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Wages and Prices, Crucial Problem

By HENRY A. WALLACE*
Secretary of Commerce

Secretary Wallace, in Pointing Out That the Final Objective of the Labor-Management Conference Is Industrial Peace, Maintains That There Are Clear Indications That Basic Wages Can Be Raised Substantially in Many Industries Without Increasing Prices.

I am glad to join the President and the Secretary of Labor in welcoming you to this conference. All of you are men of wide influence. Your ability to reach an agreement here will present to management and labor throughout the country a pattern of action that no one can afford to overlook. Your responsibility and your opportunity is to prove through your own example that industrial relations can be based on mutual understanding—on reason rather than force.

Henry A. Wallace

*An address by Secretary Wallace at the National Labor-Management Conference, Washington, D. C., Nov. 5, 1945.

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End Industrial Strife: Truman

President Calls for Labor and Management to Handle Their Affairs in Traditional Democratic Way So That Reconversion Can Proceed and President's Wartime Powers Be Given Up. Says Contracts Must Be Lived Up to and There Must Be Responsibility and Integrity on Both Sides. Holds Substitute Must Be Found for Jurisdictional Disputes and Hits Delaying Tactics of Management That "Looks Upon Labor Relations as a Stepchild of Its Business." Points Out That High Production Is Essential to Prosperity and Cautions "That no Realist Can Expect the Millennium of a No-Strike, No-Lock-Out Era at Once."

In an address opening the Labor-Management Conference at Washington on Nov. 5, President Harry S. Truman stressed that the meeting was an opportunity to prove that labor and management "can come to an understanding and agreement without political or Governmental pressure." He made no reference to the question of increase in wage rates or price controls, but warned management that labor relations should not be regarded as "a step-child of business" and emphasized the necessity that contracts entered upon should be lived up to, and that jurisdictional disputes should cease. The text of the address follows:

President Truman

Members of the Labor-Management Conference:

In a radio broadcast to the American people last Tuesday night, I said:

"I am convinced that if labor and management will approach each other, with the realization that they have a common goal,

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Small Business and The Minimum Wage

By FREDERIC EDWARD LEE
Professor of Economics, University of Illinois

Holding That the Effect of the Pepper Bill to Raise Minimum Wage Rates Will Be Calamitous if Passed, Professor Lee Points Out That Gainfully Employed Affected Will Be in Small Businesses, Which Will Be the Sufferers. He Calls Attention to the Inconsistency of Encouraging Small Business and at the Same Time Raising Wages of Their Employees. Says Big Corporations Will Be Given Advantage Since They Can Offset Higher Labor Costs by Installing Labor Saving Machinery and Can Acquire New Capital More Readily.

With all the current agitation in labor and Administration circles in favor of an increase in the minimum wage under the Fair Labor Standards Act to 65, 70 and ultimately to 75 cents per hour under the Pepper Bill, one important factor seems to have been largely overlooked. What effect will this legislation, if passed, have upon the thousands of small businessmen who were forced out of business during the war period because of priorities, shortages of labor and materials and other factors but who are now planning to open up a small business of their own again? How will it affect the other thousands who have just barely survived price controls, rationing and other Governmental restrictions, but until now have been looking forward hopefully to the imme-

Dr. Frederic E. Lee

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We Ask You, Mr. Wallace!

Forty-four Questions on the Theories of the Secretary of Commerce, as Revealed in His Book "60 Million Jobs."

Henry A. Wallace, formerly Vice-President of the United States, and now Secretary of Commerce, the Administration's "intellectual head-man," and would-be spender-in-chief, fully sets forth his economic philosophy in a new best-seller "Sixty Million Jobs."* The basic fallacies, ambiguities and inconsistencies revealed in this exposition of his credo appear to be so numerous, that it seems wise to indicate them in question form—as follows:

(1) First it is stated that "we should keep 60 million jobs as the symbol, if not the arithmetically exact synonym, of the full employment we can have."

However, subsequently, Mr. Wallace states: "If by 1950, 60 million people in the U. S. have jobs and are producing and consuming $200 billion worth of goods and services a year, we can be certain the nation is in a pretty fair state of economic health."

(Q) Doesn't this second quotation indicate that 60 million jobs is an actual yardstick against which our performance will be measured rather than merely a symbol? Isn't it, therefore, important that the accuracy of this "yardstick" be established?

* * *

(2) The estimate of 60 million jobs is based upon the assumption that there will be over 62 million people available for work by 1950 (page 4) and that 1½ to 2 million may be unemployed "due to technological progress, to seasonal unemployment in construction or other trades, and to normal changes from one job to another" (page 14). In fact on this basis it is suggested that "if the total of civilian and military jobs falls below 59 million, then there is real cause for concern—and if the total falls below 58 million we must beware of serious trouble" (page 14).

(Q) How are these estimates to be reconciled with the U. S. Cen-

(Continued on page 2222)

*"Sixty Million Jobs," by Henry A. Wallace, Simon & Schuster, $2.

What the Full Employment Bill Will Do

By HON. FRED M. VINSON*
Secretary of the Treasury

Secretary Vinson, Asserting That Our Chief Problem Now Is How To Apply the Economic Lessons of the War To Peace and That We Must Solve This Problem Within the Free Enterprise System, Says It Is Government's Responsibility To Provide Conditions for Full Employment. Holds Pending Measure Is Improvement Over Previous Labor Stabilization Laws, in That It Takes Positive Steps To Facilitate and Encourage Expansion of Consumption and Private Investment. Denies It Is a Spending Bill or Undermines Free Enterprise and Maintains That Government Can Estimate in Advance Changes in National Income and Aid in Full Employment.

The war has taught us many things about our economy.

It showed that when the people of the United States set their minds on doing a big job, that job will be done—and the whole resources of this great country will be mobilized for its accomplishment. Winning the war was, obviously, all-important. So we did our best to call into service every human and material resource which the country had at its command, and put it to use either directly for the war effort or for the maintenance of the civilian economy.


Secretary Vinson

The war also revealed the tremendous productivity inherent in our economy. Our gross national product increased from $89,000,000,000 in 1939 to $199,000,000,000 in 1944. Some of this, of course, represented an increase in prices; but the product of the country, expressed in real terms, increased by about 75%.

We learned other important facts about our economy, too, in winning the war. We discovered that as a consequence of our all-out effort, unemployment disappeared. There were more employment opportunities than people seeking work. The job sought the man, rather than the man the job.

We discovered that as a result of the effective use of our resources during the wartime period, the real standard of living of the civilian population was higher in 1944 than it had been before the war, despite the fact that nearly one-half of our production was for war purposes.

The Number One problem which confronts the people of the United States here at home right

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*Statement by Secretary Vinson before the House Committee on Expenditures in the Executive Department, Oct. 31, 1945.

BW National Advisory Council

By HERBERT M. BRATTER

Writer Notes That Although Bretton Woods Agreement Has Not Been Ratified by Any Government, the Advisory Council Set Up by Congress in the Enabling Act Has Already Begun to Function and Has Been Tied in With the Advisory Board of the Export-Import Bank by Having the Same Membership. Sees an Anomalous Situation in Having Two Supervisory Bodies With Identical Membership but With Different Chairmen and With Powers That Are Not Co-Extensive. Sees Likelihood of Public Flotation of Dutch Loan and Says British Want a New Form of Lend-Lease Aid.

The Bretton Woods Agreements Act approved by the President on July 31 established the National Advisory Council on International Monetary and Financial Problems. Although neither the United States Government nor any other has as yet actually ratified the Bretton Woods Agreements, this Council has started to function and has set up a staff drawn from various Government departments and agencies.


Herbert M. Bratter

The membership of the National Advisory Council consists of the Secretary of the Treasury, as Chairman; the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington. These in any case are the officials who are most concerned with foreign loans by the American Government.

In expanding the Export-Import Bank to a $3.5 billion institution last summer the Congress specified for that institution an Advisory Board with the same composition as the NAC, the only difference being that the Chairman of this Advisory Board is the

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Stuart & Shedd With E. F. Hutton & Co.

J. R. Stuart has rejoined the Commodity Department of E. F. Hutton & Co., 61 Broadway, New York City. Mr. Stuart served with the War Production Board in Washington as Chief of the Warehouse Branch, Steel Division.

Bernard E. Shedd, recently of the U. S. Army and formerly Vice-President of the Commodity Research Bureau, Inc. of New York, has also become associated with E. F. Hutton & Co.

Labor and Management State Their Aims as Conference Convenes

By IRA MOSHER*
President, National Association of Manufacturers

Asserting That as Representative of Manufacturers, He Is Committed to the Principle of Collective Bargaining, and the Aim to Provide the Highest Possible Standard of Living and Greatest Degree of Security for All, Mr. Mosher Calls for Support of the Ideal of Individual Enterprise. Stresses That Conference Is Not a National Collective Bargaining Agency and That Its Work Is Purely Advisory and Inspirational. Says Aim Is Not for Strategic Advantage of Either Labor or Management but for Public Weal

Let me say at the outset that I and my associates from the National Association of Manufacturers, are in hearty accord with the stimulating thoughts and the stirring words you have just heard from the distinguished leader of the United States Chamber of Commerce. They accurately reflect what is in our minds and in our hearts as we enter upon this effort to "lay the groundwork for peace with justice on the home front"—as Senator Arthur H. Vandenberg


Ira Mosher

(Continued on page 2240)

By WILLIAM GREEN*
President, American Federation of Labor

Veteran Labor Leader, Urging the Labor - Management Conference Confine Itself to Erecting Framework for Labor-Management Cooperation, Places Collective Bargaining at the Foundation of Peaceful Industrial Relations. Says Labor Should Not Interfere With Rights of Management, But Holds Management Responsible for Stable Employment, Job Security and Decent Wages. Advocates Employers Share Essential Information on Industries With Workers, and Urges Improvement in Conciliation Services.

All of us who are called upon to meet and participate in this national labor-management conference fully appreciate its significance and importance. The President of the United States issued the call for this conference. We have assembled here at his request. The moving and inspiring address which he delivered to those of us in attendance at this conference no doubt made a deep impression upon our hearts and minds.


William Green

We are deeply conscious of our

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By PHILIP MURRAY*
President of Congress of Industrial Organizations

Like William Green of AFL, President of CIO Maintains That Collective Bargaining Is Cornerstone of Industrial Peace, but Says That Labor and Management Relationships Have Collapsed and States That Solution of Present Problem Lies in Restoration of Loss in Take Home Pay and Maintenance of Standard of Living. Contends Collective Bargaining Has Been Rejected by Many Employers and Urges Conference "to Address Itself to Urgent Need of Protecting Wage Standards."

We are assembled here at the invitation of our President to make, to use his language in calling this conference, "an effort to establish long-term policies which will make possible better human relationships in American industry."

The CIO delegates approach the tasks before this conference with the earnest desire and will to make their constructive contribution.


Philip Murray

We shall endeavor upon the basis of our experience in the field of labor-management relations to offer suggestions for the speedy and effective disposition of disputes which may arise between unions and management.

A determined approach based upon the genuine and wholehearted acceptance of collective bargaining by labor and management is of the essence in our democratic society. This is the cornerstone for peaceful and satisfactory industrial relations.

However, I should be remiss in my responsibility in not stating frankly at this moment that I have become convinced by the events of recent months that there has been a steady deterioration of industrial relationships in this country sinve V-E Day. Today we are confronted with a major collapse in labor-management relations.

Let us ask ourselves one ques-

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By ERIC A. JOHNSTON*
President, Chamber of Commerce of U. S.

Industrialist Delegate Says Fundamental Choice of Labor-Management Conference Is a Vote of Confidence in the American Way of Life. Says Our Economy Is Faced With Choice of Peace or War, Cooperation or Violence, Self Regulation or Coercion by Law. Calls for a Code Under Which Future Labor-Management Relations Will Be Conducted and Lays Down Four Basic Principles to Be Followed.

Our American system of free economy has passed the test of war with flying colors. In a titanic contest, the overwhelming weight of our industrial superiority proved decisive in the scales of human destiny. The question now is whether this American system of free economic relations, in which every American has a direct stake, will also pass the test of the reconversion and the peace.


Eric A. Johnston

We are determined that it shall—this gathering is in itself eloquent proof that the determination is deep and earnest. This gathering gives us the right to hope that it will be met with the same courage, the same good sense and the same spirit of mutual respect with which we met the challenge of war.

Since this conference was planned and summoned, we have had a long and often disquieting array of proofs of its urgency and importance. It is clear that the colossal exertions of the war have left us more fatigued than we realized. Nerves are frayed and tempers are explosive. The abnormal conditions imposed by a

(Continued on page 2241)

*Addresses delivered at opening session of the Labor-Management Conference at Washington, D. C., on Nov. 5, 1945.

Return to Collective Bargaining

By HON. L. B. SCHWELLENBACH*
Secretary of Labor

Claiming That Industry and Labor Have Become Rusty in the Technique of Collective Bargaining, Secretary Schwellenbach Pleads for a Better Understanding and Adherence to Its Procedures. He Urges "Top Management" to Devote More Time to Its Consideration, and Labor to Abandon Inter-Union Politics. Asks Both Sides to End "Oppositional Attitude" and Develop an Atmosphere of Cooperation. Says Government's Policy Is to Remove All Wartime Restrictions and Give Labor and Management a Free Hand in Bargaining.

When the war ended the Government was called upon to make quickly certain very important, serious decisions. During the war we abandoned many of the principles and practices of free society. We regulated and controlled almost every area of economic activity. That was necessary if we were to win the war quickly and with a minimum loss of human life.


L. B. Schwellenbach

When the fighting war ended the Government was faced with the necessity of determining when and how and to what extent those controls safely could be lifted. The Government knew that transition to peacetime economy might be smoother and less painful if the controls were retained during the period of transition. It

*An address by Secretary Schwellenbach at the National Labor-Management Conference, Washington, D. C. Nov. 5, 1945.

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Distribution Tomorrow

By CHARLES F. PHILLIPS*

President, Bates College, Lewiston, Maine

Dr. Phillips, Though Stating No Startling Basic Changes in Distribution Methods Are Expected, Lists as Future Developments: (1) More Retail Outlets; (2) Expansion of Existing Retail Firms; (3) Enlarged Consumers' Cooperatives; (4) Cooperation of Retailers in Group Buying; (5) More "Scrambled Merchandizing"; (6) Closer Contact Between Wholesaler and Retailer and (7) Direct Marketing by Manufacturers. Predicts Additional Regulations to Limit Competition With an Expansion of the Consumer Movement and Market Research and Concludes That the Real Job Is to Make Our Competitive Economy Function in Order to Avoid Inevitable Dictatorship.

The wholesalers and retailers of this country have just been going through a period of unprecedented sales. From $42 billions in 1939, by 1944 retail sales had reached $69.3 billions, a 65% gain. During the same period wholesale sales increased 87%, from $55.3 to $103.4 billions.[1]

Charles F. Phillips

But today we stand at a new era. Government purchases are being curtailed rapidly so that business is losing this major market for its goods. For the period just ahead consumer income will fall and this will be reflected in lower consumer goods sales. Consequently, many of us are wondering about what will happen to distribution during and following this reconversion period.

Frankly, I am dubious that distribution **methods** are in for any startling **basic** changes in the years immediately ahead. Nothing has developed which will replace the department store, the chain store, the service wholesaler, or manufacturer's branches. No one has found a magic formula by which the cost of distribution can be drastically or even significantly, reduced. As a matter of fact, such elements as more direct selling, rising wage costs, air conditioning, more elaborate stores and fixtures may more than offset the impact of self-service and larger stores, so that distribution costs may actually rise.

More Retail Outlets

I place expansion in the number of retail outlets as one of the "certain" developments of the years immediately ahead. During the war years, as was also true in the pre-war years, thousands of retail stores went out of business each year. But in contrast to prewar years and for fairly obvious reasons, the replacement rate was far less than the mortality rate. Consequently, we have fewer stores today than in many years. To be specific, between 1939 and 1943 there was a net decrease of 271,000 retail firms.[2] As men and

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

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How to Prevent Strikes

By DONALD R. RICHBERG*

Holding That Most Strikes Are Not Justified, Mr. Richberg Urges a Rule of Reason Be Imposed Upon Both Labor and Management and That Government Should Provide a Machinery for Fact-Finding, Mediation and Voluntary Arbitration. Deprecates "Political" Strikes and Advocates Passage of Hatch-Burton-Ball Bill, Which Prohibits Sudden and Arbitrary Strikes That Affect the Public and Which Applies the Principles of the Railroad Labor Act in Adjusting Disputes. Contends the Hatch-Burton-Ball Bill Does Not Provide Compulsory Arbitration, but Merely Carries Out the Duty of Government to Maintain Order.

There was a time when strikes could usually be justified. They were the desperate efforts of distressed men to improve their lives.

Donald R. Richberg

Today a large majority of strikes cannot be justified, as either necessary or helpful to serve the interests of working men and women.

Nevertheless it would be wrong for the Government to deprive labor organizations of the power to strike until the wage earners have been assured of an equal power to gain economic justice by peaceful means.

For decades it has been, and it still is, unhappily, the law of the land that conflicts of interest between management and labor are to be decided by force. It would be unfair to call upon labor unions to lay down their principal weapon of force until we establish by law a rule of reason in labor disputes and require all parties to listen to reason before they begin to fight.

The First Step

The first step in developing a rule of reason must be to impose a legal duty upon both labor and management to make every reasonable effort to settle their differences by peaceful negotiation. Then Government should provide a machinery of mediation, voluntary arbitration and public fact-finding, as a further aid in adjusting difficult controversies which affect the public interest.

The value of such a law to promote industrial peace will depend, however, entirely upon one duty which must be written into the law and made enforceable. That is the duty imposed on all parties to refrain from waging war at least until peaceful methods have been given a fair trial. Any proposed law which does not prohibit a strike, a lockout or any one-sided action to change conditions or to gain an advantage, during the period of required negotiation and Government mediation, will be a sham and a delusion.

A good example of such a flimflam is the McMahon bill which Washington intriguers are seeking to have endorsed by the forthcoming Labor-Management Conference. Any employer who thinks it is a good bill should join hands with the C. I. O. They like it!

Every time you hear someone advocate a so-called "voluntary" peace program, in which there is no legal duty imposed on labor organizations and employers to refrain from fighting until reasonable efforts at peaceful settlement have been exhausted, you are entitled either to laugh out loud or to boo! You may be listening to a theorist who doesn't know what he is talking about or to a slippery advocate of the rule of force, who is willing to let the public suffer while he and his kind struggle to rule or ruin the nation's business. But, whoever is

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*An address by Mr. Richberg at a luncheon of the Chicago Association of Commerce, Chicago, Ill. Oct. 31, 1945. Mr. Richberg is a member of the law firm of Davies, Richberg, Beebe, Busich and Richardson, Washington, D. C.

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Our Prospects for Trade With India

By HON. EMANUEL CELLER*

Congressman Celler Holds That the Bombay Plan for India's Economic Improvement, Which Envisages a $2 Billion Loan From the United States, Requires the Unblocking of the Sterling Pound. Contends That Britain's Freezing of Dollars in the Sterling Area Is Creating a Dismal Climate for International Business. He Calls on Assistant Secretary of State Clayton to End Britain's Trade Barriers Against Us.

I am happy to report that my bill, H. R. 3715, has gone over three major hurdles. After extended hearings, it was reported out favorably by the House Committee on Immigration and Naturalization. We were successful in obtaining a rule from the powerful Rules Committee of the House, and, thirdly, after a spirited, and sometimes heated, debate on the floor of the House, it was passed. Now it is over on the Senate side.

Emanuel Celler

H. R. 3715 seeks to remove from our immigration statutes, the India's exclusion provision and provides for the naturalization of Indians resident here.

It seems almost incredible that those of us who supported the bill should have found any opposition at all. It would seem that (all other considerations put aside) a simple sense of justice would dictate its unopposed passage. That was not so, however. Despite the declared approval of the Departments of State and Justice, the voiced support of the late President Roosevelt and of President Truman, the bill in its passage through the House met with many setbacks. Thus, it behooves the friends of India to watch carefully the progress of the bill in the Senate. This obviously just battle is not over, by any means.

India has become one of the family of the Allied Nations in this war. Yet, under our discriminatory law, it is possible for a gutter-snipe from Prussia, or a disguised Fascist from Spain to enter the United States under an established quota, but the late Rabindranath Tagore, a most distinguished philosopher and poet of India, or Pandit Nehru, a very gentle and wise man, could enjoy no such rights.

The Indian peoples had joined us on the battlefield. Two million Indians fought and are fighting in the Army, Navy and Merchant Marine of Great Britain. They are among the dead, wounded and missing. They produced for war, farmed for war, built for the war which was ours and theirs.

The Indian soldiers within the ranks of the so-called Chindits performed heroically. Chindit is a word which sprang out of this war. It comes from the Burmese word meaning lion (chinthe) and the English word, bandit. The term was applied to Wingate's jungle forces, which included many Indians as well as British and American fighters. Because of the courage and daring of the Chindits, a whole belt of combat rings were all supplied by air. India contributed the largest volunteer army to the Allies—2,000,000 men—all natives of India. They fought on many fronts. There was a huge India air force of over 300,000 men. Almost 60,000 Indians manned British merchant ships. Indians performed brilliantly under General Montgomery in his great Eighth Army.

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*An Address by Congressman Celler at the Associate Members Dinner Forum at the New School on Nov. 4.

The Construction Reconversion Problem

By JOHN W. SNYDER*

Director of War Mobilization and Reconversion

Asserting That Construction Activity Will Be a Guidepost on Way to Reconversion, Mr. Snyder Outlines a Six-Point Program to Encourage Construction and, at Same Time, Curb Inflation. Although Stating That the OPA Will Strengthen Price Control Over Building Materials and Rents, He Maintains That It Is Not the Present Intention to Ask for Legislation for Price Control on Finished Houses. Says Only Complete Cooperation of Building Industry and Government Can Help in Filling Housing Demand and Bring About an Earlier Prosperity, Free From Controls.

In his address to the people of the country Tuesday night (Oct. 30), President Truman stated that one of our primary objectives in the time ahead is to prevent both inflation and deflation.

John W. Snyder

We all know that production is the answer to the threat of inflation and that as long as people have enough money to buy the things that industry can produce there is no danger of inflation.

We don't have time today for a full analysis of the problems of production, but I do want to go into some detail on the subject of construction. There is a great threat of inflation in this field because there is a terrific need for houses during a time in which it will be impossible to build them fast enough.

Stimulation of activity in construction, therefore, we believe is one of our chief responsibilities in the period just ahead. We believe, in fact, that the construction activity will be a sort of guidepost along the way to reconversion and post-war expansion.

This is not only because a shortage of houses demands prompt expansion of the construc-

*An address by Mr. Snyder at a luncheon session of the Construction Industry Advisory Council of the Chamber of Commerce of the U. S., Washington, D. C., Nov. 1, 1945.

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The Silver Question Again!

By A. M. SAKOLSKI

Economist Notes the Political Effect of Rising Silver Price and Threat to Increase Treasury Silver Purchases and Dilute the Currency. Recounts Same Situation in World War I and the Fall in Silver Prices Thereafter. Contends "New Deal" Silver Policy Maintained, Up to the War, an Artificial Price for the Metal, and Predicts That Prices Will Again Decline and That This Will Bring Out Effort of the Silver Interests to Reestablish Bimetallism.

Following the usual course of events, the Silver Question is with us again. It will not down! For more than three-quarters of a century it has infected our politics and has disturbed our economic progress.

A. M. Sakolski

Like the Farm Bloc, the Silver Group in Congress seems to have become a permanent fixture. It gets renewed life and becomes aggressive whenever a favorable opportunity presents itself. Not satisfied with the absurd and irrational enactment of the Silver Purchase Act of 1934, whereby the national currency is diluted and unstabilized, and rendered susceptible to attack because of vulnerability, Senator Pat McCarran of Nevada and his silver cohorts are urging President Truman to raise the price of silver metal produced in the United States to $1.29 an ounce (the statutory limit) and to forthwith coin the metal and put it into circulation. He has already introduced a bill in the Senate to this effect, which is referred to in the "Chronicle" of Oct. 25, on page 1952.

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W. F. Nicholson With Boettcher in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Will F. Nicholson has become associated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Nicholson was formerly a partner in Harris, Upham & Co. He has been serving in the U. S. Army for the past four years.

Public Utility Securities

New Recap Plan for Long Island Lighting

Long Island Lighting presented a plan of recapitalization to the Public Service Commission of New York about a year and a half ago, which was finally approved by the Commission December 14. Two days later the Company filed a certificate of reduction of capital, etc., in the office of the Secretary of State, giving partial effect to the plan. Trading in the new securities began on the Curb but was quickly stopped when the SEC (presumably at the instigation of a preferred stockholders' committee) asked the Federal courts to hold up the plan pending determination of its claim for jurisdiction over Long Island Lighting as a holding company (despite the company's intrastate operations). While the SEC claims were rejected by two Federal courts it appeared likely that the Commission would carry the case to the Supreme Court, and the management suddenly decided to give up the fight. Accordingly, the old plan was scrapped (except insofar as it was technically embedded in the articles of incorporation) and work on a new plan (presumably in collaboration with the SEC staff) was undertaken last spring.

The new plan was filed with the Commission on October 25, but copies were not immediately available in quantity, so that some garbled reports regarding participation of the common stock appeared in the press. In line with the tremendous market interest which has developed in low-priced holding company equities this year, Long Island Lighting common stock certificates have been actively traded recently around 1-1½ (the year's range is ½-2). The fact that the stock is still selling at 1½, or about two to three times its estimated statistical value under the new plan, seems to be evidence either of unreasoning optimism on the part of the speculative public, or strong hopes that the present plan can be revised or modified in favor of the equity holders. There may also be some continued confusion over the degree of participation by the common stock—whether each 100 shares is to receive approximately nine shares (as under the first plan) or 15/6 shares, as under the latest plan.

Under the plan it is proposed to merge into Long Island all the principal subsidiaries excepting Kings County Lighting (control of which will probably be lost)—Queens Borough Gas & Electric, Nassau & Suffolk Lighting and Long Beach Gas. Long Island Lighting would then have outstanding (in addition to institutionally-owned bonds and bank loans) 101,520 shares of 4% preferred stock (par $100), and 1,059,036 shares of no-par common stock with a stated value of $10 per share. The following table indicates the terms for each of the principal security issues, in relation to market value and dividend arrears:

(Continued on page 2242)

Exaggerated Inflationary Psychology

By ROBERT S. BYFIELD*

Investment Analyst Argues That the Inflationary Psychology Engendered by Articles and Reports of Many Economists Neglects to Take Into Account Our Great Production Capacity Which Can Absorb the Increased Monetary Supply. Holds Because U. S. Depends Very Little on Imports, Our Position Differs From That of France After World War I and That There Is No Danger of Dollar Devaluation.

The present wave of inflationary psychology seems to be accompanied by an unusual number of articles and reports by economists of reputation who bewail the cumulative unsoundness of a decade and a half of Federal financial policies. It must be admitted that on the basis of theoretical economics alone, the monetary and credit policies of the Federal Government could result in a very great increase in the price level. Government debt is high compared to national wealth, money in circulation has almost quadrupled since 1939, too much of the national debt is carried by banking institutions and far too much of it is of the short-term variety. It is further argued that the Government, having financed itself by the lowest interest rates in history, will now find it difficult to raise these rates if it seeks to shift the burden of the public debt from the banks to private investors. Furthermore, and this is particularly important from the orthodox viewpoint, it is going to be politically very difficult to change credit policies because this procedure might be deflationary and might result in taking something out of the workers' pay envelopes.

Robert S. Byfield

Clients who have been readers of our Market Comments for the past several years well know that we have no quarrel with orthodox economists as such, and we have not hesitated to criticize practices which sought to nullify some of the obvious laws of economics which, regardless of the growth of technology, must remain immutable. Nevertheless, it is our opinion that while there may be

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*Mr. Byfield is a partner in Lewisohn & Co., members of the New York Stock Exchange.

G. I. Profiteering in Foreign Exchange

By HERBERT M. BRATTER

Writer Recounts the Sources of Soldier Profiteering in the Occupied Areas and Contends the Army Is Operating a Foreign Exchange Business Which Encourages Dishonesty and Illegitimate Practices. Says Only the United States Treasury Is Losing by the Transactions and Describes the Attempts to Stop the Evil. Sees Need of Clarification of Army's Policy.

The story of American military currency in the war is one which has had to be told piecemeal because the facts have been obtainable chiefly from the occasional guarded press releases put out jointly by the Treasury and War Departments. One aspect of the question which still remains to be clarified and on which it seems to be very difficult to get the War Department to disclose the facts has to do with the profiteering which an unknown but apparently large proportion of GIs have engaged in Europe. The problem arises out of the sale of goods—both personal property of the GIs and stolen military and other supplies—at often fantastic prices in terms of European local

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Four Rejoin Staff of J. F. Reilly & Co.

J. F. Reilly & Co., 40 Exchange Place, New York City, announce that William H. Gardner, Customer Service Department; Sydney Holtzman, General Manager; Robert A. Duncan, Dealer Sales & Service Department, and Norman W. Thompson, Statistical and Research Department, have returned from the armed forces and are now associated with the firm.

Real Estate Securities

Those used to the large discounts at which Real Estate Bonds have been selling, will be interested in the list of Real Estate Bonds that sell above par.

Bing & Bing 7s 1950	130 Bid
Equitable Office Building 5s 1952	117 "
East 30th Street Corporation 3s 1953	101 "
Hotel Lexington 4s 1955	103 "
Jones Estate 6s 1953	112 "
Lincoln Building 5½s 1963	163 "
Midtown Enterprises 5s 1964	110 "
Prince & Lafayette Street Corporation 5s 1952	125 "
Trinity Building 3s 1949	101 "

In the case of the majority of these issues, these bids have been the result of the reduction of the issues represented, either in reorganization or by good earnings permitting the operation of substantial sinking funds, plus the fact that the bonds carry with them stock representing a share in the ownership. This share, of course, becomes more valuable as the funded debt ahead of the equity is being retired.

Promise for enhancement in value for other Real Estate Bonds because of the same reason seems to be apparent in many other issues, for instance:

Governor Clinton Hotel 2s 1952 selling in the low 80s—These bonds came out of reorganization in 1937 as a second mortgage bond with a $750,000 loan ahead of them. This loan has since been paid off and $62,000 of the bond issue has been retired, now leaving as a first mortgage a bond issue of $4,937,500. Property is assessed at $4,500,000. Bonds carry with them stock representing an equal share in 100% of the ownership of the property. For the year ended 8/31/44 percentage earned on the bonds was 13.35%.

Lewis Morris Apartments 4-5% bonds due Aug. 31, 1951, selling in the low 90s, came out of reorganization in 1936. Since that time $208,700 bonds have been retired, reducing the issue to $840,800. Bonds carry stock representing an equal share in 100% of the ownership of the property. Six months earnings for the period ending Feb. 28, 1945 were 11.26% on the bonds.

Savoy Plaza Hotel 3-6s 1956 selling in the middle 70s—The Company originally had two first mortgage issues combined, amounting to$14,500,000 and a debenture issue of $7,000,000, totaling $21,000,000. Previous to reorganization the debenture issue was paid off and at the time of reorganization each first mortgage bondholder received a new $500 bond. Important to the bondholders at the time of reorganization, was the purchase of the leasehold portion of the property and the furniture and fixtures of the Hotel, which are now additional security for the bonds. In order to purchase the leasehold portion of the property and pay reorganization expenses, it was necessary to place a first mortgage ahead of the bonds of $2,800,000. This loan has now been reduced to $2,000,000 with the interest cut from 5% to 4½%. Interest will be further reduced to 3¾% Oct. 1, 1946. Bond issue reduced to $7,000,000 due in 1956 and still outstanding in that amount carries with it stock representing an equal share in 60% of the ownership of the property. Property is assessed at $10,800,000. For the year ended July 31, 1945, percent earned on the bonds was 11.06%.

Sherneth Corporation (Sherry Netherland Hotel) 5¾s 1956, bonds selling below 70, came out of reorganization in 1935 with a $6,000,000 bond issue. Since that time $497,800 bonds have been retired or cancelled, reducing the issue to $5,602,200. Property is assessed at $3,585,000. Bonds are a first mortgage and carry stock representing an equal share in 88.4% of the ownership of the property. In 1944 earnings on the bonds were 7.55%.

61 Broadway 6% 1974, selling at about 98, was reorganized only last year and the first mortgage was cut in half, each bondholder receiving a $500 bond for each $1,000 bond formerly held. Bonds carry with them stock representing an equal share in 98% of the ownership of the property. The bond issue is now only $3,961,000 compared to an assessed value of $7,800,000 for the property. For the six months ended Feb. 28, 1945 earnings indicated on the bonds was 7.66%.

870 7th Avenue 4½s 1957 (Park Central Hotel), bonds selling below 90. Issue was cut in half in reorganization. First mortgage ahead of the bonds now reduced to $900,000 plus bond issue of $4,055,200 places funded debt of the Hotel at $4,955,200 compared to assessed value of $6,725,000. Bonds carry stock representing an equal participation in 66⅔% of the ownership of the property. 1944 earnings on the bonds were 16.14%.

An interesting barometer of the assessed value of hotels in New York City, compared to their actual value, might be gleaned from a cash offer made this week for the Hotel Warwick. On Nov. 27 a Court hearing will be held to decide whether to accept an all cash offer for the property of $2,100,000. The property is assessed at $2,700,000.

Construction Costs and House Price Controls Discussed

Senate Small Business Committee Hears Chester Bowles, OWMR Director Snyder, and Other Officials as Well as Representatives of the Building Industries on the Problem of Curbing Prices and Sales of Homes. OPA Drafts Bill to Control Prices of New and Existing Houses.

Stating that sales prices of houses have increased from 30 to 150% throughout the country and that production of new housing in the next year cannot possibly withstand inflationary pressures of "spending money" in the hands of the American public, Chester Bowles, OPA Administrator, made the first announcement last week, before the Complaints Subcommittee of the Senate Small Business Committee, of his legislative plan to control the prices on new and existing houses.

Chester Bowles

This proposal, coupled with an expansion of dollars-and-cents ceiling prices to include all important building materials and contractors' services, was the delayed bomb which exploded in the midst of three-day hearings held by this subcommittee on problems confronting the construction industry.

In support of his program, Mr. Bowles pointed out that 1,500,000 families are reported to be "doubling up," and this figure is expected to be increased by 2,000,000 in 1946. He estimates 12,500,000 new homes will be needed in the United States in the next 10 years—a potential demand for 1,250,000 homes per year. The construction industry will not be able to build more than 400,000 to 500,000 homes in 1946. The pent-up demand for homes, aggravated by veteran needs, will, in Mr. Bowles' opinion, force prices on new and existing homes into a (dizzy) spiral within the next year.

The Office of Price Administration has authority to set dollars-and-cents ceiling on all factors of construction and will move ahead immediately according to Mr. Bowles to establish these prices on as many costs of construction as possible. However, the Government has no authority to control the selling prices of finished houses, either new or old, and legislation will be necessary to establish such a program.

In urging the enactment of this legislation, Mr. Bowles explained that he believed it would do two things:

Mr. Bowles Explains Legislative Plan for House Price Controls

"First, it would prevent speculative buying and reselling of existing homes. The price at which any existing home is first sold after the passage of the legislation would automatically become the ceiling price on that home in case of a future sale. Obviously this arrangement would place no restriction on the price which the present owner would receive on the first sale.

"Provisions should of course be made for adjustment of ceilings in cases where improvements have been made after the first sale or where special circumstances surrounded the first sale. It would be proper also to provide that the customary real estate commission be added to the ceiling price so that a person who buys a home and later decides to sell will not have to take a loss.

"Second, the plan would establish price ceilings on new homes. These ceilings would be set sufficiently high to cover all costs of production (not in excess of legal

(Continued on page 2230)

Holds High Level Auto Output Permits Increased Wages, Profits

Commerce Department Makes Estimates on "Projected" Post-War Production and Says Case Is Illustrative of Other Industries With Large Volume Output.

Secretary of Commerce Henry A. Wallace, during his press conference on Nov. 1 released a report issued by his Department, dated Oct. 25, in which it is estimated that under high level operations which the automobile industry will experience over the next few years, a substantial wage increase to employees can be granted and high profits maintained. The report adds that "the automobile industry is not an average case but is illustrative of industries with high earning power under conditions of volume operations."

Continuing its analysis, the report states:

Using projections of the probable sales for the next three years, profits were calculated after an analysis of cost-price relationships. The resulting estimates are shown on the chart below. Using 1942 prices for the products of the industry, this chart is drawn on the following assumptions with respect to passenger car production and the changes from current wage rates and material costs:

	Production (Millions)	Wage rates (Increase over 1945)	Material costs
1946	3.5	15%	No change
1947	5.5	25%	3%
1948	6.0	25%	5%

The 25% increase in wage rates would bring the average hourly pay to $1.50, giving a $60 weekly envelope for the 40-hour week, the same as the recent take-home pay for the longer work week. The productivity of labor presents a problem, but in the chart on the subject we have assumed an annual increase in each year equal to the average annual increase over the period 1919-1941, after effects of production levels on productivity have been eliminated.

This productivity assumption does not take into account the more rapid increases that have occurred several times in the past, nor a probable spurt in productivity that can be expected from the introduction of the new machinery and machining techniques developed during the war. On the other hand, no consideration was given to the probable decision by the industry to introduce major changes in their models in the next few years.

The increase in materials costs is based on an assumption that the probable wage increases throughout all manufacturing may affect prices of many automobile materials suppliers. The assumed increase, however, is generous. The sales figures represent not only passenger cars, but also repair parts, trucks, and a small percentage of other products produced normally by the automobile companies.

The chart shows that with a 15% increase in wage rates 1946 profits would be less than in 1941. While sales next year (exclusive of military products) will probably be about 8% below 1941, profits accrued from these sales would be approximately one-third lower. Profits before taxes would, however, still be higher than in any year prior to 1941. The increase in materials costs in the past four years and the rise n wages, past and forecast, ex-

(Continued on page 2231)

Auto Producers Challenge Data Issued By Dept. of Commerce

George Romney, of Automobile Manufacturers Ass'n, Denies That Labor Productivity in Industry Has Increased

George Romney, Manager of the Automobile Manufacturers Association, according to a special dispatch to the New York "Times," dated Nov. 6, challenged the soundness of the report [see adjoining column] of the Department of Commerce in a letter to Secretary Henry A. Wallace. He denied the assumption in the report that the productivity of labor will show an increase which "in and of itself" meant higher profits.

George Romney

Regarding this point Mr. Romney referred to studies made by the Bureau of Labor Statistics which, he held, showed that labor productivity declined 11% between 1929-39, while unit costs per worker increased 21% between 1935-40.

"At this time," Mr. Romney stated, "the only question about reduced labor efficiency in the automobile industry is its extent—whether the decline in specific plants is closer to 25% than 50% as compared with prewar levels."

Mr. Romney also took exception, in his letter to the Commerce Department, for its use of varying bases of comparison. At times, the Department used passenger cars, parts, refrigerators and other goods made by the auto companies, without clearly defining "the automotive industry."

Use by the report of the years 1923-1939 as the basis for estimating future profits was also criticized by Mr. Romney.

NASD Censures Halsey, Stuart & Co.

In Connection With Underwriting Connecticut Light Securities, Business Conduct Committee Criticizes Firm's Action in Seeking Opportunity to Bid, and Charges High Pressure Methods. Firm Replies That Complaint Was Based on Misconceptions, and That Its Actions Were Designed to Help the Seller.

The National Association of Securities Dealers, through its Business Conduct Committee, issued findings Nov. 2 censuring Halsey, Stuart & Co. for its methods in trying to obtain the underwriting business of the Connecticut Light & Power Co. The opinion and decision follows in full:

This complaint is made under Article III, Section I, of the Rules of Fair Practice of National Association of Securities Dealers, Inc., which reads as follows:

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The record in this case is so full of reference to competitive bidding that it is necessary to state that competitive bidding as such is not an issue. A very considerable amount of argument in favor of competitive bidding which found its way into the record is extraneous and should be disregarded. It is not competitive bidding, but rather respondent's tactics in attempting to secure for itself an opportunity to bid, which is in question. The issues before this committee would be essentially the same if respondent had made a proposal to purchase complainant's bonds at 107½ subject to registration requirements and had omitted all that part of the proposal which provided for subsequent competitive bidding.

The complaint charges in substance:

1. That respondent exceeded the reasonable bounds of decent conduct by its aggressive action in trying to force a negotiation with the complainant.

2. That respondent's proposal made at the Hartford hearing was not made in good faith.

3. That respondent's conduct at the Hartford hearing was improper.

The record shows that the respondent had been unsuccessful in earlier attempts to do business with complainant. On Sept. 21, 1944, complainant wrote respondent in part as follows:

"I feel that the method that you followed in going over my head to my Board of Directors and to the Commission without giving me an opportunity to have replied to your letter was high-handed, unreasonable and unfair and not calculated to build up the confidence and trust which in my opinion should exist between issuing companies and the underwriters or buyers of its securities."

In January, 1945, Mr. C. B. Stuart, acting for respondent, called on complainant's president and was then advised that complainant would not deal with respondent.

On April 20, 1945, after receipt of a further request from respondent to be allowed to bid in this very transaction, complainant telegraphed respondent:

"Conditions do not permit a favorable consideration of your request."

Not content with three rebuffs which would have been sufficient for many, respondent sought to enter a proposal on an occasion and under such circumstances as to make it difficult and embarrassing for complainant to ignore the proposal. It was a high-pressure attempt to sell respondent's services and to compete for the issue under competitive bidding.

It is difficult to define exactly the precise conditions under which aggressive efforts to establish business contacts cease to be

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Investors Syndicate Control Acquired by Bert C. Gamble

MINNEAPOLIS, MINN. — Acquisition of the majority of the common stock of Investors Syndicate, Minneapolis founded investment company, by Bert C. Gamble, President of Gamble Stores, Inc., was announced by Donald A. Loftus of Washington, D. C., representing a group of eastern stockholders. The purchase includes several large privately-owned blocks of stock. No change in management is contemplated.

Moss, Moore & Co. Formed in Dallas

DALLAS, TEX.—Moss, Moore & Co. has been formed with offices in the Republic Bank Building, as successor to Murray W. Moore & Co., Inc. Partners in the firm, which acts as participating distributors and dealers in industrial and municipal issues, specializing in Texas municipals, are Jack G. Moss and Murray W. Moore.

Mrs. Ora Ferguson Visits Wall Street

Mrs. Ora Ferguson, manager of the trading department of the Louisville office of Merrill Lynch, Pierce, Fenner & Beane, was a recent visitor in Wall St. Mrs. Ferguson is one of the few women account executives in the investment business.

Chicago Brevities

Hearings on four bids to purchase Pullman Company, sleeping car subsidiary of Pullman, Inc., were opened last Monday before the United States district court in Philadelphia.

Among the bids was the "last minute" offer from a group of 22 railroads representing users of more than 80% of all Pullman services, made a week before the hearings were scheduled to open.

Pullman had offered to sell the equipment and other assets of its sleeping car subsidiary for approximately $75,000,000 to the railroads last Spring, when it elected to dispose of its service operating unit to comply with an antitrust decree. The offer, however, evoked little interest among the railroads at the time.

The present railroad offer is in effect an acceptance of Pullman's earlier proposal with modifications. Modifications sought are a recomputation of depreciation and allowances for deferred maintenance and obsolescence.

Other bids to buy the service operating unit from Pullman were made by Otis & Co., Cleveland banking house; Glore, Forgan & Co., Chicago investment firm; and Standard Steel Spring Company of Coraopolis, Pa., automotive parts manufacturer. The latter offer is based upon the acquisition by Standard Steel Spring of assets of Pullman Company, having a value of $40,000,000, for cash, and contemplates purchase by the railroads under existing options modern lightweight sleeping cars and parlor cars now owned by Pullman, with an estimated value of $35,000,000. Completion of the purchase would be contingent upon signing of service contracts with the railroads.

The Glore, Forgan & Co. offer proposes the distribution of securities to the public. Standard would take over the company without public financing and with only banking aid.

* * *

Having only recently settled its own labor troubles, Pullman-Standard Car Manufacturing Company, manufacturing subsidiary of Pullman, Inc., continued to experience difficulties in meeting scheduled delivery of troop sleepers as a result of a strike at Simmons Company, Kenosha, Wis., which tied up delivery of 1,200 beds for installation in the sleeping cars. Out of 350 cars scheduled for delivery in October, only 40 had been completed. The order placed with Pullman-Standard had called for delivery of 1,200 troop sleepers by Dec. 31 to lighten the woes of the already overburdened railroads in returning war veterans.

* * *

Marshall Field & Co. was also experiencing labor trouble with 800 service employes out on strike to enforce their demands for higher wages and a closed shop. Picket lines formed in front of all the company's Chicago properties, last week.

Reporting earnings for the third quarter ended Sept. 30, Field's showed a net profit of $1,033,819, or 45 cents a common share, compared with $1,050,990, or 42 cents a share for the corresponding 1944 period. The recent refunding of the preferred made possible the three cents increase in per share earnings for the quarter just ended, despite a $17,171 decrease in total net income, the company stated.

* * *

Despite an unusually good market for its products, Westinghouse Electric Corporation's prospects for profits are clouded as a result of wage demands and rigid OPA price control, A. W. Robertson, chairman, stated in reporting earnings for the nine months ended Sept. 30. Net for the first nine months of the year dropped 18% to $13,673,825, or $1.05 a share on the common and participating preferred, from $16,711,097, or $1.29 a share, the year before. Termination of war contracts and a 20-day strike of salaried employees in six of the company's plants in September contributed to the decline in net for the period.

* * *

Chicago Flexible Shaft Company will consolidate and expand its operations under one roof on a 54-acre site purchased from the Chicago Board of Education. The company at present operates three plants in the Chicago area. The price offered the board for the tract of land was $543,969.

Present production facilities are inadequate because of the growth of the firm in recent years in the electric appliance, industrial furnace, hardware and agricultural machinery industries, B. A. Graham, President of the company, said in announcing the purchase. The modern, one story factory which the company contemplates building on the new site will have more than double the combined 450,000 square feet of floor space of its present properties.

* * *

A traction hearing on objections to the amended plan for purchase of the surface and elevated lines by the Chicago Transit Authority was scheduled before Federal Judge Igoe earlier this week.

Under an amended plan for purchase of Chicago Rapid Transit Company, an estimated $15,000,000 would be available for distribution to security holders of the elevated lines. Sale to the city of Chicago Surface Lines involves a total distribution of $88,100,850 to security holders.

King & Co. Officer

ROCKFORD, ILL.—King & Co. of Rockford has been formed with offices at 321 West State St. Officers are Joseph D. King, President, Lelia King, Vice-President, and Albert E. Surprise, Secretary-Treasurer. Mr. Surprise was previously with the U. S. Army. Other officers were members of King & Co., a partnership.

Dealer-Broker Investment Recommendations and Literature

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

Air Transportation—Pamphlet reporting on the outlook for Alaska Air Lines, Inc.; All American Aviation, Inc.; American Export Airlines, Inc.; Chicago & Southern Air Lines, Inc.; Continental Air Lines, Inc.; Delta Air Corporation; Expreso Aereo Inter-Americano, S. A.; Inland Air Lines, Inc.; Mid-Continent Air Lines, Inc.; and Taca Airways, S. A.—Troster, Currie & Summers, 74 Trinity Place, New York 4, N. Y.

Aviation Bulletin—Statistical memorandum—John H. Lewis & Co., 14 Wall Street, New York 5, New York.

Construction Industry—Circular—Abraham & Co., 120 Broadway, New York 5, N. Y.

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

Effects of Recent Tax Proposals on Coroprate Earnings—Analytical circular—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the **Fortnightly Investment Letter.**

Investment Timing—A method of forecasting major trends of business and security prices—National Securities & Research Corporation, 120 Broadway, 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.**

Real Estate Security Index—Study of 50 active New York City securities, discussing the current situation—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Security Transactions From Income Tax Viewpoint—Questions and answers—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Railroad Income Accounts.**

Allerton New York Corp.—Circular—Walter Murphy, Jr. & Co., 49 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.

American Vitrified Products Co.—Study of potentialities—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

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.**

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

Boston & Maine Railroad—circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Central Paper Company, Inc.—New analysis—Loewi & Co., 225

East Mason Street, Milwaukee 2, Wisconsin.

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

Commonwealth Gas Corp. — Study of the situation which offers interesting possibilities—Thornton & Co., 60 Wall Street, New York 5, New York—Ask for Circular "CCC."

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.

Dayton Malleable Iron 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.**

D. L. & W.—Morris & Essex Division Collateral Trust—Study—Contained in the current issue of **Railroad and Other Quotations** issued by B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

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

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

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

Also available are circulars on **Dri-Steam Products, Clyde Porcelain, International Detrola, Majestic Radio & Television.**

Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

General Public Utilities Corp.—study of successor company to Associated Gas & Electric—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also an analytical memorandum on **Northern States Power Co.**

Greiss-Pfleger Tanning Co.—descriptive circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Gro-Cord Rubber—Recent analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

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

Also available is a memorandum on **Thermatomic Carbon Co.; Red Rock Bottlers,** and a new analysis of **Panama Coca-Cola.**

Howell Electric Motors Corp.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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.**

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

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

The Miller-Wohl Company, Inc.—circular on this operator of a chain of retail stores selling popular-priced women's and children's apparel—Hardy & Co., 30 Broad Street, New York 4, N. Y.

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

New England Lime Co.—Brief study of leverage possibilities—Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

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

Plomb Tool Company—Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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.**

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.

Textiles, Inc. — Memorandum —Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also memoranda on **Eastern Corporation** and **Midland Utilities.**

Tybor Stores — Analysis — Raymond & Co., 148 State Street, Boston 9, Mass. Ask for analysis TS.

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

Wellman Engineering Co.—circular—Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

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

Leadership And American Business

By R. W. GALLAGHER*

Chairman of the Board, Standard Oil Company (N. J.)

Prominent Industrialist, Asserting That New Problems of Leadership Will Not Be Concerned So Much With Supplying Material Goods As With Social and Other Matters, Warns That if Today's Managers of Private Enterprise Fail to Supply Necessary Leadership, Government Will. Holds if America Has Proper Leadership, Intervention by Government in Private Affairs Can Be Prevented. Says Business Men Must Solve Questions Relating to Living Standards, Social Security, Health Protection and Greater Leisure, and Urges That New Trails Be Blazed Through Social-Economic Fields.

Our nation has just ended a major war victoriously. A great challenge has been met. A task has been completed—the task of beating down a serious threat to our way of living. But all of us are aware, I am sure, that the job was not a final one. Conclusion of the war does not mean the end of problems. On the contrary, there are signs aplenty that the problems of peace are no less vast and no less urgent than those of war. Scores of questions, affecting the whole future of our country, must be answered. Many of them must be answered by American businessmen.

R. W. Gallagher

Challenges and problems are not strange to us. American business has successfully and constructively met them in the past. But in that past, problems were mainly those of production — of organizing the great resources of this country to meet people's material needs. Businessmen did a remarkable job in that field.

Today, of course, there are still problems of physical production. But by and large we can see ways to supply the goods that people need to live full and healthful lives. American business understands and practices the technique of large-scale production.

New Problems

Now, however, we face problems that are more difficult than those of material output. They are more difficult because they are less tangible. These are the problems of distribution, of government, of security, of human relationships.

(Continued on page 2236)

*An address by Mr. Gallagher before the American Gas Association, New York City, Oct. 24, 1945.

Chicago Personnels

CHICAGO, ILL. — Alfred C. West has rejoined Glore, Forgan & Co., 135 South La Salle St. Prior to joining the U. S. Army in 1942 Mr. West was manager of the statistical department for Glore, Forgan & Co.

CHICAGO, ILL. — Donald R. Muller is again with Harris, Upham & Co., 135 South La Salle St., after serving in the U. S. Army.

CHICAGO, ILL. — James T. Magnus has rejoined the staff of Merrill Lynch, Pierce, Fenner & Beane, after serving in the armed forces.

CHICAGO, ILL. — Robert E. Kenyon has been added to the staff of Slayton & Co., Inc.

CHICAGO, ILL.—Henry Cromwell Brummel is now with Wadden & Co., 208 South La Salle St., after service in the U. S. Army. In the past Mr. Brummel was with Medway, Wadden & Williams.

Floyd Cerf Jr. Resumes As Syndicate Manager

CHICAGO, ILL.—Lt. Floyd D. Cerf, Jr. has rejoined Floyd D. Cerf Co., 120 South La Salle St., as manager of the Syndicate Department. Lt. Cerf was formerly on duty with the U. S. Navy.

Mutual Funds

"No Strings Attached"

Most of us will agree whole-heartedly with **Vance, Sanders'** comment in the current issue of Brevits that it is refreshing (whether right or wrong) to find a statistical service willing to predict a major continuance of the present bull market with no "strings attached."

They quote the following from the latest Poor's Investment Advisory Service bulletin:

"Because we were the one major advisory organization that predicted this bull market right when it began back in 1942, and as that opinion proved to be so accurate, we believe that you would like to know our present long-range forecast.

"After making a careful survey of profit and income potentialities of the stock market, our conclusions are as follows:

1. We predict that a large share of this major bull market is still ahead;
2. The market still has not taken into account the amazingly high earnings due to be shown for certain better-quality stocks —earnings which in our opinion will force prices of these securities to far higher levels;
3. Though there may be short-range interruptions such as that caused by raising margin requirements to 75% recently these will not for long hold back the further broad groundswell in values for stocks that are strongly situated to benefit from certain huge post-war business;
4. The inflation now under way will intensify rather than diminish, and you will fare better by having your funds in common stocks, not cash;
5. An increasing percentage of your capital should be placed in higher-grade common stocks which can bring you better-than-average profits, liberal income and greater security of principal."

Brevits then quotes Edson B. Smith, Financial Editor of the Boston "Herald," on the subject, "Carelessness Grows As Prices Rise." Mr. Smith points out that while in the early stages of a bull market poor selection makes the difference between being more or less right, in the later stages poor selection can make the difference between being right and wrong. He warns that most investors become progressively more careless as prices rise.

Brevits concludes that the danger cited by Mr. Smith can be overcome by the broad diversification of securities as available through investment company shares.

Wage Increases and Retail Trade

In a covering letter on a revised **Merchandising Shares** folder, **Distributors Group** reports that when wages advance on a national scale the industry which receives the most direct and immediate stimulus is retail trade.

"Already prosperous and feverishly active, the merchandising companies now have new sales peaks in prospect. Their stocks have been deservedly popular. Carefully selected issues in this group still offer substantial appreciation possibilities."

Investment Aim

"What Is Your Investment Aim?" is the question **Keystone Co.** asks in the current issue of **Keynotes.**

The memo states that the successful investor adheres to two rules. First, he determines his investment objective in advance—whether he is interested mainly in price appreciation, or if he is interested in income. He then selects the types of securities which are most likely to produce the desired results.

Keynotes points out that because we live in a world of constant change, securities, like everything else, go through a process of evolution—their characteristics change. Therefore, in setting up a long-term investment program, provision should be made for adequate diversification and constant supervision.

An example is given how $50,000 could be allocated among seven of the Keystone Funds to achieve primarily income and secondly capital appreciation.

Fundamental Investors

During the nine months ended Sept. 30, 1945, the net assets of this Fund increased from $12,420,423 to $17,396,991.

In his Letter to Shareholders. Philip W. K. Sweet, President of the Fund, reports that the net asset value per share of the company on Sept. 30, 1945, was $31.43. This compares with $24.73 at Dec. 31, 1944. The increase in value during the nine-month period was 27.1%.

Mutual Fund Literature

Keystone Co.—A revised issue of the booklet "A Guide to Common Stock Investment; current portfolio folders on **Keystone Custodian Funds Series K-1, K-2, S-1, S-2, S-3 and S-4. . . . Distributors Group**—Steel News entitled "Steel Famine Foreseen"; revised folder on Group Securities Steel Shares. . . . **Vance, Sanders** — Revised Prospectus dated Nov. 1, 1945, on **Boston Fund. . . . Hare's, Ltd.**—Up-to-date folder on **Stock & Bond Group Shares of Institutional Securities, Ltd. . . . Selected Investments Co.**—Latest issue of "These Things Seemed Important."

Dividends

Group Securities, Inc.—The following dividends payable Nov. 26, 1945, to shareholders of record Nov. 10:

Class—	—For 4th Quarter— Reg.	Extra	Tot.
Agriculture	.035	.175	.21
Automobile	.04	.46	.50
Aviation	.11	.29	.40
Building	.04	.26	.30
Chemical	--	.15	.15
Electrical Equipment	.055	.215	.27
Food	.035	.465	.50
Fully Administered	.045	.135	.18
General Bond	.065	.185	.25
Industrial Machinery	.02	.13	.15
Institutional Bond	.055	.095	.15
Investing Company	--	1.00	1.00
Low Priced	.045	.205	.25
Merchandising	.03	.23	.26
Mining	0.2	.08	.10
Petroleum	.06	.09	.15
Railroad Bond	.025	.315	.34
Railroad Equipment	.025	.055	.08
Railroad Stock	.085	.035	.12
Steel	.05	.04	.09
Tobacco	.02	.11	.13
Utilities	.025	.295	.32

Rejoins Hornblower Weeks

BOSTON, MASS,—Lt. Comdr. W. J. Dacey has rejoined the underwriting department of Hornblower & Weeks, 75 Federal St. He entered the Navy in June of 1942 and saw service from the Mexican border to Attu.

Inflation, Unless Greater Production Accompanies High Wages

W. L. McGrath Tells American Management Association Steady Employment and Payrolls Can Come Only From Better Management and Full Measure of Productivity, if Inflation Is to Be Avoided.

Addressing the Production Conference of the American Management Association in Chicago on Oct. 30, W. L. McGrath, President of the Williamson Heater Co., using the experience of his own concern as an example of creating stability of wages and payrolls by improving management and getting the support of the workers in increasing production, pointed out the importance of full employment and prosperity as a fundamental of maintaining business profits, but at the same time stressed the point that "to assure continuing stable employment and payrolls, we must have in this country a willingness upon the part of the people in our plants to turn out a full measure of productivity."

W. L. McGrath

"This question of productivity is at the very bottom of our entire economic and industrial structure," he added.

"Some trade unions of this country have developed the idea that the productivity of a man on a job should be limited. That is based on the mistaken assumption that if productivity is limited, more men will be required to turn out the work. This philosophy utterly disregards the basic factor of costs, which under any competitive system is the fundamental factor having to do with a company's capacity to compete and to survive and to provide steady employment. Insofar as some labor leaders oppose the philosophy of maximum productivity, they are defeating their own purposes and threatening the whole principle of employment continuity.

"Fortunately, there are now coming into prominence some labor leaders who realize that the machine is a device that enables the workman to increase his productivity. And insofar as the workman increases his productivity under a sound compensation plan, he can increase his own earning power.

"Looking across the country today, a country literally torn with labor strife from one end to the other, the outlook seems well nigh hopeless.

"Organized labor is asking for a substantial increase in hourly base rates.

"If industry accepts the proposed increase in base rates without any improvement in rate of productivity, the inevitable result will be a general increase in prices which will destroy all the advantages which the worker might get as the result of an increase in wages.

"An increase in wages under a system of limited productivity is nothing but an outright acceptance of the principle of inflation; and benefits nobody, least of all the workers themselves. They would get more money per hour and pay it right out again in the increased prices of the things they buy."

Pennefeather With Blair

Major James D. Pennefeather has been released from the Air Forces and has joined the trading department of Blair & Co., Inc. 44 Wall St., New York City.

Gehle Discusses Government's Post-War Borrowing Problems

By A. WILFRED MAY

Frederick W. Gehle, New York War Finance Chairman, in Interview Expresses Satisfaction With Early Drive Results, Stresses Importance of Sales to Individuals, Denies Interference of Savings Bank Deposits With Bond Sales, and States That the Large Current Redemptions Are Not Alarming.

Frederick W. Gehle, New York State War Finance Committee Chairman, in a special interview with the "Chronicle" on Monday, expressed great optimism based on early returns in the new Victory Loan drive. Asked about the difficulty of selling bonds to the individual,—granting that it would continue easy to get money from "corporate" lenders as well as the banking system—he replied that: "On the basis of early reports individuals whose income and employment have been maintained at war levels seem to be buying bonds in about the same amount as in the last several drives. While I have no figures on how peacetime employment has taken up the slack due to war contract terminations, there still remains the fact that individual quotas during the current drive have been cut over the last Loan, and hence our task, as I see it, stacks up pretty much on a par with our earlier efforts."

Frederick W. Gehle

"Individual sales are definitely the nub of our drive," he continued. "We are constantly aware of the inflationary threat inherent in the possession of boom time surpluses of funds in the hands of individuals, and we are making every attempt to convert these into bonds."

Questioned as to Treasury pessimism regarding this Loan's results, as indicated by the reduced quotas for E-Bonds, and for sales of all issues to individuals, Mr. Gehle answered that: "We are not pessimistic about this Loan's results. On the contrary, the fact that the quotas are lowered from the Seventh War Loan is merely a realistic attempt to set the goals at levels that are within reach. Persons who are temporarily unemployed have some degree of reluctance to invest their surplus funds now, and there is also a reluctance on the part of persons who are shifting to peacetime jobs to put their reserves into bonds, when they know they may be called upon by the necessities of housing, food, etc., to use them while making adjustments to new positions and to new industries."

Expressing satisfaction with the interest rate, he stated that: "The 2½% interest rate on market bonds is expected to prove highly attractive to well-to-do investors. The rate compares favorably with other high-grade issues in the current market."

Asked about the marked decrease in E Bond sales in the face of increases in savings bank deposits to record levels, the chairman said: "Savings bank deposit increases are the result of lifelong habits of the American people. The savings account is the nest-egg of the typical family. Current increases, no doubt, reflect the psychological transition from war to peacetime economy. They also reflect a belief on the part of many people that they will be able soon to use their savings to purchase peacetime goods on a large scale. The fact that savings bank deposits are on the increase does not make me pessimistic; great numbers of savers are both increasing their deposit accounts and their holdings of E-bonds, and we must remember that savings funds may be used to purchase bonds. These funds are targets for our hard-working sales forces."

Disavowing alarm over the current rate of redemptions, Mr. Gehle stated that: "The large current redemptions are neither surprising nor alarming. In past drives many persons bought bonds beyond their ability, and the funds they would ordinarily have maintained to meet household and domestic obligations were invested in an excess of patriotism. Needed home purchases were forestalled which are now being made. It is wholly a normal condition that among the 85,000,000 holders of $29,900,000,000 E-bonds there should be a certain number who need to convert their bonds to meet emergencies. The government will continue to cash willingly all E-bonds submitted to it for redemption. That was its promise and it will maintain that promise. Bonds cashed in the early years of their term means, of course, that the government has had cheaper use of the money represented since interest rates on E-Bonds are so scaled as to benefit the holder in the later years."

Asked about the relative importance to be attached to (a) growing public fear of inflation, (b) unemployment and fear of increasing unemployment, and (c) previous overemphasis by the Treasury of the patriotic motive at the expense of self-interest investment advantages, as the reason for present Bond selling difficulties, Mr. Gehle felt that the factors are too involved for adequate appraisal at the present time.

Neighboring Nations in One World

By HON. JAMES F. BYRNES*

Secretary of State

Secretary of State Pleads for Good Neighbor Policy on Worldwide Basis. Approves Soviet's Protection of Her Special Security Interests. Declares That Regional Arrangements Should Function as a Support, But Not a Substitute, for the New World System. Insists That All Nations, Large and Small, Must Participate in Making the Peace.

It was no accident that President Roosevelt, who did so much to develop our inter-American system, did even more to develop the world community of the United Nations. For today all nations are neighbors, and although we may have special relations with our nearer neighbors in the Americas, we must remember that we and they are parts of a single, interdependent world.

James F. Byrnes

When we consider the principles which govern our inter-American system, as it has been worked out in recent years, it is well to remember that these principles were not always recognized by us in our relations with our neighbors. There were times, not so far distant, when we tried dollar diplomacy and intervention and were accused of Yankee imperialism.

But we have learned by experience that to have good neighbors, we must be a good neighbor.

We have discovered that understanding and good will cannot be bought and cannot be forced. They must spring spontaneously from the people. We have learned also that there can be no lasting friendship between governments unless there is understanding and good will between their peoples.

In the inter-American system the members do not interfere in the internal affairs of their neighbors nor do they brook interference in those internal affairs by others. Freedom means more than freedom to act as we would like them to act.

But we do want other people to know what our people are thinking and doing. And we want to know what other people are thinking and doing. Only with such knowledge can each people

(Cnotinued on page 2237)

*Address delivered by Mr. Byrnes before the New York "Herald-Tribune" Forum on Current Problems, Oct. 31, 1945.

Wisconsin Brevities

The Securities and Exchange Commission has approved the refinancing plan filed by Wisconsin Power & Light Co., a subsidiary of North West Utilities Co. The plan provides for the issue by Wisconsin of 120,000 shares of 4½% preferred, par $100, and the exchange of this stock, plus $5 a share in cash, on a share for share basis, for its 6% and 7% preferred, and the redemption of all the unexchanged preferred at $110 a share. The Wisconsin Co., as dealer-manager, has agreed to form and manage a group of security dealers to obtain acceptance of the company's exchange offer. The exchange offer expires Nov. 15, 1945.

The plan also provides for the reclassification by Wisconsin of its outstanding 146,185 shares of $50 par common into 730,925 common shares with a stated value of $10 a share, and the sale by Wisconsin to its parent, North West Utilities of 450,000 additional shares of the $10 par common at par for a total of $4,500,000.

The Kimberly Clark Corp., Neenah, Wis., for the 12 months ended Sept. 30, 1945 reports net sales (exclusive of interplant sales) of $56,950,377, and a net profit after all charges and taxes of $2,423,799. After deducting provision for preferred dividends the profit available for common stock was $1,958,042, equivalent to $3.26 per share on 599,760 common shares as compared with $3.52 per share for the 12 months ended Sept. 30 1944.

The Wisconsin Investment Co., reports net asset value per share outstanding as of Sept. 30 of $4.31, compared with $3.63 at Dec. 31, 1944. Giving effect to a dividend of 8¢ per share paid June 30, the appreciation in asset value was 76¢ per share for the nine months. A net profit of $158,796, before provision for taxes, was realized on the sale of securities during the period.

Canadian Securities

By BRUCE WILLIAMS

Some misgivings have recently been expressed with regard to the Canadian export trade position following the termination of Mutual Aid. Although it is true that the Dominion has a greater dependence on world markets than any other country, nowhere is this fact more appreciated than within Government circles.

The problems of peace are being tackled in the well-planned, courageous fashion which was characteristic of the Canadian war effort. International loans exceeding $1 billion exclusive of aid to Britain, are under consideration. It is fully realized by the Canadian people that in the difficult transition stage immediately ahead a great responsibility devolves upon the creditor nations of the world.

Moreover, it is frankly appreciated that during the war Mutual Aid and outright gifts helped largely to stimulate the national economy and created new markets for Canadian goods. Every effort is now being made to retain and extend foreign markets. The Department of Trade and Commerce with its Export Planning Division and its steadily expanding Trade Commissioner system give every assurance that Canada will obtain an appropriate share of world export trade.

It is indicative of the Canadian flair for capable planning that in order to assist the export trade the Department of Trade and Commerce has instituted an import division which will concentrate on the stimulation of imports. The Dominion wisely foresees that many importing countries such as Britain, which are short of "hard currency" exchange, will be obliged to confine their purchases abroad to the countries which buy from them.

Therefore, pessimism regarding Dominion foreign trade prospects which largely emanates from Canadian sources would seem to be indicative of a characteristically conservative outlook rather than any lack of confidence. In a world of acute shortages Canada has an unrivalled variety of commodity surpluses. It will not be as a result of lack of planning or refusal to face the economic facts of life, that Canada will fail to distribute throughout the world the products of its farms, its mines, and its factories.

Turning to the market for the past week, there were at last signs of a revival of activity in the high grade external section, especially in bonds in the bank eligible category. This movement is somewhat overdue as the Canadian market has not so far been sufficiently influenced by the general downward trend of yields on domestic securities.

At a time when investment markets in general were registering strong advances, the Canadian market was retarded by the uncertainities of the Canadian Federal elections. As the Dominion political horizon has never been clearer, the market is now free to respond to the general pressure in the direction of lower yields. It was not surprising therefore to see an extended demand for bonds within the 10-year maturity range. The turnover continued to be restricted by scant supply but demand at higher prices is likely to stimulate offerings.

Internals were in continued demand and free funds held steady at 9 5/16%. Following the termination of the Ninth Victory Loan next week some reaction in the rate is possible, but the high yields still obtainable on Dominion bonds in addition to demand for internal equities make any pronounced exchange weakness a remote possibility, especially as sterling at the moment is firmly holding its ground.

With regard to future prospects it can only be repeated that an upward move in the market is long overdue.

Labor Biggest Cost Item in Automobiles, Packard Pres. Shows

George T. Christopher Explains That Materials In Car Are Worth Only $24 In Their Original Form. Objects to Any Wage Boosts While Prices Are Frozen. Is Optimistic Over Business Prospects In New York Area.

The Government, under the new wage-price policy enunciated by President Truman, will have to give special consideration to price increases for industries in which wages are the greatest cost item, Geo. T. Christopher, President and General Manager of Packard Motor Car Co., said at a press conference on Nov. 5.

Geo. T. Christopher

"There are many industries," he pointed out, "in which labor adds up to only a small part of the net cost. Wage increases, advocated by the President, would not result in a tremendous hardship for them.

"But in the automobile industry, wages are the greatest cost item. The intrinsic value of materials in an automobile is only about $24. By that, I mean, of course—the value of materials in their original form—such as iron ore under the earth's surface and rubber on a plantation tree. Workmen have to transform these original elements into a finished product. Payment for all this work, which the car manufacturer assumes when buying materials, plus the labor costs in his own plant, make wages by far the greatest factor. Profits are responsible for the remaining costs, but the entire automobile industry can't average more than 5½ to 7%, barely a working margin."

Vigorously contending that there can be no wage boosts whatever with prices frozen, Mr. Christopher said that:

"We can't even go into the matter of wage boosts with the Union until we learn how much we'll be able to charge for automobiles," he said. "Wage boosts depend upon price increases, despite what anyone may say to the contrary, but the price increases don't necessarily have to equal the wage boosts."

"Unless we have these dual controlled increases, we would have to shut down, or go bankrupt," he contended. "Everyone talks about more money, but nobody talks about what they're going to do to earn it. I say to the boys in the shop, 'I'm not half as concerned with what I pay you as I am about what you can produce.'"

Urges Controlled Wage and Price Adjustment

The Packard executive declared the market for industrial products will collapse by June, 1946, if this country doesn't adopt a policy of controlled increases in both wages and prices for industries in which wages are the greatest cost item.

Christopher said there were many technological advances during the war, but that they applied mostly to war production, not to the building of automobiles.

Packard, he explained, had to buy approximately 3,400 machines to produce 56,000 Rolls-Royce Aircraft engines, used in five types of fighting planes, and 13,000 Packard marine engines, used in all PT boats, during the war.

"When we converted," he said, "we had to dispose of many of these war purpose machines, which were unuseable in the manufacture of automobiles. We had to buy new machinery. The value of the machines we sold about equalled the cost of those we had to buy."

Expresses Optimism Over New York Business Prospects

Christopher said business prospects in the New York area are exceptionally bright.

"For example," he continued, "New York's bank clearings in the five days ended Oct. 31, 1945, were $6,955,016,000, a gain of 15.1% over the same 1944 week. This contrasts with bank clearings for the 24 largest cities of $11,358,252,000 or 7% above those for the like 1944 week.

"New York still is the nation's capital in business and finance, despite outside attempts to make it otherwise."

Jos. F. Hammel With J. J. O'Conner & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Joseph F. Hammel has become associated with J. J. O'Connor & Co., 135 South La Salle St. Mr. Hammel has been serving with the armed forces. In the past he was with Doyle, O'Connor & Co., Inc., in their municipal department.

John B. Farra Joins Staff of Otis & Co.

CINCINNATI, OHIO.—John B. Farra has become associated with Otis & Co., Mercantile Library Building, after serving in the armed forces. In the past he was an officer of Holton, Foster & Co. of Lexington, Ky. Prior thereto he was with J. D. Van Hooser & Co. and A. Iselin & Co.

Mansel Griffiths Dead

Mansel P. Griffiths, Vice-President of Blyth & Co., Inc., and prominent West Coast financier, died in Seattle, Wash., at the age of 56.

He was born in Alturas, Cal., and after graduating from the University of California in 1916 became associated with the Blyth firm in San Francisco. He took leave of absence to join the armed forces in 1917, serving as Lieutenant of the U. S. Army. Returning to the firm at the close of the war, he became manager of the Portland, Ore., office in 1922 and Vice-President and resident manager of the Northwest two years later.

Mr. Griffiths was a director of many corporations, including Blyth & Co., Inc.; Iron Fireman Manufacturing Co.; Seattle Times Co.; Alaska Pacific Salmon Co.; Arcade Building & Realty Co.; C. D. Johnson Lumber Co.; Hawley Pulp & Paper Co.; Oregon Pacific & Eastern Railway Co.; Vancouver Medical Dental Building; Olympic Forest Products Co. He was also a Director and President of Orpheum Co., Inc., and for several years, was a Director and President of Olympic Hotel Corp. and Pacific Terminal Co.

Mr. Griffiths was a member of the American Legion, Rainier Club, Washington Athletic Club, Seattle Tennis Club, Arlington Club of Portland, Bohemian Club of San Francisco.

Chas. Taggart Adds Four to Sales Staff

PHILADELPHIA, PA.—Charles A. Taggart & Co., 1500 Walnut St., announce that Henry L. Fonda, Francis A. Cook, Townsend C. Anderson, and Henry Morelli have become associated with them in the sales department.

Wm. Cavalier Dies

William Cavalier, prominent California financier and investment banker, died at his ranch after a brief illness. He was a special partner in the investment banking firm of Dean Witter & Co., San Francisco, since the consolidation of that organization with his own, Wm. Cavalier & Co., several years ago.

Nationalization Without Tears?

By PAUL EINZIG
Formerly Foreign Editor of London "Financial News"
Political Correspondent, London "Financial Times"

British Financial Writer States That There Is General Satisfaction With Measure to Nationalize the Bank of England and That No Important Changes Are Expected in the Bank's Policy or Personnel. Sees Aim to Extend Greater Control Over Private Banks and Expresses View That Labor Government is Anxious to Collaborate With Capital and Private Enterprise.

The Bill providing for the nationalization of the Bank of England appears to be accepted with resignation by the London banking community. From the moment the election results were known it was considered a certainty, even though the speed with which Mr. Dalton produced this measure caused some surprise. Generally speaking it is correct to say that the details of the measure did not confirm the worst fears of the bankers. The compensation to be paid to stockholders of the Bank is considered by most people as fair, in that it leaves their earnings unchanged and it slightly increases the capital value of the investment. It is true, there is some talk about the allegedly huge hidden reserves of the Bank. But it is impossible to imagine circumstances in which stockholders could possibly have received their share of those reserves.

Paul Einzig

Another point quoted in favor of the measure is that it will not interfere with the outward form of the Bank of England. The Bank will not be converted into a Treasury Department; it will remain outwardly an independent financial institution. It will continue to earn profit more or less in the same way as it has been earning until now; it will pay to the Treasury the amount it has hitherto paid to the stockholders as half-yearly dividend; it will be subject to taxation, and its surplus earnings will be added to its reserves. As far as is known at this stage, the executive officials and employees of the Bank will not become Government officials but retain their present status.

Above all, fears that the nationalized Bank would be managed by Treasury officials and politicians have proved to be without foundation. Neither Members of Parliament nor anyone holding salaried Government office will be eligible as members of the board. And the Governor, Deputy Governor and Directors, once appointed by the Government, cannot apparently be removed until the end of their term of office. This should mean that they will retain a certain degree of independence. Although they will have to carry out the policy dictated by the Treasury, they are in a position to protest against it in public.

Catto to Remain Governor

The fact that Lord Catto has been asked to remain Governor, and that he is willing to remain, is regarded as an indication that the Government does not intend to abuse its power. The story goes that on the night of July 26, when the extent of the Socialist victory became known, a London banker dined in New York with some partners of J. P. Morgan & Co. They were naturally gravely concerned about the repercussions of the change. "Poor Catto," said one of them, "I suppose he will now be executed." Instead, the Socialist Chancellor of the Exchequer spoke of him in two public speeches in terms of the highest possible praise. In doing so, he has strengthened the position of the Governor whose insistent advice he will not be in a position to disregard lightly.

All these "mitigating circumstances" are duly realized and appreciated in the City. The only provision in the Bill which is viewed with strong disapproval is the one empowering the Bank to compel bankers to disclose information and to adopt policies dictated from official quarters. It is even believed by many people that these powers might be abused for political purposes. To do so would be, however, so utterly against recognized standards of morality that it would do the Government the utmost harm. The possibility of using the powers to secure discrediting information about the accounts of political opponents, or to grant loan to Socialist Mr. Jones and refuse a loan to Conservative Mr. Smith may safely be dismissed. The powers are expected to be used solely for purposes of broad policies. Whether those policies will be right or wrong is quite another question. But it seems reasonable to suppose that the Bill simply aims at securing legal right to reinforce, if necessary, the Gov-

(Continued on page 2234)

Retailers Seek Motive Behind OPA Carnivals

Illinois Federation of Retail Associations Challenges OPA as Unfairly Propagandizing for Retention of Power. Use of the Taxpayers' Money for Elaborate Programs Questoned.

CHICAGO, ILL.—The Illinois Federation of Retail Associations has asked the Illinois delegation in Congress to "investigate the county carnival program now being staged by the OPA and ultimately planned for 2,400 buying centers of the country to popularize a continued need for price control."

Joseph T. Meek

The Federation pointed to an OPA promotion in two Tennessee counties as examples of OPA efforts to "sell people on the need for a continuation of controls far in advance of the present termination date of the Emergency Price Control Act on June 30, 1946."

Illinois retailers also asked their Congressmen to determine how much of the taxpayers' money these elaborate programs were costing and in what manner they were authorized by the Bureau of the Budget. They also wanted to know why these programs were held without also setting forth the "tragic results of current OPA restrictive absorption and preticketing policies not only on the manufacturers, wholesalers and merchants but on their customers and on employment in general."

"We wonder," said J. T. Meek, executive secretary of the Federation, "why there are not displays such as those before the Smith Committee of so-called new goods coming on the market from the factories of new producers—goods far inferior in quality and far higher in price than the merchandise which is not being made by established manufacturers because of the price squeeze. We wonder why the bare shelves of retail stores are not photographed and displayed. We wonder why a government agency can utilize taxpayer money for the purpose of presenting only one side of a story. We wonder why the program is necessary if OPA is sincere in its hope to abandon controls soon. We wonder if the shortages of today which might necessitate the controls of tomorrow are not being manufactured to a large extent by the restrictions of the present. We wonder, in truth, whether or not the citizens of this country are simply being readied to bombard their Congressmen with requests to continue price control — and the emergency—come June 30!"

"Plans now are being made to carry this carnival type promotion into about 2,400 population centers," reports the Federation. "We presume they will be held in Illinois and we expect that business men here will also 'cooperate' because non-cooperation could easily be construed by the well-propagandized citizenry as meaning that merchants were for inflation! They are less for it than anyone else could possibly be. But they are beginning to wonder whether these carnivals are less to fight inflation and more to perpetuate controls."

"One of the features of the recent carnival week which brought about the most public enthusiasm," continued the Federation's statement, "was an auction on the public square where a new Ford car, 100 pounds of sugar, automobile tires and 50 pounds of lard were auctioned off to the highest bidder. The auction was cleared through the State attorney general so that the adjustments made later would be legal and no controversy would arise.

"The car sold for $2,500, sugar for $36, tires for $29 and $30 and lard for $15. After the auction it was explained that this was an object lesson to show what people would pay for scarce items. The purchasers were then sold the items at OPA ceiling prices. The car, which has not as yet been priced by OPA because it was an unreleased model, was returned to the factory, but the man who bought it was given a certificate allowing him to buy the first Ford issued to that area at the regular ceiling price.

"Merchants pointed up the testimony of servicemen in their window display. They priced $75 men's suits as they are priced in France at $400. Shoe stores, haberdasheries, food stores, laundries and specialty shops cooperated in this form of display. Merchants also displayed goods priced as they were after World War I and gave comparative postwar II prices."

"It was," concluded the Federation, "a skillful presentation but it did not tell the whole story. There are many kinds of inflation. Inflation can come from inferior quality of goods resulting from OPA restrictions. It can come from OPA policies which discourage adequate production, lower the supply and invite inflation. It can come from regulations that distort normal practices. And it can come through steady elimination of sound small merchants who, by being out of the competitive scene, make prices less controllable by normal, vigorous competition."

Railroads Are Looking Ahead

By JOHN J. PELLEY*
President, Association of American Railroads

After Recounting War Work of the Rails, Which Handled More Than 90% of Military Freight and Troop Transportation, Mr. Pelley Points Out That, Contrasted With Losses Under Government Operation in World War I, the Railroads in Recent War Paid Federal Taxes of Over $4.2 Billions. Says Railroads Will Serve Public Better by Research and Improved Equipment and Points Out That New Railroad Investment Will Be Hampered if Discriminated Against by Public Policies Relating to Transportation. Holds Rail Prosperity Dependent on Continuous Growth of Traffic.

The war through which we have just passed could not have been fought and won overseas had we not had, here at home, transportation adequate to handle millions of men and vast tonnages of freight over long distances and to do it speedily and dependably in all seasons of the year.

John J. Pelley

This transportation system represents the investment by railroad companies, over a period of more than a century, of more than 25 billion dollars in tracks and trains, and the investment by our state and national governments, chiefly during the last quarter of a century, of an even greater amount in highways, waterways and airways. Each part of the transportation system which has resulted from this great investment is useful, and during the war all were used, but when the emergency of war came it was to its railroads that the nation turned as its main dependence.

During the war, according to figures made public only since the war closed, 97 per cent of all organized troop movements within the United States were made by train, and more than 90 per cent of all war freight was hauled by rail. In that period, the total freight load on the railroads doubled, the passenger load multiplied four times.

These railroads justified the confidence imposed in them, not

*An address of Mr. Pelley before the Chamber of Commerce of the State of New York, New York City, Nov. 1, 1945.

(Continued on page 2219)

Railroad Securities

The most important news development in the railroad field in the last few weeks was the announcement on October 30 that the comprehensive merger plan of Chesapeake & Ohio and three of its affiliated roads had been abandoned, at least temporarily. Such strong opposition had developed among the Nickel Plate preferred stockholders that it had become obvious that at least insofar as that road was concerned consummation of the plan on the terms proposed was out of the question. The offer of exchange of securities of Chesapeake & Ohio for those of Nickel Plate and Wheeling & Lake was withdrawn.

At the same time it was announced that the offer to stockholders of Pere Marquette would be renewed on the same basis as formerly. No organized opposition to the terms offered Pere Marquette has as yet appeared and it is apparently felt that such a strong group as objected on behalf of the Nickel Plate preferred will not emerge to fight the Pere Marquette proposal. A favorable vote by holders of two-thirds of each class of stock is necessary to effectuate the plan. As Chesapeake & Ohio owns nearly 70% fo the common, no trouble is expected from that source. Granting a price of 115 for the new Chesapeake & Ohio preferred the Pere Marquette prior preference stock will be paid out in full for their claim, so presumably they will vote in favor of the plan.

There is left only the plain preferred as a potential dissenting interest. Chesapeake & Ohio and a wholly owned subsidiary own some 16% of this 124,290 share issue. This stock has a claim, including dividend arrears, of $171.25. Taking a value of 115 for the new Chesapeake & Ohio preferred and the current market of 57 for the common, the plain preferred would receive an aggregate of $114.80 for this claim. It remains to be seen whether or not there is a sufficient concentration of this junior preferred issue to object effectively.

On the day preceding announcement of abandonment of the plan Chesapeake & Ohio common closed at 56⅞, Nickel Plate common at 48¾ and Nickel Plate preferred at 129. Following the announcement, Nickel Plate preferred fluctuated erratically as impatient holders liquidated on the theory that settlement of Nickel Plate's affairs would be postponed for a further extended period and long term investors were active on the buying side, convinced that dropping of the merger negotiations was highly favorable to the stock. By the close on Friday the shares had scored a net advance of three points. The common turned strong from the outset and moved forward 4¼ points by Friday. Elimination of the prospect of adding materially to its earnings through absorbtion of Nickel Plate brought some selling into Chesapeake & Ohio common, the price of which remained unchanged during a period of general advances.

There is apparently a good prospect now that Nickel Plate may merge with Wheeling & Lake Erie and that eventually that consolidated property will be merged into the Chesapeake & Ohio. Such a piecemeal accomplishment of the original objective would presumably work out very much more favorably for the present Nickel Plate security holders. Chesapeake & Ohio owns certificates of deposit representing practically all of the $11,609,000 prior lien 4% stock of Wheeling. Of the 337,723 shares of Wheeling common certificates of deposit representing 168,000 shares are already owned by Nickel Plate and 78,145 shares by Chesapeake & Ohio. Another 59,400 shares is owned by Pennroad. The three interests together own more than 90% of the common. Most of the $10,213,958 junior preferred is owned by the public but is callable at par. If, as has been intimated, Chesapeake & Ohio is willing to dispose of its interests in Wheeling such a merger would presumably present a minimum of difficulties.

In the meantime it is generally expected that directors of Nickel Plate will take some dividend action on the preferred shortly, probably at their meeting on November 20. A $6.00 payment on arrears would cost only $2,163,462 which is less than one-tenth of estimated net working capital by the end of the year. Also on the basis of anticipated post-war earning power, it is expected that the road should be in a position to make substantial payments towards a reduction in the accumulations in addition to paying a regular $6.00 a year.

New Equipment for Economic Rail Operation

By BURT T. ANDERSON*
Transportation Research Director
Union Switch & Signal Company

Mr. Anderson, Ascribing the Remarkable Performance of Railroads During War Period to Improved Signaling Equipment, Describes the System of Central Traffic Control and Inductive Train Communication. Says Central Traffic Control Increases Track Capacity, Reduces Need for Available Rolling Stock and Reduces Operating Expenses. Holds Successful Inductive Train Communication by Voice and Signals Has Resulted From Almost Two Decades of Research and Though Not Yet Perfected to Replace Other Means of Communication for Rail Operation, Is a Valuable Auxiliary to Existing Facilities.

Since Pearl Harbor the railways of the U. S. A. have handled more passenger and freight traffic with considerably less passenger cars, locomotives and men than ever before. The 1945 passenger load is expected to be two and one-half times the load carried in 1918, and four times the load carried in 1941 and yet the railways are expected to carry this load with 30% less cars than in 1918.

Railway Signaling has been an important factor in helping to move this increased traffic during the war period with dispatch and economy for it saved

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*An address by Mr. Anderson before the New York Society of Security Analysts, New York City, Oct. 19, 1945.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Nominating Committee of the Security Traders Association of New York has compiled the following list of candidates for the ensuing year:


C. E. de Willers


William A. Titus, Jr.


Michael J. Heany


T. G. Horsfield


Howard E. Phillips

President: Chester E. de Willers, C. E. de Willers & Co.
First Vice-President: William A. Titus, Jr., F. J. Young Co., Inc.

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Looks for No Heavy E Bond Redemptions

National City Bank Letter Points to Improved Financial Position of Individual as Indication That the Rush to Cash in Bonds That Followed World War I Will Not Be Renewed. Holds Bulk of War Savings Bonds Will Be Used to Acquire Permanent Assets Such as Farms and Homes, Rather Than Consumer Goods.

The November issue of the Monthly Letter of the National City Bank of New York contains an analysis of the problem of redemption of the outstanding Series E War Savings Bonds. After comparing the situation that existed following the first World War with present conditions, the Letter comes to the conclusion that because of the favorable financial condition of the people as a whole there will not be repetition of a rush by the public to cash their governmental bond holdings.

"In many quarters," states the National City review, "apprehension has been expressed that the end of the war might be followed by a rush to redeem a large proportion of the $46.7 billion United States Savings bonds outstanding, thus aggravating the inflation danger while goods are still scarce and burdening the Treasury with heavy demands for funds in addition to its current requirements. People remember that after World War I many Liberty bonds were thrown on the market with so little regard for what they would bring as to drive them at one time in 1920 to an 18% discount. Of course, no real analogy can be drawn because the present savings bonds may be redeemed at cost plus accrued interest—the $33 billion of Series A to E on demand and Series F and G on one month's notice—but it is a matter of concern to everyone that the good effects of wartime savings should not be undone.

"However, the figures to date indicate that redemptions of savings bonds, while substantially higher than last year or earlier in 1945, were little affected by V-E Day and have not reached alarming proportions even since V-J Day. Redemptions of all U. S. Savings bonds reached a peak of $464 million in the tax month of March, 1945. Lower figures were reported for each of the next four months, followed by a rise to $531 million in August, $528 million in September, and $616 million in October.

"September was the first month to show an excess of redemptions over sales, which were $514 million, but a slight gain in amount outstanding was reported, after crediting $41 million accrued discount (increase in redemption value of outstanding bonds). In October, which included three days of the Victory Loan, sales exceeded redemptions by $8 million.

"Because sales are so large during drives and relatively low between drives, a better measure of the significance of redemptions is their relation to the amount of bonds outstanding. Since Pearl Harbor, redemptions of savings bonds have risen from an annual rate of 3% of the amount outstanding, in late 1941 and in 1942, to 11% in January-July, 1945, to 14% in August, 14% in September and 16% per annum in October.

"Although each form of saving is influenced by factors peculiar to itself, it is interesting to note that turnover of savings bonds compares favorably in proportion with that of savings deposits, although the comparison with life insurance is less favorable. Withdrawals of deposits from members of the Savings Bank Association of the State of New York have decreased from 26% of amount on deposit in 1941 to a 21% rate in the past year, and about the same so far in 1945. Payments by life insurance companies on account of lapses, surrenders, etc., according to the Institute of Life Insurance, have decreased from nearly 20% of the total reserve against insurance and annuity policies and contracts outstanding in 1941 to about 6% in 1944 and 1945. Policy loans have diminished steadily month by month. So far the only perceptible effect of war contract cancellations on life insurance has been a sharp decrease in sales in August, especially group policies, but September held up well.

"The British also achieved wide distribution of savings bonds, called National Savings Certificates, during the war. These Certificates, like our Series E bonds, pay no interest currently but accumulate it until maturity (also 10 years) at 3.17% per annum (compared to 2.90% for Series E) for the fully taxable series and 1.41% for the tax exempt issue. Likewise they are non-negotiable but cashable at stated advances over the purchase price at stated intervals, and are available in small denominations, with restrictions on the amount which may be held. Redemptions of British War Savings Certificates, on an annual basis, rose from about 4% of the amount outstanding in 1943 (compared to 7½% for U. S. Savings Bonds) to nearly 5% in 1944, 5½% in the first eight months of 1945, and 8% in September, 1945. Roughly, then, the British small saver has been only about half as ready to cash in his war savings as the American, but in each case the rate of redemption is half against as high since the end of the war. The higher rate of redemption in the United States may be due in part to the volume of bonds sold on payroll deduction plans, which the British have not used.

"As in the past, redemptions of F and G bonds, purchased largely by corporations, banks (for trust funds) and religious, philanthropic and educational institutions, are much lower than for Series E, which may be held only by individuals, and the smallest denominations show the highest rate of redemption.

Average Man's Position Improved

"In trying to foresee the probable scale of redemptions over the near future, various conflicting influences appear. Most important, perhaps, is the fact that people as a whole are better off financially than ever before. In the past quarter century per capita savings and other time deposits have more than doubled, demand deposits and life insurance in force have each trebled, and currency in circulation quadrupled. Individual liquid assets, including only currency, deposits and government securities, are now estimated at approximately $1,000 per capita or nearly $4,000 per family, to which should be added life insurance with a face value of another $4,000 per family and with a present asset value of about $1,000. Personal debt has diminished during the war to the lowest point in years. All told, the average family is now worth probably at least three times as much as the previous generation, in liquid resources.

"On the other hand, two important factors will tend to increase redemptions from now on. Although employment may increase, unemployment also will probably rise for a while since reemployment can hardly keep pace with the rate of return of men from military to civil life. While loss of pay is cushioned by tax-exempt unemployment compensation, will the unemployed worker draw on his savings to maintain his 'standard of living' or will he cut expenditures to fit his reduced income? If he uses up savings, in what order will he draw on cash, deposits, war bonds and insurance?

"As to the great majority, who remain employed, will they hold their bonds because they want the security of personal savings, or will they cash them and spend the proceeds because, on the contrary, they feel security by reason of having a job, with unemployment compensation and old age pesions to fall back on?

Survey of Liquid Resources

"People have been endeavoring to amass facts upon which to base an opinion on these questions, and the correct answers are of great interest to those who have goods to sell, to government policy makers, and to financial institutions. Because of the importance of learning more about the holders of liquid assets and their attitudes toward their holdings, the Board of Governors of the Federal Reserve System requested the Bureau of Agricultural Economics to conduct two experimental surveys. The results of these surveys, made in January and February, 1945, in Birmingham, Alabama and Douglas County, Illinois, are described in the September Federal Reserve Bulletin.

"Perhaps the most significant conclusion drawn by the Board, subject to qualifications relating chiefly to the scope of the survey, is 'that the desire for economic security and advancement has been the most important incentive leading to the accumulation of liquid assets.' The 'security' purposes most stressed were for hard times, 'rainy days,' old age, emergencies and children's education, while 'advancement' meant chiefly the purchase of permanent assets—farm, farm equipment or home for farmers, and home in the case of non-farm families. Farmers also saved to repay mortgage debt. These traditional objectives of saving were cited as their prime motives by 85 to 90% of the respondents, only about 10% admitting saving for current expenditure. Whereas 60 to 75% of those replying expressed willingness to cash war bonds to buy permanent assets, only 20% would use them for the purchase of 'durable goods' and 11 to 15% for 'luxuries.'

"To the extent, then, that these replies are representative and in so far as people live up to their worthy intentions, it would appear that holdings of war savings bonds are destined in comparatively small part for readily consumable goods, but rather for permanent assets such as farms and homes. They may, however, constitute a cushion against possible deflation in case of widespread unemployment or depression.

"After World War I the peak of war bond liquidation came more than a year after the Armistice, and bank holdings of governments rose most sharply in 1922. This time some increase in redemptions is to be expected from now on in any case, because the figures include the automatic redemption at maturity of the earliest issues, which began maturing in March, 1945. But these redemptions at maturity are a minor factor, the total due in the next 3¼ years being only 2.8% of all savings bonds now outstanding."

Monetary Developments in Holland

The Incasso-Bank of Amsterdam Furnishes Data on the Effect of War on Monetary Conditions in Holland. Recounts the Process and Effects of Monetary Inflation During German Occupation. Says Measures Have Been Started to Liquidate "Floating Purchasing Power."

A pamphlet prepared by the Statistical Department of the Incasso-Bank of Amsterdam, Holland, and entitled "A Holland in War Time" furnishes some striking figures on the effects of the war and the German occupation of Holland. In describing the process of monetary inflation and its influence on economic conditions in Holland, the report states:

In this country, like in others, the influence of the war on the monetary situation has been characterized by a marked expansion of the quantity of money, both bank notes and bank deposits, an expansion that was not accompanied by a proportionate increase in the flow of goods available for for consumption and investment. In this respect the situation in this country can be compared with that in most other countries where in fact a similar development has taken place.

An element pre-eminently characteristic of the development in this country is the relatively great importance of the creation of money to cover disinvestment, owing to the fact that on a large scale a process has been witnessed of conversion of real capital into money capital. The liquidation of commodity stocks, the sale of investments, the seizure of industrial equipment and durable consumer goods (motor-cars, etc.), the non-replacement of worn parts of equipment, all these are factors making for disinvestment and in so far as the owners of these objects were recouped through creation of money, it may be said that the expansion of the quantity of money created no income money, but capital money. In other ex-occupied countries too this process has taken place; in the warfaring and neutral countries it remained within much narrower bounds. The said disinvestment was largely the cause of the surplus in our balance of payments with Germany, so that the creation of money resultant from the increase of the Reichsmarks-portfolio of the Netherlands Bank represents to a large extent disinvestment money. Apart from this the creation of money resulted in a widening of the flow of income (rises in wages and salaries, employment of the labor reserve, women labor, etc.), a phenomenon which, in several other countries, was responsible for the lion's share of the expansion of the quantity of money.

The split of the created money into income and capital money is of great consequence for the nature of the monetary strains which the money-creation brings in its train. These tensions, in fact, are a result of the owners' impulse to spend the money. It will be obvious that the threat of inflation is much greater in the case of unspent income money than in that of hoarded capital money.

As regards the sources from which the creation of money has arisen, two main factors are to be mentioned:

1. The granting of credit to the State, and

2. The purchase of Marks by the Netherlands Bank.

Credits to the State

The money-creating grant of credit to the state was effected on but a comparatively small scale by the Netherlands Bank (there were periods during the war when this credit instrument was entirely unused) and by the issue of currency notes; by far the greater part was furnished by the private banks and the rest by the Postal Cheque and Transfer System. The figures were the following:

	1938	1939	1940	1941	1942	1943	1944
			(in millions of guilders)				
Netherlands Bank	—	83	261	18	176	—	91
Private Banks*	320	404	1.034	1.586	1.726	2.016	2.920
Postal Cheque & Transfer System	165	202	310	358	407	509	584
Currency notes	1	1	41	117	138	217	263
Total	486	690	1.646	2.079	2.447	2.742	3.858

*Figures of the Amsterdamsche Bank, Incasso-Bank, Rotterdamsche Bankvereeniging and the Twentsche Bank ("Big Four")—the Nederlandsche Handelmaatschappij (Netherlands Trading Society) not taken into account, because the balance sheets included Dutch East-Indian business up to 1940—multiplied by the coefficient 2 to reach a rough estimate for the whole group of Dutch commercial banks.

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Monetary Developments in Holland

(Continued from page 2217)

The money creation as a result of the purchases of Marks by the Netherlands Bank is illustrated by the following figures:

	1938	1939	1940	1941	1942	1943	1944
			(in millions of guilders)				
Reichsmarks portfolio of the Netherlands Bank	—	—	15	930	1.742	3.214	4.518

In connection with the above figures it may be observed that the proportion between the money creation through credit extension to the Treasury and through the growth of the Marks portfolio was, to a certain extent, dependent on casual circumstances. Thus the monthly contributions for "aussere Besatzungskosten" (external occupation-cost) used to result in a shift from the Marksportfolio to Treasury financing. An increase or reduction in the amount of this cost would have brought the Treasury financing or the Marksportfolio more into prominence. The same remark applies to the period from the end of June 1944 to the middle of August of that year, when the Treasury, in connection with the easy conditions prevailing in the money market, took over a part of the holdings of Marks from the Netherlands Bank, and to the following period, when this transaction was reversed. In these cases too there was a casual shift of the accent of money creation from Marksportfolio to Treasury financing and back again. Both factors, subsequently, should be considered in connection with one another.

Decline in Commercial Credits and Gold

Against these two factors that increased the quantity of money, there were two which had the opposite effect viz:

(a) The decline in the volume of commercial credits and credits against securities, and

(b) The decrease of the gold stock of the Netherlands Bank.

The reduction in the quantity of money consequent on these factors may be estimated from the following:

	1938	1939	1940	1941	1942	1943	1944
			(in millions of guilders)				
(a) Loans and advances against collateral security	1.051	984	776	609	540	475	418
(b) Gold stock Netherlands Bank	1.461	1.014	1.102	1.026	903	932	931
Total	2.512	1.998	1.878	1.635	1.443	1.407	1.349

On the ground of the above-mentioned the figures of increase arrive at:

1939	1940	1941	1942	1943	1944	Total
		(in millions of	guilders)			
—310	851	1.105	988	1.731	2.362	6.727

The nature of the monetary increase appears from the following figures:

	1938	1939	1940	1941	1942	1943	1944
			(in millions of guilders)				
Banknotes	992	1.152	1.552	2.116	3.034	3.478	5.078
Currency notes	1	1	41	117	138	217	263
Bank deposits	1.656	1.480	1.975	2.452	2.588	3.493	4.054
Total	2.649	2.633	3.568	4.685	5.760	7.188	9.395

On the ground of these figures the increase arrives at:

1939	1940	1941	1942	1943	1944	Total
		(in millions of guilders)				
—16	935	1.117	1.075	1.428	2.207	6.746

The above figures, both those approaching the increase in the quantity of money from the side of the sources of money creation and those based on the different parts of circulation, are not sufficient to afford a perfectly exact and complete insight in the actual monetary situation.

Increase in Bank Deposits

For one thing it would be untrue to say that all the selling of treasury paper to private banks and to the Postal Cheque and Transfer System has had a money creating effect. Whether this is so or not, depends on the nature of the means out of which these institutions financed the purchases in question. The antipole of this remark bears on the question if all withdrawable balances with the banks and the Postal Cheque and Transfer System are to be looked upon as bank money. Part of them should undoubtedly be classified as time deposits and are therefore unjustly counted in as bank money. On the other hand, important amounts of treasury paper have been taken up also by the savings banks, whilst a proportion of the means entrusted to these institutions, though formally savings, is in substance bank money, albeit with a very slow rate of circulation (at least for the present).

The above-mentioned figures, consequently, should be viewed with a certain reserve, especially when they are compared with the development in other countries.

The divergence between the figures arrived at by means of the two methods of approximation outlined above (a divergence which, it will be noted, appears only for some year periods and not for the end figures) may be mainly due to the fact that the figure for bank deposits does not comprise the "other deposits" in the Netherlands Bank. On purpose these deposits have not been included to avoid double counting, because now and then the majority of these deposits are those of the banks. In so far as other institutions keep deposits with the central bank they should be included in the figures. This could not be done as they are unknown; the consequence is the possibility of divergence.

The subjoined ratio figures (index numbers, basis 100: close of 1938) may convey an impression of the proportion between the monetary development in this country and elsewhere. It should be observed in this connection that for the majority of countries no complete, or even approximate, figures can be found regarding the volume of bank deposits. The available figures had to suffice, owing to which the divergence between the rises of the note circulation and the bank deposits may have inaccurately influence the final figure, which is an average number.

	1938	1943	1944
England	100	186	210
U. S. A.	100	242	271
Germany	100	356	486
France	100	451	502
Holland	100	271	355
Belgium	100	315	400
Sweden	100	151	167
Switzerland	100	137	153

If no measures had been taken to prevent the effect of the expansion of the monetary circulation on prices and wages, a trend towards inflation would, no doubt, have developed. Like everywhere else, the authorities in this country too have tried, by measures of price control, rationing, and fixation of wages, to check this effect as much as possible. The fixation of wages in particular has been of great importance in this respect, as it is known from experience that a rise in prices accompanied by an advance in wages cannot be undone any more without serious social disturbances. In this respect there is a fundamental difference between the situation in Holland on one side and Belgium and France on the other.

In spite of these measures, wages and prices have risen to a certain degree. Since May 1940 no index numbers of prices have been published any more, and official statistical data concerning the course of wages have also been lacking. According to a rough estimate the retail trade index number, since May 1940, has risen by 50% and the wage level by 25%, which is certainly not more than the average percentage in the principal other countries (not reckoning the strong rises in prices in the black market, but these are not to be considered as a pure symptom of inflation, but rather as a result of scarcity without far-reaching monetary effect).

Like in all countries where the quantity of money has considerably grown without any proportionate increase in the flow of goods and/or rise of the price level, the uncontrolled development has, also in this country, given rise to the accumulation of a substantial amount of "floating purchasing power," being the excess of the money supply over the circulation needs. Some remarks have been made already above regarding the character of this "floating purchasing power," in particular with respect to the fundamentally important division into "income money" and "capital money."

To measure the volume of the floating purchasing power, is by no means a simple task. Of course it would not suffice to regard the total increase of the quantity of money as such. The growth of the population, the mobilization of the labor reserve, the rise of the price level, are all of them factors allowing of an increase in the quantity of money without any development of floating purchasing power.

Estimates in this respect can only be rough ones. Basing oneself on a total quantity of money of f10-11 milliard, it may be assumed that the actual need of circulating mediums, if the rise in prices, which has taken place, is of a lasting character, and if production is restored to "full employment" leaves an amount of floating purchasing power of round f7 milliard.

It stands to reason that the liquidation of a substantial part of the excess-money circulation will be the nearest object of the monetary policy of the Government. Part of the money-quantity will, of course, be "extinguished" quasi-automatically by the payment of the excess of imports over exports in the near future, but this factor will by no means account for the whole monetary surplus. The monetary recovery is in fact one of the striking economic needs. These measure have already been started by the cancellation of the banknotes of f100,— and will shortly be continued by further rigorous steps.

The Money Market

It has been a practically universal phenomenon in this war that the money market has been able to cover to a very great extent the credit needs of the government, which rose by leaps and bounds. In fact, the situation in most countries has been such that the ad hoc creation of money by the private banks could supply the needs of the authorities almost entirely. In so far it can be said that conditions in the money market remained, relatively, very easy. However, the central bank in most countries was also appealed to for the financing of the ultimate needs of the state. On balance, therefore, some tightening of the money-market was noticeable since the outbreak of the war. This tightening was the necessary consequence of the expansion of the banknote circulation due to public expenditure on the one hand, and of the increased amounts of cash and first liquidities (other than money-market material) carried by the banks, which were the sequal of the strongly expanded creditor balances in account current, on the other hand. There where the creation of money was exclusively due to the extension of credit to the authorities, a tightening, on balance, of the money-market position was logically to be expected for the above reasons. There where the creation of money had also other sources, as was in fact the case in this country, namely the growth of the Marks portfolio of the Netherlands Bank, the money market might on balance have shown greater abundance, unless the rise of the banknote circulation more than compensated this creation of money, as was in fact mostly the case.

In the countries where the above-mentioned tightening of the money market developed, the course of the discount rates has not always clearly reflected the quantitative conditions in the market, because the policy almost everywhere was to keep interest rates on a low level in view of the budget position. Before the war the interest rates on treasury paper in this country were fixed in the open market, the paper being allotted by tender; since May 1940 the situation has been such that the Treasury fixed the rates at which treasury bills were sold. If the total need of the Treasury was greater than the money market could supply, so that in case of free market conditions with a normally operating mechanism of rediscounting the interest tariffs would have gone up, the amount offered to the market was confined to what the market could absorb at a rate of interest convenient to the authorities, whilst the remainder was sold direct to the Netherlands Bank. Thus it could happen that, while the central bank had to support the market in such a measure that a fairly large amount of paper was taken by this institution, yet the tariffs at which the paper was offered were sometimes lowered, a policy which was fundamentally different from that which was customary when the money-market mechanism could operate freely.

Our Reporter's Report

Citing the steady decline in yield rates on intermediate and long-term government paper, as note the drop in yields in the five to ten-year category from 1.70 to 2.13% at the end of 1942, to 1.35 to 1.64% currently, the National City Bank raises the question of how much further the decline in bank eligibles can go without affecting rates on ineligibles also. The yield on longest-term bank ineligibles, it notes, is slightly under 2.5%.

Taking a look ahead at the possible effect of Government policies as regards rates and maturities, the bank points out that, unless replenished by new offerings, the volume of Treasury intermediates will fall off sharply with the passage of time. In the two year period, Jan. 1, 1946 to Jan. 1, 1948, securities callable in five to ten years will slump from over $33 billions to barely $10 billions.

"While the latter figure may hardly seem to spell scarcity to many," says the bank," it can easily prove such in a money market that must be kept constantly supplied with funds so long as inflation of bank credit continues, and the Reserve Banks are committed to holding short-term interest rates at their present level."

Still, says the bank, recently we have been cutting down the volume on intermediate maturities on the ground that they either caused excessive shifting of other securities to the banks or themselves found lodgement there after the drives with consequent inflation of bank credit.

Inflation of bank credit, it holds, is inevitable under the present setup which induces banks to borrow from or sell short-terms to the Federal while extending their holdings of longer-term higher yield issues.

It suggest that the Treasury adopt a long-term ineligible 2½% issue, constantly or frequently on tap, once the Victory Loan is over, as a means of supporting that rate which it maintains is of inestimable importance to the savings structure of the nation.

Big Stock Issue

Another one of those huge operations arising under the plans of public utilities to bring themselves into conformity with the Holding Company Act, was on schedule this week.

The American Power & Light Co. was due to open bids yesterday on a block of 840,000 shares of common stock of the Central Arizona Power & Light Co.

Best indications as the time for placing of bids approached, were that at least three investment banking groups would seek the stock, for reoffering to the public.

Canadian Call Due

As another step in its official program for reducing as far as possible the volume of its outstanding obligations payable in currencies other than the Canadian dollar, the Dominion is expected shortly to call for redemption early next year $55,000,000 of 3% bonds due to mature in 1967.

This issue is subject to call on any interest date at 104 and accrued interest.

It is recalled that Canada, quite recently, called for payment on Nov. 15 next, $40,000,000 of its 3% bonds which have until 1968 to run.

Should a call be issued for the 3s of 1967, as now expected, it would suggest that similar action might be expected as soon as possible with regard to $30,000,000 of 3s of 1953 and a similar amount of 3s due in 1958. Both are callable on 45 days' notice, at any time after Jan. 1 next.

Hard for Investors

Should Canada pursue the course indicated above, and there is every indication that such will be the case, the lot of the investor who has held such securities will not be especially enviable.

The supply of new bonds coming to hand is so infinitesmal that those who would be forced to yield their bonds under a call, would face a severe problem in the matter of reinvestment.

However, at the moment there is an increasing tendency on the part of investors in the direction of choice equities, judging by the behavior of such stocks in recent weeks.

Railroads Are Looking Ahead

(Continued from page 2215)

only in the way in which they handled the war load, but also in the economy with which the job was done for the government. In the three years 1918-1920, there was collected from the railroad companies $146,000,000 in Federal income taxes—but during the same years there was a deficit resulting from Federal operation of the railroads amounting to more than $1,600,000,000. During the three years and eight months between Pearl Harbor and the end of war with Japan, the railroad companies paid in Federal taxes more than $4,235,000,000—and there was no deficit on account of Federal operation to be met by the taxpayers.

Value of Privately Operated Railroads

This net difference of nearly six billion dollars in the position of the Federal treasury in the two wars is but one measure of the value to the nation of its privately operated railroads. During the first World War and the period immediately afterward, it was necessary to increase freight rates by an average of approximately 60 per cent. At the close of the second World War, freight rates were no higher than when war began, despite major wartime increases in wages, taxes and the price of supplies, while the level of passenger fares is lower now than it was even before the *first* World War. And more important still was the dependability and adequacy of rail service in this war as contrasted with the difficulties of a quarter of a century ago.

There's the record—but it is one on which the railroads have not the slightest intention of resting. I mention the record here merely to bring to your attention the point that the same qualities of flexibility and expansive capacity, the same dependability, the same efficiency and economy, which enabled the railroads to meet the nation's need in time of war, are just as necessary for the peacetime prosperity of the people of the United States.

Rails Look Ahead

The railroads are not through with their war job, and will not be until the armies are home and demobilized, but, while they are finishing that job, the railroads are looking ahead, and working ahead, toward the better service which is expected of them, and which they expect to render. Never in all the long history of railroading has research been carried on so actively, in so many directions, on so broad a front, and with such promising possibilities, as now.

This research is being carried on by the individual railroads, by groups of railroads with common problems, and by the Association of American Railroads, acting for the whole industry. But what the railroads are doing is but part of the picture. Railroads do not make, but buy, most of the equipment and materials which they use in their business of manufacturing transportation service, so that the vigorous research of the companies which furnish railroad equipment and supplies constitutes a most important part of the overall picture.

It is not easy for the non-professional eye to see what comes out of most of this research. It is directed to such improvements as seemingly slight changes in the shape of rail, for example, or the form of rail joints, or the molecular composition of the steel from which rail is made. It goes to improved methods of chemically preserving cross-ties, or welding worn rails, or detecting hidden flaws in metals. It goes to matters of track structure, of bridge engineering, of signals and communications. It deals with the economics of cutting down grades or straightening out curves, or of increasing the pay-load of freight cars by reducing dead weight. It is aimed, in short, at turning out more transportation service per car per day, and per train per hour, with less expenditure for fuel and other operating costs.

How successful that type of research has been on the railroads may be gauged by over-all results. Perhaps the best single statistical measure is the transportation output of the average freight train for each hour it is on the road—a figure which reflects not only train loading but also train speed and the extent to which the train is kept moving without interruption. Twenty-five years ago, this hourly transportation output of the average train was in the neighborhood of 7,000 net ton-miles, or the equivalent of moving 7,000 tons of freight one mile. Now it exceeds 17,000 ton-miles—two-and-one-half times what it was only a quarter of a century ago.

The progress in technology and efficiency which enabled the railroads to achieve such results goes on today, and will go on in the future at an accelerated pace.

Progress in the basic freight service will take the direction of better location of tracks, improved lay-out and operation of yards, refinements in signals and communications to keep trains moving more steadily, greater strength in cars combined with lighter weight, improved springs and smoother trucks, more powerful and more efficient locomotives, capable of higher sustained speeds—all to the end that trains can carry more freight on better schedules, for the better service of the public.

In the passenger field, progress will be toward smart and spacious comfort, with no great increase in top train speeds but with improvement of overall schedules through better sustained average speeds. Cars will ride better. They will be better ventilated and better air-conditioned, better lighted. Seats will be more comfortable, and many of them will be adaptable for both day and night use. There will be a great increase in the number of private-room sleeping accommodations on trains, to be sold at prices little above that of the present lower berth, and a whole line of new three-tier economy sleeping cars, in which berths are to be sold at prices below that of the present upper berth. There will be new and smart dining cars, lounge cars, club cars, recreation cars of various sorts—all designed to make a trip by train a thing of restful comfort and relaxing pleasure.

The people of the United States expect such things as these of their railroads, and that expectation the railroads intend to meet to the full. In doing so, they must face problems and surmount difficulties. Some are in the fields of railroad technology. These the railroads can, and will, deal with.

Public Policies Toward Railroad Investment

Other questions cannot be dealt with and disposed of by the railroads through their own efforts, but must be acted upon finally by public authority, in the light of public understanding and sentiment.

These problems are, in many cases, more important and more difficult of solution than the technical problems which the railroads can handle with their own resources. They have to do with the public policies which affect the nature and source of the investment necessary to create transportation facilities, and the impact of taxation.

The importance of investment in transportation facilities can hardly be overestimated. The best illustration I can give you of how great is its importance is the contrast between transportation on American railroads, where every man's capacity is multiplied and his work eased by the plant and equipment provided by investment, and transportation in the interior of China, remote from railroads, where the human-bearer must work with his own unaided muscle. Working as hard as man can work, the Chinese carrier can earn for himself no more than a cent an hour—but the transportation service which he so laboriously produces costs the user as much as 30 cents per ton per mile. The American railroad worker, on the other hand, using an average of $6,500 worth of rolling stock and $13,500 worth of roadway per man employed, earns a wage averaging nearly a dollar an hour—but the transportation service which he produces is sold for an average of less than one cent for hauling a ton of freight one mile.

American railroads — not just the locomotives and cars, but the tracks and terminals and signals, the whole thing—are the creation of private investment. All the public funds ever spent on railroads have amounted to less than 2% of the total invested in them. The money of private investors built them. Private capital has improved them, having spent for that purpose since the first World War more than eleven billion dollars. And private capital is looked to to make the further improvements which will be required for better and better rail service to the public.

In the case of other forms of general transportation, private capital provides the vehicles—analogous to the cars and locomotives of the railroad—but the much larger investment required to provide the highways, waterways and airways over which these vehicles are used in the commercial business of transportation is made out of public funds.

This difference in the source of the funds which have created and maintain the fixed ways over which the various sorts of transportation business is carried on, creates for the railroads a difficult competitive handicap. Railroads must sell their services for enough to cover the cost of providing and running their trains. In that respect, they are like all the other forms of transportation. But, in addition, railroads must cover, out of the rates they charge, the cost of building their tracks and of maintaining them. That represents, for the average mile of railroad, an investment in roadway, signals and the like, of about $65,000 and an average annual upkeep of about $5,000.

And on these tracks, railroads must pay, also, real taxes—that is, taxes not to be spent on railroad tracks or for the special benefit of railroads, but which are spent for the support of the general activities and services of government, such as national defense, public safety, public education, public health and the like.

Importance of Traffic Volume

The movement of most commercial traffic is highly sensitive to price considerations. It tends to go where the rate is lowest, provided service is satisfactory. In the United States this means that most freight goes by rail, because for most articles of commerce and over most distances rail freight is the cheapest and most satisfactory form of transport. For some freight moving between some points, other forms of transportation are preferred, perhaps by reason of the particular service offered, or because of a lower rate in some cases, or for a combination of the two. Where traffic is turned from the rails for such reasons, no railroad man could object—provided each form of transportation stands on the same footing as to bearing its own costs.

But that is not always the case and much traffic is diverted from the rails because railroad rates must be sufficient to cover all the costs of the service, while the rates of some other forms of transport need cover little more than the cost of providing and operating the moving vehicles. Such diversion of traffic from the rails is serious—and the more serious because railroading is a business in which success depends to so great an extent upon the volume of traffic.

The question is of real moment, not just to the railroads, but to all business, and all the people, of this country. The war has shown that its self-supporting, tax-paying railroads, under business management, are capable of meeting vital needs in great emergency, as they could have been met in no other way. Peacetime commerce will equally require the service which railroads alone can render.

To get the best results in the time ahead, there must be such an equality of conditions among transportation agencies as will cause traffic to flow naturally to that agency which can do the best job, considering service and all the costs involved. To create such conditions is a task calling for public consideration and transportation statesmanship of a high order.

So far as the railroads are concerned, their peacetime task is to provide transportation service—the best service of which they are capable, produced and sold at the lowest cost. That job they are tackling with the same self-reliant determination with which they met the war needs of the nation—looking ahead and going ahead toward better and better service, year after year. So far as research and technology go, the railroads know that this can be done, provided only there is kept up that flow of investment in railroad facilities which in the past has accomplished results so great and which offers for the future so bright a promise. That, however, cannot be accomplished without public policies which, in all fairness, give to each form of transportation equal treatment and equal opportunity to do for the people of this country the work which each one of them can do best.

Now Proprietorship

Gordon Stafford Saunders is now sole proprietor of Gordon Saunders Co., 64 Wall St., New York City. Ferris S. Moulton was formerly a partner in the firm.

Rocky Mt. IBA Group Elects Paul Youmans

On Oct. 23 Paul E. Youmans of Sullivan and Company, was elected Chairman of the Rocky Mountain Group of Investment Bankers to take office on or about Nov. 23, after the annual convention in Chicago. Mr. Youmans succeeds Earl M. Scanlan, Earl M. Scanlan & Co.

Other officers chosen were: Vice-President: Edward B. Coughlin of Coughlin and Company; Secretary-Treasurer: Bernard F. Kennedy of Bosworth, Chanute, Loughridge and Co.

The following Committee heads were also elected:

Postwar Planning Committee: Amos C. Sudler, of Amos C. Sudler and Company.

Personnel Committee: Burdick Simons, of Sidlo, Simons, Roberts and Co.

Entertainment Committee: Ernest E. Stone, of Stone, Moore and Company.

Business Conduct Committee: Aaron W. Pleasants, of International Trust Company.

Corporation Securities Committee: J. Fred Brown, of Boettcher and Company.

Educational Committee: J. W. Coxhead, of Bosworth, Chanute, Loughridge and Co.

Municipal Committee: Edward B. Coughlin, of Coughlin and Company.

Legislation Committee: W. C. Brinker, of J. K. Mullen Investment Company.

Taussig Heads IBA Mississippi Vy. Group

ST. LOUIS, MO.—At the annual election meeting of the Mississippi Valley Group of the Investment Bankers Association of America, held Oct. 26, 1945, the following officers were elected to serve for the fiscal year 1945-46:

Garfield J. Taussig, Chairman, Taussig, Day & Co.

Chapin S. Newhard, Vice-Chairman, Newhard, Cook & Co.

Bert H. Horning, Secretary-Treasurer, Stifel, Nicolaus & Company, Incorporated.

With Small-Milburn Co.

OKLAHOMA CITY, OKLA.—J. H. Schmoldt has become associated with The Small-Milburn Co., Terminal Building, in Oklahoma and Texas.

Julian White Proprietor

ST. LOUIS, MO.—Julian M. White is now sole proprietor of White and Co., 506 Olive St. George M. White was previously a partner in the firm.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

After the close of World War I, fire insurance companies entered an era of increasing prosperity and profits; it is not unreasonable to assume that after World War II the fire insurance industry will again experience a period of expansion and increasing profits, though not necessarily in the same degree. It is of interest, therefore, to review briefly the record of a group of 21 important fire insurance companies, since the Armistice of November 1918. The companies included are as follows:

Aetna Insurance
Agricultural Insurance
Boston Insurance
Continental Insurance
Fidelity-Phenix Insurance
Fire Association
Franklin Fire
Great American
Hanover Fire
Hartford Fire
Home Insurance
Insurance Co. of North America
National Fire
New Hampshire Fire
North River Insurance
Phoenix Insuarnce
Prov. Washington
St. Paul Fire & Marine
Security Insurance
Springfield Fire & Marine
U. S. Fire

On Dec. 31, 1918 the aggregate liquidating values of these companies, comprising capital, surplus and 40% of unearned premium reserves, amounted to $232,066,000. Steadily this value grew, reaching $451,245,000 by the end of 1925, an increase of 94.5%. By 1929, liquidating value reached the year-end peak of $752,790,000, approximately 224% greater than at the end of 1918. Liquidating value dropped from this peak to the depression low $451,802,000 in 1932; but even this low was fractionally above the 1925 figure and approximately 95% above the 1918 value. At the end of 1944 aggregate liquidating value amounted to $993,955,000. Thus, 1944 year-end aggregate liquidating value of these 21 companies, stood 328% higher than at the close of World War I and 32% higher than the 1929 peak.

The volume of business written by these companies has also shown a strong upward trend, though not as steep as that of liquidating value. In 1918 net premiums written aggregated $234,012,000; in 1925 the total was $364,022,000, a rise of 55.7%. The peak year was 1928, not 1929 as in the case of liquidating value, and the total was $370,126,000, or approximately 101% greater than in 1918. The low year was 1933, with a volume of $241,576,000, but this low point was higher than in 1918 by 7.5%. The year 1944 hit an all time high with a volume of $438,024,000, approximately 87.5% above the 1918 volume and 18% above the 1928 peak. It is significant to note that this rising volume of premium business has been achieved against a stiff downward trend in premium rates. In 1918 the average country-wide fire premium rate was around $1.07; in 1929 it was $0.89 and in 1942, $0.61. Currently, it probably averages less than $0.60.

Net investment income also showed substantial expansion after World War I, moving from $14,261,000 in 1918 to $28,414,000 in 1925, an advance of nearly 100%. In 1930, which was the peak year instead of 1929, the figure was $42,066,000, or very nearly three times the 1918 total. The "depression" low was reached in the year 1933 with $26,631,000 which, nevertheless, was 87% more than the 1918 total. Since this low, net investment income has steadily risen, though it has not quite reached the boom total of 1930, aggregating $40,625,000 in 1944.

Net underwriting profits are characteristically erratic, yet these too, despite some years of losses, moved irregularly upward from approximately $10,000,000 in 1918 to $15,502,000 in 1927 and $28,382,000 in 1929. The depression low was reached in 1933 with a total of $21,625,000. During World War II, due to heavy marine losses and excessive fire losses, net underwriting profits shrunk in 1944 to approximately the 1918 figure.

Total net operating profits in 1944, which comprise both net underwriting results and net investment income, were approximately 20% above the 1925-27 level and 100% above the 1918 level, despite heavy war losses and heavy wartime taxation.

It is also pertinent to cite the dividend record of these companies since 1918. In that year their dividend disbursements aggregated $9,735,000; by 1925 they had almost doubled, aggregating $19,039,000, while in 1929 they totaled $30,281,000. The depression low was $22,603,000 in 1933, yet this was higher than 1925 disbursements and 132% above the 1918 total. In 1944 the total was $31,570,000.

In general, the record shows a long-term secular growth for the fire insurance industry, though severely distorted at times by cyclical reversals and also by the curse of war. And this secular trend should continue, for we are still a growing nation, and it is logical to expect so essential and universal an industry as insurance at least to keep pace. It is interesting to observe what was happening to population, industrial production and national income during the period that insurance companies were experiencing the growth we have reviewed, as follows:—

Year—	Population	F. R. Index Ind. Production	National Income Billion $
1918	--------	73	58.1
1920	105,710,620	75	69.8
1925	--------	91	74.3
1929	--------	110	83.4
1930	122,775,046	91	69.0
1932	--------	58	40.0
1939	--------	109	70.8
1940	131,669,275	125	77.3
1944	--------	235	156.2

The terrific impact of the war on the nation's economy is reflected in the 1944 figures. From now on, however, the long-term normal upward trend of economic expansion should be resumed. And in this extension of the trend, the insurance industry may be expected to participate.

Exaggerated Inflationary Psychology

(Continued from page 2207)

a great amount of inflationary tinder lying around at the present time awaiting ignition, it is far from certain that any match will be applied. What the economists disregard is the human element involved, and this is obviously an unpredictable force. For example, some economists are comparing our position with that of France after World War I and argue that statistically our position is even worse at the present time. The inference is that the franc fell from around 20¢ to about 4c U. S. currency, and that the U. S. dollar must now suffer a decline in purchasing power in similar degree. What they forget is that foreign trade plays a much larger role in the French economy than it does in ours, and that it was relatively easy for Frenchmen to export their capital abroad either for the purchase of commodities or for simple safety. In other words, a readily usable fulcrum was at hand by which the franc was forced down. The answer, of course, is that our foreign trade and our need for imported commodities is not great when compared with our domestic transactions, and the currency does not exist which reasonable Americans might find offering a safer harbor than the U. S. dollar itself. But the greater safety valve which will sooner or later become evident is our enormous productive power not only on the farm, but in the factory and in the service industries.

Almost everyone expects that after our reconversion difficulties have been surmounted and assembly lines are again operating efficiently we will have no difficulty in satisfying the accumulated demand of the war years, but also in producing all that we need for our own use and for export. What may not be so widely understood are the great potentialities of this production and the accompanying danger of eventual over - production. The simplest figures should illustrate what we mean. We were able to maintain a fairly healthy domestic economy during the war with the assistance of a minimum of rationing, despite the fact that 12,000,000 to 14,000,000 Americans (including civilians) were in the armed services. We supplied them and a good proportion of the needs of our Allies, at the same time building the world's greatest navy and the world's greatest merchant marine. The equipment with which we furnished our armed forces has never been equaled in the history of warfare, and it certainly went far beyond the relatively meager supplies of World War I. For example, in 1917-18 the Quartermaster Corps supplied infantry units with 3 models of shoes, but in World War II there were 15 models, many of them requiring huge amounts of leather. In World War I an infantry platoon had Enfield or Springfield rifles as a small arm and Browning machine guns. In World War II the same infantry platoon had Springfields, Garands, Browning automatic rifles, bazookas, 30 mm. carbines, 40 mm. carbines, 30 caliber machine guns and 50 caliber machine guns, plus a 57 mm. recoilless rifle. Now that war contracts have been cancelled, productive forces are set to defeat inflation because the latter cannot thrive in an economy where there is a plethora of commodities. The time factor is the unknown component, but by late Spring 1946 consumers and investors should begin to be very conscious of our expanding peacetime productive capacity.

Glore, Forgan Will Represent Mexican Financial Interests

Nacional Financiera, S. A., of Mexico City, the Mexican government controlled organization which is directing capital to the development of new enterprises in that country, has appointed Glore, Forgan & Co. of New York and Chicago as its representatives in the United States.

Working in association with United States industrialists, Nacional Financiera has given increasing attention to the creation of new sources of wealth and new centers of industry in Mexico. The organization serves as fiscal agent to the Mexican government and supervises the securities markets in addition to promoting and financing industrial and public utility projects and limited commercial banking operations. It is also financial adviser to state and municipal governments in Mexico.

Antonio Carrillo, formerly Director of Credit of the Treasury Department of Mexico, is Director General of Nacional Finansiera, having succeeded Antonio Espinoza de Los Monteros, now Mexican Ambassador to the United States. Senor Carrillo is following the policy inaugurated by Senor de Los Monteros over the past 10 years, developing various projects in association with American capitalists. Industries which have been financed include steel, paper and pulp, coke, glass, synthetic fibers, electrical goods and equipment, cement and various public utility projects.

Owned 51% by the government and 49% by private interests and commercial banks, Nacional Financiera in the past ten years has done or participated in, the greatest part of Mexico's industrial financing.

Glore, Forgan & Co. is currently handling several negotiations between American industrialists and Nacional Financiera.

Croll Resumes Activity As Asiel Co. Partner

Asiel & Co., 11 Wall St., New York City, members of the New York Stock Exchange, announce that Joseph D. Croll has returned from military service and has resumed active partnership in the firm.

We Ask You, Mr. Wallace!

(Continued from first page)

sus estimates for the Senate Committee on Banking and Currency that the labor force will **average** 60,470,000 in 1950?

Doesn't the difference of 1,500,000 make it necessary to reduce his yardsticks by corresponding amounts?

Wouldn't the reduction be still larger if the Census estimate of 59,160,000 for April, 1950 were used?†

Isn't it also important to emphasize that this labor force of 59 or 60½ million includes 2½ million who will probably be in the Armed Forces (pp. 40-41), thus leaving 56½ to 58 million available for **civilian** jobs; and that of the latter total at least 2 million may be expected to be fractionally unemployed, thus reducing the number of jobs required to 54½ to 56 million?

Isn't the effect of such adjustments to make meaningless Mr. Wallace's figures of 60,000,000 jobs and the resulting gross national product of $200 billion?

* * *

(3) Mr. Wallace states (on pages 3 and 6) "that by 1950 it will require 60 million persons at work at an average of 40 hours a week to maintain the output of goods and services to which people are entitled."

(Q) Why is anyone "entitled" to this output of goods and services?

Isn't it true that some industries, for example coal (35 hours) have contracts calling for less than 40 hours of work per week?

Suppose that the pressure grows for a 30 or 35 hour week and is successful in whole or in part, then what happens to part of the "goods and services to which the people are entitled"?

Doesn't his estimates assume that all the gains of technology will be taken in the form of more goods and services while our entire history shows that we have elected to take these gains in part in the form of more leisure time, earlier retirement age, and later entrance age into industry?

* * *

(4) It is stated (at page 8) that "the nation lost 105,000,000 man years of production in the 30s." The period covered is 1930 to 1941 and the "loss" is attributed to "the planlessness of the 20s (and) the lack of courageous action immediately following the collapse."

On page 10 it is stated the "New Deal restored the people's confidence in themselves and their faith in their free institutions. Bolstered by this rebirth of faith, the nation surged onward toward a broader base for our economic life."

(Q) Isn't it true that during the "planless" twenties, the Federal Reserve Board attempted to stabilize the price level by manipulation of credit?

Despite the "rebirth of faith" isn't it true that until the war program was developed, the total number of unemployed failed to average less than 7¼ million in any year from 1933 to 1940?

Didn't this large volume of unemployment remain with us despite tremendous government intervention, and large scale planning and despite the development of deficit financing to the largest extent in our peacetime history?

* * *

(5) Several charts (on page 16) show the labor force as about 63 million in 1944 or the total inclusive of those in the Armed Forces. By the inclusion of this group, a close relationship between employment and these various types of incomes is shown to have been maintained during the war.

(Q) Wouldn't more realistic relationships be shown if the 12,000,000 men in the Armed Forces were excluded from the employment figures?

Wouldn't such an adjustment bring out more clearly the inflated nature of the wartime economy he is desirous of extending into peacetime?

* * *

(6) At page 17, it is stated that "Five cents an hour is too high if the worker doesn't earn it."

(Q) What is the relationship between this statement and the drive for higher minimum wages?

* * *

(7) Evidence is given (at page 17) that the prices of radios and refrigerators were sharply reduced before the war and that mass consumption was the result. A similar experience is cited for "automobiles and washing machines, and in a variety of other lines."

(Q) Isn't this evidence that important segments of industry are fully aware of the advantages of low prices and that they have voluntarily adopted such a policy without Government coercion?

* * *

(8) Reference is made to a "negative and undemocratic business philosophy" namely "the philosophy of those who believe that ours is a mature economy—who believe that the economic frontiers were closed with the closing of our geographic frontiers."

(Q) Isn't it true that the New Deal Administration, of which Mr. Wallace was a member, was the main exponent of the economic maturity idea in the Thirties?

* * *

(9) At page 19 reference is made to the "lack of action" during the Thirties.

(Q) If the Thirties were characterized by a "lack of action," what would Mr. Wallace consider to be action?

* * *

(10) At page 20 it is stated "we need to keep something very close to the present level of wage payments."

(Q) Weren't wartime wage payments made high to induce the required war output? How can total wage payments be maintained with a reduction in hours unless labor productivity has sharply increased? Hasn't the U. S. Bureau of Labor Statistics recently reported that for **civilian** industries unit labor costs rose 46% during the war because productivity failed to increase?

* * *

(11) It is stated (at page 61) "The President, in submitting the national full-employment budget to Congress each January, would give his appraisal of current job-creating expenditures by business and consumers. If it seems likely that they will not spend enough to furnish full employment, then it would be the duty of the **President to suggest two specific types of incentives. One type involves no government spending, but would embrace such non-spending devices as tax and credit incentives to stimulate both consumers and businessmen to spend more and therefore to create more jobs. The other type of incentive would include the use of government funds, either as grants-in-aid to states or localities for public works, or for actual investment directly by the Federal government in development of our resources."**

(Q) It takes time to enact such non-spending devices as tax and credit incentives and more time to determine whether or not they are working. How long a time period will elapse before there is resort to the second alternative of spending?

Isn't it true that because of the unavoidable time-lag and the difficulty of determining the effects of the non-spending devices that spending will be started at once under this plan?

Aren't the proposed expenditures in public works and in the development of resources, long term commitments which cannot be readily reserved if subsequent quarterly forecasts suggested that should be done?

To achieve more flexibility would this not, therefore, mean prompt recourse to the WPA type of project?

* * *

(12) At page 62, it is stated "ever since we began to rearm in 1940, our statisticians and economists have been projecting national budgets a year and two years ahead. These covered not only how much the nation would produce as a whole—but also how much of the total the government would need for war purposes; **how much would be left over for essential civilian needs; and, of this, how much business and consumers could use for construction and other new capital expenditures."**

(Q) Haven't these estimates been way out of line with the final results? Didn't top OPA officials, with access to all the data, predict in 1942 that civilians would have as few goods as at the depth of the depression in 1932-1933? And weren't available supplies maintained at record levels?

What studies have been made to establish the accuracy of past forecasts?

The Department of Commerce forecast a decline of 13% in retail sales in 1943 as compared with 1942; actually retail sales rose 10.5%. For 1944, an increase of 3.6% was forecast; the actual rise was 8.8%. Is this a "considerable degree of accuracy"?

How is the war record, to the extent it was successful, applicable to unplanned, unscheduled peacetime production and consumption?

* * *

(13) Mr. Wallace states that "Logistics, the science of supply, certainly can be put to work for peace as well as war . . . within the framework of free enterprise."

(Q) How can 135,000,000 consumers with different tastes, habits, etc., be compared to 12,000,000 members of the Armed Forces with their regimented tastes?

How could this be done for civilians without regimenting them?

* * *

(14) At page 62 it is stated: "Actually the quarterly check on the projected budget would be based upon reports to government on the investment plans of business, and upon current information on employment, consumer expenditures, and inventories. This . . . would make it possible for the **President to present to the Congress and to the country, every three months, a statement on the total number of jobs that private enterprise is currently providing and is likely to provide in the immediate future."**

(Q) Won't business men try to anticipate the trends forecast and thus upset the plans and policies adopted?

Will there not develop a tendency to anticipate these actions and thus place government policy upon the precarious basis of guesses?

How can business men be prevented from adjusting their actions to these forecasts without controlling their actions?

* * *

(15) Mr. Wallace refers (at page 63) to the Government forecasts of crops and livestock output.

(Q) Aren't these forecasts frequently way out of line as compared with final results and aren't they subject to monthly revisions?

* * *

(16) He frequently stresses the need for cooperation. For example at page 64 it is stated "Business cooperation is also needed to solve another major problem—that of finding ways to put stability into capital investments for plants, equipment, inventories, office and other commercial buildings."

(Q) How is this "cooperation" to be effected? Through another NRA? What will the Department of Justice have to say about this "cooperative" effort?

* * *

(17) In discussing the Nation's Budget at page 66, it is stated that "In 1944 — the Federal Government spending enormous sums for war, borrowed all of the 37 billions of consumers' savings, all of the 9 billions of business savings, and all of the 2 billions of state and local government savings—in addition to raising far greater sums through taxes."

(Q) Isn't this an oversimplification of what has happened? Doesn't it ignore the large amount of bank credit created to finance the war and the attending problems?

Isn't it one of the faults of this entire approach that it oversimplifies very complex interrelationships?

* * *

(18) The Secretary states that "it is probable that we shall need to show the effect of 'transfer' payments more fully, such as life insurance, and the sale and repayment of E bonds which account for billions of savings that do not appear in the 'net' figure."

(Q) Isn't it true that the cashing in of war bonds can upset the most carefully prepared forecasts of future business activity?

Will not the volume of such redemptions be affected by psychological factors which cannot be determined in advance?

* * *

(19) "There is a real danger that consumers, in the first few years after civilian production restrictions are lifted, will draw too heavily upon wartime savings in their eagerness to buy houses, automobiles, refrigerators, washing machines, and other things denied them during the war" (page 70).

(Q) If this happens where is the danger of mass unemployment?

Will not the rise in wage rates advocated at page 20 tend to accentuate this pressure?

* * *

(20) Mr. Wallace says (at page 73) that "To avoid the deflationary effect of heavy payroll taxes, I believe that a substantial part of the costs of social security should be paid for out of the regular Federal budget—that is, out of general taxation—and, in order to maintain purchasing power, we should also be prompt in lowering the rates on the rest of the tax at the first sign of a business recession."

(Q) Wouldn't this program make social security taxes a political football?

Doesn't this whole thesis overemphasize the purchasing power theory?

Why should it be assumed that payroll taxes are deflationary and that heavy general taxes are not?

* * *

(21) Secretary Wallace proposes that "if the inflation danger were serious . . . we could also raise income taxes."

(Q) What does he mean by inflation? If rising prices are meant would higher income taxes be the antidote if at the same time there continued to be a large volume of unemployment? Would such an action be politically feasible?

Doesn't this proposal make something other than unemployment the basis for his program? What happens if the two tests—"inflation" and unemployment happen to call for conflicting policies?

* * *

(22) As an indication of "the low cost of full employment" it is stated "We could cut tax collections almost in half and still provide more Federal aid for health, housing, education, and social security than before the war—if by 1950 we have 60 million people at work producing $200 billion worth of goods and services" (page 75).

(Q) Without these services, the post-war Federal budget already seems destined to be about $25 billion. The peak wartime tax collections, inclusive of large collections on corporate war profits was about $45 billion. On Mr. Wallace's assumption that more should be paid to labor thus leaving lower corporate profits, would not total tax collections be substantially lower than the wartime peak?

Is Mr. Wallace claiming as a gain to be derived from this plan the elimination of wartime excess profits taxes? If not how can tax collections be cut in half and the budget be balanced? Or isn't it important to have a balanced budget, some time?

* * *

(23) "The certainty that government has been provided with the power to prevent unemployment should give business the courage to carry **most of the burden** of full employment itself—and thus help keep government spending down" (page 75).

(Q) Why assume that private enterprise can carry only "most of the burden" and not all of it? Isn't this basic to his entire approach to the problem?

* * *

(24) On page 83 a program including "reducing taxes," "providing a housing program," "extending social security and health insurance," "promoting educational equality" and "promoting resource development" is proposed.

(Q) If all of these additional spending programs are adopted and to them is added the spending for public works in connection with the National Budget, will it be possible to reduce taxes significantly, if at all?

* * *

(25) A national program involving "maintaining wages," "maintaining prices of farm products," and "adjusting industrial prices to promote consumption" is proposed on page 83.

(Q) Will it be possible to maintain wages, maintain prices of raw materials and lower prices unless there is a sharp increase in productivity? Under these circumstances, shouldn't the main emphasis be placed upon means of introducing improvements in industrial productivity?

* * *

(26) In connection with the experience, after World War I, it is stated at page 31 that "we had perhaps the wildest commodity price inflation this country has ever seen. This broke in the summer of 1920, and down we slid, reaching the depth of this depression in the fall of 1921."

(Q) Isn't it true that the excesses of 1919-20 were cleaned out promptly and that the economy went on to new heights? Weren't these adjustments effected more promptly than in the Thirties when the Government intervened on a large scale?

* * *

(27) In referring to the period of the Twenties, the point is made on page 31 that "those were the days when thousands of people felt they had found the road to easy wealth by following the

†"Basic Facts on Employment and Production" (Senate Committee Print No. 4, Committee on Banking and Currency, Sept. 1, 1945, pp 1, 3).

magic path of speculation. . . . Even if any leader of Government had dared to tell the truth then, he would have been blamed for causing the very thing that finally happened."

(Q) What Government or Government officials would feel strong enough to tell the people that a boom must be halted?

Would the people have been willing in the Twenties, and would they be willing at some future time to have it halted?

Wouldn't this be a particularly important problem in election years?

* * *

(28) In referring to the period of the Twenties, Mr. Wallace also pointed out on page 31 "By expanding private bank credit we had greatly increased the potential consumer purchasing power in the United States — far too much of the money went into the stock market."

(Q) Are we better off expanding bank credit as a result of Government financing than we were to expand it through private borrowing in the Twenties?

While it may be true that far too much money went into the stock market, how would it be possible to prevent this in the future without complete control over investments, savings and spending activities of our people?

* * *

(29) At page 33 it is stated that Government planning for the post-war period "does not mean that the wartime powers of the President must be perpetuated into the peace—but it does mean that the President and the Congress must be given the responsibility for prompter, more decisive, more comprehensive action than was ever required of them before in a time of peace."

(Q) Doesn't this extension of Government power mean that some wartime controls would have to be reimposed?

What is to be the stopping point for such peace-time controls?

* * *

(30) At page 35 it is stated "The total of job creating expenditures from all sources—busines, consumers and Government—should add up to enough year after year to provide full employment. . . . Government should be authorized to initiate its own supplementary programs if such stimulation fails to do the whole job. . . . Government must be made responsible for definite action . . . and finally to supplement (private) demand, if necessary, with productive public activity."

(Q) Doesn't Mr. Wallace in effect say that the Government shall underwrite with its spending activities jobs for all? Under these circumstances, what happens to the possibility of reducing taxes to which Mr. Wallace refers at page 83 of this volume?

* * *

(31) "The planning involved in drawing up a national full employment budget would lead to more competition rather than less. It would lead to less inflation, less deflation and less speculation" according to Mr. Wallace at page 36.

(Q) If large scale Government spending were involved as was implied at page 35 and in other sections of this volume, how would it be possible to have "less inflation"?

Is it likely that there will be "less speculation" if the President should announce in advance what he and his experts believe would be happening to our economy?

How does this expectation of more competition fit in with the reiterated emphasis upon greater cooperative effort throughout this volume?

* * *

(32) The Secretary states "If free enterprise meant recurring swings from 1 million to 20 million men unemployed, then free enterprise as we have known it would not last long."

(Q) Why is reference made to "recurring swings" when unemployment of the magnitude of 12 to 15 million has occurred only once in our history?

When did we have 20 million men unemployed?

Is not the use of such figures an attempt to scare us into actions which otherwise would not be adopted?

* * *

(33) It is also stated at page 36 that "free enterprise instead can be made a system which enables the ordinary farmer and the average business man to go ahead producing abundantly year after year without fear of bankruptcy—while at the same time the workers can go ahead year after year without fear of not being able to find a good job!"

(Q) What is there to prevent business men from investing their capital unwisely and as a result of these mistakes going into bankruptcy even during period of "full employment"?

What is meant by a "good job"? Who determines whether the job is "good"? Is this determination left to the Government or to the worker? Suppose the worker says he won't work because the job is not "good"?

* * *

(34) Mr. Wallace states that "The National Budget to promote full employment will make it possible for government to organize on a business-like basis those activities that the people want it to carry on continuously year in and year out" (page 36).

(Q) Is Mr. Wallace inferring that the Government cannot do its work in a business-like manner without such a National Budget?

If Government were to streamline its activities even without such a National Budget, would not that be a major contribution to improving the relationship between business and government?

* * *

(35) It is concluded at page 36 that we must have "competition and productivity rather than competition in freebooting."

(Q) Has not our economy been characterized by competition and increasing productivity throughout our entire history?

Don't we find ample evidence of this in the automobile industry, radio, refrigerators and other leading American industries? What is this competition of freebooting to which he refers?

* * *

(36) Mr. Wallace predicts that "On a conservative basis, the automobile industry, for example, would have to produce from 6 to 8 million cars a year for four or five years just to catch up with the accumulated demand at home and abroad."

(Q) How does this large production of automobiles to meet the large accumulated demand over the next four or five years affect Mr. Wallace's predictions at page 32 that we may have a "sudden sharp smash in prices in 1947 or 1948"?

* * *

(37) At page 39 it is pointed out that the building industry "suffers from too high distribution costs and from ineffective selling methods; from high labor costs which nevertheless do not provide adequate wages year round, and from the multiplicity of other ailments, including the improper building codes and application of agreements between employers and unions in the building trades which restrict the volume of construction."

(Q) What does Mr. Wallace recommend should be done to lower high building costs which seem to be the crux of the problem?

What should be done to eliminate make work tactics which increase costs?

(38) On page 46 Mr. Wallace estimates the magnitude of the public projects which could be adopted. He notes "it would be on the conservative side to list upwards of 50 billion dollars in sound public projects in the nation's backlog of full employment in the immediate post-war years. This would be enough to provide a backlog of productive jobs for more than four million persons for five years."

(Q) How could the Federal budget be balanced if to the expenditures already contemplated an average of $10 billion a year more for public works should be added?

Isn't this further evidence that it is through public spending that it is hoped that "full employment" will be achieved?

* * *

(39) At page 47 it is stated: "I do not see upon the immediate technological horizon any new development which will give the vast stimulus to private enterprise as did the railroads, automobiles, electric power and the radio."

(Q) Don't the large volume of deferred demands provide such a stimulus? Doesn't the need to reconstruct our housing to which Mr. Wallace gives so much emphasis provide such a stimulus?

Don't the large number of new inventions and industries such as electronics, television, plastics, etc., provide such a stimulus?

* * *

(40) At page 51 it is estimated that "Repairing the war devastation, plus the initial steps toward industrialization in backward countries, will require from $55 to $65 billion worth of plant and equipment in the few years immediately after the war. Approximately half of this could easily come from the United States if suitable arrangements for its financing were worked out."

(Q) Are foreign countries in a position to borrow these huge sums with the realistic hope of repayment?

Who will extend the funds from this country? Will not such loans by the government make it difficult to balance the budget and to lower taxes?

* * *

(41) It is suggested that we ought to take measures to "insure that regulation of foreign exchange and commerce will not be used as a means to throttle commerce" (page 56).

(Q) Is this not an inconsistency in terms? Doesn't the imposition of foreign exchange controls result in a "throttling of trade"? Haven't the great gains in trade in the past been made when foreign exchange has not been controlled?

* * *

(42) The Secretary endorses "international regulation of governmental commodity agreements through a central office which will work for the benefit of consumers as well as producers on a world wide basis."

(Q) Are we to have intergovernmental agreements to regulate commodity prices? Haven't such agreements frequently been very unsuccessful in the past? Haven't they been used to raise prices?

* * *

(43) Several charts are shown (on pages 4 and 5) designed to prove that 60,000,000 jobs and a $200 billion gross national product by 1950 are in line with historic trends in this country. In addition it is stated that in the past, "production doubled every 20 years."

(Q) To obtain the estimates, trend lines are drawn and projected to 1950. Why were these lines drawn to connect only past peaks? Isn't the result of this procedure to make a higher estimated projection for 1950? Aren't trend lines usually drawn through the center of such fluctuations to make allowance for periods of overexpansion and the necessary contraction?

Considering the erratic movement of these data in the past why is it assumed that in 1950, the actuality will or should coincide with the high trend line?

Why should past trends of a doubled production every 20 years be expected in the future since the labor force is expanding much more slowly due to the declining birth rate and cutting off of immigration?

On the basis of his charts, the labor force is expected to increase slightly less from 1930 to 1950 than it did in the preceding 20 years. Why should it be assumed, under these circumstances that the volume of production should increase twice as much? As additional evidence on this point isn't it true that per capita production has increased at a much slower rate than double each 20 years, thus indicating the importance of the labor force factor?

* * *

(44) Mr. Wallace estimates that for the 12 years 1930 through 1941, we lost 88,000,000 man years of employment and that "on the basis of present prices" this "meant a loss of around 350 billion dollars."

(Q) Isn't this estimate of $350 billion a terrific overexaggeration? What justification is there for estimating these losses "on the basis of present prices"? Shouldn't they be related to the period in which they occurred?

The highest output per year per worker took place in 1944 when it averaged $3,144. On this basis which allows for current prices, wouldn't the total cost have been about $250 billion assuming the accuracy of the 88,000,000 figure? On the basis of the average output of about $2,200 per worker during the years 1930-1941, the cost would have been less than $200 billion, isn't that true?

Don't these lower figures also overstate the loss because the unemployed were in many cases the less efficient members of our labor force and probably were able to produce less than the average?

Col. J. H. Potter With G. H. Walker & Co.

Colonel J. H. Potter has become associated with G. H. Walker & Co., and will head the municipal bond department in the firm's New York office, 1 Wall St.

Colonel Potter was at Wright Field for over a year in charge of aluminum allocations for the Army, Navy and British Government. He spent over 2½ years in Alaska with the Air Transport Command, first as a station commanderd and later as deputy chief of staff.

How to Prevent Strikes

(Continued from page 2204)

speaking, he won't be talking common sense.

Group Aggression Should Be Limited

The law today establishes, in the words of a Supreme Court opinion, "the right of industrial combatants to push their struggle to the limits of the justification of self-interest." The law, therefore, makes strikes justifiable and necessary. But, in that same opinion, the late Justice Brandeis also asserted the superior right of the Government to limit "individual and group rights of aggression and defense" and to "substitute processes of justice for the more primitive method of trial by combat."

The way to prevent strikes is to make them unjustifiable and unnecessary by a law which will establish and require the use of processes of justice for the settlement of industrial disputes. But, before discussing further the details of such a law to prevent economic strikes, let me point out that there is a new breed of strikes which are beginning to harass the United States, which have no legal or moral justification. These are political strikes which should be quickly and completely forbidden by law.

The Political Strike

The political strike, which has been used to destroy governments in other nations, has slapped its ugly threat across our faces several times in recent months. You will recall that telephone operators struck for several hours one day, not against their employers, but against the Government. They struck to warn public officials that a law must be applied so as to please the strikers or else the public would suffer from the stoppage of an essential service. The strikers did not worry about thousands of communications of inestimable importance in business and social relations, which they interrupted. They were actually threatening a worse calamity unless the Government wrote and applied law to serve their personal interests.

Then you will recall that John L. Lewis and his volunteer and conscript army of miners put on another disgraceful exhibition of organized, ruthless force. They stopped the production of coal and permanently reduced our winter supply, although the mine workers had no dispute with their employers. On the contrary, they were working under contracts which prohibited stoppages. But Mr. Lewis had a separate quarrel with the employers and with the Government over his attempt to organize supervisors. So we had a political strike for weeks with vast and irreparable injury to the public welfare.

Of course when political strikes are carried on by labor unions there is a great effort to confuse them with economic strikes and to make it appear that labor's so-called "right to strike," covers any sort of strike for any purpose. But the fact is that a political strike is a lawless assault upon the people and their Government which a labor union has no license to carry on. A political strike is essentially a revolutionary act, an attempt to control Government by force. Unless such strikes are made unlawful and punished as crimes they will surely increase in numbers and in size and violence until they seriously menace the preservation of a free economy and democratic Government.

If anyone thinks that I exaggerate the evil consequences of political strikes, let him investigate what has happened and is happening in other countries where the political arena has become a battle ground of organizations striking to overthrow or to sustain the government. There would be no doubt in our country, if avowed Communists attempted a general strike to compel the passage or repeal of laws, that such a conspiracy could and should be prevented and punished as a crime. But is it not likewise criminal for an organization, which professes to be loyal, to attempt to paralyze an essential industry and thus to force public officials to make or apply laws to serve the special interests of a class, regardless of the general welfare?

What is an insurrection except an organized resistance to Government, or the effort to control Government by organized force and violence? Labor organizations are already granted immunity from laws elsewhere enforced against monopolies, against intimidation, extortion and riotous assembly, which permit them to gain their ends by force and violence. Are we to extend these special privileges to permit labor unions to organize insurrections whereby public authority is made subservient to the commands of private dictators? In recent strikes we have seen vehicles allowed to travel the streets, citizens allowed to enter public buildings, **only by express permission** of a labor union. It is shameful enough in economic conflicts to have civil rights denied and civil government subjected to a rule of private force. Are we to accept the further degradation of having political strikers regulate Government by similar lawless coercion?

End Sudden and Arbitrary Strikes

It will be, however, very difficult to draw the line between economic strikes and political strikes by labor unions. That is another reason for undertaking to eliminate the existing justifications for economic strikes. We can end by law all excuses for sudden and arbitrary strikes. We can make sure that before any strike can be lawfully called there will be ample opportunity for a peaceful settlement and full public information as to the issues which create a dispute. The first, certain result of such law will be that the vast majority of disputes will be settled peacefully. That has been proved by the success of the Railway Labor Act in maintaining peace on the railroads for over 19 years.

The second result will be that the character of the dispute will be made clear, so that, if a strike is threatened for an unlawful purpose, such a strike can be prevented or speedily broken by a criminal prosecution.

The third result will be that public officials will be able to determine whether the public injury from a stoppage of production will be so great and so intolerable that some form of Government compulsion must be used to settle the controversy without a strike.

It may be that all strikes cannot be, or should not be, prevented. So long as there is no substantial public injury in permitting an unsettled labor dispute to develop into a strike or lockout, perhaps the irreconcilable parties should be left free to suffer the consequences of their inability to work together.

Compulsory Arbitration No Remedy

There are many objections to a compulsory arbitration law. It would discourage voluntary agreements; and the relations of employers and employees should be based on agreement, not on compulsion. Labor disputes involve questions of fair wages and working conditions for which there are no fixed standards; and it is hard to find impartial arbitrators whose unfettered judgment will be acceptable to both sides.

The practical way today to prevent strikes is not to establish a compulsory arbitration system. We have not yet reached a state of common understanding of labor problems and the bases for their solution which may some day furnish a solid foundation for the arbitration of all unsettled labor disputes. That is why the main reliance of the Hatch-Burton-Ball bill is upon voluntary negotiation, mediation, voluntary arbitration and Government fact-finding.

Yet this bill has been widely denounced as a compulsory arbitration bill. Let me explain briefly why that charge is unfair and misleading. The bill only provides for the compulsory arbitration of a limited number of unsettled disputes, where the Federal Labor Relations Board makes a special finding that severe hardship will be imposed upon a community by the stoppage of an essential service, such as a public utility service, or of the supply of a vital necessity such as fuel or food.

In case of such a strike there is, under present law, always a compulsory arbitration. The arbiter may be a mayor, or a governor, or the President. The mayor may use the police. The governor may call out the militia. The President, exercising temporary war powers, may seize properties. But in some way the executive power will be used and must be used to end the dispute and to maintain an essential service. No community can permit a private army to menace its citizens with suffering, disease and death as the means of advancing the selfish interest of a few. No Government can permit itself to be paralyzed and made impotent to protect the public interest.

Facing the fact that such labor disputes are always settled by Government compulsion, the authors of the Hatch-Burton-Ball bill provide that, in this limited class of cases, the recommendations of a Government fact-finding commission can be enforced as an arbitration award and made binding on the parties for a trial period of normally one year.

This is, of course, compulsory arbitration—not something new, but a judicial arbitration in place of the executive arbitration by which such controversies are now ended.

How was the building workers' strike ended in New York City, after making millions of people lose millions of dollars and suffer untold hardship? Governor Dewey forced the strikers to submit to arbitration the issues they had declined to arbitrate.

How was the strike against Consumers Power Company ended in Michigan? Governor Kelly forced the acceptance of a compromise wage increase, with the guns of the state militia behind his command that public utility service must be maintained.

How was the oil-workers' strike ended when it threatened to deprive the nation of an essential fuel supply? President Truman used his war powers to seize the properties, and, with the compulsion of war legislation, forced the strikers to return to work.

Where to Apply Compulsory Arbitration

In the face of these recent events, with the threat of more and worse strikes ahead, doesn't it sound a bit silly when labor leaders hysterically shout that they will never submit to any compulsory arbitration? Doesn't it sound a bit silly when business men and editorial writers solemnly assert that they do not believe in any compulsory arbitration and that public opinion is dead set against it?

The truth is that there is an overwhelming demand for compulsory arbitration from those who are the innocent victims of a labor war. The combatants may want to fight it out, but the injured public always demands that the stoppage of essential production be ended by whatever compulsion is needed. The larger the injured public, the greater the demand for the use of public force.

Isn't it a bit silly not to provide by law for a judicial hearing and judicial action to meet such an emergency? Isn't it a bit silly for men to oppose the writing of a reasonable law to safeguard the public from wanton and intolerable injury, and then demand in a time of crisis that a mayor, a governor, or the President protect the people by an arbitrary use of uncertain executive power?

There is no provision for compulsory arbitration in the Hatch-Burton-Ball bill except for this small number of dangerous disputes which threaten to deprive a community of an essential service. Yet labor leaders with crooked tongues have seized upon this thin excuse to denounce the whole bill as a compulsory arbitration bill; and a large number of misguided writers have helped to spread the falsehood.

The Hatch-Burton-Ball Bill

It is true, however, that the Hatch-Burton-Ball bill does include many compulsions upon both labor and management to fulfill their responsibilities to the public. It is not compulsory arbitration to require that men negotiate before they start fighting; but it is a compulsion which many labor leaders noisily resent. Too many of them wish to be free to act like gangsters and mobsters if that will help them win a dispute; and they are unwilling to be required to behave at all times as respectable, responsible citizens.

It is also not compulsory arbitration to provide, as the Hatch-Burton-Ball bill does provide, for a judicial decision of disputes over the meaning or application of a labor contract. We have state and federal courts blanketing the nation, which are empowered to decide disputes over the meaning and application of all kinds of contracts—including labor contracts. But the petty disputes which arise out of labor contracts—commonly called "grievance disputes"—cannot be settled as a practical matter by the courts. A worker could sue for wages due and claim that his time slips had been wrongly computed; but a lawsuit would be too expensive and cumbersome a method to decide such a dispute. So the Hatch-Burton-Ball bill provides for the decision of such cases by an adjustment board, one created by the parties themselves, or, if they fail to act, appointed by the Federal Board. These adjustment board decisions will then be enforced by the courts, a procedure similar to the ordinary process of referring a mass of small claims to a judicial master or referee.

Surely such a method of enforcing a contract cannot honestly be called compulsory arbitration. It has been the law for centuries that a contract can be enforced by judicial proceedings. Certainly organized labor will not claim that labor contracts should not be enforceable. If labor contracts are not to be enforceable we may well inquire: what is the purpose of collective bargaining?

There are many other provisions in the Hatch-Burton-Ball bill which have been criticized by labor and by some spokesmen for management. Time will not permit any extended comment on these criticisms. Furthermore I should like to make it plain that I am not going around urging people to support the proposed Federal Industrial Relations Act just as written into Senate Bill 1171. What I am doing, and the reason I came here today, is to urge people generally, and industrial leaders in particular, to realize that new federal labor legislation is not only needed but will be enacted within a year.

It is absolutely clear that, with the end of war controls, the problem of preserving industrial peace becomes one of the most difficult and imperative problems for which the national administration and the Congress must find a solution. Pre-war methods of avoiding strikes were a demonstrated failure, except for the remarkable success of the Railway Labor Act. Wartime controls provided no basis for a peace time machinery which would eliminate frequent and spreading wars between labor organizations and employers.

The authors of the Hatch-Burton-Ball bill undertook to apply the principles and methods of the Railway Labor Act to industry in general, making such adjustments and additions as seemed necessary to meet the more varied and numerous problems which must be solved. The orginial draft was the product of over a year's work of a self-organized committee, whose members represented no one but themselves, who had no objective but public service, and who contributed their time and energy without any money compensation.

This committee then presented its draft to Senators Hatch, Burton and Ball who, after spending several weeks making extensive revisions, introduced the revised draft on June 20, 1945, as S. 1171. The senators spoke strongly at that time of the need to prepare for inevitable legislation to promote industrial peace. They explained that this bill was not assumed to be perfect, that no one would contend that it ought to be enacted exactly as written. But, it would provide the groundwork for the legislation that must be written and which should be written, not under pressure of special interests seeking selfish advantages, but under pressure of an alert and well-informed public opinion seeking primarily the protection of the public interest.

The Duty of Government

In conclusion let me reassert that it is the primary duty of any government to maintain peace and good order among its citizens. Let us not deceive ourselves as to what strikes are. They are not peaceful refusals to work. They are forceful, violent efforts to stop production, to prevent people from working, to prevent people from buying or selling things they want to buy or sell, and to inflict injury not merely on opposing employers but on the general public. These strikes are conducted with a lawless disregard for civil rights and for the criminal laws which are normally upheld by local, state and federal governments. But in strikes they are usually treated as dead letters.

These strikes are a disgrace to our boasted civilization. They are destructive of our national welfare. They undermine our influence in international affairs. If we follow the long established guideposts to a labor law that would be fair and just to all, we can find the way to make economic strikes unnecessary and to prohibit political strikes that are actually insurrections against the Government.

What is needed today is not the discovery of some new way to prevent strikes. There are just procedures that have been thoroughly tried and found effective. What we need today is a national will and determination to insist on industrial peace and good order and to relegate needless, lawless striking to the ash can of history along with duelling and trial by combat which were outlawed by civilized nations long ago.

Small Business and the Minimum Wage

(Continued from first page)

diate postwar period when, with increased equilibrium between supply and demand, they hope to get on their feet again? The effect on both, in my opinion, will be calamitous if this legislation is passed in its present form or even if it is seriously debated for a long period.

Fourteen Million Gainfully Employed Affected

I know, of course, that not all or even a majority of small businesses come by any means under the provisions of the Fair Labor Standards Act—hereafter referred to as the FLSA—but by the beginning of 1941 it was estimated that about 14,000,000 employees, or roughly 25% of the total gainfully employed population, were "subject, actually or potentially, to one or more provisions of the FLSA."* The act covers those firms or employees "engaged in commerce or in the production of goods for commerce," which covers a very wide field in the light of the interpretation of the interstate commerce clause of the constitution and the powers granted in this field. If we are to have 56,000,000 or 57,000,000 jobs after the war as I estimated last January (in "Commercial and Financial Chronicle" for Jan. 25, 1945, pp. 414-415) instead of the 60,000,000 Mr. Wallace still talks hopefully of, and at least 14,000,000 or one-fourth of these are in industries affected by the provisions as to wages and hours of the FLSA, then the importance of any changes in this act as they affect the minimum wage is more or less self-evident. Many businesses, both large and small, which except for war conditions and war contracts would have found difficulty in meeting the present requirements of a 40¢ minimum wage when they become fully effective on Oct. 24, 1945—seven years after the FLSA went into effect in 1938—will not look with equanimity upon having that minimum pushed up to 65¢ in the first year of operation under the new bill, to 70¢ in the second year, and to 75¢ in the third year and thereafter, as Senator Pepper and his supporters propose.

Inconsistencies in Presidential Message

At least three inconsistencies in this regard appear in the President's recent message to Congress on Sept. 6 (for full text of message see "Chronicle" for Sept. 13, 1945, p. 1257 ff.). In two of his direct proposals and in at least one of his "assurances" these inconsistencies crop out. In Item No. 15 in the summary of his message under **Small Business** we read,

"Asks encouragement for small business, but makes no specific recommendations."

But under the assurances given by the Government to promote confidence, he proposes the—

"Assurance that every Government policy and program will be pointed to promote maximum production and employment in private enterprise."

In direct contradiction, however, to measures which will promote employment in small industries at least, in No. 2, under the **Fair Labor Standards Act**, he proposes:

"Substantially raising the present minimum wage from 40 cents, which the President regards as inadequate even when established in 1938 and insufficient to assure the maintenance of the health, efficiency and general well-being of the workers.'"

He does not go on record as to what the minimum wage shall be other than that it be substantially raised. But one may well ask "How can small business be encouraged on the one hand and at the same time be discouraged by raising and making rigid one of its greatest costs—the cost of labor paid in the form of wages?" One must reluctantly conclude, therefore, that in this, as in so many other of the so-called benefits to be granted to small business, it is but another example of "slobbering lip service" in the protection and encouragement of small business. A more inconsistent and contradictory policy in relation to the revival or even survival of small business could hardly be proposed or imagined. For reasons given below big business can more readily meet this increased labor cost than can the small concern; hence, like many other Government measures, the proposed increase in minimum wages will tend to drive out the small business firm and put a further premium upon bigness.

Real Goal Probably a 60¢ or 65¢ Minimum

While the present bill provides for an increase of the minimum wage from 40¢ to 65¢ in the first year of operation, and 70¢ and 75¢ in the second and third years, there are some evidences that point out that probably the most the supporters of the bill hope for is a 60 or a 65¢ wage. The President's vagueness on the "substantial" increase is a case in point. Before Congress adjourned for its short vacation before V-J Day Senator Pepper announced that when Congress reconvened he would introduce a bill to raise the minimum wage under the FLSA to 60¢. But when he and "nine other Democrats" sponsored the present bill, the wage item was changed to the progressive amounts as indicated.

Likewise when Secretary Schwellenbach appeared before the Senate committee on Sept. 25 in support of the bill, it was notable that he did not comment on the proposed increase above 35 cents. He based the figures in his argument on a minimum wage of 65¢ per hour, "representing $26 for a standard work week, and $1,300 for a year of work." He proposed also that the FLSA provisions as to hours and minimum wages should be extended to agricultural processing industries, just as Secretary Anderson on Sept. 27, in supporting the 65¢ level, suggested directly and by implication that it would help agriculture by providing a large market and by probably bringing more agricultural workers under its scope.

Hence it may well be that Pepper and his nine fellow sponsors of the bill may be asking for more than they expect to get, and in the compromise which may develop, if they can get 65¢ or even 60¢ they may be well satisfied.

Why "Big Business" Could Pay

While big business could pay the increased minimum wage without too much hardship the same condition does not apply to small business. Large business concerns may react to such an increase in the minimum wage by raising prices or by installing more labor saving machinery. Either of these actions if taken tend to cut down labor's share of total income. If prices go too high demand falls off and thus production and the use of labor are curtailed. If they are forced by the greater labor costs to substitute more capital goods in the form of labor saving machinery for labor, the consequences to labor are obvious. At the present time, under a continuation of price controls, it is proposed that prices be kept at the same level while wages may, or even must, be raised. But this condition could not long continue under a truly free enterprise system.

When Henry Ford startled the world by introducing a $5 a day minimum wage he could afford to do it. He had the bigness of an established business, as well as large surplus and reserves to fall back upon. It was a very commendable move on his part in the field of profit sharing or in reality of sharing the earnings of his business more equitably. But until his concerns were making millions he could not afford this luxury. If he had been compelled when his industry was small, working with six or eight employees, to pay each a minimum of $5.20 a day for eight hours at 65¢, or $7.15 if they had to work ten hours—two hours overtime with time and one-half pay under the FLSA—there probably never would have been a "Ford Motor Company," making Fords, Lincolns, tractors, etc. Big business through its economic, statistical, and scientific research programs, can usually work out the most effective combination of the factors of production—capital, land, labor and management—and through the "principle of substitution," if one factor becomes too expensive less of that factor will be used. Small business is not ordinarily in a position to do this and under compulsory minimum wage arrangements it suffers accordingly.

Why Small Business Is Hurt

A small business usually has labor as one of its greatest costs. It cannot tap the large capital markets to get funds for labor saving capital goods. It cannot, in the long run, pay labor any more than the value of its marginal product—i.e., the value of that product attribute to labor or like units of such labor. Hence the payment of $5.20 a day or $1,300 a year to the lowest laborer in the establishment, as would be the case under the proposed increase to 65¢ per hour, would often be suicidal for the small business concern. Its combination of the factors of production is frequently not as good as that of its larger competitor. Capital is scarce for such concerns; expert management is beyond them; highly skilled laborers are often not obtainable; hence the adjustments often made are not the most efficient or desirable.

If by wish or by law the small businessman begins to pay his laborers more than they earn, more than the money value of their marginal product, he soon finds that he cannot meet his interest on bank debts or cannot make returns on locally invested capital. He may operate for a year or two without discovering that his own wages of management or "profits" are nil. But ultimately for one or more or all of these reasons he is forced out of business, and the demand for his goods goes to the larger concern. Big business gets bigger while small business, which has been the backbone of our free enterprise system, is forced to the wall. If small business is to be encouraged why not encourage it by not raising the cost of its most important cost item—labor?

Poor Timing of Proposed Change

With hundreds of thousands of workers being laid off in Chicago, Detroit and other industrial centers, due to the falling off of war business and the time necessary for reconversion, and with employment offices crowded with people filing claims for unemployment benefits, why add to the burden by forcing other industries out of business by raising the wages of their employees? Unless wages are rigid, when employment declines wages should also fall. Now with employment declining rapidly in many fields and in many areas of our economy, the Government counters with a measure increasing the costs of production which, if adopted, will inevitably lead to greater unemployment. There is, of course, a Congressional election in the offing in 1946, and hence a sop to labor at this time may be more important **politically** than any real concern for "the protection and encouragement of small business."

The conclusion, however, is more or less inevitable that those who propose on the one hand that small business shall be encouraged and on the other that small business's most important cost shall be raised to almost impossible heights, are emphasizing the position and needs of the politician rather than those of the economic statesman. Unless we are going to a wholly socialized economy where Government, with taxpayers' money, meets the costs of industry and a **guaranteed annual wage** which industry cannot meet, would it not be better to defer some of these extensions of "the social gains and benefits of labor" until reconversion is completed and our industrial house is again set in order? It will then be much easier to see how many of these "reforms" we can absorb and digest. A minimum wage in the sweated industries and in most large industries generally may be a good thing, but in the meantime why not give small business a real chance by freeing it from many of its present burdens and restrictions instead of placing others upon it? Its problems of readjustment during the reconversion period are already great. It may be able to survive some or most of them. It probably will not be able to do so if increased minimum wages and any form of guaranteed annual wages are forced upon it.

*Cf., Daugherty, Carroll, *Labor Problems in American Industry*, (1941) pp. 840-41.

What the Full Employment Bill Will Do

(Continued from page 2202)

now is how to app[illegible]c lessons of the war to the peace. Now at first glance, it might appear that there would be hope-less disagreement in this country on how this can be done. But a more careful study will convince thoughtful men that there are important fundamentals upon which all can agree.

Solve Problems Within Free Enterprise System

In fact, there are two fundamentals upon which the American people already are agreed. The first is that our economic problems must be solved within our system of free enterprise. The second is that the most important of these problems is to maintain full employment.

Mass unemployment is the source of most of our social and economic evils; it is the greatest menace to economic security in this country. We cannot periodically condemn 10,000,000 unemployed to bear this burden. We cannot declare these men and women industrial surplus and dispose of them in that way. That is not the American way of doing things.

I do not subscribe to the pessimistic view that unemployment is inevitable and that any effort to prevent it is a threat to free enterprise. Our people want to keep the economic system under which this country achieved leadership. They know it offers the best hope of continued economic progress and higher standards of living. They will never abandon this system so long as they can cherish this hope. The only threat to free enterprise in this country can come from mass unemployment. Our task is to remove this threat by meeting the problem.

And let me make this clear: Unemployment is not the fault of business. Business men do not want to stop production or to lay off men. They know that profits come from production. So long as they can find markets they are prepared to employ labor and to produce goods. It is only when the demand falls off, when goods cannot be sold, that they close down or reduce their force. Give American business the markets, the demand for the output, and we will witness a new miracle of production that will surpass everything we have seen before. Unemployment is not the fault of business. On the contrary, business like labor is the victim of depression.

It is equally clear that unemployment is not the responsibility of business. When demand falls off, business men have no alternative; they must cut production. If they persist in producing goods for which there are no markets, they will incur losses that may force bankruptcy. In general, when business men produce efficiently, when they sell at fair prices, and when they pay good wages, they have done all they can do and they are entitled to profits from production. Business cannot assume the responsibility on unemployment.

Government Responsibility

Now the fact is that somewhere there must be a responsibility on unemployment. There can be no vacuum, no void of responsibility on the most important domestic problem confronting the American people. When we face the issue we must admit that all of us have a responsibility to see that our economic system works, to see that there are opportunities for jobs for men and women willing and able to work. This is a responsibility of all the people, and we must look to the Government, acting for all the people, to meet this responsibility.

There is nothing revolutionary in recognizing this responsibility. In every deep depression the Government has found it necessary to deal with unemployment. In 1921, during the crisis of that year, President Harding called the Conference on Unemployment which met under the chairmanship of Herbert Hoover. In 1931, in the midst of an even greater crisis, Congress passed the Employment Stabilization Act establishing a board composed of the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Agriculture and the Secretary of Labor. The whole experience of the 1930's is concrete evidence that the Government must deal with the problem and that it cannot abdicate this responsibility.

During depression we are conscious of the need for government action, but as soon as we have prosperity we seem to forget it. In 1928, in the midst of the great boom, Senator Wesley Jones of Washington introduced a bill for a reserve of public works to be constructed during depression. The bill was killed according to the Senate Committee report on S. 381 because it was deemed unwise to mention depression before a Presidential campaign. That same year Senator Wagner introduced the Employment Stabilization bill. It was a bill to provide for the advanced planning and regulated construction of public works, for the stabilization of industry and for aiding in the prevention of unemployment. This bill, which could have been so helpful when the crash came in 1929 lay dormant for three vital years. It was only in the midst of the deepest depression of our history, when it was too late to take measures that might have prevented the catastrophe, that we realized what should have been done. When the bill was finally passed in 1931, it was in emasculated form.

Unemployment Stabilization Act Insufficient

The Employment Stabilization Act did not provide for a comprehensive program on unemployment. It was not concerned with many types of measures that can be taken to prevent a great depression. It dealt exclusively with the planning and timing of public works as a means of providing employment during depression. It was enacted during a great crisis when public works could do no more than alleviate the mass unemployment that already existed. This could be done under the Act and this was done as far as possible.

As a matter of fact, John Garner put a bill through in 1932 authorizing expenditure of $2,200,000,000 for public works. This bill followed the principles established in the Employment Stabilization Act. The money was to be used only for the construction of public works previously approved by Congress or the Executive, except for ~~$70,000,000~~ for post offices in the smaller communities. The bill was vetoed by President Hoover. In 1933 Congress passed another bill authorizing $3,300,000,000 for public works. The construction so authorized was undertaken through the P.W.A.

The Employment Stabilization Act never contemplated the submission of a national budget with recommendations to deal with prospective depressions. It only provided for plans to arrange the construction of public works in a manner which would assist in the stabilization of employment. The timing of public works is a useful part of a program for dealing with prospective unemployment. But by itself, it is entirely inadequate. Under any circumstances, it would not be possible to do anything now under this Act, for these functions, which had been consolidated with those of the National Resources Planning Board, were abolished by Congress in 1943.

Full Employment Bill an Improvement

The Full Employment Bill is a logical development of the Act of 1931. It recognizes the continuing responsibility of government to see that there are enough job opportunities. It provides for a national budget that will show the amount of production necessary to maintain full employment, and it requires estimates to be made of the prospective demand for this production. Such a national budget will be transmitted by the President to Congress each year and will be considered by a Joint Congressional Committee which will report to the Senate and the House of Representatives its findings and recommendations with respect to the national budget.

This procedure seems to me the common-sense and dollar-wise way to deal with the problem of unemployment — through prevention rather than through relief. The first step is to get the facts and place them before those who have the responsibility for dealing with the problem.

The argument has been made that if the national budget calls attention to a prospective deficiency or excess of demand, depression or prosperity will start at once. The evidence does not bear out this view. We don't get prosperity or depression merely by predicting it. If we could, we would never have had the crisis of 1929 to 1933. Business men were assured time and time again that prosperity was just around the corner. Business men act on the prospects for demand for their products from their customers. When demand falls off they stop production. A national budget that recognizes a prospective deficiency in opportunities for employment and carries recommendations for dealing with the problem can give increased confidence to business men to continue with their investment, their production and their employment.

Government in Position to Estimate National Budget

In spite of the oft-repeated statement that the government cannot make accurate estimates of the type required by this bill, I want to go on record as stating that the government is in a position to make reasonably good estimates. In dealing with the tax and savings program during the war we had to make estimates of prospective income and expenditure. From these estimates we developed a program to reduce and limit over-all expenditure to the available supply of consumer goods. Nobody claims that the statistical data we now have are perfect. They can and will be improved under this bill. Estimates of the national budget will be made after consultation with business on the basis of data provided by business.

I have seen some doubt cast as to the competence of the government to prepare a national budget on the grounds that the government has not done very well in estimating its expenditures and receipts. I should like to comment briefly on the receipts side of this criticism, since the estimate of receipts is a statutory responsibility of the Treasury Department. In the six years before the war, from 1935 to 1940, the average error between estimated and actual tax receipts averaged about 6%. In four of these six years, the error was 5% or less. Now this is not a bad record, because it is more difficult to estimate tax receipts than it is to forecast business conditions. We estimate tax receipts by starting with an estimate of business conditions. An error of 6% in tax receipts is probably comparable to an error of 3% on national income.

It is the estimate of national income and its components that is significant for purposes of the proposed national budget. An error of 3% would represent a difference of not more than 1,500,000 jobs from the number actually employed. In dealing with the problem of preventing mass unemployment, an error of 3% could not impair the usefulness of the national budget. In practice, the problem will not be the elimination of minor errors of estimate; the real problem will be to see whether a deficiency in demand is developing in the construction, equipment, and durable goods industries which generally precedes a great depression. The national budget will be submitted annually, but quarterly reports will be made to Congress taking account of changing conditions.

Budget Alone Cannot Prevent Unemployment

The national budget will compel the attention of Congress and the Executive Departments to the problem of employment. But it would be a serious mistake to assume that the submission of a budget can of itself prevent mass unemployment. The responsibility of the government does not end there. The important thing is to take the positive steps that will facilitate and encourage an expansion of consumption and private investment whenever this becomes necessary to prevent a great depression.

There is no reason for assuming that the remedy that will be recommended, when a deficiency in employment opportunities appears, will be government spending. There will be times when changes in our tax policy will be needed to help maintain employment and production. There will be times when changes in credit policy will be needed. There may be times, of course, when because of a decline in private construction, the proper remedy will be an expansion of public construction. We should be ready to proceed promptly with the construction of necessary and useful public works whenever there is a falling off in private construction.

Not a Spending Bill

This bill is not a spending bill. It does not authorize any expenditure. Whenever legislation may be recommended in the national budget in connection with the maintenance of employment will go to Congress and will be subject to the same procedures as now. In fact there will be the additional opportunity of having the Joint Congressional Committee on the national budget give to the Congress its report on the policies that should guide Congress in dealing with legislation relating to the national budget.

In addition to the specific criticisms of the bill which I have discussed, there are certain broad objections offered by some—and apparently believed by many more. I call these objections the Union League Club objections because they find their most enthusiastic supporters in the stuffy environs of the most exclusive clubs. But they deserve to be held up to critical and public analysis where their merits can be evaluated.

The most pervading of these Union League Club arguments is the defeatist attitude with respect to our economic system. Mr. William L. Kleitz, Vice President of the Guaranty Trust Company of New York City, for example, told the Senate Banking and Currency Committee that depressions are inevitable under the free enterprise system. Such depressions, of course, will be only minor inconveniences to Mr. Kleitz. I should like to put myself on record as dissenting from the view that the free enterprise system makes such periods of unemployment necessary for those less able to bear them. I have greater faith in the vigor of the free enterprise system than that, and I know that you gentlemen have also.

It is a false dilemma which gives us the choice between full employment and a free society; and those who tell us that depressions are the price we pay for freedom, are doing no favor to the cause of freedom. The system of private enterprise has enabled the United States to outproduce every other country in the world, and to win this most destructive of all wars with a minimum loss of American lives and a maximum reliance on the products of industry. I am sure that the system of free enterprise will also enable us to win the peace, if its friends will stop insisting that it must produce depressions to realize its natural destiny.

Full Employment Policy vs. Relief

The second of these Union League Club arguments is that a full employment policy is expensive and that relief is cheaper. For example, Mr. Rufus Tucker, the chief economist of the General Motors Corporation, told the Senate Banking and Currency Committee that the taxpayers ". . . may [he said only "may"] have a moral obligation to keep any citizen from starvation . . ." but that this obligation can often be fulfilled more cheaply in other ways than by providing jobs. I am sure that you will agree with me that this is an excessively narrow view of the problem. Ignoring altogether its callous disregard of the feelings of the unemployed, it errs even on the side of expense, for it treats only the symptoms of unemployment and makes no attempt to effect a cure. It is like the view taken by a doctor who prescribed that a poor patient should wear a truss all through his life because the doctor feels that an operation would be unduly expensive or bothersome.

Lastly, some of the Club "intellectuals" believe that a pool of unemployed helps to keep labor in its place, and is conducive to the profitable operation of the enterprises with which they are connected. Naturally, these persons seldom express their opinions for the records.

In addition to the three broad currents of opposition to the full employment bill which I have just mentioned, there are other persons whose opposition is based on the honest belief that the adoption of some policy or policies which they particularly advocate will result in the attainment of the objective of continuing full employment. To the extent that these people are right, there is room for the consideration and adoption of their policies within the broad framework of the Full Employment Bill.

Bill Does Not Undermine Free Enterprise

Finally, I want to emphasize again that this Bill is in complete accord with our system of free enterprise. It does not authorize the government to operate any plants or factories or productive facilities. It does not authorize the use of any compulsory measures in determining where people are to be employed. Every business man remains free to run his business as he always has. The government's sole function is to exercise the necessary foresight in dealing with prospective developments that affect employment and to take such measures as are authorized by law to prevent a deficiency or excess in demand. The whole spirit of this legislation is not to coerce industry but to provide an environment in which industry can realize its enormous potentialities for production and employment.

The Full Employment Bill makes no assumption with respect to the general character of our economic problems at any particular time. The Bill specifically provides that the National Budget shall make recommendations for the control of inflation whenever this shall be necessary as well as recommendations for achieving and maintaining full employment. There is nothing inflationary in this Bill.

Some opponents of this Bill have leveled most of their attack on an alleged promise to provide every man and woman with a job. The Bill does not do this. It merely recognizes the government's responsibility to see that there are enough opportunities for productive work to employ all men and women willing and able to work. The chance to earn a living is so fundamental a human right that it cannot be denied by quibbling or by the equivocal use of words. In a modern industrial society the opportunity to work is the very basis of the inalienable and God-given rights of life, liberty and the pursuit of happiness.

There is no class or sectional interest in this Bill. It is truly a national Bill to promote the general welfare by protecting the national economy. Of course, it is in the interest of labor to have an adequate demand for our production so that there will be sufficient jobs for all men and women willing and able to work. But it is no less in the interest of agriculture and industry. The farmers of this country know that unemployment in American industry means low prices and the accumulation of surplus crops. They know that a sound post-war farm program must start with plenty of jobs and good wages in industry so that our workers can consume the foods and materials which our farmers can produce in abundance and business men know what depression means to them—reduced output, losses and even failures. The maintenance of production and the profits of business depend upon an adequate demand for output. Such a demand requires the prevention of mass unemployment.

Some people seem to think we cannot afford full employment. There is a confusion of thought here. It is unemployment that we cannot afford. The unemployment of the 1930's cost us in lost income far more than the war; and this cost was not distributed among all the people on an equitable basis. It was concentrated in large part on the unemployed workers and the depressed farmers. We cannot afford another depression like that.

Can Increase Production 50%

If we put our full resources to work, we can increase our production of consumer goods by 50% above the 1940 level and our production of capital goods, including construction, by more than 100% above the 1940 level. This chart, based on a Commerce Department study when Jesse Jones was Secretary, shows in more detail what full employment means to business. My own review of the facts, when I was Director of War Mobilization and Reconversion, has convinced me that we can and must increase consumption by 50% and expand construction and investment by 100% above pre-war levels. We cannot let one-fourth of our resources go to waste. As Secretary of the Treasury, I say that it will be much harder to balance our budget and to service our national debt if we drift into another great depression.

There is no doubt in my mind that we can prevent mass unemployment if we decide to deal intelligently with this problem. I have said it before and I shall say it again: "Depressions, like wars, are not acts of God. Man makes them. If we make them, we can unmake them. We must create, in peace, a new prosperity and a greater opportunity for jobs than has existed before."

We shall not solve the problem of unemployment by ignoring it. We must not repeat the error of 1921 and 1931 of trying to deal with this problem when it is too late. This is a bill that should be enacted promptly. In my opinion it is an urgent bill—not because we need it to deal with mass unemployment now, but because we need it now to deal with the threat of depression when it does come.

I want to read one paragraph on this point:

"When business again declines men will be laid off and the problem of unemployment may again become serious. It will then be too late for any measures except relief for the unemployed unless we now address ourselves to the task of preventing, or at least reducing, these extreme fluctuations of business activity. Prevention as contrasted with relief is possible only through foresight."

This is a statement as timely now as when it was made by the Committee headed by Owen D. Young and appointed by Herbert Hoover as chairman of the President's Conference on Unemployment in 1921.

In my opinion the Full Employment Bill enables us, yes requires us, to deal with the problem of unemployment while there is still time, before it is too late.

I speak for the President of the United States when I tell you that he regards Full Employment legislation as the basic framework upon which a large share of our efforts to solve the central problem of full production and full employment must rest. He is most anxious that the legislation be enacted at the earliest possible moment.

The Construction Reconversion Problem

(Continued from page 2205)

tion industry, but because we know that construction activity breeds other production. For every dollar spent on housing there are two dollars spent in other markets. The existence of a market for houses means the existence of a market for numerous other commodities—house furnishings, consumer durables, textiles, radios, automobiles. Home building generates activity in road building, school building, the building of stores, the extension of bus lines. It means employment not alone for the loggers and lumbermen and carpenters, the brick manufacturers and the bricklayers, the plumbers and the plasterers, the paint manufacturers, and millworkers. It also opens up jobs for railroad men and truck drivers, for deliverymen and retail clerks, for teachers and people in scores of other types of work.

Recognizing this, the Government has set up a six-point program to stimulate the construction industry immediately, so that as fast as possible we may build the new houses that people must have.

I am sure you are already familiar with this program. It provides:

First, that through inter-agency action there shall be an active campaign to increase the supply of scarce building materials, and that where necessary price and wage increases and priorities to break bottlenecks shall be granted.

Second, the War Production Board, which in a couple of days will become the Civilian Production Administration, is strengthening inventory controls to prevent hoarding of building materials so that building will not be delayed by artificially created shortages.

Third, the Office of Price Administration will strengthen price control over building materials to counteract inflationary pressure.

Fourth, the Federal credit agencies will do everything possible to discourage excessive and unsound lending on mortgages. They will enlist voluntary cooperation of banks and other lending institutions to minimize the danger of inflated prices due to excessive demand.

Fifth, representatives of industry groups are to be called to Washington to map out with Government a voluntary program to increase quickly the production of all materials and facilities needed for an expanded home-construction industry, and also to help fight inflated building costs and real estate prices.

Sixth, the National Housing Agency, in conjunction with industry representatives, will provide an information and advisory service on home values available to any prospective home buyer regardless of whether Federal assistance in financing is involved.

Now, obviously, all these steps involve specific actions on the part of Government, but they also involve specific and constant cooperation on the part of the industry and of business generally.

For instance, Government at the same time that it formulated this program took a specific action—in the elimination of Order L-41, which previously limited construction—so that the industry can get going without delay and get into the business of building houses wherever and of whatever type the times demand.

We know, of course, that the removal of L-41 is only part of the answer to today's construction problem. The removal of the order does not, of itself, increase the supply of basic building materials. Nor does it bring back the skilled workers of the building trades and the allied supply lines who have been scattered during the war. It does not, of itself, increase the number of construction and supply concerns operating. It does, however, facilitate the distribution of supplies and allow for more types of construction.

Now let me say a few words about *what has been done* under the six points of our construction program:

First, on the question of supplies and materials, we believe we are making considerable progress. A subcommittee of the Interagency Construction Committee set up in my office will give continuing attention to solving the problem of any shortages which develop. Some price increases, to stimulate production, already have been granted, and numerous priorities for obtaining needed equipment have been authorized. In addition, some plants which needed assistance in financing were referred to banks or Government lending agencies.

You of course are familiar with our policy of continuing an inventory control program to prevent hoarding or preemptive buying of building materials which might delay construction by creating artificial shortages. Inventories are limited to a practical working minimum, but only scarce items are under inventory control.

I believe that the price control program of OPA is necessary for the present in holding the line against inflation.

Continuation of the OPA program to maintain the lid on rents also during the critical period ahead is of equal importance to the people who rent houses and the people who build them. If rents go out of control, it increases the likelihood of speculation in housing, and that isn't good for business or anyone else.

Credit controls also can be vitally helpful in holding down speculation in housing. We are working now on a program of cooperation between the Government and the financial institutions which would help reduce the dangers of inflation in this field. We feel sure that business men throughout the country are aware of the dangers inherent in a lax credit policy. They are interested in protecting their own long-range interests and those of their communities and country by exercising due caution in the extension of credit. One means of doing this is to withhold loans made on the basis of inflated appraisals.

Gentlemen, we are faced with a complicated situation. There are on the one hand vast sources of credit, plus tremendous liquid assets in the hands of individuals. On the other hand there is an acute shortage of housing and the likelihood that it may be a long time before enough houses can be built to satisfy the demand.

Considerable attention has been given to the advisability of price control on finished houses. It is not our present intention to ask the Congress for such legislation. If the Congress decides to consider such legislation providing a simple workable machinery that will stimulate rather than retard construction, it would receive our support. It is our present intention, however, to exercise the powers I have outlined here, to undertake the six-point program I have discussed, and to ask the cooperation of the industry and the financial institutions, in promoting a construction program on a basis of fair and reasonable prices. If such a program does not seem to be meeting with success, we will determine on what further steps the Government should take.

I have merely touched on some of the high points. We believe we are following a course of action which will help to achieve a high level of production. But, in the final analysis, the solution of the construction problem depends on the initiative of American business men. Consequently, the Government looks to *you* for pulling men and materials together to do the big job of building the houses that will do much toward leading our country to full production.

The sooner we expand production and get houses built the sooner the controls that are necessary today can be lifted. But if production is stifled and restrained, controls will continue necessary for a longer period. As I have said, we must have your help. Only by complete cooperation now can we provide for a level of production that will help us to fill the housing demand and bring about earlier prosperity free from bothersome controls.

John E. Wheeler With Turner-Poindexter Co.

LOS ANGELES, CALIF.—John E. Wheeler has become associated with Turner-Poindexter & Co. 629 South Spring St. and will represent the firm on the floor of the Los Angeles Stock Exchange. Mr. Wheeler was recently released to inactive duty; he was Air Combat Intelligence Officer with fighting squadron 19 aboard the U. S. S. Lexington.

Mr. Wheeler, who was formerly head of John E. Wheeler & Co., Chicago, still retains his membership in the Chicago Stock Exchange, where he acted as a specialist odd-lot dealer, trading such leading stocks as General Motors, Libby, Sinclair Oil, etc.

Paul Barnes Rejoins Staats Co. as V.-P.

LOS ANGELES, CALIF.—Paul V. Barnes, who has been on a military leave of absence from William R. Staats Co. since 1942, has now completed his service and returned on Nov. 1, 1945. He has been elected a Vice-President of the firm and appointed manager of the Pasadena office, it has been announced by John Earle Jardine, President. Mr. Barnes was a Major in the United States Army Air Forces, and was an executive officer of a fighter squadron in England.

Wm. R. Staats Co., members of the Los Angeles Stock Exchange is located at 640 South Spring Street.

Distribution Tomorrow

(Continued from page 2204)

women return from the service, and as jobs in war plants get scarce, we may expect the number of small stores to grow rapidly.

Expansion of Existing Retail Firms

Many existing retail organizations will grow. Probably there are few chain systems but have plans for a 10-50% expansion within the next 5-10 years. The statement of the President of Edison Brothers Stores, Inc., in his 1944 annual report is quite typical:

". . . your company, for its post-war expansion program, is now gearing its operations to handle an annual sales volume of no less than $75,000,000 (68% in excess of 1944 sales of $44.5 millions) and has already consummated leases for twenty new additional units, most of which will be major in size."

Expansion will also come as department stores continue to develop units in suburban areas. Already, among many others, Lord and Taylor has announced plans for 12 new suburban units; Franklin Simon will open its fifth suburban branch in Garden City, Long Island, and Arnold Constable & Co. is planning an undisclosed number of such units.[3]

We may also expect a continuation of the trend for existing firms to join hands. This trend is indicated by the recent Schiff Co.-A. S. Beck merger, Henry C. Lytton and Company's (Chicago) purchase of Young-Quinlan Co. (Minneapolis), Federated Department Stores' purchase of Foley Brothers Dry Goods Company (Houston), R. H. Macy's acquisition of O'Connor Moffatt & Co. (San Francisco) and the many Spiegel purchases—including the Sally Chain, the Beverly Shops, the Straus and Schram furniture chain, Federal Stores, and so on.

Consumers' Cooperatives

How will consumers' cooperatives make out in this period of expanding retail facilities? I recognize that there are many people who believe that the era of the consumers' cooperative is here—that the coop will soon develop into a major form of wholesaling and retailing. As Harold E. Green, writing in "Printers' Ink," puts it: "The cooperatives in this country seem to be on the threshold of an unprecedented development."[4] Furthermore, I recognize there is much evidence to support this conclusion. For example, some of our labor unions are taking an interest in promoting cooperatives. Many people are being educated to cooperative buying through the success of coperative purchasing by farmers marketing cooperatives. Although total sales are still small, the cooperative sales trend over the last two decades has been strikingly upward—with dollar volume having doubled since 1937.[5] Moreover, in Chicago we are now witnessing the first attempt of a cooperative corporation to develop a large-scale cooperative food chain in one of our major cities.[6] What is even more important, some cooperative leaders in this country are becoming aware of something British cooperative leaders have long known; that "the ideological impulse behind cooperation should not be unduly stressed; the possibility of mass distribution of well-defined commodities has always been the basis of modern cooperative success, just as it is the basis of the chain and the department store."[7] In brief, cooperative leaders now know that to succeed their merchandising methods must be improved. Consequently, they are making plans to adopt more aggressive advertising policies, to secure more uniform store fronts for their stores, and to package merchandising in a more attractive manner.

All the foregoing facts—and there are still others which could be assembled—point to the continued growth of consumers' cooperatives in this country. But I am willing to make a flat prediction; while such cooperatives have not yet reached the peak of their growth—in fact, because they now do such a small part of our total retail business, their percentage growth will be substantial—they will not become a major factor in retailing in the next two decades. Why not? Because the evidence indicates that they cannot operate for less than aggressive private firms. Neither can they buy for less. Finally, aggressive merchandising policies are as available to private firms — and perhaps I should say, are more available to private firms—than to cooperatives. And these three factors—operating cost, buying advantage, and merchandising policies—are the major factors in determining the growth of any kind of wholesale or retail institution.[8]

Buying Groups

I look for retailers to cooperate more in group buying and related activities—and this statement applies to large scale retailers as well as small retailers. Even now we are witnessing the formation of new store-owned buying offices, for example, the Independent Department Stores Association, Inc., which will serve twenty-five stores of the midwest.[9] And we see large organizations like Macy's and May joining together in the Affiliated Retailers, Inc.[10] Such organizations with large buying power and the ability to develop their own brands will play a major role in distribution.

Scrambled Merchandising

We may expect the further development of scrambled merchandising, i.e., the addition of new lines. In saying this I recognize that I am probably voicing a minority opinion. Many people think that the rapid expansion of lines which has taken place in recent years is largely a result of wartime shortages and will collapse as peacetime production is resumed. I doubt it. The evolution of the modern drug and tobacco stores, the addition of handbags, gloves, hosiery and so on in the shoe store, and the women's department in the men's clothing store, pre-date World War II by many years. As recently as 1940 but 16% of the D. A. Schulte stores sold general merchandise in addition to tobacco products. By 1943, however, 85% handled many kinds of general merchandise. Compared with 1940, their sales of watches and clocks had increased 182%, men's furnishings 139%, leather goods and smokers' articles 400%, and men's toiletries and sundries 45%.[11] Although this type of expansion results in greater administrative problems, its effect on operating costs, and its convenience to the consumer will result in more of it in the future.

Some Wholesale Developments

At the wholesale level the continued growth of the I.G.A., Butler Brothers and Gamble-Skogmo, and Walgreen agency types of cooperation among middlemen seems assured. Already Butler Brothers is expanding its cooperation with retailers into new fields—hardware, for example—while Gamble-Skogomo, Western Auto Supply and others have announced vast expansion plans for their agency outlets. Through such cooperative arrangements, the small independent retailer's competitive position is substantially improved; it will be improved even more as these groups extend more accounting aid to their retail members, increase the use of store supervisors, and—in still other ways—aid the retailer to become a better merchant.

As a means of combating the chain store and the large wholesale operations of such firms as Butler Brothers, Walgreen's and others, more independent wholesalers will join hands to form wholesale chains. While the recently formed Consolidated Grocers Corporation—which, by the purchase of various wholesale houses, has become the largest wholesale food firm in the country—is far larger than the average group which will be formed, it illustrates the trend.

Marketing by Manufacturers

At the manufacturer's level, major expansion will take place in terms of the redevelopment of a sales staff. The recent 1945 Annual Report of the American Management Association puts the matter well:

"Perhaps the marketing executive's greatest problem will be that of revitalizing sales forces that have become steeped in attitudes foreign to that of selling. The sales staffs of many companies are depleted; a sizable recruiting job will be required. The task of reactivating the sales force will require intensification of sales training programs and, more pertinently, better sales training techniques."

In spite of the additional cost, manufacturers will extend further the use of their own wholesale branches and of salesmen going direct to retailers. There is new available enough experience to show that such branches and salesmen have provided many manufacturers with more aggressive selling at the wholesale level. As competition is intensified, other manufacturers will seek these additional aids.

Regulations to Limit Competition

As postwar competition reduces gross margin and as failures increase we may expect a renewal of the pre-war drive for legislation to protect those who find the going "tough." In other words, various groups will attempt to become "effective in politics to the degree that they lose effectiveness in business."[12] Already we see the forerunner of this development in the anti-trust case against the Great Atlantic and Pacific Tea Company now being heard at Danville, Illinois. And by no means will this drive for aid be confined to the "little fellow." While the small business man may again seek the aid of more and higher discriminatory chain store taxes, even large organizations will seek refuge in resale price maintenance laws and sale-below-cost or some other type of price floor legislation.

Price Maintenance. I would like to pay my respects to our price maintenance laws. In this country our experiences with such laws is limited to a relatively few years. Consequently, while preliminary studies indicate that by limiting price competition they result in higher prices, final conclusions cannot yet be drawn.[13]

But Britain has had long experience with this type of price fixing.[14] This experience points to the definite conclusion that, if we continue to recognize resale price maintenance, we will soon find other techniques of limiting competition at the retail level will also appear. For example, the same retail trade associations which have fostered price maintenance in Britain have fostered the practice of distance limits, under which manufacturers will not supply new stores opening within a given distance of an existing store. The use of such techniques, as well as successful price maintenance itself, presupposes strong trade associations which will play an important part in enforcement. Such trade associations have developed in Britain. I would expect them to develop in this country.

I wish I could predict a reversal of this trend toward limitations on retail competition. I cannot. The factors which made some manufacturers, wholesalers, and retailers favor price maintenance before the war are still present. Moreover, I am afraid there is a growing feeling even among some of the large marketing organizations which developed on a price cutting policy, that price maintenance—now that they have fought their way to a "place in the sun"—is not a bad idea. This too is in line with British experience. Hence, I expect (1) a further extension of price maintenance, (2) the growth of other competition-limiting practices, and (3) stronger trade associations to play a part in enforcing these practices.

Consumer Movement

In the years immediately before the war there developed what became known as the consumer movement — a movement which sought to provide the consumer with more information concerning the products she wished to buy. This movement took various forms. Some demanded mandatory grade labeling and a few went so far as to demand a Federal Consumer Department to hand out "best buy" lists to the public. The great majority, however, were willing to settle for (1) more careful testing of products by manufacturer, wholesaler, and retailer, (2) informative labels, (3) more factual advertising, and (4) better trained salespeople who might be of aid to the consumer in selecting merchandise.

Writing in the spring of 1940, I said: "The present strength of the consumer movement suggests that the next decade will see progress in achieving some of its aims . . . more factual advertising, more informational labeling and perhaps even more required grade labeling seem likely."[15] It seems to me that the trend is still strong in the same direction; perhaps it has even been accentuated by the war. More manufacturers than ever before have been educated in producing to exact specification. It is but a short step from producing for government specification to producing consumer goods according to specifications laid down by large wholesaler and retailer groups—which base their specifications upon studies of the merchandise desired by their customers. It seems quite unlikely that after buying on specifications, such groups will not use more factual sales presentations to pass information on to potential customers.

The war brought the matter of mandatory grade labeling into the open, since OPA wished to use such labels as an aid to price control. While that agency was prevented from doing this, voluntary grade labeling sometimes accompanied by informational labeling continues to make progress. Apparently many of the large buying organizations intend to increase their use of this aid to better consumer buying. While at one time it seemed to me that mandatory government grading might meet a real need, further experience on my part with government operation forces me to change my mind. In practice, I think the consumer will gain more from the labeling which is developing naturally under competition.

While the consumer will benefit from all of these trends—specification buying by large organizations based on studies of consumer wants, informative labeling, and voluntary grade labeling — the most important advance will continue to come in the steady improvement of products fostered by manufacturers striving to keep up with the competitive parade. Daily we read of large sums being invested by manufacturers in product research. The words of Charles E. Wilson, President of General Electric Company, are but typical of those of hundreds of other business leaders. "We are prepared to invest more than ever before in our history in research so that it will insure for tomorrow more jobs, better working conditions, and more goods for more people at less cost."[16] Such research must lead to better products and—to repeat—it is through this channel that the consumer's well being will find its greatest advance.

Marketing Research

As near as I can make out, the great majority of distribution people look for great expansion of marketing research in the years just ahead. They emphasize that company presidents are becoming increasingly marketing-minded. Moreover, they point to the large amounts spent on production research and the small amounts on marketing research (about a 50-1 ratio), with the inference that the difference gives some indication of the forthcoming possibilities of expansion in marketing research.

I do not want to be understood as minimizing the need for more research on the part of individual firms in solving their distribution problems. Such research, I believe, is greatly needed to help manufacturers and middlemen to determine—among other things—what consumers wish to buy, where they wish to buy it, at what prices and in what quantities. But I do want to emphasize the absurdity of the foregoing inference. Just because a company spends more on production research than on marketing research gives no indication whatsoever that its expenditure on the latter is too low. Such a comparison is no more valid than the statement that because a greater percentage of a firm's dollar goes to labor than to top management, the latter is underpaid. The only significant test is: Is the firm spending enough to do the marketing research job it should be doing? The quicker distribution people adopt this point of view and stop drawing invalid inferences, the more rapidly they will gain the respect of top management.

It is my best guess that, while the marketing research activities of private firms will continue to expand, no startling growth is to be expected. Already there is some statistical evidence to support this point of view. Of 75 national advertising firms who were asked what they intended to do with marketing research in the post-war years, but 15 indicated any substantial expansion.[17] As the tax situation changes so that such research can not be done on the 10c dollar, even some of these 15 may change their minds.

Conclusion

One last word—which is a word of hope rather than one of prediction. Bitter experience during the past twenty years makes it crystal clear that a regulated economy with restrictions on the individual and dictatorship go hand in hand. We have just finished a war to achieve, in President Truman's words, "a victory of liberty over tyranny," which it seems to me, means a victory of a competitive over a highly regulated economy. If we mean to retain the fruits of this victory, the real job ahead of you and me is to make our competitive economy function to its fullest possible extent. If we do not, then a regulated economy with its inevitable dictatorship will still come to this country, even if it is not imposed upon us by the Nazis. Let us not get so immersed in our daily jobs in marketing that we overlook this significant fact.

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1 "The Economy of the Third Year of War," *Survey of Current Business*, Feb. 1945, pp. 18-19.

2 H. R. Bowen, "Significance of Recent Changes in the Business Population," *The Journal of Marketing*, July, 1945, p. 25.

3 *Printers' Ink*, May 25, 1945, p. 82; June 29, 1945, p. 80.

4 Cf. his "Consumer Cooperative Growth Challenges Profit Business," *Printers' Ink*, Dec. 29, 1944, p. 17.

5 Ibid.

6 *Women's Wear Daily*, July 26, 1945, p. 1.

7 Hermann Levy, *Retail Trade Associa-*

End Industrial Strife: Truman

(Continued from first page)

and with the determination to compose their differences in their own long range interest, it will not be long before we have put industrial strife behind us. Labor is the best customer management has; and management is the source of labor's livelihood. Both are wholly dependent on each other; and the country in turn is dependent on both of them."

This conference has been called to provide a nationwide opportunity to fullfill that objective. Representatives of labor and management are meeting here at this conference table, to discuss their common problems, and to settle differences in the public interest. Here is the democratic process in action—in its best form.

On this conference have been based many high hopes of the American people. Their eyes are turned here in the expectation that you will furnish a broad and permanent foundation for industrial peace and progress.

Not a Government Conference

I want to make it clear that this is your conference—a management-labor conference — and not a Government conference. You have not been chosen by me or by any Government official. You have been selected by the leading labor and industrial organizations in the United States. There has been no interference by Government in that selection.

By the very nature of the task before you, you appear here not as representatives merely of the organizations which chose you; but as public spirited citizens, who during the deliberations will consider the interests of all groups of our people. Each of you is now a member of the team which the American people hope will recommend definite policy in the field of industrial relations. We must begin with the firm realization that every citizen in our nation has an identity of interest and a great stake in the maintenance of industrial peace and in the development of mature and effective ways of achieving it.

The time has come for labor and management to handle their own affairs in the traditional, American, democratic way. I hope that I can give up the President's wartime powers as soon as possible, so that management and labor can again have the full and undivided responsibility for providing the production that we must have to safeguard our domestic economy and our leadership in international affairs.

Your Government, although it is acting as your host, has no hand in the direction or the recommendations of this conference. It has no vote.

This is your opportunity to prove that you can come to understanding and agreement without political or governmental pressure. The outcome of this conference rests with the representatives of management and labor. But—as in all other public affairs—the outcome also rests with the American public who, by their interest and concern, can be a constant reminder that arbitrary selfishness and a refusal to see the other fellow's point of view have no place in these meetings.

Nation Is Concerned

Our country is worried about our relations. It has a right to be. That worry is reflected in the halls of the Congress in the form of all kinds of proposed legislation. You have it in your power to stop that worry. I have supreme confidence in your ability to find a democratic way to compose industrial difficulties.

Under the patriotic pressure of a desperate war crisis, management and labor have performed a miracle of production for four years—working together voluntarily but under a measure of Government control. Those controls must soon disappear. Many have already gone. And yet as soon as the first ones were taken off, industrial strife appeared.

Some of it was expected by the American people in this period of adjustment. But I am sure that they never expected anything like the amount of strife which has been threatened. And I know that the American people do not like it—especially after the solemn promise by representatives of both management and labor that they would co-operate with their Government through the reconversion period.

I make no effort to fix the blame. I have tried to lay fairly before the people the position of labor and the position of industry. They both have problems —grave and worrisome problems. But they are not insoluble problems. Essentially they are problems of adjustment to the drastic changes brought about by three and a half years of war.

Solution Essential

The important thing is to remember that those problems—and their solution—cannot be allowed to stop us in our struggle to reconvert from war to peace. For until we successively reconvert for productive capacity, we cannot hope to proceed toward our goal of full employment and an increased standard of living.

If labor and management, in an industry or in a company, find that they cannot come to agreement, a way must be found of resolving their differences without stopping production.

Finding the best way to accomplish that result without government directive to either labor or industry—that is your job.

There are many considerations involved. At the basis of them all, is not only the right, but the duty, to bargain collectively. I do not mean giving mere lip service to that abstract principle. I mean the willingness on both sides, yes, the determination, to approach the bargaining table with an open mind, with an appreciation of what is on the other side of the table— and with a firm resolve to reach an agreement fairly

If that fails, if bargaining produces no results, then there must be a willingness to use some impartial machinery for reaching decisions on the basis of proven facts and realities, instead of rumor or propaganda or partisan statements. That is the way to eliminate unnecessary friction. That is the way to prevent lockouts and strikes. That is the way to keep production going.

Ensure Industrial Peace

We shall have to find methods not only of peaceful negotiation of labor contracts, but also of insuring industrial peace for the lifetime of such contracts. Contracts once made must be lived up to, and should be changed only in the manner agreed upon by the parties. If we expect confidence in agreements made, there must be responsibility and integrity on both sides in carrying them out.

Some substitute must be found for jurisdictional strikes. Business simply cannot stop, life and property just cannot be endangered, merely because of some internal disagreement between factions of labor, in which management can rightfully have no part and no interest. There can be no moral or economic justification for stopping production while rival organizations contend with each other. Labor has a particular interest in this matter—for nothing is so destructive of public confidence in the motives of trade unionism as a jurisdictional strike.

Hits Delaying Tactics

On the other hand, management too often has looked upon labor relations as a stepchild of its business, to be disregarded until the controversy has reached a point where real collective bargaining becomes very difficult—if not almost impossible. It happens all to frequently that in the actual process of collective bargaining, delaying tactics are practiced with the result that there is no real bargaining. There can be no justification for such tactics at the present time, or in the future.

If this conference can recommend answers to the public demand for machinery to prevent or settle industrial disputes, it will have made vast progress toward industrial peace. It will have laid a foundation for an era of prosperity and security.

The whole world now needs the produce of our mills and factories —everything stands ready and primed for a great future. But situations and circumstances can change rapidly. Our unparalleled opportunity may not long remain open. We must have production—vast production. We must have it soon.

Production Means Employment

In order to have it, labor and management must work together to expand the economy of our nation—as they worked together to protect the safety of our nation during the war. If we get the production that we need—the production which our resources and industrial skill make possible, the present problem of wages and prices will be easier to solve. Production means employment. It means economic health. It means higher wages and lower prices. It means the difference between strength and prosperity, and uncertainty and depression.

The men in this room direct a cross-section of American industry, and lead American labor of opinions. But you will fully succeed only if labor and industry as a whole will willingly accept your decisions, and will adopt the convictions developed out of this conference.

Stakes Are High

The American people know the enormous size of your task. But the stakes are enormous too. If the people do not find the answers here, they will find them some place else. For these answers must and will be found. The whole system of private enterprise and individual opportunity depends upon finding them.

When industrial strife becomes widespread, all of us lose the things we need—the wages that labor wants, the earnings and dividends that businessmen and investors want, the products that the consumers want. No realist can expect the millennium of a perfect no-strike, no lockout era at once. But continued production and an expanding industry—unhampered as far as humanly possible by stoppages of work—are absolutely essential to progress.

That is the road to security at home and to peace abroad. We cannot fail in our efforts to move forward on that road.

tions (New York: Oxford University Press, 1944), p. 27.

8 For a more detailed analysis of my opinion on the future of consumer co-operatives, cf. my *Marketing*, (Boston: Houghton Mifflin Company, 1938), pp. 512-23.

9 *Women's Wear Daily*, Aug. 28, 1945, p. 31.

10 *Printers' Ink*, July 27, 1945, p. 92.

11 Annual Report of D. A. Schulte, Inc. for the year ended Oct. 31, 1943.

12 *Does Distribution Cost Too Much?* (New York: Twentieth Century Fund, 1939), p. 246.

13 E. T. Grether, *Price Control Under Fair Trade Legislation* (New York: Oxford University Press, 1939), p. 316.

14 Levy, op. cit. p. 316.

15 Charles F. Phillips. "The Next Decade in Marketing." *Annals of the American Academy of Political and Social Science*, Vol. 209, May, 1940, p. 193.

16 Advertisement in *Wall Street Journal*, Aug. 28, 1945, p. 3.

17 "More Market Research After the War?" *Printers' Ink*, July 20, 194[illegible], p. [illegible]

Securities Salesman's Corner

By JOHN DUTTON

The Human Equation in Salesmanship

Ten laws of salesmanship which deal with "the ability of a salesman to conduct himself and his sales presentation, so that he gains the **attention, respect** and **liking** of the prospect" are outlined and explained in a pamphlet entitled "Getting Sales Results." This discussion is limited specifically to the human side of selling—the relationship between prospect and salesman. It has been prepared by the National Securities & Research Corp. and it was written by their Vice-President, Douglas Laird.

Every time we see something that has been written about salesmanship we instinctively pick it up and read it through. Sometimes we find very little that is new. But in this instance we must admit that Mr. Laird (who has established himself as a leading sales producer in his field of the investment trust) has presented his ideas in such a way, that no matter how much you too have read about selling, you had better get hold of this little pamphlet and read it from cover to cover.

Here are his ten laws dealing with the human side of selling: (No. 1) Work. (No. 2) Listen. (No. 3) Don't Interrupt. (No. 4) Don't Be Belligerent. (No. 5) Use the Question Method at the Beginning of the Presentation. (No. 6) Re-state Clearly, in Your Own Words, the Prospect's Objections As Soon As He Gives Them. (No. 7) Concentrate Your Fire. (No. 8) Expect Business. (No. 9) Watch Personal Habits and Appearance. (No. 10) Create Confidence.

How many of these laws of selling can you break and get away with it? Mr. Laird says that you cannot break any of them and still do a successful selling job. And yet he gives this word of wisdom in the foreword of his pamphlet. "Although this material has been boiled down so as to make it possible for any new salesman to obtain the art and science of salesmanship in a single hour's reading, it is not possible to cover the whole field of selling in such a short article, AND NO MATTER HOW LONG ONE HAS BEEN A SALESMAN, HE WILL CEASE TO BE A GOOD ONE WHEN HE THINKS HE KNOWS IT ALL.

We are not going to try and take out any of the solid nuggets of sound advice that Mr. Laird has used to illustrate his points. If you want to get the best out of this fine article you should write to the National Securities & Research Corporation and read it all for yourself. But there is one point that we particularly like. In his discussion under law number three Mr. Laird offers this bit of sage advice. "Regardless of how interrupting may affect us socially, it is an undeniable fact that it is far too expensive a luxury for the salesman to indulge in. I don't care how good a mind reader you may be, or how impatient you are; how slow the other fellow is, or how quick witted you are, the fact remains that you cannot be a good salesman unless you have sufficient patience and understanding to let the man you hope to sell have his say out without interruption. It may take a lot of patience on your part BUT YOU GET PAID FOR IT."

That's the point of the whole selling operation—do the things that make the other fellow feel comfortable in your presence. Be considerate, give the other fellow his due, play down your importance, your wit, your smartness, DO THE THINGS THAT MAKE HIM FEEL IMPORTANT. . . . REMEMBER YOU GET PAID FOR IT, IT'S YOUR BUSINESS.

Of course Mr. Laird doesn't imply that empty flattery, or fawning over the next fellow, is good selling technique. But he does make his point very clear when he says "Remember you get paid, not necessarily for winning an argument, but for getting the other fellow to do business with you."

This is one of the best we've seen about selling in a long, long time. Why not get some copies for your own sales organization? For the new men there is helpful and interesting advice—for the experienced salesman, he too can brush up a bit when he reads it.

Construction Costs and House Price Controls Discussed

(Continued from page 2208)

price ceilings for materials and services) plus a generous profit margin to the builder or developer.

"In order for such legislation to remove uncertainties and to encourage builders to start construction immediately it should permit the builder, if he wishes, to get an approved ceiling price before he starts to build. On the other hand, if to save time he wishes to start building without waiting for a ceiling price to be set, he should be privileged to submit his cost estimates and proposed ceiling price for checking and approval by the appropriate Government agency while he proceeds immediately with his building. In either case he should have an opportunity to adjust the ceiling prices after the building is completed if unforeseen circumstances have so raised his costs that his profit would be endangered under the ceiling originally set.

"In order to assure maximum production, profits should be based on the highest earnings of the industry in recent prewar year.

"In order to insure that the use of this legislation is limited to actual needs, it is recommended that the law be only permissive and that ceilings be put into effect, not nationally, but only in those areas where a finding of facts indicates that action is warranted."

The proposed powers of the legislation should extend through 1947, Mr. Bowles said. A copy of the draft of this proposed legislation, as submitted for the record, is given further below.

Who Will Administer Proposed Program? And How?

Members of the subcommittee were not able to pin down, in their cross-examination of Mr. Bowles, (1) statistical foundation establishing need for such legislation; (2) whether the plan was the proposal of a sub-committee of the over-all Construction Advisory Committee or whether it had the complete group's approval; (3) whether the advice of the construction industry as a whole had been sought in formulating such a policy, or (4) what delays and difficulties might arise in the administration of such a program.

Mr. Bowles frankly stated that he did not want the administration of the plan and suggested that John B. Blandford, NHA Administrator, would be the logical man to have it. In subsequent testimony, Mr. Blandford side-stepped this suggestion by referring to OPA as handling the complete pricing program. OWMR Director Snyder, who went on the stand before Mr. Bowles, stated that he had not seen the proposed house-pricing legislation and would have to be sure such a plan would not interfere with production before he could endorse it.

Mr. Snyder steered a safe middle course in his testimony by relating his findings on the operations of the "6-Point Program," originally announced by him, when WPB Construction Limitation Order L-41 was revoked on Sept. 18, 1945. The six points have been discussed in previous issues of the Bulletin, but should be restated in the light of recent developments:

Developments in the 6-Point Construction Program

1. Through inter-agency action an active campaign to increase the supply of scarce building materials is being undertaken and, where necessary, price and wage increases and priorities to break bottlenecks are being granted.

Mr. Snyder said the Inter-Agency Construction Committee set up in his office had taken steps, in the case of short materials production, to help producers obtain equipment to increase or get back into production. Recommendations to grant necessary price and wage increases to stimulate production and to attract labor into key operations had also been made.

2. The War Production Board is strengthening inventory controls to prevent hoarding of building materials so that building will not be delayed by artificially created shortages.

The subcommittee asked how this could be assured when WPB personnel in the field was down to a skeleton and would pass out of the picture completely on Nov. 3. Inventories under wartime pressures were not susceptible to satisfactory control—with the bars down now, hoarding of critical materials would undoubtedly increase. Mr. Snyder admitted the difficulties but said that CPA, successor agency to WPB, would do everything in its power to maintain checks.

3. The Office of Price Administration will strengthen price control over building materials to counteract inflationary pressures.

Mr. Snyder referred only to dollars-and-cents ceilings which will be extended by OPA to include all construction materials and services and which will go into effect as rapidly as regional and district offices can post the prices.

4. The Federal Credit Agencies will do everything possible to discourage excessive and unsound lending on mortgages. They will enlist voluntary cooperation of banks and other lending institutions to minimize the danger of inflated prices due to excessive demand.

Regulation of credit mechanisms, Mr. Snyder pointed out, can only reduce and not solve the inflationary problem. One of the main reasons is that a vast amount of potential purchasing power would remain beyond the reach of such controls, in the hands of private lenders, commercial and savings banks and insurance companies. Credit controls are further complicated by the fact that no single yardstick of value is used by bank examiners in making appraisals as a basis for loans. The subcommittee wishes to study further the possibility of credit regulation on the purchases of homes as a useful means of attacking inflationary pressures.

5. Representatives of industry groups, including real estate, building supplies and construction men, have been called to meet in Washington next month to map out a voluntary program to increase quickly the production of all materials and facilities needed for an expanded home-construction industry and also to help fight inflated building costs and real estate prices.

The subcommittee urged more voluntary cooperation of this sort and closer consultation with all segments of the construction industry in attacking problems.

Materials Supply Picture

6. The National Housing Agency, in conjunction with industry representatives, will provide an information and advisory service on home values available to any prospective home buyer regardless of whether Federal assistance in financing is involved.

In an effort to boil down conflicting testimony on materials shortages and possible surpluses, the subcommittee called in witnesses from the Readjustment Division of the Army, the Surplus Property Divisions of both Commerce and Reconstruction Finance Corporation and the War Production Board.

Mr. John D. Small, WPB Chief of Staff, gave a most concise picture of materials shortages and emphasized a point—somewhat neglected in other testimony—that manpower is the all-important consideration in stepping-up production of construction materials. The shortages that we have—brick, clay products of all kinds, sewer pipes, foundry products such as cast-iron soil pipe, and lumber—are all in relatively low-paid industry. Wage adjustments must be given in some cases, price adjustments in others in order to provide incentive for the recruitment of labor. In Mr. Small's opinion, progress is being made, but admits it is a tough job.

In answer to a question on possible Army lumber surpluses, Mr. Small stated that Army is not now buying lumber and is shifting its stock around to fill needs. If surpluses occur in the future, they will probably be in dunnage or crating lumber, unsuitable for utilization in construction. This information was confirmed by Gen. David N. Hauseman, Director of Army's Readjustment Division.

Representatives from the Surplus Property Divisions of Commerce and Reconstruction Finance Corporation testified that existing surpluses in construction materials thus far declared were not in any amount to have a favorable effect on the supply.

Lumber Industry Says It Can Produce the Goods

Completely reversing the gloomy outlook on the lumber supply was the statement of Leonard Lambert, Jr., retail lumber dealer of St. Paul, Minnesota, estimating that lumber production in 1946 will reach 30 billion board feet. This compares with 36 billion attained in 1942 and 28 billion produced in 1945.

Taking 500,000 as an outside figure on house construction possible in 1946 and estimate the needs for one house at 10,000 feet of lumber, you would get a footage of 5 billion, which is only one-sixth of what will be produced in the United States next year, Mr. Lambert said.

Industry Protests Further Controls

Representatives of the construction industry, including builders, realtors, contractors and mortgage lenders all expressed their willingness to go along with OPA's existing controls on materials and services through the formula type of regulation. They were unanimous in their protests against (1) expansion of dollars-and-cents price ceilings on all materials and services and (2) any attempt to control prices on new or existing houses.

Mr. Newton Farr, Chicago builder, said that he would not build if he were faced with further red tape and delaying mechanism by OPA. A builder may employ 20 subcontractors on a construction job and if he has to certify that each material used by each subcontractor does not exceed ceilings, he would be facing a physical impossibility, according to Mr. Farr.

Mr. L. T. Souder, electrical contractor of Washington, D. C., and a member of the National Electrical Contractors Association, stated that extension of dollars-and-cents ceilings to include all construction materials and services would make it impossible for him to operate.

Mr. Douglas Whitlock, representing the Producers Council and the United States Chamber of Commerce, stated that his organizations' No. 1 objective was to get a large volume of construction as quickly as possible and to protect that attainment by existing controls of prices. The Chamber and the Producers Council are unalterably opposed to any and all plans for controlling prices of new and existing homes.

Mr. Frank W. Cortright, Executive Vice-President of the National Association of Home Builders, said that the answer to inflation in housing is production of the largest possible volume of new housing. Public knowledge of an unrestricted building program will do much to reverse the recent trend towards inflation, Mr. Cortright said.

There is no time for grass to grow under the feet of this broad and continuing program. Day-to-day developments make it necessary to keep the facts on record. One suggestion was made for an over-all Government Industry Advisory Committee to act on building and construction problems. The Senate Small Business Committee, whose business it is to protect the interests of small and individual enterprises—so heavily represented in building and construction—will hold further hearings on these problems as the needs arise and will issue continuing reports. The Committee welcomes any comments and suggestions from the industry or others interested in the construction program.

Printed copies of the hearings giving the full testimony of witnesses will be available in limited supply. Requests should be addressed to the Senate Small Business Committee, Room 13-B, Senate Office Building, Washington, D. C.

In connection with his testimony before the subcommittee, Mr. Bowles submitted the following draft of proposed legislation recommended by the Office of Price Administration to control the prices of new and existing houses:

A Bill to prevent speculation and the realization of excessive profits in the sale of housing and to insure the availability of real estate for housing purposes at fair and reasonable prices.

Purposes: Time-Limit: Applicability

Section 1 (a). The purposes of this Act are: To stabilize the prices of real estate to be used for housing purposes and to prevent speculative, unwarranted and abnormal increases in the selling prices of such real estate; to eliminate and prevent profiteering in the sale of real estate, the hoarding of materials necessary for the construction of housing and other buildings and other disruptive practices; to encourage the production of housing at a fair profit; to improve the housing of the people of the nation in order to foster their health and general welfare; to encourage employment in the housing construction industry and to maintain such industry at a high level of productivity; to prohibit an undue dissipation of the savings of the people in the nation in the purchase of homes at speculative prices; to permit returning veterans to acquire housing at fair prices; and to prevent a post-emergency collapse of values in the housing field and to promote a swift and orderly transition to a peacetime economy.

(b) The provisions of this Act, and all regulations and orders issued thereunder, shall terminate on Dec. 31, 1947, or upon the date specified in a concurrent resolution by the two Houses of the Congress, declaring that the provisions of the Act are no longer necessary to deal with the existing national emergency, whichever date is the earlier.

(c) The provisions of this Act shall be applicable to the United States, its territories and possessions, and the District of Columbia.

Housing Prices

Section 2 (a). Whenever in the judgment of the President the sales prices of housing accommodations have risen or threaten to rise to an extent or in a manner inconsistent with the purposes of this Act, he may by regulation or order establish maximum sales prices for housing accommodations in accordance with the provisions of this Act. Any such regulation or order may be limited in its scope to such geographical area or areas and to such types or classifications of housing accommodations as in the judgment of the President may be necessary to effectuate the purposes of this Act. Before issuing any regulation or order under this section, the President shall, so far as practicable, advise and consult with representative members of industries affected by such regulation or order, and he shall give consideration to their recommendations and to any recommendations which may be made by State and local officials concerned with housing conditions in any area affected by such regulation or order.

(b) Any regulation or order issued under the authority of this Act establishing maximum sales prices for housing accommodations the construction of which is completed after the effective date of this Act shall provide for the fixing of a maximum sales price consisting of (i) the actual costs of the construction of the unit which are not in excess of the legal maximum prices of the materials and services entering into such construction, (ii) the fair market value of the land sold with the housing accommodation, but in no event less than the actual cost of land purchased prior to the effective date of this Act, and (iii) a margin of profit reflecting the generally prevailing margin of profit upon comparable units during the calendar year 1941. Any prospective seller of such housing accommodations may apply for the establishment of a maximum sales price at any time, including before the commencement of construction, during its progress, or after its completion. In any case where a maximum sales price has been fixed on a basis of estimated costs the prospective seller may, at any time before the first sale and upon a showing that the actual legal costs have substantially exceeded the estimated costs, apply for such revision of the maximum sales price as may be justified under the circumstances; and the President may similarly reduce the maximum sales price if the estimated costs were substantially in excess of the actual legal costs. No subsequent sale of such newly constructed housing accommodation shall be at a higher price than that established for the first sale.

(c) Any regulation or order issued under the authority of this Act establishing maximum sales prices for housing accommodations in existence on the effective date of this Act shall, except as hereinafter set forth, provide that the price of the first bona fide voluntary sale after the effective date of this Act shall thereafter be the maximum sales price for such unit. Any regulation or order under this section shall provide for the making of appropriate adjustments in the maximum sales price where substantial improvements have been made subsequent to the last sale.

(d) The President may promulgate such regulations as may be necessary and proper to carry out any of the provisions of this Act; and may exercise any power or authority conferred upon him by this Act through such department, agency or officer as he shall direct. Any regulation or order under this Act may contain such classifications and differentiations, and may provide for such adjustments and reasonable exceptions, as in the judgment of the President are necessary or proper in order to effectuate the purposes of this Act.

(e) Whenever in the judgment of the President such action is necessary or proper in order to effectuate the purposes of this Act, he may by regulation or order make such provisions as he deems necessary to prevent the circumvention or evasion thereof and he may regulate or prohibit speculative or manipulative practices (including the requiring of the purchase of land prior to or as a condition of undertaking construction work or the requiring of the purchaser of housing accommodations to buy additional land or any commodity or service as a condition of securing such housing accommodation) in connection with the sale of any housing accommodation which in his judgment are equivalent to or likely to result in price increases inconsistent with the purposes of this Act.

Section 3. Prohibitions

It shall be unlawful for any person to effect, either as principal or broker, a sale of a housing unit at a price in excess of the ceiling price which shall be applicable under the provisions of this Act, or to offer, solicit, attempt, or agree to making any such sale. Notwithstanding any termination of this Act as contemplated in Section 1 (b) hereinabove, the provisions of this Act, and of all regulations and orders issued thereunder, shall be treated as remaining in force for the purpose of sustaining any proper suit, action, or prosecution with respect to any such right, liability, or offense.

Section 4. Judicial Review

Any person who is aggrieved by any action taken pursuant to any regulation or order issued under the authority of this Act may petition the district court of the district in which he resides or has his place of business for a review of such action, and such district court shall have jurisdiction to enjoin or set aside, in whole or in part, such action or to dismiss the petition. No such action shall be enjoined or set aside, in whole or in part, unless the petitioner establishes to the satisfaction of the court that such action is not in accordance with law or is arbitrary or capricious.

Section 5. Administration and Enforcement

Sections 202 and 205 (a), (b), (c) and (e) of the Emergency Price Control Act of 1942, as amended, are hereby made a part of this Act with the same force and effect as if they were incorporated in full. For the purpose of this Act, wherever any such section refers to "the Administrator," such reference shall be deemed to be to the President; references to "regulation or order" under any section of said Act shall be deemed to refer to regulations or orders issued under this Act; and references to "commodity" shall be deemed to refer to "housing accommodation."

Section 6. Appropriations Authorized

There are authorized to be appropriated such sums as may be necessary or proper to carry out the provisions and purposes of this Act.

Section 7. Separability

If any provisions of this Act or the application of such provision to any person or circumstances shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other persons or circumstances shall not be affected thereby.

L. M. Blancke Director of Brentano's

L. M. Blancke, managing partner of Hemphill, Noyes & Co., 15 Broad Street, New York City, has been elected a director of Brentano's Inc., national retailer of books. Cmdr. Blancke was recently relieved of active duty and returned to his partnership at Hemphill, Noyes & Co. after three years' active service as Personnel and Administrative Officer at the U. S. Naval Construction Training Center, Davisville, R. I.

L. M. Blancke

September Truckload'g Lowest Since Early '42

The volume of freight transported by motor carriers in September dropped to the lowest level of any month since early 1942, according to statistics compiled by the Department of Research of American Trucking Associations, Inc. The September volume was 7.1% below August and 10.2% below September, 1944.

Comparable reports received by ATA from 191 carriers in 36 states showed these carriers transported an aggregate of 1,309,914 tons in September, as against 1,410,132 tons in August and 1,458,086 tons in September, 1944.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 158.83. This is the lowest index figure since the 144 of February, 1942.

Approximately 85% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 7.2% below August and was 10.8% below September, 1944.

Transportation of petroleum products, accounting for about 9% of the total tonnage reported, showed a decrease of 10.7% below August and declined 10.0% below September, 1944.

Carriers of iron and steel products hauled about 2% of the total tonnage. Their traffic volume was 2.5% below August and 14.2% below September, 1944.

About 4% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class decreased only 0.4% below August but was 5.5% above September, 1944.

Rejoin Amott, Baker

Lionel Asen and Walter Fideler have returned to Amott, Baker & Co., Inc., 150 Broadway, New York City, after completing service as members of the Armed Forces.

Holds High Level Auto Output Permits Increased Wages, Profits

(Continued from page 2209)

plain next year's profit position relative to 1941. At the same time, it should be remembered that 1941 was an extraordinary profit year, not only because of the large production but also because of substantial price increases.

The profit and sales position of the next three years is compared with selected pre-war years in the following indexes:

(1936-39 = 100)

Year—	Sales	Profits
1929	144	178
1940	130	169
1941	172	257
1946	158	194
1947	247	304
1948	269	331

The results indicate the high profits that are generated by high volume, such as may be anticipated in 1947 and 1948 even on the basis of 1942 prices. Even with a 25% wage increase and some increase in materials costs, profits three times larger than in 1936-39 can be expected on sales two and one-half times as large. (The years 1936-39 are used as a reference here because they serve as the base in calculations for the excess profits tax and by OPA in developing profit margins for price setting.) With more rapid technological advance these profits could be bettered, or prices could be lowered. The profit estimates were calculated on the assumption that the proportion of the different models produced in the next few years will be the same as in pre-war years. A shift in the proportion of higher-priced and luxury models, in the face of favorable markets, would make for still higher prices.

The relationship between production and profit for a given period can clearly be seen in the illustration for the year 1947 charted on the next page. Production is plotted along the horizontal axis. In this study pounds were used as the unit for combining the diverse products of the industry—passenger cars, trucks, parts, refrigerators, etc. To help relate these production figures to numbers more commonly recognized, the number of passenger cars associated with each production volume is also given. The vertical scale measures the volume of profits before Federal income taxes. In both Line A and Line B, 1942 model prices and a 25% increase in wage rates (to $1.50 an hour) were assumed. The difference between the two lines stems from the assumption for Line A that materials costs would be the same as in 1945 and for Line B that materials costs would be 3% higher—the latter was the assumption used in arriving at the 1947 profit figure plotted on the chart on the first page.

Both lines show two prominent results:

A. For a given set of cost assumptions in a particular year, profits rise much more rapidly than production. Thus, a sixfold increase in production yields as profit 13 times higher. The differential is naturally much larger between the extreme and tends to diminish at the higher levels of output.

B. 1942 model prices are high enough to yield profits at low volumes of output—even with the high wage and materials cost assumed for 1947. Profits would be made from the manufacturing process with a 2-million car output.

Prices that would yield profits at low utilization of capacity have been characteristic of this industry. The automotive group has experienced a loss in only one year—1932.

Thus far, the profit-making capacity of the industry was measured in terms of profits before Federal income taxes. But even after deducting probable post-war taxes, the same general picture is seen. The following data show profits after taxes for selected good prewar years compared with the next three years, assuming in the latter case a 40% corporate income tax and the elimination of the excess profits tax:

	(Millions of dollars)
1929	451
1937	338
1940	390
1941	423
1946	390
1947	610
1948	670

Thus, after taxes, profits in 1948 would be about three-fifths higher than in 1941. These estimates do not take into account any benefits that may accrue to the industry in 1946 and 1947 from the permitted speed-up in the amortization of facilities bought in the last few years, since such profits would be allocated to the war years and hence would swell war-time, rather than post-war, profits.

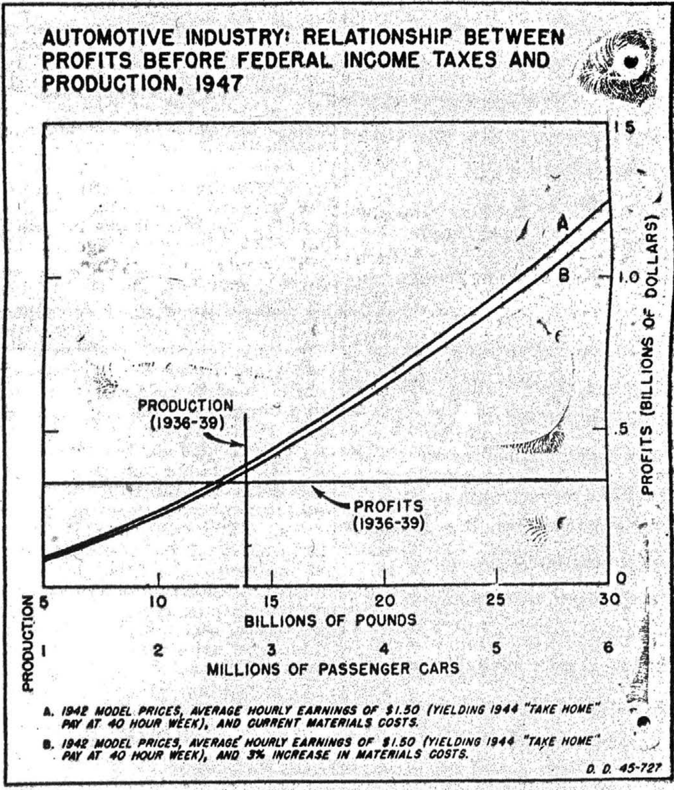
Significance

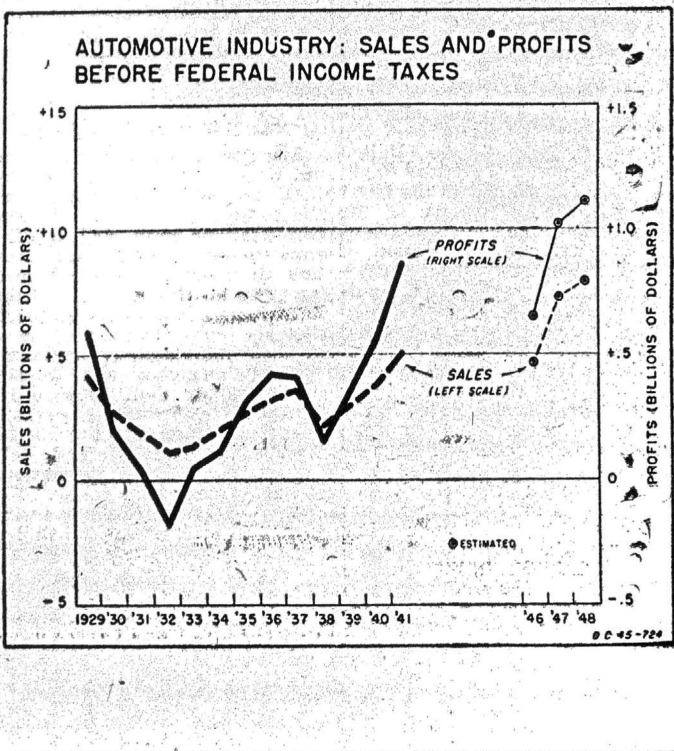
It is apparent that present cost-price relationships are such throughout industry that a basic wage increase is possible without raising prices. For 1946, a general increase of 10% is possible. Such an average would mean a rise of 15% or a little more in the manufacturing industries. Some industries could afford more, some not so much. The automobile industry is in the former class—15% can be granted without adverse results in the first prewar year of restricted operations, and a further increase of 10% can be given for 1947 when production will have reached peak rates.

A much higher wage income will have to be secured if demand is to be sufficient to produce full employment by 1948.

Leary and Norfleet Rejoin Barrow, Leary

SHREVEPORT, LA.—Barrow, Leary & Co., 515 Market St., announce that Lt. Comdr. A. M. Leary, Jr., USNR, has been released from active duty and has resumed activity as a partner in the firm. John U. Norfleet, having been discharged from the U. S. Army and completed special assignment with the U. S. Army Ordnance Department, has also resumed his association with Barrow, Leary & Co.





The Bretton Woods National Advisory Council

(Continued from page 2202)

Chairman of the Export-Import Bank of Washington. The purpose of the Congressmen who wrote this particular provision was to make sure that the conservative voice of Mr. Leo Crowley—at that time Chairman of the Export-Import Bank—would be decisive in the Advisory Board's decisions. As in the case of Mr. Jesse Jones on other occasions, the Congress in this instance was expressing its confidence in a particular official, and by implication a lesser degree of confidence in the then Secretary of the Treasury, Mr. Henry Morgenthau, Jr. The fact that both Mr. Crowley and Mr. Morgenthau were so soon afterwards to resign the positions they then held serves to point out the futility of Congress passing long-term legislation on the basis of ephemeral personalities (although at this writing it is rumored that Mr. Crowley may be reappointed to the chairmanship of the Export-Import Bank).

An Anomalous Situation

The creation of these two supervisory bodies, the National Advisory Council and the Advisory Board, with identical membership but with two different Chairmen, brought about an anomalous situation. It was inevitable that at some of the meetings of these five officials or their representatives decisions would have to be made affecting both Export-Import Bank and other foreign loan policies. Should it ever happen that the Secretary of the Treasury and the Chairman of the Export-Import Bank find themselves unable to work together harmoniously, it is easy to imagine a sort of Going-to-Jerusalem game as the two take turns in occupying the chair at the head of the table. Actually, of course, that has not yet happened. At the meetings of this group held so far Secretary Vinson has been permitted to keep his seat at the head of the table undisturbed. The possibility of a question being raised by some future Chairman of the Export-Import Bank has suggested that Congress might be well advised to clarify the set-up.

Powers Not Co-Extensive

The powers of the Advisory Board of the Export-Import Bank are neither as great nor as broad as those of the National Advisory Council. The Export-Import Bank Act of 1945 merely provides that the Advisory Board may make to the Board of Directors of the Export-Import Bank "such recommendations . . . as it deems advisable, and the Board of Directors shall consult the Advisory Board on major questions of policy." As its name indicates the Board is really just advisory.

In the case of the National Advisory Council, however, the law provides that these same five Government officers shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank; advise and consult with the latter and with the President of the United States on major problems arising in the administration of the Fund and the Bank; coordinate so far as practicable the policies and operations of the United States representatives on the Fund and Bank, the Export-Import Bank, and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions, etc. The law vests in the National Advisory Council important specific powers with regard to American decisions in connection with the work of the Fund and the Bank, requires the National Advisory Council to make various reports, and specifies that the various American Government officials engaged in foreign financial transactions—including the Export-Import Bank—keep the National Advisory Council fully informed of their activities.

Meetings of the Big Five

The membership of the National Advisory Council and the Advisory Council may be described as the big five in American international finance today. The five meetings thus far held have all taken place in the office of Secretary Vinson, who has personally presided at the meetings. Assistant Secretary of State, Will Clayton, represents his immediate superior, on occasion bringing with him one or more advisors. Secretary of Commerce Henry Wallace has personally attended most meetings, although sometimes he has been represented by Mr. Amos E. Taylor, Director of the Bureau of Foreign and Domestic Commerce. Chairman Eccles of the Federal Reserve Board regularly takes his place at the National Advisory Council's meetings. So too, until his resignation from the Government, did Mr. Leo Crowley, who was accompanied there by Mr. Wayne Chatfield-Taylor. After Mr. Crowley resigned, Mr. Chatfield-Taylor as Acting Chairman of the Export-Import Bank has represented that institution at the meetings of the National Advisory Council.

The first formal meeting of the National Advisory Council took place Aug. 21. The fifth meeting occurred on Oct. 30. Thus, the National Advisory Council has been averaging one meeting each fortnight.

NAC's Operating Structure

In making studies incident to its decisions the National Advisory Council draws upon the research facilities of the departments and agencies whose heads comprise it, as well as other agencies such as the SEC. Mr. Frank Coe, the Treasury Department's Director of Monetary Research, is Secretary of the National Advisory Council and Chairman of its staff committee. He is assisted by Mr. Roman A. Horne. The staff committee as a whole has held only two or three meetings. For the study of special subjects subcommittees have been set up. Technical specialists who have participated in one or more of the meetings of the staff committee or sub-committees include: From the Treasury, Mr. Harry D. White, Mr. Coe and Mr. Norman Ness; from the State Department, Mr. E. G. Collado, Mr. Phelps, and Mr. John Parke Young; from the Commerce Department, Mr. Frank A. Waring and Mr. Hal B. Lary; from the Federal Reserve Board, Governor Szymczak, Mr. Woodlief Thomas and Mr. Walter Gardner; from the Export-Import Bank, Mr. Wayne Chatfield-Taylor and Mr. August Maffry, and from the SEC, Mr. Walter Loucheim.

NAC's Work and Decisions

Since there has as yet been no public report on the work of the NAC, no detailed information on the subject is available. In the conversations with British officials concerning financial aid by this Government to the United Kingdom all five members of the NAC have participated, although they are reported to have done so in their individual capacities as Cabinet members and agency heads, rather than as a body. That this is the case is perhaps due to the fact that the British discussions included not only financial and monetary matters, but also commercial policy. The chief American spokesman in the discussions with the British has been Assistant Secretary of State Will Clayton, rather than the Chairman of the National Advisory Council, Secretary of the Treasury Vinson.

In the absence of official disclosure by the NAC itself, the decisions which that Council has reached in its several meetings to date are to be looked for in announcements from other sources. Specifically, we may turn for light to the Export-Import Bank's public statements on loan agreements it has concluded. That Bank's disclosure on Nov. 3 of the terms of a second $50,000,000 credit to the Kingdom of the Netherlands is enlightening.

The $50,000,000 is to be used by the Netherlands for the purchase of specified American products for export to and use in the metropolitan territory of the Netherlands. It may be assumed that this principle of tying the loans to American products has been approved by the NAC and will be embodied in future loans made by the Export-Import Bank. So, also, may it be assumed that other feasures of this loan are a pattern for future activities of the Bank. The purchases financed by the loan are all to be made through private American trade channels. The interest payments, starting with 2½% during the period ending Dec. 31, 1950, and increasing by steps to 3½% during the last five years, indicate that the policy of the Bank and the NAC is to cover not only the interest cost to the United States, but also the operating costs of the Export-Import Bank in connection with the loan. Thus, there appears to be in this case no attempt to conceal a gift to the borrower, but rather the intention to recover the full cost to the United States.

Public Flotation Seems Envisaged

The announcement of the new Dutch credit reveals the intention of the Export-Import Bank to replenish funds lent to the Netherlands through the sale of Netherlands obligations to the general public in the United States by the Export-Import Bank. The Bank's agreement with the Netherlands Government provides that the notes which that Government gives the Bank in evidence of its borrowings under the credit shall be of such denominations as the Bank specifies, shall have interest coupons attached if requested by the Bank, and shall be registered by the Netherlands Government under the Securities Act of 1933 as amended, if the Bank so requests. By thus raising money on the private investment market here the Export-Import Bank expects to help channelize private capital to a public purpose. Utilization of this technique is to be expected in future Export-Import Bank credits to foreign governments. That this policy has the endorsement of the National Advisory Council is a safe assumption.

Loans to Defaulters

Another Administration loan policy which, while not new, has the endorsement of the NAC, is apparent in the Export-Import Bank's recent announcement of a $33,000,000 credit arrangement with Chile. The Chilean Government has long been one of the conspicuous Latin American defaulters on bonds held by American investors, having discontinued the reduced rate of bond service voluntarily resumed in 1936. Since then Chile has diverted to other uses some $23,000,000 of revenues earlier designated for the service of the dollar bonds. From the bondholders' viewpoint, the recent Export-Import Bank credit to Chile is a case of using taxpayers' money to reward a defaulter. The Chilean credit is being criticized also on the ground that the steel plant to which the bulk of these funds are to be devoted cannot operate economically in such a small market as Chile without very high tariff protection.*

Concern Over British Request

Throughout its history the Export-Import Bank appears to have been guided by the intention to operate without net loss to the Government. Thus, as noted above, the variable rates in the new Netherlands credit agreement, averaging about 3%, will yield about 1% more than the over-all cost of money to the American Treasury, or enough to take care of the Export-Import Bank's operating costs in connection with this credit. And, incidentally, it is believed that the over-all rate of 3% is sufficiently high to prove attractive to the investment market, assuming no general rise in interest rates in this country.

Between the terms of this credit to the Netherlands and those for which the British have been asking since the termination of Lend-Lease there is a wide difference. According to press reports, what the British are asking for contains a large element of "gift" in the guise of waiving interest and sinking fund payments, both during an initial period of grace and during any year when balance-of-payments conditions would render such debt service by the British to this country burdensome. What the British want is a new form of Lend-Lease aid that will be palatable to us in this post-war period—a gift dressed as a loan. It is inconceivable that the granting of such lenient terms to the British would not be used by other countries as an argument for equivalent if not identical treatment of their needs. It is even possible that the extension of a gift-credit to Britain might sometime be cited by other Governments as a reason for renegotiating American-Government loans made to them on a businesslike basis. Among those in Washington who want this country to be as liberal as possible with the British are some officials who are frankly concerned about our creating such a precedent.

NAC Not a Goldfish Bowl

So far as is known, the facts set down above have not previously appeared in print for the reason that the chairman of the National Advisory Council seems not to desire any publicity not of his own making. In gathering the facts for this article the writer was unable to obtain any assistance from Treasury officials on this particular subject until such time as Secretary Vinson makes some public statement thereon. This he is expected to do in the course of a public address about the middle of November. In other words, the NAC is not conducting its work in a goldfish bowl.

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*Those who defend the action of the Bank in this instance state that, on the other hand, any attempt to link loans by the Export-Import Bank with settlements on defaulted dollar bonds might well defeat the statutory purpose of the Bank's operations, which is to promote the foreign trade of the United States. They add that, not the bondholders alone, but a score of interests, would like to see various conditions attached to loans made by the Bank to foreign governments; and that the past activities of the Bank, by strengthening the economies of debtor countries, have undoubtedly helped in a number of instances to make possible the resumption of service on old debts. Persons familiar with the Chilean steel mill project are said to emphasize that it has been under careful study for several years; that the best available American engineering talent has been retained; that the technical staff of the Export-Import Bank has analyzed it exhaustively from every point of view; and that the mill will be put into operation without any increase in existing imports duties, which are not particularly high.

Official Washington is hopeful that Chile will before long resume the suspended service on its dollar bonds.

Edmund Reed Co. Opens

EAST ORANGE, N. J.—Edmund Reed has formed Edmund Reed & Co. with offices at 519 Main St. to engage in an investment business.

Borrowings Lower in Month of October

The New York Stock Exchange announced on Nov. 2 that the total of money borrowed as reported by Stock Exchange member firms as of the close of business on Oct. 31 was $911,115,092, as compared with $947,256,180 on Sept. 29.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government was $323,057,245; (2) on all other collateral $588,057,847; reported by New York Stock Exchange member firms as of the close of business Oct. 31, 1945 aggregated, $911,115,092.

The total of money borrowed, compiled on the same basis, as of the close of business Sept. 29, 1945, was, (1) on direct obligations guaranteed as to principal or interest by the United States Government, $349,844,174; (2) on all other collateral, $597,412,006. Total $947,256,180.

Business Man's Bookshelf

Investment Timing—A Method of Forecasting Major Trends of Business and Security Prices—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.—paper.

Making People Like Your Bank—New York State Bankers Association, 33 Liberty Street, New York 5, N. Y.—paper—80¢.

Manual of Stock Transfer Requirements—Raymond J. Berlin and Raymond C. White—Fairchild Publishing Co., 8 East 13th Street, New York 3, N. Y.—cloth—$2.50.

Tax Program for a Solvent America, A—Committee on Postwar Tax Policy, 50 West 50th Street, New York, N. Y.—paper.

War Loss Recoveries—Report of the Tax Committee of the National Foreign Trade Council, Inc.—National Foreign Trade Council, Inc., 26 Beaver Street, New York 4, N. Y.—paper.

Will Negroes Get Jobs Now?—Herbert R. Northrup—Pamphlet No. 110 issued by Public Affairs Committee, Inc., 30 Rockefeller Plaza, New York 20, N. Y.—paper 10¢.

Ohio Valley Group of IBA Elects Boles

LOUISVILLE, KY.—At the annual meeting held by the Ohio Valley Group of IBA on Oct. 29, 1945 at the Pendennis Club, the following officers were elected:

Chairman: Ewing T. Boles, The Ohio Company, Columbus.

Vice Chairman: C. T. Diehl, Provident Savings Bank & Trust Co., Cincinnati.

Secretary-Treasurey: Dale F. Linch, Berwyn T. Moore & Co., Louisville.

Executive Committee: J. A. White, J. A. White & Company, Cincinnati, Ohio; J. E. Sohn, Lincoln National Bank, Cincinnati, Ohio; Chester A. Lucas, Stein Bros. & Boyce, Louisville, Ky.; J. R. Burkholder, Almstedt Bros., Louisville, Ky.; Thomas Graham, ex-officio, The Bankers Bond Company, Louisville, Ky.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A rising Government bond market was slowed temporarily last week, following the announcement by the Treasury, that War Loan accounts of the banks would be limited to 30% of Deposits, (minus Treasury balances) as of Oct. 31, 1945. . . . The new regulation means that the banks must pay for customers subscriptions in cash when the peak figures in War Loan deposits has been reached. . . . The payment of excess subscriptions in cash will reduce the reserve balances of the banks, with a corresponding curtailment in the ability of these institutions to make loans or purchase outstanding Government obligations. . . .

Undoubtedly this decrease in purchasing power will not be allowed to take place, since it is indicated that the banks will keep War Loan deposits within the limits set by the Treasury. . . . By doing this their reserves will be available to take on the outstanding eligible Government obligations that are likiely to come into the market, as a result of "normal portfolio adjustments. . . ."

DULL TRADING INDICATED

Also it is reported that the banks do not want to borrow from "Federal" unless it is necessary, to buy the outstanding issues that may be for sale. . . . The restriction upon the creation of War Loan deposits will no doubt discourage the practice of inducing customers to sell outstanding issues to raise cash for new subscriptions. . . . It is also believed that it will slow down trading in the outstanding securities during the drive. . . . The Treasury by new regulations and through rigid enforcement of old ones, hopes to eliminate the objectionable practices of previous drives. . . . This will be considerable of a task since almost everyone wants to get in on the Victory Loan, which may be the last large public drive for funds. . . .

Also it is indicated that the premium which will probably be available in the longer term bonds will have attraction for purchasers, who in the past, have not been very permanent holders of the issues they took on during these drives. . . .

These restrictions and regulations which have been envoked for the Victory Loan, nevertheless will make for a better distribution of the drive issues. . . . This should have a good effect on the Government bond market, which is eventually headed for higher prices. . . .

PRESENT MARKET

A good demand still continues for the bank eligible obligations, with the 2½% due 9/15/67/72, the trading favorite. . . . After making a new alltime high this bond reacted slightly on light volume, only to advance again early this week to another alltime top. . . . The June and December 2s of 1952-54, were active at new highs for the year, with a good damand appearing for the 2½s due 1952-54, and the 2¼s of 1952-55. . . . Some switching was reported out of the 2½s due 1056-53, with the funds being reinvested in the drive issues and the 2½s due 9/15/67/72. . . . The partially exempts were bettter with the 2¾% due 1960-65 moving on to a new all-time high. . . . The restricted bonds moved along with the rest of the market, and the 2¼s of 1956-59 climbed to a new top. . . .

POST DRIVE PREMIUM

It is indicated that the longer term drive issues will go to a sizeable premium after the completion of the Victory Loan. . . . . The opinion is widely held that the 2½s will be selling between 101 and 101½ shortly after they are avalaible in the open market. . . . Also there are many who believe that this bond will sell at 102. . . . The 2¼s will probably not be far away from the levels reached by the 2½s, although the higher coupon obligation seems to be the most favored issue at this time. . . .

It was pointed out that the reason for the greater demand for the 2½s over the 2¼s is attributed to the opinion that it may be a long time before there is another offering of the 2½% bonds. . . .

Indications are that the Treasury, after the Victory Loan, will be well fixed with funds which should carry them through the present fiscal year without further borrowings. . . . If the deficit of the Government should decrease sharply, as is expected by some market followers, the Treasury in order to cut the debt burden will probably finance the bulk of its decreasing needs with low coupon short term obligations. . . . Although the Treasury could finance smaller deficits, with short term issues, they might offer some long term obligations. . . . If this should be the case it is believed that the coupon rate of these securities, will be lower than those now being sold in the present drive. . . .

POLITICAL NECESSITY

Since interest rates today are much more of a political factor than an economic one, it is to the interest of the Government to keep them low and to reduce them whenever and wherever it is feasible to do so. . . . There is no doubt of the ability of the Treasury to control the money markets, which means that the level of interest rates will be where the Government wants them to be. . . .

It is believed that the British in the not distant future will reduce the interest rate on long term obligations, just as they did on short term securities. . . . It is indicated that this reduction in the long term rate is to be made not only to further relieve the debt burden, but also to keep down the cost of new housing in England, which will need substantial amounts of long term capital. . . . The funds for new building, it is reported, must be obtained at a low interest cost. . . .

H. A. Ackerburg With Shillinglaw, Bolger Co.

CHICAGO, ILL.—Shillinglaw, Bolger & Co., Inc., 120 South La Salle St., announce that Harry A. Ackerburg, editor of the Illinois "Journal of Commerce" for the past ten years, has joined their sales department.

Fred D. Stone Rejoins John Nuveen & Co.

CHICAGO, ILL. — Fred D. Stone, Jr., Lt. Commander, USNR, who was formerly associated with John Nuveen & Co., 135 South La Salle St., has rejoined the firm. He had been in the service since September, 1942.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

Support at last Wednesday's lows turned entire market picture from bearish to bullish. Consider outlook now sufficiently good to warrant new buying.

Last week it was pointed out that despite the plethora of strike news which worried many security holders, the market itself wasn't worried. In the past few days additional evidence of the market's viewpoint, insofar as it was reflected in stock action, was given.

* * *

We now come to the point of reappraisal of the entire situation, not because of labor - management problems, but rather because the market is doing so well in spite of it. Obviously this improved action is a reflection of something more than trial balloons. You remember that prior to President Truman's speech there were all sorts of "authoritative" statements that he would recommend salary increases anywhere from 15% to as high as 30%. The market believed the reports and declined.

* * *

When the speech was finally made there was no direct recommendation of wage lifts and the market promptly moved up. Now we have another situation heavy with potential news. It is the management - labor conference. But unlike the rumors of Truman's speech, this one is apparently looked at by the market with optimism. Whether this feeling is any more justified than the previous one remains to be seen. But leaving the news, and the rumors of news, alone, it is a fact that the market is acting a lot better than it has in many a week.

* * *

Readers of this column are aware that even though I advised the retention of various stocks, I was basically bearish. I saw what I believed to be certain barriers to advances which I thought would take considerable doing to overcome. But there is one thing I have learned, and that is never to fight the market. At this writing it looks as if prices of more than just a handful of stocks are headed higher. The rails, for example, which have been holding back, have, on Monday, advanced sufficiently to practically confirm the bull trend in the industrials. It is possible that this confirmation may be a boomerang. That is, it may confirm just enough to make everybody wildly optimistic and when everybody thinks the millenium has arrived, it may turn around and go down again. Still, that is a chance one has to take.

* * *

In the meantime stocks look higher and some of them sufficiently so to warrant buying. The stocks I now suggest are as follows: Allied Mills, buy between 34 and 34½ with a stop at 33. Lockheed, buy between 31½ and 32½ with a stop at 30. Buy Western Union between 51½ and 52½ with a stop at 50. I am aware that Western Union is faced with a strike, or at least labor difficulties, but the stock itself indicates higher prices and that is what we go by.

* * *

You still hold A. M. Byers at 19 with a stop at 20½. The 23-24 range is still loaded with sales, but in view of the strength of the rest of the market, it is likely to go through. But the stop should now be raised to 21½.

* * *

Paramount, bought at 30½, is just about through its obstacles from 44 to 46. So long as it acts okay, hold it. But the stop which last week was 40 should now be lifted to 43.

* * *

Among the rails there are some that act better than the group and some worse. For example Delaware & Hudson is about 10 points under the average. On the other hand Great Northern preferred is about 10 points better than the rest of the rail average. The same disparity exists between Southern Railway common and the preferred. The common is about 3 points above the group while the senior issue is just about even with the market. This doesn't mean that the laggards are "due" and should be bought. On the contrary it usually indicates that the stronger issues will continue to be strong and during a reaction the laggards may react more than the group. A direct application of this would mean to get out of such stocks which don't do as well as the market, even though they are in the black, and most particularly when they're in the red, holding on to those that are as good as, or better than the market.

* * *

By the way last Wednesday's lows, which were so important, held, and that more than anything else was the tip-off for a change in heart.

* * *

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.]

Ingalls & Snyder Admit Veldran; Lee Is With Firm

Ingalls & Snyder, 100 Broadway, New York City, members of New York Stock Exchange, announce that Thomas B. Berentsen, a general partner, has retired from the firm. Chester C. Veldran, associated with the firm for 15 years, has become a general partner, and Norman C. Lee, formerly a partner in Fellowes Davis & Co., has been made manager of their investment department.

Raffensperger, Hughes to Resume Business

INDIANAPOLIS, IND. — Raffensperger, Hughes & Co., Inc., which discontinued business for the duration in 1942, will resume the investment business from offices at 3615 Coliseum Avenue. Officers are George W. Raffensperger, President and Treasurer, and William Shannon Hughes, Vice-President and Secretary. Mr. Raffensperger has been on active duty with the U. S. Naval Reserve since 1942. Mr. Hughes has been with the FEA.

L. R. Harrison Opens

Leon R. Harrison is resuming the investment business from offices at 181 East 93rd St., New York City. Mr. Harrison, who has been serving in the U. S. Navy, was formerly senior partner of Harrison & Lein.

New Equipment for Economic Rail Operation

(Continued from page 2216)
locomotives, cars, railway material and personnel. It has eliminated "bottle-neck" points of congestion, increased capacity, reduced delays, saved man-hours and increased the operating efficiency of the railways. While railway signaling is generally installed to increase the safety of train operation, during war time conditions, with its shortage of railway material, equipment and labor, it has proven beyond all doubt that it is an important factor in increasing operating efficiency and economy.

Centralized Traffic Control, Automatic Block Signals, Car Retarders, Interlockings and Continuous Cab Signals are some of the important signaling systems which have helped to make the railways operate so economically and efficiently during the past years. In the short time available today, I would like to call your attention to the economics of C. T. C. and one of our newest developments, Inductive Train Communication.

Centralized Traffic Control

C. T. C. is a term applied to a system of railway operation by means of which the movement of trains over routes and through blocks on a designated section of track is directed by signals controlled from one point without requiring the use of train orders and without superiority of trains. The system is adaptable to single or multiple track, the majority of installations being on congested single track.

With C. T. C., a machine is located at the Division Headquarters and connected by a line circuit to field stations at sidings along the railway. The person operating the machine is aware at all times of the location of all trains in the territory by means of small lamps located in a track diagram on the upper portion of the machine. There are small levers and push buttons on the front of the machine by means of which the signals and switches are controlled. The controls issued from the machine are checked by the wayside signal system which determines that it is safe for a particular control to be executed before the control can become effective to change the position of **any** function. An automatic traingraph records the "OS" time of each train as it passes a siding switch.

All regular train operations are carried out in accordance with signal indications. Wayside signals, at the point involved, instruct the train crews to proceed on main track, to take siding, to leave siding or to stop. The controls and indications from the machine to the field stations are handled on two wires irrespective of the length of controlled territory. The work involved in operating a C. T. C. machine is considerably less than the older method of directing trains by train orders and time-table.

C. T. C. practically eliminates the time element in directing trains as direct control of each train is made possible without dependence upon operators and train orders and their resulting delays. The territory involved varies from a few miles to a division of 171 miles or more depending upon local operating conditions.

Siding switches are power operated and protected with controlled signals with intermediate automatic block signals between sidings to facilitate following train movements. As the controlled switches and signals are under direct control of one person, he can frequently advance trains that would ordinarily under train orders be held at distant points and move the trains as required by conditions with considerable saving in delay time. Non-stop meets are of frequent occurrence and often 50% of the meets are made without stopping either train.

Extent of C. T. C.

Since the first installation of C. T. C. in 1927, there were on Jan. 1, 1945, 314 installations on 53 railways totaling 6,290 track miles in the U. S. A. and Canada. These projects controlled 940 sidings, 3,070 switches and 9,210 signals. About 1,500 additional track miles will be installed during the year 1945. Several hundred miles of C. T. C. are in service in Canada, Mexico, Brazil, England, France and Russia.

Some of the larger users of C. T. C. are: Santa Fe, B. & O., B. & M., C. & O., C. B. & Q., Milwaukee, Rock Island, D. & R. G. W., Erie, L. & N., M. P., N. C. & St. L., Nickel Plate, N. & W., P. RR., P. M., 'Frisco, Cotton Belt, S. A. L., S. P., T. & P., U. P., W. P., and C. N.

Economic Advantages of C. T. C.

1. Saves locomotives, cars, train stops and personnel. The saving in locomotives and cars is often more than sufficient to pay for C. T. C. Several projects saved over four locomotives, 100 cars, and 100,000 train stops.

2. Saves freight train hours, averaging over 100 minutes per 100 train miles. The average freight train time saving on 20 C. T. C. projects was 1.34 minutes per train mile, while in a few cases the saving has been 2 to 3 minutes per mile.

3. Increases gross ton miles per train hour. On eight C. T. C. projects, the increased tonnage per train varied from 1 to 16%, on one project the GTM per train hour increased 89% and on another project 95% more loaded cars were handled west bound and 135% more empties handled east bound.

4. Increases track capacity by greater utilization of existing facilities. The per cent. increased capacity will vary with local conditions but will vary from 50 to 85%. Several projects have handled 60-75 trains per day on single track and one railway reported 93 trains handled in one day.

5. Saves additional trackage. Thirteen installations of C. T. C. saved 332 miles of second track estimated to cost about $19,000,000. C. T. C. costs about one-fifth to one-tenth of the cost of track with about the same ratio for maintenance per year.

6. Reduces the number of sidings required for meets and passes from 20 to 50%.

7. Reduces annual operating expenses due to saving in: train hours, train stops, locomotives, cars, train order offices, personnel, track facilities, signal facilities, crew overtime.

The annual saving in operating expenses less the increased cost of maintenance and operation and interest on the C. T. C. investment usually pays for the project in one to five years.

8. Increases the safety of train operation as main track switches are power operated or equipped with electric switch locks. It reduces chances of personal injury to trainmen running ahead of train to open switches and running to catch train after closing switches and it eliminates chances of improperly opening a main line switch in front of or under a train.

9. The expedited train movements improve the competitive position of the railway and fits in with the future development of the railway plant.

10. Provides increased capacity to meet sudden demands for handling extra traffic due to defense activities, floods, detour movements or other emergencies.

Cost of C. T. C.

The cost of C. T. C. has varied from $3,000 to over $10,000 per mile depending upon existing signaling replaced, siding extensions and track retirements, number of sidings and signals controlled, the number of main track switches, interlockings, highway crossing protection, number and classes of trains, etc. C. T. C. is applicable to light traffic lines of less than 20 trains per day as well as for heavier traffic lines of 65 trains per day. C. T. C. should be designed to suit the traffic requirements with economy.

Future Application of C. T. C.

While C. T. C. has generally been installed in the past four years on congested single track lines and such installations will continue to be made due to their economic advantages, it is probable that some of the 50,000 miles of non-automatic block signal mileage on light passenger carrying lines can be equipped with C. T. C. in order to meet competition with economy and safety.

The reduced traffic following the war period is bound to affect some multiple track lines on which the traffic can be handled more economically with reduced trackage and C. T. C. operation. The increased demands for higher wages for railway employees will result in efforts being made to handle railway operations with increased efficiency. It is therefore believed that the field for wider application of C. T. C. on many lines will become desirable in the post-war years.

Inductive Train Communication

While Train Communication, communication by voice, as well as by signals, between trains and fixed points, between points on the same train and between trains, has been widely discussed in the press and radio for the past year or so, actually the railways have been making tests for the past 30 years. The first installation on road freight service was made in 1931 and in yard service in 1938.

I. T. C. is related in fundamental principle to the familiar telephone and telegraph carrier systems used on many American railways for the purpose of securing additional channels over existing line-wire circuits. It functions on electronic principles just the same as radio, but it is not "radio" in the commonly accepted sense of the term. It operates on a modulated carrier wave which is transmitted over a path made up of the tracks and the existing line wires parallel to them. Wayside stations are coupled to the track and to line wires which parallel the track. Vehicles transmit and receive by induction. It is ready for use whether trains are standing or moving, coupled or uncoupled, or whether the equipped vehicle is on or off the rails.

Our experience with many kinds of train signaling developed basic requisites for train communication as follows:

1. The system must be rugged in order to withstand the very severe shocks and vibrations found in railway service.

2. Simplicity of operation must be provided and as simple to use as the ordinary telephone.

3. Communication must be private so that the conversations are audible only to qualified railway personnel.

4. Interference with other communications must be avoided with railway or other communication systems.

5. Ease and economy of maintenance must be provided so as not to delay train operation.

Train communication is not intended to replace other methods of conveying orders to trains which must be given by rules, time-table and train orders, or by signal indication. No system of voice communication can, by itself, afford the degree of safety and operating facility provided by signal systems, nor can it substitute for signal indications in the direction of trains.

It is a valuable auxiliary to other means of communications for train operation because it gives the dispatcher better information as to what is happening on the railroad and permits more effective utilization of the wayside signal and communication systems.

Extent of I. T. C.

As of Oct. 15, 1945, there were in service or under construction 19 yard installations on nine railways with 87 equipments and four road installations on 655 miles of road on three railways with 488 equipments, as follows: The railway yard projects are on the A. C. L., Big Four, C. B. & Q., C. & O., G. N., L. & N., N. & W., P. RR. and T. RR. A. of St. Louis. Road installations are on the B. & L. E., P. RR. and A. C. L.

Economic Advantages of I. T. C.

1. Expedites through freight trains an average of 30 minutes per trip on a divisional run resulting in quicker turning of locomotives and release of freight cars.

2. Routine operations are expedited; air tests can be completed in less time; trains can be started sooner in cases where flagmen have been sent out and recalled. Any operation dependent upon hand signals can be expedited especially with 100-125 car trains.

3. When entering a siding, the conductor may quickly notify the engineer when the train is in the clear, and, upon leaving a siding, when the hand-thrown switch has been closed and the brakeman is aboard.

4. The conductor can notify the engineer to resume speed promptly after the rear end of the train has passed over "slow track."

5. Better coordination is obtained between engine and train crews in comparing orders and planning work at stations. Should it be deemed necessary by the conductor to stop the train, he can immediately request the engineer instead of applying the air from rear of train with the possibility of a break-in-two. The engineer may also inform the conductor as to the reason for an unusual stop and of action that may be required.

6. It permits means of conveying information between trains concerning a hot journal, loose car door, shifted lading, etc., which may reduce delay or prevent an accident.

7. Other trains can be warned of possible hazards sighted along the track or right of way.

8. When trains are stopped under conditions requiring flag protection, or when it is evident that an adjacent track may be fouled, the crew can immediately warn other trains in the vicinity in addition to providing the required flag protection.

9. It provides means of reporting immediately to the wayside stations any unsafe condition that may be observed, such as irregular track surface, high water, slides, live stock on right of way, etc., which may avert an accident.

10. Trains stalled or stopped for any reason can report the cause of the delay, the time required for clearing the trouble, or whether assistance is required.

11. It will enable the dispatcher to keep in closer contact with train movements and sometimes eliminate delays for meeting and passing trains. It increases the supervision of train movements.

12. It will he helpful in the handling and disposition of cars that develop defects enroute.

13. It has immeasurable safety value for train operations in foggy and inclement weather and especially during the winter months.

14. Provides facilities for instantly changing passing points with conflicting traffic as required by unexpected operating conditions.

15. Eliminates the necessity for stopping trains when necessary to communicate with train crews.

16. Reduces chances of personal injury to train crews as necessity for personal contact with head end of trains is eliminated.

17. The expedited train movements improve the competitive position of the railway.

18. In yard operation, instructions can be given directly to the engineman without interference by fog, smoke or other conditions which might obscure the wayside signals. Better speed of operation can be secured as the limited number of wayside signal indications is replaced by the greater range of verbal instructions. Special instructions can be promptly transmitted to suit the local conditions.

While no actual economic data is available on road installations, it is expected that the time and other savings will more than justify the cost of maintenance, operation and interest on the investment.

Published reports have been made on three yard I. T. C. installations at Sharonville, Columbus and DeCoursey which showed that the average saving of the three yards was about 100% per year.

It is hoped that this brief summary of C. T. C. and I. T. C. will give you a better picture of how these systems are helping the railways to expedite traffic safely and economically.

Nationalization Without Tears?

(Continued from page 2215)
ernment's requests to the Bank and the Bank's requests to the privately owned banks, for the purpose of securing the execution of its economic plans.

"But if that is the case," argued a Conservative critic, "then the Bill is superfluous, while if it is meant to be used for other purposes it is dangerous." To this a Government supporter replied: "On the contrary, if the banks mean to collaborate with the Government in any case the Bill is harmless, while if they contemplate refusing to collaborate then it is, from the Government's point of view, necessary."

In reality, the mere possibility of nationalization would have been sufficient for the Government to secure obedience. Why then was it necessary to proceed in such a haste with introducing the Bill? Perhaps the Government wanted to carry out the nationalization of the Bank and the acquisition of powers to control the other banks, while the going was good. It is possible to visualize a position some years hence in which a split between the moderate and extreme wings of the Labor Party might imperil the existence of the Government. In such a situation it is conceivable, in the absence of legal means to control the banks, that they might seize upon an opportunity to disobey the Government, knowing that the latter would no longer be in a strong enough position to effect their nationalization.

The terms of the Bank of England Bill seem to indicate that the Government is anxious to collaborate with capital and enterprise rather than antagonize them beyond the extent that is inevitable as a result of its program of nationalization. Evidently, the Government is willing to spend a few additional millions of pounds for the sake of reaching friendly settlements with the owners of industries it wants to nationalize. And it is more than willing to retain the services of those who have managed nationalized enterprise while under capitalist ownership. Even so, nationalization is bound to cause resentment, and a gradually stiffening resistance has to be reckoned with. The formula of "Nationalization without tears" has yet to be invented.

Our Prospects For Trade With India

(Continued from page 2205)

The highest award for valor in the British Commonwealth is the Victoria Cross. Out of a total of 120 awards so far, India has won 21, as compared to 11 awards to Australia, 7 to New Zealand, 3 to Canada and 1 to South Africa.

Paying a tribute on Feb. 27, 1945, "to the splendid fighting record," to use his own words, of the Indian troops in his command, our General Clark, Commander in Chief of the Allied Armies in Italy, said: "No obstacle has succeeded in delaying these troops or lowering their high morale in fighting spirit. I salute the brave soldiers of these three great Indian divisions." And General Lucian Truscott, who was in command of the American Fifth Army in Italy, said: "The Indian troops in this theater won the respect and admiration of all Allied soldiers with whom they have been associated. The successes they have achieved in a long compaign under trying conditions of weather and terrain bespeak their soldierly progress. During the brief period under my command they have executed difficult movements and accomplished successfully the most difficult operations. It is an honor for any commander to have such troops under him."

India produced and manufactured 80% of its own war equipment, uniforms, guns, tanks, howitzers, planes. It supplied much clothing for our own troops in the Indian theater, as well as considerable ordance for British troops in India and Burma. Indian troops and labor built scores and scores of airfields, airfield runways, and strips for British and American planes.

If we are to follow the logical consequences of the repeal of the Chinese Exclusion Act, then indisputably, the argument forces itself upon our consciousness that the people of India and their descendants are deserving of no less equal and equitable treatment.

But leaving aside the potent argument that from the Chinese have been removed the unconscionable stigma of "lesser breed," and leaving aside the equally unanswerable argument that the soldiers of India have bravely fought a common foe on the battle fronts of Burma, Italy, North Africa, and against the Japanese in southeastern Asia, a higher morality demands that we prove to ourselves and to the world that our preachments of democracy are not empty tenets.

We cannot, on one hand revile the Nazi theories of racial supremacy; and, on the other ignore the sinister implication of our immigration legislation that bars one people and not another, restrictions based on no moral or ethical ground save that of man's origin.

My bill will make permissible the admission of somewhat less than 100 Indians annually. The opposition makes much of the competitive labor argument and of the evils of widening immigration legislation. But opposition based on such arguments has no foundation in fact when we consider that only 100 may come in each year. It would take 100 years to admit 10,000. It would take 50 years to admit 5,000. Surely labor has naught to fear.

It is not a special privilege we accord the East Indians in establishing for them an immigration quota, nor is it an act of condescension from our favored heights. It would be, rather, the acknowledgment of our sincerity in our still echoing battle cries and a renewal in the faith of our founders.

It is interesting to note that there are about 3,896 Indians registered under the Alien Registration Act. Most of them came in before 1924, the date of the present Immigration law. These Indians are already assimilated. They are part and parcel of our life. Over 200 of their sons served in our armed forces. These sons, being born here, are, naturally citizens. All the others here will, under my bill, become eligible for citizenship.

The passage of my bill will create great psychological and economic benefits for us. Failure of passage would involve a terrible let down to India.

Indians are a proud people with thousands of years of culture and history behind them. They would resent the continued aspersion cast upon them by the failure of the bill to pass. Passage would establish a bridgehead of mutual esteem and respect.

It is interesting to note the efforts India is making to improve her economic and industrial position in the world. I am struck with the forthrightness and the courage and the resourcefulness of the industrial and economic leaders of India in putting forward the Bombay Plan. The Doyens of the business community seek to develop the Indian economy and are preparing a blueprint for action. In a word, the objective is to raise the standard of living of the masses of the population by doubling the present per capita income from $22 to $45 per year within a period of fifteen years. I could hardly believe the print before my eyes when I read that the average income of India is only $22 per year. This is totally inadequate even for the most essential requirements of life. The Plan points out that the absolute minimum needs require annually at least $25 per year. The plan emphasizes the importance of basic industries and calls for the development of consumption goods industries and service industries. It contains a vast program for hydroelectric power developments, engineering and transport projects. The present total of 300,000 miles of roads is to be doubled, railroad mileage is to be increased by 50% over its present 41,000 miles. $150,000,000 dollars are to be spent for coastal shipping and improvement of harbors.

The Plan evisages an external loan from the United States of two billion dollars. Thus, through the loan, India's creditor position and her huge trade balances in her favor, India can realize a goodly portion of the sums to aid in the carrying out of this plan. Supplementing these financial sources, arrangements will be made for an internal loan of ten billion dollars.

The entire plan, however, will fall to the ground unless there is a non-blocking of the sterling pound to India's satisfaction, a point which I will come to in a moment or so.

We must remember that the economic development of India will be of great advantage to America. India's internal financial resources are vast and untapped, her foreign balances are substantial. It is contemplated that India will send to the United States at least a few hundred men for training in all spheres of economic activity and America will send to India her engineers, technicians, chemists, businessmen and administrators. All this will develop a great impetus to imports from the United States, the only country that can really meet the Indian demands. Industrialized India will foster larger and wider trade between the countries. Raising the standard of living for India's millions will lend even a greater impetus for import and export between the countries.

We thus have a golden opportunity in India. How silly it would be, therefore, not to pass a bill like my own. If my bill were not to pass, we could hardly expect India after receiving a blow represented by such defeat to grant any benefits to us by increasing trade with us. On the contrary, the encouragement that would follow on passage of my bill would sharpen the desire of India to do business with us.

I do not wish to overemphasize the commercial benefits to be gained in establishing conditions of mutual respect. We stand on just as firm, if not firmer, ground when we urge its passage on the basis of morality. Let's not forget that for one moment.

A little while back I made mention of the blocked sterling pound. It deserves more than mere mention in passing. The centralized control of Britain over the pounds of the sterling countries is creating a dismal climate for all international trade. India, for instance, with the huge favorable balance of trade with the United States cannot touch the dollars to buy the much needed goods. These dollars have been converted into pounds and the pounds frozen in the sterling area bloc pool. India has the dollars to buy and yet is precluded from trading with the United States to satisfy her ever growing demand for consumer and capital goods. England cannot supply them. The United States is not permitted by virtue of this device to supply them. A deadlock results. India suffers; the trade of the United States suffers, but the device which England found necessary during the war to conserve hard currencies is not being done away with now that the war is over. The industrialization of India cannot go forward just so long as the sterling bloc pool is in operation. The shortage of consumers goods is causing inflation in India. It is an intolerable condition, not to be countenanced a moment longer than is absolutely necessary. The Sterling Bloc pool in effect is like a controller of trust funds handing out dribbles of money to a beneficiary and then saying that the money can't be spent anywhere but where he orders it to be spent. Leaving aside the effects on international trade, we can readily see how this affects all efforts on the part of India to proceed with any plan for internal improvement. Those pounds must be unlocked and reconverted to dollars as they were originally, leaving India to trade freely wherever she finds the goods she drastically needs.

I have talked at length about accord between India and the United States, but all our efforts will be for naught if we have a continuation of what is happening in Indonesia. Britain has had the temerity to use Indian troops to quell disturbances in Dutch and French territory, and in addition has had the hardihood to use American Lend-Lease tanks, airplanes and equipment, plainly marked with American insignia. This can hardly be said to be a use of Lend-Lease weapons America contemplated when the agreement was first made. It is difficult to understand the motive that actuates the British authorities in their use of American Lend-Lease materials for such sinister purposes. It was natural for the Indonesians and for the Indo-Chinese to infer that America was fighting them. It is past understanding how Secretary of State Byrnes merely tapped the British on the wrist and asked that the American insignia be taken off. That certainly did not remedy the situation. The U. S. Government possesses the power under its Lend-Lease contracts to deny to nations receiving Lend-Lease aid the right to use United States weapons to put down native uprisings or to overrun neighboring nations. The country can—and must—demand that Lend-Lease armaments used for such purposes be returned.

One further fact must be mentioned. I have sent the following letter to Assistant Secretary of State William L. Clayton. It speaks for itself:

Dear Mr. Clayton:

It is reasonable to suppose that Great Britain during the period of negotiations for an external loan from us (at a rate that will not even pay service charges) would soft-pedal on the abominable trade barriers she erects against us.

Yet only recently orders have been issued through the office of the British Embassy which makes it exceedingly difficult, if not impossible, for any American citizen to obtain a visa to his passport to enable him to proceed to India for trading purpose.

Heretofore Sir Grija Shanker Bajpai, Agent General of the Government of India, was empowered to issues visas at Washington and our citizen traders were not unduly hampered in securing visas for India.

Complaints in increasing numbers have recently reached me that the power to grant these visas has been now summarily removed from the Agent General of India and that power has been vested with the Indian Home Government at Delhi. Thus, consummation of the visa process will now take months. And when the application finally reaches Delhi, India, it will, in all likelihood, be referred to the Secretary of State for India, resident in London, with consequent additional delay.

After filing an application for a visa one will be constrained to wait an inordinate period, twiddling one's thumbs.

The good people of India are clamoring for our capital and consumers' goods, of which there is a grave dearth in India.

But Britain apparently vows that, come what may, no American businessman shall get to India to show and sell his wares.

Only a trickle of dollars is allowed India out of the Sterling Pool with which to buy our goods, although India is legally possessed of a $2½ billion balance against us.

The restrictions of the Sterling Pool militate against us sufficiently. But now injury is added to injury by these new visa restrictions and shenanigans.

If that's what the British call "cricket," let us play it that way. Let us deny British merchants access to our country.

I urge that you urge that the power to issue these Indian visas be restored to the Agent General for India. Strongest representations should be made to Lords Keynes and Halifax, the British Commissioners, that American business men deeply resent these restrictions and members of Congress, certainly, are not likely to view with much favor Britain's requests for economic and financial aid.

Sincerely yours,
(Signed) EMANUEL CELLER.

I don't wish to be misunderstood. England needs our help. We want to help England, but England as a condition precedent must rip out and do away with these artificial and irritating trade restraints.

Municipal News and Notes

The municipal bond market has acted extremely well during recent weeks, particularly with respect to the distribution of new issues, most of which were placed with investors in relatively short order. Highlighting this aspect of the much spirited performance of the market, was the speedy disposition of the $28,475,000 Chicago Park District issue. This operation, the largest in the municipal field for several months, was closed out by the underwriting group in a manner not unlike that which has attended many of the highly successful recent corporate undertakings.

Equally good results, moreover, attended the other principal offerings of recent date, such as the $2,750,000 Chicago School Board issue and that of $3,000,000 by Cincinnati, Ohio. Both of these issues, incidentally, produced exceptionally close competition among bidding groups, a trend that has been somewhat pronounced during the past month or so.

In the case of the Chicago School issue, due Jan. 1, 1956, and callable in stated amounts beginning in 1947, the winning tender was an offer of 100.432 for 1¼s, and the runner-up offer was a price of 100.418 for the same coupon. The remaining six bids, all for 1¼s, were closely bunched, with the first three being based on prices of 100.32, 100.302 and 100.285, respectively.

As for the Cincinnati offering, this marked the city's first sale of bonds on the market for many years, as the municipal sinking fund has been the depository of the other issues that the city has had occasion to sell. With this departure from previous practice constituting an added incentive, a considerable number of syndicates participated in the bidding.

The first two bids offered to take the bonds on the same combination of interest rates—$2,000,000 as 1s and $500,000, 1¼s, with the accepted tender naming a price of 100.2199, as contrasted with the second bid of 100.1199.

Many other examples could be cited in like vein, all of which lend support to the recent revival of confidence on the part of dealers in their ability to interest investors in issues having both investment and price attractiveness. Contributing importantly to the greatly improved sentiment, of course, is the absence thus far of any evidence of a pronounced increase on the supply side.

The fact is that the extent of new issue activity since V-J, for example, has been rather disappointing in light of the original forecasts. Moreover, the outlook for any substantial volume of financing between now and the close of the year is far from promising.

The calendar at this writing includes only five items of material size, with the first two, the $13,050,000 Baltimore (Md.) and the $1,500,000 Detroit (Mich.) sales, scheduled to be completed today (Thursday). On Nov. 20 the city of Florence (Ala.) will market $1,245,000 bonds, and the other two transactions are set for December, with the State of California award of $15,000,000 to be made on the 11th, and Richmond (Va.) to open bids the following day on an offering of $2,840,000.

It is more than likely, however, that a number of additions to the present list will be made, particularly in consequence of the results of Tuesday's elections.

Aside from this possible source of supply, there is the fact that a number of other communities are already definite market prospects. The City of New York, for example, is not likely to long defer the acquisition of funds necessary to finance some part of its extensive public works program. In addition, voters of San Antonio, Texas, previously sanctioned the issuance of about $5,000,000 bonds for various new capital projects.

Leadership and American Business

(Continued from page 2211)

When the chief need of the American people was for material goods, certain individuals discovered means for meeting those needs, and they became the great businessmen of the country. Because they found ways to solve the problems of their day, they exercised leadership in their society. That leadership carried America far towards the goal of individual freedom and happiness.

If American businessmen are to continue to lead they must bring to the problems of today no less imagination, no less energy, no less ability than they have applied to the problems of production.

Essentials of leadership are awareness of the deep aspirations of people and ability to provide constructive suggestions as to how those aspirations may be realized. Leadership will not be granted to those who are content simply to point out the difficulties and flaws in the proposals of others. If today's managers of private enterprise are to justify their positions, they must conceive their duties in broader terms than simply the production of goods. They must have a sense of public responsibility; must see their function in society from a modern viewpoint, and must assume active roles.

It is not enough merely to "adapt ourselves" to changed conditions. We ourselves must help change conditions; we ourselves must find and show the way.

I do not want to convey any impression that I believe the responsibility is ours alone. What I am saying is that unless we bear our share of the load, the initiative will pass to others by default. Neither am I suggesting that today's complex economic problems do not at times require the help of government in their solution. But I am warning that when management, or labor, or local government or any other group turn to Federal aid to solve problems they ought to be capable of solving themselves, they should realize that they generally will have to give something in return. If one asks, for example, that the police powers of the state be used for his benefit, he does not get the advantages of that power for nothing. He has to pay, and often pay double. He may, in fact, be endangering the very freedom which is one of the basic aspirations of all our people.

When Private Leadership Fails

This is not because men in government are hostile to the liberties of the people. The question is simply how far in such cases the power of government will be used to regulate, and to what degree such regulation may become permanent. It seems certain to me that the regulatory powers of government will be exercised to the extent that the private leaders of our country fail to accept and meet the responsibilities that society has entrusted to them. So-called "government interference" often is not really interference at all, but is induced by the inadequacy of those who normally are depended on to meet the need. If America has proper leadership, few situations will arise which will call for intervention by government in the private affairs of its citizens.

In the Declaration of Independence there is a phrase which states that governments derive "their just powers from the consent of the governed." Let me paraphrase that and say that, in a free society, leadership derives from the willingness of people to follow.

People will follow someone who tries to find answers to their deeply felt needs. They will desert leadership which ignores their needs or which is limited to criticizing proposed solutions without putting forward any alternatives.

As evidence of this we have only to consider the support that can be obtained for what are often called "crackpot ideas" when those ideas seem to offer solutions to problems which face large numbers of people. The Townsend Plan is a good example. It won thousands of followers because it offered a scheme, however impossible of practical operation, for meeting the desire of people for economic security. It lost its force following the adoption of more practical measures which attained the same objective.

In this connection, I might observe that "crackpot ideas" are symptoms which may deserve more respectful consideration than we usually give them. Their very existence may call attention to a problem. The more such schemes there are, the more important the problem is likely to be. In the field of scientific invention, for example, the greatest number of novel ideas usually springs forth where there is most pressing demand for a new way to do things. Before Cyrus McCormick demonstrated his reaper in 1831 there were records of one German, two French, 22 American and 33 English attempts to make a reaping machine. Many of those devices were no doubt completely impractical—"crackpot ideas"—and when McCormick found the **right** answer to the problem of easing the toil of gathering grain, the earlier machines were discarded. But at least the inventors were trying—and they were making progress for all of us by that most basic device of the researcher—trial and error.

Needs of American Public

In general, the great mass of a people have a pretty accurate sense of the important needs of their time. What are some of the needs which most concern the American public today?

Obviously, they want a plentiful supply of low-cost products and services. But they want more than that.

They want protection against threats to their living standards through sickness, accident, unemployment and old age. They want the standards of their families protected against the death of the chief earner.

They want industry and labor to work together. They want small business and new business given every chance and encouragement.

They want leisure and the means to enjoy it healthfully. They want to raise their own living standards and to give their children opportunity for still higher ones. They want dignity, self-respect and jobs in which they get credit for what they do.

These things must be provided not just here and there but on a large scale. I think the solutions to these problems can come largely from American businessmen.

Business Men Will Find Answers

In the first place, businessmen already occupy positions of leadership—positions achieved through the ways in which they met the demands of society when our problems were principally those of production. In attaining those positions, businessmen have accumulated valuable experience. They are accustomed to solving problems. They are used to getting things done. What is more, they have the will to find answers.

Look around you today. Already we can see that those who are assuming leadership in business recognize the important problems of our time and are moving towards their solution. Let me quote from a recent article by Russell Porter of the "New York Times," reporting his impression of American businessmen:

"A fundamental change has come over the American businessman since 1929. Elmer Gantry has gone and so has the stuffed shirt with a dollar sign on front. . . . The typical businessman and industrialist whom one meets when traveling around the country is a keen specialist in management, production, engineering or one or other technical professions. . . . He wants sustained high levels of production and employment at good productive wages, in an atmosphere of industrial peace at home and world peace abroad . . . he takes a great deal of pride in the fact that the American system outproduced all the totalitarian regimes in the world combined during the war and considers it a matter of prestige as well as survival to do the same in time of peace. He is very conscious of the cause-and-effect relationship between depression, war and revolution and he is out to prove that the United States, with its free enterprise system, regulated of course for the public good and in the national interest, but not controlled by Government bureaucrats and secret police, can and will avoid the debacle suffered in other countries where the inefficiency of diluted brands of democracy has paved the way to power for reactionary elements; right in some cases, left in others."

The experience of the American businessman is a very valuable social asset. It is this experience which enables him to see the dangers in those "crackpot ideas" I have mentioned. It is important that such dangers be pointed out. But we should not stop with criticism. Showing up fallacies is a very important job, but when business stops there, it risks appearing negative or obstructive. Let us never be so intent on pointing out the ten good reasons why something won't work that we give the impression we don't want it to work!

In criticizing, let us always remember that many innovations which at first appeared impractical later turned out to be of great benefit. Consider, for example, that in 1832 a Boston newspaper, discussing a proposal to shorten the customary working day from 14 to 10 hours, commented as follows:

"It strikes the very nerve of industry and good morals by dictating the hours of labor, abrogating the good old rules of our fathers and pointing out the most direct course to poverty; for to be idle several of the most useful hours of the morning and evening will surely lead to intemperance and ruin."

In addition to offering our sound appraisal of programs proposed by others, let us present our own plans for change of American life where there is greatest demand for progress.

If we are to exercise leadership, we cannot sit on the sidelines. We must examine trends and ideas many of which are related only indirectly to our immediate business concerns. We should furnish ourselves with facts, not prejudices — form accurate opinions, make plans and expound them.

When we say that we have experience, we are saying that we have experimented, that we have tested and tried. The words "**experience**" and "**experiment**" come from the same root, meaning "to test," "to try."

American business won its position of leadership by its willingness to push out into uncharted territory, to measure with skilled judgment the risks connected with such enterprise, and to move ahead with daring and vigor.

Now, as never before, there are new trails to be blazed through the social-economic territories of the modern world—pathways to new and better forms of human achievement.

Let us lead the way!

NSTA Notes

(Continued from page 2216)

Second Vice-President: Michael J. Heaney, Joseph McManus & Co.

Secretary: Thomas G. Horsfield, Wm. J. Mericka & Co., Inc.

Treasurer: Howard Phillips, George R. Cooley & Co.

Directors: John F. McLaughlin, McLaughlin, Baird & Reuss; Gustave J. Schlosser, Union Securities Corp.; George V. Leone, Frank C. Masterson & Co.

Trustees of Gratuity Fund: Edward H. Ladd, III, The First Boston Corp.; Andrew R. Steven, Jr., Bond & Goodwin, Inc.

Delegates: Harry L. Arnold, Paine Webber, Jackson & Curtis; Abraham Strauss, Strauss Bros.; John F. Reilly, J. F. Reilly & Co.

Alternates: Lee Sherman, L. D. Sherman & Co.; Theodore Plumbridge, J. Arthur Warner & Co.; Henry R. Schmitt, Pulis, Dowling Co.; Oliver Kimberly, J. K. Rice Jr. & Co.; Joseph Kane, Geo. D. B. Bonbright & Co.

Nominating Committee (Four to be selected): Leslie Barbier, G. A. Saxton & Co., Inc.; David Goldstein, Newberger, Loeb & Co.; Walter V. Kennedy, A. M. Kidder & Co.; Allison W. Marsland, Wood, Gundy & Co.; Frank E. Mulligan, E. H. Rollins & Sons, Inc.; Walter E. Sullivan, Carl M. Loeb, Rhoades & Co.; Alfred F. Tisch, Fitzgerald & Co.; W. Foster Webster, Hardy & Co.

Members of the Nominating Committee are: Arthur W. Bertsch, Charles H. Jann, T. Frank Mackessy, Harry E. Reed and Willis M. Summers, Chairman.

NEW ORLEANS SECURITY TRADERS ASSOCIATION

At a recent meeting of the New Orleans Security Traders Association, the following officers and directors were elected:

Errol E. Buckner

President: Errol E. Buckner, Assistant Vice-President and Manager Bond Department, National Bank of Commerce in New Orleans.

Vice-President: Joseph P. Minetree, Manager Bond Trading Department, Merrill Lynch, Pierce, Fenner & Beane, New Orleans, La.

Secretary-Treasurer: J. A. Hawley, Resident Manager, Equitable Securities Corp., New Orleans, La.

Directors: R. M. Woolfolk, Senior Partner, Woolfolk, Huggins & Shober, New Orleans, La.; National Delegate; Harold Dane, Alternate Delegate, Manager Municipal Department, John Dane, New Orleans, La.; Joseph H. Weil, Alternate Delegate, Weil & Arnold, New Orleans, La.

Officers' and directors' terms expire Sept. 30, 1946.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold its Mid-Winter Dinner on Feb. 21, 1946 at the Benjamin Franklin Hotel.

BOND CLUB OF DENVER

The Bond Club of Denver has arranged two luncheon meetings with the Rocky Mountain Group of the Investment Bankers Association, at which two of the leaders in the industry will be speakers. Plans are being made for subsequent luncheon meetings and details will be announced later.

Interest has been displayed in again having a bowling league. Carl Mayer and Carl Stitt have agreed to head a bowling committee and expressions from the members, as to whether or not they are in favor, are invited. It has been suggested that four-man teams be arranged, all to bowl under handicap; the captains to be appointed by a committee. It is planned that the cost to each member for three games will be one dollar, and in this way a fund will be available for prizes and, it is hoped, a party at the end of the season.

Arrangements have already been made for the annual Christmas party.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold its annual Fall dinner party on Tuesday, Nov. 13, 1945 at the Furniture Club of America, 17th Floor, American Furniture Mart Building, from 5:30 p.m. to 1 a.m. Elevator service is at the west entrance to the building only, 667 North McClurg Court, between Erie and Huron Streets, three blocks east of Michigan Avenue.

Calendar of Coming Events

Nov. 13, 1945—Bond Traders Club of Chicago annual Fall dinner party—Furniture Club of America.

Feb. 21, 1946—Investment Traders Association of Philadelphia Mid-Winter Dinner, Benjamin Franklin Hotel.

Henry Dalby to Manage Dept. at W. E. Burnet

Henry B. Dalby has joined the New York Stock Exchange firm of W. E. Burnet & Co., 11 Wall Street, New York City, as manager of its department of research. During the war years Mr. Dalby served with the American Economic Mission in the Middle East, being stationed at Cairo, Egypt, and more recently as Lend-Lease representative in British East Africa in Nairobi, Kenya Colony. He was also connected with the War Production Board in the Conservation Division. Prior to these assignments Mr. Dalby was associated with financial houses for approximately 14 years. He was with the former Stock Exchange firm of Fenner & Beane for some time up to 1940 and before that with Van Alstyne, Noel & Co.

Reginald Foss, Et Al. Join Coffin & Burr

Coffin & Burr, Incorporated, 70 Pine Street, New York City, announce that Reginald E. Foss, formerly a Colonel with the Army Air Forces, is again associated with them, and that George E. Arnot, J. Albert Leek, and J. Kirk Milnor, formerly a Major with the Army Air Forces, have joined their organization.

Soden & Zahner Is Formed in Kansas City

KANSAS CITY, MO.—Soden & Zahner is being formed with offices in the Insurance Exchange Building. Principals are J. P. Soden, Robert W. Soden and V. H. Zahner, all of whom were officers of Soden & Co. in the past.

Neighboring Nations in One World

(Continued from page 2213)

determine for itself its way of life.

We believe other nations have a right to know of our own deep attachment to the principles of democracy and human rights, our profound belief that governments must rest upon the free consent of the governed; and our firm conviction that peace and understanding among nations can best be furthered by the free exchange of ideas.

While we adhere to the policy of non-intervention, we assert that knowledge of what other people are thinking and doing brings understanding and understanding brings tolerance and a willingness to cooperate in the adjustment of differences.

Censorship and blackouts, on the other hand, breed suspicion and distrust. And all too often this suspicion and distrust are justified. For censorship and blackouts are the handmaidens of oppression.

The policy of non-intervention in internal affairs does not mean the approval of local tyranny. Our policy is intended to protect the right of our neighbors to develop their own freedom in their own way. It is not intended to give them free rein to plot against the freedom of others.

We have learned by bitter experience in the past ten years that Nazi and Fascist plans for external aggression started with tyrannies at home which were falsely defended as matters of purely local concern. We have learned that tyranny anywhere must be watched, for it may come to threaten the security of neighboring nations and soon become the concern of all nations.

If, therefore, there are developments in any country within the inter-American system which, realistically viewed, threaten our security, we consult with other members in an effort to agree upon common policies for our mutual protection.

We Americans can take genuine pride in the evolution of the good neighbor policy from what in a way were its beginnings in the Monroe Doctrine. We surely cannot and will not deny to other nations the right to develop such a policy.

Far from opposing, we have sympathized with, for example, the effort of the Soviet Union to draw into closer and more friendly association with her Central and Eastern European neighbors. We are fully aware of her special security interests in those countries and we have recognized those interests in the arrangements made for the occupation and control of the former enemy states.

We can appreciate the determination of the people of the Soviet Union that never again will they tolerate the pursuit of policies in those countries deliberately directed against the Soviet Union's security and way of life. And American will never join any groups in those countries in hostile intrigue against the Soviet Union. We are also confident that the Soviet Union would not join in hostile intrigue against us in this hemisphere.

We are concerned to promote friendship not strife among neighbors everywhere. For twice in our generation strife among neighbors has led to world conflict. Lasting peace among neighbors has its roots in spontaneous and genuine friendship. And that kind of friendship among nations depends upon mutual respect for one another.

It is our belief that all peoples should be free to choose their own form of government, a government based upon the consent of the governed and adapted to their way of life.

We have put that belief into practice in our relations with our neighbors. The Soviet Union has also declared that it does not wish to force the Soviet system on its neighbors. The whole-hearted acceptance of this principle by all United Nations will greatly strengthen the bonds of friendship among nations everywhere.

But the point I wish to emphasize is that the policy of the good neighbor, unlike the institution of marriage, is not an exclusive arrangement. The best neighbors do not deny their neighbors the right to be friends with others.

We have learned that our security interests in this hemisphere do not require its isolation from economic and cultural relations with the rest of the world.

We have freely accepted the Charter of the United Nations, and we recognize the paramount authority of the world community. The Charter, while reserving to us and other nations the inherent right of individual and collective self-defense in case of armed attack, requires that enforcement action taken under regional arrangements be sanctioned by the Security Council of the United Nations Organization.

Moreover, we adhere strictly to the policy that cooperation among the American Republics does not justify discrimination against non-American states. The American Republics have practiced the policy of equal treatment for all states which respect the sovereignty and integrity of their fellow states.

Inter-American cooperation is not inconsistent with world-wide cooperation among the nations. Regional arrangements, like the inter-American system, which respect the rights and interests of other states and fit into the world system, can become strong pillars in the structure of world peace.

But we cannot recognize regional arrangements as a substitute for a world system. To do so would promote the common and paramount interests of all nations, large and small, in world peace.

We live in one world, and in this atomic age regional isolationism is even more dangerous than is national isolationism.

We cannot have the kind of cooperation necessary for peace in a world divided into spheres of exclusive influence and special privilege.

This was the great significance of the Moscow Declaration of 1943. That joint statement of policy pledged the world's most powerful nations to mutual cooperation in winning the war and maintaining the peace. It was a landmark in our efforts to create a world community of nations and to abandon the discredited system of international relations based upon exclusive spheres of influence.

Out of the Moscow Declaration have come the Dumbarton Oaks, Teheran, Crimea, San Francisco and Potsdam Conferences. And the United Nations Organization and the London Council of Foreign Ministers were created in the spirit of that Declaration.

International cooperation must—as I emphasized in my recent report on the London Council—dpeend upon intelligent compromise. It does not require us or any other nation to neglect its special relations with its nearer neighbors. But it does require that all neighborly relations be fitted into an organized system of international relations world-wide in scope.

The world system which we seek to create must be based on the principle of the sovereign equality of nations.

That does not mean that all nations are equal in power and in influence any more than all men are equal in power and influence. But it does mean equal respect for the individuality and sovereignty of nations, large and small. Nations, like individuals, should be equal before the law. That principle is the cornerstone of our inter-American system as is the cornerstone of the United Nations.

Adherence to that principle in the making of the peace is necessary if we are to achieve enduring peace. For enduring peace is indivisable. It is not the exclusive concern of a few large states or a few large groups of states. It is the concern of all peoples.

Believing this, the position of the United States will continue to be that the nations, large and small, which have borne the burdens of the war must participate in making the peace.

In centuries past powerful nations have for various purposes tried to divide the world among themselves. They failed, and in failing left a trail of blood through the centuries. Such efforts have even less chance of success in the modern world where all nations have become neighbors.

Today the world must make its choice. There must be one world for all of us or there will be no world for any of us.

NASD Censures Halsey, Stuart & Co.

(Continued from page 2209)

legitimate and exceed reasonable limits. The Investment Bankers Code, voluntarily adopted by a large number of investment and brokerage houses in 1934, specifically included a section which set forth certain rules of conduct for salesmen. The fact that a similar section prohibiting certain action on the part of salesmen was not spelled out in the Rules of Fair Practice does not justify any thought that the drafers of the rules were indifferent to the problem of high-pressure tactics. It is necessary that the National Association of Securities Dealers exact from its members compliance with high standards of commercial honor so that there will exist that degree of restraint and ethical decency which are necessary for the protection of the public.

Admittedly, respondent's proposal was highly conditional. It required registration under the Securities Act within a month—possibly too brief a time for the purpose; it contemplated extensions, if necessary, "by mutual consent" (obviously a situation which might enable respondent to escape from any commitment) and involved other technical uncertainties outlined in complainant's description of "Problems raised by Halsey proposal." (Record, pp. 7-15). Complainant voices a doubt as to the legality of respondent's proposed purchase on May 14 without prior registration. Registration, if necessary, would almost certainly have been impossible by that date. Any reasonable doubt on that point would alone have justified complainant in refusing to entertain the proposal. The record contains no evidence tending to show that the respondent had obtained a ruling or had been advised that the May 14 transaction did not require registration. It is beyond the province of this committee to determine whether registration would have been necessary.

There is no evidence to support a conclusion that respondent acted in bad faith in the sense that it did not intend to implement its proposals and carry them through to a successful conclusion to the best of its ability. There is no reason to believe that respondent was not ready to act immediately on its offer had it been accepted.

As regards respondent's conduct at the Hartford hearing, the facts are undisputed. Respondent walked into the hearing ignorant of the price at which complainant had decided to sell its bonds, and respondent planned to "top," if possible, complainant's proposed price and had prepared a written offer complete except for insertion of a price. It was a public hearing. Respondent clearly sought to take advantage of the information necessarily divulged by complainant at the hearing and to place complainant in a position which would compel complainant to abandon its substantially completed private placement negotiation and subordinate its plans to the respondent's desires. Respondent had a right to attend the hearing and to be heard if permitted by the Utilities Commission. But in the light of the complainant's prior refusals to negotiate with respondent, the latter's publication at the hearing of a proposal addressed to, but not previously shown to, the complainant was clearly a planned last-minute attempt to embarrass and harass complainant into doing business on respondent's terms and regardless of all other considerations.

The committee unanimously deplores the conduct of respondent in this matter. If the respondent's various actions are taken step by step, the committee can find no violation of the rules which would warrant the application of such a strict penalty as suspension or expulsion. However, reviewing the whole sequence of respondent's acts, the committee, by a majority vote (three members not participating), was of the opinion that respondent, in violation of Article III, Section 1, of the Rules of Fair Practice, indulged in high-pressure tactics without proper consideration for complainant's wishes and without observance of elementary principles of decency and courtesy which are inherent in the conception of high standards of commercial honor. For this reason, respondent is hereby censured under Article V, Section 1, of the Rules of Fair Practice, and ordered to pay all the costs of this proceeding.

Halsey, Stuart's Reply

Halsey, Stuart at the hearings contended that the complaint "proceeds on the basic misconception that at the hearing before the Public Utilities Commission of Connecticut we were making a competitive bid and were trying to force the company, against its will, to deal with us. The company criticizes our proposal as repugnant to the spirit and practice of the competitive bidding which we advocate (Reply, p. 9).

"As clearly appears from the answer and from the record, we were not making a competitive bid, but were offering a guaranteed minimum price for the bonds conditioned upon their being offered at open competitive sale. In other words, we were merely underwriting an open competitive sale of the bonds.

"Such a sale in the case of this high-grade issue, in view of the relative smallness of the amount involved, would have attracted a number of bidders. We might or might not have been the successful bidder. As the company's reply itself states (p. 7):

"'Moreover, there was no certainty that competitive bidding required by the Halsey proposal would have resulted in Halsey being the successful bidder.'

"Furthermore, under our proposal, if accepted by the company, there was no risk of loss on the company, but, on the other hand, the company was guaranteed 107.50 for its bonds as against the private placement price of 106.980365."

Halsey, Stuart further stated that they "deny any violation of either the letter or spirit of the Association's rules, and contend that the transaction referred to was subject to the approval of the Connecticut Public Utilities Commission, and that the respondent properly endeavored, in connection with the Commission's consideration of the matter, to present as a desirable alternative, for the best interests of the company, its stockholders and the consuming public, a proposal that the securities in question should be sold upon open competitive bidding, at the highest price obtainable, and not at private sale."

The members of Business Conduct Committee No. 13, which had jurisdiction in the instant case, are: George N. Lindsay (Chairman), Swiss American Corporation, New York City; Herbert F. Boynton, F. S. Moseley & Co., New York City; T. Jerrold Bryce, Clark, Dodge & Co., New York City; Philip L. Carret, Carret, Gammons & Co., New York City; James Currie, Jr., Troster, Currie & Summers, New York City; Roy W. Doolittle, Doolittle, Schoellkopf & Co., Buffalo, N. Y.; Wright Duryea, Glore, Forgan & Co., New York City; A. James Eckert, Mohawk Valley Investing Company, Inc., Utica, N. Y.; Tracy R. Engle, Buckley Brothers, New York City; Wilbur G. Hoye, Charles W. Scranton & Co., New Haven, Conn.; George J. Leness, Merrill Lynch, Pierce, Fenner & Beane, N. Y. C.; Julius A. Rippel, Julius A. Rippel, Inc., Newark, N. J.

Kold-Hold Mfg. Co. Stock on Market

Offering of 150,000 shares of common stock of Kold-Hold Manufacturing Co. is being made today (Nov. 8) by a banking group composed of Smith, Hague & Co., White, Noble & Co., and F. H. Koller & Co., Inc. The stock is priced to the public at $2 per share.

Net proceeds to be received by the company through the sale of this stock will be used to purchase machinery and equipment and the balance will be added to working capital.

Upon completion of this financing the outstanding capitalization of the company will consist of 249,505 shares of common stock ($1 par value).

The company was organized in Michigan in 1932. Products to be manufactured include plates and liners essential to the refrigeration systems. Outlets will be manufacturers in the refrigeration industry; especially those who will develop products for commercial and consumer use such as deep-freeze, cold lockers, restaurant and store equipment, farm milk coolers, soft-drink coolers, as well as continuing of its service to meat packers, dairy and ice cream manufacturers, and to the various distributors of refrigeration products who use plates and liners for a multitude of purposes.

Clogher & Co. to Be Formed; NYSE Firm

As of Dec. 15, the New York Stock Exchange firm Clogher & Co. will be formed with offices at 37 North East First Street, Miami, Fla. and 61 Broadway, New York City. Partners will be Dudley J. Clogher and Harry S. Graham, member of the Stock Exchange. Mr. Clogher, who will make his headquarters in Florida, was associated with J. S. Bache & Co. for a number of years. Mr. Graham has been active as an individual floor broker.

Burke & Co. Admits Fargo Balliet as Partner

Fargo Balliet, member of the New York Curb Exchange, has been admitted to partnership in the Curb Exchange firm of Burke & Co., 50 Broad Street, New York City. Mr. Balliett in the past was a partner in Mayer & Lann and Avery & Co. and did business as an individual Curb broker.

Arthur F. Bonham retired from partnership in Burke & Co. as of Oct. 31.

Congressional Agreement On Tax Measure—Early Presidential Approval Expected

Final approval of the bill cutting Federal taxes to the extent of $5,920,000,000 was given by Congress on Nov. 1, when the Senate ratified the measure as it came from conference, following the approval by the House on Oct. 30 of the conference report. With the Senate approval the bill went to the President for his signature.

On Oct. 27 the conferees agreed on details of the interim tax legislation and produced a measure cutting taxes in the calendar year 1946 by $5,920,000,000, compared to proposals by Secretary of the Treasury Vinson which amounted to only $5,000,000,000. The conferees agreed unanimously on the compromise bill, which would repeal the wartime excess profits tax on Jan. 1, reducing the tax bill of corporations by approximately $3,136,000,000 and that of individuals by $2,644,000,000. The individuals' cut would be increased to about $2,784,000,000 by repeal of the automobile use tax, amounting to an additional saving of $140,000,000.

When compromise was reached on the question of excess profits tax repeal, firmly opposed for the present by the House but insisted on by the Senate, the remainder of the bill was easily agreed upon, Mr. Crider reported. The compromise permits the excess profits repeal Jan. 1, instead of a year later as the House wished, and reductions are added for corporate taxpayers not in the excess profits brackets.

On Oct. 29 Representative Knutson of Minnesota, senior Republican on the tax-initiating House Ways and Means Committee, hailed the tax reduction as a boon to business enterprise. Future reductions, he said, "will depend on full production and elimination of wasteful spending by the administration." Associated Press advices from Washington as given in the New York "Sun" on Oct. 29, reported as follows on what would be accomplished by way of relief for individuals and corporations under the new tax legislation.

Boon for Individuals

"1. Reduce their payments by $2,644,000,000.

"2. Sweep 12,000,000 low-income taxpayers off the rolls completely, and assure 10% or more relief for millions of other persons earning up to $50,000 a year, with smaller-cuts, down to 5% in the highest bracket, for persons with incomes above $50,000.

"3. Set up special treatment for veterans of World War II by forgiving enlisted men all Federal income levies on their service pay during the war years and giving officers a three-year time extension for paying their back taxes.

Corporation Levies Cut

"For corporations:

"1. Cut business levies by $3,136,000,000.

"2. Repeal outright, effective Jan. 1, the war-imposed 85.5% excess profits tax; eliminate the capital stock and the declared value excess profits tax; and remove four percentage points from the graduated normal and surtax rates for firms with incomes up to $50,000 and two points for those earning above $50,000."

The Associated Press also said: "No definite date is set for a cut-back in the high wartime excise levies on such things as liquor, furs, luggage, jewelry and cosmetics, but the legislation has these other provisions:

"Social Security — The tax against employees' pay and employer's pay roll is frozen at 1%. Without this freeze the tax would jump to 2.5% against each on Jan. 1.

"Automobiles—The $5 a year use tax is repealed, effective next July 1, at a saving of $140,000,000 to automobile and truck owners.

The tax cut, which becomes effective next July 1, applies to next year's taxes. It will amount to an increase in take home pay for millions of persons on wages and salaries. The pay-as-you-go deductions from wages and salaries will be adjusted to reflect the reduced rates."

With no more than a day's debate the Senate voted on Oct. 24 tax reductions for 1946 amounting to $5,788,000,000, the Associated Press reported from Washington. The bill, differing from the House-passed measure of two weeks earlier by the adoption of two major amendments, increased House cuts by $155,000,000. Details of the bill as passed by the House were given in the "Chronicle" on Oct. 18, page 1869. The changes in the House bill which the Senate Finance Committee had recommended on Oct. 23, were readily agreed to by the Senate. Under the measure passed by the Senate on Oct. 24, according to the Associated Press, the following was the proposed reduction for tax payers:

Individual income taxes, $2,644,000,000.

Corporation taxes, $2,934,000,000.

Repeal of use tax on automobiles and boats, $140,000,000.

Repeal of 1941 excise taxes on sporting goods, stoves, electrical appliances, business machines, and photographic apparatus, $70,000,000.

The Senate bill also specified special tax treatment for veterans, the Associated Press reported. It forgave taxes on service income during the war years, and provided an extension of time for officers to pay taxes accumulated during the war. Provision for repeal of the excise tax on miscellaneous items came as a result of approval of a floor amendment proposed by Senator Robert A. Taft (R.-Ohio), who asserted that the levies had been placed on these goods to conserve strategic materials for war production and not to produce revenue. The other floor amendment adopted by the Senate was proposed by Senator Arthur H. Vandenberg (R.-Mich.), calling for limited relief for small corporations from the excess profits tax on their 1945 income, by providing that the combined credits and exemption against the tax shall not be less than $25,000. It would not affect large corporations which already have more than $25,000 in credits and exemptions.

Before acceptance of the amendments by Senators Taft and Vandenberg, the bill called for the following reductions, the Associated Press stated:

"$2,644,000,000 for individuals, by three changes: (A) putting the 3% tax on the same exemption basis as the graduated surtax levy, (B) trimming 3 percentage points off each bracket of the surtax, and (C) providing an over-all 5% reduction in the tax as figured under the first two steps.

"$2,849,000,000 for corporations, through repeal of the excess profits tax, the capital stock tax and the declared value excess profits tax, and by making reductions in the graduated surtax on corporations with incomes of less than $60,000 a year.

"$140,000,000 for owners of automobiles and boats, through repeal of the $5-a-year use tax."

One effect of the Senate-approved changes in the individual income tax, the Associated Press pointed out, was to remove an estimated 12,000,000 persons from the rolls. Of the 36,000,000 remaining, 32,000,000 in the lowest surtax bracket would get precisely the same relief as under the House bill, with a combined normal and surtax rate of 19% on taxable income above exemptions, rather than 23% as under present law.

"One of the major points of difference between the House and Senate bills, which must be solved in conference, is the treatment of wartime excise taxes," the Associated Press continued. "The House voted to reduce the rates on such things as furs, liquor, toilet articles, movie tickets, light bulbs and luggage to the 1942 level on next July 1, for an estimated loss of $695,000,000 in the last half of 1946.

"The Senate Committee, however, recommended that the rates be allowed to stand until six months after formal proclamation of the end of the war."

When on Oct. 25 the House declined to concur in the Senate amendments to the tax-cutting bill, the measure was sent to a joint Senate-House committee for differences to be settled, according to Associated Press advices, which pointed out that the chief sources of dispute centered around:

1. House insistence that Congress at this time write only a partial repeal of the war-imposed excess-profits taxes on corporations.

2. House belief that a definite cut-off date should be provided for the high war-time excise levies on such things as liquor, luggage, jewelry, furs and cosmetics.

The Senate provided outright repeal of the excess-profits levy but declined to write a definite end for the excises on so-called luxuries.

The Senate provision for veterans, exempting from taxation the service pay of enlisted men, and providing that both enlisted men and commissioned officers may have three years in which to pay deferred taxes, was accepted by the conferees.

The total of the bills providing cuts amounting to $5,920,000,000, has been accounted for by the conferees in the following manner:

Reductions for Corporations	
Excess profits tax	$2,555,000,000
Corporate surtax	347,000,000
Capital stock tax	234,000,000
Total	$3,136,000,000
Reductions for Individuals	
Income tax	$2,644,000,000
Automobile use	140,000,000
Total	$2,784,000,000

Besides outright repeal of the excess profits tax on Jan. 1, compromise on corporation taxes was achieved by mixing the treatment provided under the Senate and House versions on regular corporate income taxes, increasing the reduction in these taxes from the $63,000,000 stipulated in the Senate bill to $347,000,000; the House version had reduced them by $405,000,000. Compromise on corporate normal and surtax rates was arrived at by allowing House reductions on net income up to $50,000, and then mixing the treatment under both bills for net income above $50,000. The effective rate range for corporations with net incomes of less than $50,000 would be from 21 to 38% under the adopted plan, while corporations with greater than $50,000 net income would be subject to a 38% combined rate, compared with the present 40% rate.

Excise taxes, under the compromise bill, are to be according to the Senate version, which continues these taxes subject to the present law which automatically provides for their abolition six months after the President proclaims the end of hostilities. The House would have repealed the wartime rates as of July 1, 1946.

As far as individual income taxes are concerned, the conferees agreed on the Senate version, eliminating about 12,000,000 taxpayers in the lowest brackets by the method of substituting the surtax exemption of $500 for each member of a taxpayer's family including himself, for the single $500 exemption for the whole family under the present "normal" tax. In addition, 3 percentage points are cut from the rate applicable to each surtax bracket, and the amount of the tax due under the new basis will be reduced by an additional 5%.

Wages and Prices, Crucial Problem

(Continued from first page)

The final objective of this conference, I take it, is industrial peace—arrived at by consent of the parties involved, and not imposed by one party upon the other or by the Government upon both. You are seeking labor-management relations that will be lasting—and if they are lasting they have to profit both sides, and the public at large. In short, your objective is to find ways and means of reaching real and universal collective bargains that will promote the optimum not only of employment but also of production and consumption.

Any bargain, to be a real bargain, must satisfy the real needs of labor, management and the consuming public. It is doubtful that a collective bargain can long endure if it favors management at the expense of labor, labor at the expense of management, or both at the expense of the consuming public.

Now the kind of real and lasting bargains, the socially valid agreements that will maintain harmony in our industrial structure—these must by definition be based on knowledge and understanding. If they are not founded on reasonableness, they will not long be of benefit to either side; and they certainly will not meet the controlling requirement of serving the public interest—which is simply the general welfare of the whole nation.

We believe the necessary facts can be found and agreed on; we believe we can and must reach a general understanding among ourselves and throughout the country of what lies ahead.

The question of greatest interest to the public in the labor management field is, of course, the old problem of the relationship between wages, profits and prices. The answers we spell out here will need reexamination as time goes on and conditions change—because there is only one thing that is absolutely certain, and that is that conditions will go right on changing. But we must find these answers now.

In the immediate future, we still have problems involving price controls until production of peacetime goods comes up more nearly to demand in certain lines. None of us wants to see any further inflation. Neither do we want any considerable deflation that would seriously affect the whole price structure.

A question of fact, therefore, is how far we can go in meeting the natural desire of labor to avoid some of its prospective loss of wartime wage income without unduly squeezing management and stockholders between rising wages and ceiling prices. When we find the facts, we shall then have found a real basis for compromise—for a real bargain of lasting value to all parties.

If we maintain levels of production and wage income and effective purchasing demand—levels anywhere near approaching full employment—there are clear indications that basic wage rates can be raised substantially in many industries without generally increased prices and without impairment of the profit position. Unless this is done, the contrast between profits and other forms of income would generally be so extreme that business quickly would incur public disfavor. In fact, if wage rates are not increased, prices undoubtedly will be forced down, and this would be highly undesirable in the light of our national debt.

There are two perspectives in which the relationship between prices and wages may be viewed. One is the question that every plant executive must keep in mind—price minus cost equals profit.

The other equation of prices and wages and profits is the new national concept which we all must face. This is the concept of the nation's budget, which makes clear that, in order to avoid the deflationary spiral, the sum total of the nation's wages and profits must provide a total purchasing power great enough to buy the nation's output of goods and services.

In the present situation, incomes of wage earners are declining and, unless a substantial increase in wage rates is granted, this decline will continue into 1946 to such an extent that prices must inevitably be affected. Even with an increase of 10% in basic wage rates—say, 15% on the average in manufacturing industries and correspondingly smaller increases in other activities—total wages and salaries will be down from $20 to $25 billion from the total realized this year. Profits before taxes will go down proportionately, but corporate profits *after* taxes will probably be unaffected and perhaps even show a small gain. If such increases in wage rates are not made, the decline in wage and salary incomes will be even greater than $25 billion. There then will be severe downward pressure on prices after the Spring of next year, and profits will be correspondingly endangered.

Management, in some industries, may feel fairly secure in its established prices—and if the other fellow is not in the same position, then it's just too bad for him. But this would be a very shortsighted view of the situation—for there are vulnerable areas in manufacturing and especially in the trades and services. Furthermore, the prices received by the largest single group of producers, the farmers, are most vulnerable of all in the face of declining incomes; it is estimated that farm income by the end of 1946 would be down almost a third on the basis of sustained corporate profits and a one-fourth reduction in the total wage bill, even without allowance for a price decline.

Now, wages and farm income together comprise the large bulk of the purchasing power in our domestic markets; and I submit that no situation in which both these basic sources of income are greatly reduced will long permit the maintenance of industrial prices and profits, no matter how large a backlog of demand may be thought to exist. No group can expect that its position will be long protected if the whole of the nation's income declines.

Management in general surely prefers steady price levels. In its plans for reconversion and the installation of necessary equipment and the accumulation of necessary materials supplies, management should be able to proceed without fear that its capital will be impaired by declining values. Recovery will be assisted by confidence in the stability of prices and values. Lack of such confidence will contribute to a deflationary spiral which will make much more difficult the realization of our basic objectives.

So here we are at some kind of a crossroad. If you men of management and of labor fail to work out the procedures and practical machinery for reaching real and lasting bargaining agreements—based upon factual knowledge and understanding—then, whether you will it or not, you will have chosen the road that would lead

G. I. Profiteering in Foreign Exchange

(Continued from page 2207)

currencies; and subsequent efforts, all too often successful, to remit the proceeds home to the United States. Sometimes the sale of such goods is made on the legal market; sometimes, on the black market, when the merchandise sold is on a rationed basis.

The problem is not solely an American one, of course, since the troops of our Allies have also seen the opportunities. The goods which the soldiers sell, apart from personal property like wrist watches and fountain pens, may be obtained from Army stocks or by purchase from post exchanges.

Part of the problem, too, relates to the sale of American currency on Europe's black markets. Whereas invasion or occupation currency is used only in territories conquered from the enemy, the problem of controlling illegal currency transactions by members of our armed forces abroad is not confined to such territories. In countries like Belgium, France, the Netherlands, etc., there have been active black markets in foreign currencies such as the dollar and the pound. A soldier may come by the local currency through the sale of his own country's currency.

Finally, it should be pointed out, the problem is not confined to Europe.

The scarcities of goods abroad, the abundance of currency in the hands of the public everywhere when the fighting ended, the large military expenditures since V-E Day, the varying degrees of corruption of public morals as a result of the war, the uncertainty as to the relative values of different currencies and the like, have made it easy for GIs to get their hands on marks, francs, guilders, crowns, etc. Naturally the boys want to send their income home in the form of dollars, which creates a problem for the Army.

Army Is in Foreign-Exchange Business

Whereas a soldier may arrange to have part of his pay deducted and sent to his home, abroad he is paid in the currency of the country where he is stationed. In France he is paid in French francs; in Germany his pay is in Allied military marks. If he draws more pay in local currency than he spends in the country where he is stationed, or if he leaves that country, he is entitled to convert at the official rate of exchange such of his pay as he has not expended into the currency of the country to which he is going or else into dollars. To assist him in this the Army has set up Finance Offices all around the world. The Navy provides its men similar facilities. Thus, wherever the ATC flies the Army undertakes to exchange currencies for its men. I saw such facilities operating in Norway, Sweden and Denmark, as well as in Belgium, France Germany and England. The system was designed to meet the legitimate needs of our men abroad. But abuse has crept in, and to listen to the stories one hears in travelling abroad gives one the impression that it must be quite extensive. Unfortunately, the statistics which might reveal all the facts are not available here. Some fragmentary figures have come out of Europe, enough to confirm the reports of extensive abuse in Germany.

To prevent GIs from sending home the gains of theft and profiteering the Army has sought to limit remittances. But the GI is an ingenious fellow. As one of them put it to me, "There is always an 'angle.'" If a GI cannot himself buy all the dollars he wants at his finance office, he can go to another finance office. He is not required to do business at the same window all the time. Let us assume that a certain GI finds his local finance officer in Frankfort too inquisitive. He can either come back at another hour, when someone else is on duty, or he can change a small amount of money at Frankfort and change some more when he gets to Wiesbaden or Paris or London.

Alternative ways of getting marks or other monies converted into dollars are to have a friend do it, or buy a war bond (that's patriotic), or buy some goods at the post exchange or elsewhere. The trouble with buying goods with local currency at the PX is that there is always the temptation then to sell that goods and so start the process all over again.

One hears really fantastic stories of GI "profits." One enlisted man told me of a fellow who had sent home $36,000 before the Finance Officers started asking questions. Another told me of a GI who had got $15,000 out. Rare is the GI who has not at least a camera to show for his stay in Germany.

Money That "Cost Nothing"

What struck me in talking to American and other soldiers in Europe was the complacency with which they viewed the matter of stealing from the Government. Taking a few pounds of coffee to sell on the black market for local currency to be converted at the official rate of exchange may be just petty larcency, but it differs only in degree from the hijacking of whole truckloads of gasoline or other Army supplies, such as went on in France right in the midst of that country's liberation.

I met a Canadian soldier in Brussels whose blouse bulged with a camera and other articles. He was quite pleased with a wrist watch he had just bought with Belgian francs which he said had cost him nothing. What he meant was that he had got the francs by selling some locally-scarce goods which had cost him nothing. Perhaps Canadians find their finance officer a bit tough when it comes to giving dollars for francs.

Also in Belgium I met an American officer who had just spent two days in Holland and was bringing with him a fat bankroll of ten-guilder notes. I asked him whether he was not making a mistake in bringing out of Holland paper currency which the Dutch Government was about to call in. "Not at all," he replied, "I'm going to turn this in to the Army finance officer tonight in Brussels."

Military personnel whose duty requires them to shuttle back and forth between certain countries sometimes make a good thing of it. I was told stories in Belgium of truck drivers and fliers who made a regular business of carrying watches to Berlin, selling them there, and returning to Brussels for more watches.

Always an "Angle"

Of course, such a business is no good unless sometime you are able to turn the foreign currency you get into dollars, rather than watches in Belgium. With the Army trying to prevent just that, a fellow whose finance officer is not sympathetic with GIs may need some "angles."

In Paris I was standing with a GI at Pigalle watching the local black market in currency at work. A squad of six or eight MPs were searching some civilians, presumably for American cigarettes illegally acquired. My companion told me he had a pretty good angle. This was to stand in the Army PO and wait for GIs who had received money orders from home and were coming in to cash them. My informant would simply save them the trouble of standing in line, by cashing their money orders for them.

From time to time the Army newspaper, "Stars and Stripes," throws a little light on what is going on abroad in this field of enterprise. Last July that paper reported that 33,000 American troops in Berlin paid about $1,000,000 in the form of marks and sent home through the Army about $4,000,000 in American funds. Any non-governmental employer would go broke on that kind of business. The boys were cashing their mark profits on trading with the Russians.

In an inadequate effort to protect the American taxpayer the Army issued an order limiting to 110% of a soldier's unalloted pay the amount he might remit home. The commanding officers were made responsible for the enforcement of the restriction. Apparently, the 110% rule does not work.

Only the U. S. Treasury Loses

The "Stars and Stripes" of Sept. 20, 1945, carried a story from Berlin under the caption, "Very Frugal Yanks in Berlin Save More Than They Earn." Calling GIs the "thriftiest soldiers in the world," the article reported that in August some 30,000 American troops in Berlin sent home $3,163,519, or exactly $109,234 more than they were paid. This, however, was well within the permissible $3,348,646 they could have sent home during August under the full "unalloted pay plus 10%" rule. The article added that the 10% mentioned above was designed to take care of gambling gains. According to the figures quoted, nobody loses in Berlin,—except the U. S. Treasury.

In addition to the money the boys sent home from Berlin or otherwise banked during August, our GIs there spent $305,418 in the Post Exchange, the "Stars and Stripes" learned.

Cards to Check GI Profiteering

On Sept. 12 the "Stars and Stripes" carried a story from Berlin which was the next day described by USFET's* chief of staff, Lt. Gen. Walter Beall Smith, as "premature and not entirely correct." Just how incorrect the story was apparently could not be learned.

The Sept. 12 article predicted that the Army would institute a card system with the aim of limiting GI's home remittances to the unencumbered part of their pay. It quoted Col. Bernard Bernstein, author of the card system, as describing it as designed to check profiteering by American soldiers at eventual cost to American taxpayers. An important contributing factor was the sale of watches by GIs to Russians and Germans at fantastic prices, the "Stars and Stripes" reported.

One thing the above-mentioned new card system would do would be to limit exchanges of one currency into another. At present a GI travelling about Europe can change his money successively into francs, pounds, lire, guilders, dollars, etc., with no check on his overall transactions. Generally, the personnel of the Finance Offices all over the world are as accomodating as possible to Uncle Sam's travelling warriors. If a GI sells some cigarettes at fancy prices in guilders, marks or francs, the chances are he will want to turn the foreign money into dollars at the full rate of exchange.

*United States Forces European Theatre.

The card mentioned by Col. Bernstein will summarize the holder's financial status, his pay received, remittances obtained from home, etc., and sums he has drawn out in foreign currencies. The card will be inspected and brought down to date each time its holder receives or draws money or remits funds home. It will function much as does a bank pass book.

Col. Bernstein, a former U. S. Treasury lawyer who is now chief of the Finance Branch G5, USFET, told the "Stars and Stripes" that the Russians "print military marks in the same manner as we do and pay their soldiers the same as we do. However, only part of the Russian soldiers' pay is in occupation currency convertible into rubles. On the other hand, whatever we get is convertible into dollars." Taking issue with John W. Hanes' recent statements about the American Army redeeming Russian-printed occupation marks, Col. Bernstein said Russia's use of our plates was "without significance," adding: "Obviously we would want the same plates for the currency."

Mr. Hanes, it will be recalled, disclosed in the New York "Journal American" of Sept. 9 that the Russians had been supplied American plates for the printing of occupation marks and were "running hog wild with the marks their presses are turning out on a mile-a-minute basis." Certainly Russians in Berlin were spending marks like water, buying wrist watches and other articles from American soldiers, and if the Army Finance Officers were giving dollars for the soldiers' marks, they were in effect redeeming the marks the Russians were printing. What gave the picture a lop-sided twist was the fact that the Russians reportedly do not undertake to convert for their troops marks into rubles. Under such conditions the marks the Russian army has been paying to its soldiers in Germany, covering both current and overdue back pay, have to be spent in Germany or lose their value. This gives the Russian soldiers an added incentive in bidding for the wrist watches of Americans until a Mickey Mouse watch with a black face, provided it ticks, can be sold for $700 in marks. Naturally, Mr. Hanes' disclosure caused questions to be asked.

What Are the Facts?

Last week I called up an officer who, I was told, would be able to tell me the facts about the redemption of Russian-issued occupation marks by American finance officers. He was out when I called but his assistant told me that Army finance officers most assuredly do not accept such marks from GIs. When I reached the officer himself, he told me that finance officers certainly do accept Russian-issued marks from GIs "and why not?"

Lt. Col. Kelly Brazier, fiscal officer of the U. S. Berlin District, was quoted in "Stars and Stripes" of July 9, 1945, as saying that there never had been any thought of refusing to accept Russian marks at American Army finance offices, the only qualification being that our troops must offer a good explanation if they attempt to send home an "unreasonable" amount of Soviet-issued notes. For "reasonable" amounts, it seems, no explanation was asked.

Col. Brazier denied rumors that the Russians were issuing occupation marks on a wholesale scale. He expressed the view—evidently erroneous—that the Russian marks had been printed in Philadelphia. The rumors mentioned developed after one American infantry company sent home more than $8,000 during its first week of contact with the Russians, "Stars and Stripes" reported.

Col. Brazier was further quoted as saying that all invasion currency would be withdrawn and replaced by money issued by the German Government to the four occupying powers, "Stars and Stripes" added.

Red Army pay in Germany runs from 52 marks per month for privates to 5,600 marks for majors.

Eisenhower Order Is Clear

It is clear from a reading of the currency law governing Germany today that American Army finance officers have no right to discriminate against marks put into circulation by the Russians. Law No. 51 for the military government of Germany contains in part the following provisions:

Article I

Allied Military Marks

Allied Military Marks of the denominations specified in the schedule hereto shall be legal tender in the occupied territory of Germany for the payment of any Mark debt.

2. Allied Military Mark notes will in all respects be equivalent to any other legal tender Mark currency of the same face value.

3. No person shall discriminate between Allied Military Marks and any other legal tender Mark currency of equal face value.

Article II

Prohibited Transactions

4. Except as authorized by Military Government, no person shall make or enter, or offer to enter, into any arrangement or transaction providing for payment in or delivery of a currency other than Marks.

The schedule includes denominations of from ½ mark to 1,000 marks. The 1,000-mark denomination was never issued by United States forces and therefore is the only denomination of Allied Military Currency which American Army Finance Officers will not accept.

The Latest Word

Pending clarification of the Army's policy on the cashing of GI profiteering gains, reliance must again be put on the "Stars and Stripes'" Frankfurt reporter. On Sept. 30, that newspaper reported "No October Limit for Sending Money Home—If 'Legitimate.'" On Oct. 6, it reported, under the caption "WD to Tighten Money Controls," that new and more restrictive financial controls would be introduced on Nov. 1. Taken together, the official press releases on which the two stories were based were interpreted in Europe as meaning that the boys were to have a one-month period of grace during which to get their money home before the Army clamped down. Said the "Stars and Stripes": "The probability is, according to fiscal officers, that after Nov. 1 soldiers will be limited to sending home little more than their monthly unencumbered pay."

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us back into social-economic jungle.

The other road is that of industrial peace through a mutual concern for the general welfare—through full production, full employment, with higher real wages and more lasting profits than we have ever dreamed of before. In guiding us down this road, you here will have the satisfaction of knowing that you are pushing ahead into the new frontier of abundance.

John J. Moore Dies

John J. Moore, retired partner in the brokerage firm of Frazier Jelke & Co., 40 Wall Street, New York City, died at the age of 79. Mr. Moore, known to his friends as "the Judge" because of his keen interest in New Jersey politics, retired a year ago from the Company with which he had been associated for nearly 25 years. He began his career in Wall Street as a railroad bond specialist for the old firm of Winslow, Lanier & Company; among his clients were numbered J. P. Morgan, the elder; Jacob Schiff and John D. Rockefeller.

Paul G. Courtney Dead

Paul G. Courtney, Vice-President and director of Lee Higginson Corporation, is dead. Mr. Courtney made his headquarters at the firm's office at 50 Federal Street, Boston, Mass.

Labor and Management State Their Aims as Conference Convenes

(Continued from page 2203)

IRA MOSHER

originally phrased the objective of this conference.

Management and labor have a common interest in substituting industrial peace for industrial warfare. Never in our country's history has such home-front peace been more essential. Quick reconversion and the early establishment of high production levels are the only trustworthy defenses against the inflationary forces which press upon us from all sides.

So it is that all the management delegates here today approach the task before them, united in hope, of one mind in purpose, and with a common determination to think, and act, as "men of goodwill" who can, and must, "resolve their differences for their own and the common welfare's sake"—if I may borrow another trenchant phrase from Senator Vandenberg's letter.

I think that I would be remiss, on this auspicious occasion, if I devoted the brief time at my disposal to expressing merely the hopes of the group I am privileged to speak for today. For we come into this meeting with something *more* than hope.

We come with a wholehearted determination to find the answer to many of the industrial relations problems that are today plaguing the peace.

We come with a deep conviction that labor unrest is bad—for us, for the workers of the nation, for all people everywhere.

We come with an overwhelming desire to provide the highest possible standard of living and the greatest possible degree of security and protection for all.

We come unequivocally committed to the principle of *free* collective bargaining despite our serious misgivings as to the manner in which it is being practiced.

We come conscious of the dignity of labor and the right of workers to organize; firm in the belief that management must have the right to manage; convinced of the integrity of the gentlemen with whom we are to negotiate; sure of the fundamental soundness of the millions of workers that they represent.

We come here with an abiding faith that what we accomplish in the days to come will eventually be translated into terms of security, and opportunity and a better life for every American who works for a living.

And finally, we come here with an ideal which we, in common with all true Americans, will never compromise—the ideal of individual enterprise that is the essence of our cherished way of life; the very foundation of the system which has made this nation the envy of the world.

These are the things we bring to these deliberations, these, and an unshakable resolution to see that our every word and act here is, first of all, in the interest of the public welfare and for the good of our employees.

As I see it, one of the real purposes of this conference is to define the areas of agreement and disagreement between labor and management, so that the American people, in whose hands the destiny of all labor and business rests, may reach an informed and just decision. For this reason, I sincerely hope that we will find great areas in which all existing differences between these two groups can be resolved. For the same reason, I also sincerely hope that any areas of *disagreement* that may be disclosed here — and we trust that they will be limited—will *not* be glossed over by the utterance of pious platitudes and the *appearance* of a harmony that does not exist.

I submit, gentlemen, that neither side in this conference can afford to be a party to any side-stepping of our responsibility. Nor should we try to so deceive the people of this country. When we agree wholeheartedly, we can proudly point to our joint achievement. If we disagree in any details of our agenda, we must face the facts and tell the truth, each as we see it. With so many hopeful eyes focussed on these deliberations, we dare not do otherwise.

This conference holds more promise of genuinely constructive results than any conference of the kind that has ever been held. Previous efforts to develop labor-management understanding have resulted, all too frequently, in pressure upon management and labor to ratify a compromise decision imposed from the outside.

This, on the other hand, is a *genuine* labor-management conference. The agenda has been developed entirely by the management and labor participants. As a result, the meeting opens in an atmosphere of confidence that our deliberations will be along practical lines.

If we can hold to the understanding that Government is moderating — not dictating — the discussions held at these sessions, there is every reason to hope for genuine progress.

So much for the advance planning. It has been well done. To the extent that initial preparations can influence the result, this conference has every reason to be successful.

It has been my experience, particularly in recent years, that most people conceive of a conference between labor and management as nothing more than a meeting to consider whatever demands labor may elect to press. I think, therefore, that it is essential to a full understanding by the public of the real character of this meeting, that I tell you, in honest New England fashion, that we are not here to "meet demands" or to defend a flock of "sacred cows."

On the contrary, we are ready to present to the delegates assembled here a program of sound, constructive proposals covering every item listed on the agenda of the meeting. We are ready to confer, in the real meaning of that word.

We are ready to back up our hopes for this conference with specific suggestions that we have measured carefully against the yardstick of the public good and the best interests of all employees.

We are ready, gentlemen, to do our full part "to establish long-term policies which will make possible better human relationships in American industry."

If there are disagreements, therefore, it will not be because we come here with any lack of a liberal and progressive program. It will not be because we come with any rigidity of mind or heart. It will not be because of any limitation on our faith that all things are possible between men of goodwill, steeped in the American tradition of fair play.

I want to make one more point clear; a point which may be overlooked in time by those who will be following our progress here with the deepest interest.

This is labeled as a Labor-Management Conference. Its conferees are leaders of certain labor organizations and two associations of industry and commerce. But in reality, not one of the delegates here can make contracts that are binding on the group or industry that he represents.

In other words, this is *not* a national collective bargaining conference. Our function is simply to recommend those procedures by which industrial relations can be conducted most effectively at the levels where they belong.

We must remember, always, that our effectiveness will depend upon the extent to which the inherent "rightness" of our conclusions will justify the *voluntary* support of free management, free labor, and a free American citizenry.

Our function, as individuals and as a group, therefore, is purely advisory — inspirational, if you please. Yet we *are* here as representative American citizens called to this task by the first citizen of the land. As such, the conclusions we reach here should have considerable influence in the shaping of a better tomorrow for all our fellow citizens. At least that shall be our fervent hope if, as I believe, we can here chart the road "to productive peace instead of disruptive war on the industrial front."

And finally, gentlemen, let me try to rephrase our ultimate goal here. As I see it, it is not, nor can it ever be, some temporary or strategic advantage for *either* labor or management. Rather, it must be the welfare of the public and the good of the nation. Humbly, therefore, we here repeat our pledge to the President:

"We shall do everything we can to assist the conference."

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WILLIAM GREEN

responsibilities and because of the experience through which we have passed in dealing with labor-management problems we fully comprehend the difficulties which must be overcome if the high objective of this conference is finally reached. The success of the conference can only be assured through the maintenance and exhibition of an unselfish, broad, tolerant spirit and a strict adherence to the purpose for which the conference was called.

The problems which grow out of labor-management relations are not easily solved. Invariably, there are involved in these problems the welfare of those who toil, the yearning, on the part of the worker, for the realization of higher standards of life and living and the enjoyment of economic security. These are phases of family life and in most instances the formulation of policies designed to realize these objectives is characterized by an intensity of purpose and a feeling of determination to secure, for themselves and their families, the enjoyment of economic justice, educational opportunities and that freedom which follows such an achievement.

Management deals with more materialistic forces. Corresponding with this purpose and policy of wage earners is security of investment in industry, the earnings upon said investment, the growth and expansion of industrial enterprises, the cost of industrial production and the problems of competition in the sale of goods.

Both groups, however, must realize that the call of the moment is for the exercise of sound judgment, patience and understanding, and the demonstration of a sincere and frank attitude toward each other. In short, they must deal with each other in good faith.

Conference Should Be Limited To Agenda

It is my opinion that this conference should confine itself to consideration and action upon the seven points included in the agenda. Surely all of us must be fully conscious of the complexities of the problems which we will be called upon to solve if the work of the conference is confined exclusively to the consideration of each of the seven points listed in the agenda. The introduction of other controversial subjects, such as wages, full employment and legislation, for consideration by this conference, would make failure of the conference a foregone conclusion. For obvious reasons these are questions which should be dealt with between labor and management through collective bargaining on an industrial or plant basis.

In a real sense this is a peace conference. It is an industrial peace conference the purpose of which is to evolve a long-range plan through which employers and workers can arrive at the best attainable way of working together, producing together and serving the public together in harmony. It is not a conference to outlaw all disputes and abolish all strife. That is not its purpose. Instead we are commissioned to seek and, if possible, find a way to minimize industrial strife and deal with the cause or causes of strikes and lockouts.

The long-range interests of labor and management are parallel to and identical with the best interests of our nation. Under our economic and industrial system workers cannot get along without employers, nor employers without workers. Labor and management can get along only if they understand each other, reach an agreement with each other and work with each other and not against each other.

Freedom of action lies at the very foundation of the democratic process in industrial life. The right of workers to belong to unions and to work jointly for mutual aid and protection must not be interfered with or abridged. Freedom of workers to organize and to select representatives of their own choosing is essential to make the process of collective bargaining possible. Without collective bargaining there is no orderly process for fair determination and joint acceptance, by those who manage and those who work, of the standards under which men and women are productively employed.

Freedom of self-organization, which underlies collective bargaining, like every other freedom, carries with it a corresponding responsibility. It is the responsibility for orderly process and the responsibility for discipline. Neither management, labor nor the public, must lose sight of this all-important fact that collective bargaining is a means for workers to maintain self-discipline in their dealings with employers. The alternative to collective bargaining is industrial anarchy.

Acceptance of collective bargaining as the most democratic and the most efficient tool in industrial relations must be genuine and wholehearted. Perfunctory acceptance of collective bargaining is worse than no acceptance at all. The goal of collective bargaining is an agreement. The embodiment of that agreement is a contract. When management and workers enter into a contract they assume obligations which are mutually binding upon them. An operating collective bargaining agreement is backed by the understanding, accord and acceptance of every person covered by its terms and by their sacred honor. It means that the management has an inviolate obligation to carry out the contract and to adhere to both the letter and the spirit of said contract. It means that not only the representatives of workers but every worker who is a party to the contract has a personal responsibility in abiding by its terms.

Labor's basic right to organize and bargain collectively and the full acceptance of that right by the employers stands side by side with the right of employers to manage their enterprise and direct its operation without interference. That right should be respected and wholeheartedly accepted by all labor. It is for us to provide means whereby this right can be clearly defined and accorded universal acceptance throughout industry.

Responsibility of Management

The rights of management, like the rights of labor, carry with them corresponding responsibilities. The responsibility of management extends most directly to workers who, through service to their employer, acquire over a period of time a tangible interest in their job. Stability of employment, job security and ability of the worker to earn a decent living at rates of pay which accord with his contribution through skill, experience and effort to the productive performance of the enterprise is a part of that management responsibility. Equally important is the development of means whereby chosen representatives of workers who perform the work are given a cooperative share, by joint consultation and agreement, in the decisions made by management affecting the welfare of all employees and designed to better the productive effort of the enterprise itself. In other words, in every phase of labor-management relations, provision should be made for union-management cooperation.

On our acceptance of these basic principles depends our ability to stamp out the major sources of industrial disputes. Strife of any kind, and industrial strife as well, can be prevented only through the removal of its causes. To attempt to outlaw disputes by legal mandate is to ignore the real problems that underlie disputes.

Labor cannot and will not forfeit its right to protest. It cannot and will not surrender its right to strike. The right to strike is a part of the free enterprise system. By curbing this inherent right we would take a decisive and irrevocable step toward far-reaching regimentation not only of labor but of all industry as well. Unqualified recognition of that right is indispensable to the success of our task: to devise sound and just procedures, openly agreed to, which would make work stoppages unnecessary except as a last resort, when all peaceful means of settlement have been completely and finally exhausted.

In this meeting we must be frank as well as realistic. We must not only come to grips with manifestations of the disease, but also deal with the real source and cause of trouble. Let me, therefore, place before you, in broad outline, the following program as a basis for deliberation, discussion and agreement.

Scientific Collective Bargaining

In the modern world of modern industry and technology, science has led the way to progress. Advances in scientific knowledge and their application to man's technical skills have made greater strides than ever before in the history of mankind. But we have to admit that in human relations we have failed to apply our advanced knowledge to practice. In many situations involving large numbers of people, failure to arrive at an understanding, failure to reach an accord, represents a failure in our ability to devise procedures, to deal with facts and to make those facts understood.

A major source of disagreement and strife on our industrial scene is the question of wages. In the past, and especially in the last fifteen years, we have done much to help unions develop technical knowledge and factual information necessary to bring a better understanding to the workers and their representatives at the bargaining table of the operating problems of industry, and of production and management problems facing their employers. Technical research facilities have now been established by the majority of our national and international unions, and have provided them with new tools for meeting issues which confront workers and employers.

Time and again representatives of workers face employers who refuse to share with them essential information about the operation of their enterprise. This lack of information results in a lack of understanding, lack of confidence, and lack of willingness to accept a fair settlement and to assume a mutual responsibility.

In dealing with all issues, more attention has been given to the settlement of disputes that have already arisen, and not enough to problems which can be solved before they become disputes. Agreement on disputes which have already developed is more painful and less lasting than the advance agreement on remedies.

Collective bargaining is a primary requisite to industrial peace. This fact has been made clear by labor and management representatives who have negotiated agreements in a large number of industries over a long period of time. In the early days it was entered into as a form of experimentation. Many among both employers and employees entertained misgivings as to the virtue and value of collective bargaining. Many employers looked with disfavor upon it because, in their opinion, it only meant union recognition and the right of their employees to belong to a Union and to be represented through their Union. They failed to visualize the complete operation of such a plan and the potential value of such development in the promotion of industrial peace.

We have come a long way, however, in the promotion of collective bargaining. It has become more and more regarded as an instrumentality through which human relations in industry have been established upon a sound basis, industrial stability has been fostered and efficiency in production has been greatly increased. Collective bargaining, however, if made effective, must be genuine, free from pretense and void of hypocrisy. Those who participate in collective bargaining must be honest, frank and candid with each other. Neither side should participate in collective bargaining with mental reservations. They should participate in the deliberations which take place between management and labor representatives with a fixed determination to find a solution of all problems which arise and a settlement of all differences which may develop.

The record made by those who have led in the promotion of collective bargaining shows that it does not and cannot remain static or fixed but, instead, it has been consistently progressive, expanding and adapting itself to the technical and scientific changes which have taken place in industry and industrial production. No better plan has ever yet been devised. In fact, no other plan approximates it in effectiveness. It is the only satisfactory method which has been successfully utilized to develop peaceful settlement of disputes and to set up wage and working standards effective over definite fixed periods of time.

Now, Union-Management Cooperation

Injustice and grievance in most instances are the principal causes of disruption and strife. When grievances are corrected and injustices are righted, they are likley to be forgotten and are seldom made a part of a body of precedent - making experience which would enable us quickly to right a wrong under similar conditions. Lasting value can be derived from past experiences in correcting the practices and procedures which have led to industrial unrest. Union-Management cooperation can provide the machinery for means and methods of solving basic human problems in labor-management relations, not only democratically, but also scientifically.

Not all grievances are real. Sometimes they arise out of misunderstandings. Sometimes they are the result of irresponsibility on the part of either the management or the workers. There is no more effective means of extending a full sense of responsibility to all workers engaged in the enterprise than providing a means for them of sharing without reservation in the responsibility of improvement and progress of the enterprise. Union-Management committees set up to improve the working conditions, better the efficiency and productivity of a plant or department can do more than an outsider in bettering the productive record of that plant or department.

By union-management cooperation I mean an active policy on the part of unions in cooperating with management under a collective bargaining relationship for the purpose of promoting the common interest of both management and the workers in the plant or industry. Improvement of efficiency and of production standards, which serves to strengthen the competitive position of the firm, is a matter of vital interest to workers when they know that they can share in the return from improved operations.

The union represents an agency in which workers can place their full confidence and be sure that proposals accepted by the unions are not the device to sacrifice labor standards or workers' welfare. That is why union-management cooperation is the only true and effective form of labor-management cooperation.

Let us devise ways and means to extend the use of union-management cooperation toward the basic objective of increasing and improving production, reducing unit costs, and thereby assuring fair and better wage standards, a greater margin of earnings for the enterprise, and lower selling prices for the benefit of the consumer. These cooperative procedures can and should be used also to improve conservation of materials, maintenance of equipment, improvement of quality, reduction of lost time, safety, and a multitude of other factors of production.

A clear line of distinction should be drawn between the functional status of unions and management. Great care should be taken to avoid transgression upon the rights of either. The right of management to manage, free from interference on the part of the union should be scrupulously recognized, and the right of the union to administer its own affairs, free from the interference of management should be uncompromisingly maintained. It is in the exclusive field of industrial activity, where the mutual interests of employers and employees develop that union-management cooperation can render the highest type of service.

Once such a cooperative effort is put to work, we shall be ready to deal with the larger problem of union-management cooperation, industry-wide in scope, as a means of cooperative planning in which the management and the workers retain the initiative for setting and achieving the goals of industrial progress. So much for that.

Now, the Conciliation Service

When disputes arise and the available procedure established by agreement between labor and the employer has been exhausted, conciliation presents the first effective and tested step toward the settlement of differences. The United States Conciliation Service has made a great contribution in the past toward reconcilement of differences between both sides by skilled conciliators whose good offices were mutually acceptable to the parties.

In many ways the facilities of the U. S. Conciliation Service need to be improved and modernized. This service, one of the most democratically constituted agencies of the federal government and the most important to industrial peace, has long suffered from the lack of recognition by Congress of its value to the nation. Its staff has been undermanned. The salaries of its conciliators and arbitrators have been disproportionately low. It has found it difficult to attract and to hold men of top skills. Many of those who have served on its staff have done so despite the inadequate compensation paid for their work, because they realized its vital importance to the welfare of the country.

Much needs to be done, also, to enable the Conciliation Service to derive from its experience in successful settlement of disputes a record of continuity which would develop techniques applicable in similar cases. The first step toward this end has already been taken by Secretary Schwellenbach and Director of Conciliation Warren. An advisory committee has been recently appointed, consisting of representatives of employers, labor, and the general public, to help develop long-range conciliation policies. It may be well to have such advisory committees extended to the regional offices of the Service. This will make possible a continuing reexamination of the current conciliation experience and development of means and methods to improve the Service and render it more effective. This is one area in which the available machinery for the prevention and settlement of disputes can be greatly modernized and made more effective.

Now, last, Voluntary Arbitration

In many sections of our industry and trade, voluntary submission by both parties of issues in dispute to an impartial arbitrator, mutually agreed upon, has become a part of accepted and tested procedure. Provision for arbitration and for arbitration boards has proved to be an effective and efficient means of reconciling differences and of bringing decisions on the basis of facts without partiality. Let me suggest that this Conference explore means of extending, improving, and implementing the methods of voluntary arbitration as a part of the due process in the adjudication of the issues in dispute.

Voluntary arbitration is as effective a method for the settlement of disputes as the procedures which are designed to carry it out. To be effective, arbitration must be voluntary and democratic.

Arbitration fails if it is based upon compulsion. Compulsory arbitration has not worked in the past and will not work in the future. A compulsory imposition upon either management or labor of the uninvited and the unaccepted judgment of a third party can only bring about more unrest instead of promoting industrial peace. Compulsory arbitration goes against every precept, against the very grain of the democratic process. Labor and management must resist with equal strength any attempt to foist arbitrary compulsion upon them.

Now, I have laid before you, in broad outline, four areas in which we can jointly explore, four fertile fields which we can together cultivate. In the next few days we can only make a beginning in what is a long and arduous common task for both employers and workers. It is my hope that we approach this initial task with statesmanship and bring out practical proposals for the development in time of far-reaching solutions of our common problem.

To work together in a common purpose, in the interests of all consumers, all citizens, and all Americans, is for labor and management a joint responsibility which they have accepted and in which they should not fail. I thank you.

PHILIP MURRAY

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tion. What is the cause of this collapse? Does it result from an invasion by labor of management's prerogatives? Does it result from a breakdown of conciliation and mediation devices whereby differing viewpoints are reconciled? Does it result from a failure by management or labor to live up to collective bargaining agreements?

In short, is the present collapse of labor and management relationships one which has its source in procedural difficulties or disagreement over non-economic matters? If in this conference we were to apply a perfect therapy to such problems as labor and management responsibility, the prompt disposition of grievances, the strengthening of conciliation devices, would there be removed from the national scene the root cause of the disagreement between the employers of this country and their employees?

I have given this problem much thought, for surely it would be tragic if we permitted the absence of elementary procedural devices or mutual respect to separate us from industrial peace.

But this solution is too simple, too beguiling. The very widespread character of our current differences with management, the bitterness which identifies the feeling of the American employees—this alone tells us that we are in the midst of a condition for which a procedural solution though helpful does not reach into the roots of the problem. Where then does the answer to our problem lie? All over, American workers have joined in a crusade for a very simple objective—the restoration to their pay envelopes of loss in take home pay, the maintenance of a human standard of living.

Only an improvident shortsightedness could obscure the fact that what is involved in this universal wage restoration campaign is no mere quest for personal and private advantage. What is involved affects deeply the public interest, for fair-minded men cannot deny that the Great Debate which now ranges through our land involves the fate of our entire economy and the avoidance of a deflationary spiral which threatens the welfare of all of us.

Strong segments of the American employer group have, to put it mildly, not been receptive to the workers' dilemma—the dilemma of shrinking wages and rising living costs. These employers, moreover, have not been disposed even to bargain with respect to workers' wage restoration demands.

Consider the situation. The shifting tides of our economy have left workers stranded, deeply mindful of the brutal depressions of past eras, eager to achieve for their families and for the nation as a whole that economic stability and purchasing power which characterizes the healthy, prosperous economy. At the very time when history has cast collective bargaining in such a critical role, at the very time when it can yield the most for the common good, it has been rejected by so many American employers.

I say "rejected" advisedly, not to call names but to recite a bare fact. For, there is nothing quite so plain, clear and unadulterated as the word "No."

The word "No" has, by and large, been the answer of American industry to the workers' plea for a decent life.

The word "No" has **not been** the answer of the President of the United States. In his recent radio address, he stated that "wage increases are therefore imperative—to cushion the shock to our workers, to sustain adequate purchasing power and to raise the national income." The President emphasized that the answer could not be the word "No" in enumerating the specific factors which, in his words, "add to the ability of industry to increase wages."

The word "No" was not the answer of the staff of the Office of War Mobilization and Reconversion whose recent report condemned the word "No" as lacking a dollar-and-cents basis.

The word "No" has not been the answer of the Department of Commerce which has recently sponsored assurances that substantial wage increases are now economically feasible.

Our true problem then cannot be defined as wholly a procedural one. Our true problem is the little word "No." And we must not forget that the most effective and facile procedures which the wit of man can devise can't conjure away the word "No," nor heal the wound which it threatens to our common welfare.

I therefore earnestly urge that the conference, to meet the basic industrial problem which now confronts the nation, address itself to the urgent need of protecting the wage standards of American workers.

In meeting the challenge of this basic problem, let us remember that we are no mere idle witnesses to its unfolding. We ourselves have participated in and shaped it. We ourselves have the present power to resolve it not only by urging others but also through our own actions. The President of the United States has supplied the framework for the resolution of this burning issue. What greater contribution could we make to the welfare of our country than to use this conference as a medium for sponsoring the resumption of bargaining on the wage issue within the framework of the President's speech?

ERIC JOHNSTON

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total military effort without precedent in history have left millions of us a bit punch-drunk, a bit frightened, a bit impatient with one another.

We tend just now to magnify minor quarrels into major crises and major crises into revolutionary upheavals. The deliberate cultivation of a sense of proportion might well be our first order of the day.

This sense of proportion will show us that there are no stubbornly insoluble problems. Stubbornness is not in the facts but in the men called upon to deal with the facts. Once we bring tolerance, understanding and simple human consciousness to our tasks, half the job will be done.

But while there is no excuse for paralyzing alarm, there is even less excuse for complacency. In its economic life America faces clear-cut and fateful alternatives: peace or war, cooperation or violence, self-regulation or coercion by law. It is imperative that we choose and choose wisely if our amazing economic vitality is not to be squandered in bickerings where even the victors must lose more than they can conceivably win.

It is this fundamental choice which confronts the labor-management conference. If we make that choice clearly, unequivocally and unanimously, we shall in effect be registering a vote of confidence in the American way of life. Yet, this will not automatically solve our multitudinous detailed industrial problems. But it will remove some of the dynamite from social unrest. We shall define a spacious area of accord. This will give us an opportunity to mutually adjust the elements of discord.

While in a sense, we were chosen as partisans, we meet here as Americans.

We should face the fact that

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Labor and Management State Their Aims as Conference Convenes

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something has gone wrong in our mental reconversion from war to peace. The public is frightened not so much at what has happened as at what it fears may happen.

In starting the job of reconversion, we have neglected the first rule of sound industrial relations which is "sit down and talk it over." Contract making between labor and management is a hard, matter-of-fact business negotiation. We should not take the case to the public until we decide among ourselves where we agree and where we disagree.

We can't succeed if we live in an atmosphere of agitation and irritation. We won't succeed if spokesmen for either side hurl thunderous statements and biting epithets at each other like old-time rival military commanders about to engage in battle.

The epithet, gentlemen, is the natural enemy of sound industrial relations. Name-calling is the most deadly foe of the democratic process.

We can hardly blame the American people if they become a little sour at our constant bickering. They want peace more than they want anything else in the world—peace at home as well as peace abroad.

The industrial prosperity we all hope for will never come if we frighten the buying public by our conduct of labor-management relations.

I suggest that in the future, we meet less often in the headlines and more often around the council table. That's the democratic way of doing business. I say these things bluntly but with the utmost good humor. This is an excellent time for self-analysis and self-criticism. The wrong way to approach the problems that face this conference is with a hot head and a cold heart. The right way to approach them is with cool heads and warm hearts. The people of this country demand that we reach accord.

There is one fundamental result which must flow from this conference. This nation needs a code of conduct, a national charter, a set of principles, a national policy to govern the conduct of industrial relations. This code should rest on the foundation of four fundamental principles:

First: Labor unions are now woven into our economic fabric and collective bargaining is an essential part of the democratic process. The nation and industry must accept this as a fact. I mean accept it, not from the lips, but from the heart.

Second: Management must retain the unabridged right to manage. Its right to initiate, the right to make decisions, must remain where it is now.

Third: Both labor and management must recognize that ever higher standards of living come only from increased productivity. Anything which retards output or cuts into quality becomes by definition immoral, anti-social and untenable.

Fourth: The consumer, the worker and the investor must all share equitably in the fruits of increased production. Their respective shares might be labeled lower prices, higher wages, sounder profits. There is no limit to the abundance of good living which can flow from the wholehearted acceptance of this principle.

These are the four pillars of a practical, sound, labor-management relationship. We start today to take the first step—always the biggest step—to reach these objectives.

This nation owes its existence to a group of men who sat around the council table to attain agreement. The nation has progressed to greatness by the same process. The people are asking one question:

"Are we big enough to do the present job?" Gentlemen, I think we are.

Return to Collective Bargaining

(Continued from page 2203)

also knew that with the retention of controls every day and every week and every month that passed would increase the danger that they might be engrafted permanently into our system. Such a result would be disastrous to our democratic way of life. It would be inconsistent with everything for which the war was fought. It would fly in the face of every pledge made to those who sacrificed their lives. Therefore the Government made the decision to relax the controls and to take them off as rapidly as could be done with safety to our economy. We knew that in this action there would be involved many conflicts and controversies and the process would be painful and difficult.

In the field of management-labor relations there was another factor which required the Government to change its course. The whole system of wartime control of labor disputes and management and labor relations was founded upon the no-strike and no-lockout pledge. The removal of that left our wartime method of handling such disputes without any basis upon which to rest. Finding it impossible to secure a renewal of that pledge, we realized that to continue with the wartime controls over labor relations would not be merely the continuance of what existed, but the creation of entirely new controls. For the Executive branch of the Government to do this during time of peace by decree or directive would have been repugnant to every principle of our democracy. Therefore, it was decided that it should be the policy of the Government to return to collective bargaining which always has been and always should be the system in any democracy.

Frankly, however, American industry and labor were both rather rusty in the techniques of collective bargaining. Four years have passed since either side had much practice at it. Great changes have come about in both industry and labor. Therefore, we felt that if collective bargaining was to have a fair chance to succeed it was necessary that representatives of industry and labor meet together in order that they may lay down and define and make clear the ground rules under which collective bargaining would operate. Within one week after the war's end, the President had put in motion the machinery out of which this conference grew. It is your conference. The Government is not here to dictate to you, but it is here to be helpful to you. A large amount of spadework has been done to prepare the way for the conference. The extensive preliminary preparations have, in my opinion, covered every field. The success of the conference rests with you. I think you know the importance of the task and the stake which every individual in America has in the outcome and the results obtained here.

The size of this conference is relatively small. It was necessary to keep it small if it could function effectively with the intricate problems which you must consider. Since it is so small, it is necessary that each of you realize that you are not here representing your individual company or industry or union. You are here as American citizens, chosen because of your ability and experience to work out for the American people a system wherein industrial strife can be minimized. The millions of Americans whose voices are not here and who have no direct representation here must be assured that their interests are being protected and preserved by you. That is the responsibility of each of you. I know you will not shirk it.

I do want to talk to you about collective bargaining. The wholehearted answer of it by both management and labor is the basic requisite for peace in industry, but more than an answer of it is needed. There must be an understanding of its techniques—what helps it to work—what impedes it and hampers it and causes it to break down. The answers to these questions need not be theoretical. The experience of the past provides the answers.

Experience shows that it is usually not the big problems which cause the trouble, but rather the little problems which irritate workers and cause undercurrents of illwill—the kind of problems we are inclined to neglect and for which we fail to establish machinery in our bargaining contracts to expedite their settlement. I am going to speak candidly and frankly today and try to point out just a few of the things I feel are responsible for bad labor relations. I want to direct my remarks first to labor.

Far too often, local union stewards and officers have failed to follow the grievance procedure outlined in their contracts and have struck plants in violation of grievance procedures. This practice must stop or labor will do great injury to itself, and every union contract should carry adequate machinery peacefully and speedily to adjust all grievances arising under its operation.

Too often today we find inter-union politics bobbing up in bargaining with management. The public finds it hard to understand jurisdictional disputes, many of which have created reconversion bottlenecks. Surely, within the structure of the great labor organizations represented here, a fair way to determine these questions can be worked out. Obviously, the present jurisdictional committees do not provide the solution. Maybe the answer would be to examine the techniques developed to meet somewhat similar problems that have existed in the motion picture industry and in the field of professional baseball.

If management today has accepted labor unions as most of them profess, then management must devote more attention to working out ways and means of living fairly together with labor. Top management during the war has been inclined to devote but little time to active participation in labor problems. Top management, in my opinion, should devote a considerable portion of its time and attention to this field. Absentee management and boards of directors should let operating management have a much freer hand in dealing with people under their supervision. Those who live daily with the problems are much more qualified than those who have never come in contact with their workers.

If good relations are to exist with unions, management must send responsible people who can speak for management to negotiate with unions. The office-boy union-buffer type labor relations man will always end up in disaster. The only thing he can say with safety is "No."

Most unions have been born in struggle and against the opposition of management. As a result, management's supervisors were taught how to fight unions. Union leaders in turn were taught how to lick management. This has not developed a good *atmosphere* for cooperation. Moreover, an occasional union leader has felt that the Revolution had come and that labor should take over industry. On the other hand, management has, in some instances, signed contracts but has not sincerely accepted unions. As a result, a supervisory force schooled in how to fight unions was never trained in how to get along with them. Many of our troubles can be and should be adjusted at the plant level. Since labor problems are human relation problems they should be dealt with at this level of contact.

I have time only briefly to touch upon some of the practical aspects in this field. I have not attempted fully to explore it. That will be the task of the conference. As the President said this morning, this is your conference. The Government is here only to provide assistance. I believe that it has provided that assistance through a secretariat—technical staffs and draftsmen. If during the course of the conference you find need for more assistance, we will attempt to supply it.

The other day I spoke to the National Press Club about this conference. When I completed my remarks I was asked a number of questions. I tried to answer all of them except the last. That I declined to answer. The purport of that question was what the Government proposed to do if this conference failed. I refused to answer it because I refuse to entertain the possibility that it can fail. Gentlemen, this conference will succeed. I say that because we are facing problems, the successful solutions to which are vitally essential to the future welfare of our country. Americans always succeed when such occasions arise. I know you will succeed. I know it because you are Americans before you are anything else.

Public Utility Securities

(Continued from page 2206)

	Recent Price	Div. Arrears	New Shares Received Pfd.	New Shares Received Common	*Range of Est. Market Value
Long Island Light. A 7% pfd.	102	$53	.40	3.12	133 -164
Long Island Light. B 6% pfd.	91	46	.40	2.67	120 -146
Long Island Lighting common	1½	--	--	.01⅝	½- ¾
Queens Borough 6% pfd.	74	47	--	3.40	102 -136
Nassau 7% pfd.	54	71	--	2.40	72 - 96

*See explanation below.

According to Exhibit 2 in the plan (page 35) net income of the consolidated company for the twelve months ending August 31, 1945, was $2,320,540, of which $676,675 was "Reserved"—that is, restricted against dividend payments by order of the Public Service Commission of New York. Formerly a larger amount of income was thus restricted, but the present amount consists of $600,000 per annum plus interest on certain bonds held alive in a sinking fund. The company is attempting to void this last restriction by refunding the debenture bonds with a bank loan, but it is uncertain as yet whether the Public Service Commission will agree.

If the company succeeds in refunding its bonds, interest charges will be somewhat reduced, but part of the gain will be lost in taxes. The gross saving is estimated at $142,000 and the net amount at $88,000. To this may be added 5% saving in income taxes and 55% of excess profits tax payments, due to the new Tax Bill. The total estimated increase in 1946 earnings is about $900,000, making the adjusted figure approximately $3,200,000. From this must be deducted the dividend requirements on the proposed issue of new 4% preferred stock, leaving approximately $2,800,000. This amount is equivalent to about $2.65 a share on the new common stock. Assuming that $2 can be paid in dividends (which is on the liberal side unless restrictions are removed) the new stock might sell around an estimated price of 40. However, making allowance for continuing restrictions against income and possible rate cuts to absorb part or all tax savings (as may become the regulatory fashion next year) it would be safer to figure a price range of 30-35. In the above table a price of 100 has been assumed for the preferred stock (which should be of fairly good quality, with overall coverage of two or better), and a price range of 30-40 for the common stock.

It is obvious that, while Long Island Lighting Company is a relatively small system, its hybrid plan of merger and recapitalization presents a variety of problems with respect to allocation of values to subsidiary preferred stockholders, to parent company preferreds, and to the common. There has already been some litigation between the subsidiary and parent company interests. Because of possible legal complications it may take some time for the SEC to "clear" the plan and gain court approval.

Dixon Trading Mgr. For McDaniel Lewis

GREENSBORO, N. C.—McDaniel Lewis & Co., Jefferson Building, investment dealers announce that Robert B. Dixon, heretofore local field representative of the company, is now in charge of the trading department, succeeding S. A. McFalls, who is now no longer connected with the firm.

Mr. Dixon in his present capacity will handle dealer contacts, buying and selling, and in addition continue to serve local and other customers. The company is one of the oldest investment dealers in the state and is active in underwriting and selling corporation stocks and bonds and municipal securities.

Chase Candy Stock Offered at $8 per Share

Herrick, Waddell & Co., Inc., offered to the public on Nov. 1 a new issue of 50,000 shares of $1 par value common stock of Chase Candy Co., 69-year-old Missouri manufacturer of candy bars and other confections. The stock was priced at $8 a share. Proceeds, along with $450,000 received from the sale of 4% debentures at par and interest to an insurance company will be used to retire a 4½% promissory installment note issued by the company to F. S. Yantis & Co., Inc.

Milton Underwood to Reopen Inv. Business

HOUSTON, TEXAS—Milton R. Underwood, upon his release from the Army Air Corps, is reopening his office under the former name of Milton R. Underwood & Co. in the Gulf Building.

Florida Sec. Dealers Hold Post-War Meeting

The Florida Securities Dealers Association is holding a post-war meeting Dec. 6, 7, and 8 at The Inn, Punta Vedra, Jacksonville Beach, Florida.

The Silver Question Again!

(Continued from page 2206)

Thus, there is an inflationary threat more insidious and more damaging than any other method of currency depreciation. When prices rise because of a shortage of goods or over-expansion of credit, the condition can be remedied and the inflationary trend halted. High prices encourage greater production and excessive credits can be liquidated. This puts an end to the inflation. But when the national currency is saturated with issues of an overvalued metal, that fluctuates widely in price and purchasing power, there is no economic process by which it can be restored to a stable and normal basis. The depreciation not only stays put, but is constantly being intensified.

The basis for the new urge to increase the Treasury's price of silver is the substantial rise in the world price of silver during the War. This is not an unusual phenomenon and it in no wise can be taken as an indication that silver has risen permanently in value and that the prevailing new, larger and more widespread demand for silver in relation to its supply will endure.

Silver in World War I

During the last World War, silver metal underwent the same wild and excited climb in market value. Despite the release of 2,000,000 ounces of silver bullion by the Treasury under the Pittman Act of 1918, the price of silver advanced from around 56 cents a fine ounce in 1914 to above $1.19 in 1920. But when peace was restored, when silver was no longer hoarded, because the paper currency inflation throughout the world had abated, the price decline was rapid and drastic. This decline continued despite the general rising price level which came about after 1921 and continued until the Panic of 1929 when silver reached the low price of around 50 cents an ounce.

It will be recalled that the Pittman Act was passed merely as a "grant-in-aid" to our British ally to relieve the scarcity of circulating medium in India. As in the present war, the Asiatic peoples, and particularly the East Indians, hoarded silver in fear of inflation and, there resulted a rising value which was intensified by a larger volume of business and greater number of transactions arising out of the war. To relieve the shortage of "hard money" in India, the British Government requested the United States to release a part of its supply and permit its shipment to India. Coined silver dollars to the number of $271,000,000 were melted down for this purpose and, to provide against the resulting reduction of the currency, the Federal Reserve Banks were authorized to issue the same amount of Federal Reserve bank notes, secured specifically by Treasury certificates and one-year Treasury notes. The silver bullion thus obtained was sold at $1.00 per ounce or about the prevailing world price. In May, 1920 silver bullion dropped rather suddenly from a high of about $1.20 to less than $1.00 and the Secretary of the Treasury, in accordance with the requirement of the law, began the purchase of displaced silver at the stipulated price of $1.00 per ounce. When the price declined substantially below the $1.00 level, the Treasury, having already purchased 2,000,000 ounces, stopped buying, and, despite the protests of the Silverites in Congress, refused to complete the replacement, which still lacked 900,000 ounces. The whole transaction, though not causing a loss to the Treasury, gave the silver interests of the country an estimated bonus of about $58,000,000.

During the period that the Treasury was involved in carrying out the terms of the Pittman Act, circumstances throughout the world were conducive to lower silver prices. European nations, because of the rise in the price of silver bullion caused by the war, reduced the silver contents of their subsidiary coins. Those nations which underwent drastic currency depreciation, when their currency was restored to a stable basis, and coins again began to circulate, had less need for silver bullion than formerly. Moreover, Mexico, the leading silver producer, had about ended its period of internal political disturbances, and silver mining there was resumed. The Mexican Government, desirous of "cashing in" on its ill-gotten hoard, sold vast amounts of silver. Considerable profit was made by American interests at the time that bought silver in Mexico and sold in China.

Another factor leading to lower silver prices was the greater extraction of the metal as a by-product of copper production. The larger volume of copper production both in the United States and South America increased the world's silver output and about 80% of domestic silver in the United States arose from copper mining. As there were no new uses of silver and demand became rather static, the price of silver, in accordance with the economic law of supply and demand, tended to decline.

The New Deal and Silver

What happened in 1933 and 1934 when the "New Deal" Administration, in order to appease the inflationists and gain political support, sought "to do something for silver" is well known and hardly needs recounting. The clamor for "cheap money" which is generally prevalent during a period of business depression and financial crisis was appeased by the passage of the Silver Purchase Act of 1934—as monstrous a piece of monetary legislation as has been placed upon the statute books in the last half century. The legislation was based largely upon the pretense that raising the value of silver by an edict would greatly increase our foreign trade, particularly with China, India, Mexico and other silver using countries. The contention was that it would lower the prices of our goods in terms of foreign currencies and thus permit these countries to buy more. Domestic prices would also be raised, it was argued, and thus business would be stimulated and debtors would be better able to meet their obligations with "cheap money."

But what happened?

Since a provision of the Silver Purchase Act of 1934 required the Secretary of the Treasury to buy foreign as well as domestic silver within the stipulated prices, and limited only by the condition that the value of silver in the monetary system shall not exceed one-fourth of the total money value, silver flowed into the country as water down a hill. Thus, the artificial appreciation of silver through the Treasury purchases drained silver from the Orient and played havoc with China's monetary standard and caused a depression in that country. But it was a feast for the silver purveyors and speculators!

Present Situation

Now, at the end of this second war, silver has again risen in price. Furtunately a ceiling price on imported silver was fixed here, which kept it from overwhelming us in a silver flood. The recent lifting of the imported silver price to 71.11 cents an ounce—to correspond to the domestic price—will, for the time being, have little effect. The price abroad ranges much higher than the domestic "nationalized" newly mined silver price. Because of the drastic paper monetary inflation in China—for which the United States is partially responsible because of our draining of silver from that country in 1934 and 1935—has led the natives to hoard silver and keep it from the market. In India also a rising price level has led to fear of paper money inflation, resulting in "hard money" hoarding.

These factors are tending to enhance the price of silver bullion. But it is likely to be only temporary, and, as after the last war, when normal conditions are restored, silver is likely again to go on "the skids." The use of silver in industry and even in the arts has been greatly expanded during the war. One reason of course is the scarcity of other metals that have been allocated for war use and for which silver can be substituted. This condition may prevail for some time since there is still a heavy domestic and foreign demand for silver bullion. But a high price for silver will stimulate its production. Instead of being mainly a by-product in the mining of other metals, silver will again be mined from low grade ores, which, during the interval of low prices, were abandoned or neglected. Because of wartime conditions, production in the United States and Canada has greatly declined. In 1944, the output in the United States alone declined almost 50% below 1941 and there was a similar decline in Canada. However, both Mexico and Canada are in a position to greatly increase their production, and in this country, there are still existing old low-grade ores and "tailings" which with modern economies in treatment, could be profitably worked into bullion.

The Danger In the Situation

Should silver bullion reach a price around $1.29 (its monetary value) there would exist a splendid opportunity for the silver interests to agitate for "free coinage" and bimetallism. Thus, there is a likelihood of a return of the "Bryan Era." Some indication of the movement was given at the Bretton Woods Conference, when the silver producing nations entered a protest that the position of silver as a monetary base was ignored in the international monetary setup. Moreover, the silver interests were active at the conference and attempted to inject the outworn principle of International Bimetallism into the deliberations.

Should a "free and unlimited" coinage of silver movement gain headway, it would undoubtedly do considerable damage to the national economy. It would be another instance of "tinkering with the currency," a recurring incubus which has oppressed the nation throughout its history. Nothing is probably more disturbing to economic stability than a threat of altering the base of the monetary system, by means of which we make exchanges, provide for deferment of payments, and store up value for future use.

Bruck Is in Trading Dept. of Kraft Co.

LOS ANGELES, CALIF.—Frank O. Bruck has joined the trading department of Oscar Kraft & Co., 530 West Sixth Street. Mr. Bruck has just returned from the Armed Forces. He was previously with Schwabacher & Co.

Wm. C. Ochs Rejoins Staff of R. D. White Co.

William C. Ochs is again associated with R. D. White & Company, 120 Broadway, New York City. Mr. Ochs has been in active service with the United States Army since February 1941. Recently returned from overseas, he will now revert to inactive status with the rank of First Lieutenant.

For four years prior to joining R. D. White & Company in 1939 Mr. Ochs was with Geo. B. Gibbons & Co., Inc.

Perry Heads United Eng. Trustees, Inc.

J. P. H. Perry, Vice-President of the Turner Construction Company, New York, was elected President of United Engineering Trustees, Inc., at a meeting on Oct. 25 in the Engineering Societies Building, 29 West 39th Street, John H. R. Arms, Secretary, announced. Mr. Perry succeeds F. M. Farmer, Vice-President and consulting engineer of the Electricial Testing Laboratories, New York. United Engineering Trustees is a corporation set up jointly by the four national engineering Founder Societies, which have an aggregate membership of nearly 75,000. These Societies are: American Society of Civil Engineers, American Institute of Mining and Metallurgical Engineers, The American Society of Mechanical Engineers and American Institute of Electrical Engineers. The Corporation promotes the advancement of the engineering arts and sciences in all their branches, through two departments, The Engineering Foundation and the Engineering Societies Library. The Corporation currently has total assets of nearly three and a half million dollars, not including the value of its Library, and is facing a program of expansion to keep pace with increasing demands upon it. The Corporation is the titular owner of the Engineering Societies Building and of the trust funds of the Library, the Foundation, the John Fritz Medal Board of Award, and the Daniel Guggenheim Medal Board of Award.

Mr. Perry has been closely affiliated with the United Engineering Trustees. He has been a Director for the past ten years; was for three years Vice-President and served on the Engineering Foundation Board for three years. Everett S. Lee, engineer-in-charge, of the General Electric Laboratories, Schenectady, continues as a Vice-President. Other officers elected Oct. 25 are: Ralph M. Roosevelt, mining engineer, of New Canaan, Conn., Vice-President; Albert Roberts Secretary-Treasurer of the Minerals Separation North America Corp., re-elected Treasurer; C. R. Jones, Eastern Transportation Manager of Westinghouse Electric Co., re-elected Assistant Treasurer. John H. R. Arms, also Secretary of the Engineering Foundation, was re-elected Secretary.

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

COMMON DIVIDEND — NUMBER 161

At a meeting of the Board of Directors held November 5, 1945, a dividend of thirty-seven and one-half cents (37½c) per share was declared on the Common Stock of the Company, payable December 15, 1945, to stockholders of record at the close of business November 21, 1945. Checks will be mailed.

W. M. O'CONNOR, Secretary

November 5, 1945

CHRYSLER DODGE — Chrysler Corporation — DE SOTO PLYMOUTH

NOW MAKING WAR PRODUCTS

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable December 14, 1945, to stockholders of record at the close of business November 17, 1945.

B. E. HUTCHINSON
Chairman, Finance Committee

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, N. Y., October 30, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the outstanding capital stock, payable December 15, 1945 to shareholders of record at the close of business November 16, 1945.

C. O. BELL, Secretary.

DIVIDEND NOTICES

THE FLINTKOTE COMPANY

FLINTKOTE PROTECTION

30 Rockefeller Plaza
New York 20, N. Y.
November 7, 1945

Preferred Stock

A quarterly dividend of $1.00 per share has been declared on the $4 Cumulative Preferred Stock of this corporation, payable on December 15, 1945 to stockholders of record at the close of business November 30, 1945. Checks will be mailed.

Common Stock

A dividend of $.45 per share has been declared on the Common Stock of this corporation, payable on December 10, 1945 to stockholders of record at the close of business November 21, 1945. Checks will be mailed.

CLIFTON W. GREGG,
Vice Pres. and Treas.

EATON MANUFACTURING COMPANY

Cleveland, Ohio

EATON

DIVIDEND NO. 83

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c) per share on the outstanding common stock of the Company, payable November 24, 1945, to shareholders of record at the close of business November 7, 1945.

October 26, 1945

H. C. STUESSY,
Secretary & Treasurer

Esso

The Board of Directors of the

STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared the following dividends on the capital stock, payable on December 12, 1945, to stockholders of record at close of business, three o'clock, P.M., November 15, 1945:

Regular semi-annual cash dividend of 50¢ per share; and

Extra cash dividend of 75¢ per share.

Checks will be mailed.

A. C. MINTON, Secretary

November 1, 1945

SOUTHERN RAILWAY COMPANY

New York, October 23, 1945.

A dividend of One Dollar and Twenty-five Cents ($1.25) per share on the Preferred stock of Southern Railway Company has today been declared, payable December 15, 1945, to stockholders of record at the close of business November 15, 1945.

A regular quarterly dividend of Seventy-five Cents (75¢) per share on 1,298,200 shares of Common stock without par value of Southern Railway Company, has today been declared, out of the surplus of net profits of the Company, for the fiscal year ended December 31, 1944, payable December 15, 1945, to stockholders of record at the close of business November 15, 1945.

Checks in payment of these dividends will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary.*

UGI

A dividend of 50 cents per share on the Capital Stock, par value $13.50 per share, has been declared, payable Dec. 15, 1945, to stockholders of record Nov. 15, 1945.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

October 23, 1945 — Philadelphia, Pa.

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held October 31, 1945 declared a dividend of 50¢ per share on the Class A Participating and Convertible Stock, payable December 15, 1945 to holders of record November 15, 1945.

C. CAMERON, Treasurer

New York, October 31, 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.

NEW YORK, N. Y.—**James H. McInerney** is with **A. W. Benkert & Co., Inc.,** 70 Pine Street.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Minton M. Clute** has joined the staff of **Baker, Simonds & Co.,** Buhl Building. Mr. Clute has recently been in the U. S. Army. Prior thereto he was with Straus Securities Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Karl E. Wagner** is with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—**Robert Irwin** has been added to the staff of **Dudley H. Waters & Co.,** Association of Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Gerald S. G. Croft,** formerly with Fairman & Co., is now associated with **Revel Miller & Co.,** 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Clifford D. Bundy, Ralph C. Hatton,** and **William L. Heybrook** have joined the staff of **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

MADISON, WIS. — **Mary W. Sanborn** is with **The Milwaukee Company,** First National Bank Building. She was previously with the Wisconsin Company.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Frank C. Byrne** is with **Clark Davis & Co.,** Langford Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Frank M. Hannon** is with **Clark Davis Company,** Langford Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Raymond Paul Green** is connected with **Frank D. Newman & Co.,** Ingraham Building.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—**Edwin W. Schenk** and **Walter W. Stebbins** have been added to the staff of **The Wisconsin Company,** 110 East Wisconsin Avenue.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN.—**Edmund Monterose** is with **George C. Lane & Co., Inc.,** 70 College Street.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—**Elmer N. Stein** is with **Griffith Co.,** Farnam Building.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, FLA. — **Quenton Farr, Foy D. Kenney,** and **Arthur H. Sampson** are now connected with **Southeastern Securities Corp.,** 304 West Adams Street, Jacksonville, Fla.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF. — **Walter H. Rees** is with **Milton C. Powell Co.,** Security Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Joseph Bronemeier** has become associated with **Semple, Jacobs & Company, Inc.,** 408 Olive Street. Mr. Bronemeier has been serving in the U. S. Army. Prior thereto he was with Smith, Moore & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—**Michael W. Sullivan** is with **Florida Securities Co.,** Florida National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Owsley B. Hammond,** formerly with **E. F. Hutton & Co.,** has been added to the staff of **Kaiser & Co.,** Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Emory A. Jackson** has become affiliated with **Livingstone & Co.,** Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Willard H. Sheldon** has become associated with **Walston, Hoffman & Goodwin,** 265 Montgomery Street. He was formerly with **Stewart, Scanlon & Co.,** and prior thereto did business as an individual dealer.

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND. — **Edward R. Berg** has joined the staff of **Thomson & McKinnon,** 108 North Main Street.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO — **Richard J. Foote** and **George M. Todd** have rejoined **Bell & Beckwith,** 519 Madison Avenue.

O'Mahoney Speaker At Insurance Meeting

United States Senator Joseph C. O'Mahoney of Wyoming will be the guest and principal speaker at the 31st Annual Meeting and Luncheon of the Insurance Federation of the State of New York, in the Grand Ballroom of the Hotel Commodore on Dec. 5. Leroy A. Lincoln, President of the Metropolitan Life Insurance Company, will introduce the Senator. Plans are being worked out to make this year's meeting the largest in the history of the Federation, with an expected attendance of approximately 1500. Gustave R. Michelsen of Hall and Henshaw, is Chairman of the Federation's Executive Committee and has appointed a special committee for this event. The Luncheon Committee is under the Chairmanship of Charles S. Ashley of the Maryland Casualty Company and includes the following: Walter F. Beyer of the Home Insurance Co., Charles P. Butler of the Insurance Co. of North America; G. A. Buckingham, New York Board of Trade; Clancy D. Connell. Provident Mutual Life Ins.; C. L. Desoard; Floyd N. Dull, Continental Casualty Co.; W. R. Ehrmanntraut, American Surety Co.; James P. Fordyce, Manhattan Life; James R. Garrett, National Casualty Co.; J. E. Lewis, Aetna Affil. Cos.; R. M. McClaskey, Travelers Ins. Co.; A. R. Quaranta, Marsh and McLennan; Wm. A. Riordan, Aetna Affil. Cos.; H, Salmon Jr., Johnson & Higgins; Archie C. Seymour, Eagle Indemnity Co.

Now Ferris & Co. Inc.

WASHINGTON, D. C. — The firm name of Ferris, Exnicios & Co., Inc., Washington Building, has been changed to Ferris & Co., Inc. Officers and staff of the firm, which is a member of the Washington, D. C. Stock Exchange, remain unchanged.

Rejoins Darwin Clark

LOS ANGELES, CALIF.—Karl Lott, Jr. has rejoined the Darwin H. Clark Advertising Agency, 541 South Spring Street, after 46 months of service in the Army. Mr. Lott was a technical sergeant and served overseas with an airborne unit and saw action in Belgium, France and Germany.

Anglo-Dutch Monetary Agreement

Compact Fixes Guilder Rate at 10.691 to a £1, and Requires That the Dutch National Bank Maintain a Balance of £5 Million In Bank of England and That Gold Set Aside at Amsterdam Be at Bank of England's Free Disposal. Provides for Free Exchange at Fixed Rate Between the Two Countries and Sterling Area.

Continuing the policy of publishing the complete text of the bilateral monetary agreements between Great Britain and other countries, the "Chronicle" prints below the text of the Agreement between the United Kingdom and the Royal Netherlands Government, dated September 7, 1945 and released by the Foreign Secretary of the British Government.

Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Netherlands Government.

London, 7th September, 1945

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

ARTICLE 1.

(i) The rate of exchange between the Netherlands guilder and the £ sterling shall be Netherlands guilders 10.691 = £1.

(ii) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after mutual consultation.

(iii) In all territories where they have jurisdiction the Contracting Governments shall enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and De Nederlandsche Bank, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

ARTICLE 2.

(i) The Bank of England (acting as agents of the United Kingdom Government) shall sell sterling to De Nederlandsche Bank (acting as agents of the Royal Netherlands Government) as may be required for payments which residents of the Netherlands Monetary Area, under the exchange regulations in force in that area, are permitted to make to residents of the sterling area—

(*a*) against Netherlands guilders to be credited at the official rate to the Bank of England's No. 1 Account with De Nederlandsche Bank, provided that the balance standing to the credit of that Account is not thereby increased above 53,450,000 Netherlands guilders; or

(*b*) if the balance to the credit of the Bank of England's No. 1 Account with De Nederlandsche Bank amounts to 53,450,000 Netherlands guilders, against gold to be set aside in the name of the Bank of England at De Nederlandsche Bank, Amsterdam.

(ii) De Nederlandsche Bank (acting as agents of the Royal Netherlands Government) shall sell Netherlands guilders to the Bank of England (acting as agents of the United Kingdom Government) as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of the Netherlands Monetary Area—

(*a*) against sterling to be credited at the official rate to De Nederlandsche Bank's No. 1 Account with the Bank of England, provided that the balance standing to the credit of that Account is not thereby increased above £5 million plus such additional sum as the contracting parties shall have agreed to recognize as equivalent to the net amount of sterling owned at the date of this Agreement by residents of the Netherlands Monetary Area; or

(*b*) if the balance standing to the credit of De Nederlandsche Bank's No. 1 Account with the Bank of England amounts to £5 million plus the additional sum referred to in sub-paragraph (*a*) above, against gold to be set aside in the name of De Nederlandsche Bank at the Bank of England, London.

(iii) De Nederlandsche Bank shall at all times maintain on their No. 1 Account with the Bank of England a minimum balance the amount of which will be determined in agreement with the Bank of England.

(iv) The Bank of England shall at all times maintain on their No. 1 Account with De Nederlandsche Bank a minimum balance the amount of which will be determined in agreement with De Nederlandsche Bank.

ARTICLE 3.

(i) The Bank of England shall have the right at any time to sell to De Nederlandsche Bank, against all or part of the sterling balances held by that Bank, either Netherlands guilders at the official rate or gold to be set aside at the Bank of England in London.

(ii) De Nederlandsche Bank shall have the right at any time to sell to the Bank of England, against all or part of the Netherlands guilder balances held by that Bank, either sterling at the official rate or gold to be set aside at De Nederlandsche Bank in Amsterdam.

ARTICLE 4.

(i) Gold set aside in Amsterdam in accordance with the provisions of Articles 2 and 3 of the present Agreement shall be at the Bank of England's free disposal and may be exported

(ii) Gold set aside in London in accordance with the provisions of Articles 2 and 3 of the present Agreement shall be at De Nederlandsche Bank's free disposal and may be exported.

ARTICLE 5.

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of the Netherlands Monetary Area for making—

(*a*) transfers to other residents of the Netherlands Monetary Area;

(*b*) payments to residents of the sterling area; or

(*c*) transfers to residents of countries outside the Netherlands Monetary Area and the sterling area to the extent to which these may be authorized by the United Kingdom Government under the arrangements contemplated in Article 8 (iii) hereof.

(ii) The Royal Netherlands Government shall not restrict the availability of Netherlands guilders at the disposal of residents of the sterling area for making—

(*a*) transfers to other residents of the sterling area;

(*b*) payments to residents of the Netherlands Monetary Area; or

(*c*) transfers to residents of countries outside the sterling area and the Netherlands Monetary Area to the extent to which these may be authorized by the Royal Netherlands Government under the arrangements contemplated in Article 8 (iii) hereof.

ARTICLE 6.

The two Contracting Governments shall co-operate with a view to assisting each other in keeping capital transactions within the scope of their respective policies and, in particular, with a view to preventing transfers between their areas which do not serve direct and useful economic or commercial purposes.

ARTICLE 7.

Any sterling held by De Nederlandsche Bank shall be held and invested only as may be agreed by the Bank of England and any Netherlands guilders held by the Bank of England shall be held and invested only as may be agreed by De Nederlandsche Bank.

ARTICLE 8.

(i) If during the currency of this Agreement the Contracting Governments adhere to a general international Monetary Agreement they will review the terms of the present Agreement with a view to making any amendments that may be required.

(ii) While the present Agreement remains in force the Contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and De Nederlandsche Bank, as agents of their respective Governments, will maintain contact on all technical questions arising out of this Agreement and will collaborate closely on exchange control matters affecting the two areas.

(iii) As opportunity offers the Contracting Governments shall seek with the consent of the other interested parties—

(*a*) to make Netherlands guilders at the disposal of residents of the sterling area and sterling at the disposal of residents of the Netherlands Monetary Area available for making payments of a current nature to residents of countries outside the sterling area and the Netherlands Monetary Area; and

(*b*) to enable residents of countries outside the sterling area and the Netherlands Monetary Area to use sterling at their disposal to make payments of a current nature to residents of the Netherlands Monetary Area, and to use Netherlands guilders at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

ARTICLE 9.

For the purposes of the present Agreement:—

(i) The expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom.

(ii) The expression "the Netherlands Monetary Area" shall include the following territories:—

Netherlands Territory in Europe (the Netherlands), Islands of the Netherlands Archipelago in Asia (Netherlands Indies), and Territories of Curacao and Surinam.

(iii) Transactions between the Bank of England and De Nederlandsche Bank are to be considered as transactions between the sterling area and the Netherlands Monetary Area.

(iv) Transactions entered into by the Government of any territory included in one of the two areas defined above shall be regarded as transactions entered into by a resident of the said area.

ARTICLE 10.

While the Anglo-Netherlands Agreement of the 14th June, 1940, continues in force, the provisions of the present Agreement shall not modify the arrangements set out in that Agreement for payments between the sterling area and the Netherlands Indies. On the expiry or abrogation of that Agreement the Contracting Parties will review the terms of the present Agreement with a view to making any amendment that may be required. Meanwhile, sterling balances which have already accrued or may hereafter accrue under the terms of the 1940 Agreement mentioned above and which are at the disposal of residents of the Netherlands Indies shall be available in accordance with the provisions of Article 5 (i) of the present Agreement.

ARTICLE 11.

Upon the signature of the present Agreement, the Anglo-Netherlands Agreement (Curacao and Surinam) of the 25th July, 1940 shall be abrogated and the balances which have accrued thereunder shall be available in accordance with the provisions of Article 5 (i) of the present Agreement.

ARTICLE 12.

The present Agreement, which shall be subject to review and adjustment after mutual consultation, especially in connection with the operation of Article 2 (ii) *(a)* and Article 10, shall come into force on the day of its signature. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate three years after the date of its coming into force unless the two Contracting Governments agree otherwise.

In faith whereof the undersigned plenipotentiaries, being duly authorized thereto by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in London in duplicate this 7th day of September, 1945.

On behalf of the Government of the United Kingdom of Great Britain and Northern Ireland:

(L.S.) HUGH DALTON.

On behalf of the Royal Netherlands Government:

(L.S.) P. LIEFTINCK.

Weaver Resumes Post At J. P. Morgan & Co.

It was announced on Nov. 1 that William B. Weaver, Jr., after three and one-half years in the U. S. Navy, resumed his position on that day at J. P. Morgan & Co. Inc. as Assistant Treasurer.

Corn Exchange Bank Appoints Two V.-Ps.

The Corn Exchange Bank Trust Company announces the appointment of Donald M. Elliman and Albert Frank, Jr. as Vice Presidents of the bank.

Sidney Siegel Resumes Activity in Wall St.

Sidney A. Siegel, partner in the firm of Siegel & Co., 39 Broadway, New York City, was discharged from the U. S. Army on Oct. 28, and has now returned to active participation with the firm.

Harry Foshko Partner In Samuel Abrahams & Co.

Harry Foshko, member of the New York Curb Exchange, has been admitted to partnership in Samuel Abrahams & Co., 25 Broad St., New York City. Mr. Foshko has been active as an individual Curb Floor broker for some time.

Senate Military Group Studies Merging of the Armed Services

The Senate Military Affairs Committee, which began hearings on various proposals to merge the War and Navy Departments into a single agency, was told by the first witness, Secretary of War Robert P. Patterson, that prompt action to bring about such a merger would constitute a step toward maintaining world peace, the Associated Press stated in its Washington advices of Oct. 17.

"In my opinion," Mr. Patterson stated, "the unification of our armed forces is an essential step to the development of a sound program for the future security of the American people. The adoption of such a program of organization of our armed forces is best calculated to maintain that security and the continuation of world peace."

It had been anticipated that Navy Department officials would oppose the merger suggestion. On Oct. 22, Secretary of the Navy James W. Forrestal was the first to voice opposition to the proposed legislation. Expressing the view that the Senate bills have many defects, he offered, according to Frederick R. Barkley, in special Washington advices to the New York "Times," an alternative proposal for creation of a commission of "eminent citizens" drawn from Government and business ranks to study the issues, and report to the President and Congress. Mr. Barkley's advices to the "Times" continued in part:

Mr. Forrestal also offered a chart containing a specific program for closer coordination among service agencies and all others concerned with national defense as a "basis for study" by the proposed commission.

This program had been drawn up for him by Ferdinand Eberstadt, New York investment banker, he said, as the result of a request he made six months ago.

Under this program, a "national security council," headed by a civilian chairman directly under the President, would preside over a policy forming and advisory body composed of the Secretaries of State, War and Navy, and a proposed Secretary for Air, and the head of a proposed National Security Resources Board.

This group, according to the program, would be designed to "maintain active, close and continuous coordination between the departments and agencies responsible for foreign and military policies and their implementation."

It would be complemented by a similar permanent body to make policies for maximum use of the country's natural and industrial resources for national security, headed by a chairman directly under the President.

But although Mr. Forrestal spoke of this program as "my plan," he said in his statement that he was "not yet prepared to agree" with the Eberstadt proposal that "air power warrants the creation of a separate department co-equal with War and Navy." He added:

"But I do agree with General Arnold (Commander of the Army Air Forces) that steps must be taken to prevent these forces from reverting automatically to their pre-war status."

Mr. Forrestal's forceful presentation of his views met a critical reaction from the eight members of the Senate Military Affairs Committee which received it.

Senator Johnson of Colorado, Acting Chairman, said that if the Secretary of State were taken out of the "super-duper" national security council and the proposed Secretary for Air put in he thought the plan not much different than those before the committee.

Senator O'Mahoney said he agreed with Mr. Forrestal's argument that one national defense department would be too big for any one man to administer. But that was about the best support the Secretary got.

Mr. Forrestal laid his view on the line and declared:

"I do not appear here simply in opposition to unification. I prefer to appear to present a comprehensive and dynamic program to save and strengthen our national security.

"The pending program falls short on two points—fails to deal with the vital problems within each department, and it fails to give adequate attention to an effective coordination of all the departments concerned with national security."

Continuing to slash away at the unifications plan, he also described it as an "erroneous approach to a fragment of the intricate and complex problem that confronts us," and continued:

"Some of the affirmative support for it is based on a report by a subcommittee of the Joint Chiefs of Staff. I find that report lacking in searching and thorough examination; it seems to me that it has accepted a principle without examination of reasons why it should be accepted.

"The bill before you is unsound because it concentrates power in one Secretary beyond the capacity of any one man to use that power and certainly beyond his capacity to obtain and digest the knowledge upon which its use could be based. He would be entirely in the hands of his military advisers."

The legislation also would handicap Congress in examining the monetary and other needs of the separate armed services, lessen competition between them in devising effective weapons and thus fail to provide "guarantees of either efficiency or economy," Mr. Forrestal contended.

Mr. Patterson told the Committee on Oct. 17, according to the Associated Press, that the atomic bomb and other lessons from World War II all pointed in the direction of unified control of the nation's land, sea and air forces. Continuing, the Associated Press stated:

Such control was exercised, he said, through the wartime joint Chiefs of Staff after "we learned from the hard experience" of divided control.

The Secretary said that the single, unified control system actually had operated in the field under various theater commanders. He listed Generals MacArthur and Eisenhower and Admiral Nimitz as "supreme commanders" on the war fronts but noted that here in "Washington there was no single military command."

The formation of post-war military policy appeared to be shaping up as one of the biggest and toughest jobs confronting Congress.

The proposed consolidation of the War and Navy Departments was described on Oct. 23 by Fleet Admiral Ernest J. King as "working out the problem backward."

Associated Press advices from Washington quoted him as follows:

"I regard it as a step backward to attempt to regiment military thinking, particularly at high levels," the Navy's wartime commander said. "This nation has come to be the most powerful in the world by following the opposite theory." In his appearance before the Senate Military Committee shortly before President Truman gave his views on the military situation to a joint session of Congress, he supported a substitute program for post-war national defense advanced by Secretary of the Navy Forrestal. From the Associated Press we also quote:

He [the Admiral] summarized his post-war planning this way:

1. The Navy should continue as a separate service "unhampered in function and operation" by officers "unfamiliar with naval operations,"

2. The separate War and Navy departments should be retained, each headed by a civilian Cabinet officer.

3. Over-all military control should be through the Joint Chiefs of Staff with subordinate agencies "expanded and amended."

4. Civilian wartime agencies such as the War Production Board and War Manpower Board should be continued.

5. Closest liaison should be maintained at Cabinet level between the War, Navy and State departments.

The Admiral said that other nations already had tried out various mergers of all armed forces into a single agency with disastrous results. He added that the question of a separate air force with its own Cabinet member is a question for Congress, and involves "dividing the War Department into two parts." Although opposing this, Admiral King said that this would be "preferable to the proposed single department we are discussing here today."

Sees Rival Imperialisms

Socialist Party Advocates Early Return of Germany and Japan to Self-Government. Says UNRRA "Has All But Broken Down" and That Big Three Are Pushing Their Rival Imperialisms. Condemns Secrecy of Atomic Bomb.

Citing the overwhelming demand of American soldiers to be returned to civilian life, the Socialist Party through its National Executive Committee on Oct. 2 demanded a speedy relinquishment of Germany and Japan to governments chosen by the people.

Maynard C. Krueger

The Committee, whose chairman is Maynard C. Krueger, Professor of Economics at the University of Chicago, said that the Big Three were apparently moving in the direction of rival imperialism in spheres of influence in Europe. These drives, the Committee added, are behind the slow demobilization of troops as well as behind the drive for peacetime military training.

The Socialist Party called for a policy of true cooperation with the peoples of Europe which would help them through a winter which the Allies complacently described as one of the worst the continent has ever seen. The National Executive Committee's resolution follows:

"The Socialist Party vigorously protests the obvious intention of the government to prolong indefinitely an occupation of Germany and Japan requiring hundreds of thousands of men in the army and navy.

"This means a dangerous growth of American militarism and imperialism at great cost to American taxpayers. It may be made the excuse for perpetuating military conscription. It will be a perilous form of boondoggling to divert our people from a real cure of unemployment.

"Certain self proclaimed liberals advocate this policy of prolonged occupation as necessary for the reform of Japan and Germany. Mostly this contention is a rationalization of vengeance, hate and—in the case of the Japanese—white American racial arrogance.

"Already Germany and Japan are rendered incapable of new aggresion, save as in the future, one or another of the Big Three may permit or encourage it. Not much more time will be necessary to break the power of fascists, militarists or industrialists to exploit their own people. No conquering army ever successfully imposed true democracy on an occupied country. What the nations need is American example of democracy freed from vengeance and imperialism.

"We therefore call upon our government to plan for the speediest possible relinquishment of Germany and Japan to governments chosen by the people. Meanwhile we urge that the temporary task of policing these countries be turned over as rapidly as possible to special volunteer forces trained to act as police rather than soldiers.

"The future of both Germany and Japan is bound up with the general justice of peace settlements in Europe and Asia. The destruction of German and Japanese militarism and imperialism will not preserve peace if white imperialism, British, American, French, and Dutch is perpetuated and Europe remains under Russian and British spheres of influence.

"In repeated resolutions we called attention to the bases of a just peace. These have been generally ignored by the Big Three and in consequence the making of the final peace treaties has become more difficult. But it is not yet too late to insist that no lasting peace can be made or enforced which does not look toward the realization of world wide federation—economic and political—of free peoples.

"Instead of moving in this direction the Big Three are pushing their rival imperialisms and spheres of influence. Europe faces a worse winter of hunger and cold than during the war. UNRRA has all but broken down. Material reparations are extorted from nations which made slums by Allied policy or lack of policy.

"It is not yet too late for a policy of true cooperation. But it is very late. The direction of Allied policy must be changed now if peace is to be won. No overwhelming force, no international organization can or will long enforce a peace of vengeance, imperialism and hate."

In another release from the Socialist Party headquarters in New York City on Oct. 6 it is stated that the Socialist Party condemned presidential and Congressional moves to keep the atomic bomb a secret and demanded that the United States ask all nations to renounce the use of atomic energy for war. It asked that an international authority be set up to supervise methods of production and use of atomic energy.

Through its national executive committee, of which Maynard C. Krueger is Chairman, the Socialist Party insisted that researches in the constructive use of atomic energy be available for non-profit enterprises and not for private or Government monopolies.

The use of the atomic bomb on Hiroshima and Nagasaki was one of the "major crimes of the war," the Socialist Party said, and insisted that any attempt to assess reparations against the Japanese people should take into account this use of the atomic bomb.

The Socialist Party opposed any sharing of a formula of atomic energy or explosives or of any natural or artificial radio-active substance, which contemplates their use in war or under the pretence of police power, by any national or international authority.

The Economics of Wage Increases

Dr. Leo Wolman, Columbia University Professor and Labor Expert, Warns Against Thinking That Raising of Wage Rates Simply Has Beneficial Effects and in No Way Affects Prices.

A policy of moderation in settling disputes and problems arising from reconversion from wartime to peacetime production was urged by Dr. Leo Wolman, Professor of Economics of Columbia University, and trustee of The Mutual Life Insurance Company of New York. Speaking before a regional conference, held at the Hotel Pennsylvania on October 9, by The Mutual Life, Dr. Wolman warned that faulty thinking of a decade ago has led this country into a policy of "admitting to the school of thought that raising of wage rates simply has beneficial effects and in no way affects prices."

Prof. Leo Wolman

"Forceful and forthright public opinion is necessary to help the muddled thinking of some policy makers that consumer prices could be held although wage rates are increased," Dr. Wolman declared. He cited the case of one firm that was forced to curtail production because it could not reduce its wage scale to meet competition with similar manufacturers. The "thinking" in this case, he continued, "was that if the firm was permitted to reduce wages, it would start a country-wide deflation! I do not hold to this theory. Rather, I believe that it is definitely deflationary if a firm is not permitted to meet competition and is forced out of business."

Dr. Wolman said that technological improvements do not provide a satisfactory and immediate answer to the problem created by a substantially higher wage scale. "In manufacturing industries, where improved technique is an important factor in reducing costs," he added, "such improvements have come only gradually. Moreover, most of the country's employment is not in manufacturing industries where improved mechanical techniques can substantially reduce costs. Most workers are engaged in non-manufacturing activities in which the opportunity for improved technique is small.

"Such businesses are entirely incapable of offsetting the wage increases of 40 or 50% that have been advocated in some quarters, and any attempt to force such wage scales upon them will result in an upward spiral of prices, smaller consumption of goods and less employment."

View St. Lawrence Project as Injurious

Contending that construction of the St. Lawrence waterway and power project would be injurious to the nation's railroads, shipping, coal mining, public utility and other privately-owned enterprises, the Executive Committee of the Chamber of Commerce of the State of New York made public on Oct. 28 a report urging Congress to defeat the proposed undertaking. The report which will be presented by Peter Grimm, Chairman of the Committee, at the monthly meeting of the Chamber today (Nov. 1) criticized the project as "economically unsound" and an unnecessary expenditure of public funds in the face of an unbalanced Federal budget and huge war debt.

In supporting its belief that no more government hydroelectric plants for power or canalized waterways for moving freight are now essential, the Committee said:

"The railroads have demonstrated their ability during the war to move an unprecedented amount of freight in the face of heavy passenger traffic, and inability to get new equipment and sufficient manpower. The electric power companies have also fully met the demands of an unprecedented requirement for current to run the factories operating day and night on war orders.

"Farmers in the Northwest will not get a saving in the freight rate on wheat shipped to Liverpool of 8c to 10c per bushel, as alleged. Wheat is normally shipped from Lake ports to Montreal at 4½c, and the Seaway will not lower rates from Montreal to Liverpool.

"General merchandise will not move at any time through the Canal in an important way. Speed and frequent sailings are essential in most items for export and import. . . The Great Lakes and other channels are not navigable during cold weather, which often lasts seven months. The total cost of the seaway project will be far beyond Government estimates, which have been around $600,000,000. These figures are based on construction costs in 1926 and 1927; costs are far higher now."

The Chamber has opposed the St. Lawrence project since it first was advocated, more than 20 years ago. It is also opposed to having international agreements of this character exempted from the requirement of ratification by two-thirds of the Senate, as is now proposed. "If both houses of Congress are to ratify treaties (by a majority vote), the Constitution should be amended accordingly," the Chamber Committee declared.

U. S. to Pay Belgium $90,000,000 for Reverse Lend-Lease

Mutual Trade Pact Seen

The United States agreed on Oct. 20 to compensate Belgium for repaying the United States $90,000,000 more in reverse lend-lease than it received in direct lend-lease. This was indicated in Washington advices Oct. 20 published in the New York "Herald Tribune" which likewise said:

The State Department said this situation has created serious economic problems for Belgium, and as a result of financial conferences the United States has agreed:

1. To pay Belgium in dollars monthly for the francs it paid to the United States Army since Sept. 2. As a result of this arrangement, the United States will make an immediate payment of $61,000,000 to Belgium.

2. Tho repay Belgium in dollars for the goods and services given to United States forces since Sept. 2.

3. To transfer to Belgium $42,000,000 of lend-lease goods which were on their way to Europe when lend-lease was terminated. The Belgian government will not have to repay the United States for these goods.

4. To give the Belgian government $45,000,000 in Army surplus medical supplies, clothing, shoes, trucks, trailers and building reconstruction and raw materials.

According to advices to the New York "Journal of Commerce" from its Washington bureau Oct. 21, the United States is soon to initiate a series of discussions with the Government of Belgium for a commercial policy agreement that will outlaw all forms of discriminatory treatment in international commerce, payments, and investments. The advices added in part:

The decision to seek agreement on commercial policy was reached in the course of negotiations, now completed, on settlement of U. S. and Belgian Lend-Lease accounts. Conclusion of these negotiations was announced by the State Department over the week-end.

Pending the calling of the conference, the two governments have undertaken to avoid "the adoption of new measures affecting international trade, payments or investments which would prejudice the objective of such a conference."

Disclosure of the decision to convoke a United States-Belgian conference on commercial policy was contained in the State Department announcement of the agreement reached on the settlement of Lend-Lease accounts.

Truman Lauds Work Of Food Parley

At its second plenary session, the United Nations Food and Agriculture Organization's conference at Quebec heard a message from President Truman on Oct. 17 in which the President urged all members to work together for the successful accomplishment of one of the most important steps in establishing universal peace, the ending of hunger throughout the world.

The following is the text of Mr. Truman's message, as reported by the Associated Press, which was read to the conference by the leader of the United States delegation, Secretary of Agriculture Clinton P. Anderson:

To the delegates of the United Nations Food and Agriculture Organization:

My thoughts and the thoughts of the people of the United States of America today turn toward Quebec. The first conference of the Food and Agriculture Organization of the United Nations is truly a momentous occasion. It is an occasion on which the people of the United Nations begin to cultivate, if not yet to gather, the fruits of victory.

If we had not won our victory through common effort and common sacrifice, a meeting such as this would have been impossible. There would have been no room in the world for candor and decency and mutual helpfulness.

Certainly there would have been no room for an international organization dedicated to these two simple propositions: First, that people in all parts of the world can and should have plenty of food and of other products of the farm; and second, that the world's people who draw wealth from the earth and sea can and should enjoy their fair share of the good things of life.

These are high goals. Neither the world nor any single nation has as yet even come close to achieving either. It will take time to reach them. Creation of a Food and Agriculture Organization in itself will not be enough; we must look to the patient cooperation of the family of nations through FAO and other means. But the work you are beginning at Quebec is an essential step forward, and a long one.

The world is watching your efforts for still another reason. The Food and Agriculture Organization is the first of the new permanent world organizations to grow out of the wartime cooperation of the United Nations. Its early stages, for good or ill, will do much to set the pattern for the other world organizations that must follow if we are to succeed in building a foundation for world peace and prosperity.

It is particularly fortunate that your meeting comes at this time, when some of the problems and difficulties that must inevitably follow military victory in so great a war have made themselves felt so keenly. The tasks of repairing the ravages of war and building for a saner future are tremendous. Each day it becomes clearer that in many ways we must work harder to win the peace than we did to win the war. But we know that the peace can be won. One of the major victories can be won at Quebec.

The United States is eager and proud to take its full part in your efforts. The success of this all-important first step in the life of the Food and Agriculture Organization is the primary aim of my country's delegation. Its members come to this conference prepared to work together with the delegations of other nations for the good of all, and to bear their full shares of the responsibility for a successful outcome.

Please convey my best wishes to the delegates of the host Government of the Dominion of Canada and to the delegates from the other United Nations. Much depends on your work during the days ahead. I am fully confident you will accomplish your purpose, no matter what obstacles may arise. Working together you cannot fail.

Int'l Differences Will Be Adjusted Says Truman

When newsmen queried President Truman at his press conference on Oct. 18 as to the differences existing with Russia over policy in the Balkans and Japan, and with Britain over Palestine, the President indicated an assurance that these would eventually be settled through negotiations, an Associated Press Washington report stated, adding that Mr. Truman declared that:

1. The stalemate over the Balkans at the foreign minister's meeting in London, which now has spread to questions of Far East control, will be worked out in correspondence with other governments.

2. He has asked Prime Minister Attlee of Great Britain to permit immigration of 100,000 stateless Jews into Palestine. The British Government still has the question under consideration, but Attlee thinks this figure too high.

3. Generalissimo Chiang Kaishek's suggestion that the Japanese people determine Emperor Hirohito's future is a good plan, as he views it, although no policy has been established on that question.

4. No new "Big Three meeting" is in contemplation to iron out difficulties which developed at London.

5. He does not know why Soviet Ambassador Gromyko came to Washington on a flying trip this week, wishes he did, and can only suppose it was on the Ambassador's personal business.

President Wants Marshall to Continue as Staff Chief

Commenting on an editorial which appeared in the Washington "Post," to the effect that General George C. Marshall, Chief of Staff, should be put in charge of the proposed universal military training program, President Truman stated on Oct. 25, according to the Associated Press from Washington, that the General was still needed in his present capacity, even though he would add prestige to the training program. The "Post" editorial, the Associated Press stated, said that America could not disregard the counsel of General Marshall, and added: "He should be placed at the head of the universal military training program he has sponsored. His leadership will be a guarantor at once of its effectiveness and of its Americanism."

Dinner of Guaranty Trust Quarter Century Club

The Guaranty Quarter Century Club, composed of employees, officers and directors of the Guaranty Trust Co. of New York who have served the company for 25 years or more, held its annual dinner on Oct. 25 in the Grand Ballroom of the Waldorf-Astoria with 500 members attending. The club has inducted 204 new members in the last year, bringing the total membership to 769, including a chapter in London where the company has had offices for 49 years. An address was made by William L. Kleitz, Vice-President of the company and a member of the club, and Clifford B. McCreery accepted a membership certificate on behalf of all the newly inducted members. Senior officials of the bank who are members of the Quarter Century Club include William C. Potter, Chairman of the Executive Committee; W. Palen Conway, Vice-Chairman of the Executive Committee; Eugene W. Stetson, Chairman of the Board, and Charles E. Dunlap and Cornelius F. Kelley, directors.

Albert L. Gettman, Assistant Auditor of the company, was elected President of the club for the forthcoming year, succeeding Vincent G. Potter, Assistant Manager of the Foreign Department. Membership in the club is honorary. In addition to membership certificates and service emblems, members other than officers receive annually an extra week's vacation upon attainment of 25 years of service.

Truman Hails Czechoslovakia

President Truman issued a statement on Oct. 22 congratulating Czechoslovakia on its first postwar independence anniversary, according to Washington advices from the Associated Press, which quoted the President as follows:

"On the anniversary of Czechoslovak independence I wish to extend my own personal greetings and the wholehearted congratulations of the American people to President Benes and the people of Czechoslovakia. This commemoration of the founding of the Czechoslovak Republic is of particular significance in marking the first time since the German occupation that the Czechoslovak people have been able to celebrate their independence in their own homeland as a free people.

"The realization that the principles of democracy and freedom, out of which the republic was born 27 years ago, have been victorious in two world wars will inspire the Czechoslovak people to make once more their contribution to world peace.

"The American people watch with sympathetic interest the diligent efforts now being made by the Czechoslovak people to erase the effects of the Nazi rule and to restore their independent national life on the traditions which have always been identified with the Czechoslovak Republic. I am confident that the American people will aid the Czechoslovak people in every way possible to achieve this goal."

Baylor University to Give Truman Degree

Baylor University, Waco, Texas, has announced that it is expecting President Truman to arrive there to accept an honorary doctor of laws degree, Dec. 5, according to the Associated Press, which added that it is anticipated that the President will address the annual session of the Texas Masonic Grand Lodge when on his visit.

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, NOV. 10

ARTKRAFT MANUFACTURING CORP. on Oct. 22 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.

Details—See issue of Oct. 25.

Offering—The offering price per unit consisting of one share of preferred and one share of common is $5 per unit.

Underwriters — The underwriters are Kobbe, Gearhart & Co., Inc., and Newburger & Hano.

CROSLEY MOTORS, INC., on Oct. 22 filed a registration statement for 235,099 shares of common stock (no par).

Details—See issue of Oct. 25.

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.

Underwriters—No underwriting agreement has been entered into.

MONDAY, NOV. 12

INDIANA ASSOCIATED TELEPHONE CORP. has filed a registration statement for $3,400,000 first mortgage bonds, 3% series due 1975, and 47,104 shares of $2 preferred stock, no par.

Details—See issue of Nov. 1.

Offering—The prices to the public of both the bonds and preferred stock will be filed by amendment.

Underwriters—Group headed by Paine, Webber, Jackson & Curtis; Stone & Webster and Blodget, Inc., and Mitchum, Tully & Co.

TUESDAY, NOV. 13

GENERAL INSTRUMENT CORP. on Oct. 25 filed a registration statement for 60,000 shares cumulative convertible preferred, $20 par, and 260,000 shares of common, par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co. heads the underwriting group.

SATURDAY, NOV. 17

CAMDEN FORGE CO. on Oct. 29 filed a registration statement for 177,318 shares of common stock, par $1. The shares registered are outstanding shares owned by Union Securities Corp., and constitute all of the outstanding common shares except 12 owned by directors.

Details—See issue of Nov. 1.

Underwriters—Names will be filed by amendment, to be selected by Union Securities Corp.

WESTERN AIR LINES, INC., has filed a registration statement for an indeterminate number of common shares, par $1.

Address—6331 Hollywood Boulevard, Los Angeles, Cal.

Business—Air transportation business.

Offering—A certain number of shares, the figure to be supplied by amendment are being offered to stockholders through subscription warrants, the price and ratio to be supplied by amendment. The shares not purchased through subscription warrants will be offered for sale to the officers and directors of the corporation and/or the public at the offering price per share. In addition, a total of 76,310 shares are being offered to officers and employees at $16.50 per share under an Employees' Stock Purchase Plan and a Management Stock Purchase Plan.

Proceeds—The proceeds will be applied towards the payment for additional aircraft now contracted for with the Douglas Aircraft Co., Inc., aggregating in cost approximately $5,499,000. For this purpose it is contemplated that the proceeds will be supplemented by operating income and by loans secured by mortgages on the aircraft acquired.

Underwriters—It is not contemplated that the issue will be underwritten.

Registration Statement No. 2-5993. Form S-1. (10-29-45). Registration statement originally filed at San Francisco.

MONDAY, NOV. 19

ALASKA AIRLINES, INC., has filed a registration statement for common stock to net $2,000,000 to the company. The number of shares will be filed by amendment.

Address—Anchorage, Alaska.

Business—Air transportation of persons, property and mail within the Territory of Alaska generally.

Offering—To be filed by amendment.

Proceeds—The net proceeds will be added to working capital. The primary purpose of the proposed financing is to provide adequate funds for standardization of equipment which will reduce maintenance costs; procurement of instrument flight facilities which will increase revenue flight hours and enlargement of facilities.

Underwriters—To be filed by amendment.

Registration Statement No. 2-5994. Form S-2. (10-31-45).

FLEMING-HALL TOBACCO CO., INC., has filed a registration statement for 150,000 shares 6% cumulative preferred stock, par $10, and 150,000 shares of common, par $1.

Address—595 Fifth Avenue, New York, N. Y.

Business — Company and subsidiaries manufacture cigarettes, and smoking tobacco and sell cigars manufactured by others.

Offering—The stock will be offered in units consisting of one share of preferred and one share of common at $15 per unit.

Proceeds—Of the net proceeds estimated at $1,946,685, about $175,063 plus interest will be paid to Max Simpson, Irvin Studwell and Frank Swick in full payment of the balance due for the purchase of 79,348 shares of common stock and 328 shares of preferred of Health Cigar Co., Inc.; about $150,000 for additional equipment, about $750,000 in payment of current notes payable and balance for general corporate purposes.

Underwriters—Floyd D. Cerf Co. heads the group.

Registration Statement No. 2-5995. Form S-1. (10-31-45).

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 BANTAM CAR CO. on Oct. 18 filed a registration statement for 83,547 shares of prior preferred stock, par $10, and 375,971 shares of common, par $1.

Details—See issue of Oct. 25.

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.

Underwriters—None mentioned.

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.

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.

In amendment filed Nov. 1, company proposes to issue 250,000 shares class A common and 50,000 shares class B common to be offered in units of 10 shares of class A and 2 shares of class B at $62.20 per unit.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

ARDEN FARMS CO. on Aug. 31 filed a registration statement for 50,000 shares of $3 cumulative and participating preferred stock, without par value.

Details—See issue of Sept. 6.

Offering—The company has granted holders of its preferred stock rights to subscribe to the new preferred at the rate of one share for each 2½ shares held at $52 per share. Unsubscribed shares shall be sold at such price as fixed by the board of directors.

Underwriters—To be filed by amendment.

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—Holders of common stock of record Nov. 1 will be given 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. Rights expire Nov. 19 at 3 p.m. (EST). There are no underwriters, but corporation reserves the right to sell any unsubscribed shares at a price which will net the corporation at least $3 per share.

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.

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.

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.

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.

IRONRITE IRONER CO. on Oct. 18 filed a registration statement for 60,000 shares ($8 par) 55-cent cumulative convertible preferred stock.

Details—See issue of Oct. 25.

Offering—New perferred offered in exchange for 8% preferred (par $10) on basis of 1.15 shares new for each share of old. Unexchanged through underwriters at $10 per share. New preferred also offered to common stockholders on basis of one share preferred for 10 shares of common at $9.25 per share.

Underwriters—Newburger & Hano and Kobbe, Gearhart & Co., Inc.

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 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—The bonds will be priced to the public at $102.50 and the stock at $15 per share.

Underwriters — Union Securities Corp. and E. H. Rollins & Sons named principal underwriters.

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.

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.

TENNESSEE GAS & TRANSMISSION CO. on Oct. 17 filed a registration statement for an undetermined number of common shares, par $5.

Details—See issue of Oct. 25.

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.

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.

UNITED TRANSIT CO. on Oct. 3 filed a registration statement for $10,000,000 convertible 4% sinking fund debentures due Aug. 1, 1965. By amendment filed Oct. 30 company proposes to sell $6,000,000 4% debentures and 80,000 shares at 5% cumulative preferred stock (par $50).

In the amended registration the 80,000 shares of preferred will be offered by certain stockholders. Company is making an offer to exchange the 80,000 shares of preferred stock for $4,000,000 of bonds held by three present holders. The three holders of the $4,000,000 of bonds are Equitable Securities Corp.; A. C. Allyn & Co., Inc. and Paul M. Davis of Nashville, Tenn.

Harriman Ripley & Co., Inc. is listed in the amendment as the principal underwriter. The $4,000,000 of bonds to be received by the company in the exchange will be cancelled.

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.

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.

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 5 that the tenders of $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Nov. 8, and to mature Feb. 7, 1946, which were offered on Nov. 2, were opened at the Federal Reserve Bank on Nov. 5.

The details of this issue are as follows:

Total applied for, $2,076,526,000.

Total accepted, $1,316,426,000 (includes $54,811,000 entered on a fixed price basis at 99.905 and accepted in full.)

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(60% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 8 in the amount of $1,318,740,000.

Finland Devalues Money

In an attempt to avert threatening financial catastrophe the Finnish mark has been devalued as from Oct. 16, it is learned from a wireless message Oct. 16 from Stockholm on that date to the New York "Times", which further stated:

The new official rate of 136 to the dollar (pre-war rate about 23 to the dollar) means a 12½% jump from yesterday. This is the third time since June, when the rate was about 50 to the dollar, that Finland has revalued her currency.

Finnish financial circles regard the situation pessimistically, Helsinki dispatches say. They believe further devaluations cannot be avoided.

The Finnish Government is seeking to adjust foreign exchange rates to increased production costs—including forced wage and salary increases—so that exports can be maintained and even increased. This is vital for the country under Finland's obligations to deliver war reparations to Russia.

France Authorizes Certain Private Imports and Exports

By JEAN PAUL SIMON

In accordance with a French Presidential Order of April 20, 1945, the resumption of private trade with the United States, Canada, Great Britain and countries of the Sterling Area has been authorized.


Jean Paul Simon

It is a fact that French internal prices are much higher than those prevailing on external markets.

France did not follow the methods adopted in Belgium and the Netherlands, where drastic deflationary measures took place.

Consequently as the French franc stayed pegged at $0.02, the French Minister of National Economy provided that payments amounting to the difference between external prices plus customs duties and French prices may be imposed on importers.

Also premiums may be payed to exporters to compensate them for the loss they would sustain by selling abroad instead of on the domestic market.

The disbursements and receipts relating to imports and exports are handled through a Compensation Clearing House.

It is quite clear that such an economic policy, not without similarity to the one conceived by Dr. Schacht in Germany at the time, can only be justified in as much as it is a measure of expediency, purely temporary in nature and to last only until circumstances permit the restoration of a stable basis for French currency.

Trading by private exporters of France is free, but they must obtain export licenses which are granted in proportion to their prewar export volume.

The resulting foreign exchange must of course be credited to the Bank of France. However, exporters who before the war were selling abroad on 30, 60, 90, 120 days credit terms, may continue to do so as long as the sales are made under "an irrevocable letter of credit."

Sales may be effected in foreign currencies or in French francs, but in the latter case the currency is not the "internal French franc" but "external free French franc."

The French Government has already signed the first agreement relating to resumption under license of free commercial relations through private channels with Great Britain. A notice to French importers and exporters was published to that effect in the Journal Officiel of the French Republic of July 18, 1945.

Thereafter similar agreements were entered into with Canada and the United States, the relative notices being published in the Journal Officiel of the French Republic of Sept. 8, 1945.

Here in broad outline are the provisions of the three identical agreements entered between France and the United States, Canada, Great Britain and the Sterling Area countries.

Although it has to be pointed out that the bulk of foreign commodities and merchandise or equipment etc. . . . required will continue to be purchased through the French Supply Councils of Washington, Ottawa, London, certain categories of commodities are released to private trade. Importers to obtain a license from the French authorities have to demonstrate that the merchandise to be imported is of prime necessity to the French economy. It is only then that they will be able to be supplied with the necessary foreign exchange and shipping space in order to bring the merchandise into France.

The released merchandise includes:

(1) Manufactured products (exclusive of industrial equipment, machine tools, agricultural machinery and trucks) weighing for a complete shipment less than five metric tons and valued at less than $20,000 or in Canadian currency $22,000 or £5,000 Sterling.

(2) Spare parts of all kinds.

(3) Certain raw materials and articles specifically intended to enter into the production of commodities to be exported from France.

(4) Seeds.

(5) Animals for breeding.

It may be said that it is essential at the present time that France should rebuild her industries and resume her role in international trade. The tragic circumstances which prevail have compelled France to abandon her traditional doctrines of liberalism in economic policy.

However, a most determined effort is made in the direction of freedom of exchange. That is the meaning of the agreements mentioned above. This first step in the right direction can only be welcomed by the United States, Canada, Great Britain and in general by all the United Nations who have repeatedly stated that they aim toward the abolishment of all trade barriers.

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