the war bond drives. I kept going. The momentum carried me along. More and more people came to my store to eat, to stare and to buy bonds.

"One night a fellow came in and asked if I was 'Louis The Waiter.' He said he wanted to buy a thirty-seven fifty bond from me. While I was writing out his order, he told me that he worked in a laundry as a laborer, and that he had been saving up his money just so he could buy his bond from me. Was I surprised when he pulled out $3,750 in cash and gave it to me for a $5,000 bond."

And that's the way "Louie The Waiter" told it. A great guy—with a sales technique that could sell a salami or $8,000,000 worth of bonds. It could only happen here! That's another reason why we won this war. There were a lot of people like Louie who were there when the roll was called—and they did their job at home, as well as in the front lines, on the sea and in the air.

The Problem of Government Controls

(Continued from page 1946)

freedom of action progressively narrowed, with more and more major decisions passing from management to government. During the war government exercised almost complete control over practically all aspects of the economy, and we have no present concern as to whether such controls were necessary or were wisely administered. It is highly important, however, to know whether the fundamental managerial problems of how much and what to produce, where to produce, how much to pay in wages, when and where to sell, and prices to be asked for goods and services will be matters of determination by individual enterprisers and corporate managers or by government officials.

Hundreds of government controls have been removed in recent weeks, and there is a tendency by business men to assume that the period during which government determines principal operating conditions for business is about to cease. Such conclusion is not warranted. Wages and prices are certainly the two most vital elements in business management and the Office of Price Administration is legally in existence until the middle of 1946, with every indication that it intends to exercise its legal authority for preventing a general rise in prices of industrial products. As to wages, the power of government has been widely exerted in wage controversies and in general has supported higher pay, although the pious intention is usually expressed that wage advances shall not result in higher prices.

Control in Post-war Period

Perhaps the most effective way of determining the extent of government control in the post-war period is to examine various major segments of our economy. As to common carriers, Federal and State governments have gradually extended the degree of control until it now covers tariffs, wage rates and working conditions, types of equipment, methods of financing and even whether additional capital shall be employed. This applies to railroads, bus and truck lines, steamship lines and aircraft. No one has even suggested that these various controls by government are going to be relaxed. Discussion only centers on the probable extent of increased government intervention. Little exaggeration would be involved in the statement that common carrier transportation in the United States is an instrument of government policy, operated under quasi-government management.

No longer is the independent farmer the typical American. Not only has the percentage of our population engaged in agriculture declined over the last century and a half from a very high ratio to about one-fifth of those gainfully employed, but agriculture has come within the orbit of government control to a point where the farmer looks to government as his technical adviser, his banker, his protector against unsatisfactory prices, and in the last instance as the buyer of his products. Here, again, there is no evidence that government is likely to play a smaller role. Legislation now provides a floor under major agricultural prices for two crop years after the official termination of the war. This official termination has not yet been proclaimed. If farm prices begin to slip toward that floor we may be assured that political efforts will be made to raise the floor to existing price levels. At all events it will be difficult to terminate government support of farm prices at the conclusion of the period during which present legislation is applicable. So the great agricultural sector must be classified as likely to remain under government control.

Since they enjoy specified franchise privileges, public utilities are properly regarded as subject to government control in the general interest. Heretofore, this control has principally concerned itself with rate structures which would yield no more than a reasonable return on properly stated capital values. In recent years regulatory bodies have greatly extended the scope of their jurisdiction. Wages as well as tariffs are in large measure controlled by government agencies, and these agencies have also interested themselves in such matters as accounting, financing and public relations. Competition by utilities owned and operated by the Federal Government and by local governments has also become an important aspect of widening government control. Once more there is no likelihood that existing controls will be restricted in the post-war period.

Commercial and investment banking now intimately depends upon decisions made by government agencies. Whether it be the United States Treasury, the Federal Reserve Board or the Securities and Exchange Commission, our financial institutions are curbed and conditioned by policies laid down by outside authorities. In view of their massive holdings of government securities, commercial banks will be subject to even more government control in the future, and competitive bidding for corporate issues, as now increasingly required, places investment banking in much the same position as commercial banking as a creature of the State.

Until the war, manufacturing and trade were relatively free of government control, although government had a progressively important influence on the terms of wage contracts as well as upon wage rates. Government also was extending its influence over prices and profits by the manner in which anti-trust legislation was administered. Nevertheless, manufacturing, trade and the service industries represented the area of our economy which could be regarded as reasonably free from government control. That was all changed during the course of the war and we face the appalling fact that the United States, the country which reached its present economic power through individual enterprise, now takes its place among the controlled economies. Only the question remains as to what measure of freedom may be re-established, so that we may resume our traditional growth in wealth and improvement in human welfare.

Industrial Control to Continue

This question can best be answered by directing attention to the areas in which government influence or control bids fair to continue. At this point it might be well to define how the term "control" is used in subsequent analysis and conclusions. For our purposes control merely means that government takes action which results in a different business situation than competitive forces would produce in the absence of such intervention. Thus intervention is indirect control. Usually the Office of Price Administration and the War Production Board are envisaged when government control over industry and trade are under discussion. But control will not cease when these organizations disappear.

Two major controls by government will continue to be pervasive and effective and they need careful scrutiny. These flow from obeisance to the theory of wages based on stimulation of purchasing power, as well as worship of the practice of deficit financing and cheap money. In the first place, the administrative branch of government has generally accepted the so-called purchasing power theory, which in economics is equivalent to the theory of perpetual motion in physics. Whether espousal of this theory has political motivation need not concern us, but the practical effect is that business men should expect government to be solidly and persistently lined up in support of wage advances, on the ground that wide consumer purchasing power is necessary to absorb the product of expanding industry and forgetting that production alone yields permanent purchasing power. While we shall be told that prices need not rise, they will in fact advance in some rough ratio to increasing labor costs, including such costs in raw materials.

Special attention should be directed to the fact that acceptance by government of the purchasing power theory of wages is not a matter of law, but the control which it exercises over business is far more important than that which derives from many statutory controls. There are few indications that this control will terminate during the reconversion period. It is likely to continue well into the post-war years, until such time as more acute economic reasoning or bitter experience teaches our country the fallacy of the entire doctrine.

Control Through Monetary Policy

A second control, which has its basis in legislation but which measures its importance because of administrative policy, has to do with monetary matters. Cheap money is the announced policy of our government, and the impact of this policy affects our entire economy. It is the master control device and as long as it is utilized we shall have a controlled rather than a free economy. In part, cheap money is an escape mechanism for politicians who are willing to jeopardize this country's future for the sake of following the easy path and of obtaining temporary popularity. Financial history is only too positive in teaching that cheap money can create a boom but is thereby more likely to cause than to prevent a depression.

Today we see medium-grade security issues offered at prices which were recently unattainable for issues of the highest quality. This is largely because government policy has employed Federal Reserve banks, which in effect are government institutions, for preventing the money market from expressing its considered judgments in regard to government fiscal and financial policies. One reason for such policies is to avoid the forthright meeting of true costs of an increasing national debt. Instead, artificially low interest rates are commingled with the concealed or deferred taxes which are always involved in government deficits.

The "Helping Hand" Policy

Another reason for such monetary and financial policies is the entire approach of government toward the economy. This approach might be labeled as the "helping hand." Instead of acting on the belief that the individual citizen is responsible for obtaining employment or running a business or merely loafing, in accordance with his own pleasure, government appointees now concern themselves with all aspects of our economy. Easy money is supposed to be their gift to business, as a counterweight to favors which government also purports to extend to agriculture, labor and other elements of the population. Few business men have ever initiated a new industrial enterprise because the rate of interest on borrowed capital was 4% or 3% rather than 6%. If the margin of incentive is that narrow the enterprise will not be started at all.

On the contrary, with the usual perversity of humanity, new enterprise is most common in periods of prosperity, when confidence and enthusiasm are high. At such times interest rates also tend to be rising. So this policy of government has scant favorable effect on stimulating production. Its most likely outcome is to curtail enterprise, which is the basis of expanding production, and to bring about increases in commodity prices.

Some of the self-styled "advanced thinkers" in government and academic circles are now carrying the doctrine of easy money to its logical conclusion. They are constructing a theory of "free money." This doctrine was tentatively advanced by Mr. Berle in hearings before the Temporary National Economic Committee, and we shall probably have to endure considerable suffering before this theory, as well as its less ambitious partner, namely, easy money, have been exploded by the course of events.

The "Free Money" Agitation

This free money doctrine rests on some such argument as the following. During the war we have financed enormous expansion of productive capacity and also of output, in considerable measure by means of government deficit financing. Much of this money was obtained by the process of inducing or requiring commercial banks to accept government promises to pay as assets and of setting up corresponding deposit liabilities. As these paper deposits were transferred for constructing plants or for purchasing the output of such plants, capital and income were also produced. Such operations and activities by government were at the expense of alternative production and represented no net addition over what would have been produced if the same capital and labor had been employed on civilian goods. But the commercial banks which bought the government bonds did not utilize their own capital or the savings of their depositors in the transaction. They merely created credits in favor of the government and these credits were in effect guaranteed by the market policy of the Federal Reserve banks on the one hand, which assured commercial banks that their government securities would not be permitted to sell below parity, and by action of the Federal Reserve Board and Congress, which enabled commercial banks to meet legal reserve requirements, in spite of their enormous credits in favor of the government.

Then the argument proceeds that since these credit operations involve no cost, no sacrifice, no abstinence and no saving on the part of banks or individual depositors, no payment should be made for the resulting capital. This is free money. Presumably such free money is to be validated by production which is made possible through the creation of capital by the process just described. No one needs to have much experience or imagination, however, to predict the effects of the doctrine of free money on our economy. To the extent that this doctrine is accepted by the administrative officers of government, control will exist which is more far-reaching than many of those controls which are commonly discussed. Business men should not conclude that free employment, free production, free markets and free prices have returned until they have undertaken the intellectual effort of determining the implications which, irrespective of formal legal controls, derive from government adherence to the purchasing power theory of wages, and, to the doctrine of cheap money or free money in relation to business.

Grounds for Price Control

Continuance of price control is usually advocated on one of two grounds:

(a) That control is necessary until supply and demand are in balance.

(b) That price control should continue until the danger of inflation has disappeared.

There is general agreement that declining prices tend to stimulate demand and reduce supply and that advancing prices have the opposite effect. If price control is practiced, approved prices must be too low, too high or exactly right. If they are too low, they produce augmented demand while discouraging supply. If they are too high, or just right, they are obviously not needed. Thus price control itself, if effective in keeping prices below free market levels, can only restrict production and thus prevent supply and demand from coming into balance.

The inflation argument is little more successful in withstanding critical analysis. During the war, price control had to be supported by an elaborate system of priorities, rationing, wage controls and many other devices in order to be effective. Now that these have largely disappeared, commodity price control by itself cannot meet the impact of rushing events, even disregarding the grave question as to whether all of the controls which can be invented can permanently prevent commodity price advances in the face of continuing government deficits, financed by commercial banks or by the Federal Reserve banks.

One fact which is frequently neglected in discussions of the effectiveness of price control is the use of subsidies. In the food industries alone subsidies of more than $1,500,000,000 were paid in 1944. Subsidies also apply to mining, petroleum production and many other areas of our economy. If all of these subsidies were included in commodity prices, as is necessary to be accurate, government would be less insistent upon proclaiming its success in maintaining stable commodity prices. Since subsidies are at least theoretically expected to cease immediately or shortly after the termination of war, an important and overlooked pressure will concurrently tend to raise prices.

Commodity Price Outlook

All of this leads to the outlook for commodity prices. Two conditioning factors should be mentioned. First, reports are almost unanimous that from the technical point of view reconversion is proceeding with extraordinary rapidity. Efforts to continue price controls or the extension of strikes would result in decreased production, which also means decreased demand for goods and services of all kinds. This is tantamount to stating that government policies or industrial disputes which impede production will, during a short period of time, have a moderating effect on rising tendencies in commodity prices. Second, government policy in regard to foreign relief and rehabilitation, whether by gifts or loans, will not merely have an important effect on commodity prices, but the principle of leverage is introduced. Government is not inclined to concern itself with prices when it decides to acquire goods. Just as in 1919, large gifts or credits in favor of foreign countries could touch off price advances which might be spectacular.

Unless there are heavy purchases by government of agricultural products to be used in foreign relief, prices of farm products will have difficulty in maintaining their present levels and are likely to decline within one year. This forecast can of course be invalidated by congressional action which would support farm prices at war-time peak levels. Pressure for such legislation may be confidently expected.

Industrial efficiency during the war made little progress, and actually declined in many directions. This affords the opportunity for improved efficiency which would permit rising wages without advances in unit costs, if recent volume of output is maintained. Technological conditions clearly make this possible. Whether it will be realized largely depends upon the industrial climate in which manufacturing will be conducted. At present the barometer indicates stormy weather.

Since the costs of manufactured products, including raw materials, wages, marketing and overhead, are all likely to advance, the conclusion follows that prices of manufactured goods will also be higher. We may expect to live in a controlled economy, even though formal price control under the Office of Price Administration is likely to be unimportant. Government controls add up to higher costs and lower efficiency, both in agriculture and in industry. Taking the average of wholesale prices for 1939 as 100, the Bureau of Labor Statistics average for such prices is now 137. An advance to the 150 level may be expected within 12 to 18 months, provided the economy is permitted to operate at a high level of activity.

These are the implications and this is the outlook for the business man in regard to the problem of government controls. For the student of economics and for the citizen interested in the welfare of his country, the outlook offers too much of trouble and of danger to be reassuring. So too the philosopher will have to seek consolation in his philosophy. There is little to be found in government controls.

Buckley Brothers Opens New Branch in San Diego

SAN DIEGO, CALIF.—Buckley Brothers, members of the New York Stock Exchange, announce the opening of an office at 625 Broadway. Other offices of the firm are in New York, Philadelphia, Los Angeles, Pittsburgh and Hagerstown, Md.

George D. Roberts will be manager of the new branch.

John D. Cronin With Eastman, Dillon & Co.

John D. Cronin has become associated with Eastman, Dillon & Co., 15 Broad St., New York City, members of the New York Stock Exchange. Mr. Cronin was previously with Lazard Freres & Co.

Lt. Robert C. Brady, U. S. Naval Reserve, has returned to active association with the firm, it is announced.

Peacetime Appraisal of Railroad Securities

(Continued from page 1946)

that is that if I hadn't been right I wouldn't be here for the fourth time. But the real answer is that I have never recommended a railroad bond, selling at par, to an individual, and particularly to your organization, because you aren't institutional salesmen. Today there are about six billion of them selling at par. As far as I am concerned, you can do with them what you please, because when railroad bonds, or any other bonds, reach a point where they can't go up—they may never go down, but they can't go up—I cease to recommend them to individuals.

From now on we have to look at individual situations and also at the overall situation, and this will be more so the last five months this year than ever before. Don't be surprised, for example, if some railroads operate for the last five months at a deficit. **Figure earnings from now on a cash basis,** because already this year the railroads—Class 1 railroads—for the first six months used their privilege of amortization of defense projects in charging $139,000,000 to expenses. They still have $500,000,000 left, and it is entirely possible that over the balance of the next five months the railroads will charge that entire half billion dollars to expenses. If they do, obviously some roads are going to show a deficit in net income for the last five months. So, from now on, when you look up, for instance, the earnings on Atlantic Coast Line, or the earnings on Southern Pacific, or any of the other railroad stocks, look them up on a cash basis; in other words, how much did they earn in cash? And if some railroad, for example, the New York Central, charges $9,000,000 to amortization of defense projects, that is really earnings; it is taken out of expenses. Otherwise you will get a complete distortion. In other roads, you also have to study the bookkeeping figures in order to comprehend the earnings. The Seaboard railroad, for example, so far this year has charged off about $3,000,000 to interest on interest, which is purely a bookkeeping item, as a result of which they showed very little net income.

So I say, it is not as easy as it was once to talk to a large group, because we have to isolate the various situations more than before.

But the fundamental of my predictions is that we are going to be as good as industry generally. The last period, prior to the 1941-1945 period, when the railroads were prosperous was the period 1923-1929, and so, likewise, was business generally. For the period 1930 to 1940 industrial business was down—way down—and so were railroads. Then when industry picks up, so do the railroads. Now, certainly industrial stocks which today sold for about 185—Dow-Jones averages, and yield 3.59%, are discounting higher dividends. I don't think industrial stocks are going to go on a 3% basis on present dividends. Therefore, they must be discounting higher dividends. Of course, that could come about by revision of the tax laws and repeal of the Excess Profits Tax. But so could the railroads. There is no greater sufferer from EPT than the railroads, and no one would benefit more than the railroads from its repeal.

Spread Between Rails and Industrials

In any event, railroad gross has followed industrial activity. I don't know what the stock market is going to do, but I say there is too great a spread between the industrials and the rails—not only a spread in prices, but the spread in yield. The yield on the Dow-Jones rail averages doesn't mean anything because there are six non-dividend payers in the averages. If you take the yield on the dividend payers, such as the Chesapeake & Ohio, Louisville & Nashville and Pennsylvania, the yield is pretty close to 6½%, or 300 basis points higher than the average yield on the industrials.

So, too, the other big factors—wages and prices, the cost of materials and supplies—they always go together in railroads and industry.

I could give you the figures on wages, maintenance, expenses, for those periods—1923-1929, 1930-1940, and 1941-1943—to show you that the net railway operating income, wages, and equipment and materials purchased, total expenses, relate directly to the state of business activity.

Railroad Improvements

Since the war, that is, since the European war, started, back in 1939, railroads have changed themselves considerably, physically. In that period they spent about $2,000,000,000 on fixed plant. And the war has seen the definite introduction on a permanent basis of the Diesel locomotive. We had no line rail Diesel locomotives on railroads prior to the European war, and now most of the railroads, with the exception of the coal carriers, have Dieselized some of their equipment, at great savings. They have introduced for the first time a method of handling the traffic of heavy density districts through central traffic control. Very little of that was erected during the war because of lack of steel and other instruments that now is being put in in a big way in a great many of the heavy density single track lines. You must have heard me explain that before—central traffic control on the heavy density divisions gives a single line nearly the capacity of a double track; and the corollary of that is that a light density double-track railroad can be converted into a single-track railroad, with much saving. There was none of that at all before the European war started.

The Sperry car, which was developed to discover, in advance, fissures in rails which cause wrecks that are of tremendous expense to railroads—that was unheard of before 1939.

I could tell you about many other things concerning the physical changes that have been made.

Railroads on a Cash Basis

The railroads are in a cash business—technically railroads could run without working capital—90% of their business is cash—and have for the first time a net working capital position far in excess of what they dreamt of having. When the Interstate Commerce Commission made the valuation of railroads based on 1937 gross, they said a net working capital position of $289,000,000 was fair; today they have a net working capital of over $1,900,000,000. My point there is that they are in a good cash position—they have credit, they have cash to introduce new improvements, which mean more and more efficient operation.

Of course, that is also one of the answers to the wage problem. It's true that railroad wages have gone up, on the average, from 70 cents an hour to 90 cents an hour since 1940. Yet, the introduction of these operating time-savers will mean, in my opinion, that the higher wages go, the less will be total wages.

Railroad Wages

At the present time the lowest paid railroad worker, on the average, gets 70 cents an hour, and the highest gets about $1.10 an hour. If you add the overtime to that, the average, including the overtime, is around 95 cents. And for the first time rails are competitive with industry generally, as regards wage structures.

So the railroads and industry will go along with wages generally. Personally, I think we are going to have higher wages in all industry, and higher costs. Therefore, we are going to have higher prices, which means, in terms of railroading, higher rates. That, however, is a little bit out of my line, but that is the way I view it, and I do not view it with alarm.

Those who do not like rails like to analyze the railroads by taking 1945 costs, 1945 wages, and applying 1940 gross, and proving that the railroads will lose money. I could do the same thing with industrial stocks. Obviously, if the situation is going to be such, if wages are going up 50% and prices are going to stay where they are, then the situation is dark indeed for industry and railroads.

I told you about the Excess Profits Tax. I consider the argument about EPT, of carry-overs and carry-backs, negative. But I certainly wouldn't recommend railroad bonds on that theory, because I would rather have prosperity, with no carry-over, than depressions to use up the carry-over.

Shift of Rail Market

The current state of the market in railroad stocks and defaulted bonds, the prices at which they sell, are related to the history of railroad prices, particularly since 1931. Up to 1931, railroad bonds were owned by the institutions—and railroad stocks sold relatively in line with industrial stocks. They never sold quite as high as industrial stocks, but they sold in the 15, 16 times earnings level.

The collapse in this country—world-wide and in this country—beginning in 1931 and terminating in 1938, with a slight recovery in 1937, affected the railroads, of course, like everything else, and, unfortunately, this $10½ billion worth of bonds came on the market. Eventually, of that $10½ billion bonds, $5 billion became the obligations of railroads in bankruptcy. I have told you many times before, it was no different than it would be in the sugar market, or anything else. The institutions were our only large buyers of railroad bonds. They held practically all of those $10½ billion. Those of you, like myself, who were selling bonds from 1922 to 1931—I don't recall ever even asking an individual to buy a railroad bond, because it was so simple to call up many of these savings banks or insurance companies and sell them a million or two million. Then came the depression, with the decline of rates. All you needed was a truck to go in business. You could pick and choose. As a result we had a complete collapse of railroad credit. But these extreme low prices that were made were purely mechanical prices. They did not indicate the state of the industrials any more than the price of Boston & Maine, which is in the Dow-Jones averages selling at 7½, indicates the state of the railroad industry. It doesn't. It has nothing to do with it.

Now, when Missouri Pacific Refunding 5s sold at 10, what caused that? You can't buy the spikes in the Missouri Pacific Railroad at that rate. The value was there. They were not operating at a deficit. This railroad industry has never operated at a deficit, even in the worst years of the depression. The worst years the railroads ever had—1938, they made half a billion dollars; in 1932, they made over half a billion dollars. The Missouri Pacific was making money—10 or 12 million dollars. What caused these prices? I harp on this a little bit because it is related to present-day prices. It came because there were no buyers. Missouri Pacific 5s of 1981, came out in Jan. 1931, at, I think, 95. They were mostly sold to insurance companies. Two years later they were selling at 20. The institutions, rightfully or wrongfully, sold the defaulted bonds. That's where they came from. Some of them had to sell them because of pressure from the Insurance Commissioners and savings banks supervisors, but, willy nilly, they did sell them, and there was no one to buy them.

Among myself and my associates and some of the other fellows in Wall Street, we decided there must be something wrong. Why should a bond be worth par in 1931 and 20 two years later? Perhaps because of this mechanical selling and no buying. Sugar would do the same thing. Sugar sells at 5 cents a pound. If every buyer in the world became a seller and there were no buyers, it would probably sell at a tenth of a cent, until someone said, there must be something wrong, let's go out and buy it, even if you didn't care about sugar. And 90% of the people who bought defaulted bonds didn't know them, but they knew values and they could see bargains.

In any event, we finally found some buyers for defaulted bonds. The first time I talked here I think I mentioned Northwest preferred. Why do you think Northwest 5% preferred, a new stock—why in the world do you think it could trade for over a year at $3 a share? And it closed on Oct. 16 at 72! For over 18 months that stock was traded at about $3 a share. Now, why? The only reason why is that the institutions were selling the defaulted bonds. There were no buyers for them. We couldn't get enough individuals to listen and buy them, and the old bonds got a bundle of securities, and the arbitrageurs buy the old and sell the new. They didn't care what they got for the new, except to be sure there was a spread. It didn't mean it was worth $3 a share. Of course it wasn't worth $3 a share. It is worth what its prospective value was and today's price indicates how cheap it was.

Now, the after effect of that is that Pennsylvania has to be selling on the 6.25% basis, with industrial stocks on a 3.59% basis, because of this terrific aftermath of low prices on rails.

I don't say they wouldn't have gone down, but I do say this, for example—if no institution sold Missouri Pacific 5s, they never would have broken 50 on the downside. In other words, the value was there; it was just a question of waiting until the country, as it always has, turns around.

War Time Changes in Rail Finances

During the war—the six-year war we will call it—we had three fundamental changes in railroad finance. The first started prior to the war. You remember, when I first started my classes, the only things we could talk about were Chicago and East Illinois, or Chicago and Great Western, because they were the only ones who had made any progress in reorganization. Since then we have had tremendous progress in reorganization of the 37 carriers that have been reorganized.

Secondly, we had war earnings—war earnings amounting to billions of dollars which were not given to the stockholders—they were used to retire bonds in the open market to the tune of about $2 billion par value.

Refunding Operations

Then, the third thing started to occur only 18 months ago—or a little bit longer than that. You who are institutional men remember that The Pennsylvania, Ohio and Detroit financing—when they sold 3¾ bonds to refund 4½s—that was the first break in the ice. That was the first railroad refunding since 1937, with the exception of some small terminal bonds.

Since that time there has been over $2 billion worth of railroad bonds refunded at lower coupons. In my opinion this will continue until almost all callable railroad bonds are refunded. There is no reason why, because their credit is re-established, the railroads will not refund their bonds like the utilities and on comparable coupons.

Now, those are tremendous factors which we never had before. We never had them in 1939. All those factors lead up to resurrection in railroad credit. When you have that—to illustrate, by the time the Northwest was reorganized, it was selling on a respectable basis in consideration of other railroad credits. Take the case of the solvent companies, like Nickel Plate. In 1942, Nickel Plate common was selling at $10 a share, the preferred at $25, and the bonds at $50. Nickel Plate bought in the open market sufficient bonds to put them at par. When bonds sell at par they become refundable. Then they refunded those bonds—those 4½s and 5½s, and the new 3⅜s today are selling at 106.

All this resulted in a reduction in fixed charges from $7½ million to $3½ million. And what happened to the stocks? Well the Nickel Plate preferred is at 130, and the common stock is at 51. I mention that because, when bonds sell down—Southern Pacific bonds sold down to 35 cents on the dollar—the stocks have got to go down with them; stocks cannot sell at 30 with bonds at 35. So, obviously, when the selling forces the price of Southern Pacific bonds down to 35, that act alone forces the stock down to $10.

Now, obviously, when the bonds go back from 35 to par, the stock doesn't stay at $10; it goes back (I think it sold as high this year as 57, and it is once again on a dividend basis, which I think will be permanent and which I think may be increased).

But it is that background with which we have to deal, and that is the reason why the standard dividend stocks, like Chesapeake & Ohio, Pennsylvania and Atlantic Coast Line—to mention a few—are selling to yield 6.00 to 6.50%, and industrial stocks to yield 3.59%.

We are now in the fortunate position, I think, where the railroads could, if they wanted to, increase their dividends ex-EPT, because they have been paying out such a small portion of their earnings in dividends.

The Dow-Jones Averages

The spread between the Dow-Jones rails and the Dow-Jones industrials is another source of sales resistance to the rails. Yesterday, for example, the Dow-Jones rails closed at about 60, and the industrials at about 185. This spread is used almost universally in financial circles, by individuals, and it seems to indicate to the "Street," sometimes, and to a great many people, that the investing public thinks that there is a difference indicated by 125 points in the Dow-Jones averages as the differences between the condition of railroad business and the condition of industry generally.

In the first place, I don't know how many of you know it, but the Dow-Jones average is not an arithmetical average. Try to think, now, of threee stocks selling at 185 in the Dow-Jones averages. There are only two—only two stocks in the Dow-Jones selling above 185—duPont and Eastman. The arithmetical average of the Dow-Jones industrial average is the sum of 30 stocks where they closed yesterday, divided by 30, and is 84 and the arithmetic average of the 20 stocks in the Dow-Jones rail average is 58.

Dividend Paying Stocks

Now, I can understand that kind of relationship, because the history and background of railroads is not conducive to have them sell on the 3.59 yield basis. But I think they should sell on the 5% basis if the Dow-Jones averages show a 3.59% basis.

Then again, there are only five dividend paying rails which have paid dividends without interruption since their organization—Pennsylvania, Union Pacific, Chesapeake & Ohio, Norfolk and Western and Louisville and Nashville. Louisville and Nashville skipped one year and that was 1933. Since then, it has paid dividends each and every year. Every stock in the Dow-Jones industrial averages pays dividends. Ninety percent of them are pretty steady dividend payers. I keep an average of those five rail stocks, because, to me, if you keep an average of Chesapeake & Ohio, Louisville and Nashville, Norfolk and Western, Pennsylvania and Union Pacific, you have a real indication of the railroad industry.

So they are the stocks to compare to see what railroads are doing. And, incidentally, they are selling at new highs since 1937, and they have done that despite the fact that the rails had quite a shakeout. They came back and are now away ahead. They are selling today at 112.

Take a price of 112 on those five shares, as against the standard dividend-paying industrials, and that line-up will be hard to beat. In other words, when you include in the averages a non-dividend-paying stock, like Boston & Maine, which has small hope of ever becoming a dividend payer because of the tremendous accumulations on the preferred, it weighs down the average so greatly that the averages don't indicate the real state of the railroad industry.

Status of Rail Reorganizations

As far as reorganization is concerned, several have been completed, like the Wabash and the Erie, Northwest, and a few more. I think it was the second time I talked here, some of you will remember, several gentlemen at the left, in the forum afterwards, said, "why can't you do something about those Wabash B's that are selling at 40?," and I said, "if you are patient, they will get there." And they have. They are now around 90.

In the defaulted field today, the cheapest bond, in my opinion, is Missouri Pacific refunding 5s, which I first mentioned. It is now a clean first mortgage on the entire Missouri Pacific Railroad, because, in my opinion, the River & Gulf bonds will be paid off Nov. 1. The repayment to the RFC and the banks, I think, will be the next step.

Missouri Pacific Bonds

I don't think the present reorganization plan will go through, and I think somewhere along the line you will end up with a thousand dollars worth of new bonds plus $350 in cash, for each Missouri Pacific Refunding Bond. Obviously, it is harder to get individuals — and most of you are customers' brokers — it is hard to get individuals to buy Missouri Pacific 5s at 85 when they look up the price range and find they sold at 22. But so has everything else moved up. What you have to buy in rails is value at a discount.

As I have said many times before—if you get a thousand dollar bond from the Missouri Pacific reorganization, even, with a 3% coupon at 50, you would think it was a bargain. That is what MOP Refunding 5s are selling for. So you are buying them at the equivalent of 50, assuming the payment over the next few years of the $350 back interest.

There is still tremendous leverage in certain of the bonds. That's why I call MOP 5s a three-year 10% bond. But you could put it the other way—it is a 3% bond, with accumulations of $350, selling at 85. So **"values at a discount"** are still there in Missouri Pacific.

As to the junior bonds, the time element is all-important, whether a new plan comes out affecting the Missouri Pacific junior bonds or not. Obviously, if I don't think this plan is going through, I think another will come along, and each plan has been progressively better and better for the junior bonds. But not at the expense of the senior bonds, because the back interest on the refunding bonds is gradually being paid.

The Rock Island Issues

In the situations we are trading on a "When Issued" basis, my favorite is Rock Island, right across the board, i.e., the income bonds, the preferred and the common stocks, and all the old securities. My reasons are two fold: (1) I think the Rock Island, among your large systems, after the war will be one of the roads that will make money on passenger service. When a railroad changes from losing money to making money on passenger business, it has a tremendous effect on net. In the old days, Rock Island used to lose millions of dollars on the passenger business. In another year and a half I think the passenger business on the Rock Island will be completely in the shape of streamlined, air conditioned Rockets, and they will make money. (2) I think the Rock Island will be run by a Board of Directors dominated by the stockholders. Unfortunately, in a great many of our railroads the management appears to be dominated by the creditors. If a road is dominated by the bondholders, stick to the bonds; if the road is dominated by the bondholders, buy the income bonds. If dominated by the stockholders, I would pick those stocks ahead of a stock where the creditors have the great power.

Those are the two reasons, outside of the general reasons, why I prefer the Rock Island in the, "when, as and if issued," situations.

Among the six or seven situations we are now trading "when, as and if issued," in my opinion the cheapest individual income bond today is the St. Paul B Incomes, which closed today, I believe, around 86½ and which carry nine points of accrued interest. So the price is around 77½. I think that bond is just as good as Northwest Incomes, so they should sell, with accumulations, at par.

Among the preferred stocks, I think the Seaboard, preferred, selling at 65, with no accumulations, is the cheapest, because it has the greatest leverage. There will be only 150,000 shares of the stock outstanding. There is no other preferred of that amount outstanding of any large railroad. It will have tremendous leverage in earnings.

Among the common stocks that we are trading on a "when issued basis," my first choice is Rock Island common stock, for the reasons that I have chosen. I think that Rock Island could move eventually to the class of the Atchison common shares.

Realize, when you look at Rock Island, there is only $26,000,000 first mortgage fixed interest bonds. They used to carry about $310,000,000 of fixed interest bonds.

I picked out for you my choice of a "when issued" income bond, a preferred stock and a common stock of the reorganizing carriers.

The Borderline Rails

Going back again now to the formerly borderlines, for a minute. With the exception of Illinois Central and New York Central, there are no large situations now selling at a discount, and most of those bonds are selling at 90 or above. You can't buy any discount bonds in Southern Railroad or Southern Pacific or Northern Pacific. They have gone at par. There is nothing I can say about those bonds to you as individuals.

In the stocks, therefore, for individuals—and again speaking to you in your profession—we have certain groups of stocks. First we have that group of stocks of these diividend-paying railroads, Pennsylvania, C. & O., Norfolk and Western, Union Pacific and L. & N. Those stocks are selling —three of them—on the 6.25% basis. There are only two stocks better than a 5% basis, and those are Union Pacific and Norfolk and Western. When you get below them, you run into the type of stock, like Atchison, Atlantic Coast Line, Great Northern, New York Central, Northern Pacific, Southern Pacific.

What is going to be the future of those stocks? I think eventually that some of these stocks will move into the position that L. & N., C. & O. and Pennsylvania have maintained. In other words, I think surely that Atchison will become a regular dividend-paying stock. You realize that this company bought and paid for in cash all their callable bonds. These have not been refunded. Atchison has changed its management, and personally I think the present management of the Atchison, under Mr. Fred Gurley, will be one of the best managements the Atchison has ever had. The Atchison could well, I think, move out of this irregular dividend paying class and get into the regular dividend paying class.

Well, what about Atlantic Coast Line? Coast Line is selling for the equivalent of about $10, because there is a share, now, of Louisville and Nashville behind each share of Coast Line stock. Why doesn't it sell higher? Because it hasn't paid dividends out of the railroad's earnings. Coast Line has earned about $90 in the last four or five years, and hasn't paid a cent in dividends from the railroad earnings. For years that L. & N. stock was collateral for bonds. If anything ever happened to the Coast Line —and at one time they were definitely borderline—it wouldn't have done the stockholders any good. Now the bonds for which L. & N. stock was collateral have been all paid off, and with the exception of the serial bank loan there are no liens against the stock.

Now, Atlantic Coast Line could pay a dividend on its common, in addition to the $4 it gets from the L. & N. Obviously, it is not going to sell very long for a $10 price, if it does.

Going alphabetically, among the issued securities, I first mentioned the defaulted bonds, then I mentioned the "when issued" securities.

Baltimore and Ohio

Now, among the issued securities, the B. & O. is the favorite among all of the recommendations I have to make to you, for several reasons. It is about our fourth or fifth largest railroad in gross. It is the only issued picture where you can buy an income bond at a discount of almost 30 points and, including the 4½%, a discount of almost 35 points.

I recommend the Baltimore and Ohio Refunding 5s and 6s, B. & O. 4½s, and the preferred and common for several reasons. First, it is one of our largest railroads. It is located along heavy industry in the East. It serves the region from St. Louis and Chicago through Pittsburgh to Baltimore. It is being reorganized under the McLaughlin Act. The ICC has approved the plan. The same opposition to the plan was before the ICC that was before the court in Baltimore. Nothing new was introduced—nothing new of substance, in my opinion. The ICC has approved the plan. The filing of briefs is due on Nov. 5, and, in my opinion, we will get a decision near the end of the year.

Now, what does the plan do? In 1938, rather than choose a plan under Section 77, the Baltimore & Ohio chose a tentative plan. They now have a permanent plan. All the maturities are moved up, so they are merely of academic interest as far as anybody in this room is concerned. The fixed charges, which formerly were $34,000,000, are reduced to about $16,000,000. The overall charges are down to about $25,000,000. That was accomplished through the purchase, in the open market, of over a hundred million dollars worth of bonds by the use of war earnings.

The most important factor in the B. & O. plan is that all the bonds, with two little exceptions, are callable. It is going to be very important to railroads if your bonds are callable or not. Look at the unfortunate position of Southern Railroad now. They have 6s, 6½s, 5s. Not a single direct obligation of the Southern Railroad is callable. In the New York Central only one bond is callable at this time—the 4½s. The 5s are callable, but not until 1951. Only a small percent of Pennsylvania obligations are callable. That makes a tremendous amount of difference—whether you pay 5% on $500,000,000, or 3% on $500,000,000, and that is the situation you have in the Baltimore and Ohio—$570,000,000 of bonds with an average coupon of pretty close to 5%, most of which are callable.

There is no reason why, when this good plan is consummated by the first or second quarter of next year, that they can't begin calling the B. & O. bonds. In my opinion they will be able to command the credit to bring their overall charges within two years, down to close to $16,000,000. And when you have the **fourth or fifth largest railroad** on that basis, and only 2,600,000 shares of common, you have leverage stock. Thus the B. & O. is leverage stock.

The relationship of bonds to stock in the B. & O. has created terrific leverage in the common shares, but, as I said, it worked both ways. You can see for yourself—$260,000,000 common and at one time, at the height $750,000,000 par of fixed debt. That is down now to $570,000,000.

But the amount of the bonds is not as important to me as the fixed charges. The fixed charges were $34,000,000 before the stock got anything. In my opinion it will be in the future close to $16,000,000. So, automatically, you are picking up almost $17,000,000 for 2½ million shares. That creates leverage.

(Continued on page 1970)

Peacetime Appraisal of Railroad Securities

(Continued from page 1969)

Now, as all these situations progress, you reach different levels. As you see, when railroad stocks reach the 40 level, without some special situation, as there is in Nickel Plate, or without dividends, they have difficulty getting to the 50-55 zone. But they get there with dividends. B. & O. has progressed and, with the sharply reduced fixed charges growing out of the debt refunding now in prospect, the B. & O. preferred can go back on the dividend paying basis and eventually the common stock can do the same.

Chesapeake and Ohio

Passing on to some of the other situations! I feel that if the merger of the Nickel Plate, Chesapeake & Ohio, and Pere Marquette, goes through, it, for the first time, makes C. & O., a leverage stock. You might say, maybe it will make it leverage both ways; but the stability of earnings of C. & O. will overcome adverse years. If this merger goes through, C. & O. should have at least sufficient attractiveness to put the stock, with its present dividend, on a 5% basis. If it sells on a 5% basis, which is a price of 80, it bails out the preferred stockholder at full value, so he has nothing to complain about.

Whether the plan is exactly fair or whether it isn't fair is a question for other people to decide, but I simply say this—that if it does go through, I think C. & O. should have a double-edged attractiveness. First, it has **stability**, and secondly, the leverage introduced by picking up the Nickel Plate and the Pere Marquette.

Now, as regards other stocks, such as Southern Pacific and Southern Railroad, I see no reason why, eventually, those stocks can't go back on somewhat the same dividend basis they did in the period 1923-1929. But, in any event, if they simply go on a $4 basis, which is not leaning forward too far, they should sell on a 5% basis, which would be $80 a share. And still we would be over 140 basis points under the yield on the Dow-Jones industrial averages at the present time.

Many times in the past when I have had more merchandise to talk about, I have been able to practically recommend the railroads across the board. As I said in the beginning, I can't do that any more because of all those bonds that are now selling at call price or at par. And in another year or so we will probably add millions more to that list.

I hope the railroads will get to the point where they will reduce fares to a cent or a cent and a half a mile, with streamlined, air-conditioned trains, so they can pick up the long-haul passenger trade between cities for a very low rate per mile.

The only thing I am trying to tell you to buy is something where you have an advantage. I think you have an advantage in the Missouri Pacific 5s, in Rock Island bonds, in Atlantic Coast Line, in Baltimore and Ohio and so forth, over the regular market. The same is true of L. & N. and Pennsylvania, or C. & O. on the 6.50 basis, with industrials on a 3.59% basis. There is the advantage on the market; in other words value at a discount.

I have never predicted to you whether the market is going up or down this week or next week, but I have said that these values will eventually be made known to you, and the reason we still—it may sound a bit disjointed—the reason we still have those situations available at those yields and at those discounts is because of this aftermath of the last ten years.

Once again, remember that high price securities are not necessarily high grade and low price securities are not n e c e s s a r i l y low grade. Also, remember not to trade on your prejudices. The war is over now. We no longer have with us the great skeptics on rails. Ninety percent, I beileve, of the people who bought rails purely as war babies have sold them, and I am just as well satisfied that they have been eliminated, because they were the panicky type anyhow. Since the war is ended, we are once again able to sit down and talk rails in an orderly fashion without having to answer the question; what is going to happen after the war is over? The war is over, and, like everything else during this next four, five, six or seven months, the railroads are going to be topsy-turvy, like industry.

So, to sum it up, I still think certain railroad bonds and shares particularly the ones I mentioned, are values at a discount, and all you need is patience before those values are realized. Those dividend-payers particularly—I think they will eventually get on a 5% basis without any increase in dividends, and that means a tremendous increase in the price of the stocks.

I mentioned the non-dividend-paying stock to you which I liked particularly—the B. & O.

I regret, and I know some of you will, too, that I haven't got for you more merchandise to recommend, but the only reason I haven't is because a great many of the ideas have worked out and the values have been realized.

Legros Chairman of Northern Ohio IBA

CLEVELAND, OHIO — Emile Legros of the First Cleveland Corp. has been elected Chairman of the Northern Ohio group of the Investment Bankers Association, succeeding M. J. M. Cox of Curtiss, House & Co. Mr. Legros will assume his new post at the national convention in Chicago next month.

The new Chairman has been active in IBA for a number of years. He was formerly connected with Otis & Co. of Cleveland and Federal Securities Corp., coming to Cleveland from Toledo in 1929.

Other new officers, who also take office next month, include Don M. Craft of Collin, Norton & Co., Toledo, Vice-President, and Alvin J. Stiver of Saunders, Stiver & Co.

Named to the board of governors and members of the executive committee were John P. Chapla of Paine, Webber, Jackson & Curtis; C. M. Colyer of Central National Bank of Cleveland; John A. Day of First Boston Corp., and John S. Fleek of Hayden, Miller & Co.

Ex-officio members of the board of governors are Cox, C. B. Merrill of Merrill-Turben & Co., who will become a National Governor next month, and Hazen S. Arnold of Braun, Bosworth & Co., Toledo, who takes over as a National Vice-President in November.

W. Yost Fulton of Maynard H. Murch & Co. was Chairman of the nominating committee, aided by Claude F. Turben of Merrill-Turben & Co.; Leslie J. Fahey of Fahey, Clark & Co., and Jay L. Quigley of Quigley & Co.

Looking Ahead

(Continued from page 1947)

marketing period. These can, should, and probably will, sell at lower prices. Their markets should be allowed to decline.

(2) Some commodities show shortages. They are scarce in that there is not enough to supply all who bid for them at current prices. These can, should, and probably will, rise in price. They should be allowed to do so.

Which predominates now? I think that there can be no question but that the cases of scarcity are more numerous and important than the surpluses; and that, accordingly, the average price will rise. Among the objects which in some of these cases the situation are admittedly scarce today are the following: Tin, sugar, rubber, edible fats and oils, drying oils, rosin and turpentine, paper, lumber, brick and tile, cast-iron pipe, steel sheets, jute and burlap, hides and leather, and, for a while, lead. In general, labor is short. While tion will become easier before very long, there is no question of surplus.

Only a few of the more basic materials should be classed as existing in surplus or even in abundance. These may include some chemicals, fuel oil, zinc, and cotton. These are, so far as I know, the outstanding cases, although some of you might add government employees.

The Biggest Surplus Is of Money

There is in effect only one general surplus and that is the surplus of money. This surplus is especially significant since it is in terms of money that all prices are expressed. Accordingly, the surplus of money, which of course tends to put the value of money down, by the same token tends to put the prices of other goods up. (Like surpluses of other goods, the surplus of money is definite only when we assume some given level of prices.) The way to relieve the surplus of money is to allow the prices of goods to rise. This would require more money then, to move any given quantity of other goods, and would thus reduce the surplus of money.

Today, with the surplus of money, and an average shortage of all other goods, there is a strong and growing tendency for the price average to rise.

Unjustified Pessimism

Most of us have been impressed with the ease and rapidity of "reconversion." This attitude of surprise is largely due to the efforts of a certain bearish and highly-vocal element who have sought to scare the nation into a fit of recession. The most obvious thing about them is that they have no faith in the private enterprise of America. Some of them are radicals who in their hearts desire some form of collectivism. Each of them is much impressed with the notion that if we do have a collectivism, he will be among the best suited to lead us through the valley of recession, thus attaining power and a fat job for himself. Be that as it may, I am sure a good many of them must have gone short of various markets, first doubtless having made speculative gains on the preceding rise. (I am sorry to say that some American businessmen have joined them, either because they are afraid of competition or have some ax to grind.)

One reason why I am glad to appear here today is that I hope to convince you that this essentially foreign clique is wrong. There is no danger of deflation. As anticipated by most Americans, the difficulties of reconversion have been relatively slight. The current recession is moderate. The coming period of prosperity will be great.

In part the pessimism of this group is due to their failure to understand money, and their belief that currency can be inflated without any effect on prices. In their hearts, they believe in a completely managed economy in which money would be nothing more than a sort of token or stamp, such as has been used by Mr. Bowles in handing us out our meat. But here are the facts:

The Facts of Inflation

(1) Prices have risen greatly and are still rising. Not only are the prices of gold and silver, bonds, real estate, farm products and above all labor greatly inflated, but when you consider quality, I think that most prices are inflated. I doubt that ever before in the world's history has there been such a general deterioration of quality and use of ersatz materials as during the past few years. Just as the surplus of cotton now consists mostly of the poorer qualities, so it is with the apparent surpluses of many finished goods.

(2) The paper dollar has depreciated with relation to gold and even silver, to an extent which is probably greater than we can realize. We can see that the pound is overvalued, but we don't stop to think of the fact that we keep the exchange rate between the dollar and the overvalued pound at a constant rate—about four to one. Such indications as have been given by Oriental markets suggest that paper dollars are not worth 35 to the ounce of gold, but nearly 60.

(3) Money has remained and still remains idle with vast accumulations of so-called liquid assets, or savings. This is one aspect of the government's easy-money policy made effective by all sorts of controls and manipulations. Now that the war is over and greater freedom is developing, these hoards of money are going to work, which they can do only through the purchase of goods at rising prices.

(4) The easy-money policy just referred to results in abnormally low interest rates. These become a basis for capitalizing income at rising and highly inflated levels. This is seen in the Administration's recurring fears of speculation in real estate and securities.

(5) There are vast unsatisfied desires and shortages, which run back into inventories of merchants and manufacturers and on into the equipment of every home in America. It will take years to relieve this condition. The outstanding case is that of buildings and a great building cycle is just on the eve of its expanding phase, a phase that is likely to carry on for from five to ten years.

(6) The people have been doing forced saving. This they will not do forever. They will want to find out whether their liquid assets are really liquid, which they can do only by spending. Already we have come to the first month in which the redemptions of government savings bonds have exceeded the sales. The turnover of bank deposits, moreover, has been edging gradually upward for about a year.

(7) Confidence in American institutions and the preservation of free private enterprise has grown of late. This insures that an optimistic type of inflation will become more effective in prices. The outstanding fact concerning the Truman Administration is now clearly apparent. It will try to carry water on both shoulders. Following the lead of Secretary Vinson, it will allow all prices and all incomes to rise, seeking to make everybody happy. There will be no forgotten man. The main point, however, is that it will not be pro-labor; that is, it will not be hostile to business.

(8) Finally, there is no let-up in the pouring out of new currency through the process of monetizing the public debt. No balancing of the budget is even in sight. The veterans are coming, and I don't mean O Ho!

The one great fact for all those interested in the broad trend of commodities to keep in mind, is that money is not wanted for itself; that money is no good unless it is spent, and that a surplus of money (inflation) works through demand for goods. It follows from these points that the vast surpluses of currency today, call them what you will, must, in this country, be used for buying goods, thus implementing the unsatisfied desires that have accumulated for five long years.

Here is a list of some of the special elements in demand for goods today, most of which apply to the so-called raw materials:

The Bases of Strong Demand Ahead

(1) Assuming the long postponement of many desire gratifications among the people, there are thousands of items to be manufactured for the first time in five years, and it will take several years to catch up with the market for such goods as automobiles, radios, to say nothing of building. Those are right who forecast that it will take more than two years to begin to satisfy the extraordinary demand even for copper that will come from the metal requirements of automobile makers, electrical product fabricators, the building industry, public utilities, and the like. The contemplated expansion of rural electrification, telephone lines, railroad electrification, and the market for household appliances, supports their forecast.

(2) Eventually, there will be a removal of war restrictions on consumption which will carry even to the use of grain for distilling purposes.

(3) Something like six million young married couples will require homes and all the equipment that goes with them.

(4) Then there are foreign "requirements." Through the Export and Import Bank various governments are arranging for reasonably sound commercial loans such as those extended to Denmark and Norway, which in the aggregate will make an appreciable addition to the total demand.

(5) Instalment sales and charge accounts are being opened up and pushed in a way that would have made our New Deal friends shudder only a few months ago.

(6) There has been a great disturbance of the nation's equipment for production and marketing which will require rearrangement. One aspect of this is the low inventories which characterize mercantile and manufacturing establishments. There is little lumber in the yards, little paper at the mills or in the warehouses, an inadequate supply of paper boxes, and so on down the line. These conditions must be corrected before business can even be as usual, and they mean a prolonged demand.

(7) In this connection, don't forget the unsatisfactory war qualities. A general improvement is being demanded in the quality of all sorts of things such as textiles, paper, paper boxes, and the like.

(8) New techniques require new appliances and materials to make them. Just for illustration I note that the use of one-trip steel drums by the Army is said to have caused a change in commercial practices.

(9) Unfilled orders have held up surprisingly well. The decline in "rated" orders is being almost offset by the growing volume of orders from reconverted civilian industries.

(10) Finally, many new plants are needed. Just for illustration, I note reports that from five to eight new kraft liner board plants and three new paper mills are being built, at an estimated cost of twenty-five million dollars. (Surely this point proves that regardless of the foreign pessimistic

clique and its ranting about deflation and the need of continued war controls, those who know best, the leaders of American industry, see no doubt about the future of the markets for the products of private enterprise.)

Surpluses Not so Bad

On the supply side, I would make the point that much of the alleged surplus will be salable with difficulty, if at all. A good deal of the surplus will be very slow in reaching markets because of government controls. Much of it is not suitable for postwar markets, considering quality, style, sizes, and the like. For example, there is no such surplus of high-grade, long-staple cotton as the total carryover figures would tend to indicate. A good deal of many of the surpluses is too expensive to use, when the costs of stripping, reconditioning, and adapting, are considered. There has been a great deal of deterioration which still goes on day and night. Prices will be held unduly high in some cases, an illustration being the way the high price of grain limits the use of any surplus for distilling purposes.

Speaking of surpluses, may I parenthetically observe that most of the products which I find being reported as "getting easier" are those which are still very scarce, and will continue to be so for a long while, including such items as tin, rubber, and plup.

Furthermore, organizations, both domestic and international, are much more effective in preventing the dumping of surpluses this time than was the case after World War I.

Some of you may remember the vast surplus of wooden ships and other vessels that existed after World War I, cluttering up the Hudson River for miles. These, you recall, were eventually junked, some of them going into the making of Ford cars.

Real Production Overestimated

One more point and I will come to my conclusion. This point is that the pessimists fail to understand not only money and inflation, but also "production," and the statistics of production. They fail to see that during the war we have not been producing in the economic sense. Much of our so-called production has not been real production. We have been making implements of destruction, under compulsion and the forced draft of war patriotism. There is no sense, then, in thinking that so-called "war production" can be restored in peace times, and be turned on as a means of stopping inflation.

Again, they make the mistake of taking the Federal Reserve Board's index of industrial production. That index is itself inflated. It is too high. It does not represent actual output of goods. It is on that erroneous basis, therefore, that they figure that our productive capacity is excessive, and therefore argue for lower prices.

I do not believe that production will ever increase sufficiently to stop inflation. If there is no rise in prices, there will be little if any rise in production. If prices rise, there will be a rise in production which will last as long as prices continue to rise. Production will never catch up with demand as long as prices are rising. Why? Because production itself is the basis of demand. The big demand for materials and labor comes from production. The only source of real purchasing power lies in products, one product giving the power to buy another.

Cycle Theory Explains Coming Boom

This brings me to my conclusion. It is my theory that war inflation, as seen most notably in factory payrolls and farm values, has wiped out most of what would have been an ordinary business recession that began in, say, 1942. I believe that we are now near the low point in that suppressed business cycle, and that a cyclical upswing now will reinforce the continued currency inflation of today, so as to produce a large post-war boom.

I can not give you in detail the evidence for this opinion, but will merely say that there are sufficient statistical indications that a cycle peak was reached in 1942 or early 1943. For example, steel production was then abnormally high in comparison with industrial production. The total volume of industrial sales was high compared with retail sales. Bank credit also began to show some indications that a strained condition would develop eventually.

But, though industrial production has now declined somewhat and physical stocks of products such as zinc have risen to enormous proportions, you might not be able to see the usual cyclical recession, because in the Spring of 1942 the inflationary war spending of the government found expression in soaring payrolls, and the investments of the banks in government securities shot up like a rocket. Commodity prices as a result have been rising quite steadily, with only minor dips ever since July, 1940.

So now, we find ourself at a point which ordinarily would be near the bottom of a minor business cycle. For example, zinc stocks are enormous, and clearly past their peak. But the price of zinc has been fixed, so that it has become pegged and there has been no recession therein. Of course, this has checked the rise in price; but now, when the time approaches that zinc stocks will decline, this repressed rise is likely to begin a new cycle, and one which will start at a fairly high level.

A part of the picture, as I see it, is a continuation for another month or so of the current minor reaction in business, which results from the termination of war contracts, for another month or so. This further recession, I expect to be mild and short as the pick-up of civilian demand has been very rapid, while reconversion difficulties, aside from strikes, have been relatively slight. Indeed, if it were not for strikes and labor difficulties, I would predict a rise forthwith. Of course, during this intermediate period, prices will be irregular or mixed.

Probably the boom period that I think lies ahead will last until the leading characteristic manifestations of the present inflated condition cease to exist. Among the most notable symptoms of the end would be the following: (1) Money rates would tighten, marking the end of the easy-money policy, and bond prices would show a sizable decline. (2) Wages and farm prices would weaken, especially the former. (3) The abnormally low price average of the semi-manufactured group of commodities would rise, including, for example, the price of copper. (I doubt that this will till after 1947.) I am sure there will be no end to the inflation until the prevalent notions about national income as a controlling cause of economic conditions, about parity farm prices, about wages paid to create purchasing power, and about the duty of government to give jobs to all, are exploded and abandoned.

Business Man's Bookshelf

Capital Goods Industries and Post-War Taxation—Machinery and Allied Products Institute, 221 North La Salle St., Chicago, Ill.—paper.

Fabulous Frontier—Twelve New Mexico Items—William A. Keleher—The Rydal Press, Santa Fe, N. Mex.—cloth—$3.00.

Financing American Prosperity—Symposium of Economists—The Twentieth Century Fund, 330 West 42nd St., New York City—cloth—$3.00.

Gyps and Swindles—William Trufant Foster—Public Affairs Committee, Inc., 30 Rockefeller Plaza, New York 20, N. Y.—paper—10¢.

History of Banking Theory—Lloyd W. Mints—University of Chicago Press, 5750 Ellis Avenue, Chicago, Ill.—cloth—$3.50.

Pan American Yearbook—1945—English Edition—The Macmillan Company, 60 Fifth Avenue, New York City—cloth—$5.00.

Problem of Stable Exchange Rates, The—Wesley C. Ballaine—Bureau of Business Research, School of Business Administration, University of Oregon, Eugene, Oregon—paper—50¢.

Public Debt, The—A factual analysis of a major post-war problem—Finance Department, Chamber of Commerce of the United States, Washington 6, D. C.—paper—25¢.

Racial Aspects of Reconversion—A memorandum prepared for the President of the United States—National Urban League, 1133 Broadway, New York 10, N. Y.—paper.

Russia—Promise and Performance—Norman Thomas—Socialist Party, 203 Fourth Avenue, New York 10, N. Y.—paper 25¢ (lower rates in quantity).

Selling A City To Industry—Herbert S. Swan, 299 Broadway, New York 7, N. Y.—paper—40¢.

Wheat Farming—A Look Ahead—Franklin L. Parsons—Federal Reserve Bank of Minneapolis, Minn.—paper.

Your Cost of Postwar Tax Proposals—Estimates of the Postwar Federal Budget and Tax Rates Necessary to Balance It—Clinton Davidson, Jr.—Harding College, Searcy, Ark.—cloth—$1.

Garrett-Bromfield Wires to N. Y., Chicago & L. A.

As part of its expansion program, Garrett-Bromfield & Co., 650 Seventeenth St., Denver, Colo., investment bankers, have installed direct private wires to Bonner & Gregory, New York, and Cruttenden & Co., Chicago and Los Angeles, with "drops" at several midwestern cities.

Cartels and the Business World

(Continued from page 1949)

Despite the persistent and seemingly persuasive arguments which have been advanced by cartel proponents, it can be readily shown that in their own ultimate interest the businessmen of the community cannot afford to accept the cartel view.

Cartels Mean Regimentation

Cartelism cannot be disguised to look like freedom of enterprise any more than monopoly can be made to resemble competition or fascism to simulate democracy. If we are to resolve the problem of full employment and full production we must have a free competitive economy. In order for business initiative to function, there must be free access to the market, and an unhampered chance for free enterprise to enter new fields. Neither ingenuity nor efficiency can be exercised if competition is nullified, or if restrictions make it impossible for new men to enter an industry. Hence it is business, in the first instance, which has the greatest stake in striving to eliminate cartel controls. Equally, it is business which has the greatest incentive to prevent cartel domination of the market if the rights of enterprise are to be safeguarded.

One aspect of this situation will illustrate the real significance of cartelization. Many businessmen seriously object to the regulation of industry by government in time of peace. Yet no peacetime government in our history has ever attempted to impose upon industry the system of regimentation which cartels do as a matter of course. It is private economic government, in the form of cartels, which attempts to determine which producers may enter the market, how markets shall be divided, what shall be produced, what quotas may be produced, or bought, or sold, and at what price. Under the pretext of giving stability cartels have dictated what processes may be used in manufacture, what raw materials may be employed, where they may be purchased, to what customers products may be sold, and the terms upon which sales may occur at all.

Such regimentation violates the elementary principles of economic liberty. If we believe in free enterprise, and I feel the overwhelming majority of American business does believe in it, we cannot at the same time condone the theory and practice of monopoly. We cannot ignore the collusive practices and restrictive devices which constitute the framework of a cartel structure.

Cartels Mean Discrimination

If we look at the sectors of industry in which cartels have made the greatest inroads upon freedom of the market, it becomes immediately apparent that it is the business community at large which feels the most direct impact of cartel methods. Cartel control of raw materials forces the manufacturer to buy from monopoly or stop producing. Even if he is able to pass such increased costs along to the consumer, it is not good business, for inevitably the volume of his market tends to shrink. When the business man buys industrial equipment from a cartel, the same thing happens. A striking example of such conditions was recently discovered when anti-trust action was brought against a cartel in electrical equipment. American members of the cartel had compiled what may be called without exaggeration a "sucker list" of prominent corporations. This list was secret and unknown to the customers. Whenever any firm on this list placed an order, the price to be charged was fixed by the cartel at a special monopoly level. Since it was not possible to go elsewhere, the purchasing corporations had no choice but to pay an exorbitant price or do without the equipment.

Such instances of discrimination are not isolated. They represent the trend of cartel policy. Should the independent business man endeavor to improve his production methods, he may risk suppression or extermination if the cartel dominates the field. It has been the experience of hundreds of business men to find their efficiency frustrated in this manner, or to find themselves exposed to the threat of long and costly litigation against a patent combine. It has been the experience of many more to discover that they are completely stopped from entering certain industries, or expanding their markets, or lowering their prices, or improving the quality of their products, because they would be infringing upon a cartel preserve.

Where the cartel pattern has been fastened upon production, or upon pricing policies, or upon the channels and areas of distribution, the independent business man knows that it is perilous to initiate any departure from approved cartel practice. Any action to introduce a new product, or to utilize new techniques, or to develop new sources of materials, or to adopt policies which are contrary to cartel practice becomes taboo.

Will Weaken Economic System

Business cannot postpone facing this issue. It must be realized that to espouse cartelization or to tolerate monopoly practices is to weaken the basis of our economic system, and to undermine the existence of free enterprise everywhere. Either competition exists or it does not. It does no good to pay lip service to the ideal of a free market and yet accept the fact of illegal combination or collusion in prices. The simple fact is that genuine competition is not just reduced by agreements to fix prices, or to carve up markets. Actually, competition ceases to operate at all under such circumstances. When this occurs, it becomes impossible for long to conceal the fact, because the market is no longer able to fulfill its intended functions. Eventually, the effects are visible over a wide range. If they are permitted to cumulate, they slow down the general rate of economic activity to the point of collapse and depression. Government intervention becomes inescapable.

It is well, at this juncture in our history, to remind ourselves that the system of free enterprise which we think of as capitalism is undergoing perhaps its most critical test. It is necessary to define again those principles upon which capitalism rests. In essence, capitalism is the right to enter an occupation or a business on competitive terms. It is the right to invent and develop new products. It is the right to engage in production in a market free from restraints imposed by monopoly.

In this perspective capitalism is the heart of economic democracy. But rights carry commensurate obligations. If we look to enterprise as a system of reward and profit for initiative and production, we must accept the responsibility of risk. The possibility of gain implies the acceptance of occasional loss in accordance with the rules of a free market. Opportunity to enter the market cannot be granted to a few and abridged for others. The system as a whole will not work if it must bear the burden of restrictions upon output, closed markets, cartel-controlled research, and all the other forms of agreement not to compete, not to seek efficiency, not to explore and develop new fields of economic activity.

The Question of Foreign Cartels

What is true of our domestic economy is equally true of our foreign trade. We cannot resolve the threat of monopoly at home without removing the pressure of cartels upon our trade abroad. It will not be effective to lift the bars which international cartels place upon exports and imports if monopoly dominates our national market.

Increasingly, the health of the world economy has become a direct concern of American industry, and of the American people. If cartels govern our trade relations, we know what will happen. Trade will be confined among privileged groups here and abroad. In exchange for monopoly at home, powerful interests here will surrender the world market. Industries which could develop here under competitive conditions will be stifled by concerted cartel effort.

These consequences are not matters of conjecture. The array of evidence uncovered in recent years leaves no margin for doubt concerning the motives and the strategy of cartel behavior. The exclusion of American business from many fields of operation and numerous markets, such as South America, had a distorting effect upon our entire foreign trade. Shortages of capacity and of products resulting from cartel restrictions unbalanced our internal industrial development in many essential branches of production.

We recognize that our peacetime economy must expand if this country is to preserve its living standards, its prestige and its industrial strength in the modern world. We have no desire to extend Government control to peace-time production. But in the long run, a cartel structure in industry invites and renders necessary the centralization of economic authority. The experience of Europe is an illuminating text of this sequence of events. Our own NRA was a manifestation of this process.

In other words, if the daily practices of business are the result of cartel devices, a situation is created in which expansion cannot take place. The strength of free enterprise is its dynamic character, its development by competition to yield an increasing range of goods and servcies available to the consumer on even terms and without discrimination. It is this quality of enterprise which primarily accounts for our industrial growth. It is this same quality upon which we primarily depend to realize our potential capabilities as a nation, and our maximum progress toward a full life for the individual.

Our laws, our traditions, and our experience confirm the validity of this purpose. The Sherman Act is the expression of our belief that the political processes of democracy in government are paralleled and supported by the checks and balances of competition as the mainstring of economic activity. When emergencies arise, or when obstacles are met, we do not abandon democratic government or civil liberties, because we know that our political security is paramount. We are confident that democracy is adaptable. Similarly, there is every reason to prevent any encroachment by a cartel philosophy on our economic freedom. If we keep the market free, if we endeavor to stimulate initiative and provide opportunity, we have the assurance that a flexible economy of enterprise will justify our hopes. We can then look forward to ample opportunities for employment, new industries to provide outlet for investment, and wider markets for profitable activity. We can expect the continued technical advancement which is most stimulated by the climate of a free market, and the full enjoyment of the fruits of scientific discovery. In a venturesome environment the American economy can flourish because response to the incentive of opportunity is the chief trait of our economic outlook.

I do not underestimate the dangers or the difficulties in the job ahead, nor is it assumed that there is a single magic formula for economic progress. But one thing is clear: that for American business there is no solution in the cartel system. The price of an economy managed by cartels is the surrender of the rights of business. When privilege replaces opportunity, the meaning of enterprise disappears. I doubt that business in this country considers any such exchange to be a good bargain.

Swedish Economists Favor Planned Expenditure

(Continued from page 1949)

and that Sweden is not a part of the sterling area. Rather, he said, the krona has been pegged to gold, that is, to the U. S. dollar, for all practical purposes. Sweden's sterling assets are relatively small and are not a part of the currency reserve, Ohlin added. Although Sweden's most important trade is with the sterling area, the krona has not followed the pound down. After the sterling area, Sweden's most important trade, before the war, was with Germany and the United States.

As a result of the Anglo-Swedish payments agreement of last February, Sweden's small sterling balances are expected to increase during the agreement's first year by the equivalent of some 200,000,000 or 250,000,000 kronor. Under the agreement the Bank of Sweden will freely buy sterling from Swedish exporters. Assuming Swedish exports of 500,000,000 kronor and imports of 300,000,000 kronor, there will be a credit balance of 200,000,000 kronor, to which perhaps another 50,000,000 kronor will accrue on account of Swedish shipping services. These sums will be reflected in a growth of Swedish-owned sterling balances, and so will amount to the extension of that much credit by Sweden to Britain, Ohlin said.

Sweden has been relatively free of labor troubles during the war years. Prof. Ohlin said. He pointed out that Sweden has by law a labor arbitration court which resolves all disputes over interpretation of labor agreements. Once the workers and management have entered into an agreement, strikes and lockouts are forbidden. This law has disposed of most of Sweden's potential labor disputes. According to Ohlin: "This arbitration tribunal represents an important step forward in efforts to avoid labor conflicts. It creates better understanding between management and labor. Of course, when it comes to wage disputes, that is, new contracts, then strikes and lockouts are possible under the Swedish law. For example, this year we have had in Sweden some five months of strikes in the machine tool and shipbuilding industries. The workers wanted wage increases and the employers argued against that on the grounds of price ceilings predicated on wage control. They were willing to agree to some increase in the wages of the lowest-paid workers. In the end a somewhat greater increase for that group was allowed.

"Even in socialist Sweden," continued Ohlin, "the workers do not favor the government fixing workers' wages. The war resulted in a reduction of real wages, and it was the rectification of that situation that the workers were after. Now wages are back pretty close to prewar. This does not mean, however, that labor will be content with what it now is getting. This will become evident in November and December, when new wage contracts are negotiated.

"It may interest your readers to know, that some of the experiments now being prepared in the UK have already been put into effect here. Sweden experimented in the 1930s with public works, following publication of 'The Economics of Unused Resources.' That program now has been worked out more completely in various ways. We now have a Commission for Postwar Economic Policy, headed by Dr. Gunnar Myrdal. We have not only a large public works plan, with the blueprints already prepared at considerable expense, but also an investment council to coordinate public and private investment. Then we have a scheme for a state subsidy in the form of stockpiling, a plan to subsidize consumer purchases of durable goods, and a scheme under which taxpayers set aside a certain percentage of their profits to be spent in such year as the government declares to be one of poor business conditions. This gives a balanced approach to the problem of avoiding depressions. In 1937 Sweden formally decided on the policy of cyclical balancing of the budget, rather than annual."

Asked, in view of his statement as to the relation of the krona to the dollar and gold, whether Sweden does not really have a managed currency, Professor Ohlin said that currency policy and other economic policy are inseparable and indistinguishable.

Ohlin stated that Sweden is strongly interested in international cooperation, since foreign trade determines Sweden's welfare. About a fifth of Sweden's production goes into exports. So Sweden wants to see all countries prosperous.

Concerning the well known pessimism of Professor Myrdal, Sweden's present Minister of Commerce, as to the ability of the United States to avoid depression, Professor Ohlin said he does not share that view.

Asked how the USA can help recovery in Sweden directly, Ohlin replied: "By quick replies from the combined boards."

Florida Power Corp. Common Offered To Investors

Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane headed an underwriting group that jointly offered Oct. 24 to the public at $17 a share 539,240 shares of common stock (par $7.50) of the Florida Power Corp. Of the total offerng, 76,793 shares will be received against subscription rights of certain stockholders of General Gas and Electric Corp.

Of the shares offered, 142,857 are being issued and sold by Florida Power and the remaining 396,383 are already outstanding and part of the 857,143 shares owned by General Gas & Electric Corp.

Proceeds from the sale received by the company will be used to complete construction of a 25,000-kilowatt generating unit at the company's plant in Inglis, Fla., and to pay bank loans of $500,000. Based on the present level of earnings, it is expected, according to company officials, that dividends will be paid at the rate of 80 cents a share annually on the 1,000,000 shares of common stock to be outstanding.

The Outlook for Industrial Prices

(Continued from page 1947)
increases varies widely, and that one cannot generalize as to the extent to which prices would have to be raised with any given increase in wage costs. It is clear, however, that the wage factor in general is of major importance.

Wage Rates and Price Control

Wartime experience clearly revealed the primary importance of the wage cost factor in relation to prices. In the first stage of price control in this country it was assumed that the task was one of establishing ceilings and then punishing violations thereof. Experience soon taught, however, that constantly advancing wage rates and raw material costs made it necessary to lift the ceilings. The push from the cost side was eventually found to be much more important than the pull from the demand side. The hold-the-line policy eventually adopted involved a complete shift in emphasis. And, once the cost foundations were under reasonably effective control, the upward movement of prices was checked—notwithstanding the ever expanding fund of unspent purchasing power.

Germany learned this lesson during the First World War; and at the very outset of the Nazi program of war preparedness the stabilization of wage rates and raw material prices was seen to be indispensable to the control of industrial prices. Great Britain, France, and Canada learned the lesson much earlier in the present war than did the United States. In passing it is worthy of note, also, that in both Great Britain and Canada post-war control of wage rates is regarded as necessary to the continuance of price control.

The OPA has clearly recognized that post-war price control must take account of changes in wage costs, actual and prospective. For example, in setting prices at which durable goods whose production was suspended during the war may now be sold, consideration has been given to the rise in wage and other costs since 1941. It is also clearly recognized that if further increases in wage rates occur, these will also have to be taken into account by the regulatory agencies. It has apparently been the hope of the OPA that the announced program of firm control of prices in the transition period would serve to relieve in large measure the pressure from wage advances. The illusory character of this hope has, however, been clearly revealed by the wage demands of recent weeks.

Conflicting Economic Philosophies

The current drive for substantial increases in wage rates is readily enough explained by the natural desire to maintain the wartime level of earnings. Hence as overtime pay disappears the obvious means of sustaining purchasing power is to increase the basic wage rate.

The current wage program is, however, supported by an economic philosophy. It is urged that the continuance of the wartime level of earnings is essential to sustain the markets for the full output of our productive plant. If wages are reduced buying power will be curtailed and deflation and unemployment will ensue.

It will be observed that this program necessarily involves a decrease in the volume of goods and services produced relatively to the amount of purchasing power disbursed. For, with the disappearance of overtime work, output per man would decline, while the pay envelope would remain the same. Labor leaders insist that, thanks to accumulated wartime profits and technological progress, an increase of something like 30% in wage rates could be granted without any necessity for increasing prices. Assuming for the moment that the increased costs could be absorbed, it remains true that the discrepancy between the volume of purchasing power and the volume of production would have been increased.

This conception that an expansion of purchasing power is essential at this time to sustain market demand runs directly counter to the belief that the gravest danger in this transition period is the accumulated purchasing power already hanging over the markets. This accumulated purchasing power, in the view of most observers, constitutes the primary inflationary threat. In the words of Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System: "The enormous store of funds which so far exceeds the supply of goods available now . . . could result in a ruinous inflation if prematurely spent."‡ In the words of the Post-War Planning Committee of the CIO: "Civilian goods will continue scarce for some time, and people will have huge savings to spend. . . . Without effective controls over scarce goods and prices an inflationary spiral might arise."

Thus it will be seen that it is argued simultaneously, even by the same people, that the primary source of maladjustment is, first, an excess of accumulated purchasing power, promoting inflation; and, second, a deficiency of purchasing power, promoting deflation. The remedy for excess purchasing power appears to be to increase it still further.

Can Wage Advances Be Absorbed?

Consideration must now be given to the question whether extensive increases in wage rates can be granted without compensating price increases. For reasons already indicated, no single answer applicable to all cases can be given. In some lines where the labor cost factor is relatively small, where the wage advances during the war have not been great, where technological progress has been rapid and where post-war volume is large, price increases might not be necessary. But where wage advances have already been large, where wages are the primary element in cost, where technological progress has been unimportant, and where post-war volume will not be large, very substantial advances in prices would undoubtedly be necessary. In the words of Fred M. Vinson: "Upward wage adjustments cannot be granted without considering their effect on the price level." What the precise effect would be in any given case could be determined only on the basis of thorough study.

That increases in prices would be necessary in the automobile industry may be assumed from the fact that the prices fixed for that industry by the OPA were based upon the assumption of the continuance of existing wage levels. That is, allowance was made for the increases in costs already incurred but not for future possible increases.

With respect to increases in productivity, no generalization can at this time safely be made. The striking increases in manhour output during the war, to which reference is sometimes made, occurred in industries where mass production methods were for the first time developed, notably in shipbuilding and airplane production. In industries where the production of peacetime products was suspended, it may be doubted whether there has been any increase in productivity—for the simple reason that the companies were preoccupied with war production.

The bulk of the accumulated wartime reserves will be required to finance post-war production. The rise in costs during the war period means that more money will be required than heretofore to finance the same volume of business. At the same time, business must be expanded if full employment is to be provided and economic progress is to continue. It should be noted, moreover, that even if accumulated reserves were more than adequate for these purposes the balance remaining could be used but once. That is to say, we might use these reserves to sustain wages in 1946 but we could not use them in 1947 and later years.

Raw Material Costs in Relation To Industrial Prices

Thus far our attention has been focused entirely on wage costs. It remains now to discuss briefly the outlook for raw material prices, the other primary element in the cost of manufacturing.

Our analysis of the raw material situation leads to the conclusion that, on the whole, we shall be confronted with surpluses rather than with shortages. Even with the few commodities where the situation is still tight, there is reason for believing that within 12 months conditions will be reasonably satisfactory.

In the case of agricultural raw materials the prospect is for lower rather than higher prices. In the absence of continued government support, there might well be a major recession of agricultural prices. In the case of minerals the situation is somewhat different because here, as in manufacturing, wage costs exert a direct influence on price quotations.

A material decline in raw material prices would, of course, counteract in considerable degree the influence of higher wage costs. However, under existing law agricultural prices are to be supported through the calendar years 1946 and 1947 at not less than 90% of parity. In view of the power of the farm bloc and the widespread view that the maintenance of farm prosperity is a prime essential, it would seem that farm prices as a whole are likely to be maintained at or near present levels, at least during 1946. If this view is correct, then we cannot expect reductions in the prices of raw materials to go far in offsetting wage rate increases.

The Experience of 1919

The present situation is in important respects markedly different from that prevailing in 1919-20. At the end of the last war there was no powerful movement for wage increases. The main question in the early months after the First World War was not whether wages should be increased to sustain purchasing power, but whether they should be reduced in order to get back to firm foundations. On the other hand, there was a great fear of shortages of raw materials—a fear that was not founded on adequate statistical evidence. In these respects the situation was the reverse of that obtaining today.

The striking feature of the 1919-20 boom was the extraordinary speculation in business inventories. It will be recalled that orders were placed far in advance of needs and greatly in excess of requirements. The situation, of course, appeared to offer great opportunities to commodity speculators.

The sharp advance in raw material prices appeared to necessitate mark-ups at the manufacturing level and, in turn, through wholesale and retail channels. As the prices of finished products rose, demands for wage increases of course grew apace; and there followed the vicious spiral of rising prices, rising costs, and again rising prices.

Most business men moved with the current. They plunged on inventory accumulation, they marked up prices without much attention to cost necessities, and they mistook inflationary profits for real profits. That is to say, they were as much interested in making money out of price advances as in making profits out of the processes of production. When the break came in due course, financial profits vanished more quickly than they came; and moreover the ensuing depression wiped out real profits as well.

As we look forward today I see little danger of a price boom analogous to that of 1919-20. Instead of raw material shortages we have surpluses. Moreover, statistical data can now be currently furnished with respect to the inventory situation. Moreover, also, by virtue of the government's holdings of surplus stocks of a wide range of commodities a speculative movement could be quickly checked by the dumping of government supplies. I end, as I began, by saying that the key to industrial price profits at the present time is to be found in the wage situation. Powerful pressures exist for advancing wage rates and there is much reason for believing that the increases granted will necessitate price advances in many important lines. These advances tend to become cumulative in character, spreading throughout the industrial system.

My conclusion is that there is no real ground for fearing a runaway inflation movement at this time. In the interest of stabilization, business men should refrain from becoming panicky, and should strive, as never before, to keep price advances, made necessary by increasing wage rates, at the lowest possible level. The low-price, expanding market philosophy requires that the ratio between wages and prices be a constantly improving one. It is not always possible to lower prices in a positive sense, but it should always be possible to keep prices from advancing as rapidly as wages advance.

‡"Federal Reserve Bulletin," March 1944, p. 222.

Montgomery Returns to Adams & Peck in N. Y.

Captain Hale L. Montgomery, recently released by the Army, has returned to Adams & Peck, 63 Wall St., New York City.

Our Latin-American Markets

(Continued from page 1948)

of a bus or car and then stopping to see it go by. His tastes are simple, sports, automobiles and cocktails. He is usually chewing gum, smoking cigars or drinking soft drinks. Intellectually, though he may be successful in business, he is slow and methodical.

The American man is an amateur in matters of love; for one can seldom be a good lover and a successful businessman at the same time. The American considers business and even sports more important than women. The poor fellow must work incessantly anyhow, because his wife spends all the money.

Ah, but American women are different. They are all blondes with million dollar legs, good figures, fair complexions, and blue or brown eyes. Physically they are very acceptable, but they are dangerous and untamed. Most of them henpeck their husbands, but since the men stand for it, the women are not altogether to blame.

Being so beautiful and daring, they are, of course, dangerously tantalizing.

The Latin American "caballero" thinks that all American women are crazy about him, and that, sooner or later, they all crave to have him in their lives. They also feel that we of the United States have been too imperialistic and money minded, while Latin America is more idealistic and generous.

It is difficult to know which false ideas are the more preposterous, those common among Latin Americans or those of the United States. In any event, I feel I can serve no better purpose than to give you a realistic and factual picture of our neighbors to the South, for the more we know and understand each other, the better friends we will become.

What Is Latin America?

Latin America, which extends throughout the West Indies, and all the way from our southern border down to Cape Horn, a distance of 7,000 miles, is composed of 20 countries, with 130,000,000 inhabitants and in size is three times larger than the United States. Of these countries 18 speak the Spanish language, while Portuguese is spoken in Brazil and French in Haiti. In population 82,000,000 speak Spanish, 45,000,000 Portuguese and 3,000,000 French.

All of these countries were colonized by Europeans, mainly Spanish and Portuguese, so that the culture and architecture is predominantly of these two nations, and the religion is Catholic.

One must not make the mistake, however, to consider all of these countries alike, for although they all have similarities none of them is the same.

The Argentine, Uruguay, Costa Rica and Southern Brazil have a larger percentage of whites than our own United States, whereas other countries such as Guatemala, Ecuador, Bolivia and Paraguay are predominantly Indian. Then, again in Chile, Colombia, Mexico, Peru and Venezuela, the population is divided on a basis of approximately 30% Indians, 60% Mestizos and 10% whites.

In education, the upper classes are highly advanced, not only in their own schools and universities, but also in the highest institutes of learning in Europe, and sometimes in this country. The education of the masses is now progressing most satisfactorily and every Latin American hopes that with the new era after the war illiteracy will be at minimum.

Many of us who pride ourselves on our universities and our great centers of learning should remember that the universities of Mexico City and Lima, Peru, ante-date our first university at Harvard by nearly 100 years.

Naturally, there is a great disparity between the upper class and the masses of nearly all of these countries and consequently a struggle for better living conditions, a decent living wage and land, which was the cause of the revolution in Mexico and in some of the other Latin American countries.

I think I would not be far from right if I said that today a cross-section of all the southern countries would show purchasing power for what we consider the ordinary necessities of life of only 35% of the entire population.

Governments

All of the 20 Latin American countries are republics, somewhat similar to our own. All fought for their independence from European powers, and all are zealous of their rights as free and independent nations.

Of all the countries to the South I would consider Mexico, Chile, Colombia, Costa Rica and Uruguay as the most democratic.

Products

With a diversity of climate from the tropics to perpetual snow, Latin America produces every type of vegetation from coffee, cocoa, rubber and tropical fruits, to corn, beans and wheat in the temperate zones. Brazil, as we know, exports 57% of the world's coffee, Cuba 50% of the world's sugar, and the Argentine is the largest exporter of meats, corn and wheat in the entire world.

In addition, nearly all of these countries are rich in oil, minerals and precious stones. Mexico is the largest producer of silver, Chile of copper, Bolivia of tin, and Brazil of manganese, while Venezuela, Mexico and Colombia are the largest producers of oil.

In every Latin American country, with the exception of Mexico and Ecuador, a maximum of three products usually represents more than 60% of total exports and, in the case of 12 countries, a single product represents more than 50%.

Trade

Before 1914, the greater part of Latin American trade was controlled by the European countries, particularly Great Britain and Germany. To their great profit these nations had wisely become intimately familiar with the languages, customs and problems or our southern neighbors. They offered long-term credits for the purchase of their goods, while American merchants were still demanding cash in New York before shipment.

Since 1914 when Latin America discovered us, due to the closing of the European markets, our trade with those countries has increased by leaps and bounds.

In 1940, the year before we entered the war, our exports to Latin America had reached $790,000,000 and purchases $310,000,000. Since that time our exports have continued to increase, reaching $973,000,000 in 1944, exclusive of lend lease. For the same year our imports, from Latin America, which have now largely exceeded our exports, due to the necessity of strategic materials for our war effort, amounted to $1,586,000,000.

Of all the Latin American countries Mexico stands out as the United States' largest purchaser. As sellers to us, Cuba ranks first, Brazil a close second and Mexico third.

In normal times we must ship 10% of our total gross production abroad. This absorbs 50 to 60% of our cotton, 40% tobacco, 30 to 40% dried fruits, typewriters, sewing machines, agricultural implements, etc. In automobiles, alone, we sell to Latin America in normal times $100,000,000, which pays salaries of approximately $20,000,000 to our American workmen, in addition to the profits made by these great manufacturing companies.

Future Trade Prospects

Latin America offers today the most promising field for immediate development in the entire world. Many products formerly purchased in Malaya, China and Russia can be mined or grown at our back door. Rubber is being produced in Brazil, in Mexico and in Costa Rica; tea in Peru; Cuba can produce one crop a year more of silk cocoons than Japan, besides the enormous quantities of tin and manganese and other metals now being purchased from this hemisphere, which formerly came from Russia and the Far East. In normal times we have imported 94% of our essential tropical crops from the Far and Middle East and only 6% from Latin America, although many of these products originally came from South America, including the immensely important quinine and rubber, all of which can be produced on this hemisphere.

By buying from Latin America and making shipments of goods, as required by the conditions and trade of each country, we can easily hold our exports to well over $1,000,000,000 a year, particularly in view of a backlog of favorable trade balances, which the Latin American countries have with us of over $3,000,000,000 and the difficulty of other countries to compete under present conditions.

Our natural zone of influence extends to the northern part of South America including Colombia, Venezuela and the West Coast, for Brazil, Uruguay and the Argentine are closer to Europe than to us. Brazil, however, ties in closely to us because we need her products, but Uruguay and the Argentine will always be competitive, as the agricultural products produced there are similar to our own.

The Latin American countries prefer American goods on the basis of quality but have been tempted to purchase from Europe in the past on account of more receptive cooperation and understanding, and longer credit facilities.

While we are handicapped today in carrying out our trade with Latin America, due to import licenses, priorities, export licenses and the difficulties of transportation, on account of the war, we have made amazing strides in spite of the situation, due largely to the excellent services of the Pan American Grace Airways, which has a record of carrying, during 1944, 60% as much air freight as was handled in the entire U. S. over the same period. In addition, with the building of the bridge over the Suchiate between Mexico and Guatemala, shipments may now be made by rail not only to any point in Mexico, but to Guatemala and Salvador as well.

Credit Standing and Dollar Exchange

That our Latin American business has been profitable, has been substantiated by the Foreign Credit Interchange Bureau which rates commercial credit in all of the Latin American markets as "good" and classifies all as "prompt" as regards collections. Dun & Bradstreet's survey of Latin American transactions shows that during the past 12 years, credit losses amounted to only two-fifths of 1%.

The current and prospective accumulation of increased exchange reserves assures Latin American monetary stability and offers an exceptionally favorable outlook for future trade. In fact, these countries have profited from the war, while our debts have increased and it would not be at all surprising if the financial position of some of our Latin American neighbors were not even better than our own in spite of our credit standing as one of the richest nations on earth.

What the Americas Are Giving To Each Other

A new spirit of economic friendship is abroad in Latin America. Trade routes hitherto closed by mountains, seas, jungles, rivers and forests are opening between Latin American Republics, and a whole new world is available for production, steady employment and higher standards of living.

An agreement between Argentina and Brazil provides that the products of new industries developed in either country shall be exempt from import duties for a period of ten years.

Brazil and Argentina have agreed to aid Bolivia in building new railroads to connect their respective borders, while Bolivia and the Argentine are to build a pipe line to take Bolivian oil to Argentina's railroad terminals.

Brazil is exchanging its textiles, iron and steel products and lumber for Argentine wheat.

Reciprocal trade treaties do not all have U. S. stamped on them; Argentina has signed them with Cuba, Peru, Colombia and Chile and so their network of cooperation expands.

A nine-power rubber agreement binds Latin American Republics together in a mutual program to assure a stable market up to 1946; to maintain prices, to bring financial and technical aid to rubber development, to share the tire output and to advance research and production.

Brazil has agreed to establish a free port at Santos to handle imports to and exports from Paraguay; and Mexico will open free ports at Salina Cruz and Puerto Mexico.

Two new highways, a new railroad and two tunnels under the Andes will connect Chile and the Argentine so coal and minerals from Chile can be exchanged for wheat and other products from the Argentine.

To supply the quinine lost to the United Nations from the Far East, Mexico, Guatemala, Costa Rica, Peru and other republics to the south are actively encouraging the cinchona industry to meet the malarial pest of the jungles.

Brazil, Argentina, Mexico, Venezuela and Peru now have tire plants and are producing enough to supply their neighbors, Chile, Paraguay, Bolivia and Guatemala.

Nicaragua now has a complete free trade agreement with El Salvador.

Mexico is sending commercial and agricultural exhibits to some of her neighboring republics. Trade envoys accompany the exhibits to give information about Mexico and to bring back ideas that will benefit its trade.

Industrialization

What we will now find in Latin America is a strong trend towards industrialization. All of the larger countries are anxious to establish their own industries and look forward not only to supplying their own needs, but to selling their manufactured products in inter-American trade as well. Mexico and Brazil present a golden opportunity with an abundance of raw products and cheap labor and little, if any, competition, for, until now, our southern neighbors have specialized chiefly on the products of agriculture, mining and oil.

American patents and know-how are needed and welcome in all of the Americas and will pay splendid dividends. For better results it is desirable they work in conjunction with local capital and not as a foreign owned enterprise.

New factories and mills are constantly being built in Mexico, Brazil, Cuba, Colombia and other Latin American countries, and many of these industries are paying dividends of 10 to 15% and quite often even more. In some cases they have completely paid for themselves during the first two or three years.

In Mexico alone, 167 American companies are now operating as local enterprises. Among these are the Celanese Corporation, Reynolds Metals, Johns Manville, General Motors and Wastinghouse; the latter, together with Mexican capital, has just organized through "Inversiones Latinas," a $15,000,000 Mexican company under the trade name of "Industria Electrica." This company last week established the precedent of listing Mexican shares on the New York Stock Exchange, and the entire American allotment was sold the first day it was offered to the public.

In making these relations we render a service to our own country as well, for, with the rise of manufacturing industries in Latin America, through our investments, the closer our friendship becomes, and the higher their per capita wealth, the greater their purchasing power and, consequently, the greater their facility for purchasing American goods.

Trade records show that our export sales thrive best in an expanding industrial market and that the most highly industrialized countries have always been the best markets for our manufactured goods.

Advertising

I am sure that everyone here today appreciates to the fullest extent the value of advertising, the life blood of our own nation's commercial progress.

How to carry out our foreign advertising on this hemisphere is a matter of great importance, for it may mean the difference between increased exports or loss to other countries.

It may be helpful to American advertisers that I place before you a few simple fundamentals.

Generally speaking, it is desirable to service the hemisphere from the United States rather than from any one Latin American source, at least so far as American products are concerned. Both on the radio and in written Spanish advertisements in Latin America, it is preferable to rely on a native of one of the countries of this hemisphere for the Spanish wording and, where intense propaganda is carried out in any particular country, a person of that country, who is thoroughly familiar with the language, customs and trade practices.

Where programs are given over the radio the most appealing to Latin American listeners are those combined with opera or symphonic orchestras.

In spite of war and the difficulty to deliver merchandise to the Latin American countries, advertising expenditures by American firms during 1944 reached approximately $16,000,000. As normal trade conditions are restored and no limitations on newsprint, advertising will increase enormously, since Latin American countries constitute a market where the devastation of war has not lowered standards of living, but, on the contrary, these standards are rising to much higher levels.

During 1944 wider recognition of the resources, energy and importance of the Latin American Republics come out of the vigorous stand they took in aligning themselves among the Allied nations. Their great help in the war effort in essential materials and prompt collaboration against the enemy has drawn us much closer together, making for goodwill and better understanding.

As a result, demands for market information and technical aid have multiplied rapidly and new publications, travel-books, catalogs, information services, advertising agencies and new branches of established agencies have come into being. Interest in Latin

The Way to Industrial Peace

(Continued from page 1952)

made it a special crime to use or threaten violence to compel the payment of money. But, it was found necessary to placate labor opposition by inserting a provision that the act should not be construed "to impair, diminish, or in any manner affect the rights of bona fide labor organizations in lawfully carrying out the legitimate objects thereof." Thereafter members of the Teamsters Union were convicted of lying in wait for trucks passing from New Jersey to New York and, by threatening to beat up non-union drivers, forcing payments equal to the union wage for one day's work. But the Supreme Court of the United States held that the convictions could not be sustained, since these were union men seeking to collect pay for work which they were ready to perform, even if their chosen employer did not want to employ them!

The eminent Justices disagree frequently over such theories of law which would, in the language of a dissenting Judge, make "common law robbery an innocent pastime"! But recent majority opinions have repeatedly made it plain that members of labor organizations, when engaged in labor disputes, are legally permitted and practically encouraged to use force and violence that is ordinarily punishable as crime.

Nevertheless, we should not condemn labor unions as being solely responsible for the evil way in which labor disputes are frequently handled and strikes are carried on by lawless means and often for unlawful objects.

A heavy responsibility for present conditions rests upon leaders in industry and Government who have, right down to the present hour, steadily upheld the outworn doctrine that all economic conflicts should be determined by a rule of force. When employers had the upper hand, they wanted freedom to use economic force with which they could control wages and working conditions. Now, organized labor, conscious of its enlarged strength, seeks to exercise a similar dictation.

The man who supports or is willing to support a rule of private force in the settlement of economic conflicts has little cause to denounce those who successfully organize force and brutally use it to advance their selfish interests. It is neither fair nor practical to demand that one party to a labor dispute law down the weapons of force and coercion unless all parties are required to use peaceful methods which can be employed without giving an advantage to one side and with a reasonable prospect that a just settlement can be reached.

Make Strikes Unnecessary

The way to prevent strikes is to make them unnecessary. That does not mean that the Government should undertake to guarantee to the workers fair wages and good working conditions. It does not mean that causes of economic conflict can be removed by law. But strikes can be made unnecessary when peaceful methods can be employed and a rule of reason established which will offer to organized workers a better chance to obtain satisfactory wages and working conditions than they would have by resorting to strikes.

Many persons assume that the only way to assure the settlement of labor controversies without striking is to require the compulsory arbitration of all unsettled disputes. But compulsory arbitration is not a sound alternative, for many reasons:

1. The possibility of compulsory arbitration would seriously weaken negotiation and collective bargaining. It would encourage a stubborn, unreasonable negotiator to refuse to agree and to take his chance on an arbitration and an adverse award for which he would accept no responsibility.

2. Labor disputes involve questions of fair wages and reasonable working conditions, for which there are no fixed standards, so that it is difficult for impartial judges to make sure that their decision is just.

3. It is difficult to get impartial judges for labor disputes, because in these cases persons without emotional or economic prejudice are hard to find.

4. Cooperation between employers and employees should be based on agreement and not on compulsion.

Therefore, the way to prevent strikes is not to establish compulsory arbitration. The way to prevent strikes is to establish, first, a duty imposed by law upon both employers and employees to make every reasonable effort to settle any differences by negotiation between representatives duly authorized to act in behalf of the respective parties. The law should also provide that, until peaceful efforts to settle labor controversies have been exhausted, neither party shall take any one-sided action to change conditions or to gain an advantage over the other.

If peaceful negotiations between authorized representatives fail to settle a dispute, either party should be able to invoke the aid of a Government mediator. If mediation fails, there should be a full opportunity for a voluntary arbitration by an impartial board. If negotiation and mediation fail and voluntary arbitration is refused by one or both parties, and if the dispute threatens serious injury to substantial public interests, there should be appointed a Government fact-finding commission to hear the parties and to make recommendations for the settlement of the dispute. The law should also provide that, during all these procedures through which a peaceful settlement should be sought, there shall be no strike or lockout or other dictatorial act by either party.

What I have been outlining is not a theoretical scheme for preserving industrial peace. It is the practical way in which peace has been preserved on the American railroads for over 19 years. The principles and methods written into the Railway Labor Act in 1926 have been rewritten to apply to industry in general in the bill introduced June 20th by Senators Hatch, Burton and Ball.

The Hatch-Burton-Ball Bill

There are, of course, a great many things in the HBB bill which go far beyond the provisions of the Railway Labor Act. There is, for example, a provision for compulsory arbitration of a limited class of labor disputes when a stoppage of production would deprive a community of the necessities of life. Such unsettled disputes are always finally decided by compulsion—by the action of a Mayor or a Governor or the President, using the police or the soldiery or the power to seize property in order to save the public from intolerable injury. The HBB bill provides, instead of such compulsion, for a judicial hearing by an impartial commission and the making of an award which will be binding on the parties for a trial period of normally one year.

Let it be conceded that any form of compulsory arbitration is undesirable and that this provision in the HBB bill, and other provisions that go beyond the Railway Labor Act should be thoroughly debated and only enacted if they meet widespread public approval. But why should the largest national labor organizations denounce the HBB bill as a whole?

Why should no national labor leader come forward to say that he would be willing to see the principles and methods of the Railway Labor Act applied to the settlement of labor disputes in other industries? Why are these labor leaders unable to find any good in the bill? Why do they denounce its sponsors and call it a bill to enslave labor and to smash unions?

They are opposed to the entire bill for one obvious reason. Such a law would require labor organizations and employers to negotiate peacefully before a strike or a lockout. It would require both parties to give Government mediators a chance to work for peace before a war could be started. If mediators failed, the parties might be persuaded to agree on voluntary arbitration. If no agreement could be reached, then the law would require the parties to refrain from fighting until an impartial fact-finding commission could hold a hearing and make recommendations for a settlement.

Every labor leader, who knows enough to hold his job, knows that such a procedure would make strikes largely unnecessary and would bring a peaceful settlement in most cases. That is the record in the railroad industry. But these labor leaders are determined to hang on to the strike weapon and they want to be able to use it at their own pleasure, regardless of the public interest. They want to dictate wages and working conditions by force and they are unwilling to let them be determined by a rule of reason. They want to maintain monopolies of labor and closed shops that can only be obtained and retained by force. They are apostles of a rule of force in industry, because they think that the balance of power in a contest of force is on their side.

Strikes Involve Intimidation

These labor leaders are not fooling the people when they talk about peaceful strikes and collective bargaining. Lawlessness in strikes is common practice because merely stopping work will not usually bring success. It is necessary also to prevent other people from working. It is necessary to stop customers from buying and suppliers from delivering. It is necessary to deprive the public of necessary goods and services. It is intimidation and force that are relied on to win a strike.

Collective bargaining under these conditions is merely the polite name for collective anarchy. No Government can tolerate such conditions and preserve the support of its citizens and the respect of other nations.

It is time to relegate needless, lawless striking to the ash can of history, where duelling and trial by combat have been dumped as men have become sufficiently civilized to insist on the settlement of differences of opinion by persuasion and judicial arbitration and to forbid men to fight out their quarrels at the expense of the public health and safety.

The primary duty of any Government is to maintain peace and good order among its citizens. We, in America, should put our house in order very soon or we shall find ourselves a weak exponent of a better world order. We are today heading towards humiliation and failure abroad as the result of failing at home to govern ourselves.

Industrial warfare is a disgrace to a 20th Century civilization. It is destructive of our national welfare. It is undermining our influence and power in international affairs. It offers today a serious menace not only to domestic prosperity, but to the future peace of the world.

Guideposts to a labor law that would be fair and just to all have been set up long ago. They point the way—the only sure and democratic way—to industrial peace.

American countries is no longer confined to the traditional centers of international trade, but is extending to all of the principal manufacturing areas throughout the entire United States.

At this point, I should like to bring out forcibly the scarcity of Latin American advertising in the principal daily papers of this country. We should make a concerted attempt to induce Latin American producers to make their wares better known and increase sales through advertising in this country. Little has been done by the nations to the south of us to push the sales of their products in this country, which is so essential to us to carry out our exports to them, for only by buying from the Latin American countries those products which we need can we hope to increase our sales to them.

We should be alert to push advertising in every way in our power—both in Latin America and in the United States—for other nations are now working actively to develop trade with the Latin American Republics, the most prominent of which are England and Sweden.

Trade Summary

In summing up our trade opportunities with Latin America, let us bear in mind that nothing is more conducive to international friendship than satisfactory trade relations; that seldom have countries gone to war with nations with which they have had good relations in trade and that the answer to a peaceful world of tomorrow is one in which all nations may have the advantages of raw materials and the opportunity to sell to their neighbors without undue tariffs or trade restrictions.

The welfare of our country depends, in great measure, on the solidarity of this hemisphere and the friendship of each nation towards the United States and with one another. There is no better way to attain this friendship than through mutally satisfactory commercial relations.

Our Post-War Planning

(Continued from first page)
or follow the charts, or by an error in the chart, or by the inability of the ship to follow its desired course due to external forces of wind or storm, or by internal failure of its power plant. The same kinds of hazards attach themselves to the chart for and the course of the Ship of State. As the chart is based on the world's history and all our national experience, the grave dangers lie first, in a human failure to follow the chart, and second, in a failure in the power plant. The chart itself is right and the ship is strong enough to weather any wind or storm, such as the growth of the ideas of an all-powerful central government or of the socialized state — ideas contrary to all our history and all our beliefs—the ideas over which we fought this war and are now, in the peace terms, destroying elsewhere in the world. The only real risk left is a human failure to follow the chart.

Submerged rocks and shoals do not appear to the eye on the surface of the sea, so charts are required for ships—charts based on the experiences of men who have wrecked ships, as well as those who have planned to prevent shipwrecks. Likewise, for the Ship of State, its course is equally smooth, whether there is deep safe water ahead or whether rocks and shoals, concealed from the eye, beset its course. We have such faith in our Ship of State that we have grown careless enough to think it can go anywhere safely. As long as the weather for today seems good we give little concern to our course, whether the rudder is set left or right and whether we set our course by the stars or on some sudden inspiration or fear.

For the Ship of State there is all of history to point out the rocks and shoals alongside any safe course, and to complete the parallel in a political sense, let me add that not all the rocks—the hard facts of experience—are on the right side of the channel, nor all the shoals of shallow thinking on the left. If the political ship wants to override a hard fact of the world's experience, it isn't going to be any easier on the ship that some political leader said he was steering to the right of center, and if the ship wants to go over a shoal of unexplored ideas, the crash won't be any less dangerous because the ship was being steered only slightly to left of center.

The Driving Power

The driving power of the American Ship of State has been its free enterprise system, the profit and loss system if you will, the American Way of Life. That power won't fail unless we, the crew, destroy it. Nobody outside our ship can destroy that motive power unless we let him. When a better power plant is developed and proven, we will consider a change—if we are wise—but not until this new power plant is proven better than the one that s now the world's best.

Who are the people who sit at the throttle, the control valve of this power plant of America? They are the consumers. Who are the ones who encourage the consumers to keep the power on? They are the sales forces of America who try to keep consumption up to the productive capacity and keep driving for still more production to still further cut costs, lower prices, broaden markets, increase sales and consumption. Except that the process takes much energy, it's the nearest thing we know to perpetual motion. We have recently heard of "dampeners" needed for slowing down the electrons in the process of developing atomic energy. Now we have a new research job of an entirely different kind for some scientist in developing a "booster charge" for use in connection with human energy, so as to increase its effectiveness in production and sales.

Lessons of History

Let's take a look at some of the rocks and shoals that have been put on the course of our national Ship of State and some of the attempts to destroy our motive power. Let us look at some of the lessons of history, some of the hard facts, and some of the shallow thinking contrary to the whole course of development of our people. Let's also take a look at our power plant and discover what we mean when we say "free enterprise system" or "American Way of Life." We have been so complacent and have taken it all for granted for so long that we need, first, to look at the results it has produced.

May I invite your attention to a parallel from the lines of Lowell, who said there is no place ten miles square on this globe where a man can live in decency, comfort and security unless the Gospel has gone there first and cleared the way and laid the foundation which made decency and security possible. Just as we have taken for granted the benefits of the Gospel, so we have taken for granted the benefits of the American Way of Life which has provided a standard of living so high that there is no place ten miles square on this globe where any form of centralized government has been able to do so much for all the people.

Record of Free Enterprise

Our present system needs no justification, for it has produced results matched nowhere else in the world in its entire history. No one will claim it is perfect, that it cannot be improved or that it will satisfy all people. It can be improved and it will be improved if we seek to improve it by an evolutionary and not a revolutionary process. Up to now this is the best plan developed in the world, but still there are men who want to mix the ideas of individual liberty, responsibility and equal opportunity for all with the idea of a strong federal government, controlling and operating in the field of economics. That is as impossible as to ride a pair of horse going in opposite directions. One idea glorifies the individual and minimizes the state, the other does the exact opposite. One idea is that the individuals can handle their own affairs better than the state, and the other is that only an all-powerful state can handle the economic life of all the people. Those ideas won't mix.

The American Way of Life has prospered in the idea that "man is both too weak to wield unlimited power and, thank God, too strong to submit to it." No one has found "ringing words" for expressing the ideas wrapped up in the concept of the American Way of Life, but to me it certainly means all these ideas—equal opportunity for all, personal liberty consistent with full personal responsibility, no leaning on a beneficent or a bankrupt government —the only difference being one of time—no coercion by anyone, no favors or benefits by government to one class of its people because of political pressures or with the purpose of gaining votes, no interference with the economic life of the nation, except when clearly in keeping with the national interest —the interests of all the people— no taking from one group for giving to another, or, in even simpler terms, the Golden Rule from the Sermon on the Mount. It is all these and more, too, but they seem the essential elements.

Planning by Government

Have you thought what happens when some national planner gets the idea that men in Washington, comprising the Government for the moment, can do a better job than the people can do for themselves? Everyone who advocates extensive planning on a national basis should first stop to inquire how his plan can be made effective, for a necessary part of any plan is the method for making it effective. There seem to me only three ways, and they represent sharply conflicting points of view:

First, government can require people to carry out the master plan. That is regimentation, Fascism, or whatever you wish to call it, and we have been fighting a war in opposition to that idea. Wouldn't it be altogether strange if, having fought a war about the idea of a strongly centralized government, we should adopt the idea for ourselves?

The second course would be for the Federal Government to take on the job itself. That is State Socialism, and we have been fighting a war in opposition to that idea as well, for State Socialism is regimentation in the end. Wouldn't it be strange if we were to adopt State Socialism for ourselves while we have been fighting the war to destroy it elsewhere in the world? Don't we also recognize that the idea of a strongly centralized Federal Government is contrary to the entire history of our nation and the philosophy of life of our people? The strongly centralized Federal Government is only one tool of war that needs conversion into a tool of peace. That is one sword, one tool of war, that needs beating into ploughshares. That is one idea that could well be exposed to the blasting power of the atomic bomb. May I interject the idea that the effects of the atomic bomb weren't limited to Nagasaki and Hiroshima alone. It probably opened up a great source of power for the world. While that probability is being developed there is one great immediate gain. It destroyed the idea of the planners of a decade ago—the idea of the matured economy, no more frontiers, no more great advances— and yet that idea of the matured economy was the keystone of a whole field of governmental planning of the last decade. If there is any trace left of that silly idea, it is a good place to use a small bit of an atomic bomb. It is sad that the bomb cannot also destroy the effects already caused by the silly idea of a matured economy.

Meaning of Free Enterprise

Having looked at the two courses of government control and State Socialism, the only course left open is free enterprise. Free enterprise does not connote complete planning on the national level. Free enterprise connotes a plan made by each individual or each business within the framework of free opportunity the creation of which should be the scope of government planning.

It may well be that the sword of free enterprise has rusted during the war. It may also be that this good sword has appeared recently to be in a poor scabbard. I know no better sword, but I am ready to admit that the scabbard might be brightened up. It will be under inspection and it would be in order for all of us to see that the scabbard of the sword of free enterprise is kept up to its best possible appearance.

I don't know whether this scabbard can be kept bright enough to attract all our people, but I know no other sword and no other scabbard so worthy of our faith.

I don't believe America will go knowingly to State Socialism. It might conceivably slip into it unwittingly, or go into it a step at a time, but the pressure to do so will not arise from the people generally on their own initiative. It will come from those who will make promises of its benefits for the sake of winning votes.

State Socialism

Unhappily, State Socialism lends itself as a great political tool for the demagogue who can gain votes by promising the benefits of State Socialism when he isn't going to be held to account for the long-range effects of his promises. Promises of immediate benefits will always be more powerful than distant dangers and far removed risks. The man who does not have to count the costs of carrying out these promises can marshal a political force which will always be very difficult to overcome. There isn't anything glamorous about balanced budgets, sound money policies, the competitive system, a large volume of production, hard work, or selling one's services at the price the buyer is willing to pay—certainly nothing so glamorous as the promise to provide jobs for all.

Of course every social advance is desirable, but financial safety is also necessary. Social advances have to be paid for now or in the future. If we are satisfied to take the benefits now and leave to our children and grandchildren the problem of paying for our benefits, we have sunk further in degradation than we think. The example of other nations that have gone that course is in front of our eyes. The dangers of that course are not only the financial dangers but the slow rottening of the moral fibre of the people. The only safe and decent course is to pay as we go for our social advances, and provide for only those advances for which we can pay.

Higher Living Standards

I think I can safely assume that there isn't a man in this room who doesn't want a higher standard of living for our people and who doesn't also know that the only advance in the standard of living can be attained through the production of more things—things of the kind that people are willing to buy and are able to enjoy. Quite aside from any question involved in the buying power of money, the advance can be secured only by the production and employment in use of more goods and services. Surely today, in general terms, we have more manufacturing plants than we need for meeting the demands and wishes of our people. We have every kind of needed material in ample supply. The one remaining step to insure full production is to supply the element of labor. We do not add to our standard of living by contemplating legislation that will encourage men not to work, encourage them not to produce, encourage them to remain in idleness by making the reward for idleness almost equal to the reward for working.

Isn't it a strange concept that we want to provide *jobs as employees* for everybody in America when we have always felt that people should be free to go, and should be encouraged to go, into business for themselves, either as a part of the production, or service, or distribution machinery in America. Have we lost our courage; have we gone so soft as to think that people want to be employees? If everyone has a right to a job as an employee, who is left over to take on the responsibility of being the employer? Will the responsibility be such as to drive the man to become an employee? What are we going to do if we want people to undertake these jobs as employers? If we are going to say that a man has a right to a job as an employee, not as an independent workman, not as a small proprietor, not as an independent professional man—if we destroy all these jobs by inducing people to lean in idleness on their government, what will happen to our desires for a better standard of living for all the people? What are we going to say about the responsibility that goes with a job? If we don't quit talking about rights and don't start discharging our responsibilities, thus protecting our own best interests, we will lose all.

The Natural Question

If, after a period of the fullest employment at the highest wages known in history throughout the world, we have to embark on such ambitious plans as are now being advocated, the natural query arises as to what amount of governmental expenditure will be required to meet the assumed needs of our people if a depression should ever come. We seem to forget that we have been having a spree on borrowed money and that now we have to settle down to work and begin whittling away at the debt. We have set up the soft idea that the Government will take care of people; we have shunned the hard idea that people must save; we have removed or reduced the reward for savings, and now the Government has to step in with high taxes, a compulsory savings plan. We seem to forget that by loading impossible tasks on government we will destroy faith in our Government and will make it unable to do what it properly should do.

Here, we are proud to say, we have a form of government based on democracy—a faith in the people and their fair-mindedness. It's our belief that government should never step into run something when the democratic process is free to work out the will of the people. Yet the men who advocate national planning and nation control of operations seem ready to trust their own wisdom rather than the wisdom of all the people expressed by the most democratic process in the world— a secret ballot every day—the acts of all the American people who give or withhold their patronage. In this process the consumers are the bosses of all of us. They tell us whose goods and services they want and what price they are willing to pay. They cannot be compelled to buy what they don't want or need, nor to buy at a price beyond what they are willing to pay.

Consumer Is the Boss

We in production and distribution know that the consumers are our bosses and that we fail if we don't do what they want. They won't argue the question with us; they won't try to reform us or to make us do what they want. They will let us go our own way and they will go their way. If we insist on hitting ourselves over the head with our follies, they will still go by on their way.

It never takes a producer or distributor long to learn that he gives the public what it wants or he goes out of business. The producers and distributors have known that this has been a "rule of the game" for centuries. They think the rule is fair. The concern or the man who can give the public what it wants at the price it is willing to pay doesn't see any sense in any plan that in effect says to the consumer that he must buy what the producer or distributor wants him to buy and must pay the price demanded. The man who thinks he can make the consumer buy at all, or pay a high price, is going to round out his education on this point before very long. Higher costs and higher prices are not going to add to consumption, and unless there is higher consumption there will be too little production to mean reasonably full employment among producers or their sales organizations.

Another man who will round out his education is the man who thinks the consumer will pay taxes to support in idleness the man who won't work for what the consumer is willing to pay. The consumer will say, in effect, to the producer: "Don't be so silly as to tell me that I must pay you what you want for your goods or your services, and that if I won't buy on your basis you will levy a tax on me to pay you while you do nothing for me. Don't be silly."

That's the kind of an answer the consumer will give by the most democratic process in the world—the daily ballot—the giving or withholding of his patronage. At that time it won't do any good for the man who has priced himself out of his market to yell that the free enterprise system doesn't work. It was the free enterprise system that did work and did hit his ideas of his own worth and tried to give him the idea that he has to sell his services and that he cannot coerce anyone and, least of all, the consumer.

A Hard Lesson

It may be a hard lesson to such a man, but it is a needed one. It is one of the automatic controls of the free enterprise system to protect all the people against the selfishness of any group. The punishment seems severe—wide unemployment or even a great depression—when all are made to suffer with the guilty. That's why all, in their own interest, should try to restrain the selfish few, and why the selfish few should realize that while experience is an expensive teacher, it is only fools who learn from no other.

This economic system of free enterprise might be likened to a train of gears in mesh from consumer to sales organization, to producer, to management, to worker. The driving gear is at the consumer end of the train. Any gear is free to get itself out of line, but when it does the machine stops, and then the gear that got out of line has the chance of being replaced by a gear that will stay in line, or of being crushed if it won't get quickly and smoothly back into the train. One hard gear in the train may be able to wreck its neighboring gears, but then also the machine stops for a major rebuilding job.

That's the way the economic system works, and the group which gets out of line gets back in line or risks being crushed. You may have your choice of how you picture the system, but the basic idea will still survive. Maybe you would prefer to think of it as money on an endless belt moving from consumers to the whole economic system, with a system of controls with one absolute control to stop the machine in the hands of each group and so stop the entire flow to all the others, but able to start the machine only with the consent of the other controls. At any rate, let's realize that jobs come from the consumers—all the people—and that in a democracy there can be no fairer plan, and that no group of planners can be as fair or wise as the whole body of our American people.

Lip Service Only

Happily, it seems clear that almost everyone in America, including every important man in Government, seems enamored of the idea of free enterprise. This seems the style for the moment, but, unhappily, some are giving only lip service to the idea and they are for it if it works up to their hopes, though they have no deep convictions about it. Many don't know what free enterprise means and, unfortunately, they do not recognize actions taken contrary to its spirit. I believe we have gone a long way as a nation from the idea of free enterprise, and that only now are we changing directions and going back toward it. I think we can well be satisfied if the direction of our course is right and if an advance is made as the days go by. Even if some people have their fingers crossed as to whether it is possible for free enterprise to provide for adequate employment and a large volume of business, I think America stands committed to that philosophy, though it still has to learn that the consumer is a fair boss and that all must cooperate in meeting his wishes.

Men will jump at the chance to create wide employment and a large volume of business if they can have a foundation for faith in the government. That confidence will exist if there is a hope, and merely a hope, on the part of the individual that he will get an adequate return for his work, or a fair profit if he is going to create jobs for others. That should provide the test of every action which government may propose to take in the field of economics. We need only ask two questions: Does the proposed Act add to the requisite confidence and maintain the hope of a fair return or a fair profit? Will it add to the volume of jobs? If it does these two things, the proposed Act is sound. If it doesn't, then the proposed action should not be taken. Won't you put the legislation now before Congress up before these two questions? If you do, you will know whether it is good or bad.

If we try to arrive at a short-cut to national prosperity, we will pile up on some shallow thinking—some shallow, wishful thinking of the kind that can transform a beneficent government into a bankrupt government in short order.

We realize that government has entered the field of economic controls, with the inevitable result that it yields to pressures from groups interested primarily in their own immediate economic welfare, forgetting their own long-range good and the national interest as well. It is absolutely impossible to eliminate pressure groups and their influence, if government is going to deal with economic problems as intensively as it has.

Stop Coddling Pressure Groups

It is time to ascertain what is in the national interest, and to stop yielding to class and territorial pressures. The granting of an advantage to one pressure group only becomes the basis for more demands by every other group, equally right in demanding equal consideration from government, and, in fact, for further demands by the same group—and note that appeasements in the economic field do not appease any more than they did at Munich. The operation of these pressure groups can only create an artificial topsy-turvy situation that will destroy all of the plans of government and may go even further to undermine our whole economy. As one example, we will all recall the advocacy of a large foreign trade as an important factor in post-war employment, and yet government is silent when a large part of our producers insist upon pricing themselves out of all foreign trade. As another, we see the handling of the pricing policy by government as applied to goods whose manufacture was stopped in the war. Honest men will differ over matters of policy in that field, but none will differ over the need of quick, fair and clear decisions which will not only permit but also encourage manufacturers to provide more jobs quickly, to turn out goods, and so prevent price rises in the only way they can be prevented in a democracy, unless we want to force a cheapening of product in order to maintain a price ticket. Even if the policies were sound and well executed, they are not applied equitably nor in a manner that removes uncertainties. These are only examples of governmental ineptness aggravated by the tugs of war between pressure groups when Washington goes into the field of managing the economy.

Experiment on Small Nation

It would be a great advantage to the country, for it could limit its losses, if these men who believe in national planning and Federal operations in the economic field could arrange, at public expense, for a small nation on which to experiment. What the national planners have done so far in this country is to create about a decade of large unemployment and a fair start toward bankruptcy. If they could be given any moderate sum of money so that their ideas could be tried in any country of the world willing to accept their philosophy, there would then be time to consider whether the results were such in the trial as to warrant expansion to the whole of this country. They would still be free to speculate with other people's money and they would not have to pay for their own losses.

Government controls are by their nature a cancerous growth. Whenever a control breaks or fails to work, the only course open to the planners is to demand more controls. Planners have to assume dictatorial powers or abandon the controls.

The planners always assume that the human beings who are going to do the planning will be above any human temptations. They always assume that these men will be able to do their jobs efficiently. Would anyone assume that the planners might not seek to maintain themselves in power by political alliances, concessions to large public groups, withdrawal of favor from groups who criticize the planners, and by the use of public resources for propaganda purposes, or, by attacking any opposition to even demonstrably unsound and unwise governmental policies?

One of the great tugs of war in Washington now is between those who say we are going to have inflation and those who with equal firmness insist the course will be deflationary. I recall so well the cynical remark of Elbert Hubbard: "Some people claim to have foresight—it's a wonder they don't use it." So I understand why it isn't going to be possible for anyone to know in advance what the people are going to do with their great accumulation of personal savings. Some fear that people will want to spend the money foolishly and in a hurry, or that the money will burn a hole in their pockets. My belief is that we can trust the American people to do the wise thing. I think our people will start spending their money foolishly in only one event and that is entirely within the control of government. If the Government doesn't modify its price controls so as to get production, if it doesn't reduce its expenditures and also the tax levy and produce a budget in balance after paying some of its debt, people will have a reason to fear the value of their money, and if that kind of fear once develops, no control of prices can be effective.

Feeding at Public Trough

As long as pressure groups are allowed to feed at the public trough their pressures will create instability in public policy and the resulting uncertainties will hamper all long-range planning by industry and individuals. Some may think that the Government may step in when private planning has not produced as many jobs as somebody wishes. My difficulty in accepting this idea is that whenever the Government steps in it weakens private enterprise and, in the end, the process destroys private enterprise.

These pressure groups exist because we have gotten to think of ourselves only as elements in the production process. We fail to think of ourselves as consumers. It is only as consumers that we are a united people. Our interests as consumers are identical. That should be a clue to the field of government, the field where it can serve the interests of all the people.

It is surprisingly strange to me that any man believing in democratic principles would have so little faith in the people and their composite wisdom as to believe that a few are competent to manage the entire national economy, and that if competent men could be found, they should be entrusted with that responsibility. I fear that if government attempts to underwrite the wishes of all of our people, government will succeed only in destroying itself.

My concern is that we in America go back toward the America we knew and try to build on that solid structure. I don't have any belief in the new ideas that haven't proven themselves. I don't see anything else in the world that has produced the standard of living to match what the American system has produced. If anyone can find a better plan, I am for it. I don't see it yet. I am not favorable to starting an expirement on something I don't believe in.

The American Way

I know that business men have uncertainty in their minds about

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Our Post-War Planning

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the possibility of desirable employment ranging from 52,000,000 to 60,000,000 workers in this country. The impression seems to have been created that business is going to provide some such number of jobs—or else. The implication in this "or else" is that if business does not provide jobs, Government will take over. I think if we resign ourselves to that philosophy the certain result is that Government will take over. That means State Socialism net. I don't believe that is the only "or else." I believe the best "or else" is to go back as far as is possible to the principles of the American Way of Life—a competitive economy, free and equal opportunity, no favors to any class and no coercion by anyone. That means that the consumers of America will decide these problems. It is far safer to trust the joint wisdom of all of our people than to trust any official in Government.

Happily, those who favor and those who oppose national planning have one stated objective. In all of the planning done so far the one governing objective has been a desire to provide for wide employment and a large volume of business. This seems to be the desire of the entire nation. The one unsettled question about it is as to the scope of Government in attaining this objective. Many are advocating extensive governmental planning and operations in many fields. I believe in this view they are mistaken, and that Jefferson was right in asserting that the *best* government was the *least* government.

The Over-all Question

Now the over-all question is: What is going to happen in this field of governmental policy? How far is the Government going to attempt to make a feather-bed for approved groups? How far is it going to go in attempting to control the whole economy? That is what I suppose most of us are concerned about. The ticket isn't written yet. No one knows what the answer is going to be. We are going to help make the answer ourselves. We are going to help make it if men in business get hold of the idea of doing the best job they know how in their own business, recognizing the consumers are the bosses in America—and recognizing that the consumers are the ones who provide employment in America.

Emerson never knew the facts of regimentation, the loss of liberty, the facts of a leveling down as well as a leveling up policy when carried out by government, but on this point of the right of men in government to manage the whole economy he used these lines: "I never could believe that Providence had sent a few men into the world ready, booted and spurred, to ride, and millions ready, saddled and bridled, to be ridden." I am ready to adopt any better plan before thinking of abolishing the American system. I readily admit there have been weaknesses in the profit and loss system, but it would seem to me far wiser to proceed to make improvements in it rather than to attempt a reckless change in the economic basis of the country. It is unbelievable to me that we will trend toward State Socialism, but if we should do it, we must remember that we will be no less slaves because we set up a Government to make us slaves.

If there is another bit of an atomic bomb that hasn't yet been used, after the idea of the matured economy and the idea of a strong Federal Government have been properly blasted, I suggest that it be used on the idea that prosperity can be created through national spending. Such spending undermines the foundation of the economy, for it destroys confidence and it piles up debts that will be a burden even "unto the third and fourth generation." It's a shameful process.

Restore Previous Gains

You have a perfect right to say that all this is critical, that it is not constructive, and that I should quit speaking about what we should not do and should have something to say about what we should do. I submit it is wise to restore what we had, before we start on some other program. I think we should go toward the Amercain Way of Life just as fast as we can. Also, I think that every man in business owes the obligation to his own conscience, his own company, and his own country to understand the common sense of this situation and to explain it in the simplest terms he can to every worker in his business and to every man representing him in the National Capitol.

I have, happily, had the chance while working on the plans and legislation for contract settlement to have some acquaintance with the workings of the Congress. There is where your hope lies. The Congress not only is responsible but it has a great sense of responsibility. It has the authority. This isn't any job that you can afford to delegate. It deserves the best of your individual efforts. I believe it will do your soul good if you will make this one of your major objectives—to become informed, to think in the national interest, and to bring your knowledge to bear on the situation at every point where people will listen.

A Program

Others will have their own rocks and shoals. This list of mine is an extended one, but I believe that if we can avoid these rocks and shoals we will, in the process of doing so, learn how to avoid all other dangerous rocks and shoals on the course of our national Ship of State. And now a closing note to you men who are looking at the marketing problem. I believe we will agree on five simple statements:

The driving power of the American economy is the free enterprise system.

The throttle is in the hands of the consumers, who alone govern the economy—who alone should be in control in a democracy.

All of us engaged in distribution have taken on the job of attaining a large volume of business—which alone will permit large employment, large production, lower costs, broader markets, and a better standard of living for all our people.

The immediate job of government is to let the steam of individual initiative go through the valves of the engine. The boiler pressure is high now.

It's the job of all of us to do the best we know how—to keep the sword of free enterprise as bright as when it came to our hands.

For the good of your souls, let me quote a few lines from Abbe Ernest Dimnet: "But the consciousness of rising, not only above the crowd but above one's own puny interests, the consciousness of courage and initiative, which makes a man's potential tenfold can hardly fail to give rise to the notion: what we are doing gives us claims, it gives us rights."

Walter Esley Rejoins Staff of Mackubin, Legg

Mackubin, Legg & Co. announce that Walter B. Esley has resumed his association with them as sales representative in their New York office, 76 Beaver St., after his recent discharge as lieutenant in the U.S.N.R.

Our Foreign Policy

(Continued from page 1953)

act in strange and unpredictable ways when afraid.

Unpredictable Policy

Even before the affair of Hiroshima, we were unpredictable in our own policy. We declared great principles on occasions, but we faltered in carrying them out. In September, 1943, by an overwhelming vote, the House of Representatives declared that it favored the creation of appropriate international machinery with power adequate to establish and maintain a just and lasting peace—but we have wavered in our path toward this objective. Our principles surely include the support, wherever possible, of liberal democratic government and the creation of a multilateral organization to preserves peace. What have we done? We went down the line, with all our strength, for Argentina under Peron, at San Francisco. We insisted upon exclusive jurisdiction over conquered bases in the Pacific, thereby setting the precedent for similar demands from Russia. In the drafting of the Charter, we supported the concept of sovereign equality as the first principle and we defended the veto power in the Council, both inconsistent with the ultimate purpose of the United Nations Conference.

In spite of our professed intention to build an organization with adequate power, we have done little to achieve that end. Instead, we have already fallen to quarreling with Russia like two big dogs chewing on a bone. While I am sure the stubborness and bad manners of the Russian diplomats are irritating, they should not be decisive of policy. To be tough or to be soft toward a nation is not a policy. Our objectives must be clear and our principles must be adhered to if we are ever to have a constructive policy. Our policy should not be merely to love or to hate Russians or any other people; it should be to obtain their assistance in the creation of a bonafide organization based upon law and with force and vitality in its system. The control of the atomic bomb, coupled with important strengthening of the organization's powers, could be that vitality.

Inconsistencies between our declared policies and our actions indicate the confusion in our minds. We undertook to play a large role in the occupation and pacification of the conquered nations, but we precipitably withdraw our armed forces and demobilize even before the peace treaties are signed. One may wonder, are we or are we not going to use our influence and play a leading role in world affairs?

The Atomic Bomb

On the subject of the disposition of the atomic bomb, there is a similar inconsistency and confusion as to the proper course. A few have chosen, apparently, to ignore its significance. They still talk of armies and navies, ships and planes just as if nothing important had happened. They seek refuge in the old saw that after every discovery of offensive weapons, a defense has been adopted. They discount the advice of the physicists who tell us that they are unable even to imagine a defense to the ruthless use of such power.

Our common sense should tell us that an enemy who chooses to attack in peace time as Japan did without declaring war, can plant bombs in all our large cities and wipe out one-third of our population in one night. Or if one wishes to speculate, a single fleet of 500 planes could, in peace time, without any warning, drop sufficient bombs to destroy our cities and our industrial powers. I cannot imagine how a nation can maintain, constantly and indefinitely an effective defense against a sudden attack without warning. I do not believe there is a defense against total destruction inflicted instantaneously.

There are others who say that the bomb is a secret and that we must keep it for our own protection and for the peace of the world. We paid for it, we found it, why shouldn't we keep it, and besides we are good people, we should be trusted for the good of mankind. These ideas which you may think superficial and worthy of little notice, are nevertheless held by many people, some with considerable influence, and cannot be dismissed as being of little consequence. Such views are the natural reactions of unsophisticated people, they are easily understood, they are simple, they are popular and they are in accord with our traditional isolationism. They require no mental effort and no break with the past. They give one a feeling of security. It is the same basic philosophy that led us to believe that we were so self sufficient that we could live apart from the world, that we, all by ourselves, had created a rich, comfortable life and should not be disturbed in our enjoyment of it by concern over the troubles of other peoples in China, Spain, Ethiopia or Poland. In opposition to this popular conception, we have the word of the scientists themselves, practically all of them, that there is nothing secret about the bomb except the industrial process of manufacture and that any one of several industrial nations probably can produce bombs in from 3 to 5 years. Further, it is common knowledge that the scientists of many nations, men and women from Italy, Germany, Hungary, Denmark and England to mention only a few, contributed to the production of the atomic bomb. This discovery is ours only in a limited sense. Our money would have been fruitless without the brains of others. But even if we had found it by our efforts alone, is it possible that we regard this cosmic discovery as a mere chattel for our personal use? To those good citizens who think the peoples of the world should trust us to use the bomb to protect them, I can only say that I am sure those other peoples disagree. It is already clear that the Russians have some doubts about the stability and security of such a world. More than words will be necessary to convince them. We should ask ourselves, would we be content to entrust our lives and fortunes to the Russians if they alone had the atomic bomb? I agree that we have, on the whole, been relatively peaceful and nonaggressive people, but there is no guarantee that we shall remain so. In fact, I have heard of some people who advocate our immediate attack upon potential enemies, and one prominent general recently asserted publicly, in no uncertain terms, that a third war is inevitable: With whom is it inevitable, we may well ask. I do agree that such foolish talk is calculated better than anything I know to induce another war. But regardless of these considerations, a peaceful and decent society has never been and is not likely in the near future to be founded solely upon the assurances of individuals or the good will of peoples. Throughout the long and troubled history of mankind, the only organizations which have been successful in providing security for human beings, have been based upon law. It seems clear to me, therefore, that the only possibility for a decent and peaceful world lies in the adoption of laws of universal application and sanctioned by the moral and physical force of the civilized world.

Fundamental Disequilibrium

The discovery and use of atomic energy has dramatized in a highly effective manner a fact that many observers had already sensed. This fact is the fundamental disequilibrium that has gradually grown up between the natural sciences and the art of government. Regrettable as the use of the atomic bomb may have been in the opinion of some people, it may well be that without the awful warning of Hiroshima, the world might have stumbled along into the atomic age without any realization of its arrival and, therefore, without the shock necessary to arouse it to a recognition of the danger and compel action before it is too late. Hiroshima provided that shock and I do not think it is too late. The question is whether or not we have the intelligence and courage to adopt the proper means of control within the short time at our disposal. In other words, can we bring back into balance the art of government and natural science? Can we readjust the disequilibrium which has been growing for approximately 170 years?

To me it seems clear that the medieval political status under which the world operates is obsolete and that it must be discarded just as we discarded the horse and buggy, not over night, but by stages as we develop the appropriate machinery. We have, in a very limited sense, already begun the process in the creation of the United Nations Organization. But this organization provides us only with a skelton machinery without life and vitality. Before it can become an effective instrumentality it must be given more definite and certain powers. The greatest defect of the Charter, which was quite clear at the time of its adoption, is the requirement of unanimity of the five big powers on all matters of importance. This rule of unanimity is but another way of saying that we shall go along and abide by the rules, if it happens to suit us in each particular instance. As a practical matter it is a hopeless principle for any governmental organization. The League of Nations demonstrated its weakness, and more recently the London Conference of Foreign Ministers has shown us what to expect from its operation. I know of no instance in history in which it has been effective. At the time of San Francisco this requirement was apparently indispensable to obtaining agreement. However, since the atomic bomb, it may well be that all the nations will agree that, at least in the field of armaments and especially the production of atomic weapons, a complete and definite power to inspect and control throughout the world should be given the organization. This power should be carefully limited, but within its proper limits it must be positive and complete or there can be no confidence in its efficacy. The scientists who are familiar with the theory and technique of nuclear physics should act as the agents of the organization to maintain a continuous system of inspection and reporting. By an extensive system of exchange of students and of industrial scientists, together with unrestricted access to industrial records of various kinds, it should be possible to know of any serious effort to evade the rules pertaining to atomic weapons.

Path of Wisdom

I feel very strongly that the path of wisdom is not secretiveness and suspicion, but is the widest possible dissemination of scientific knowledge, coupled with an efficient system of control. The only solution that I can conceive of is the recognition, by all nations, that at last the time has arrived for all of us to delegate certain and definite powers over armaments to the United Nations Organization. Safeguards and limitations should be carefully worked out and agreed upon. Disputes of any kind relating to the subject should be under the compulsory jurisdiction of the international court, and every nation, and every individual in every nation, must be subject to the verdict of the court. If a nation, or individuals within a nation, should prove to be recalcitrant, then the full power of the organization collectively and severally should be pledged to the enforcement of the judgment.

To those who object that this is setting up a world government, I can only reply that call it what you will, there is no other principle with the slightest chance of success in the control of the atomic bomb. All other methods of controlling armaments and preventing wars have been tried. It is entirely vain to say that we shall renounce the use of the bomb or that we shall outlaw it by treaty. The very words "to outlaw" as between sovereign nations are a fraud. There is no law in the real sense between sovereign nations and it is fallacious to speak of outlawing any practice they may believe to be to their advantage to use. It is just barely possible that atomic power is so deadly that all people will be afraid to use it, but this is a very faint hope upon which to erect a decent and peaceful world. If it is so deadly, why should we object to a strict regulation of it by the United Nations Organization?

United States Vulnerable

To those Americans who find so much satisfaction in the thought that we alone have the bomb and at least for three to five years no other will have it, I repeat that the scientists are unanimous in the opinion that the principles are not secret and that the industrial "know how" cannot be kept a secret for long. In addition, they should ponder the physical organization of our industry and the location of our population. Our great cities which contain a third of our population and a much greater percentage of our industry are perfect targets for atomic bombs. The twenty largest metropolitan areas contain 40 million people. In one night of carefully planned attack without warning, we could be paralyzed. Compared to the dispersion of Russian industry, and population, we are infinitely more vulnerable. It is not so much the ability to make great quantities of the bombs above an essential minimum that would count in an atomic war, rather is it the ruthlessness and the will to attack first, without provocation, that would be decisive. Does anyone believe that America, with its history of reluctance to make war, with its aversion to militarism, will be the first to attack? The very qualities which inspire our devotion to this country are the ones which make it the most vulnerable in a war of atomic bombs.

The hope for America, and for the world, does not lie along the kind of secret methods of destruction or more and bigger armaments. I do not suggest disarmament in the world as it is now constituted. The only hope lies in the application to all men of the principles of law, which are the only principles that have ever brought peace to mankind. Within large areas of this world, peace has prevailed for centuries among the inhabitants. These people are not substantially different from those to whom we attribute the wars. We have the compelling motive of complete extinction if we are too timid and fail. We have at hand the rough skeletal machinery to begin our task. It is the kind of opportunity which is not likely to come to a people more than once. A great man, many years ago, described our present opportunity in these fitting words:

"There is a tide in the affairs of men—which taken at the flood leads on to fortune. . .
On such a full sea are we now afloat.
And we must take the current when it serves
Or lose our ventures."

J.C. IV-3

Sees Pound Devaluation If Britian Is Refused Assistance

(Continued from page 1953)

ume to that of 1938. Britain's ability to export depends on the importation of large quantities of raw materials and semi-manufactured goods. Such imports must be paid at least in part with "free" ("hard") currencies, notably United States and Canadian dollars which the country is lacking. Before Great Britain can ratify the Bretton Woods Agreement, which requires gradual elimination of foreign-exchange control and abandonment of bi-lateral trade agreements, it must first liquidate in ony way or another the bulk of its short-term foreign debt and obtain a sufficient amount of hard currencies to meet its obligations during the period when imports are bound to be large while exports will of necessity be relatively small.

It is generally believed that if adequate financial assistance were granted by the United States to Great Britain during the next two or three years the latter country will be able to extricate itself gradually from its post-war difficult position and adopt the principles embodied in the Bretton Woods Agreement. The nature and extent of the assistance is of vital importance. Great Britain is unwilling to accept a foreign loan, even of long maturity and at a very low rate of interest, since payment of principal and interest would further aggravate her balance-of-payments problem.

Future of the Pound

In discussing the future international value of the pound the bulletin states: The pound sterling is the key currency of the sterling area and hence its international value is of considerable importance as it determines the gold or dollar value of the currencies of the sterling block countries. The pound will also exercise a very strong influence on the currencies of some Western European countries and of other countries which have recently concluded financial agreements with Great Britain. Changes in the international value of the pound sterling are always reflected in the movement of the Canadian dollar. Consequently any action taken by the British Government concerning the international value of the pound is likely to have a far-reaching effect on the foreign trade of the United States and ultimately on the value of the United States dollar in terms of gold.

The policy that the British Government will follow regarding the international value of the pound will be adapted to meet the different conditions that will prevail (a) during the immediate period until the British economy has been reconverted to peacetime operations and the export trade restored, and (b) the period following reconversion. During the immediate future, at least until economic conditions in Great Britain have assumed a more normal character, it will be to the interest of the British economy to maintain a high international value of the pound. During the transition from war to peacetime production Great Britain will have little to export but at the same time will be obliged to import large quantities of raw materials, foodstuffs, and certain types of machinery and equipment. Commodity prices all over the world have risen materially in terms of national currencies as well as in terms of gold, and in many instances are substantially higher than those prevailing in Great Britain. If the external value of the pound were to be lowered it would mean higher prices in Great Britain for imported commodities, which in turn would lead to an increase in the cost of living and in the cost of production with consequent higher export prices. One of the principal aims of the British Governments, past and present, has been and is to prevent an inflationary spiral and to maintain the purchasing power of the pound at about its present level.

The exchange rate of the pound in terms of the dollar in the long run will depend on the competitive position of the two countries. This in turn will be determined by several factors, the most important of which is the price level. It is fairly certain that prices in the post-conversion period will be materially higher than during the thirties and they may be above the level that prevailed during the twenties. In both countries the cost of production, notably wages, has increased. Furthermore, the service of the huge public debt incurred by both governments and the increased expenditures for national defense, veterans' as well as social welfare, will require large tax revenues which depend on the size of the national income in terms of money. The latter in turn is determined, at least in part, by the price level.

Great Britain's competitive position in the world's markets will also depend on the amount and conditions of credit facilities that may be made available by her to borrowers in individual countries.

In discussing the significance of the sterling area under exchange control the bulletin remarks: The importance of the sterling area is derived to a great extent from the preponderant role which London played before the war as an international financial clearing center for a large number of countries. With the introduction of foreign-exchange restrictions, the role of London underwent a considerable change, because foreign currencies were made available only for the payment of most indispensable commodities, particularly those needed in the production of implements of war. As a result of these restrictions and the increased difficulties of obtaining foreign exchange, notably dollars, the members of the sterling area preferred to buy from one another because no exchange restrictions or transfer problems were involved in such transactions. The purchase of commodities or services from non-member countries involved the securing of exchange licenses from the Bank of England which were granted only for the most essential necessities.

The existence of the sterling area surrounded by foreign-exchange restrictions may have the following effects:

1. It will encourage trade among member countries at the expense of non-members.

2. It will tend to deter investments by non-members in sterling area countries since the ability of the foreign investor to convert sterling area currencies into his own as well as the exchange rates will be uncertain depending on the existing exchange regulations.

3. It may lead to commercial and economic controversies between the United States and Great Britain, particularly if American exporters should find that their activities in the sterling area are restricted by the exchange regulations. It will, of course, be pointed out by British authorities that, if the United States wishes to participate in the trade of the member countries, it will have to make available to them individually, or to the area as a unit, dollar exchange through greater imports, loans, or investments.

The economic importance of the sterling bloc is very great for it comprises a number of countries with highly diversified economic resources. It embraces Great Britain, one of the great industrial nations of the world, capable of producing and exporting large quantities of manufactured goods. It includes among its members countries such as Australia, New Zealand, India, and Egypt, large producers of agricultural commodities. It also embraces countries that are among the largest producers of raw materials, such as oil, copper, gold, diamonds, and other minerals. While the sterling area is not entirely self-sufficient economically, it can meet the member countries' requirements of many manufactured articles, raw materials, as well as foodstuffs. Furthermore, there is a strong possibility that countries not now members of the sterling bloc may join it in order to participate in its advantages.

Hence, so long as foreign-exchange restrictions remain in force in Great Britain, non-member countries will have to accept in payment for their exports pound sterling balances, which may be used freely within the area but cannot be transferred freely into currencies of non-member countries, or forego trade with the area, unless they make foreign exchange available to the sterling area members.

In conclusion the bulletin states: The sterling area must be looked upon as a currency union, comprising a number of countries whose currencies are freely convertible into one another and as a rule move in unison in relation to gold or the United States dollar. So long as no wall of exchange control enclosed the area and so long as the pound sterling could be freely converted into other currencies or gold, the sterling area aided rather than impeded international trade in general, even though it gave certain discriminatory advantages to the member countries. On the other hand, the sterling area—an aggregation of a wide variety of large natural resources and industrial plants—surrounded by a fence of foreign-exchange restrictions is likely to cause serious friction in the relationship between the United States and the sterling area. The only solution of this problem lies in the creation of conditions that would enable the individual countries, notably Great Britain, to remove the exchange restrictions and to stabilize the pound sterling in terms of gold or the dollar. This can be achieved only through close mutual co-operation and particularly by the adoption by all countries of policies and measures aimed to foster the international exchange of commodities and services. It is possible that the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development provided by the Bretton Woods Agreement, the recently increased resources of the Export-Import Bank of Washington, a settlement of World War I debts and lend-lease obligations, and the grant of financial aid by the United States to Great Britain will enable the latter to improve her international financial position and abolish foreign-exchange control.

A Positive Approach to Full Employment

(Continued from page 1959)

system which is so poor that everyone, men and women, young and old, has to work today in order to eat tonight. But that is not what the American public understands by this term, and I am sure that is not what the sponsors of H. R. 2202 have in mind. I should prefer, therefore, Mr. Chairman, with your permission, not to get into terminological arguments on the meaning of "full employment," but rather just assume that the phrase has no hidden implications and merely summarzies the legitimate and attainable economic aspirations of a free people.

We Have Had Full Employment

In saying that "full employment" so conceived is a legitimate and attainable economic aspiration, I am not dealing in mere hopes. There has been much discussion in recent weeks, much of it in connection with this bill, to the effect that our system of individual enterprise has never provided more than temporary full employment. It may interest the Committee, therefore, if I take just a moment to summarize the record on this. We have good data on employment for this country going back to 1900. It has been compiled by the National Industrial Conference Board. If we take the 30-year period from 1900 through 1930, and allow for so-called frictional unemployment of 3%, here is what we find:

1. For these 30 years the average employment was four-tenths of 1% above "full employment." If we eliminate the three war years 1917-1919, when there was over-employment, the average for this entire 30-year period was only ½ of 1% below "full employment."

2. During the entire 30 years we dropped below "full employment" by more than 4% in only one year, (1921).

3. During the 30 years we fell more than 3% below "full employment" in only three years (1908, 1921, 1922).

4. During the 30 years we never had more than 2% below "full employment" for more than two consecutive years, and there were only three times when this occurred (1900-1901, 1914-1915, 1921-1922).

Those are the facts on employment as revealed by the record. Bear in mind that it is a record which includes the First World War, with its post-war inflation and deflation, and it also includes the socalled "money panic" of 1907, and the quite substantial business set-back of 1914-1915.

The record from 1931 up to the Second World War, needless to say, shows quite a different picture. During this period we got within 10% of "full employment" in only one year (1937, when we fell short by 9.2%) and this was not as good as the worst year in the preceding three decades. Considering the strenuous efforts made by government during those years to create employment that is a rather striking contrast. Superficially it would appear to indicate that the way to get full employment is for government to follow a policy of hands-off. But those of us in NAM are firmly convinced that such a hands-off policy on the part of government is no longer adequate. On the contrary we believe that positive action by government is essential. It is for this reason that we are happy to have this opportunity to discuss H. R. 2202.

Developments Halting Full Employment

Gentlemen, there are only three economic developments which can bring a period of prosperity to a halt and throw our economy into a depression with mass unemployment, and what is equally important is the fact that only positive action by government can prevent these developments. For some of us that has been a hard principle to accept but finally we have become convinced of its accuracy.

These three developments which can be so ruinous and upon which positive government action is imperative, are:

1. Mismanagement of the money and credit system, including the public debt, in ways which convert prosperity into an inflationary boom, which must inevitably result in a collapse of prices, production, and employment.

2. Granting or perpetuating special privileges which prevent the flow of goods and services at reasonable prices, thereby creating a lack of balance between various groups or various sections of the country.

3. Prevention of an adequate flow of private capital into productive, job-making activities.

I recognize, of course, Mr. Chairman, that it is not the function of your Committee to consider detailed legislation in these various fields. Nevertheless, since your concern, I feel sure, is not just H. R. 2202 but the whole problem of legislation to assure full employment, and since we are convinced that positive government action in these various fields is an inseparable part of that problem, I should like in as few words as possible to summarize our suggestions.

Monetary Policy

In the field of money and banking and the management of the public debt, it is our belief that at present there is no one man, or group of men, who can sit down and spell out in detail just what should be done. There is fairly general agreement among authorities in this field that we should have a stable, clearly-defined monetary unit; that there should be definite limits upon the credit expansion powers of commercial banks; that interest rates should be permitted to reflect the degree of strain to which our financial system is being subjected, and that it is imperative that we get the public debt into the hands of those who will hold it as a permanent investment until the bonds mature and are paid off. But such points as these, although of the utmost importance, do not in themselves constitute a program. We recommend, therefore, that Congress create a special commission of experts to study this problem and report to Congress on what specific legislative changes are needed, and what policies should be followed by the banking authorities, to assure that our money and banking system, and the handling of the public debt, will not again lead us into a boom and then the inevitable collapse.

The importance of this suggestion will be clear, gentlemen, if you recall that mismanagement of money and credit has unquestionably been the most important single factor in causing booms and depressions over the past hundred years, and beyond a doubt the failure to prevent monetary and credit excesses contributed substantially to the boom of the 1920's and the magnitude and severity of the collapse in 1929-30. We must have proper government action if we are to prevent a repetition of that debacle.

Special Privileges

On the problem of special privileges there is no need for a special commission to determine what should be done. We cannot have full employment and lasting prosperity in this country on the basis of balancing the special favors given one group by equal favors to some other group. We must have as our national policy the elimination of all special favors. That, we are convinced, is fundamental. Accordingly, we recommend:

1. That all monopolistic conspiracies whether by management, labor or any other element in our economy, be eliminated promptly.

This will require:

a. Vigorous and impartial enforcement of the "anti-trust" laws no matter how important economically or politically he may be who thus gets hit.

b. Legislation compelling the recording in the U. S. Patent Office of all patent agreements, both existing and future, and both domestic and international, except those covering simple non-exclusive licenses and exchanges of licenses.

c. Continued, vigorous efforts by the Federal government, along the lines recently announced, to enter into agreements with other nations which will prevent the operation of all cartels which attempt to control production, distribution, or prices.

That Congress immediately initiate a program for the systematic elimination from the economic system of all subsidies (except those necessary for military security) as rapidly as possible without unduly disrupting our domestic trade and employment.

a. That our over-all national policy should be one of gradual reduction of protective tariff duties, the reductions in each case to be continued to that point which will maximize production and consumption under competitive conditions in the United States. The rate of reduction should be such that it does not unduly disrupt our domestic trade and employment. We should continue to regard the tariff as a proper means for protecting American industry, American workers, and American agriculture against "dumping" of foreign products in our markets and all other forms of unfair competition.

b. On agriculture we urge that farm leaders formulate and recommend to the nation a sound agricultural program which will assure that farming will be restored as a free, self-supporting, profitable division of our economic system.

3. Much of the existing labor legislation is based on the principle of special privileges for labor. In recent years, these laws and their administration have created a situation which has operated against the public interest and has, in specific respects, retarded production and curtailed jobs. Much of this situation has resulted from the fact that the statutes and regulations dealing with labor relations have in the past few years become unworkable. They need revision to fit the conditions we now face in the reconversion and post-war periods, revision which will eliminate the special privileges granted labor while, at the same time, protecting labor's rights.

We therefore recommend legislation to correct existing labor laws to provide specific responsibilities and obligations for labor as well as management; and to protect individuals in their right to work; to regulate union practices which restrict efficiency and maximum production or limit job opportunities; to permit management the same free choice in selecting its representatives (foremen and higher levels of management) as is accorded labor; to require that labor unions, as well as management, abide by their collective bargaining contract.

Taxation Reforms

On the problem of assuring an adequate flow of private capital into productive job-making activities our principal recommendations have to do with taxation. Since that subject currently is before Congress it would be unfitting for me to use these hearings as a platform from which to present a detailed tax program. I think it is fitting, nonetheless, for me to say that in the interest of assuring continuing full employment we are convinced—

First, that as rapidly as possible the income tax rate should be reduced to, and held at a level which will not needlessly discourage individual endeavor, while at the same time recognizing that as a matter of public policy it is desirable to bring the largest practical proportion of income earners under the individual income tax.

Second, that public welfare would be served by the elimination of burdensome excise taxes and all so-called indirect taxes except those necessary to provide a reasonably stable base for the tax system as a whole, such as may be obtained by taxes on such items as tobacco and alcohol.

Third, that taxes on capital gains ultimately should be eliminated.

Fourth, that as rapidly as possible taxes on corporate business profits should be reduced, and then held, below the point at which investment is discouraged, and that some fair method should be devised for eliminating the double taxation which now exists on corporate income.

And, finally, we are convinced that, even allowing for the broadening of Federal government activities before the war, for an adequate post-war defense program, for liberal aid to veterans, and for the increased carrying charges on the Federal debt, that a Federal budget, exclusive of debt retirement, of not more than $15 billion should be our goal when war expenditures are ended.

Such, in extremely brief form, is our thinking on the proper approach to the problem of assuring continuing full employment. As I have indicated earlier we agree with the principle that "all Americans able to work, and seeking work have the right to useful, remunerative, regular, and full-time employment," if the word "right" is understood to mean a moral right, not a legal right enforceable in the courts. To eliminate confusion on this question we would prefer the principle to be stated that "All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry or the professions."

A Question of Means

Since we agree wholeheartedly with this principle, the basic issue, it seems to us, is simply a question of the means for making the principle into a reality. The first major point we should like to make on this is that NAM sees no objection in theory to the preparation of a "national production and employment budget," as provided for in H. R. 2202, but it does not believe that such a budget in practice can be sufficiently accurate to provide either a timely or reliable guide for governmental policies.

That budget is based upon the assumption that there is some definite and determinable relation between gross national product and employment. Now, gentlemen, the facts show beyond a shadow of doubt that this assumption is false. Clearly, therefore, the interests of full employment would not be served by passage of a bill containing such a mechanistic approach.

The second major point we should like to ask you to consider is what the character of the bill would be if this mechanistic approach is removed and it is merely required that the President submit a national budget setting forth, first, "the number of employment opportunities . . . the production of goods and services . . . and the investment and expenditure needed" for full employment; second, the "current and foreseeable trends" in each of these fields; and, finally, "a general program . . . for assuring continuing full employment, together with such recommendations for legislation as he may deem necessary."

The substitution of such a generalized approach for the specific mechanistic procedure now contained in H. R. 2202 quite obviously would represent a fundamental change in the bill. It would have the effect, at least in so far as the National Budget is concerned, of completely eliminating the basic formula contained in H. R. 2202 by which full employment is to be assured. It is worth considering, therefore, whether, if such a change was made, we would have anything left which would make a direct contribution to assuring full employment.

The answer to this question consists of two parts. The first relates to the practicality of having the President in January of each year make a specific and more or less detailed forecast of business conditions for the twelve months starting the following July. Now we recognize, of course, that it not only is desirable but is imperative, that the President, the various Departments, and the Congress look ahead if we are to have sound governmental policies. We also recognize that the more complete the information is, and the greater the cooperation between the Executive and Legislative branches of government, the better off the country will be.

But this type of cooperation and planning ahead is vastly different from requiring the President to make a specific and detailed forecast of prices, production, employment, investment, wages, private and public expenditures, and so forth, for 18 months in advance. We are strongly in favor of the President and Congress giving full consideration to "current and foreseeable trends" in the determination of their policies, and to their collecting the best possible data to help them do this, but it seems to us that the making of a detailed business forecast is a responsibility which should not be imposed upon the Chief Executive.

Correct Overall Forecasts Not Possible

The plain fact is, gentlemen, that making correct overall business forecasts for 18 months in advance simply is not possible. And there is no means by which it can be made possible. I say this dogmatically, and without reservations, because on the basis of both experience and logic I know it to be true. And it is no answer to say that our business statistics are getting better. Of course they are getting better, and we are learning more and more about using them. But business statistics, no matter how good thy are or how complete they may be, are still nothing but a historical record. They tell the past, but only the the past. They cannot tell the future. Not only can they not tell it for 18 months in advance, but they cannot tell it for 18 weeks or 18 days in advance. This is so obvious that it scarcely should be necessary to offer positive proof, but if evidence is needed consider whether anyone today could have any confidence in any estimate he might make on the number of workers who will be on strike three weeks or three months hence.

Such criticism of forecasting may appear strange coming from a businessman, because business lives by estimating the future. But there are great differences between the type of forecasting business uses and the type called for from the President in such a National Budget. The type of forecasting business is called upon to do is comparatively simple because it covers a relatively narrow filed. Further, when business finds its forecast is wrong it ordinarily can quickly adjust to the changed outlook. In contrast, the National Budget forecast of the President must be all inclusive, which adds immeasureably to its difficulties, and if an error is made the Federal government, because of its size and structure, cannot readily adjust its program to the changed outlook. Frequent revisions of the forecasts, therefore, which are what save business, offer almost no protection to government policies against the inevitable errors of a Presidential National Budget forecast.

Will Aggravate Instability

The other part of the answer to the question of whether having the President submit a "national budget" would contribute to the assurance of full employment, is to be found in the fact that anything he says is almost certain to aggravate instability. If he says that the outlook is unfavorable, and in consequence it is necessary for government to start a spending program, business from one end of the country to the other will start to retrench. It may be granted that for business men to react in this manner may appear foolish to some persons. To those who believe in compensatory spending by government it may appear logical to expect businessmen to go right ahead when government announces a spending program to take up an anticipated slack. But I can assure you that is not what would happen. Rightly or wrongly businessmen do not believe in the effectiveness of compensatory spending by government, and if the President announces that the outlook is so cloudly that such spending must be started, there is no question that business will start running for the storm-cellar.

On the other side if the President announces that the outlook is favorable, with no clouds on the horizon, it almost certainly will tend to make businessmen more confident. This means that such a statement will serve as an impetus for further expansion and in consequence will tend to lead us into a "boom," which sooner or later will end in a "bust."

To repeat, the government can perform a real service by collecting complete and accurate statistics on current trends, and the President can make a major contribution to the welfare of the country by giving an annual review on the "State of the Union," but that is vastly different from having either government or the President make official business forecasts of what is going to happen from six to 18 months in advance. The latter is certain to be inaccurate, and instead of contributing to continuous full employment, it will tend to create economic instability and unemployment.

The Government's Responsibility

The third major point we should like to make on H. R. 2202 is in connection with the provision (Section 2, sub-section (e)) which reads: "To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment."

Gentlemen, that reflects a defeatist point of view about the future of our nation which I am sure none of you accept. One might say "to the extent continuing full employment *is not* otherwise achieved," which would mean that through unwise policies we fall short of our goal, but to say "*cannot* otherwise be achieved," means acceptance of the thesis that in the future, no matter what we do, there will be times when Government must spend and invest in order to make jobs. In other words, this section embodies into law acceptance of the contention that we have become a "mature economy" — the contention that from here on it will be only through compensatory spending by Government that we can hope to maintain full employment. That is a thesis which NAM rejects in toto, and if evidence is needed to support our position we would cite the recent study on this subject by George Terborgh which was published in book form under the title "The Bogey of Economic Maturity."

At the same time, NAM recognizes that, men being what they are, we almost certainly will continue to have human shortcomings in the governmental and managerial operation of our private enterprise system. For this reason we would consider it unwise for Congress to pass a law saying that under no conditions must there be a Federal deficit. We are firm believers in a balanced budget, and think that every effort should be made, "consistent with the needs and obligations of the Federal Government and other essential considerations of national policy," to keep the budget constantly in balance. But it seems to us that if we are to be realistic we must recognize that everything does not always work out as planned, and in consequence it is wise policy to leave the way open for necessary governmental action. For this reason NAM has endorsed the principle of Federal aid to States in financing of mass unemployment, should it occur.

But this is vastly different from providing by law that "to the extent that continuing full employment *cannot* otherwise be achieved" the Federal Government must offset the prospective "deficiency" by a spending program. That is a requirement calling for spending on the basis of forecasts, and is bottomed on the assumption that without such spending there cannot be full employment. Our contention, in contrast, is that if correct governmental and managerial policies are followed there will be full employment, and Government spending never will be needed unless it is to offset the effects of errors in these policies.

The difference between these two points of view is fundamental. For this reason we do not think it would be adequate merely to prevent deficit spending by modifying this provision in H. R. 2202 by simply requiring that any suggested spending program be accompanied by a recommendation for taxes which would liquidate the spending and prevent any net increase in the public debt over a reasonable period of time or within a stipulated number of years. We are in sympathy with the obvious objective of such a change, but it always can be maintained that "today's deficits are tomorrow's surpluses," so such a provision in practice is necessarily more or less meaningless. In other words, our objection to this section does not rest alone upon the fact that it anticipates deficit spending. The fundamental basis of our objection to this section is that it assumes that government spending is necessary to assure full employment—that there is no means short of government spending which can provide full employment.

Mechanism Unworkable

As we analyze H. R. 2202, therefore, Mr. Chairman, it appears to us, first, that the mechanistic procedure based upon gross national product, as now contained in the bill, is completely unworkable because it is based upon an assumption which official figures prove to be false; second, that the shortcomings of this mechanistic procedure cannot be corrected by the substitution of a provision requiring the President to submit a national budget consisting of a business forecast for the next 18 months and a general program to assure full employment, because such a forecast, even if it were accurate, would enhance, not decrease, business and employment instability; third, that there is no justification for the assumption, as now contained in the bill, that we must have a government spending program to prevent the development of unemployment; and, finally, that this provision for spending cannot be corrected by requiring that any such expenditure be covered by taxes over a reasonable period of time, because it is not just the deficit aspect of such spending which is wrong, but the spending itself.

We are unwilling, however, to rest our case merely upon such negative comments. As manufacturers we not only are in favor of full employment, but are determined to do everything within our power to assure that this shall be a nation of full employment. If H. R. 2202 is effectively corrected in line with the above objections there would be, of course, no serious exception to it. But likewise there would be no reason for ardent support, because in that case it would be a measure which fundamentally simply declares that "the Federal Government has the responsibility . . . to assure continuing full employment," and does nothing to bring about the realization of that goal.

We, frankly, do not want to settle for that type of government action on the problem of assuring continuous full employment. In a word, we are convinced that the welfare of the country would not be served by the enactment of H. R. 2202 in its present form, and we are equally convinced that the cause of full employment would not be adequately served simply by the enactment of good intentions.

Mr. Chairman, I am deeply grateful to you and your colleagues for permitting me to present our views on this basic problem. As industrial managers we feel we made a major contribution in war toward keeping this a nation of free men; we sincerely hope to make at least an equal contribution to assuring that in peace we shall remain a nation of free men.

We urge you and your colleagues, Mr. Chairman, to give the American public more than just a slogan on full employment. Positive action by Congress is needed —in fact, is imperative if continuing full employment is again to become a reality for the American people.

In a subsequent address on Oct. 22 made before the National Marketing Rally in New York City on Oct. 22, Mr. Mosher called for quick action by Congress to dispose of pricing, labor and tax uncertainties which are holding back production of peacetime goods and jobs. Until those questions are settled, he warned:

"All the marketing talent and all the tools and techniques in the salesmanager's kit won't bring about distribution on the scale which we must attain if we are going to employ everybody who wants work and are going to take care of America in a highly competitive world."

If we agree that the war is over, Mr. Mosher declared:

"Then let's have factories running at the full capacity required. Let's have the jobs. Let's have the pay evelopes. Let's have the things to eat and to wear and to do. Let's get on with our work."

And in the process, he added, "let's get on with paying the bills for the war."

He called arbitrary price controls a hangover from the "there's a war on" attitude, pointing to a recent standstill in radio parts manufacturing as an example of their deadening effect on production and jobs. He urged an end to all price controls by Feb. 1, 1946. Merely to set the date, he said, would clear the air quickly.

Price controls whose real aim, however, is "to say who is to make profits and who isn't, and how large or how little," he said, should end at once because business which cannot operate at a profit simply has to close down.

He termed stability in labor-management relations as "equally urgent." Declaring that it is not enough merely to have collective bargaining the law of the land, Mr. Mosher said:

"If we cannot have, besides, good faith in the keeping of agreements after the bargaining legalities have been duly observed, production is bound to stumble and stall and marketing along with it."

Tax modification is the third major essential for the distribution of more goods to more people, he stated. "Right now," he said, "it would do more towards solving the distributive problem we face than any conceivable Government spending program."

He urged clarification of veterans' status so that they can put their full weight into the prosperity effort. Prompt disposal of Government-owned war plants, he said, would help get more goods ready for customers than ever before.

The National Association of Manufactures, he told the sales executives, is sponsoring a program designed to spark production management's interest in distribution problems, with the aim of more effectively integrating production plans with markets. A series of distribution clinics, he said, had brought hundreds of top policy-making and marketing men together in major industrial centers to help manufacturers plan for the biggest distribution job of all time.

Searight Member of NY Security Dealers Ass'n

At a meeting of the Board of Governors of the New York Security Dealers Association, held on Oct. 18, 1945, George A. Searight, First Colony Corporation, New York City, was elected to membership in the Association.

Lester Talbot Partner In Grimm & Company

Lester Talbot, member New York Stock Exchange, has been admitted as a general partner in the firm of Grimm & Co., 44 Wall Street, New York City. Mr. Talbot has been in the armed services for the past three years as a Lieutenant in the United States Naval Reserve.

Role of Selling in Full Employment

(Continued from first page)
make of just about anything we may happen to want.

Every plan we make for the post-war years has got to be built around that fact. Make all the allowances you wish for over-optimistic thinking. Leave entirely out of consideration the probability that there will be important industrial applications of atomic power before too many years have passed. The general result remains inescapable. We have the production potential for the fuller life—we have the land, the materials, the industrial machinery and, most important of all, we have the manpower for utilizing all our resources effectively.

Distribution, Real Problem

The real problem of the post-war world is not production. It is easy to get production provided we have distribution. The real bottleneck problem is to develop that type of distribution which makes full production possible.

What this comes down to in the practical terms of business is that our producers are going to need markets. To you sales executives, this search for markets will be a direct challenge—a challenge to ingenuity, to mental adaptability, to determination, and to courage. You gentlemen who are concerned with selling goods, with exploring markets, with tying demand to supply, occupy a tremendously important strategic position from now on. To the farmers, workers and housewives of the country I would say that their ability to buy abundantly depends in large measure on how well you who direct the country's distribution do an imaginative, constructive selling job.

During the next six months, as we rather painfully enter a new era, we run into two oddly-contrasting facts.

Unemployment in Prosperity

On the one hand, it is as obvious as anything can be that there is an enormous backlog of unsatisfied demand for goods of every type—a demand which, in the very nature of things, could not be satisfied in a war economy. Contrasting with this is the equally obvious fact that we are getting a good deal of unemployment as part of the price we have to pay for victory; and before the transition from war to peace is completed, we are due to get a good deal more. The full impact of the release of munitions workers and servicemen has not yet been felt in our labor markets. In short, a large backlog of unsatisfied demand will be accompanied, in the months ahead, by a heavy burden of unemployment.

It seems fairly clear, furthermore, that those two opposing facts could go on living together for a long time, if we permitted them to do so. It would be quite possible for us to have, at least temporarily, a fairly high level of prosperity and a good level of profits, as judged by pre-war standards, and still be plagued by a high level of unemployment.

The first fact, in other words—the fact of high unsatisfied demand—is not of itself going to correct the second fact, the fact of rising unemployment. Our adjustment to the age of plenty is not going to take place automatically. Let us examine the interplay of those two forces briefly.

We may look confidently for a rising trend in consumption. Total consumers' expenditures during 1946 are going to be somewhat higher than in 1945, despite sharp declines in over-all production and in income payments. There will be declines in many lines, particularly in some of the products which were not rationed during the war. Offsetting these declines there will be sharp increases in durable goods and in services that could not be had during the war. In 1947, it seems reasonable to expect that consumers' expenditures for all types of goods and services will go up, at an even faster rate than in 1946.

Large Capital Expenditures

Private expenditures on capital account should also reach new peaks by 1948. Construction of houses and all kinds of community facilities will have the support of a backlog that cannot be worked off by less that several years' capacity production. Many types of industrial equipment also will be required in record volume while business is reconverting, modernizing and expanding its productive facilities. In addition, foreign requirements for American products—for relief, for reconstruction and for general economic development — loom so large that our export sales will be limited only by the dollars we are willing to make available to foreigners for purchases in this country.

Yet all of this—which will still be part of our readjustment to a peacetime economy—will not, of itself, permanently wipe out unemployment, or reduce it to that minimum level which will accompany even the most successful solution of our economic problem. It will bring relatively high employment by past standards, but rising employment may merely limit, not eliminate, the quest for jobs. If the expansion does not command the unified support of all our major economic groups, it is likely to prove meager, with a reversal setting in by the latter part of 1948; and if we fail to achieve full employment in the transition years, there is little prospect that the post-war prosperity will carry through into the 50's.

As I indicated at the beginning, this post-war expansion we are talking about—this new surge of activity which will inevitably go along with re-gearing our industrial machinery to peace and with making up for the wartime shortage of goods—is going to take place against a background of much greater productivity than we ordinarily realize. If you charted the productive capacity of our economy for the past 50 years you would find that it has gone steadily upward, and at a constantly increasing rate. The depression of the Thirties may have obscured that fact, but it merely curtailed the rate of operations, it did not in the least slow down the advance in our basic potentialities. The unbelievable performance of the American economy during the war is a demonstration of that fact.

Today we find ourselves capable of turning out goods and services in a much greater volume than anyone considered possible as recently as 1940. In 1944, the gross national product amounted to $200 billion, and we produced that total with some 12,000,000 of our best workers in the armed forces.

The Gross National Product

Perhaps it would be helpful if I took a moment to define exactly what we mean by that expression the "gross national product."

Imagine a super-giant holding company whose subsidiaries included every business enterprise and every government agency in the United States. If this company made up a consolidated statement, with all duplication eliminated, the sum total of its sales and services would be the country's gross national product. It is the total value of all of the goods and services produced in the United States, at their cost to the ultimate consumer.

In 1940, the nation's gross national product was just under $100 billion. Once our industrial machine is readjusted to peace, we shall have the capacity to produce a gross national product of at least the $200 billion that was turned out in 1944.

Let me add that that does not mean that we can now produce twice as much as we produced five years ago. The 1940 figure would have been at least a fourth larger in terms of 1944 prices, and this part of the increase cannot be considered a real gain. It does mean, however, that our capacity for real output is at least 50% above the 1940 level. It means that if we actually achieve the gross national product we are capable of producing this country is going to have a 50% increase in the American standard of living, which is already the highest in the world.

With the country's incomes high enough to support such a living standard, it might seem that the job of selling would be an easy one. Everyone would have money, as they have had during the war, and it might be thought that a salesman could just sit back and let the orders flow in. Now there is a certain amount of truth in this notion. In some lines, it will be possible to coast along and do pretty well. But the measure of success will not be doing pretty well. It will be doing all that it's possible to do—all that it's possible to do for yourselves, and to do it in a way that will help the economy do all that's possible toward our common goal.

A Big Selling Job

I know you sales executives have too much energy to fall in with the easy view. I wish, however, to stress two facts, to correct any impression that the road ahead will be an easy one. The first is, that the millenium isn't going to happen overnight, because even with everything imaginable in our favor it would take time to adjust our commercial and industrial machine to demands of those magnitudes.

The second is that it certainly isn't going to happen automatically. Someone is going to have to make it happen, because the accumulated wartime demand for goods, plus the heavy industrial activity which will be a part of the immediate post-war years, will not in themselves be enough to give us more than temporary prosperity.

The ultimate problem is one of distribution. It is the search for markets that is of vital importance as we examine our tremendous potentialities. We know we can make the stuff. How are we going to sell it?

That's where you gentlemen come in.

Do not think for a moment I am trying to saddle you with the sole responsibility for getting your country up into a condition of enduring prosperity. The problem we face today is most certainly a problem for the country as a whole, and it would be unfair to place the sole responsibility on any group of business men or upon business as a whole. Government has got to make it possible for this condition of full production and full employment to be attained; government, in other words, has to create the kind of climate in which private enterprise can function at top speed in this free country.

The Full Employment Bill

There is now before Congress a bill which, to my mind, constitutes a necessary first step if the government is going to do its part. I am referring to the Full Employment Bill. There is some confusion about the nature of this bill which I would like to correct. One thing it does **not** provide for is spending our way into prosperity. It does not provide for any specific programs or for government expenditures in any volume. All it provides for is a procedure that the government will use in guiding and appraising its operations. Like any efficiently-run business, the government must have some kind of over-all budgeting mechanism.

These, it seems to me, are the minimum essentials for getting a big job done. And these are what the bill provides: Full employment is to be the objective and the national budget is to be the means of casting up the accounts.

Beyond this necessary first step, of course, there will be the need for setting up specific programs of action. In my recent book I have attempted to outline the frontiers of abundance, at home and abroad, and to indicate how government policies can be of most assistance in expanding those frontiers. On the frontiers of housing, and of health, and on many of the older frontiers that go into the make-up of a stronger, more prosperous nation, the government can, and must, make a major contribution; and I believe that when the showdown comes, we shall be able to attain the unity necessary for getting action.

Let us assume for the moment that government, whether through the operation of the full employment bill or in some other way, comes tolerably close to doing its part. Assume, also, that the farmers and the factory workers do theirs. What, then, is the responsibility—or the opportunity—which will be yours as leaders of the sales forces of America?

First of all, of course, there will be the need for one of the old-fashioned fundamentals of American business: salesmanship. I think we are going to need an extremely intelligent and efficient kind of salesmanship in these post-war years, a salesmanship that will take full advantage of the great power of research and of the most modern advertising techniques, a salesmanship that conceives it to be its mission to seek and find ever-broader markets for an ever-widening range of products.

Along with this there must go a more thorough and scientific attempt than we have ever before made to put our sales effort on a completely efficient basis. During the war, when there wasn't enough to go around, it didn't take any great degree of efficiency to sell out an allotment. All of you know examples of how inferior substitutes brought better prices, more quickly, than the real thing. Some of you perhaps found that indifference, or even belittling a product's quality, made prospects more eager to buy. But now we are in the transition period and that kind of selling is on the way out, together with a lot of other things engendered by the war.

Most non-durable goods will soon be in comparatively easy supply, not only because consumer demands will be less with the fall in incomes, but also because military purchases are curtailed, and because manpower is again becoming available to build up supplies. Before the end of 1946, many types of services as well as most non-durable goods will again be in plentiful supply. The durables may be under heavy buying pressure for a longer period, but they, too, face an eventual day of reckoning. Once the great backlogs of deferred demand are out of the way, the going will get tough again, and I would like to suggest that the man who can most quickly and effectively get on a fully efficient basis, now, during the transition period, will have a pretty substantial advantage over his competitors at that time.

Need of Market Analyses

In addition, there is going to be need for an uncommonly good job of market analysis, in every field. Your government can be of a great deal of help to you right there. The Department of Commerce is currently undertaking a considerable expansion of the statistical and fact-finding operations on which scientific market analyses are based. I believe that we are going to be able to provide you with a far broader range of data than we have ever given you before in this field and I think we shall be able to provide some of the basic analyses on which your more specialized studies can be erected. But whether you use government statistics or not, I would like to emphasize as earnestly as I can that it is precisely in this field of finding, studying and moving into new markets that some of your greatest opportunities are going to lie.

To see why that is so, let's return again to our consideration of that desirable and possible, but unfortunately elusive, goal of a gross national product of $200 billion. We have already seen that we cannot hope to fill the gap between our markets and our productive capacity simply by meeting the deferred demands that piled up during the war years. To realize our potential production regularly, we have to get an enduring 50% increase in the American standard of living. You are salesmen for this 50% increase. As long as our standard of living is less than 50% above 1940, your job as salesmen is incomplete.

Obviously, we are not going to reach that condition of full production without very greatly expanded domestic markets for all kinds of goods. I am talking now about **markets** — about regular customers with money to spend for the things American industry makes. Expanding markets all across the country does not mean that one product increases its sales by replacing some other, or that one industry expands by taking away some other industry's customers; it means what it says—broader markets **for all**—or, in other words, more people with more money to spend for more things.

Where do we look for expanded markets?

Where to Find Expanded Markets

It is perfectly clear, I believe, that we can find them chiefly by moving a fairly large number of low-income families into higher income brackets. If we can once succeed in doing that, we shall find that new mass markets have been opened up in a most astounding way, and that lower prices on a higher volume of sales will produce just as high profits, and on a more permanent basis.

Now before you start objecting that it is just not going to be possible to effect any substantial change in the income pattern without distorting our free economy beyond recognition, let us look at just a few of the things that would result from a rise in the incomes of Americans in the lowest bracket.

The figures are fairly explicit about those poor Americans. During the five years from 1935 through 1939, approximately one-third of the families in this country had incomes of less than $1,000 a year. The average family in that income bracket spent about $6 a week for food. It spent around $10 a month for rent—or for some form of home ownership. It spent only $56 a year on clothing. About one-third of the families in this group owned automobiles, because the automobile is a necessity for most people in America; but the autos involved were strictly of the "jalopy" class, and the average annual expenditure—for the purchase and operation of a car—was about $30.

I am not dwelling on those facts because I enjoy emphasizing the miseries of poverty, but simply to underline the obvious—that that third of the American population just did not constitute a part of the market for the great range of consumer goods like refrigerators, vacuum cleaners, radios, and so on, which are so important in our annual sales volume. No salesman needs to be advised that he is wasting his time if he tries to sell a $200 washing machine to a family which cannot possibly spend more than $10 for its entire year's furniture bill.

But no one needs to be told, either, that if that $1,000-a-year family can move into a higher income bracket a new customer for a good many things will automatically appear on the scene. And the number of new customers —the breadth of new markets—American business would have, if even half of that lowest third of the American population could move up a notch on the financial ladder, simply staggers the imagination. The sooner we are able to see what a condition of full employment would do for the American market, the easier it will be to get the necessary expansion under way.

Expect Unemployment

Remember, now, that as we complete this process of changing over from a war economy to a peace economy, we are for a brief period going to have relatively high employment. As we move to satisfy the backlog of war-deferred demands, and as industry moves to re-equip itself for the tasks of peace, the present rising tide of unemployment should ebb, so that we are going to come within shooting distance —*temporarily*—of the full employment goal. In that fact lies a very great opportunity.

In order to take advantage of that opportunity—and it is an opportunity we cannot afford to miss—let us consider what is necessary to raise the lowest third of our population to the level of good customers. Broadly speaking, the people at this level fall into two groups: the unemployed and the workers in submarginal occupations.

The problem for the unemployed is obviously that of creating the job opportunities needed to get them back to work. The problem of those in the submarginal occupations seems more complicated, but it is essentially the same. The war has shown that the domestic servant, the sidewalk peddler, and the submarginal farmer are for the most part, essentially able people, people who can rise to the opportunity when more favorable employment offers. They made our guns and airplanes during the war. Quite often, their so-called normal pursuits are no more than concealed unemployment. They would regularly furnish a better market if they were able to get better jobs.

Full employment, in other words, is something more than just full employment. It is a piercing light that strips away the protective coloration which may at times seem to justify subsistence living. It not only means more people at work, it means an upward shift in the whole income pattern. This rise in incomes, from the lowest level to the highest, if continued and sustained, would open up for us a mass market such as we have never experienced before.

Your job—even more than selling that 50% increase in the standard of living—is the task of selling to business executives the need for business, government and labor cooperation in a program that would supply, year after year, on a sustained basis, maximum job opportunities. Without this, it can do no good to oversell specific products to the wives of men with inadequate incomes.

A High Income Economy

I believe that anyone who is really interested in preserving our free institutions will sincerely cooperate, step by step, in establishing this high income economy, based upon full production and full employment. Simple justice as well as intelligent self-interest dictates the pursuit of this policy. The man who is unemployed, who is forced to sit idle awaiting a relief check, loses not only the material advantages of our American living standard, he loses also the dignity of full citizenship in the economic community. Similarly, the family that is forced to subsist at a submarginal standard of wages cannot be fully considerate of the higher values in the American way of life. We cannot afford to think that these people stand alone. I am sure that they have the sympathy and will command the support of a large majority of the American people. This free country simply will not tolerate another major depression.

The road to a peaceful and prosperous future is clear. I believe that the goal can be reached if all of us, as men of good will, determine that nothing can stand in our way. If there be a minority who would attempt to block the path by choosing economic warfare between groups and classes, let them beware lest they become the war criminals of the next economic collapse.

A moment ago I said that we are almost certain to come within striking distance of our goal. Then it will require but a relatively small additional effort to get us over the top. The importance of making this small additional effort and achieving the full production and full employment economy can hardly be overestimated, for that economy carries within it forces which make up most of the difference between stagnation and prosperity. All of which, to be sure, is not for a minute to say that the expansion of 1947 and 1948 is going to solve all of our problems and put us into an unending era of full employment. It will, however, give us a great chance. Let us be sure to cash in on that chance.

Business can do its part by going ahead, with confidence, in the American tradition of mass production. This tradition is founded upon price and wage policies that are keyed to the need for finding new markets in the lower income fields. A very important part of the task of salesmanship is going to be the reselling of this tradition, the insistence that we price ourselves into markets rather than out of them. Business, however strategically it may consider itself situated for the period just ahead, cannot in its own interest fail to recognize that low profit margins and expanded sales will be infinitely better in the long run than wide margins and restricted sales.

Business Must Share Burden

Business, I am sure, can be expected to carry its share of the burden. Government, in support of these efforts, must see to it that there is a climate in which private enterprise can flourish. It must be ready to rely on the unbounded skill and energy which our competitive economy nurtures, and it must stand by to avert the danger of mass unemployment if the business cycle dips.

In a broad sense, of course, the problem is a problem for the country as a whole, and not for the individual or for the group. We American people have some deep and sharp differences among us, in these days, and yet the things that bind us together are, and always must be, stronger than the things which would drive us apart. Our stake in this is the same whether we are business men, working men, farmers or professional men. The other side of full employment is full production; 60,000,000 jobs means 60,000,000 customers. The responsibility and opportunity which are going to be ours, as our economy passes through the next few years, are very great. I believe there is infinitely more reason for unity than for division in our acceptance of them. I believe that we are going to find ourselves—nearly all of us—doing great work, for ourselves and for the future of America.

Legal Chess

(Continued from page 1947)

has the duty to fully disclose its activities in connection with the matter under review.

Although the Commission by order, fixed the hearing date, it concluded the proceeding by its "Findings and Opinion" without entering a final order of disposition.

Being anxious to determine what's next, we started an inquiry of our own.

We were informed that under the Maloney Act, an appeal lies from an "order," and hence the action of the Commission in failing to enter one took on a new significance for us.

We were further advised that the attorneys for the **Securities Dealers Committee** had written to the Commission and insisted that an order should be entered to properly terminate the proceedings.

The Commission answered that inasmuch as under the statute, the instant by-laws would have become effective within 30 days if no order of disapproval were entered, it, the Commission, was under no duty to make a final order disposing of the proceedings.

Until such an order is entered, there is grave doubt whether an appeal can be taken. Because of the dual interlocking relationship existing between the Securities and Exchange Commission and the National Association of Securities Dealers, it seems to us that these bodies ought to encourage a review of their actions by the Circuit Court of Appeals in order to allay any suspicion of irregularity.

The most effective way of accomplishing this would be for the Commission to enter a final order of disposition.

It may be that by the expenditure of money and the use of considerable effort through a court application, the Commission will be compelled to enter an order.

However, we believe that in the ordinary course of events, those aggrieved should not be obliged to go to that additional effort and expense.

If, under the existing law, there is no duty on the part of the Commission to enter such an order, then an opportunity is here presented for Congress.

A law should be passed compelling the Commission to enter an order disposing of a proceeding which it initiates by an order, so that aggrieved parties will have an undoubted right to an immediate review by the United States Circuit Court of Appeals.

LEGAL JUGGLERY SHOULD BE COMPLETELY DISCOUNTENANCED.

EMPHASIS SHOULD BE UPON THE ATTAINMENT OF JUSTICE, RATHER THAN STRATEGIC MANEUVERING.

The instant situation is one of the many in which Congressional relief is long overdue.

In the meantime we shall all do well to watch the next move.

$10,000,000 Credit Group In Memphis

The formation of a $10,000,000 credit group, by the three National banks of Memphis, Tenn., was made known on Oct. 13, the objectives of which are to provide additional and adequate credit for business in the Memphis trade territory during the reconversion and post-war periods. According to the Memphis "Commercial Appeal" the announcement of the Memphis Bank Credit Group was made jointly by officials of Union Planters National Bank & Trust Co., First National Bank and National Bank of Commerce, who said formation of the credit group is in line with the program of the Credit Policy Commission and the Post-war Small Business Credit Commission of the American Bankers Association.

From the paper indicated we also quote:

Purpose of the group is "to implement, augment and undertake the financing (through loans or other credit accommodations) of business concerns and individuals, particularly those in the Memphis trade territory during the post-war period, by participating with originating banks in financing risks so undertaken."

Officers of the local credit group are S. Nelson Castle, Vice President of Union Planters, Chairman; Allen Morgan, Vice President of First National, Vice Chairman; and James L. Ross, Vice President of National Bank of Commerce, Secretary.

The group includes the following executives of the three banks: Mr. Castle and R. J. McElroy of Union Planters and Doddridge Nichols and M. K. Revill, alternates; Mr. Morgan and W. H. Feltus of First National, and C. W. Wood and W. W. Mitchell, alternates; and Mr. Ross and L. E. Wittenberg of National Bank of Commerce, and Leslie A. Thornton and Howard L. Moore, alternates.

Myles & Co. to Open

BLUEFIELD, W. VA.—Harry S. Myles has formed Myles & Co. with offices in the Law and Commerce Building to engage in an investment business.

New Foreign Markets

(Continued from page 1959)

been badly devastated and must be rebuilt. We know that due to war needs all countries of the world have been starved for both ordinary necessities as well as the luxuries of life. At the same time, wages in almost all countries have increased greatly, carrying with it the desire for better things. Do any of you feel that these countries are going to slip back into their prewar standards? I, for one, do not think this will be the case, unless we make such a mess of things in general that chaos results.

Mexican and South American Markets

For a moment, suppose we take a quick view of Mexico. Even before the war, with their more liberal views and desire to help the masses, the country was on the way up. It took the war, however, to really start them on their way. It's true, of course, that the rich have become richer by means best known to the Mexicans, but at the same time the great under-privileged masses have also taken great strides forward. Wages are higher, the younger generation is getting a degree of education, and even in the interior this is very evident. No power on earth can push them backward. Mexico will be a very much greater market in the future than it has ever been before.

South America seems to have become the Mecca for all American exporters and not without cause. Tremendous changes and improvements have taken place there and the end is not yet in sight. Cities are being torn down, rebuilt, and extended. Every country, without exception, seems to have come suddenly to life and has extensive plans for the future. I have personally covered South America at intervals for more than 30 years and in that time, I have seen most of the major cities double in population. Let no one persuade you that it is only a "flash in the pan." The present spurt may be, to a great degree, the result of the war, high prices, refugee money, and other causes too numerous to mention, but don't let anyone convince you that they will slip back very far in the post-war years. Some recession will, of course, take place, but they will soon pick up and go on to still better things.

Wages in all of these countries have doubled or more since the start of the war. Their present rates in dollars would sound low to you who are struggling with recent labor demands, but I would like to point out that they are as high or higher than ours were at the time we entered the first World War. Do you remember the uproar that went up from all sources when Henry Ford raised wages about that time from $3 to $5 per day? We had purchasing power in those days and many South Americans of the working classes have even more relative purchasing power than our employees did at that time.

I could go on discussing the many markets of the world and on every continent but time does not permit and I also think it is unnecessary. You must already know that the markets are ready and waiting just as soon as we are able to supply their needs, and assuming, of course, that payments can be made.

Post-War Foreign Trade

Now, as to the volume of foreign trade in the post-war years. I believe that for the years 1936 through 1940 our exports averaged about $3,220,000,000 per year, while our imports were about $2,500,000,000 per year. It is estimated that our exports were also about 7% of our total business. If we reach a national income after the war as is now talked of from 150 to 200 billions, then certainly our exports alone should easily be trebled, reaching a total of 10 billions with a corresponding increase in imports. I, for one, feel that it is possible to obtain this volume both of exports and imports, but it will not be easy. Have we the trained talent both in Government and in business to bring this about? At present I feel that is extremely doubtful, unless some very radical changes are made both in Government agencies and in business.

How Can Payments Be Made?

The next question that follows logically is: "How can payments be made to take care of this greatly expanded volume?" Can we afford to accept this great volume of business and still remain solvent ourselves? Maybe I am a confirmed optimist in so far as foreign business is concerned, but I feel that even this *can* be done. As to whether it will be done is another question. Many things seem to stand in the way at the present time.

Let me refer back to the first question as to our ability to do a total of, say, ten billions of export trade. This can be done under certain conditions, some of which I will mention briefly, but your guess is as good as mine as to whether or not we can solve these problems.

First, our country must get back to work producing those things that are needed badly both at home and abroad. At the moment this seems extremely doubtful.

Second, we must have far more intelligent help and assistance from our own Government agencies than we have had for some years. At present no one really knows, but apparently the State Department has the upper hand in international business, with the Department of Commerce doing the statistical work. It reminds me of the business decision made in the stress of war times that looks rather silly a year or two later. Possibly, it will be a practical solution, but it will require far more men with international business experience than I see in the State Department at the present time. I have nothing but the best to say of men like Mr. Clayton, but there are far too few men of his caliber.

As to the Department of Commerce, I have nothing but the best to say. They have done a wonderful job throughout the past years with the small amount of money allotted them during the New Deal. However, are they appointing men experienced in foreign trade at first hand, or making political appointments? You can draw your own conclusions to this.

Government agencies cannot sell our merchandise and materials. They can give it away or they can prevent normal business. Basically, Government is in theory at least, "by and for the people." Why, then, should we not be able to closely guard our interests abroad and demand that capable men be selected to assist in these intricate problems, especially during these troublesome times? At this point, let me again stress the need for a single, strong and unified organization able to speak for the foreign traders as a whole. Unfortunately, we do not have this at the present time. I wish I had more time to discuss this weakness in our business structure.

We finally come to the $64 question. Can we do this large export business without actually giving our merchandise away? Again, let me say that I think we can, if we use good sound business judgment, and are not unduly swayed by war hysteria as well as foreign and domestic propaganda. Again, let me repeat that this cannot be done if these problems are viewed largely from the political angle . . . or, if their solution is placed in the hands of men experienced only in political affairs.

In the period between the first and second World Wars, we consistently gave our merchandise away. We need to say nothing about war debts, but let's start with the multitude of foreign loans, both Government and private, that flooded this country in the immediate post-war years. Some of this money was spent in this country for American merchandise, but in turn, most loans were never repaid. When loans of this type were outlawed by the Johnson Act, up came the high prices for gold and silver. Billions were sent out of the country and we imported metals that were promptly reburied in the ground at Fort Knox. As we gradually accumulated most of the world's gold, I began to wonder what could be the next step, and then came Lease-Lend. Now that comes to an end. Some nations cannot understand this harsh treatment and feel that every day should be Christmas, with no time off for Santa Claus.

This situation reminds me of a man with clubfeet whom I knew as a boy. He sold fish from door to door in the winter, and popcorn in the summer. After having had six children, they finally produced twins. As he was peddling fish at the door of one of the local church ladies . . . she asked him about the newest arrival, and just how he expected to get along with such a big family. His answer was . . . "All there is to it these Presbyterian women must do more for us."

To return to hard facts, foreign business must be offset by either imports of an equivalent value or by other offsetting factors, such as dividends, tourist travel, shipping insurance, etc. Business on any other basis is unhealthy and unsound. Just as soon as any nation or State attempts to set up artificial barriers or controls in an attempt to get an undue share beyond a sound economic volume, then there is trouble ahead.

Bi-lateral Agreements

Probably the most common of these barriers to the free flow of world trade is the bi-lateral agreement as it is used generally. We might next mention such group agreements as the Empire Agreement, the Sterling Bloc and others. They place themselves in the position of the merchant who thinks he can gain an advantage by cutting prices. He may gain for a short time, but his competitors follow and shortly no one is making a profit.

To successfully export we must import, and very few people now disagree in principle, but many would naturally prefer that the other fellow take the rap. The trend in this country is definitely toward free trade, but not completely free trade. How many of you know that even before the Reciprocal Trade Agreements, two-thirds of our imports were duty free? There are many foreign products that would be gladly received in this country. Should we, however, assume the responsibility of finding these products or should the business man abroad do his own selling job? I could give numerous incidents in many countries that have resulted in new business with the United States.

Foreign salesmen are few and far between. Some get as far as New York, give their agency to someone there, and then go back home. It's not good, nor in general, sound business.

Foreign loans as credits may be necessary for some countries as a result of the war. These should be more in the form of credits to assist foreign buyers until normal business is re-established, than in the form of Government loans. I am afraid, however, that for reasons best known to our Government, their loans may predominate and repayments will then be doubtful. Direct assistance by our business firms, possibly in the form of longer than normal credits, to their customers abroad will always be repaid.

The British Loan Negotiations

In closing, I would like to make a few personal comments on the negotiations now going on in Washington between our Government and the British. Apparently, the shutting off of Lease-Lend was a rude shock to the British public. Why, I do not know.

The British Government is rumored to be asking for a so-called loan of six billions without interest because otherwise they are broke and cannot carry on. Some of our editorials seem to agree as evidenced by those in recent issues of "Life" and "Time."

As a Government, I doubt if figures show that they are relatively more in debt than we are if account is taken of the fact that they have a highly concentrated Government, whereas we have both Federal and State indebtedness.

As to raw materials, they have far greater supplies within their Empire than we have in the United States, and have not drawn as heavily on them as we have during the war. So much for the debts and raw materials.

Frankly, I do not agree with the conclusions in the editorials of "Life" and "Time." They state that England is in debt for several billions . . . "mostly to India, Egypt, Eire, and other parts of the Empire which they can pay only in pounds." We, in turn, phrase our conditions in somewhat different language. We say that South America, for example, has built up a dollar credit of some $2,000,000,000, which we seem to look on with pleasure in relationship to our post-war trade. So far, I have heard no one say that we owe South America $2,000,000,000, although it could possibly be so stated.

Does anyone think that, regardless of loans, England intends to give up the advantage of those sterling balances? We will expect India, Egypt, etc., to take merchandise in return and we cannot blame her for so doing.

For fear I may be misunderstood, let me say positively, that I am not anti-British. In fact, very much the reverse. They do, however, understand every phase of international trade, whereas I feel that our rapidly changing Washington staffs are composed more or less of novices. We have been out-traded on many occasions in the past and may be in the future, but we should at least make an effort to learn the value of the tricks, if we are to sit in in the International Game.

Continued Gain in N. Y. Savs. Deposits

September net gains of 22,412 in accounts and $101,556,577 in savings deposits of the 131 New York State savings banks are reported by the Savings Banks Association. This brings the total number of accounts to 6,639,697 and total deposits to $8,002,841,-814 as of Sept. 30, 1945. It also represents an increase of 206,024 accounts since September, 1944, and deposit increases for the 12-month period of $1,192,967,953.

Witkin Re-Elected Pres. Of Cocoa Exchange

Isaac Witkin was re-elected President of the New York Cocoa Exchange, Inc., at the annual elections held on Oct. 16 at the Exchange. George C. Schutte was elected Vice-President to succeed George W. Smith, and William J. Kibbe was re-elected as Treasurer. In addition to the officers, the following were elected to the Board of Managers: Charles H. Butcher, James L. Clevenger, Jr., Samuel Y. Coyne, J. Henry Fellers, Alwyn N. Fischel, Maurice C. Hill, George Hintz, Timothy J. Mahoney and George W. Smith.

Britain's Financial War Burden

(Continued from page 1951)

the chief component of demand. The rate of Government expenditure rose to 570% of the 1938 figure by 1943, while the total net national income rose to only 177% in the same period. To secure control of a predominant sector of the national economy, ruthless taxation was necessary, and very heavy borrowing in addition.

"Here we come to one great cause of misgiving for the future. The effect of such taxation is discouraging to enterprise and hinders the formation of fresh risk capital. It does not at present even allow of adequate provision for maintenance and obsolescence, and this on the eve of changes which call for greater readiness to abandon old and decaying lines of production and start new ones. The present income tax has a deterrent effect even at low income levels. In spite of this heavy taxation, about 50% of our expenditure has had to be borrowed, and borrowed, let me repeat, to be spent mainly on current consumption of an economically unreproductive nature.

"Now if, on the other hand, this expenditure had resulted in the creation of a great volume of durable capital goods or of consumer goods appropriate to peace the burden of the debt would be altogether bearable. What an era of prosperity we should now be enjoying! Unhappily, this is far from the truth, for most of the increase in national expenditure has been for war and destruction. The borrowings of our Government appear as individual savings in our private accounts; but in so far as they have been spent unreproductively they have not had the effect of real savings. They have bought victory and liberty: they have brought us good—not goods. They have been well spent for those great ends. But they have been spent; they are gone; and the Government, having spent them, cannot spend them again. We shall have to continue saving on a huge scale for reconstruction purposes without any relaxation, until a sufficiency of capital goods for reproductive purposes is assured, and until consumer goods are forthcoming in sufficient quantities. Only new savings will serve our needs.

"Our National Debt has been almost tripled during this war, after being multiplied by 12 during the last one. That debt is composite in character and not all parts of it are equally onerous in their effects. The growth of external indebtedness (even when expressed in our own currency) we all recognize as particularly ominous. But there is a tendency to take the internal debt too lightly, on the ground that—as some say—'We only owe it to ourselves.' The point is that all of us owe that debt to **some** of us, as a first charge on whatever we may produce between us in the future. And that debt must needs be so held as to introduce fresh rigidities and distortions in an economic system which already has too many.

National Finances and the Banking Structure

"Historically, there is a close connection between the growth of public debt, the growth of the credit structure, and additions to bank assets and liabilities, with changes in their distribution. Indeed, at all times—in war as well as in peace—there is a fundamental pattern which is the response of the banking structure to the functions which it has to carry out.

"Evidence of the recent developments of this nature is clear. Bank resources have been more than doubled, increasing by over £3,104 millions; the whole increase has, directly or indirectly, been absorbed by Government borrowings in one form or another.

"An adequate reservoir of funds for the financial reconstruction of our industries can become available in the hands of the banks only by:

"(a) increase in bank deposits flowing from new savings; or (b) repayment of Government debt at present held by banks in the form of Treasury Deposit Receipts; or (c) funding of the same short-term Government debt and its transfer in other forms into the hands of the ordinary public, a process which itself calls for new savings; or (d) by an increase in the credit base.

"As a result of all the changes in the financial picture, an enormous pent-up spending power has accumulated in our economy, a tenth part of which, if released before goods are available in sufficient quantity, would inevitably produce a great inflationary rise of prices. Our nation's 'ready money' is more than double that of the prewar year 1938-39, when goods were as plentiful as now they are scarce. That potential inflation is now frustrated by rationing and other controls which must be sufficiently maintained until the dangerous pressure can be lowered. We need an increase in production to take care of as much of this pressure as possible. But it is very desirable that excessive spending power should be kept out of circulation and locked up in long-dated securities if we are to escape the bedevilment of inflation."

Regarding the external debts, Sir Charles is realistic. He remarked that "we must consider the question of our external debts. By that phrase I mean not only debts expressed and payable in foreign currency, but also debts expressed in sterling but held in this country by residents abroad. In essence, the nature of the pressure of these two kinds of debt upon our national economy is not materially different. In both cases debt service and repayment are a charge upon our productive economy and can be settled only by the export of goods and services. Any attempt to pay them in any other way would only produce an intolerable pressure on the foreign exchanges, which would break down the market. Unless such debts create the means for their own payment by increasing the exportable products of the debtor, and even so, unless the creditor will, directly or indirectly, take those products as imports, such debts cannot be paid, because they cannot be transferred. If they are small in amount relatively to the total volume and movement of trade then they may be taken care of by a multilateral system of exchanges operating in free markets. And this is possible even if they do not directly create the new wealth for their repayment, provided the wealth of the debtor is increasing. But when they are very large relatively to the flow of payments on normal accounts, and where they have not been used productively, they cannot be, and therefore are not, paid."

"Our sterling liabilities to overseas countries exceeded £3,500 millions in August last," Sir Charles continues. "These sterling balances represent the net amounts of sterling which have been acquired by their overseas holders in a variety of ways, the greater part of which, though not all, is directly connected with the war.

"The holdings comprise the sterling counterpart of direct Government war expenditure incurred in local currencies in many areas abroad; in accumulations of normal reserves and working balances held in London by overseas governments, banks and enterprises; and in accumulations, on commercial account, for large overseas purchases of a commercial nature made by Government and by private importers.

"By far the larger part of these 'Sterling Liabilities Overseas' are for Government account and as, in fact, they are held in the form of Treasury Bills or other British Government securities (mainly short-dated) they form part of the National Debt under the heading of 'Unfunded Debt.'

"The owners of these accumulated credits in the form of 'sterling balances' will wish to convert them into the goods they so much need, and they will be facing a crushingly disappointing situation if they find themselves unable to effect this. If they cannot get the goods and services direct from us they will want to obtain them through the medium of the international exchanges, and will for that purpose want their 'sterling balances' to be converted into dollars or other hard currencies. This process would not only break down exchanges but also any International Stabilization Fund which might be put on foot; it is an impossible process."

Sir Charles added rather gloomily, that "it is unthinkable that we for some years to come have any favorable balance of payments" and, therefore, "some material downward revision of contracts seems imperative."

The Way Out

Concluding his address, Sir Charles pointed out the factors of relief in the present difficult British situation. He said that "it is not enough to survey our losses and our needs and then point out, with perfect truth, of course, that we can only recover from those losses and satisfy those needs by hard work, saving and sacrifice. Men need hope if they are to make sustained efforts of the kind now called for. Plans for re-building and improving our homes and our cities, for increasing economic security by social insurance and for educational opportunity for all who can profit by it—all these are good. They give precision to our hopes, and prudently carried out with proper regard to timing and the resources available they will make us more effective in our national task. But have we grounds for believing that the international position will be such as to allow our efforts to succeed? Is there a way out of the labyrinth of problems facing us? I believe there is, though the way cannot be simple or easy, nor can we now foresee every turn of the road. In the history of 'last time' we find reasons for this faith and hope, as well as timely warnings."

Post-War Credit

(Continued from page 1948)

in the monetary and credit field. A serious inflation would have been vastly disruptive to our war effort. We couldn't afford to permit the value of money to depreciate and thus to weaken the will to save. While it was necessary to maintain credit ease for Treasury financing, it was a policy that could have been carried too far. That is why credit restraints in fields such as consumer credit and stock market credit were made operative.

Before the attack upon Pearl Harbor the Treasury and the System's Open Market Committee decided, in the event we were drawn into the war, to maintain a structure of yields on Government issues. The rates ranged from ⅜ of 1% on 3-month bills to 2½% on long-term issues. Compared to those of World War I, these rates were moderate indeed. Also, compared with the First World War, these rates did not increase as the war progressed. In fact, although the two terminal points of the structure of yields were maintained, the yields on medium-term securities are actually lower now than they were at the beginning of the war. The maintenance of such stability in rates may well be regarded as an unexampled feat in the annals of war financing. The principles that were applied were, fundamentally, as simple as they were successful.

How Stable Interest Rates Were Maintained

First was the principle of buying and selling Treasury issues to steady the market. This was carried out through the open-market operations of the Federal Reserve System. There is no mystery about this: when offerings of Government securities were in excess of demand, so that the rate structure might be inclined to rise, the System bought those issues in the open market in amounts sufficient to balance supply with demand and to neutralize the upward pressure. Conversely, when the demand for individual issues was in excess of supply, so that the rate structure might fall, the System made sufficiently substantial sales of those issues to satisfy the market. I do not wish to give the impression that the application of this policy was as easy as falling off the proverbial log, for decisions have been difficult at times, but the record of results remains.

Second—in order to provide an adequate and continuous market for Treasury offerings, it was necessary that the resources of the commercial banks, which were fortunately at a high level, be released on a gradual basis, as the situation might require. On the day after the Pearl Harbor attack, the Board of Governors issued a statement to the banks calling attention to their plenitude of funds, assuring them that the Federal Reserve System would support them in full in their aid in financing of the war, so far as that aid was required, and specifically stating that the System stood ready to advance funds to banks on Government securities at par. This statement proved effectual. The System backed it up with action. In November 1942 the System, together with the Treasury, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the executive committee of the Association of State Bank Supervisors, issued a statement assuring banks that the examination and supervisory policy would not deter bank investment in war securities with certain restrictions as to kinds of securities banks can buy; also that these supervisory authorities would not look with disfavor on loans up to six months made to the public for the purpose of public buying of Government securities.

Created Excessive Money Ease

However, the stabilization problem became not only one of sufficient credit ease but also one of excessive ease. So rapidly were funds supplied to the Treasury and so rapidly did these funds begin to pervade the productive economy, through increases in dollars in circulation and increases in bank deposits resulting from purchases of Treasury offerings by banks, that member banks began to feel the need of replenishment of their reserve position. The increasing demands for bank credit by enterprises producing for war further increased the banks' requirement of reserves. It was a demand which early in 1943 passed the $3 billion mark in loans outstanding, and rose to $3.5 billion by the end of the year. It was, of course, encouraged by the guaranteeing of war production loans under the Board's Regulation V.

Therefore, this condition called for an approach along several lines. First, the Federal Reserve System so directed its open market operations as to relieve some of the pressure upon bank reserves; but, mind you, not to release large and unnecessary amounts of excess reserves, but small and necessary amounts as needed. Next, the reserve requirements for central reserve city banks (New York and Chicago) were reduced from 26 to 20%. Borrowing by banks from Federal Reserve Banks, which had been largely a discontinued practice in the period when excess reserves were abundant, was encouraged through establishment by the System of low discount rates. Reserve Bank loans to member banks reached the highest levels in both number and amount for many years.

The System in addition established the policy of buying Treasury bills from banks, under an option by which banks could repurchase them, at ⅜ of 1%. Also, Congress suspended reserve requirements against war loan deposits for the period of the war. However, the System's policy was influenced by the general objective of selling as large amounts of Government securities as possible to buyers other than banks; a policy that not only greatly helped to ease the pressure upon bank reserves but also absorbed idle funds that, otherwise, might have been used to bid up prices to create uncontrollable inflation. Not only did the Federal Reserve in its operations follow this guiding policy, but it gave counsel to the Treasury and to the banks on this vital matter, in pursuance of this policy.

By means of these various actions, and of others that were taken from time to time as the situation required, the largest scale financing in history was accomplished without swamping the investment market or undermining the dollar on which the entire operation was based. We inherit in this period of reconversion a credit responsibility carried over from the war, and this is it.

I need not tell you that, because of the success in marketing and maintaining the market for Government obligations, this type of investment is today of underlying importance in the financial structure of banks, insurance companies, savings banks, and institutional investors of every type; of business corporations large and small, of the very numerous unincorporated businesses, and of countless individual investors like ourselves. I need not point out that the value of this all-pervading investment would be affected by inflation.

Responsibility of Preventing Inflation

Of all our responsibilities, it seems to me, perhaps the greatest continuing responsibility is that of protecting our common investment from a decline in its value; which is only another way of saying that we must do our utmost to prevent inflation. We must protect our investment in the victory that has been won.

Because I wanted its connection to this most fundamental of all problems to be clear, I have omitted until now any mention of one aspect of Federal Reserve policy that most nearly concerns you. I spoke of the abundance of purchasing power in consumer hands, and the capacity of that buying power, if not applied to aiding the war effort, to go in the other direction, to burst the price ceilings, and, by reducing the worth of the dollar, to operate to the detriment of the entire financing of the war. This danger was especially serious because liquid funds in the form of currency and bank deposits have been and are at an unprecedented high level. Dollar circulation increased to $27,804,000,000 on Sept. 30, 1945, and demand deposits of individuals, partnerships, and corporations in insured banks rose from $36.5 billion at the end of 1941 to more than $64 billion at the end of 1944.

Many consumer goods have been and still are in short supply. Obviously the danger of inflation from this cause still exists.

The classic effect exerted by inflation through a high cash buying power against a short supply was subject to restraint by price ceilings. These were established, but the pressure against them was heavy, and it was clear that the additional buying power which consumer credit could supply could easily, added to the cash pressure, be the marginal factor, however small, that could burst the ceilings and with them the war investment market. In 1941 the President of the United States took cognizance of this possibility and by Executive Order No. 8843 enjoined the Federal Reserve System to take action to discourage consumer credit. The Board of Governors in response to that order issued Regulation W. You are familiar with the terms of that Regulation, and I need not recount them, except to call attention to the temperate language used by the President in his message to Congress bearing upon the order, an attitude that was reflected in the Regulation itself:

"To keep the cost of living from spiralling upward, we must **discourage** credit and installment buying, and **encourage** the paying off of debts, mortgages and other obligations; for this promotes savings, retards **excessive** buying and adds to the amount available to the creditors for the purchase of War Bonds."

The order, unprecedented as it was in this country, met with immediate response. Financing institutions at the time, 1941, were at their all-time peak of consumer credit, especially installment financing. These institutions that were directly engaged in financing of consumers might be conceived of as having two conflicting points of view, their immediate interests appearing to run counter to their long-time interest; their daily business to pull in one direction, their stake in the war effort in another. If such were the case, then the record shows that they chose the long-time point of view, for the extent to which Regulation W has been self-enforcing on a voluntary basis stands as clear evidence that those men most interested in the financing of buying power were willing to help fight inflation at the cost of reduced business to themselves.

Now, the record further shows, first, that the fight against inflation, while not completely won, has by no means been completely lost; and further, that the commercial banks felt the dislocating effects of Regulation W more than did the small loan companies. I understand that from about 1910, when States began to pass enabling laws, to about 1934, the licensed small-loan companies had this field fairly well to themselves except for some competition by credit unions, industrial banks and receivable financing companies. About 1934, the commercial banks became active in installment financing, and in the ensuing 7-year period, in which the total volume of installment financing rose from about a half-billion to about 2½ billion outstanding, the small loan companies gained in volume by about 115%, whereas the outstandings of commercial banks rose from less than $50 millions to about $780 million, or by a much greater percentage. However, the total volume of outstandings declined by about 50% from 1941 to the early part of 1944. This was due to various factors: The shortage of consumer durable goods resulted naturally in a limited volume of new business, and Regulation W tended to expedite the repayment of debts incurred. Naturally those parts of the consumer credit business that were the most intimately tied to the market for consumer durable goods suffered the greatest losses in volume. The discounting of sales contracts for automobiles and similar goods declined more than four-fifths and this effect was felt most keenly by sales finance companies and banks. Cash installment loans were somewhat less severly curtailed. Such loans at commercial banks declined by almost one-half from the peak of 1941, by about two-fifths at credit unions and industrial banks, and by about one-third at small loan companies. For more than a year now there has been relatively little change in consumer credit volumes; such change as has taken place has been mainly a slight increase.

I need not here discuss action taken by our Board to restrain uses of stock market credit. May it suffice to say that the present cash requirements are 75%.

Present Situation

And so we come to the situation as it is today.

There is much complexity and there are many contradictions in our present situation; yet I feel sure there is a virtually universal recognition of the fact that increased production, the greatest abundance of production we can get and at the earliest date, is the primary key to those problems that present themselves as the most serious to finance.

On the one hand: The Office of War Mobilization and Reconversion, in its report to the President on Oct. 1 of this year, states that

"By next spring with demobilization running at better than a million a month, unemployment may rise to about 8 million. The total will depend on how fast reconversion and expansion can be accomplished."

And again, in that same report, Mr. Snyder, Director of Reconversion, speaking of our vast purchasing power and stifled wartime demands, says

"Big as the backlog is, our economy cannot carry on out of accumulated savings alone. These savings are largely in the hands of middle and higher income groups. There are millions of families with little or no savings. The steady market that business and agriculture need, to reach full employment, must come chiefly from current wages and salaries."

Shrinkage of current income, of course, is a deflationary element in our economic picture. There are also other contributing deflationary features in the present situation which we need not detail now.

On the other hand: We do not need theory to recognize that, in maintaining the stability in a free economy, a normal balance between the supply of goods and the demand for goods is the main necessity. If the supply-demand equation is over-balanced on the supply side, prices drop; if the equation is over-balanced on the demand side, prices rise.

At the immediate moment, production is far in arrears; demand for goods is enormous and urgent. There is a psychology that tells us that the war is over, that we can put the rifle in the corner and go home, relax and enjoy life in its fullness. Yet we need hardly to be told that the poorest service we could render to our economy would be to let the forces of a pent-up domestic and world demand be unleashed upon that economy, without restraint and without safeguards to prevent these forces from having an inflationary instead of a constructive and stabilizing influence.

The present unbalanced situation, we know, is temporary. In some consumer lines, alleviation of shortages already appears. There is world shortage of supply in lumber, paper and pulp, rubber, cotton and woolen textiles, sugar, fats and oils, brick, lead, tin and other basic commodities. Some of these shortages will be overcome sooner than others; all will ultimately be overcome. There is a bright side of the picture, too, in the fact that, generally speaking, American productive enterprise is well equipped with funds for the internal financing of its reconversions, and in the fact that planning for individual reconversions is in many cases complete. But we also know that the manufacture of new machinery takes time, labor-management adjustments take time, proper tax adjustments take time, and until a consistent flow of needed raw materials and parts is assured, the mass-producing industries, especially, cannot start their assembly lines. Some industries are beginning to revive and replenish the inventory shelves already, others will do so with a considerable lag; it is a process of step-by-step reconversion, paralleling the uneven previous process of conversion to war.

Looking at the demand side again, which remains the dangerous side until shortages are removed, we see not only the deferred domestic demand, of which various high estimates have been made, but also the demand of the devastated and improverished foreign countries, as to which no reliable estimate exists. Both demands will draw heavily upon the producing capacity of the United States; the domestic demand because it is here already, and the foreign demand because governments, relief agencies and individual businesses in foreign countries must have goods of every type, and we are the best potential source of what they need. We want to meet that foreign demand, not only for the sake of the trade and an expanded business activity at home or because of the friendly international relations and a sense of moral obligation to share with those who deserve our gratitude, but also because the prosperity of our international environment directly affects our own prosperity and our own economic stability at a high level. The new international structures, proper policies of our Export-Import Bank operations and other Government lending and sound judgment in private lending and business investment abroad can and doubtless will spread the impact of the foreign demand upon our markets; international loans made and under consideration will gradually revive foreign production and aid in establishing a balanced world economy essential to world stability; there is a good prospect that the international effort to stabilize foreign currencies in terms of our own will not be frustrated by the kind of price-bidding that causes inflation in the world as at home. But here again we seek balance—balance of international payments. International credits, unlike domestic credits, involve transfers from one currency to another, and these transfers can be made only if merchandise exports and imports, together with other international transactions, are all in balance. The difficulties of making international transfers—particularly if major trade barriers must be hurdled—have been much in our minds. It is a complex question of great concern to our economy. Much can and doubtless will be said about it, but this is not the time.

What we ourselves must concentrate upon in our domestic program is the maximum acceleration of production; and until inventories are also in balance, we must concentrate upon the maximum possible prevention of inflationary purchasing, here at home.

Policy of Speeding Production

In the encouragement of industry to speed production, various actions have been taken by Government. The Board of Governors has taken two actions which reflect the policy of balancing the supply-demand equation as soon as posible by the use of credit. While, generally speaking, our productive enterprise is well equipped with funds, there are and will be many exceptions in the reconversion of small business, depending on kind and size of enterprise as well as type of reconversion. More than a year ago, therefore, in conformity with the forward-looking recommendations of the Baruch-Hancock Report, the Board asked Congress to amplify the powers of the Reserve Banks, under Section 13b of the Federal Reserve Act, to underwrite the loan risks of commercial banks and other private lending institutions in providing funds to business and industry for reconversion purposes. The form of underwriting that is proposed is the same that has been tested by experience during the war under Regulation V, in guaranteeing some $10.4 billion of credit authorizations for war production, and in fact was well tested prior to the war by Federal Reserve Banks in guaranteeing bank loans under the commitment provisions of the existing Section 13b. The guarantee is simply a "take-out agreement," by which a Federal Reserve Bank contracts with the lending institution, in advance of each loan, to buy a participation up to a stipulated percentage of the loan at any future time, on demand of the lending institution. For this assurance that it can in the future rid itself of part of a transaction, should loss be threatened or occur, the commercial lender pays a portion of its return on the transaction as a fee. The result is a net return, for the guaranteed loan generally represents new business—typically, a technically troublesome loan, or one in which the security is somewhat inadequate—which otherwise would have to be declined. The proposed guarantee plan may apply to any type, purpose or term of business loan, and any type of lending institution may use it. In practice, it appears that the plan will most greatly aid the smaller businesses, whose ability to supply loan collateral in proportion to their credit needs is often deficient. Congress to date has not adopted this measure, known as the Wagner-Spence bill (S. 511 and H. R. 591); the measure which by its terms is intended only for the transition period, is before the Banking and Currency Committees of the House and Senate, and I commend it to your attention because it is a constructive measure that would strengthen the national economy and thereby be of indirect benefit to small loan companies. It is a well-known fact that your business expands as the national economy expands.

The second action taken by the Board of Governors is more familiar to you, and indeed I understand that there has been some disappointment in this connection. In its desire to release credit as soon as possible for purposes of production and employment, the Board on Sept. 25, by an order effective Oct. 15, adjusted Regulation W by exempting credits for home repairs and improvements (for which a great social need exists), and by lengthening from 12 to 18 months the maturity limit on loans which are not for the purpose of purchasing consumers' durable goods. Production thus gets the green light, whereas, for reasons that I have tried to explain, loans for financing the purchase of consumers' durable goods listed in Regulation W still remain under their former degree of partial restriction. To emphasize the temporary nature of the present situation, let me recall to you the language used by the Board in making this initial relaxation:

"Until consumers' goods come on the market in sufficient supply to meet demands, the Board believes that the use of consumer credit should be discouraged. Accordingly, the Board after reviewing Regulation W now that the war has ended, has concluded that the Regulation should not be substantially amended **at the present time** except in the two particulars specified."

It is my understanding that you would like to have the latest amendment to Regulation W clarified in its application to outstanding non-purpose loans made before Oct. 15. It is also my understanding that you would like to have the Regulation contain more explicit and more liberal provisions respecting consolidations, or what you call "new loans to present borrowers." Both of these matters are now being worked on by the Board and the Federal Reserve Banks and you may be sure that, among others, representatives of the small loan companies are being and will be consulted with respect to any amendment that may be proposed.

It is indeed a matter of timing, and timing is of the essence of the problems of credit that now exist. Timing of supply so that it increases with the utmost rapidity in each given line, timing of demand so that it does not prematurely swamp supply and postpone the day when the supply-demand equation is generally balanced. We know our amazing productive capacity, and we know that the demands of a devastated and goods-hungry world assure that capacity of abundant markets for a long time to come. What we cannot be so sure of is that mistakes in details may not be made; that the impatience that everyone feels to confide the credit task to the free forces of a free economy may not result in premature action at times. I am not a prophet but, for what my forecast is worth, it is that as the restoration of production goes forward and the national peacetime economy expands, the total volume of consumer credit will increase again and in a few years will be vast, to say the least, by any comparison. We hope the expansion will be orderly, will not lead to excessive demands for goods, and will not be followed by severe liquidation. Having thus far held the line against inflation, not perfectly, but with a remarkable degree of success in view of the economic pressure thus far, we have no reasons for lack of confidence that, with a more widespread understanding of how fundamental the value of the dollar is to this nation and to the world, those who are on the firing-line of the credit problem will obtain the necessary cooperation.

To summarize: The war is over. We won. Free enterprise is once again on trial and credit is the blood and sinew of free enterprise.

Will private credit meet the test by adjusting operations in the transition period to the sound economic requirements of short and long-term reconversion of our country? In a world torn asunder by a total war that has not only wrought destruction to property and manpower but has changed the face of the earth economically as well as socially and politically, this will not be easy. It will really take more than understanding; it will take bulldog tenacity and infinite patience. As private lending meets the test, however, it will help not only to establish a sound peace but it will help assure the maintenance of our economic system.

The Federal Reserve is aware of its responsibilities in the monetary and credit field during the transition.

The situation is full of contradictions, but as these did not deter us from winning the war together so they will not deter us from winning the peace together and, God willing, we shall have peace!

Silver Bills in Congress

(Continued from page 1952)

such a step would be an indefensible gift to silver mining and other silver selling interests, who have in recent years benefited inordinately from the American subsidy. Since the Treasury already holds an enormous hoard of the metal idle in its vaults at West Point and elsewhere, the process of increasing that stock appears quite senseless. Yet an increase in the Treasury's buying price would certainly tend to swell the Government's supply of silver.

With the price of domestic newly-mined silver at the Treasury held at its present level of 71c an ounce and the ceiling price of foreign silver in the United States now fixed at the same level, it is estimated that about half of the domestic product will find its way into industrial uses during the next calendar year. But if the Treasury price for newly-mined domestic silver were increased to $1.29 an ounce—as Senator McCarran would like — the entire domestic mine output would be sold to the Treasury and none of it would be available for American industrial users. This, it is observed, would mean that less silver than otherwise would be available to industry during the reconversion period.

Under present conditions American industrial consumption of silver during 1946 is estimated at about 100,000,000 ounces. Should the Green Act be renewed by Congress, any shortages of imported or scrap silver can be made up by sales from Treasury stocks. Domestic producers of silver are in any event assured of a price of 71c. An increase in the Treasury buying to $1.29 an ounce would put an extra unearned bonus into the pockets of the silver producers, but would certainly raise difficulties for silver-using industries.

A favorite argument of Senator McCarran and other silverites is that the bonus to silver mining through an artificial price of silver "costs the Government nothing." That is perfectly true, so far as it goes. But the argument tells only part of the story. The bonus the silver mining companies receive does not come out of thin air, but is supplied by the people who have to take the metal at above its open-market value. Such would be the case, as at present, not only with industrial consumers of silver and their customers, but of any citizen who must accept a silver certificate at its face value, rather than at the value of the bullion behind the certificate. Without its being taken as an argument for inflation, it may be pointed out that a greenback is inflation by the people for the people, whereas a silver certificate is inflation by the people for just a few of the people.

Now that the war is over, silver which was lend-leased to industry by the Treasury for industrial purposes connected with the war effort is coming back to the Treasury. According to the Treasury's Daily Statement, the amount of silver held by the Office of Defense Plants of the RFC has declined from about 903 million ounces in March of last year to about 878 million at present.

It has been reported that following a conference with Senator McCarran, Senator Theodore Green of Rhode Island has begun the drafting of a bill which he will introduce later this week to take care of the silver requirements of the jewelry industry during the next calendar year. The bill, in effect, will constitute an extension of the existing Green Act, which expires Dec. 31st.

The new bill will authorize the President through the Secretary of the Treasury to sell or lease for manufacturing uses, including manufacturing uses incident to reconversion and the building up of employment and industry, any silver held or owned by the United States at a price of not less than 71c per fine ounce. The bill, which would have a life of one year only, namely 1946, will specify that the statutory reserves against outstanding silver certificates be not thereby impaired.

This apparently is a measure in which jewelry and other industrial silver users are greatly interested. Though silver Senators, such as McCarran, might find a good deal about the bill to object to, they are at the moment much more likely to be interested in doing whatever they can to remove possible vocal opposition to current efforts to "do something more for silver." Therefore no real objection from the Silver Bloc to the new Green Bill is to be expected.

Fairman & Co. Now Is a Partnership

LOS ANGELES, CALIF.—Fairman & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange, is now a partnership. Harry Gordon Fairman Jr., Harold C. Frankel, Radcliffe Earl Defoe and H. E. Carter are partners. All were formerly officers of the former corporation except Mr. Carter, who was manager of the firm.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**William N. Murray, Jr.** has become connected with **The Illinois Company,** 231 South La Salle Street. Mr. Murray has recently been serving in the U. S. Navy. Prior thereto he was with the Milwaukee Company and the Bankers Trust Company of New York in Chicago.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL—**Herman G. Mell** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane,** Board of Trade Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Conrad J. Ross** is with **Mitchell, Hutchins & Company,** 231 South La Salle Street. Mr. Ross has recently been serving in the U. S. Army. Prior thereto he was with Paul H. Davis & Co.

Municipal News & Notes

Although the municipal bond market has acted extremely well during the past several weeks, particularly with respect to the distribution of new issues, it would appear that investors generally, and some dealers as well, are not too optimistic as to the future price level. The attitude of the former group could well be based on "wishful thinking" in large measure and on the theory that playing "hard to get" will pay dividends in the form of bargains.

The evidence thus far, however, would indicate that dealers are inclined to hold their positions, with the result that a partial stalemate, at least, has developed. Despite this fact, considerable progress has been made in whittling down accumulated inventories, and the chances are that further improvement along this line can be expected.

Bolstering this prospect is the fact that, as a result of Tuesday's new issue award of $28,475,000 by the Chicago Park District, Ill., the present calendar of pending awards shows little in the way of any substantial volume of financing in coming weeks.

As a matter of fact, the largest item now on the agenda is the $3,000,000 Cincinnati, Ohio, issue for which bids will be opened on Oct. 30. On the following day the Chicago Board of Education is scheduled to make an award of $2,750,000 refundings, which will be followed by the Houston, Tex., offering of $2,350,000 on Nov. 7; $1,500,000 by Detroit, Mich., on Nov. 8, and $2,840,000 by Richmond, Va., on Dec. 19.

It is more than likely, of course, that substantial additions will be made to the current calendar, partly in consequence of the Nov. 6 elections. In this latter connection, it is apparent that the volume of bond issue proposals awaiting judgment of the voters greatly dwarfs the corresponding totals in recent years. It is true, of course, that the holding of an election and the approval of a bond issue are by no means synonymous.

However, even conceding that voters will exercise their veto powers in many instances, it is possible that the issues rejected will constitute a small part of the dollar volume of bonds up for consideration. In any event, the grand total approved will very likely greatly outweigh the comparable aggregates in previous elections.

Cook County Bond Exchange Offer Subject to Early End

Pursuant to a refunding and exchange contract between Cook County, Ill., and a syndicate headed by A. C. Allyn & Co. and Stifel, Nicolaus & Co., holders of $13,523,410 series A or B county refunding bonds of 1936, callable Jan. 1, 1946, may exchange them for new refunding bonds of 1945, dated July 1, 1945, due July 1, 1954, and optional serially. The offer of exchange, it is noted, is subject to withdrawal without notice.

The new refundings will bear interest at 4% to Jan. 1, 1946, and 1½% thereafter until maturity, and the outstanding bonds are 4s and 5s. Some of the other firms participating in the exchange offer include Blair & Co., Inc., Stranahan, Harris & Co., Inc., R. H. Moulton & Co., Equitable Securities Corp., John Nuveen & Co., and B. J. Van Ingen & Co.

Objectives of the Reconversion Policy

(Continued from first page)

out the country, are the key men of reconversion. Yours is one of the heaviest responsibilities and greatest opportunities that America can offer. That is as it should be. For in this country, peacetime production—and that means peacetime prosperity—is in the hands of business men, working in cooperation with workers and with farmers and with the Government.

In your State you have a cross-section of the vital industries that are important to the whole industrial economy of this country. Healthy production in these industries as the months go by will provide us with a sure gauge of the progress of the nation as a whole through the transition period.

Take production of machine tools, for example. Connecticut ranks high among the states in this type of production. In fact, your State originated the first precision production, using interchangeable parts, in this country. That innovation started off the whole development of mass production methods for precision articles in the United States. Not only in this country, but overseas, they will need the products of your machine tool shops. And when the machine tool plants that you have in Hartford and Bridgeport are putting out quantities of machine tools for the peacetime uses of the automotive industry, or of the makers of farm machinery, we will know that we are making a good start toward the more productive economy that is our peacetime goal.

You are having a "reconversion" conference and we are talking about "reconversion." But the word, as we use it, to mean switching over our economy from war to peace production, unfortunately carries with it a sense of going back. We do not intend to do that—to go back in the sense of returning our economy to pre-war levels of production. We intend to go ahead—to an economy that will give us more jobs, more peacetime production and bigger markets than we have ever had before. We are going ahead—to try to expand our output to 40 or 50% above anything we ever accomplished before.

Increased employment will expand markets and in turn make it possible to expand our production. To maintain full employment, and full production, we need a steady consumer demand that increases year after year. Let us look, for a moment, at the "old times"—the times to which we no longer can afford to return. In 1940, we had our greatest pre-war production, a total of $97 billion in goods and services—worth $125 billions in terms of the 1944 dollar. During that year, there were 47,000,000 men and women at work in the country, including the armed forces—and we had seven or eight million unemployed.

That was our greatest pre-war year, but we cannot afford to go back to *that*. Increased efficiency and the growth of our work force would mean that instead of seven or eight million unemployed, we would have millions more.

We all know what depressions can do to the economy of the entire country, but let us recall for a moment the collapse of 1929—the kind of economic disaster we want to avoid in the future.

Between 1929 and 1932, the production of goods and services in this country fell by more than a fourth. Prices fell also, so that the value of what we produced dropped by 44%. We did not surpass our 1929 production again until 1937—eight years later. In those years, the loss was enormous, not alone in terms of failures and in bankruptcies and wiped-out assets, not alone in terms of human misery—but also in terms of what we could have done if we had used the resources and the manpower that lay idle.

The Job Ahead

The job ahead now is to provide a peacetime production that will carry us forward to full employment and a stable economy. To achieve that, we must build an ample private market that will replace the Government purchasing for war which has now been eliminated. If we have this expanded market, it will be possible to build full employment and production.

The phenomenal production of the war years was achieved by the coordinated effort of every part of our economy. What we did in war, can be accomplished by the same initiative and genius of business, the same team work of all of us.

Let us look at the achievements of the war. We built the world's largest navy, the world's largest merchant fleet, one of the world's largest and best equipped armies. While we produced this magnificent war machine we also maintained a standard of living in this country higher than we had ever enjoyed before. We increased our total national output 75%, although we had 12 million of our youngest and strongest men and women in the armed forces.

If we had not had a unified drive and effort among industry, labor, agriculture, and the Government, we could not have done it. Neither can we secure the peace without it.

But *with* such cooperation, we can increase our peactime production, assure ourselves of full employment and provide an expanded and steady market for larger production.

Reconversion Task Not Easy

It will not be easy, nor will it be accomplished quickly. It will call for struggle and patience, persistence and singleness of purpose. It will call for real organizing genius. American business and labor have the prime responsibility. The Government must create a climate favorable to our private system of free enterprise. It must see that one part of the economy does not prosper at the expense of another; that small as well as big business gets a chance; that controls over production and distribution, needed during the war, are abolished as soon as they can be.

To help business men, labor and agriculture get at the job of peace production, the Government must close out war business and speed reconversion and expanding production. Months before Japan capitulated, the Government planned with business men what steps they would take. Because of advance preparation, months of time now and millions of dollars were saved. We are making good progress with reconversion in spite of interruptions and delay.

Already, the Government has just about closed out war business. Up to the middle of 1945, munitions production was running at an annual rate of $56 billion. By the end of 1945, munitions production will be down to an annual rate of about eight billions—a little less than $700,000,000 a month. That includes all costs, except subsistence, for the American armed forces in this country and overseas—maintenance, repair, clothing and even experimental production for military needs.

Settlement of cancelled war production contracts is going ahead rapidly. At the end of August, 61% of more than 270,000 war contracts, terminated since the start of war production had been settled. In round dollar value, the figures were: $61 billion canceled by Aug. 31, of which $25 billion, or 41%, have been settled. The percentage of *separate contracts* settled runs higher than the *dollar value* of contracts settled because, as you know, the claims of many subcontractors have to be considered.

The principal contracting agencies of your Government—the Army and Navy—are straining to get war contracts settled promptly.

We expect to make substantial inroads into the bulk of contracts that must be settled by the end of this year. We hope to settle substantially all contracts by July 1, 1946. The first necessary step to achieve this is up to business men. They must file their claims promptly. I urge any of you who has not already filed his claim, to do so as quickly as possible and so obtain speedily your honorable discharge—with pay—from war service.

In another phase of closing out war business, the Government is getting its property out of war plants as fast as it can, so that plants can be readied for peacetime production. Since June, requests for plant clearance have more than doubled each month. In the next few months the peak load of these requests will come in and will be handled as fast as possible. Up to the first of this month, we have been able to comply with virtually all requests within the 60 days that the law allows for clearance.

Removal of these inventories and machines, of course, adds to the surpluses the Government is selling. At the first of this month an estimated $5.6 billion worth of war property had been declared surplus. Of the total, surpluses which cost $647,000,000 had been disposed of for approximately $344,000,000. Unsaleable and condemned aircraft costing approximately two billion three hundred seventy-three million dollars is one of the largest items of surplus war property in inventory. These will have to be scrapped.

We are attempting to dispose of surplus war property so as to assist independent operators in trade, industry, agriculture, among them small business men and the war veterans. War makes surplus property inevitable. Much of it has no peacetime value—like the planes I mentioned. But some surpluses—especially industrial property—can be used to good advantage in peacetime.

At the end of the war the Government had a surplus of some 1,300 industrial plants and other facilities, including more than 700,000 items of industrial equipment which, altogether, cost more than $16,000,000,000.

As for the plants, some of them are not easily switched to peacetime use. Many others can be put to immediate use and this already is being done. As of the end of September, 42 Government-owned plants had been sold outright and 103 had been leased for peacetime production. Negotiations for the sale or lease of 64 additional plants were well advanced. Prospective useds were looking into the possibility of using 463 other plants.

These are the steps Government is taking to close out war business. Many of them simultaneously speed up expansion. Beyond these activities, we are retaining and strengthening such controls as are still necessary over materials that are still scarce. We are giving priority assistance to business in obtaining materials and products needed to break bottlenecks in civilian maufacture. We are endeavoring to stabilige wages, prices and costs.

Some Controls to Be Continued

At the peak of war production the Government had 650 War Production Board control orders and schedules on the books to give war needs first claim on materials and supplies. By the end of this month there will be only 55 such orders left on the books. By the end of November, only some 40 orders will remain on the books—regulations governing production that we absolutely must continue during reconversion. They must be kept in order to spread out fairly a thin supply of materials and are designed to prevent a competitive scramble among buyers, excessive stockpiling of scarce materials, or pre-emptive buying which might generate runaway inflation. Others are employed to assist manufacturers in producing low or medium-cost goods, such as low-end textiles.

These few continued controls over inventories and distribution will help reconversion. For instance, we are continuing a distribution control over tin. Stockpils of tin are still going down. Until the supply begins to balance demand, it will be necessary to continue to restrict the tin content of various products and to allocate pig tin for various types of manufacture. The use of secondary tin in allows has not been restricted and will not be.

Inventory controls, which extend to wholesalers and large retailers, are designed to prevent hoarding or pre-emptive buying of scarce materials. The prohibition of duplicate orders, which applies only in shortage areas, serves a similar purpose.

To help break bottlenecks that prevent business men from speeding up their peacetime production, the Government will grant priorities. If a manufacturer lacks a few machines or pieces of equipment, the Government will work with him to get that equipment. But priority help will be extended only after a manufacturer has made every efforts on his own account to break a bottleneck.

The third type of aid that Government is continuing during the reconversion period is one which is perhaps the most vital of all—the program to stabilze wages, prices and costs. For the economic benefit of all of us, to make the transition to peacetime production orderly and to prevent the disasters of inflation, we must held the line on stabilization. We cannot bend to the pressure that would tend to ruinous inflation. We have come through the years of war with prices and costs kept within reasonable bounds. It would be criminal to give way now.

Price controls are being shaped to fit the needs of manufacturers who have special problems during the reconversion period. As an example, special formulas have been set up for small manufacturers, including those making peacetime products for the first time. Another example is the "general rescue order," which permits manufacturers operating at a loss to obtain adjustments to cover costs.

Price controls are still needed in all areas affecting the cost of living until supply can again begin to balance demand. As fast as these controls are no longer needed, they will be removed.

Meanwhile, we shall continue to hold the line. Let me emphasize that "holding the line" does not mean rigidity. The program on both prices and wages has been kept flexible within certain set limits and the Government is constantly taking stock of its own machinery in order to meet changing conditions.

The Price Problem

Industry pricing constitutes only one of the pressures against the stabilization framework. Workers are asking for higher wages. This, too, is understandable. When the need for overtime work disappeared with Japan's surrender, the take-home pay of workers decreased. Where the work-week was cut from 48 to 40 hours, the drop in pay was 23%. At the same time, the prices which the worker must pay for food, for housing, for the clothing his children wear to school, remain unchanged. The take-home *price* of the essentials of life stays high; the workers' take-home *pay* has fallen. Squeezed in that vise, the worker can do only two things—either he gets more money or he has to reduce his standard of living. With a reduced standard of living, he will buy less, the purchasing power of the market will suffer—and manufacturers will feel it ultimately in reduced orders. Our economy is so closely interlocking that no segment can suffer for long without the rest of us feeling the pinch.

Some Employers Can Grant Wage Increases

Now, what is the position of the employer—particularly the manufacturer?

The end of overtime pay at premium rates may mean a saving of costs of production. For instance, a man who was working 48 hours a week on the basis of $1 per hour of basic wage, was actually receiving more than that because of higher overtime pay. His $1 per hour for the 48-hour week added up to one dollar eight and a third cents per hour.

Because overtime is gone, the worker now gets paid $1 an hour for the 40-hour work-week. But industries that have figured their costs of production on the old overtime wage rates are now saving that eight and one-third cents an hour, especially if their prices are still based on the old cost of labor under the overtime conditions.

Because of these factors, many industries should be able to grant wage increases that will not in turn mean price increases. The proposed reduction of the wartime excess profits tax, which took up to 85% of the higher wartime profits, will also assist industry to raise wages where necessary without raising prices. Many companies have already signified that they are able and willing to raise wages without increasing prices. And many such raises have been put into effect already through volunteer collective bargaining.

But a sizable number of businesses must re-tool for their new output.

They must also find new markets and work out new patterns of distributing what they make. These and similar factors may mean that for some months, until production can be speeded up and more goods can be turned out from the same plants, with smaller proportionate increases in production expenses, unit costs of production will probably remain relatively high.

These are limitations upon the amount of wage increases that can be granted within the present price structure.

However, whether wage increases can be granted, and to what extent, can in the final analysis only be judged by asking a common-sense question, "How much of an increase can the individual company afford to pay if it is to meet its payrolls and stay in business?" If a company cannot stay in business, obviously it cannot continue to employ workers.

In view of these practical limitations upon wage increases, both management and labor should continuously study the picture to see whether, and to what extent, cost reductions can be passed along to the worker in the form of higher wages and to the consumer in the form of lower prices. We will have to watch the whole wage-price structure carefully to guard against moves that would lift the lid on inflation. I know of no problem of the reconversion period that requires more delicate balance. I know of no difficulty that will demand more of the traditional fair play and give and take that we count on to make our American system work. And I know, also, that we can count on American industry and American labor to settle this difficulty with due regard for the other fellow and his problems—and for the public interest.

This country is always at its best when there are new and difficult problems to be attacked. We proved that once more during the war. Those same facilities, the same resources and manpower, the same managerial skills and ingenuity can now be turned to this greater task of building a stable and prosperous economy for peace. We have everything we need for the job, including the ability and the will to work hard and to work together.

The manufacturers of Connecticut made their own great contribution to the war. I am sure that they, in common with their fellow-industrialists throughout the country, will be equal to this new challenge of peace.

We will do this job together. We will do our utmost to achieve in America the goal we have set for ourselves—full production, full employment, full prosperity.

Following the foregoing address, Mr. Snyder spoke in New York City the same evening before the American Association of Advertising Agencies, in which he repeated his adherence to a policy of maintaining wartime wage earnings without a rise in the price level. In the concluding portion of this address Mr. Synder said:

During the war many groups held their own self-interest in check. More than this, a realization of the interdependence of various groups in American life became highly developed. The merging of interests and the hard work all helped us during the war years to chalk up unprecedented records on every front—in the factory, on the farm, in the laboratory and on the battlefield.

There is today a public demand that we will continue this merging of self-interest in a recognition of mutual economic responsibility for the attainment of reasonable opportunity and security for all of us.

There are few among us who do not remember the terrible cost of depression and unemployment. I remember vividly the bank failures that swept the country during the Thirties. At the depth of the depression, in 1932, we had 13,000,000 persons unemployed. Wages and salaries fell from $52 billions to $31 billions. Corporate profits before taxes fell from about $8 billions in 1929 to losses of more than $3 billions in 1932.

We all know that such economic conditions as those we experienced in the early Thirties are a grave danger to our free enterprise system.

Those tragedies must not be repeated. Our people—the businessmen of America, the women of our country, our farmers and our workers *demand* that we do all in our power to prevent such a catastrophe from ever happening again.

We will not achieve full employment and security, however, by wishful thinking alone. Nor is inflation avoided just because we don't like it.

The task ahead of us is unmistakable: we must boost production and jobs as fast as possible and we must hold the line against runaway inflation until the necessary balance of production and consumption removes the threat.

Cooperative action is required to accomplish these purposes. The interests of the Government, of industry, the banker and the businessmen, the employed worker and the farmer are bound up together and are inseparable. Special interests are narrow interests. But as each group has a real interest at stake, so each has a real responsibility.

During the war it was necessary for the Government to impose numerous controls on production. This meant controlling the use of materials and of labor; it meant mobilization of our resources and wealth. When Japan capitulated, the release of controls was accelerated and now the only controls that are remtained are those needed during this period to facilitate the immediate resumption or speeding-up of civilian production and the continued stabilization of our economy.

Just as Government has a responsibility to business and to consumers to retain these controls temoparily, so business and industry have responsibilities. You are all weary of wartime restrictions. But business and industry must understand the necessity of retaining some controls during the reconversion period—particularly price and wage controls and controls over inventories to prevent hoarding or pre-emptive buying of scare materials which might impair your competitive position.

Likewise, workers must realistically face the fact that many of them will have to take jobs in service or manufacturing establishments where the rate of pay is less than they received in the shipyards and other munitions factories.

The responsibility of Government, employer and worker boils down to one essential: the maintenance of buying power of all the people so that their consumption can support production at full employment.

By and large, when war production stopped, overtime work stopped. Millions of men and women who had been working 48 hours a week and more, were suddenly put back to 40 hours. When their work-hours were reduced,, so was their take-home pay. The reduction is more than would be represented by the actual hours worked; their average hourly earnings fell off. They had been paid premium wages for those extra hours—time and a half for overtime.

Where the cut in the work-week has been from 48 hours to 40 hours, the reduction in take-home pay is 23%.

These factors, plus the fact that many are taking lower paying jobs or down-graded jobs means reduced pay for millions of American workers.

Since the cost of living remains high—and no general reduction in prices is in the cards—this wide reduction of pay can mean only one thing, that the workers would have to reduce their standard of living. They will be forced to buy less. That isn't good for any of us. Our goal for America's future, that of the business man and of the farmer and all of us, demands a steadily *rising* standard of living.

This is the position of the American worker today. These are the facts. They are *understood* by most employers and by the public, even as they are being *felt* by the worker.

Just as many workers are faced with the problem of pay losses, so management is confronted with difficult problems during this period.

Many war industries are retooling and setting up their flow of peacetime production. Others face the problem of building new markets to replace cancelled war orders and of finding new channels of distribution.

These and other factors may mean that many companies will make less profit and their cost per unit of production may be relatively high for a time.

These conditions will impose limitations on the amount of wage increases such manufacturers can grant at this time within the price structure. We must ask the common-sense question, "How much of an increase can an individual company afford to pay and still meet its payroll and keep in business?" If a company cannot stay in business, obviously it cannot give jobs.

Many companies already have signified their ability and willingness to raise wages without increasing prices and many such raises have been put into effect through collective bargaining.

The real question is where, when and how much wage increase can be granted without losing our fight to keep prices within bounds and to prevent a runaway inflation.

The workers of America are not interested in getting higher wages if their increased pay means a still higher cost of living. There is no advantage to anyone in a parallel rise of wages and prices.

An unchecked race between wages and prices would bring on inflation—we cannot agree to that. The cost of living must be held.

In future months, as production speeds up and more goods can be turned out with smaller proportionate increase in expenses, the unit costs of the goods produced will be lower. Both management and labor must continuously explore the effect of changes in production costs to determine the extent to which cost reductions can be passed on either in the form of wage increases or price decreases.

High wages and low prices have ben the traditional policy on which American business has attained mass production and mass markets. Business has as much interest in increasing wages as workers have in prosperous business conditions.

Business and labor must work out this problem together.

Two things we must not have—a prolonged stalemate that, by stopping production, will jeopardize our safe transition to expanded peacetime business or a broad rise in prices that would inevitably be followed by collapse.

Tolerance, intelligence and an unshakeable will to find a way will be needed.

American business should, and I know will, devote to this problem of promoting high wages the same imagination and genius it has devoted to increasing its efficiency and lowering the cost of production. Low prices, high wages—low unit cost and high total profit—made possible by mass production and mass markets are the keys to our future economic greatness as a nation.

Ins. Commissioners Convention Dec. 2-5

Frank Whitwam, manager of the Grand Rapids Convention and Tourist Bureau, Chairman of the Publicity Committee for the coming Insurance Commissioners winter meeting at Grand Rapids, Dec. 2-5, has announced that his committee is now complete and consists of R. J. Walker, Manager, Publicity Department, Standard Accident Insurance Co., Detroit, Vice Chairman; K. L. Wright, Director of Advertising, Michigan Mutual Liability Co.; Elmer Salzman, Secretary, Detroit Association of Insurance Agents; William Palmer, Secretary and Manager, West Michigan Tourist and Resort Association, Grand Rapids; Waldo Hildebrand, Secretary, Michigan Association of Insurance Agents. Honorary Chairman for the meeting is David B. Forbes, Insurance Commissioner for the State of Michigan; Walter Otto, President of the Michigan Mutual Liability Co., Detroit, is General Chairman.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A strong Government security market which is discounting smaller Treasury deficits, as well as short-term low coupon financing to the commercial banks, received an added impetus late last week, when the British Government sharply reduced the rates for its short-term borrowings. . . . As a result of this recent action by the English, to further depress interest rates, there was an improved demand throughout the entire list of United States Government obligations with several issues making new all-time highs. . . . Again the long-term bonds were in the van, as the longest bank eligible taxable 2½s due 9/15/67/72 crossed 106 to move into new high ground. . . .

This bond, despite its recent advance, is still the highest yielding taxable issue that can be bought by the commercial banks, and there seems to be ample support for the opinion that this obligation is headed for higher prices. . . . It is believed by some that the yield on the 2½s due 9/15/67/72 may go as low as 2.05%, which would be equivalent to a price of 108. . . .

On the other hand even the more conservative element, are of the opinion that this bond will reach 107 in the not distant future which would be equal to a yield of about 2.10%. . . .

OTHER ISSUES SOAR

The June and December 2s due 1952/54 moved up on good volume to alltime highs with the opinion quite prevalent that they are likely to advance to levels between 103¾ and 104. . . . The 2s due 1951/53 and 1951/55 likewise made new alltime highs, as did the 1½% due 1950 and the 2¼% due 1952/55. . . . The latter bond seems to be well liked at these prices and it is reported that there is a good demand for this issue from the out-of-town commercial institutions which are among the largest bank holders of this security. . . .

The restricted bonds showed an advancing tendency with a better demand being noted for the issues that will be among the earliest to be eligible for commercial bank purchase. . . . Undoubtedly the restrictions on purchases by savings banks and insurance companies in the coming Victory Loan has had a stabilizing effect on these securities. . . .

PARTIAL EXEMPTS STRONG

The partially exempt bonds were strong with the 2¾% due 1958/63 and 1960/65 going to new alltime highs. . . . With tax changes largely discounted and lower yields expected for the longer-term taxable issues, the longest partially exempt bonds seem to be attractive at these prices, since the tax-free yield available in these securities is larger than that obtainable in the taxable obligations. . . .

The notes and certificates were firm to better, as the larger banking institutions put funds to work in these securities with some easing in the reserve positions. . . . It is believed that the demand for these obligations will continue to improve as funds flow into the larger cities. . . .

BRITISH ACTION

The Brtish Government announcement last Friday, that the interest rate on six months Treasury deposit receipts, would be reduced to ⅝% per annum from 1⅛%, with a corresponding lowering of the Treasury bill rate from 1% to about ⅜% per annum, effective on Oct. 22, emphasizes the world-wide movement toward lower interest rates in order to relieve the debt burden. . . . This action by the English Government clearly indicates that with the Treasury in complete control of the money markets, interest rates will be what the Government wants them to be. . . .

This condition is not peculiar to England since in the United States, the Government has complete power over the money markets, and is in a position to set the level of interest rates, wherever it wants to. . . .

With a very large debt it is not expected that our Government will be in favor of allowing interest charges to increase so that the debt burden will be unbearable. . . . On the contrary it is indicated that interest charges on our debt will also be alleviated at the expense of the banks, but in a more orthodox manner than the British. . . .

OUR METHOD

While there are many ways in which the debt burden could be reduced by our Government, developments so far indicate that it will be done through a larger floating debt. . . . By increasing the short-term debt with a low coupon rate, mainly certificates of indebtedness, the Treasury will be able to cut the cost of the debt service. . . . The funds obtained from the sale of low rate short-term issues to the commercial banks will be used to pay off the higher coupon maturing marketable obligations, as well as savings bonds that are presented for payment. . . . This will mean a saving in interest charges for the Treasury. . . . An example of this was the refunding of the partially tax-exempt 2¾% bonds last September with ⅞% certificates of indebtedness. . . . This policy, which is motivated primarily by the desire to reduce the debt burden, means that the volume of short-term Government obligations held by the commercial banking institutions is bound to increase, and this in turn will lead to a reduction in the debt service. . . . It likewise follows that the commercial banks will not be given the opportunity to acquire higher coupon medium or long-term Government issues, unless they purchase the presently outstanding securities in the open market. . . .

Thus by offering these institutions only low coupon short-term Government securities, a great demand is created for the outstanding longer term issues which advance in price and decline in yield, and this brings down the whole level of rates on the obligations that can be purchased by the commercial banks. . . .

Therefore, it seems as though the Treasury, without any special announcement, is about to reduce the debt burden by materially increasing the floating debt. . . .

TREASURY CONFIDENT

Apparently the financial authorities feel that they will have no difficulty in the future in refinancing maturing obligations, since their control over the money markets is complete enough to prevent an increase in money rates which would increase the debt burden. . . . Thus in the United States we are also about to alleviate the debt burden at the expense of the commercial banks, the same as they are in England, except that we are doing it in a more orthodox fashion and without public announcement of what we intend to do. . . .

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.

SUNDAY, OCT. 28

WASHINGTON STEEL CORP. on Oct. 9 filed a registration statement for 158,110 shares of common stock, par $1, with subscription warrants attached.

Details—See issue of Oct. 11.

Offering—Of the total registered 135,000 shares will be offered by the underwriters at a price to be filed by amendment. In addition, the company proposes to sell 23,110 shares of common without underwriters at $10 per share or a total of $231,100.

Underwriters—Singer, Deane & Scribner heads the underwriting group.

SATURDAY, NOV. 3

AIR CARGO TRANSPORT CORP. on Oct. 15 filed a registration statement for 420,000 shares of common stock ($1 par) and 120,000 stock purchase warrants, of which 300,000 shares are being presently offered for sale and 120,000 shares are reserved for exercise of the warrants.

Details—See issue of Oct. 18.

Price—The price to the public is $3 per share. Company is also selling 120,000 warrants at one cent per warrant share entitling the holders to purchase 120,000 shares at $3 per share for a period beginning 180 days after the effective date of the registration statement and ending five years thereafter.

Underwriters—Bond & Goodwin, Inc., heads the underwriting group.

MONDAY, NOV. 5

TENNESSEE GAS & TRANSMISSION CO. has filed a registration statement for an undetermined number of common shares, par $5.

Address—Commerce Building, Houston, Texas.

Business—Operates a natural gas transmission pipe line.

Offering—The company, subject to the approval of its common stockholders at a meeting to be held next month, will offer the new common to its common stockholders pro rata. The basis of allotment and price will be filed by amendment. No public offering of the common stock purchased by the underwriters will be made on the basis of the prospectus.

Proceeds—The proceeds, with treasury funds, will be applied to the redemption, at $50 per share plus accrued dividends of class A stock.

Underwriters — The underwriters are Stone & Webster, Inc., Blyth & Co., Inc., First Boston Corp., Kidder, Peabody & Co., Lehman Brothers, Mellon Securities Corp., Union Securities Corp., White, Weld & Co., W. C. Langley & Co., Paine, Webber, Jackson & Curtis, Central Republic Co., Inc., Bosworth, Chanute, Loughridge & Co., George H. Clifford, H. Gardiner Symonds and Robert K. Hanger. The new issue will be underwritten without compensation.

Registration Statement No. 2-5979. Form S-1. (10-17-45).

TUESDAY, NOV. 6

LAKE SUPERIOR DISTRICT POWER CO. has filed a registration statement for $5,600,000 first mortgage bonds, series A, 3%, due Oct. 1, 1975.

Address—101 West Second Street, Ashland, Wis.

Business—Public utility.

Offering—The price to the public is 102.

Proceeds—The net proceeds, $5,661,600, exclusive of accrued interest, together with general funds of the company, are to be applied to the redemption at 105, of $5,600,000 first mortgage bonds, series A, 3½% bonds due Oct. 1, 1966. Accrued interest will be paid out of company's general funds. The company ceased to be a subsidiary of a registered holding company upon the sale to underwriters by North West Utilities Co. last May, of all outstanding shares of common stock of the company.

Underwriters—Kidder, Peabody & Co., Central Republic Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co.

Registration Statement No. 2-5980. Form S-1. (10-18-45).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 500,000 shares Keystone Custodian Fund certificates series B-3.

Address—50 Congress Street, Boston, Mass.

Business—Investment trust.

Offering—At market.

Proceeds—For investment.

Underwriters—Keystone Custodian Funds, Inc., is sponsor.

Registration Statement No. 2-5981. Form C-1. (10-18-45).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 1,000,000 shares Keystone Custodian Fund, Inc., certificates, series B-4.

Address—See above.

Business—See above.

Offering—At market.

Proceeds—For investment.

Underwriters—Keystone Custodian Funds, Inc., is sponsor.

Registration Statement No. 2-5982. Form C-1. (10-18-45).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 400,000 shares of Keystone Custodian Fund, series K-1.

Address—See above.

Business—See above.

Offering—At market.

Proceeds—For investment.

Underwriters—Keystone Custodian Funds, Inc., is sponsor.

Registration Statement No. 2-5983. Form C-1. (10-18-45).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 50,000 shares Keystone Custodian Fund, series S-1.

Address—See above.

Business—See above.

Offering—At market.

Proceeds—For investment.

Underwriters—Keystone Custodian Funds, Inc., is sponsor.

Registration Statement No. 2-5984. Form C-1. (10-18-45).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 2,500,000 shares Keystone Custodian Fund, series S-4.

Address—See above.

Business—See above.

Offering—At market.

Proceeds—For investment.

Underwriters—Keystone Custodian Funds, Inc., is sponsor.

Registration Statement No. 2-5985. Form C-1. (10-18-45).

IRONRITE IRONER CO. has filed a registration statement for 60,000 shares ($8 par) 55-cent cumulative convertible preferred stock.

Address—38 Piquette Avenue, Detroit, Mich.

Business—Company is now engaged in reconversion and is manufacturing ironing machines on a small scale. During the war company was engaged in the manufacture of articles for war use. All of its war contracts have been completed or cancelled.

Offering—The price to the public is $10 per share.

Proceeds—The company purposes to use the proceeds to redeem its 8% preferred stock that may not be exchanged for convertible preferred; the repayment of a bank loan in the amount of $250,000; new equipment at $100,000, moving expenses and the balance for working capital.

Underwriters—Newburger & Hano and Kobbe, Gearhart & Co., Inc.

Registration Statement No. 2-5986. Form S-1. (10-18-45).

AMERICAN BANTAM CAR CO. has filed a registration statement for 83,547 shares of prior preferred stock, par $10 and 375,971 shares of common, par $1.

Address—Bantam Avenue, Butler, Pa.

Business—Manufacture of small light weight automobiles. The company proposes to enter the post war field of manufacture of commercial cargo trailers and semi-trailers with capacity of one-half ton to 10 tons, for both the domestic and foreign markets.

Offering—Under an exchange offer the holders of convertible preference stock will be offered the privilege of exchanging convertible preference for common on the basis of 4½ shares of common for each share of convertible preference under Option A. Under Option B they may exchange convertible preference for prior preferred and common stock on the basis of one share of prior preferred and two shares of common for each share of convertible preference.

Purpose—Exchange of stock.

Underwriters—None mentioned.

Registration Statement No. 2-5987. Form A-1. (10-18-45).

SATURDAY, NOV. 10

ARTKRAFT MANUFACTURING CORP. has filed a registration statement for 100,000 shares of 6% cumulative convertible preferred stock, par $5, and 100,000 shares of common, 10 cents par.

Address—Lima, Ohio.

Business—Pre-war business consisted of manufacture of outdoor advertising signs. Company plans to diversify its business and it has developed and is prepared to manufacture a home freeze unit, a commercial wet and dry storage refrigerator and a refrigerated milk vending machine. It has made substantial improvements for outdoor neon signs.

Offering—The offering price per unit consisting of one share of preferred and one share of common is $5 per unit.

Proceeds—The proceeds will be utilized for plant extensions, machinery, etc., and the balance for working capital.

Underwriters — The underwriters are Kobbe, Gearhart & Co., Inc., and Newburger & Hano.

Registration Statement No. 2-5988. Form S-1. (10-22-45).

CROSLEY MOTORS, INC. has filed a registration statement for 235,099 shares of common stock (no par).

Address — 2530 Spring Grove Avenue, Cincinnati.

Business—Organized on Aug. 6, 1945, for the manufacture of automobiles, internal combustion engines and kindred products. It is to acquire the automobile and engine assets of the Crosley Corporation.

Offering—Shareholders of the Crosley Corporation as of a record date to be disclosed, will receive rights to subscribe for shares of Crosley Motors for the same number of shares as those held in Crosley Corporation at $6 per share. The subscription rights are exclusive of a certain group who have already subscribed for the stock. Any stock not subscribed pursuant to rights may be disposed of by the board of directors.

Proceeds—The proceeds are placed at $1,410,594. Approximately $1,000,000 will be used for the purchase of additional machinery and equipment; $350,000 to cover the purchase of real estate at Marion, Ind.

Underwriters—No underwriting agreement has been entered into.

Registration Statement No. 2-5989. Form S-1. (10-22-45).

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 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 to its common stockholders of record Oct. 16 on the basis of one additional share for each 2½ shares held at $14.50 per share. Rights expire Oct. 30. 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.

AMERICAN LOCOMOTIVE CO. on Sept. 27 registered 400,000 shares ($1 par) common stock.

Details—See issue of Oct. 4.

Underwriters— Union Securities Corp. named principal underwriter.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

ANCHORAGE HOMES, INC. on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par $1 and 250,000 shares of Class B stock, par 10 cents.

Details—See issue of July 26.

Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

ANGERMAN CO., INC., on Oct. 3 filed a registration statement for 90,000 shares of common stock, par $1. The total includes 40,000 shares being sold by David F. Engel, President, who presently owns 125,000 shares of common stock.

Details—See issue of Oct. 11.

Offering—The price to the public is $8 per share.

Underwriters—Van Alstyne, Noel & 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.

AVIATION CORP. on Sept. 28 filed a registration statement for 300,000 shares of cumulative convertible preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Oct. 4.

Offering—Of the 300,000 shares the company is offering 289,675 shares to its common stockholders of record Oct. 26 at $50 per share to extent of one share for each 20 common shares held. Rights expire Nov. 7. Any unsubscribed shares and the 10,325 additional shares will be purchased by the underwriters and offered to the public.

Underwriters—The group is headed by Lehman Brothers and Emanuel & Co.

BARIUM STEEL CORP. on Sept. 28 filed a registration statement for 166,063 shares of common stock, par $1.

Details—See issue of Oct. 4.

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.

Underwriters—Not underwritten.

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: $82,000 of 3s at 100, $85,000 of 3¼s at 100 and $273,000 of 3½s at 100.

Underwriters—B. C. Ziegler & Co., West Bend, Wis., is named 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 $500 with the underwriter receiving a commission of $25.

Underwriters—Barrett & Co., Providence, R. I., underwriters.

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.

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.

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.

COLUMBUS & SOUTHERN OHIO ELECTRIC CO. on Oct. 3 filed a registration statement for 133,745 shares of 4¼% cumulative preferred stock.

Details—See issue of Oct. 11.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane are named dealer manager to organize a group of securities dealers to solicit deposits under the exchange plan.

CONSOLIDATED CIGAR CORP. on Oct. 4 filed a registration statement for $4,000,000 20-year 3¼% debentures due Oct. 1, 1965.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—Eastman, Dillon & Co. heads the group.

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 at $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

CROSS CO. on Sept. 28 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.

Details—See issue of Oct. 4.

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.

Underwriters—F. H. Koller & Co., Inc., is named underwriter.

DAYTON POWER & LIGHT CO. on Sept. 26 registered $28,850,000 first mortgage bonds series due 1975.

Details—See issue of Oct. 4.

Offering—Price to be filed by amendment.

Underwriters—To be sold by competitive bidding.

Bids Invited—Bids for the purchase of the bonds will be received by company up to 11 a.m. (EST) Oct. 24, the bidder to specify the interest rate.

DEVOE & RAYNOLDS CO., INC., on Oct. 8 filed a registration statement for $3,500,000 20-year sinking debentures, due Oct. 1, 1965. The interest rate will be filed by amendment.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—Underwriters are Shields & Co., Lee Higginson Corp.; Eastman, Dillon & Co.; Ladenburg, Thalmann & Co.; Graham, Parsons & Co.; Paine, Webber, Jackson & Curtis; Singer, Deane & Scribner; Auchincloss, Parker & Redpath; Otis & Co.; Baker, Watts & Co.; Moore, Leonard & Lynch; Stein Bros. & Boyce; Farwell, Chapman & Co.; Kalman & Co., Inc.; R. S. Hudson & Co., Inc. and Hill & Co.

DRAVO CORP. on Oct. 3 filed a registration statement for 98,232 shares of common stock. Shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Oct. 11.

Offering—Price to the public will be filed by amendment.

Underwriters—Group is headed by Mellon Securities Corp.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

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.

GAR WOOD INDUSTRIES, INC., on Oct. 5 filed a registration statement for 70,000 shares of cumulative convertible preferred stock, $50 par. The dividend rate will be filed by amendment.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—The group is headed by Lehman Brothers, Emanuel & Co., and Blair & Co., Inc.

GENERAL PLYWOOD CORP. on Sept. 27 registered 135,591 shares ($1 par) common stock.

Details—See issue of Oct. 4.

Offering—Offering price to public $5 a share.

Underwriters—F. S. Yantis & Co., Inc., and W. L. Lyons & Co. are named principal underwriters.

GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAY MANUFACTURING CO. on Sept. 28 filed a registration statement for 95,544 shares of capital stock, par $5.

Details—See issue of Oct. 4.

Underwriters—None named.

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. Unsubscribed shares will be offered the public through underwriters at $102 per share.

Underwriters—Include Dallas Rupe & Son, Dallas Union Trust Co., Rauscher Pierce & Co., Inc. and Pitman & Co., Inc.

LEHIGH COAL & NAVIGATION CO. on Sept. 28 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.

Details—See issue of Oct. 4.

Offering—The price to the public will be filed by amendment.

Underwriters—Drexel & Co. heads the underwriting group.

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.

MAJESTIC RADIO & TELEVISION CORP. on Oct. 5 filed a registration statement for 300,000 shares of convertible preferred stock, $5 par.

Details—See issue of Oct. 11.

Offering—The price to the public is $5 per share.

Underwriters—The group is headed by Kobbe, Gearhart & Co., Inc., and Newburger & Hano.

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—Common stockholders of the Morris Plan Corp. of America are being offered rights to purchase additional common stock of the company at $8 per share in the ratio of 1 3-5 shares for each share held and stockholders of Industrial Finance Corp. are being offered the right to buy Morris Plan Corp. common stock at $8 per share on the basis of 18½ shares for each share of 7% preferred stock and 4-10 share for each share of common stock held. The offer is being made in accordance with the terms of an agreement under which American General Corp. purchased 937,500 shares of common stock of The Morris Plan Corp. of America at $8 per share last August. Offered to holders of record Oct. 10, 1945, the rights expire with the close of business Oct. 30.

Underwriters—American General Corp. is named underwriter.

NASHUA MANUFACTURING CO. on Sept. 17 registered 31,085 common shares without par value.

Details—See issue of Sept. 20.

Offering—Company will offer present common holders right to subscribe to new common on basis of ½ share of common for each share held at $60 per share, the unsubscribed shares will be sold to underwriters at $58.30 per share. Company would have to utilize 31,001½ shares of common to make this offer.

Underwriters—J. Arthur Warner & Co. named principal underwriter.

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.
Details—See issue of Oct. 4.

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.

NATIONAL SUPPLY CO. on Sept. 27 registered 170,000 shares of 4½% cumulative perferred stock, par $100.
Details—See issue of Oct. 4.
Offering—Holders of 291,091 shares of prior preferred stock, 5½% series and 6% series are given the opportunity to exchange such shares for the new preferred on or before Oct. 29 on basis of 1 1-20th shares of 4½% preferred for each share of prior preferred plus cash adjustment. Unexchanged shares will be sold through underwriters at $100 per share.
Underwriters — Lehman Brothers and Goldman, Sachs & Co. are named principal underwriters.

NATIONAL VULCANIZED FIBRE CO. on Sept. 26 registered $3,500,000 15-year 4¼% sinking fund debentures due Oct. 1, 1960 and 400,220 shares ($1 par) common stock.
Details—See issue of Oct. 4.
Offering—Offering price to the public to be supplied by amendment.
Underwriters — Union Securities Corp. and E. H. Rollins & Sons named principal underwriters.

NOMA ELECTRIC CORP. on Oct. 8 filed a registration statement for $2,000,000 15-year 4¾% sinking fund convertible debentures, $1,200,000 three-year 2% subordinated convertible notes and 163,120 shares of common which are reserved for conversion of the debentures, notes and common stock purchase warrants entitling the holders to purchase an aggregate of 20,000 shares.
Details—See issue of Oct. 11.
Offering—The offering price of the debentures will be filed by amendment.
Underwriters—Reynolds & Co. heads the underwriting group.

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.
Bids Invited—Company is inviting bids for purchase of debentures. Bids will be received up to 12 noon CST on Oct. 29 at office of Pam, Hurd & Reichman, Chicago.

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.
Issue Awarded Oct. 23 to Smith Barney & Co. and associates at 100.34 for 2¾s.

PENNSYLVANIA POWER CO. on Sept. 28 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.
Details—See issue of Oct. 4.
Offering—Preferred stock is offered on a share for share basis plus cash dividend adjustment of 8⅓ cents per share to holders of presently outstanding 42,000 shares of $5 preferred stock.
Underwriters—Kidder, Peabody & Co. is acting as dealer-manager of the exchange offer.
Bids for Bonds—Company is inviting bids up to Oct. 24 (noon) for purchase of the bonds, the successful bidder to specify the interest rate.

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.

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).
Details—See issue of April 26.
Offering—The company is offering the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.
Underwriters — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).
Details—See issue of June 7.
Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.
Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.
Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

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.

SANGER BROTHERS, INC. on Sept. 27 filed a registration statement for 22,000 shares 5½% cumulative preferred stock, par $30.
Details—See issue of Oct. 4.
Offering—The offering price is $30.50 per share.
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.

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.

UNITED TRANSIT CO. on Oct. 3 filed a registration statement for $10,000,000 convertible 4% sinking fund debentures due Aug. 1, 1965. Of the total $4,000,000 are being sold by present holders.
Details—See issue of Oct. 11.
Offering—The price to the public will be filed by amendment.
Underwriters—The group is headed by Harriman Ripley & Co., Inc.

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.

WIEBOLDT STORES, INC., on Oct. 2 filed a registration statement for 35,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.
Details—See issue of Oct. 4.
Offering—Stockholders on Oct. 19 approved an issue of 50,000 shares of new cumulative preferred stock and authorized 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.
Underwriters—The group is headed by A. G. Becker & Co., Inc., Chicago.

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.
Underwriters—Smith, Barney & Co. and Glore, Forgan & Co. named principal underwriters.
Financing Temporarily Postponed—It was announced Sept. 28 that the proposed financing was temporarily postponed.

WISCONSIN POWER & LIGHT CO. on Oct. 1 filed a registration statement for 120,000 shares of 4½% preferred stock, cumulative, par $100, to be offered in exchange to holders of 6% and 7% preferred stocks on a share for share basis plus cash adjustments.
Details—See issue of Oct. 4.
Underwriters—The company will form a group of security dealers to obtain acceptances to the company's proposed exchange offer.

Foresees Continued Government Intervention in Labor Disputes

(Continued from page 1951)

lieves that collective bargaining aims are best achieved when government action on the myriad details of the management-union relationship has been reduced to a minimum. The more employers and employees depend upon bargaining by equal parties to achieve a practical compromise on wages, hours and work conditions, the more firmly rooted become the self-disciplines and the obligations to find the solutions among themselves rather than to ask for solutions ready-made."

As specific machinery to aid in carrying out such general principles, the Fund's Committee suggests that with the coming of peace "voluntary mediation boards, composed equally of management, labor and public representatives, be established within every sizable industrial community."

These community mediation boards would operate on a purely voluntary basis and might "adjudicate industrial disputes in their areas, and perhaps even be empowered by the parties at interest to engage in final and binding arbitration rules." The boards would supplement Federal and State mediation agencies.

The Fund's Committee says: "Personnel for these boards can be drawn from chambers of commerce, local unions, state commissions of labor, civic and educational bodies, the panels of the American Arbitration Association, as well as from among those who served on War Labor Board subdivisions throughout the country."

The Committee believes "the very existence of these boards would tend to encourage localized, as against Federal, settlement of management-labor controversy; to reverse the centralizing trends of submitting to Washington issues that can be more effectively decided in the local community." However, the Committee recommends that "any such voluntary mediation boards foster as much industrial self-government as possible by not trying to impose details, or to deal with questions which should be directly negotiated by management and the union."

To supplement these community boards, which would deal with all industries in a given community, the Committee believes each of the larger industries in the country might take some action. "To further encourage industrial self-government with its accent upon a 'settle among ourselves' approach, the Committee suggests that a second type of voluntary mediation board, to be composed of management and labor representatives, be established within each industry. The personnel for these boards, which would exclude any public representation at all, would be drawn from employer and employee organizations other than those directly involved in a dispute."

Commenting on attitudes necessary to make such suggestions workable, the Committee says: "Necessarily, before collective bargaining can become a tool for industrial self-government, it must be actively affirmed, rather than merely accepted, by business as well as by labor and government as the keystone in all relations between management and workers."

Following out this thought, the Twentieth Century Fund's Labor Committee recommends that "employers within an industry associate themselves into organizations designed to negotiate with unions, not to combat them." The Committee points to British practices along these lines and notes the absence in America of any national organization of employers, as such, which might take in all industries and concern itself exclusively with industrial relations.

"In the absence of a prototype of the British arrangement for employer bargaining, or pending its establishment, the Committee therefore recommends the formation of a national management-union council on collective bargaining. Representation on this council would be drawn from the National Association of Manufacturers, the United States Chamber of Commerce, the American Federation of Labor and the Congress of Industrial Organizations. The council would constantly examine collective bargaining agreements and methods in order to serve as a central clearing house for disseminating practices found especially efficient in pushing production, making jobs more secure, and promoting a spirit of collaboration between managements and unions."

On the union side of the collective bargaining table, the Fund's Committee says: "Back of labor's agents in collective bargaining there must be as genuinely free and democratic a union structure as workability permits."

Various members of the Committee point to various abuses in some unions, such as overlong tenure in office by some top officials, lack of democratic machinery for making the will of the membership felt, undue secrecy about union finances, and lack of adequate remedy for a union member who has been unjustly deprived of his economic or civil rights. Some members of the Committee believe the law should intervene to correct such abuses where they exist, while other members doubt the workability or justice of such controls when imposed on a union from the outside.

The full membership of the Twentieth Century Fund's Labor Committee, which issued this report, in addition to William H. Davis, Chairman, includes William L. Chenery, Publisher, "Collier's Weekly"; Howard Coonley, Chairman of the Board, Walworth Company, Inc., formerly President, National Association of Manufacturers; Clinton S. Golden, Assistant to the President, United Steelworkers of America, affiliated with the Congress of Industrial Organizations; Frazier MacIver, Vice-President, Phoenix Hosiery Company; Sumner H. Slichter, Lamont University Professor, Harvard University; Robert J. Watt, International Representative, American Federation of Labor; and Edwin E. Witte, Professor of Economics, University of Wisconsin, Chairman, Regional War Labor Board, Region No. 11.

Our Reporter's Report

The new issue market was pounding down the home-stretch this week as everybody interested, including the issuers, underwriters and investors, sought to clear their slates against the opening of the Victory Loan Drive next Monday.

Once the Treasury takes over the track there will be little or no room in the field for corporate borrowers and the latter realize it full well. Strikes, threatened strikes, and the general let-down from wartime activity and employment are not going to make the placing of the Victory Loan any easy undertaking.

There is no gainsaying the fact that the loan will be a success. That goes without saying. But bond men, bankers and brokers are aware that it is a job which is going to require a maximum of effort and they are anxious to clean up all private business before tackling their first job for Secretary of the Treasury Vinson.

Consequently the wires were humming all this week and another substantial volume of new business was negotiated, promising to make October a month to vie with July from a standpoint of turnover in the new issue market.

The disposition of potential issuers to get their prospective new issues to market was perhaps best exemplified by the action of Chicago, Burlington & Quincy Railroad Co. in calling for bids, to be opened tomorrow, on $65,000,000 of new 40-year first and refunding mortgage bonds.

This action would permit the successful bidder to reoffer the bonds prior to the Treasury's operation, since railroads do not have to go through the formality of awaiting approval by the SEC.

Kansas City Southern

Observers still report the market in a most receptive mood and seemingly able to absorb the heavy rush which has been taxing it in recent weeks.

Among the recent railroad issues which came in for a decidedly encouraging reception was last week's $40,000,000 issue of Kansas City Southern 4% Series A first mortgage bonds.

Some weeks ago one or two of the carrier loans brought out at the time appeared a trifle sticky. But not so with the K. C. S. loan. The latter moved out fast and currently is quoted in the over-counter market at a premium of about ¾ of a point.

Piling 'em In

Wednesday brought a total of something like $65,000,000 in major bond and stock undertakings and today the syndicate which captured Northern States Power Co. of Minnesota's $75,000,000 new first mortgage bonds as 2¾s is offering the issue to investors.

Dealers reported brisk demand for the $40,000,000 of Montana Power Co. first mortgage 2⅞s which came out yesterday priced at 101. And much the same conditions held true in the case of the offering of 530,240 shares of Florida Power Corp. common which bankers bought on Monday for re-offering, fixing a price of $17 a share.

Still Whittling Away

Investors are being crowded severely these days in seeking potential outlets for their funds. And the situation is not being made any more tenable by the disposition of corporations, particularly railroads, toward reducing their debts through use of available funds.

Under the new tax bill railroads still would continue to be accorded credit, or in other words, exempt from tax on "profits" which would accrue on the books through retirement of bonds below their parity.

Illinois Central late last week announced a call for tenders of certain of its 1950-51 maturities, reserving the right to accept what it considered those made at satisfactory prices.

The road, it was pointed out, has reduced its debt by $109,933,761 from the peak of $383,278,672 reached in 1927. And the bulk of such reduction has come about during the war years.

As corporations proceed to cut their indebtedness the investor is denied a corresponding outlet for funds. And the whittling process, though perhaps a bit slower than last year, is still in progress.

C. Emmett Wilson Is With B. E. Simpson

DENVER, COLO. — C. Emmett Wilson Jr. has joined the trading department of B. E. Simpson & Co., California Building. Mr. Wilson for the past three and one-half years has been serving as a Lieutenant in the U. S. Army Air Corps.

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