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Sees Failure of "Costs Up-Prices Down" Policy

General Ayres Says It Will Not Work in a Free Competitive Economy. Holds It Would Hamper Production Expansion, Would Put a Stop to New Venture Capital and Would Stifle Competition and Promote Stagnation.

In the November issue of the Cleveland Trust Company's Business Bulletin Brigadier-Gen. Leonard P. Ayres, Vice-President of the Cleveland Trust Company, severely criticizes the Administration's policy of putting costs up and keeping prices down.

Leonard P. Ayres

"Our new economic policy," comments the Bulletin, "is to put costs up and to hold prices down. The purpose is to enable industrial workers to

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Pictures of New York Security Dealers Association Dinner on pages 2344, 2345 and 2347.

Index of Regular Features on page 2368.

A Policy of World Trade Expansion

By HON. HENRY A. WALLACE*
Secretary of Commerce

Asserting That There Is Little Prospect for Immediate Relaxation of World Trade Controls, Secretary Wallace Urges Use of Our Great Economic Power to Aid Other Nations to Abandon Restrictive Measures. Points to the Anglo-American Trade Parley as a Step Toward Eliminating Trade "Blocs" and Outlawing International Cartels and Exchange Restrictions. Advocates a World Conference to Encourage Selective Reduction of Tariffs, Eliminate Preferences and Other Trade Barriers, and Establish a Permanent International Trade Organization. Favors Granting Financial Aid to Other Nations as Well as Great Britain.

I am well aware of the fact that foreign trade is not an easy business today. Not only is it tied up with regulations and controls all over the world, but in some countries it has become a state monopoly and in others partially so.

Henry A. Wallace

The U. S. Government is getting out of the public import business and is removing its export controls just as rapidly as possible. In some instances we may have moved too rapidly for the good of our foreign trade and in the light of our relations with other nations. I have asked that the management of export control be conducted in such a way that there will be a minimum of "red tape"; but I should like to see sufficient control retained to make sure that a proper proportion of our production finds its

*An address by Secretary Wallace before the thirty-second National Foreign Trade Convention, Waldorf-Astoria Hotel, New York City, Nov. 12, 1945.

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Peering Into the Crystal Ball

By DR. MELCHIOR PALYI

Dr. Palyi Points to the Enormous Accumulated Purchasing Power and the Immense Monetary Circulation as a Basis for Price Inflation and a Prospective Boom. Added to This, He Sees a Heavy Foreign Demand for American Products Which Will Raise Prices and a Political Outcry Against Exporting Scarce Goods. Predicts Continued Foreign Exchange Controls and Impediments to Selling Abroad. Says We Are Embarking on a Full Employment Policy at Artificially Raised Wages, and a Boom May Last Several Years With Eventual Collapse.

This country is faced with the prospect of the largest peacetime boom in world history. The question is not whether we will have an inflationary type of boom; the question is: *When will it start, how far will it go, how long will it last, and what after?* Not pretending to answer all of these questions today, let us begin with fundamentals. The elementary fact is not just having a national debt presently of some $260 billions and over $300 billions before long; the fundamental fact is that this huge national debt is coined out overwhelmingly as purchashing power. Most of it has been issued in the form of short-term obligations or obligations convertible into cash on short notice, or sold to the banks, including the Federal Reserve System. The banking sys-

Dr. Melchior Palyi

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Low Interest Rates And Public Welfare

By THOMAS I. PARKINSON*
President, The Equitable Life Assurance Society

Prominent Insurance Executive Deprecates Trend Toward Low Interest Securities Which, He Contends, Is Due to Erroneous Fiscal Policy, "Ferocious Refinancing" Through Investment Banking, and Excessive Competitive Institutional Buying. Points Out the Uncertainty of Future Interest Rates and Lays Prevailing Low Rates to a Deliberate Fiscal Policy of Treasury Experts and Not the People. Holds Low Interest Rates Discourage Savings, Promote Inflation, Threaten Purchasing Power of Life Insurance. Says the Most Beautiful Indirect Method of Creating Greenbacks Ever Thought of Has Been Devised and Attacks Treasury's Fiscal Policy as Planned by Experts and Not Representatives of the People. Asserts Low Interest Does Not Advance Public Welfare.

T. I. Parkinson

Mr. Chairman, Members of the Chicago Bond Club, and your Guests: That introduction prompts me to say there is a difference between a lawyer from Philadelphia and a Philadelphia lawyer. I am a lawyer from Philadelphia who strayed into the difficult fields of modern business.

I don't know, sometimes, how I could endure the atmosphere

*An address by Mr. Parkinson at a meeting of the Bond Club of Chicago, Palmer House, Chicago, Ill., Nov. 1, 1945.

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British Labor Party's Policy

By CLEMENT L. ATTLEE*
Prime Minister of Great Britain

British Labor Party Leader Tells Congress That His Party Is in the Tradition of Freedom Loving Movements That Have Always Existed in His Country. Denies It Is a "Class Party," but Proclaims Purpose of Establishing a "Planned Economy" and a Program of Nationalization. Looks Forward to an Era of an Increasing Cooperation With the United States and Expresses His Support and Confidence in the United Nations Organization. Says British Believe in an Expansive Economy and Points to Self-Governing British Commonwealths as Evidence of Belief in Democracy.

Mr. Speaker, Mr. President, Members of the Senate and of the House of Representatives of the United States, I should wish, first of all, to thank you Sirs, on the great honor you have done me in inviting me to address your House in joint session. During the war you were addressed on two occasions by my predecessor, Winston Churchill, a great war leader, whose words and actions in the most critical times of that long drawn out contest brought courage and hope to millions all over the world.

Clement Attlee

For five years I had the privilege of serving under him as a colleague. No one knows better than I do the resplendent services which he rendered to the cause of freedom.

Last week in the House of Commons, as Leader of the Opposition, in emphasizing the importance of furthering in every way our friendly connections with your great country, he wished me, on behalf of the whole House, the utmost success in this visit. Sirs, in Democracies great men are the possession of the whole people. Speaking here today, I cannot but remember that great statesman, President Roosevelt. I should be expressing, I know, the feelings not only of the people of Great Britain but of the Commonwealth and Empire in paying tribute to his great services not only to his own country but to humanity. It was a sorrow to us that he was not able to visit Britain where we should have given him a welcome that would have expressed all that was in our hearts.

In the struggle against the forces of tyranny, the names of these two men, Churchill and Roosevelt, together with that of Generalissimo Stalin will ever be linked in achievement.

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*An address by Prime Minister Attlee before a joint session of Congress, Washington, D. C. November 13, 1945.

What Do the Charts Forecast?

By ARTHUR J. MESSING*
Of Herzfeld & Stern, Members New York Stock Exchange

Asserting That Charts Are Market Barometers and Are "As Valuable to the Investor and Speculator as the Compass to the Mariner," Mr. Messing Traces Movement of Stock Prices During Past Few Years. He Envisions Very Much Higher Prices for the Longer Term, but for the Near Term Holds Outlook Not So Bullish as Recent Market Action Might Indicate. Says Market Has Experienced Longest Sustained Uptrend Since 1896, and Looks for a "Corrective." Contends Present Upward Trend is "Lopsided," Since It Is Limited Largely to Specialties and Not to All Good Stocks.

As you have doubtless observed on your admission cards, it is my intention to devote today's talk to the subject of Charts; and to divide this address into three main sub-divisions, namely, first, a general discussion of the basic principles of chart analysis and interpretation; second, a short running account of their amazing accuracy in forecasting trends and objectives both as to the market in general and individual groups and securities in particular, during the past several years; and, third, what the charts indicate now as to the long-term and short-term market outlook.

Arthur J. Messing

I

The Purpose and Use of Charts

There are a great many factors which constitute the background for an advance or a decline in the market in general or in an individual security in particular. News events, general business outlook, past and prospective earnings, current and prospective dividends yields, and growth possibilities are just a few of the factors involved. In my opinion, adding them all together, these factors spell supply and demand. When the demand for a particular security outweighs the supply, an advance in price becomes an automatic result. The reverse is equally true. When the supply outweighs the demand, a decline in price necessarily results. Charts, when properly used and interpreted, are the yardsticks by which supply and demand at any particular price level can be measured and weighed with remarkable accuracy. They constitute the barometer of the market. When properly used and inter-

*An address by Mr. Messing before the Association of Customers' Brokers, New York City, Nov. 13, 1945.

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Should We Subsidize Britain?—Two Different Views

By HERBERT M. BRATTER

Advocates of a Gift-Loan See Need of Disposing of Blocked Sterling Balances as Essential to Restoration of Free World Trade and Giving Strength to Sterling. Loan to Cover Britain's Purposes Placed as High as $5 Billions, With Interest Under 2%. A Washington Expert Outlines a Liberal Plan on Terms Within Britain's Capacity to Pay and Which Will Assure Convertibility of Sterling.

Former RFC Head Says Proposed Aid Cannot Be Called a Loan and Must Be Met by U. S. Taxpayers. Holds British Could Use Assets to Obtain Relief and That British Empire Could Furnish Us Needed Supplies for "Stock-Piling" and Thus Escape Paying in Dollars. Contends Loan Plan Conceals Gift of $1 Billion, and That Britain Wants Aid First and Talks About Commercial Policy Commitments Later.

WASHINGTON, Nov. 8.—In an interview published in these pages on Nov. 1, Representative Fred L. Crawford of Michigan gave his reasons for a policy of caution in making available to Britain, who "cannot carry her end of the stick," a large long-term loan concealing a gift. The Republican Congressman, who is a senior member of the House Banking and Currency Committee, sees in the granting of a credit with escape clauses to the United Kingdom an open invitation to a "procession . . . of all the major powers of the world" to come to Washington "demanding" similar treatment; a sort of Trojan horse. Rather than have Congress grant any such gift-loan to Britain, Mr. Crawford would have our Treasury offer investors a special British bond with a prospectus telling the people "in plain language the nature and character of the obligation Britain is assuming thereunder."

Herbert M. Bratter

Quite a different viewpoint also is encountered in Washington, of course, as is quite to be expected in the city credited with such liberal proposals as Lend-Lease, Bretton Woods, and the expanded Export-Import Bank. This city is

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On the subject of a loan to Britain, and whether or not it is to our interest that we make an outright grant of aid as well, Jesse Jones, former Commerce Secretary and former head of the Reconstruction Finance Corporation, was interviewed by the writer. His views are in contrast with those outlined in the accompanying article, and the two, together, constitute a timely debate on the subject.

Jesse H. Jones

"Really, I haven't given any interviews since leaving the Government," said Mr. Jesse Jones. The big Texan leaned back comfortably in his armchair, drew his right foot up to the leather seat, and looked out of the window. He seemed exactly the same as when I first interviewed him in his RFC office some eight eventful years ago.

Outside today the weather was abnormally mild. As the cab driver had put it, Washington seemed to have gone Florida. But it was really November. And this was really the 75-year-old ex-RFC Chairman, ex-Federal Loan Administrator and ex-Secretary of Commerce.

"Mr. Jones," I said, "in prewar Japan you would have been called an elder statesman."

"I don't care for that term, especially the 'elder'," Mr. Jones commented, with a twinkle in his eye that showed he still possesses the keen sense of humor which he often has put to good use.

"I think I get your meaning," I replied, "but it was only when the Japs stopped consulting their elder statesmen that they headed for disaster. I came here today to get your views on the matter of giving Britain financial help, because I know that in the RFC you had actual experience in that regard and I suspect that you

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Shadows of Government Controls

By PAUL H. NYSTROM*

Professor of Marketing, Columbia University
President, Limited Price Variety Stores Association

Marketing Expert, Maintaining That There Exists Elements for Recovery of Peacetime Prosperity If the Nation's Economy Were Encouraged and Allowed to Expand, Contends That the Real Key to Full Employment Is in a Growing, Thriving Number of Enterprisers. Says Government Controls and Taxes Are Retarding New Enterprises and That the Continuation of OPA Restrictions Is Hampering Reconversion Without Preventing Inflation and Without Preventing Black Markets. Urges Business Men to Stand for Principles of Sound Economic Life and to Oppose Controls That Undermine the Free Enterprise System.

The Honorable Henry A. Wallace, Secretary of the Department of Commerce, recently wrote an interesting book on the need in this country for "60 Million Jobs." He stated that this number of jobs will be necessary for full employment.

In this book he showed that the economy of our country not only needs, but can and must expand civilian employment to this extent. He indicated that this end can be achieved within the framework of our free enterprise system

Paul H. Nystrom

"Without a planned economy, without disastrous inflation and without an unbalanced budget that will endanger our national credit." This possibility of attaining full employment and national prosperity deserves our most careful consideration.

On or even before 1950 there should be at least 60 million persons within working ages and, therefore, members in the statistical classification of the labor force of the country. This does not mean that all can or will be available for employment. I am sure that Secretary Wallace would be among the first to agree to this qualification. His use of the expression, "60 million jobs," must be taken as a round number goal rather than an exact figure.

Out of this number a certain percentage would for reasons of illness or incapacity be unable to work. It is certain that there would be still others, then as there are now, who will not work. Finally, there is bound to be a considerable number of able-bodied, employable persons who may not at any given date be at

*An address by Dr. Nystrom before the Sales Executives Club of New York, Oct. 30, 1945.

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Reparations Problems

By ISADOR LUBIN*

Associate United States Representative on the Allied Commission on Reparations

Dr. Lubin Traces the Steps Already Taken Toward Fixing the Reparations Bill, and Outlines the Problems and Alternatives Still Facing the Victors. Says That Determination of the Productive Capacity Required to Enable the German Economy to Function Is the Vital Question, and May Cause Vociferous Controversy. He Urges That We Assume the Cost of Food and Goods to Be Imminently Furnished to Germany, in Lieu of Permitting Retention of Their Industrial Machine With the Danger of Armament Revival. Asserts That the Reparations Labor Problem May Be Solved by the Future Undesirability of German Labor to the Claimant Nations.

The reparations plan had its origin in Yalta in February, 1945, when we were still shelling Cologne and the Rhine was still a hurdle that our military technicians figured might take months to overcome. Negotiations were started by the Allied Commission on Reparations in Moscow in June, some six weeks after the fall of Berlin. It was formally agreed to by the United States, Great Britain and the U. S. S. R. in August.

The question of reparations de-

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*A paper presented at the Annual Meeting of the Academy of Political Science, Nov. 8, 1945.

Sugar Prospects for 1946

By GEORGE L. WRIGHT*
Vice-President, Lamborn & Company, Inc.

Mr. Wright Asserts That Although Getting Adequate Sugar Supplies Will Be Slow and Difficult, the Turning Point Has Been Reached. Estimates That 8,200,000 Tons Will Be Available in 1946, and Does Not Expect Any Immediate Supplies From Far East, Because of Disturbances and Destruction in the Area. Predicts Foreign Withdrawals on Our Potential Supply Will Be Reduced and That the U. S. May Have 1,000,000 Tons More Than in 1945. Sees Abandonment of the Sugar Subsidies and a Rise in Ceiling Price of 50 cents to $1 Per Hundred Pounds but Holds Price Controls Will Probably Continue Throughout 1946. Sees Slightly Larger Allotments to Both Industrial and Domestic Users and the Possibility of "Sugar Joining the Inflation Parade."

There is an old saying that the sugar industry may be checkered, but never dull. Certainly, it has been checkered enough since Pearl Harbor, and this condition bids fair to continue for some little time to come. To those manufacturers who use sugar as an ingredient in their finished products, who desire to maintain their customary high standard of production in the things they have to sell, and who have a sincere desire to maintain the highest possible level of employment in the conversion from war to peace, this whole question of sugar is of paramount importance.


George Wright

Sugar, so often the embodiment of well-being and plenty in pre-war years, has become the Little Orphan Annie of the food com-

*An address by Mr. Wright before the New Jersey Bottlers of Carbonated Beverages, Trenton, N. J., Nov. 12, 1945.

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Attacks Full Employment Bill

Henry Hazlitt Holds It Will Lead to Inflation and Undermine and Eventually Destroy Free Enterprise. Contends That Failure of Government to Properly Estimate Its Own Budget Is Evidence That It Will Be Unable to Predict Adequate Economic Conditions.

In a study entitled, "The Full Employment Bill—an Analysis" published by the American Enterprise Association, Mr. Hazlitt concludes that the Senate Full Employment Bill rests on "a crude form of the 'purchasing power' theory of economics. This assumes a one-way causation under which a given volume of production or employment is supposed inevitably to follow a given volume of spending. It would base its spending policies on an elaborate set of estimates that would be in fact a series of guesses subject to a wide margin of error."


Henry Hazlitt

"Government spending, deficit financing, increased doses of inflation are, in brief, the heart of the Murray Full Employment Bill," in the opinion of Henry Hazlitt of the editorial staff of the New York "Times." "Even the Taft-Radcliffe Amendment tacitly accepts at least part of the compensatory spending assumptions. The Bill pays elaborate lip-service to the private enterprise system, at the same time it rests on a fundamental distrust of that system and proposes measures that would, in fact, undermine and eventually destroy the system."

Mr. Hazlitt holds that, "Compared with the complications, unknown quantities and pitfalls that would surround the estimates which the President is asked to make under the Murray Bill, the problem of the Government in estimating merely its own expenditures, within its own control ought to be ridiculously simple. Yet on this problem the Government in the last dozen years has piled up a singularly unimpressive record."

A table is included showing the actual record of the Government's estimates of expenditures, revenues and deficits for the fiscal years 1935-1944 ac compared with the realities. In the seven fiscal years from 1935 to 1941 inclusive,

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No Mass Unemployment Again!

By STUART CHASE*

Mr. Chase Gives Six Changes That Will Eliminate Post-War Mass Unemployment, Viz: (1) Organization Which Can Abolish It; (2) Financial Ability to Prevent It; (3) Our High Productive and Consuming Power; (4) the Necessity of Full Employment to Service the National Debt; (5) to Prevent Collectivism and Maintain Free Enterprise; and (6) to Meet the Pressure for High Living Standards of Returning Service Men. Says Full Employment Will Solve Other Economic Problems, and Advocates That Government Power Through Alternate Spending and Taxation Be Used to Check Booms and Depressions. Favors Senate Full Employment Bill.

What do the polls of public opinion show that Americans generally want after the war? Nearly every poll, both of service men and civilians, for the past four years shows a good job as the Number One heart's desire.

There is a compelling reason for these poll results. Unemployment is the curse and the scourge of modern societies. Full employment is a symbol of being *in* in the community; unemployment the symbol of being thrust outside. With the possible exception of the atomic bomb, full employment is the most important problem of the modern world.


Stuart Chase

Can people have their hearts' desire as shown in the polls? Is full employment really possible?

Let's reply by asking two other questions:

1. Is mass unemployment possible year after year in the atomic age?

2. Can we swing the national debt with ten to 15 million chronically unemployed?

If the answer is "no" to these two questions, it must be "yes" to the first.

Yes, I believe full employment is possible if Americans want it enough to make the effort. It won't be brought by gremlins; we have got to go out and hustle for it, something the way we went

*Remarks by Mr. Chase before the New York Credit Men's Association at the Hotel Commodore, New York City, October 30, 1945.

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Preview of a Debacle

By AUGUSTUS SLATER

Writer Contends That Experience With Artificial Wage Increases in 1937 Indicates That Increased Production Costs Reduced Consumers' Buying Power and That a Similar Effect May Again Be Expected. Says War Time "Take Home" Pay Was Not Translatable Into Immediate Purchasing Power and That the Worker's Pay Is Directly Dependent Upon the Sale of His Product. Holds Demand for a 30% Hourly Wage Boost Is Equivalent to 75% Wage Advance Over 1941 and Would Lead to a Large Discrepancy in the Concurrent Gain in Non-Factory Consumer Income. Estimates Demanded Wage Rise Would Wipe Out Profits and Cause Depression.

In all the welter of debate marking the current wage brawl one would hardly suspect that the country had been through the wage-cost-price wringer before. It's extraordinary that there has been no serious mention of 1937-38. Perhaps we forget, or prefer theorizing from scratch all over again, or maybe some people just never learn. It will be recalled that in a whirlwind knock 'em down political campaign, President Roosevelt late in 1936 promised manna to the working man. Excoriation and vilification had their day; the automobile industry, "big" business, Wall Street, all received their share of the blows which turned out to be extremely popular. It was a grand show. There were still nearly eight million people looking for jobs.

A. Slater

Experience of Wage Rise of 1937

Emboldened by the howling ballot-box success of their champion and his return to office with another mandate, labor leaders staged the greatest field day in the country's industrial history. Despite the fact that actual hourly and real weekly (adjusted to the cost of living) wages in 1936 exceeded previous peak levels reached in the '20's, the theory was—that troublesome old unemployment question could be liquidated only by still higher wage rates. You know—increase the theoretical purchasing power of the factory wage earner, it would become a reality and spread itself all over the land. What happened?

Strikes during early 1937 rose to record breaking levels, and the business world stood in new awe of the demanding labor leaders who were more firmly entrenched politically than ever before. Despite some vigorous protest that wage rates, costs, and sales were irrevocably linked, employers were forced to give in all along the line. Hourly wages for all manufacturing industry increased an average of 12.3% during the first 10 months of 1937, but more significantly the wage rate rise in durable goods industries amounted to 13.8%. Contrast this jet-like performance with the average annual gain of some 2% in productivity of the American economy as a whole during this century, reflecting a combination of material resources, management skill, and technological advances which have been the envy of the world. Due to rising costs, wholesale prices of durable goods during 1937 were upped nearly 9%, while total national income rose only 2.4%. Since the latter figure reflected the short-lived labor gains, it is probable that mass purchasing power of non-manufacturing consumers who constitute 70-80% of the total market rose not at all during this critical period. In short, wage costs and durable goods prices had been thrown out of adjustment an average of about 10% with respect

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Holds Britain Has An Alternative to U. S. Aid

IBA Report Points to Greater Productivity of British Workers as a Source for Creating Exports to Pay Debts. Also Urges That We Study the Whole Question of Enlarging Our Imports to Bring International Payments in Balance and Afford Foreign Debtors Ability to Repay.

In a paper entitled "Economic Relations Between the United States and Great Britain," prepared by Hans Heinemann of Kidder, Peabody & Co., New York, and presented by Investment Bankers Association of America at the National Post-War Conference in Atlantic City on Nov. 1, a strong suggestion is made that as "an alternative to our dollars," Great Britain increase the output per worker and the productivity of her industries to create a surplus of goods for export and thereby furnish a means of both paying for her imports and meeting her indebtedness abroad. The full text of the report follows:

The business of global money-lender is an exacting profession. The United States is today confronted with the necessity to adapt herself to many problems which arise out of her position as the greatest creditor nation in the world.

The British embarked on this profession in the 19th century and gradually emerged as owners or mortgage holders of railroads, factories, mines, plantations all over the world. The revenues from these enterprises poured in, providing much of the wealth which made England a great power, and with which she could purchase a surplus of imports over exports. Great Britain was willing, in fact, to take unlimited imports in payment of debts owed to her.

The United States, on the other hand, with a constantly expanding productivity, has not wished her debtors to feed her, and has not wanted unlimited imports.

Under these circumstances, during the interwar period, for example, our foreign investments were practically sterile. Our increased tariffs, our refusal to take imports, meant that we shut off the principal means whereby we could derive income from our foreign investments.

The English frequently point out that the United States found in lend-lease a magnificent solution whereby we could continue to expand our production and increase our exports regardless of our lack of offsetting imports.

But no matter what its wealth or productive capacity, there is no nation which can give away its surplus indefinitely. Even if it were possible economically, it would be impossible politically. Yet, how can a loan be repaid to the United States? We can take payment in goods and services, that is, in greater imports. Or, we can try to compensate ourselves by extending our power—by getting political, social or economic concessions in return for

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Luckhurst & Co. Opens Hartford, Conn., Branch

HARTFORD, CONN.—Luckhurst & Co. announces the opening of a branch office at 720 Main Street under the management of William F. Lally.

Economic Relationships Between European Countries

By EDWARD S. MASON*

Professor of Economics, Harvard University
Consultant, Department of State

Professor Mason Explains That World Peace and Prosperity Depend on Intra-European Unity and Trade. Contends That the Soviet's Capture of the Business of the Former German Satellites and of Eastern Germany Is a Thoroughly Uneconomic Development. Doubts Whether American Loans to USSR Will Increase International Trade. Asserts That Germany Must Be Administered As An Economic and Political Unit, and That Proposals for Her Agrarianization Make No Sense. Holds That Britain Must Cement Her Relations With Western Europe Without Antagonizing the U. S.

It is impossible these days to talk about economic relationships without looking over one's shoulder at the cloud formations which portend the state of the political weather. In a situation where the powers great and small are either putting up their own umbrellas or maneuvering to get under the umbrellas of someone else, trade channels and foreign economic policies are bound to be affected. Although my subject is limited to economic relationships between European countries I must, therefore, of necessity pay some attention to the security considerations which are affecting a realignment among these countries.

It has long been my belief that, in the European sphere, two of the most important contributions to the maintenance of peace and prosperity in the world are (1) the avoidance of a split between east and west and (2) the attainment of a high level of intra-European trade. Currently the prospects of the second contribution appear dim mainly because of the impending failure of the first. It was impossible—at least until recently — to conceive of a large group of European states maintaining a position of relative neutrality and independence as between Russia on the east and the Anglo-American powers on the west. There are those who hold that the concept of relatively neutral bears a close affinity to the difficult concept of relatively pregnant. On the contrary, neutrality permits of a wide range of possibilities. The United States

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*An address before Academy of Political Science, New York City, Nov. 8, 1945.

Public Utility Securities

Utility Tax Savings

Recent activity in utility stocks, reminiscent of the hectic 1920's appear due in part to belated recognition of potential savings resulting from repeal of the excess profits tax, and the 5% reduction in the income tax (the rate being reduced from 40 to 38%). The excess profits tax was not an equitable tax so far as utilities were concerned —some were much harder hit than others, for purely technical reasons. Hence a study of potential tax savings per share reveals some rather startling results, assuming that the savings could be added to recent published earnings. Unfortunately this will probably not be the case, for local commissions will doubtless be on the watch, demanding rate cuts as soon as the abnormal figures begin to show up; and some companies, in anticipation of such action, may cut rates voluntarily. Also, of course, some companies may be affected by loss of wartime industrial business, though preliminary September results for all electric utilities indicate that there has been no appreciable loss in net income resulting from the cutbacks in munitions activities.

In estimating savings it is frequently necessary to use 1944 figures because the interim earnings reports don't contain the necessary details of tax payments. The stocks listed below were selected on the basis of appreciation possibilities if tax savings could be largely retained, but in compiling any such list there is necessarily a large element of uncertainty, including current price changes in the present active market.

Electric and gas operating company stocks which appear to be selling around 6-8 times estimated 1946 earnings (on the basis of tax savings) are Central Illinois Electric & Gas, Illinois Power, Indianapolis Power & Light, Mountain States Power, New Orleans Public Service, Public Service of Indiana, and Wisconsin Electric Power. In the 9-10 range are Iowa Public Service, Lake Superior District Power, Missouri Utilities, Public Service of Colorado, San Diego G. & E., and Southern California Edison. In the 11-12 bracket are Black Hills P. & L., Community Public Service, Idaho Power, Newport Electric, and Pacific G. & E. In the 13-14 class are Commonwealth Edison, Delaware Power & Light, Detroit Edison, Duke Power, Houston Lighting, Philadelphia Electric and Sierra Pacific Power. Since the average electric utility sells currently around 17 times earnings, the stocks here listed appear to have appreciation possibilities if they are able to retain any substantial part of their estimated tax savings.

In the holding company list price-earnings ratios are lower but it is difficult to use the ratios on common stocks where there are preferred arrears to be taken into account, or recap formula has been worked out. However, holding company issues which appear to have adjusted price-earnings ratios below 10 are American Power & Light preferred, Cities Service, Columbia Gas & Electric, Commonwealth & Southern preferred, Consolidated Electric & Gas preferred, Electric Power & Light, Engineers Public Service, Federal Light & Traction, National Power & Light and Standard Gas $7 preferred.

Among the gas companies some outstanding stocks with low ratios on the new basis are Savannah-St. Augustine, Jacksonville Gas, Oklahoma Natural Gas, Mobile Gas, Peoples Gas, Southern Natural Gas, Northern Natural Gas.

The transit group appears to contain some bargains assuming that automobile competition doesn't come back too rapidly. Thus Syracuse Transit, Capital Transit, National City Lines and St. Louis Public Service A are selling at only about 3-4 times earnings plus tax savings. Eastern Mass. St. Railway could also be included, but very heavy arrears on the preferred stocks make the situation difficult to analyze.

In the telephone group, American Tel. & Tel. has estimated tax savings of $5.70 a share, but the company may have to make further rate cuts on its long distance tolls, especially when Western Union's new cheap radio-facsimile communications system is installed.

The Pulp and Paper Industry

By ROY K. FERGUSON*

President, St. Regis Paper Company

Noting That the Pulp and Paper Industry Has Become Our Sixth Largest Industry, Mr. Ferguson Traces Its Growth From a Production of About 2,000,000 in 1899 to 17,762,000 Tons Yearly. Recounts the Favorable War Record of the Industry and States Government Controls Have Been Almost Completely Eliminated. Predicts Continued Expansion but Warns That Unless There Are Better Forestry Methods and More Economy in Cutting, Our Pulp Supply Will Diminish. Says Prospects of Large Imports From Europe Are Not Favorable, but Sees Rapid Growth in Industry and a Favorable Outlook for Paper and Pulp Companies.

The pulp and paper industry is the sixth largest industry in the United States with an average output of product for the past five years in excess of 17,000,000 tons annually and an annual value of its products of $2,880,000,000. In addition, paper imports for the past five years have averaged approximately 2,750,000 tons per annum. The industry represents an investment of practically $3,000,000,000, which amounts to approximately $19,000 for each person employed.

R. K. Ferguson

Business is done on paper; structures and machinery start on paper; our children are educated and all of us kept abreast of what is happening by words printed on paper; maps and plans on paper led to Berlin and Tokyo; . . . paper is so much a part of civilized living that, like the forests from which it comes, it is not seen for the trees.

The pulp and paper industry is primarily a service industry, all segments of which are dependent upon general economic conditions. Whether it is the newsprint or book paper from which we read, the wrapping or bag paper in which we carry home our purchases, the paper toweling with which we dry our hands, or the paperboard container so familiar to all of us, paper products play an important part in our everyday living. Even the transparent sheets in which are packaged candies, cakes and other foodstuffs, and the rayon fabrics so commonly worn today, are largely made of wood pulp. Sixty-one per cent of the paper produced today is used for packaging purposes; 16% for educational, information, including publication papers and newsprint; 9% for industrial papers such as condenser, blueprint and cable wrap; 8% for communications and records, and 6% for sanitary purposes.

Progress of the Industry

1899. In contrast to the present production of more than 17,000,000 tons, let us look at the condition in the United States at the turn of the century when the industry was centered chiefly in New England and the Middle Atlantic States, the period which

(Continued on page 2343)

*An address by Mr. Ferguson before the New York Society of Security Analysts, Oct. 31, 1945.

Aviation Corp. Shares Offered to Public

A public offering of 67,374 shares of $2.25 cumulative convertible preferred stock (no par) of The Aviation Corp. at $56 a share, plus accrued dividends, was announced Nov. 13 by a banking group headed by Lehman Brothers and Emanuel & Co. The offering represents the balance of 289,675 of new preferred shares first offered to the corporation's common stockholders, plus an additional 10,325 shares not offered to shareholders.

Alfred West Sales Mgr. For Glore, Forgan Co.

Other Appointments

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Alfred C. West, who has recently been serving in the purchases division headquarters of the Army Service Forces with the rank of Major, has been named sales manager. E. Cummings Parker, who has been in the firm's sales department for several years, has been appointed syndicate manager. James M. Ahern has been appointed manager of the firm's trading department. Mr. Ahern was formerly with the Berkshire Life Insurance Co. and the New York office of Glore, Forgan & Co.

Henry G. Isaacs Visiting In Wall Street

Henry G. Isaacs of the Virginia Securities Co., Royster Building, Norfolk, Va. (formerly Aycock & Co.) is a visitor in Wall Street. Mr. Isaacs may be reached in New York at the offices of Collin, Norton & Co., 30 Pine Street.

Real Estate Securities

150 Broadway Corporation (Westinghouse Building) Reorganization Completed. New Securities Appear to be Underpriced in Relation to Present Day Appraised Value of Property.

In the course of the reorganization proceedings the appraisal deemed to be sound by the court was $2,320,000, the sum of $1,320,000 being allocated as land value and $1,000,000 as building value. The bondholders in exchange for the old security receive a new bond on a par for par basis in the total amount of $2,668,383.50, said new bonds being junior in lien to a $600,000 first mortgage, the proceeds of which was used for the purchase of the corner parcel of land in which previously there was only a leasehold interest held as part security for the bonds. Bondholders will also receive certificate of beneficial interest which shall be physically attached to the new certificates of participation transferable only as a unit except that certificates of beneficial interest remaining outstanding after retirement or redemption of the certificates of participation will be freely transferable. Holders of the latter who tender to the sinking fund shall retain beneficial interest certificates.

The present market around 40 would give a value of about $1,068,000 to the new security. Adding the prior lien of $600,000 results in a total of $1,668,000, or about $652,000 less than present day appraised value of the property. The plan provides that earnings of the property will be applied first to the payment of interest at the rate of 3% per annum and any balance will be divided into two equal parts, one part added to the interest distribution and the other used for retirement of certificates. Indications are that 3% can be earned and that additional sums may be available through real estate tax savings and through increased rent under the percentage clause in the Wanamaker store lease of the ground floor.

The original mortgage on the property placed in 1923 was $4,500,000. Prior to the first reorganization in 1934 an amount of $958,583.34 had been retired at par.

Following the voluntary reorganization, it appears that from April 1, 1934, the earnings of the property were sufficient to pay the reduced 4% each year up to and including April 1, 1944; to redeem $611,343.68 in bonds at face value; to purchase in the open market $261,166.72 principal amount of bonds, leaving the present outstanding balance of $2,668,383.50.

Chester Iverson Added to Otis & Co. Staff

CLEVELAND, OHIO—Chester S. Iverson has become associated with Otis & Co., Terminal Tower, as securities analyst, according to an announcement made today.

Mr. Iverson, a Captain in the Ordnance Department of the United States Army, has been released from service after three and one-half years of duty.

Before entering the service he was associated with Goodbody & Co., Chicago, and before that for several years with Lamborn, Hutchings & Co., Chicago as an analyst specializing in railroad securities.

He has contributed financial articles to "Barron's Weekly," the "Wall Street Journal" and other publications.

Mr. Iverson is Chairman of the Board of Culver & Port Clinton Railroad Company, a railroad investing company, and a Director of Erie & Michigan Railway and Navigation Company.

Printing Empls. Get 36¼ Hour Week—Pay Boost

Members of New York City Typographical Union No. 6 Get Increased Pay and Shorter Work Week

The Typographical Union No. 6 and the Printers League Section of the New York Employing Printers Association reached an agreement on Nov. 11 providing for an increase in take-home pay and a reduction in the work week as of Nov. 15 from 40 to 37½ hours and to 36¼ hours six months hence.

The scale of this Union on Dec. 1, 1941, was $54.50 for a 40-hour week. The present contract, together with concessions in others effected since Dec. 1, 1941, increased the operating expenses of employing printers by 35.8% so far as members of the "Big 6" are concerned.

The following comments regarding the instant agreement are taken from the press of Nov. 13:

The agreement, which was announced by Charles E. Schatvet, President of the employers' group, and Laurence H. Victory, President of No. 6, provides for the institution of a 37½ hour week Nov. 15 with base pay of $66.40, and for a reduction of the work week to 36¼ hours six months later. The employers also granted an additional week of vacation, giving the printers two weeks, and three holidays, July 4, Labor Day and Christmas, with pay.

The settlement followed the local membership's rejection in October of an agreement that had been reached between its local negotiating committee and the Printers League Section, which represents all book, magazine and job printers in the city.

Mr. Schatvet explained that in view of a 21-day strike called by the union in Chicago to achieve the conditions included in the new contract here that "the Printers League reluctantly acceded to the ultimatum of the International Typographical Union in order to maintain production in its members' plants."

"The Printers League regrets," he added, "that peaceful collective bargaining, which has characterized the industry's labor relations in New York since 1903, has been disrupted."

V. N. Agather Rejoins Staff of Shields & Co.

Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange, announced that Major Victor N. Agather, recently released from Wright Field, where he was project officer responsible for production of the B-29, has rejoined their firm after three years of service.

Major V. N. Agather

Before going to Wright Field, Major Agather was aeronautical consultant to the War Production Board and assistant administrator of the Aircraft Scheduling Unit which prepared the original aircraft production schedules consolidating Army, Navy and British aircraft procurement.

As a member of a group of consultants sent to the China-Burma-India theatre and the Marianna Islands to establish a combat maintenance organization for the B-29s, Major Agather received citations from the commanding generals of the 20th Air Force, the Continental Air Forces, Air Technical Service Command and the Air Transport Command for his outstanding work on the B-29.

With Kaiser & Co.

SAN FRANCISCO, CALIF. — Kenneth Fazackerley has been added to the staff of Kaiser & Co., Russ Building.

Six and One-Half Billion of New Construction During 1946

By JOHN D. SMALL*
Administrator of Civilian Production

Director of New Organization, Taking Over Work of War Production Board, Predicts That New Construction Will Expand, Despite Manpower Shortage and Materials Scarcities, and Says New Construction Is Expected to Be at Least $6½ Billions in 1946 and Provide Directly a Million New Jobs. Pointing Out That Inactivity in Construction Is Synonymous With Depression, States That Manpower Shortage, Due to Low Wages in Materials Industries, Is Causing Retardation of Building and Outlines Policy to Expand Production of Materials and to Prevent Speculation, Hoarding and Price Inflation. Holds Price Controls Must Be Retained During Reconversion.

I am glad to have this opportunity of discussing with you the problems now facing the construction industry. They are important for you gentlemen who are part of this industry and also for the country at large. For construction and its feeder industries are foundation stones of a healthy economy.

J. D. Small

If the peacetime objectives of full production and full employment are to be attained, obstacles in the way of unhampered expansion in the construction field must be removed. It has been said, and rightly I think, that "inactivity in construction is synonymous with depression."

Construction and its pipe-line industries provide millions of jobs. In 1942 the volume of construction reached a peak of nearly 13 billion dollars and gave employment to about 2,200,000 workers. An additional 2½ million workers were needed to provide materials used for this gigantic construction program—in mines, forests and sawmills, and in factories making construction materials and components.

With major facilities for war production built, and cantonments, war housing and other war construction needs met, construction had to be held in check during the remaining years of the war. This was essential to conserve materials and manpower. But in 1946, our first peacetime year, construction will expand. New construction, both public and private, is expected to amount to at least 6½ billion dollars. This is expected to provide about one million jobs, not counting those in the pipe-line industries.

In the interests of speedy reconversion, and to get a start on meeting the pent-up demand for housing, highways, commercial buildings and other construction, this 1946 program must be carried out.

The construction order, L-41, was relaxed soon after V-E Day, and further relaxed through successive amendments as materials and manpower became available. But even with its complete removal on Oct. 15, all is not smooth sailing yet in the construction industry.

As you gentlemen know, certain key building materials are in short supply. Chief among these are lumber, cast iron soil pipe, brick, structural tile, clay sewer pipe, gypsum lath, and plumbing and heating equipment. Production of these items must be increased speedily otherwise these shortages may well hamper the 1946 construction program. The situation is particularly serious because housing is the type of construction most affected by scarcity of these building materials. And from all accounts, housing is urgently needed.

Practically every city in the country is suffering from a housing shortage. The number of dwelling units needed during the next 10 years is estimated to be as high as 12,500,000. That is an average of 1,250,000 a year. This number would be required to take care of returned veterans, newly established families, those now doubling up with others, and to replace one-half of our present substandard dwellings. The 1946 minimum program will attempt to assure at least $1,675,000,000 worth of housing. It is estimated that this would provide for the construction of somewhat more than 400,000 family dwelling units in 1946, approximately double the number to be completed this year. Of $1,675,000,000 worth of housing, $1,526,000,000 is expected to be provided by private activity.

Manpower Shortage

Now you may ask, why are we faced with material shortages? The war is over and military demands have dropped. The principal reason, almost without exception, is shortage of manpower. We are told that existing wage rates in some of the building material fields are too low to attract new workers or to retain persons now in those industries.

The issues are complex. Where low wages are a definite obstacle to increasing production of scarce materials, a rise in the wage scale should be given serious consideration; particularly in industries essential to construction where those wage advances are necessary to insure full production of those

(Continued on page 2338)

*An address by Mr. Small before the Building Products Executives' Conference, Washington, D. C., Nov. 2, 1945.

The Obvious Results Of Rent Ceilings

Securities Brokerage Firm Sees Rent Controls Stimulating Construction of Private Dwellings and Having Opposite Effect on Building for Rental Purposes.

In practically every important city in the United States rents have been ceilinged by the OPA at their March 1, 1943, levels. Moreover, while the future is somewhat unpredictable, we think it is a fair assumption that rent controls are going to obtain for quite a while to come.

Rent control, of course, is one of the important functions of the OPA and if by any chance the OPA is to go out of business in June of next year, it is barely possible that rent controls would be turned back to the States. But this is pretty academic for we believe that in one manner or another rent controls are going to be here for a considerable period.

And this will probably be so because construction of multiple dwellings has been extremely limited for the last 15 years and single family dwellings, with the exception of emergency war housing, have not been built to any extent in the last five to six years. As a result the housing demand is far greater than the supply so that in the Government's opinion extreme confusion would result, to put it mildly, if ceilings were lifted.

However, the country is waking up to the fact that rent control does not build buildings and does not supply living quarters—on the contrary the ceiling of rents works to accomplish just the opposite result. For with costs at current levels, multiple dwellings, or single family dwellings built for rental, cannot on any large scale be advantageously constructed. (OPA will allow 15% to 20% rent increases on new buildings as a rule, but building costs are running 30% to 50% above prewar levels.)

However, there is another side to this picture that we think investors should think about. We are referring to the fact that single family dwellings can be built without any limitation as to sale price. As a result, builders can and probably will construct a huge total of single family dwellings for sale purposes whereas there may be little construction for rental purposes.

Generally it may be said that a single family dwelling that after completion was sold for $6,000 in prewar years now has to fetch about $9,000. But they are being built as fast as materials and labor are available and if rent ceilings are to be maintained we believe that the United States is going to witness the construction of an outstandingly large number of single family dwellings during the next two or three years.

It is inconceivable that the total will run less than half a million of such dwellings, and it may well be that the total will run from one to two million. For it seems clear that with rent ceilings preventing extensive new building for rental purposes, the huge demand for housing can be mainly met by single family dwellings constructed for sale purposes.

And if this is a fair and accurate preview of what is going to occur, and we think it is completely accurate, investor-interest in many building stocks will be heightened and this interest will spread over into other groups. For the construction of an amazingly large total of single family dwellings will produce added and profitable business for the electrical utility industry, gas heating, gas appliances, electrical appliances, furniture, and many other items that go into the comfortable way of living of the standard single family dwelling in the United States.

In conclusion one perhaps can say with reasonable assurance that while the automobile industry was the backbone of our prosperity in the five to 10 years following World War I, single family dwellings (and somewhat later, multiple family dwellings) may be a highly important factor in our industrial pattern in the years following World War II. (Acknowledgments to M. S. and S. H. S.)—RALPH E. SAMUEL & CO.

Frank Miller Opens Firm in Dallas

DALLAS, TEX.—Frank Miller has formed Frank Miller & Co., with offices in the Republic Bank Building, to engage in the investment business. Mr. Miller is resuming business after three and one-half years service in the Navy. He was formerly President of the firm of Miller, Moore & Brown, Inc.

NYSE to Pay Schramm $100,000 Annually

The New York Stock Exchange announced on Nov. 11 that it had entered into a new contract with Emil Schram, President, under which Mr. Schram's salary until the end of 1948 will be $100,000 a year instead of the previous $48,000.

Although Exchange Governors are reported to have sought on several occasions during the war to win Treasury Department approval of a salary increase for Mr. Schram, their request was refused, but the new contract came under consideration as soon as salary restrictions had been removed.

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.

Bank and Insurance Stocks—Comparative figures, and a memorandum on the market from the long-term point of view—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

Copper Industry's Outlook—Detailed tudy contained in the **Fortnightly Market and Business Survey**—E. F. Hutton & Co., 61 Broadway, New York 6, 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.

Insurance and Bank Stock Evaluator—A comparative analysis of 81 insurance companies and 39 banks—Butler-Huff & Co. of California, 210 West Seventh St., Los Angeles 14, Calif.

Also available is a study of **Bank of America** and a memorandum on **National Fire Insurance Company of Hartford.**

Investment Guide for November—Discusses corporate earnings, taxes and labor as related to the outlook for securities—includes description of U. S. Victory Loan issues and current information on twelve corporations with reference to political, financial and industrial trends—First California Co., 300 Montgomery St., San Francisco 20, Calif.

Low Priced Issues with High E. P. T.—A list of companies which will benefit from the elimination of the excess profits tax—Brand, Grumet & Ross, 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.**

Transition Prospects of the Air-Craft Industry—Study of prospects—H. Hentz & Co., 60 Beaver St., New York 4, N. Y.

Also a memorandum on **Industry Trends.**

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

American Bantam Car Co. — New report and comment—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2 Mich.

Arizona Edison Co.—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4. New York.

Also detailed circulars on **Foundation Co.; Fashion Park, Shatterproof Glass, and Wellman Engineering Co.**; and reports on practically all **Real Estate** issues in New York City.

Aviation Corporation — Special report—L. H. Wright, 135 Broadway, New York 6, N. Y.

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.**

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

E. G. Brooke Iron Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Central Electric & Gas Co.—Detailed study—Brush, Slocumb & Co., 1 Montgomery St., San Francisco, Calif.

Central Paper Company, Inc—New analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wisconsin.

Chicago Railway Equipment Co.—Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle St., Chicago 4, Ill.

Cliffs Corporation—New memorandum, containing a study of values for 1936-1945—Gillis, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

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

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

Also available are circulars on **Central Iron & Steel, Oregon Portland Cement.**

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

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.**

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.

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.**

Johnson Automatics — Descriptive memorandum on low-priced building stock—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

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.

Reda Pump — Memorandum — Buckley Brothers, 1529 Walnut Street, Philadelpha 2, Pa.

Also memoranda on **Midland Utilities Co.**

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.

Seatrain Lines, Inc.—Descriptive memorandum on possibilities of this shipping security—J. W. Gould & Co., 120 Broadway, New York, 5, N. Y.

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.

Walt Disney Productions — Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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.

Chicago Clocks Back Hour

For the first time since Feb. 9, 1942 the clocks in Chicago were set at Central Standard Time on Oct. 27. Previous to this action, Chicago was the only major city in the country that had not reverted to this prewar system.

Public Interest Transcendent Factor in Settlement of Labor-Management Disputes

By HON. THOMAS E. DEWEY*
Governor of New York

Governor Dewey, Pointing Out That Both Labor and Industrial Leaders in Past Were Deficient in Training for Establishing Sound Industrial Relations, States That the Newly Established State School of Industrial and Labor Relations at Ithaca Will Develop Leaders That Will Aid in Solving Future Economic Problems. States That a Trained Understanding of All the Factors in Industrial Relationship Must Take Place of Force and That Zealots or Dogma Must Give Way to Sound Public Opinion Based on Better Information Regarding Problems of Both Labor and Management.

We are here to launch the New York School of Industrial and Labor Relations during the most serious period of labor difficulty in our history.


Thomas E. Dewey

The best thing of all about this new school is that none of us regards it as a cure-all for every one of our troubles. It is a trail-blazing effort. We are pioneering in a vital field of human relations.

These problems of labor relations were important yesterday; they will be even more important tomorrow. Ten years after this nation was founded, in 1786, the printers in Philadelphia struck for a minimum wage of $6 a week. Today the newspapers are full of reports of strikes to increase wages.

The biggest strike in our early days as a nation was a walkout of house carpenters who quit work in 1791 to fight for a 10-hour day. We are all familiar with current strikes called to shorten the workday.

In 1877, a 10% pay reduction on the three railroads running west led to our greatest strike up to that time. There were pitched battles between workers and militia, railroad yards set afire, and scores killed in riots.

These strikes failed but labor learned from them that its welfare could only be protected by organization and collective bargaining. Four years later, in 1881 there was founded the modern, indigenously American form of unionism we know as the American Federation of Labor.

As our transportation system grew, it brought competition between the products of different localities in the same market. Stoves made in Albany were displayed in St. Louis right beside stoves made in Detroit. The Albany stove molder could no longer be indifferent to the wage scale of his fellow craftsmen in other cities. If labor costs in Detroit were too far below Albany scales, there would be no market for Albany-made stoves and no jobs for Albany stove molders.

So, as industry grew, the union movement grew and the clashes between labor and management were of greater and greater magnitude. Year in and year out, the battles on the labor front were fought over the same issues. Wages, hours, conditions of employment—these were the issues in colonial times; they remain the issues today.

In most cases these issues are settled peacefully without an interruption of work. Public attention focuses on those cases where collective bargaining fails and strikes result. Peaceful settlements do not make big news. Recurrent outbreaks of strikes underline the fact that labor relations are never static and that no formula can be devised within the democratic framework which will wholly wipe out disputes. Nor does anyone who values our way of life wish to end the continuing effort by both labor and management to advance their own interests. But the old rule of the tooth and claw is out of date and should come to an end.

Our labor movement is still young. It is only a very few years since the right to organize a labor union was a matter which had to be settled with bare fists, clubs, sticks and stones. It was inevitable that undesirable characters and racketeers found their way into so many unions in days gone by. They were able to create unions for their own purposes where a union was needed and nobody else created it. We were entirely lacking in the kind of

(Continued on page 2361)

*An address by Governor Dewey at Convocation of the New York School of Industrial and Labor Relations, Ithaca, N. Y. Nov. 12, 1945.

Ames, Emerich & Co. In Larger Quarters

CHICAGO, ILL. — Ames, Emerich & Co., Inc., one of the older investment banking firms of the city, will occupy the entire bank floor in the Borland Building, 105 South La Salle St., beginning Wednesday, Nov. 14. Established in 1911, this company has tenanted the Borland Building since 1915 and, in moving to the second floor, the company will continue its long established business at its traditional address on La Salle St.

Officers of Ames, Emerich & Co., Inc., are: Huntington B. Henry, President; James J. McNulty, Donald E. Nichols and Ores E. Zehr, Vice-Presidents, and Albert Cahn, Secretary and Treasurer.

Morris Nelson With Benjamin Lewis & Co.

CHICAGO, ILL. — Benjamin Lewis & Co., investment dealers, Field Building, announce that Morris J. Nelson, who has been for the past several years in the Army Air Corps, has become associated with them in their Corporation Securities Department. He was formerly head of his own investment firm in Chicago.

Illinois Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Alden J. Paulson** has become associated with **First Securities Company of Chicago**, 134 South La Salle Street. Mr. Paulson has been with the Royal Canadian Air Force since 1941.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**George R. Torrey** has joined the staff of **Kebbon, McCormick & Co.**, 231 South La Salle Street. Mr. Torrey, who has been in the U. S. Army, in the past was with Lawrence Stern & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Walter R. Sundling** is again associated with **John Nuveen & Co.**, 135 South La Salle Street.

N. Y. Security Dealers Discuss Problems

One of the most important gatherings ever held by the New York Security Dealers Association took place on Wednesday, Nov. 7, 1945, in the Perroquet Suite of the Waldorf-Astoria Hotel. The attendance, confined to partners of member firms, or in the case of corporations, the officers and heads of trading departments, aggregated 170.

At a closed meeting of the membership of the Association various important problems were discussed. Various court decisions affecting methods of trading over-the-counter were explained. Some important changes in the constitution, including an amendment providing for the election of the nominating committee by the full membership, were adopted. And the members were apprised of the Association's activities through reports submitted by members of the Board.

After this business meeting a very fine dinner was served in the Astor Gallery of the same hotel, the menu of which was universally praised.

The Dinner Committee consisted of the following:

Fred J. Rabe of F. J. Rabe & Co., Chairman
Herbert Singer of Luckhurst & Company
John J. O'Kane, Jr., of John J. O'Kane, Jr., & Co.
Frank H. Koller, Jr., President of F. H. Koller & Co., Inc.

assisted by Alfred E. Loyd, Executive Secretary of the Association. It was generally conceded that this Committee did a real job for which they are entitled to much praise. One thing they did which though an innovation, was hailed as most noteworthy, and that was this, that there would be no speeches incorporating "shop talk" from the Dais. Instead, the Committee engaged the services of "Doc" William Stanley Sims, a humorist, well-known for his outstanding wit, especially in his manner of referring in a humorous way to various individuals present.

It is the consensus of opinion that more good was accomplished at this Dinner-Meeting of the Association for the membership and the industry as a whole than at any other previously held affair of its kind.

Michigan Brevities

An initial refund of 25% will be paid in January, 1946, to stockholders of the First National Bank of Detroit, who paid an assessment on their stock when the bank closed in 1933, it is announced by W. T. Zurschmiede, President of the First Liquidating Corp., Detroit.

The payment will approximate $4,750,000, and will go to about 8,000 persons. Zurschmiede indicated that a further substantial payment may be expected within 18 months as a result of the liquidation of assets not yet sold.

When the first liquidating corporation was formed in Dec. 1942, it took over the remaining assets of the bank. Since then it has paid off a Reconstruction Finance Corp. loan of $17,886,663; notes totalling $3,572,378; and participating claimholders certificates in the amount of $8,514,750.

Having discharged all obligations having priority, the corporation is now in position to make refunds to stockholders who paid their assessment.

* * *

Trading on the Detroit Stock Exchange, according to John O. MacFarlane, newly appointed Executive Vice-President, hit a new 1945 high in October with 649,931 shares traded as compared to 385,054 for Sept. 1945 and 343,516 for Oct. 1944.

* * *

A proposed merger of the Parker-Wolverine Co. with the Udylite Corp., both of Detroit, was agreed upon by directors of both corporations and will be submitted at meetings of shareholders of both companies on Feb. 20, 1946, according to announcement by L. K. Lindahl, President of the Udylite Corp.

"The activities of these companies, while not competitive, are compatible and closely related in the metal finishing field," stated Mr. Lindahl. "Udylite operates three plants and Parker-Wolverine operates five plants, all in Detroit. Integration of these plants will mean better service to industry."

The Udylite Corp. are producers of all types of metal finishing equipment and supplies. Parker-Wolverine Co. is equipped to produce finished fabricated parts and render metal finishing service.

The proposed merger provides for issuance of 2½ shares of Udylite stock for each of the 135,931 shares of outstanding Parker-Wolverine stock.

Charles H. Awkerman, Chairman of the board, L. K. Lindahl, President, Clyde H. Reeme, Vice-President and Treasurer and Horace S. Maynard, Secretary, along with Willard M. Cornelius and Luis E. Eckelmann are the directors of the Udylite Corp., and will continue as officers and directors of the continuing corporation.

Parker-Wolverine Co., organized in 1934, now operates five Detroit plants occupying a total of 235,000 square feet of production space.

The Udylite Corp. originated in 1919 as the Udylite Process Co. of Kokomo, Indiana. The three Detroit plants, including offices and research laboratory, now occupy 101,000 square feet. Three branch warehouses are maintained and sales offices are located in key industrial centers.

Both Parker-Wolverine and Udylite stocks are listed on the Detroit Stock Exchange and the Udylite stock on the New York Curb.

MacFarlane Appointed by Detroit Exchange

DETROIT, MICH. — Appointment of John O. MacFarlane as Executive Vice-President of the Detroit Stock Exchange is announced by Charles A. Parcells, President, on behalf of the Board of Governors. A native of Michigan and a graduate from Olivet College, Mr. MacFarlane comes to the Exchange with a broad background in the field of finance, sales and public contact.

After graduating from college in 1924, Mr. MacFarlane joined the trust department of the Union Trust Company, Detroit. In 1933, he became associated with the newly formed Andrew L. Malott Company, and assisted in an executive capacity with the liquidation of the Metropolitan Life Insurance Company properties in the Detroit area, serving as sales manager from 1938 to 1942. Since that time he has been connected with the War Department, where he was Chief of Purchase Section, supervising the procurement of all tanks and combat vehicles in the Detroit district.

Among his duties as Executive Vice-President of the Exchange, Mr. MacFarlane will be available to industries desiring to list their stocks on the Exchange, and will act as contact officer between the Detroit Exchange, the SEC and the Michigan Corporation and Securities Commission.

Alison & Co. Resumes Business in Detroit

DETROIT, MICH.—N. Bradley Higbie, Jr., has resumed his investment business under the firm name of Alison & Co. with offices in the Buhl Building. Mr. Higbie has recently been associated with the McAleer Manufacturing Co. Prior thereto he was head of Alison & Co., of which he had been a member since 1931.

Officers of Alison & Co. are N. Bradley Higbie, Jr., President; H. C. Higbie, Vice-President and Treasurer, and M. H. Paul, Secretary.

Fisher Trading Mgr. For Carr, Chapin & Co.

DETROIT, MICH.—Carr, Chapin & Co., members of the Detroit Stock Exchange, announce that Don Fisher has become associated with them as manager of their trading department, in their offices 2117 Penobscot Building, Detroit, Mich.

For nine years, prior to the war, Mr. Fisher was associated with Baker, Simonds Co. of Detroit. During the war he was employed by the War Department and various organizations engaged in the production of war materials.

Mr. Fisher was formerly very active in the affairs of the Detroit and Michigan Security Traders Association having been a National Committeeman and Chairman of the Entertainment Committee.

Connecticut Brevities

For the first nine months ended Sept. 30, 1945, the Bigelow-Sanford Carpet Co., Inc., showed net profit, after depreciation and taxes, of $597,567. This is equivalent to earnings of $22.63 on the 6% preferred stock and $1.55 on the 308,609 shares of common.

For the corresponding period of 1944, net income was $713,118. Earnings on the preferred stock were $27.01 per share while $1.90 was earned on the 313,609 shares of common then outstanding.

Net sales of war products for the first nine months of 1943 aggregated $20,613,623 which compares with $20,564,459 for the corresponding period of 1944. Sales of civilian goods for these same periods were $7,138,577 and $8,578,493 respectively.

As of Sept. 29, the balance sheet showed net current assets of $18,525,599 against $17,989,122 a year ago. The ratio of current assets to current liabilities was 9.6 to 1.

Frank H. Deknatel, Treasurer and Vice-President, who has been associated with the company or its predecessors for more than 52 years, will retire as of Dec. 31, but will continue on the Board. Mark Dunnell, the present Controller, will succeed him as Treasurer.

* * *

Among the large utility companies that will benefit from the elimination of the Excess Profits Tax is the Connecticut Light & Power Company. Based on Excess Profits Tax of $524,000 paid in 1944, the savings per share on the common stock would approximate 27¢.

* * *

Net income for United Aircraft Corporation for the nine months ended Sept. 30, 1945 was $9,636,330 or $3.26 a share compared with $12,573,763 or $4.37 a share for the corresponding period last year. Earnings on the $5 preferred stock were $37.23 per share and $48.57 respectively.

Net income for the third quarter of 1945 was $2,678,380 which compares with $4,123,650 for the similar quarter last year.

All figures for 1945 are subject to renegotiation.

Shipments for the September quarter this year were $80,369,598 against $161,084,331 for the third quarter of 1944. The estimated value of the unfilled portion of war contracts held by the company and its subsidiaries as of Sept. 30, 1945 was $125,403,601.

* * *

Net profit for Underwood Corporation for the first nine months of this year was $1,526,535 against $1,531,352 for the similar period last year. On a per share basis, results were $2.08 and $2.09 respectively. The company has a substantial backlog of orders.

* * *

A recent SEC report indicates that Yale & Towne Manufacturing Company showed sales of $10,991,758 for the quarter ended Sept. 30, 1945. As of that date, unfilled war orders aggregated $17,365,899.

* * *

An Electric Boat Company of Groton has announced that it has entered the structural steel business as a reconversion project in addition to its submarine building. This new undertaking has resulted in the reemployment and addition of employees, bringing the total to a figure in excess of 4,000.

Sales for the quarter ended Sept. 30, 1945 were $9,090,247 while unfilled war contracts aggregated $19,426,333.

* * *

On Oct. 24, 1945, the City of New Britain sold $70,000 Public Improvement Bonds, Second Issue, dated Nov. 1, 1945 due $14,000 annually Nov. 1, 1947 to 1951 inclusive, to Barr Bros. & Co., Inc. of New York at a price of 101.258 for bonds carrying a coupon rate of 1%. The issue was not reoffered to the public.

* * *

George M. Williams, Senior Vice-President of Curtiss-Wright Corporation, has returned to the presidency of the Russell Manufacturing Company of Middletown.

* * *

International Silver Company showed net profit of $284.664 for the three months ended Sept. 30, 1945, compared with $474,860 for the corresponding period last year.

Earnings for the nine months' period ended Sept. 30, 1945 were $780,869 against $1,126,990 for the similar period last year. On a per share basis, earnings were $5.68 and $9.48 respectively.

Col. W. C. Cole Returns To Detroit

DETROIT, MICH.—Col. Walter C. Cole, well-known in Detroit investment banking circles, has returned to Detroit after 30 months of service in the North African and European theatre of operations to assume command of the Michigan Army Recruiting District, with offices in Detroit. Cole was with Merrill Lynch, Pierce, Fenner & Beane before entering the service.

Address on Latin-Amer. Oil Situation Today

Dr. Frederick Haussmann, former adviser on oil to the Venezuelan Government, will speak on "Latin American Oil and the Revolution in Venezuela," at the weekly Round Tables on Latin America at the New School for Social Research, 66 West 12th Street, on Thursday evening, Nov. 15, at 8:30.

Following the talk the meeting will be thrown open for general discussion, in which representatives from several oil companies and other Latin American authorities will take part.

M. W. Sullivan Joins Florida Securities Co.

ST. PETERSBURG, FLA. — Michael W. Sullivan has joined the retail sales department of the Florida Securities Co., Florida National Bank Building. Mr. Sullivan has been serving as a captain in the U. S. Army Air Corps for the past several years.

American Program for World Trade

By JAMES A. FARLEY*

Chairman of the Board, Coca-Cola Export Corp.
Former Postmaster General of the United States

Mr. Farley Expresses Confidence that Our Government Is Relinquishing Its Controls Over Foreign Commerce to Private Business. Asserts That We Must Give Emergency Reconstruction Help to Foreign Countries for Their Elimination of Trade Barriers. Calls for Immediate Foundation of an International Organization in the Field of Commerce.

I am very happy to have this opportunity to speak on the subject of foreign trade. With the ending of the war, we are moving into the difficult, complex and baffling era of postwar reconstruction. We are beginning to lay the foundations of enduring peace and advancing prosperity. In connection with this transition from war to peace, there is no more important topic of public policy confronting us than the rebuilding of our foreign trade. And there is no more appropriate forum for a thorough-going discussion of that topic than private hands.

James A. Farley

Things are not going so fast in Trade is the lifeblood of business, and, in the interdependent world of today, foreign trade is an indispensable part of the whole stream of trade. The war, with its inescapable stoppages and distortions of international commerce, has taught us many lessons which we are not likely soon to forget. It has made clearer to us than ever before both the value of foreign trade and the pitfalls which abound in the decisions of governments and businessmen as to the basis on which trade will be conducted in the future.

The first great question about foreign trade is whether it is going to be managed by businessmen on business principles, or conducted or closely controlled by governments on government principles.

American businessmen know what answer they want given to that question, and I think it is perfectly clear that the United States Government agrees with them. I am not relying on speeches when I say that, but on what the Government has done.

Wartime conditions made necessary many Government controls and many other unusual practices. Since V-J Day, many wartime controls of all sorts, including those on exports and imports, have been taken off, lend-lease has ended, and the Government is getting out of the importing business as fast as its commitments will allow it. So far as our own Government is concerned we can count on its doing everything it can to turn trade back rapidly to

*An address at the National Foreign Trade Convention, New York City Nov. 12, 1945.

this National Foreign Trade Convention.

(Continued on page 2353)

Creeley and Horning Head V-Loan Drive

ST. LOUIS, MO.—The Victory Loan Drive finds St. Louis investment men devoting themselves to insuring its success at the earliest possible moment. Walter J. Creeley of Goldman, Sachs & Co. is serving as Vice-Chairman of the Metropolitan St. Louis War Finance Committee and Bert H. Horning of Stifel, Nicolaus & Company, Inc., is Chairman of the Investment Banking Division. St. Louis dealers have "underwritten" $11,650,000 of bonds, compared with their assigned quota of $11,356,250. Ten days after the opening of the Drive, sales exceeded 40% of the quota.

Frederick Pflugfelder To Form Own Firm

Frederick J. Pflugfelder will acquire the New York Stock Exchange membership of William Rand and will form Frederick J. Pflugfelder & Co., with offices at 61 Broadway, New York City, as of Nov. 21st.

Missouri Personnels

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Clifford M. Kidd** is with **Slayton & Co.,** 111 North Fourth Street, St. Louis, Mo.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**John P. S. Barrett** has been added to staff of **Herrick, Waddell & Co., Inc.,** 418 Locust Street.

Waeckerle, Worong Rejoin City Nat'l Bank & Trust

KANSAS CITY, Mo.—Lt. Harold Waeckerle and Lt. Merrill Morong, both recently of the Army Signal Corps, have rejoined the staff of the bond department of the City National Bank & Trust Company, 18th and Grand Avenue.

Missouri Brevities

American Investment Company of Illinois, small loan company with headquarters in St. Louis and branch offices in 14 states, had net income for the nine months ended Sept. 30, 1945 amounting to $725,116 or 47 cents per common share compared with $710,734 or 45 cents per share in the corresponding period of 1944. Notes receivable as of Sept. 30 amounted to $17,568,645 compared with $16,135,943. The company opened six additional offices during the period. Stock is listed on the New York and St. Louis Stock Exchanges.

* * *

St. Louis Public Service Report

September earnings statement of the St. Louis Public Service Co. reflects the cessation of war activities in this area. Total operating revenues for the month were $2,032,004 compared with $2,097,879, a decline of $65,875. The effect of this reduction was accentuated by an increase of $60,105 in operating expenses. Net income for the month was $57,484 compared with $165,489 in September, 1944, both figures being before $50,000 reserve for post-war contingencies including rehabilitation and replacement of equipment. Results for the nine months compared more favorably, net income in the 1945 period amounting to $817,708 compared with $834,403, both figures being before special reserve of $450,000.

* * *

Edison Brothers Sales

Edison Brothers Stores, Inc., operating a nation-wide system of women's shoe stores, reports consolidated net sales of $4,425,584 for the month of October. This compares with $3,594,233 for October, 1944, an increase of $831,351, or 23.13%.

For the ten months ended Oct. 31, sales amounted to $42,928,639 as compared with $35,773,924 for the same period last year. This is an increase of $7,154,715, or 20%.

* * *

Missouri Utilities Report

For the nine months ended Sept. 30, Missouri Utilities gross revenues of $1,660,494 compared with $1,594,228. Net income was $170,447, equal to 94 cents a share on the common after allowing for preferred dividends, compared with $172,067, or 96 cents a share in the corresponding period of last year. Federal excess profits tax provision (exclusive of post-war credit) amounted to $161,248 in the last period compared with $133,908.

* * *

Lindell Trust Stock Dividend

Directors of the Lindell Trust Co., St. Louis, have authorized a 25% stock dividend to be voted on by stockholders Jan. 21. A cash dividend of 50 cents payable Dec. 15 to stock of record Dec. 1 has been declared, bringing total cash dividends for the year to $1.75.

* * *

Industrial Bank Appointment

Industrial Bank & Trust Co. of St. Louis has appointed **Col. William A. Borders, a Vice-President.** Formerly an examiner for the Federal Deposit Insurance Corp., Col. Borders has served in the armed forces since 1940.

Ray Wibbing Is With Goldman, Sachs & Co.

ST. LOUIS, MO.—Ray H. Wibbing has joined the staff of Goldman, Sachs & Co. in their St. Louis office. For the past three and a half years Mr. Wibbing has been St. Louis Metropolitan advisor of the War Price and Rationing Board of the OPA. Prior to this activity he was in charge of the securities division of the General American Life Insurance Co.

Railroad Securities

Atchison, Topeka & Santa Fe has been acting somewhat better in recent markets, following a period of relative weakness brought about by publication of the September earnings report. Presumably investors have come by now to recognize that the reported earnings themselves mean nothing and that the basic implications of the sharp drop in net operating income are bullish. For the month of September the road reported a net operating deficit of $11,123,000 compared with net operating income of $5,797,000 a year earlier.

September was the poorest month from the standpoint of reported earnings that the road has experienced in the past fifteen years if not in the company's history. During the depression decade of the 1930s the poorest single month, February 1938, witnessed a net operating deficit of little more than a million dollars. Now that the first shock of the report has worn off many railroad analysts look for a renewal of aggressive investment buying based on the liberal income return on the basis of the present $6 dividend rate and the prospects of an increase in the distribution some time next year.

The September showing of Atchison was largely a matter of accounting procedure. As of the end of last year the road had the largest total of amortized defense projects of any railroad in the country. In line with the announcement of President Truman late in September that the emergency was at an end with respect to amortization of defense facilities the Interstate Commerce Commission has ruled that the unamortized balance so far as railroads are concerned must be charged off during the final four months of 1945. Atchison elected to charge the entire amount off in September. Other roads will charge the entire amount off in December, while still others will spread the charge over three or four months.

As a result of the acceleration of amortization, Atchison's maintenance charges showed a year-to-year increase of $62,927,000 to $75,343,000 in September. This was only partially offset by a tax credit of $40,100,000 in September, 1945, compared with a debit of $13,747,000 a year earlier. The acceleration of amortization will have two beneficial influences, one on finance and the other on earnings from here on.

As of the end of August the road reported net working capital of $66,242,000 with an item of $150,916,000 in current liabilities for accrued U. S. tax liabilities. With the reduction in taxes due to the amortization change, this working capital should go above $100,000,000 even without any allowance for anticipated earnings in the closing months of the year, and allowing for bonds called for redemption as of December 1. The second benefit will derive from the fact that it will no longer be necessary to charge amortization. In 1944 Atchison charged close to $15,000,000 to amortization of defense projects and in the first eight months of 1945 more than $13,000,000. Allowing for a Federal income tax rate of 38% the net saving would amount to $3.77 a share on the basis of the 1944 charge and to $3.35 a share on the basis of the charge in the first eight months this year.

Atchison will benefit particularly from the new tax law. In 1944 it had the largest excess profits tax of any railroad, roundly $117,000,000. Total Federal income taxes last year amounted to more than $133,000,000. Adjusting for the new tax law and allowing for the elimination of amortization of defense projects would add an estimated more than $30 a share to 1944 earnings which, without adjustment, were reported as just short of $20 a share. There appears little question but that Atchison's revenues stand to suffer severely over the next twelve months. However, with the cushion of over $30 a share afforded by the tax change and elimination of amortization there is every indication that final results will still be highly favorable.

By December 1 Atchison will have eliminated all of its callable debt, leaving only some $203,000,000 of bonds (1995 maturities) outstanding in addition to equipments. The preferred stock is also non-callable. Therefore, with high earnings looked for and finances strengthened even further by tax rebates, a more liberal dividend policy appears logical.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold their Thanksgiving Party at the Boston Yacht Club, Rowes Wharf, on Nov. 20, at 5:00 p. m. Admission is $2 (payable at the door). About 30 of the Association's members have returned from the Service and will be welcomed at the party.

Committee in charge of the Party are Jack Shea, Shea & Co., Chairman; Al. Moore, J. Arthur Warner & Co.; Sumner Wolley, Coffin & Burr, Inc.; Jim Galvin, F. L. Putnam & Co.; and Ed. Williams, Hooper-Kimball, Inc.

TWIN CITY BOND TRADERS CLUB

At the annual meeting of the Twin City Bond Traders Club in October, the following were elected for the ensuing year:

President—William J. Lau, Frank & Belden, Inc.
Vice-President—Kermit B. Sorum, Allison-Williams Co.


William J. Lau


Commercial West Photo
Kermit B. Sorum


Charles J. Rieger

Secretary—Grant Feldman, Piper, Jaffray & Hopwood.
Treasurer—Walter P. Space, Woodard-Elwood & Co.
National Committeeman—Charles J. Rieger, Jamieson & Company.

On Nov. 1, Mr. Patrick B. McGinnis of New York was a guest of the Club at a dinner at the Leamington Hotel. His talk on railroad securities was highly instructive and interesting and was very much appreciated by the members.

NSTA MUNICIPAL BOND COMMITTEE

The National Security Traders Association Municipal Bond Committee for 1945-46 will consist of:

Chairman: J. W. Kingsbury, Kingsbury & Alvis, New Orleans.
Vice-Chairman: Russell M. Dotts, Bioren & Company, Philadelphia.


J. W. Kingsbury

Members: F. Monroe Alleman, Leedy, Wheeler & Co., Orlando, Fla.; Edwin R. Foley, Kaiser & Company, San Francisco, Calif.; Stanley McKie, The Weil, Roth & Irving Co., Cincinnati, Ohio.; A. A. Sullivan, Equitable Securities Corp., New York, N. Y.

Representatives: Lester Alvis, Kingsbury & Alvis, Jackson, Miss.; Oscar M. Bergman, Allison-Williams Co., Minneapolis, Minn.; Clarence Blewer, Dempsey-Tegeler & Co., St. Louis, Mo.; Byron Brooke, Brooke, Tindall & Co., Atlanta, Ga.; Frank Burkholder, Equitable Securities Corp., Nashville, Tenn.; C. Nesom Burt, C. N. Burt & Co., Dallas, Texas.; Raymond V. Condon, B. J. Van Ingen & Co., Chicago, Ill.; Edw. B. Coughlin, Coughlin & Co., Denver, Colo.; T. U. Crumpton, T. U. Crumpton & Co., Birmingham, Ala.; Clarence F. Davis, First Cleveland Corp., Cleveland, Ohio.; Russell Ergood, Jr., Stroud & Company, Philadelphia, Pa.; John Faison, The Bankers Bond Co., Louisville, Ky.; Albert O. Foster, Foster & Marshall, Seattle, Wash.; Harvey J. Franklin, American Trust Co., San Francisco, Calif.; Thomas Kemp, Thomas Kemp & Co., Los Angeles, Calif.; F. Brittain Kennedy, F. Brittain Kennedy & Co., Boston, Mass.; Wm. Groom Leftwich, Leftwich & Ross, Memphis, Tenn.; Walter G. Mason, Scott, Horner & Mason, Inc., Lynchburg, Va.; Jos. P. Minetree, Merrill, Lynch, Pierce, Fenner & Beane, New Orleans, La.; Wm. Wilson Pate, McAlister, Smith & Pate, Inc., Greenville, S. Car.; J. Lee Peeler, First Securities Corp., Durham, N. Car.; Roger S. Phelps, Campbell, Phelps & Co., New York, N. Y.; J. Creighton Riepe, Alex Brown & Sons, Baltimore, Md.; Edward Rotan, Geo. V. Rotan & Co., Houston Texas; Andrew L. Tackus, Putnam & Co., Hartford, Conn.; Robert W. Thornburgh, W. C. Thornburgh & Co., Cincinnati, Ohio; Don Van Boskirk, Atkinson Jones & Co., Portland, Ore.; Gus B. Walton, Walton, Sullivan & Co., Little Rock, Ark.; Cecil

(Continued on page 2353)

Abbott, Proctor & Paine to Admit Bone

Abbott, Proctor & Paine, 14 Wall Street, New York City, members of the New York Stock Exchange and other Exchanges, will admit Walter A. Bone to partnership in the firm as of Dec. 1st. Mr. Bone was formerly associated with Abbott, Proctor & Paine.

Waterproof clothing—thanks to chemicals—will mean new jobs.

Molded furniture—through chemicals. Jobs for workers!

Goodbye to mosquitoes—with chemicals. Still more jobs!

Unscuffable shoes—made possible with chemicals. More Jobs!

Making Postwar Jobs—Out of Chemicals

WHAT WILL the employment situation be—now that Victory has been won? Will there be enough jobs for returning soldiers, sailors, war workers?

No one can say, exactly. But this we do know: business management, in scores of industries, has long since laid plans for new products, new ventures, new services, that will make jobs by the thousands by creating new demands.

Take the chemical industry. Not only will it continue as one of America's basic job-makers, but from chemical research have come scores of new products that will mean thousands of new jobs in the future—products many of which were little more than dreams before the war.

Imagine your home rid of moths and mosquitoes. Specially treated clothing that will let you stroll in the rain and stay perfectly dry. Chemically treated pine furniture, hard as ebony, on which scratches and blemishes will not show.

Think of scuffproof shoes. Of shrink-proof woolens. Of window screens that won't rot or rust. All these things—and many others—will increase the demand for chemicals—and demand for goods makes jobs.

The chemical industry is only one of many along the Chesapeake and Ohio, the Nickel Plate, and the Pere Marquette that have planned for postwar employment.

And, now that the war is over, the chemical industry and other industries throughout the country will put into operation their plans for the jobs and opportunities all of us want.

A Report on the Prospects for Postwar Employment in the Industries Served by

Chesapeake & Ohio Lines

Cleveland

CHESAPEAKE AND OHIO RAILWAY
NICKEL PLATE ROAD
PERE MARQUETTE RAILWAY

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Chase and National City have been staging an interesting race race this year, with City ahead at this point. On Dec. 30, 1944 Chase was ahead of City by one point, being bid 45 against City's 44. On Nov. 8, 1945, however, Chase was four points behind City, with a bid of 46 compared with City's 50.

Since the first of the year the monthly record of the two stocks has been as follows:—

(Bid)	Chase High	Chase Low	National City High	National City Low
Dec. 30, 1944	45		44	
January, 1945	44⅞	41⅛	43⅞	39¾
February, 1945	42¾	41⅛	41¾	39⅝
March, 1945	43⅜	39¼	42⅛	38½
April, 1945	41⅝	39¼	42	39
May, 1945	43½	40	44¾	40⅜
June, 1945	45⅛	43¼	48¼	44¾
July, 1945	45	40½	47½	42½
August, 1945	41½	39	44	42
September, 1945	41⅝	40½	44⅜	42½
October, 1945	46⅞	41⅝	49½	44½
Nov. 8, 1945	46		50	

Chase was ahead of City until April 1945, in which month City took the lead and has held it since, increasing it from a fraction of a point to four points.

Current market rations of the two stocks compare as follows:—

	Chase	National City
Market price Nov. 8, 1945	46 Bid-48 Asked	50 Bid-52 Asked
Book value Sept. 30, 1945	$40.69	$42.80 (Incl. C.B.F.T.)
Book value per $ of market	$0.85	$0.83
Annual dividend	$1.40	$1.30
Dividend yield	2.9%	2.5%
Net operating earnings, 1944	$2.54	$2.66 (Incl. C.B.F.T.)
Earning yield	5.3%	5.1%
Earning assets per share	$548.58	$622.72 (Incl. C.B.F.T.)
Earnings assets per $ of market	$11.45	$11.95

On the basis of these figures there is little to choose between the two stocks; however, if Chase's price were to move up to City's, the ratios would slightly favor the latter.

It is now of interest to compare the relative growth of the two institutions, as measured by some of the more significant figures, since 1942, which year, it will be recollected, saw most bank stocks selling below the 1932 lows.

CHASE NATIONAL BANK

	1942	1944	Sept. 30, 1945	% Increase from 1942
Net operating earnings per share	$1.81	$2.54	----	40.3%
Dividend rate	1.40	1.40	$1.40	No change
Book value per share	33.19	38.49	40.69	22.6
Earning assets per share	462.48	572.65	548.58	18.6
U. S. Government securities	2,327,748,000	2,899,834,000	2,765,350,000	18.8
Deposits	4,291,467,000	4,835,219,000	4,620,618,000	7.7
Capital funds	245,589,000	284,800,000	301,128,000	22.6

NATIONAL CITY BANK (Incl. C.B.F.T.)

	1942	1944	Sept. 30 1945	% Increase from 1942
Net operating earnings per share	$2.18	$2.66	----	22.0%
Dividend rate	1.00	1.00	$1.30	30.0
Book value per share	33.14	41.12	42.80	29.1
Earning assets per share	477.23	603.90	622.72	30.4
U. S. Government securities	2,114,344,000	2,598,168,000	2,519,678,000	19.2
Deposits	3,671,306,000	4,365,045,000	4,472,550,000	21.8
Capital funds	204.624,000	254,943,000	265,335,000	29.7

This comparison indicates that City's increase in earning assets since 1942, including those of City Bank Farmers Trust, has been greater than that of Chase, yet the latter shows a greater improvement in net operating profits, exclusive of security profits. For the first nine months of this year versus the same period in 1944, the two banks compare as follows:—

Net Operating Profits Only

	Chase	National City
9 months 1944	$1.85	$1.93
9 months 1945	1.77	2.09
Increase or decrease	—4.3%	+8.3%

Net, Including Security Profits

	Chase	National City
9 months 1944	$2.15	$3.02
9 months 1945	2.90	2.82
Increase or decrease	+34.8%	—6.6%

Here again, the results are mixed, Chase showing a drop in net operating profits, but an increase when security profits are included, while National City's experience is exactly opposite.

Marketwise, Chase is usually favored over City in most years, as the following record of high annual bids indicates:—

Year	Chase	National City
1936	50	45
1937	63½	59½
1938	34½	28½
1939	37½	31
1940	37	30
1941	33¾	29
1942	28	28¾
1943	38⅛	35⅜
1944	45¼	45¼

From current prices, as of Nov. 8, in order to reach the highs registered in 1937, City would have to appreciate 19.0%, but Chase would have to appreciate just twice as much, or 38%.

A Widow's Estate In Public Utilities

Widow Recounts Husband's Investments in Utilities and Complains of Treatment of Shareholders in Reorganization Under SEC. Mentions Case of Commonwealth and Southern Common Stock Which, She Contends, Would Have Higher Market Value If Constitutional Right of Contract Were Not Violated and Dictatorship Not Substituted for Democracy.

Editor, "Commercial and Financial Chronicle":

My husband worked for a public utility all of his life. He had confidence in the utilities because, as he said: "They furnished a necessary service." It was natural for him to invest his savings in utility securities. He invested in many companies. Most of his savings were invested in the common stocks of utility companies. His plan for building an estate was very simple. Because of the natural growth of this country, it was his opinion that the demand for the services of the utilities would increase, as would the value of utility properties.

He recognized the fact that the bonds were for investors seeking safety and income. The preferred stock filled a useful purpose for providing capital for the expansion of the utilities, and in turn furnish a semi-speculative investment for business people who are willing to take a small risk for a larger income. The common stock, of course, was for the people who were willing to assume the risk of growth. The plan of utility financing served three different groups of investors. Those who wished income with safety bought the bonds. Those who wanted income and were willing to take more risk bought the preferred stock. My husband, like millions of people, had confidence in the growth of America and the ability of these companies to meet their obligations, and finally to reduce or pay off the bonds and the preferred stock. By paying the bonds and calling the preferred stock with earnings or refinancing the company at lower interest and dividend charges, the investors who wished safety were served, and the people who were willing to take a risk and who believed in the country would reap their advantage in the speculative common stock when charges for the bonds and the preferred stock were reduced or paid off. With this planning in mind, which was followed by millions of investors, and which is the only way that capital can serve all groups of investors, he invested in the common stock of many utility companies. Not one of the utility companies in which he invested has failed. Moreover, there is no indication that every one of them will fail to meet their obligations. But let me illustrate to you what happened to his investments as a result of the administration of the Securities and Exchange Commission. For example, he bought 3-000 shares of Commonwealth and Southern common stock. He paid about $60,000 for this stock. The stock is now selling at the highest price in several years and it is worth about $6,000 at the present market quotation. Most of his investments have been reduced in value as much or more because they were all good common stocks in utility holding companies.

At the present time if the Commonwealth and Southern was permitted to use its earnings and borrow at present low interest rates as other companies do, and pay off its preferred stock and reduce the indebtedness of the underlying companies, this common stock would not be selling for $2 a share but would be selling at far more than he paid for it many years ago.

Instead of the investors being permitted to hold on to their contracts with the company and have their contracts met, Commonwealth and Southern is being reorganized and the common stockholders who were willing to take all the risk and who had confidence in this country and its growth are told that they can have now only about 15% of the asset value of the company. In addition to this complete violation of the constitutional rights of contracts, this is dictatorship as high-handed as any dictator ever performed.

Moreover, according to the reports in the papers, the company has been forbidden to allow the common stockholders to vote on the proposed plan of reorganization. Is this democracy? Is this American? Do we have a dictatorship? Are the activities of this administrative organization constitutional?

My husband's investments, which are all that five of us have to live on, have been reduced to less than one-tenth of the price which he paid for them. In a free market, in free America where contracts should be protected by the law and not destroyed if we had a democracy, his investments would prove the correctness of his judgment and his confidence in America.

Who is running this country? Where are the men whose duty it is to set up laws and courts of justice, honesty and integrity? Has the right of contract been destroyed, or is all of this crookedness and graft hiding behind the cloak of "public welfare," which has been used to impose upon this country dictatorship in the name of "democracy?"

A WIDOW.

Nominating Committee For NASD Dist. No. 13

The following nominating committee has been appointed, it is announced by George N. Lindsay, Chairman of District 13 Committee of the National Association of Securities Dealers, Inc.:

Walter F. Blaine, Goldman, Sachs & Co., Chairman; Richard F. Abbe, Van Tuyl & Abbe; Frank Dunne, Dunne & Co.; Henry F. Egly, Dillon, Reed & Co., Inc.; David S. Rutty, Sage, Rutty & Co., Inc., Rochester.

Our Reporter's Report

With the Victory Loan Drive getting away to a good start, the Securities and Exchange Commission appears, for the moment at least, a bit more liberal in its consideration of corporate undertakings.

Naturally it is not of a mind to allow any undertakings of substantial size for corporate accounts, but by contrast with its virtual 100% blockade of such financing during the interval of past Treasury operations, this time it is permitting some smaller offerings to go through.

Several already have been marketed, and it was expected in underwriting circles that the Commission would give release to the National Vulcanized Fibers Co.'s projected underwritings. In fact it was expected that this business, consisting of $3,500,000 of 15-year 4¼% sinking fund debentures and 400,000 shares of common stock, would reach market either yesterday or today.

Meanwhile bankers who handled the recent offering of 849,000 shares of Central Arizona Light & Power Co. common stock, were elated with the outcome of that undertaking.

Buying the stock in from American Power & Light Co., at competitive sale, and paying $1 a share more than the nearest competitor, this group experienced no difficulty at all in placing the issue.

In fact, upward of half the total was marketed through dealers adjacent to the territory served by the company.

Back to Normal

July brought tremendous volume of new offerings, following culmination of the June War Loan Drive, and October piled up a near-record total of new issues in advance of the current Treasury undertaking.

It was much the same in advance of and following earlier Treasury loan drives during the war. Industry and bankers did their best to get through business in the time allotted them between war loans.

Now, however, it is the consensus in banking quarters that things will get a bit back to normal in the wake of the current Victory Loan. There is no indication that December will duplicate the performances of July and October.

On the contrary, it is argued, both the issuer and the banker very likely will be disposed to space out such financing as may develop in the months following the culmination of the Treasury operation early next month.

Fine with Bankers and Dealers

Underwriters naturally are all for spacing out of deals and the same goes for their distributing affiliates. The reason is not difficult to find when one considers the position of such firms.

Neither the underwriter nor the dealer likes to find himself in a group which is successful in bidding in one issue, only to find that he is also in another group which has been awarded a second loan in which he has a participation.

Under such circumstances a firm's capital position is likely to be taxed momentarily, whereas given a bit more time such contingencies may be averted.

Seeping Out of Cracks

Shutting off of the main flow of new securities has resulted in rapid clearing away of bits and pieces left over from last month's heavy emissions. Dealers have little or nothing left available on their shelves.

Looking over a list of about twenty-five bond issues brought out in recent months, it is found that all but four of these are selling at substantial premiums over the offering prices. Only one of the laggards, Reading Co.'s 3⅛s, is actually below the offering price, while the others are ruling approximately at their selling prices.

In the case of half a dozen preferred stocks brought out in recent months these all are ruling at premiums ranging from 2½ points to 5 points. As one observer put it, no further explanation is needed than the plethora of funds around. Money, he said, is seeping from cracks and door jams.

Looking Ahead

Groups already are reported in process of formation to go after new securities slated for sale in competition early next month. Largest of prospective issues in sight right now is the $75,000,000 financing planned by Pacific Telephone & Telegraph Co.

Originally intended as a direct deal through sale to insurance companies, the California Railroad Commission ordered the issue sold at competitive bidding. So bids will be opened December 10 next.

Sioux City Gas & Electric Co. on the same day will open bids for $8,000,000 of new first mortgage bonds, 38,000 shares of new preferred and a large block of common stock.

Securities Salesman's Corner

By JOHN DUTTON

What Out for This One!

Some people like to talk about their financial affairs to their friends—others DO NOT. In the sort of seller's market we have been having in the securities business for the past few months, it is once again becoming apparent that customers are talking to their friends about the securities they have bought. They always like to do this during bull markets—profits are something to brag about. Others quite naturally feel good about the fact that they have been making some profits after so many years when profits were scarce; and they sincerely would like to have some of their friends share their new-found road to prosperity.

It is the people who tell their friends about you that can be very helpful in securing a large volume of new business. But once you get into a nest of friends and you start doing business with several of these people, you've got to watch your step when it comes to the kind of talking you do, AND THE KIND YOU DON'T DO. For instance, watch out if you sell one person a certain security AND DON'T MENTION IT TO THE OTHERS IN THE GROUP. If the word gets around that one of them bought and has made a profit, while one, or several for that matter, didn't receive your original suggestion to buy, you are liable to be criticized for showing favoritism. This is the sort of thing that can happen quickly in markets like we have today. LOOK OUT FOR NEW ISSUES ON THIS ONE—THE KIND THAT GO TO A PREMIUM THROUGH OVER-SUBSCRIPTION.

Another point to look out for is to try and sell all members of the clique at around or about the same price, and as near the same time as possible. If you have a group of women, there is usually one ringleader who talks to all the rest. Sell her first and let her do the talking. The same is true on "take outs." Rule to follow here is don't suggest anything to one that you don't suggest to all the others.

Then we come to the most important rule of all when dealing with a group of friends. DON'T TELL ONE WHAT THE OTHER IS DOING. Watch out for questions like this, "Did my friend Jim do it?" That's the time to tell that customer something like this, "You know we are both friends of Jim's, but there's one rule I always follow in this business, and that's keeping everybody's business transactions absolutely confidential. I can tell you this much though, I certainly wouldn't hesitate to make the same suggestion to him that I have to you, and you can be sure about that." ONCE YOU GET THIS POINT OVER TO THE MEMBERS OF SUCH A GROUP YOU'LL SAVE YOURSELF A LOT OF POSSIBLE GRIEF—AND IT WILL HELP YOUR BUSINESS TOO, BECAUSE YOU'LL HAVE THEIR CONFIDENCE AND THEIR RESPECT.

Another thing—if you have a group of women who are investing with you, be careful in everything you say that is of a personal nature, as well as that which pertains to securities. The jokes they have made about the sewing circle are not fiction—you'll find it out if you happen to say something in an unguarded moment to one of your women clients about another person, who is a friend to the both of you. NO PERSONAL REMARKS—EVEN IN JEST—IS ANOTHER RULE THAT HOLDS HERE.

It's a strange thing how many times a day we all run into things like this. It's part of getting along with people. And as we have always said—SECURITIES DON'T SELL THEMSELVES—EVEN IN TIMES LIKE THESE. . . . . And this sort of thing is what we get paid for, boys—knowing when to talk and when to "shut up"!

Six and One-Half Billion of New Construction During 1946

(Continued from page 2329)

items that are now or may become bottlenecks.

This does not mean that prices of all materials need be or should be raised. Price control must be retained if we are to avoid an inflationary spiral. I need not point out to you gentlemen that inflation in the construction field, particularly in housing, will give us a "boom and bust" pattern. For the good of the industry and the country as a whole, we must avoid the "bust." We want a steady expansion of construction to meet the country's needs.

Wages and pricing, the principal obstacles to increasing production of scarce building materials, are not within the jurisdiction of WPB or its successor, CPA. We are, however, working with other agencies on these matters. Meanwhile, we are taking steps to increase production through priorities and other assistance in obtaining materials and equipment.

Disposal of Surplus Property

One potential source of building materials is the surplus property now being disposed of by the Government. The actual sale of surplus property is outside of the jurisdiction of CPA. However, we keep an eagle eye on what is offered for sale, to see if the lists include bottleneck items that the construction industry needs. We advocate tapping this source of supply before we give other expediting assistance.

Over-all control of surplus property is in the hands of the Surplus Property Administration, the policy-making agency. Actual sale is handled by RFC, NHA, Agriculture and other agencies, depending on what the items are. Lumber, hardware, and other building materials are handled through the regional offices of RFC. Lists are issued and items are sold either at fixed prices or on negotiated prices. It should be pointed out, however, that certain types of buyers have first chance at the surpluses — the Federal Government, State and local governments, public institutions, hospitals, veterans, and so on. The quantities thus far declared surplus are extremely small. It may well be worth your while, however, to get on the RFC mailing lists and to keep track of surplus property sales in the building materials field.

It may be of value at this point to clarify the transition from WPB to CPA, which took effect Nov. 3. The CPA, of which I am Administrator, is taking over the functions and powers of WPB. We will continue WPB's general policy of lifting controls as rapidly as possible, and we will liquidate CPA when the need for reconversion controls ceases to exist. We will do our utmost to hasten the coming of the day when CPA can bow out of the picture.

Until then, we will carry out the following six-point program:

(1) Expand production of materials in short supply.

(2) Limit manufacture of products for which materials or facilities are inadequate.

(3) Control inventories to avoid speculative hoarding and unbalanced distribution.

(4) Grant priorities assistance to break bottlenecks retarding production.

(5) Facilitate relief and other essential export programs.

(6) Allocate scarce materials and facilities necessary for production of essential low-priced items.

I want to emphasize that the personnel of WPB has not been disbanded. A central core of trained workers will carry on. Those who have returned to private industry stand ready to come back if their experience and skills are needed to solve specific problems.

Scarce Materials

A brief review of the critically scarce building materials which I have already enumerated will show clearly the immediate and specific problems.

Cast Iron Soil Pipe: In 1941, 52 foundries produced 565,000 tons of cast iron soil pipe. By 1944, shutdowns had reduced the number of plants to 32, with an output of 165,000 tons. Production during the first six months of 1945 was at the annual rate of only 156,000 tons, with only 28 plants at work. To take care of anticipated 1946 requirements, a minimum production of approximately double this 1945 rate is needed.

The industry now employs from 4,500 to 5,000 workers. Some 2,500 more workers are needed. The Tennessee-Alabama area alone, where two-thirds of present production is concentrated, can use an additional 1,500 workers.

Price and wage increases have been granted in the industry. The most recent price increase of $3 per ton was made in early September. While it is as yet too early to estimate fully the effect of this increase on production, we do know that as a direct result of the increase five foundries have gone back into production and that production is already increasing.

Clay Products — Common and Face Brick, Structural Tile, and Clay Sewer Pipe: A large number of plants are now shut down for lack of manpower. Plants in operation are not working at full capacity for the same reason. In July, 51% of the country's brick plants and 16% of the clay sewer pipe plants were shut down. On the plus side of the picture, a WPB survey of 106 shut-down plants in September indicated that 89 would reopen. Twenty-seven of these planned to reopen within the next six months.

Production of clay products has increased in recent months. Inventories, however, are falling and unfilled orders are mounting as construction activities get under way and make increased demands for these products. An OPA price increase, amounting to a 10% rise, in all regions East of the Rockies was granted in September. Reports from our field offices indicate that this has already resulted in some wage increases. This, together with manpower and priorities assistance, should step-up production in the near future in addition to the modest gains already recorded.

Plumbing and Heating Equipment: Most serious bottleneck items in this group are bath tubs and cast iron radiation. The bath tub supply will improve, we think, and will not retard housing construction. Production of cast iron tubs is low, but is increasing slowly. Production of formed sheet steel tubs will supplement that of cast iron tubs but this is dependent on the supply of sheet steel, which was affected by the recent coal strike. Providing deliveries of sheet steel are made promptly, the total output of both kinds of tubs should be adequate to meet actual construction requirements by spring.

As for cast iron radiation, there is at this moment very little production but it may be possible to meet essential requirements by early spring.

Lumber: Military requirements for lumber declined sharply at the end of the war. Immediately after V-J Day it semed that lumber would soon be in plentiful supply for construction and other needs, and that there would be an opportunity to build up badly depleted stocks both at the yards and the mills.

But decline in production throughout the country, has again placed lumber among the critical materials. Unless the situation improves promptly, it will not be possible to build up stocks, or perhaps to meet all essential needs during the months ahead. Here as with other materials, manpower shortages and wage and price problems are the main troubles. Recruitment of workers is difficult, we are informed. Lumber items most in demand for construction are dimension, shop lumber for millwork, hardwood flooring, shingles and scaffold lumber.

Gypsum Lath: Shortages of gypsum lath, unlike those of the other materials I have described, are not due principally to manpower problems. Gypsum lath is a small profit item and its production automatically cuts down the production of gypsum board, a large profit item. In pre-war years the proportion of production was about 70% lath and 30% board. Today, it is about 25% lath and 75% board. Production probably ought to be about 50-50.

The principal limiting factor in the production of both lath and board is the supply of gypsum paper liner. This paper is in short supply and is also needed by the paper box industry. Here again, pricing enters the picture. Gypsum lath producers, with the exception of one large firm, responsible for production of about 53% of all lath, report that they could not use additional supplies of gypsum liner for lath, unless some price increases were granted.

Production of gypsum lath in 1941 was 1,842,583,000 square feet. It is now at the annual rate of only 525,000,000 square feet. OPA has been asked to grant relief to the inland plants. If this is done, CPA will divert the necessary quantities of gypsum paper liner to gypsum board and lath manufacturers, from the container industry.

It is clear, I think from this brief summary that shortages of these key building materials can be overcome, if the problem is attacked with courage in the near future. The various steps that must be taken require interagency action. They are complex, and many opposing viewpoints must be reconciled. They require, also, the cooperation of industry and of labor.

In closing I wish to thank industry for the support it gave to WPB in the job of providing what was needed to carry the war to its successful close. I believe that if Government and industry can maintain the same mutually helpful relationship during the reconversion period, we can chart our course and come into safe harbor without mishap.

Another N. Y. C. Branch For Francis I. du Pont

Francis I. duPont & Co., members of the New York Stock Exchange, have opened a branch office at 144 East 86th Street, New York City, with Harry G. Williams as manager. With this new branch, the firm will have nine offices in New York City, bringing the total number of offices operated by the company to fifteen.

TO OUR STOCKHOLDERS AND EMPLOYEES:

With the approval of the Board of Directors, the annual report of the Corporation, showing the results of operations for the year ended June 30, 1945, is herewith submitted.

The consolidated net profit was $5,334,049 equivalent, after preferred dividends, to $3.99 per share on the 1,264,772 shares of outstanding common stock. This is after deducting all charges, making foreign exchange adjustments and setting up a reserve for contingencies of $500,000, bringing the total of this reserve to $3,500,000. The working capital shows an increase of $4,488,574.

In addition to the earnings stated above, the Corporation's share of undistributed earnings for the year ended June 30, 1945 in companies not consolidated amounted to $300,922.

Proceedings with respect to renegotiation have been concluded for all of our companies for the period ended June 30, 1943 and the results included in current operations. The effect of further renegotiation on earnings for either of the years ended June 30, 1944 or June 30, 1945 is not expected to be material.

During the past fiscal year, dividends paid amounted to $2,053,668, consisting of $283,438 on the 5% Cumulative Preferred Stock, and $1,770,230 on the Common Stock. Pursuant to the action of the Board of Directors, the authorized number of shares of Common Stock was increased from 750,000 to 2,000,000. On March 7, 1945 a split-up was made on the Common Stock and each stockholder received an additional share for each share held. Under provision of the Sinking Fund, 3,000 shares of 5% Cumulative Preferred Stock were called for redemption on October 1, 1945.

Direct taxes charged to operations for the last fiscal period amounted to $11,229,000. Depreciation and amortization of fixed assets amounted to $842,018. Cost of new machinery and additions to plant account totaled $565,585.

The United Factors Corporation, whose activities consist of commercial factoring, increased its volume slightly over the previous year and also enlarged its list of clients. Operations are confined to the purchasing, discounting and guaranteeing of the accounts receivable of its customers. In accordance with our policy, no advances are made against merchandise inventories. As most of our clients handle textiles for civilian distribution, the same rate of growth as was experienced in previous years was not possible due to diversion of machinery for war production. With the resumption of more normal operations to civilian trade, we feel we can look for a continued growth for this corporation.

The importance of continued progress and investigation in technical and research work becomes more evident with the changes occurring in manufacturing methods and in the accelerated development of synthetic fibres. Now, with freedom of movement once more possible, our own Research and Technical Divisions are expanding their efforts to make further contributions to the improvement of our products and processes.

As stated in previous reports, your Company has no reconversion or contract termination problems. Civilian production, while still under some regulation, is being resumed as quickly as adequate raw material supplies and personnel can be obtained.

During the War it was not possible to replace machinery to any extent so that repairs and reconditioning were resorted to. We now expect to be able to put into effect, during the next five years, a well laid out program of modernization and replacement of equipment. This will insure proper costs and keep us abreast of the many changes in textile manufacturing.

Our Sales Division, realizing the importance of customer relations, continually gives this subject its constant attention. Additional consumer acceptance of our products has been furthered by liberal promotional and advertising programs. Two of our important trade-marks, "Ameritex" and "Cohama", are nationally advertised, and a radio program is being broadcast on the air in approximately 190 cities under the caption of "Cohama presents—'Love Notes'", sponsored by leading retail stores.

Several new developments have taken place during the past year. The picture on the inside of the front cover of our Annual Report illustrates our proposed new rayon finishing plant, which will be built at Old Fort, North Carolina. The erection of this plant was delayed several years due to wartime restrictions. Preparations have already started for building, and the work will be pushed to completion at the earliest possible moment. Ample land was purchased and an adequate supply of excellent water is assured. Improvements and additions to our Argentine plant were completed as there was no restriction on building. We are also in the midst of building an addition to our Canadian mill. Both of these companies have done well and should continue to progress. An investment was made in a company which has been in operation in Venezuela. Its activities have previously been confined to the manufacture of cotton goods and it is our intention to extend its operations into the rayon fabric field for consumption in that country.

For many years, your Company has owned a subsidiary which has a small chain of retail stores that have catered to the requirements of our mill employees and adjacent localities. The parent company has also for a number of years had a minority interest in a chain of retail men's clothing stores. This was formerly included on our balance sheet in "Other Assets" as an investment. During the past year the investment has been increased so that we now own enough of the stock to consolidate this company on our balance sheet. We have expanded the number of locations in connection with the mill chain and formed another company selling men's and women's clothing.

Fortunately, many of our fine young men who have served, or are still serving, in the Armed Forces of our Country have signified their desire to return to the Company. These men will return to us greatly improved by their experiences and capacity for leadership. Many are already happily re-employed with us. One of our greatest concerns is to offer proper opportunities to returning veterans. The management of your Company had made careful plans in advance in this regard, and these are now in operation.

Approximately 9,200 people are employed at the present time and existing relations between employees and management are entirely satisfactory.

We are pleased to announce the election of Mr. David S. Rosenthal as a Director. Mr. Rosenthal has been our associate for many years and is President of Sudamtex, our Argentine subsidiary.

The Company has continued its Group Insurance, which is available to all employees. Our Pension Plan is in operation, and physical examinations of company executives are arranged annually.

The Executive Committee, appointed by the Board of Directors, continues to meet monthly, and keeps in intimate touch with the current affairs of the Company.

In Conclusion:

With the supreme task of winning the War behind us, the Textile Industry is putting all of its productivity and thought to manufacturing for civilian and industrial needs. The accumulated demands of domestic and foreign markets are unprecedented. Savings in the hands of the people are large and the pent-up demand for commodities is great. Home building is expected to be one of the Nation's leading industries for a prolonged period. We manufacture extensive lines of merchandise used in decorating and furnishing homes and a broad market will develop for our products. The increase in the standard of living of many people should sustain the buying power for necessities such as we manufacture.

Through the years, our dividend policy has been progressive but conservative. The Corporation recognizes that the confidence of its stockholders must be based on a strong foundation of financial security and ability to produce profits. One of the goals of executive management must be to disburse ultimately to stockholders a larger portion of current earnings and, looking ahead, we feel we are moving and building in that direction.

Your Company is in sound financial condition and able to take advantage of opportunities for further development.

The Directors and Officers wish to pay tribute to all of the men and women who have served in the Armed Forces of our Country and Canada and sincerely hope that before many months have elapsed, a large majority will have been released from their duties. The deep sympathy of their friends in the Company goes out in full measure to the families of those patriots who shall never return.

I wish to express sincere thanks to the officers and employees of the Corporation and its subsidiaries, both here and abroad, for their splendid cooperation during the momentous year just passed, and also to extend deep appreciation to the Directors for their continued efforts in the interest of the Corporation.

J. W. SCHWAB,
President.

November 5, 1945.

This report is not a representation, prospectus or circular in respect of any stock of this corporation and is not presented in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued.

United Merchants and Manufacturers Inc.

WILMINGTON, DELAWARE

17th Annual Report

for the fiscal year ended June 30, 1945

The financial statements presented below are subject to footnotes published in the annual report of the Company.

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1945

ASSETS

CURRENT ASSETS:			
Cash on hand, in banks and in transit		$ 9,808,109	
United States Government Securities—at cost, or redemption value and accrued interest (Market Quotations $10,614,624)		10,392,852	
Foreign Government Bonds—at Cost (Market Quotations $502,678):			
Canadian Government Bonds	$ 477,477		
Argentine Government Bonds	24,096	501,573	
Trade accounts, notes and acceptances receivable, less reserves of $318,046		8,755,764	
Accounts and notes receivable purchased, less reserves of $225,673		5,317,506	
Merchandise Inventories (Note A):			
Raw materials and supplies	$ 2,386,778		
Goods in process, including greige goods	7,852,381		
Finished goods	3,961,938	14,201,097	
Federal excess profits tax refundable under Tax Adjustment Act of 1945		341,113	
Other receivables (including $382,023 due from associated companies—not consolidated		566,068	$49,884,082
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES—not consolidated—book value as per financial statements as at June 30, 1945 or as at the nearest dates thereto—approximately $2,368,000 (Note B)			933,448
OTHER ASSETS:			
Sundry receivables and investments (including $314,797 representing cash surrender value of life insurance policies and deposits with mutual insurance companies)		436,613	
Canadian post-war excess profits tax refunds		307,093	743,706
FIXED ASSETS (Note C):			
Land and buildings	$ 5,612,303		
Machinery, equipment and leasehold improvements	11,718,933	17,331,236	
Less: Reserves for depreciation and amortization		9,182,786	8,148,450
DEFERRED CHARGES			687,900
PATENTS, GOODWILL AND TRADEMARKS			3
			$60,397,589

LIABILITIES

CURRENT LIABILITIES:			
Notes payable—banks		$ 2,525,000	
Credit balances of factored clients		5,065,246	
Trade accounts payable, sundry liabilities, accrued expenses, etc		7,336,027	
Reserve for Federal and foreign income and excess profits taxes	$ 9,930,027		
Less: United States Treasury Savings Notes, Series C and accrued interest	5,891,500	4,038,527	$18,964,800
RESERVE FOR CONTINGENCIES			3,500,000
MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANIES—CONSOLIDATED			1,113,097
CAPITAL STOCK (Note D):			
5% Cumulative Preferred Stock, Par Value $100 per Share:			
Authorized and issued	57,000 shares		
Less: In treasury	305 shares		
Outstanding	56,695 shares	5,669,500	
Common Stock, Par Value $1.00 per Share:			
Authorized	2,000,000 shares		
Issued (including 309.76 shares still to be issued in exchange under plan of capital stock readjustment) and stated at par value of $1 per share plus $6,451,790 added to capital by resolutions of the Board of Directors	1,320,000 shares	7,771,790	
SURPLUS (Notes D and E):			
Capital surplus		1,578,283	
Earned surplus, since August 1, 1932		22,231,010	
		37,250,583	
Less: Held in treasury—55,228 shares of Common Stock at cost		430,891	36,819,692
			$60,397,589

FACTS FOR OUR STOCKHOLDERS

	Year Ended June 30, 1945	Year Ended June 30, 1944	Year Ended June 30, 1943	Year Ended June 30, 1942	Year Ended June 30, 1941	Year Ended June 30, 1940
Net Profits (*After Reserves for Contingencies*)	$ 5,334,049	$ 4,984,098	$ 4,256,656	$ 3,787,902	$ 2,623,132	$ 2,021,620
Preferred Stock Dividends Paid	283,438	285,923	—0—	—0—	—0—	—0—
Earnings per Share on Outstanding Common Stock (*After Preferred Dividend*)	3.99	7.43	7.40	6.41	4.37	3.37
Number of Shares of Common Stock Outstanding	*1,264,772	632,388	575,174	590,528	599,903	599,658
Dividend Rate per Share on Common Stock	$ 1.50	$ 2.00	$ 2.00	$ 1.50	$ 0.50	$ 0.25
Book Value, Common Stock per Share (*After Reserves for Contingencies and after deducting outstanding Preferred Stock at $104 per Share*)	24.45	43.91	42.24	34.96	29.59	25.47
Net Quick Asset Value Common Stock per Share (*After deducting outstanding Preferred Stock at $104 per Share*)	19.78	32.46	27.17	19.43	15.72	12.52
Working Capital	30,919,282	26,430,708	21,869,651	11,475,098	9,435,368	7,514,932
Depreciation and amortization of Fixed Assets	842,018	864,304	723,208	564,146	548,923	474,379
Reserve for Contingencies	3,500,000	3,000,000	1,750,000	1,000,000	400,000	—0—
Capital and Surplus.						
Preferred Stock	5,669,500	5,674,500	6,000,000	—0—	—0—	—0—
Common Stock and Surplus	31,150,192	27,995,640	24,536,754	20,643,380	17,755,596	15,281,354
Taxes Paid or Accrued:						
Normal Income and Other	3,833,000	3,172,000	2,233,000	3,076,000	1,308,000	739,000
Excess Profits	7,396,000	8,606,000	5,909,000	3,317,000	322,000	42,000

*Increase in Number of Shares Due to Stock Split-up March 7, 1945.

ABA Offers New Mtg. Merchandising Plan

Carrying forward its program of assistance to members in the conduct of their mortgage business, the American Bankers Association announced on Nov. 13 a new mortgage merchandising plan. This plan is designed to help banks attract mortgage business by establishing themselves as home information centers in their communities and to provide them with the means for making and maintaining contacts with people who are interested in planning homes and for being helpful to them in making their plans. The program was evolved by the Advertising Department of the ABA in cooperation with the Association's Department of Real Estate and Mortgage Finance. The plan itself consists of a series of monthly folders which banks will mail to their mortgage prospects.

In its prospectus the ABA Advertising Department points out the timeliness of the plan. "There are still many obstacles to the start of construction on a vigorous scale," it says. "It would require some time to solve the major problems. This period affords an unparalleled opportunity for banks to inaugurate a plan for locating and developing the home prospects in their communities."

Gruss & Co. Admit Two

Oscar Gruss and Arthur Behal have been admitted to partnership in Gruss & Co., 115 Broadway, New York City, members of the New York Curb Exchange. In the past Mr. Gruss was a partner in Gruss Bros.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A large and sustained demand, coupled with reduced offerings, has carried the Government bond market to new alltime highs. . . . The sharp uptrend was led by the bank eligible taxables, as the deposit institutions scrambled to put funds to work. . . . This buying pushed the intermediate and long-term issues in this group into new alltime high ground. . . . The longer partially exempts also moved up to alltime tops. . . . The restricted bonds continued to improve although these obligations, aside from the 2¼s due 1956/59, were still under their best levels of the year. . . . Nevertheless, it is expected that the non-eligible issues will eventually make new highs because of changing money market conditions which will probably be more evident in the not too distant future. . . .

WHAT'S THE ANSWER?

What has caused the recent marked advance in the Government bond market seems to be a leading question today. . . . Many and varied reasons have been put forward to explain this new development. . . . It may be due to a combination of factors, but the real motivating force at present is the fear of higher prices and lower yields. . . . This condition is not dissimilar to that which prevailed at the end of the Sixth War Loan, when the fear of higher prices resulted in a rise in Government bond prices that carried them to new high levels. . . .

One of the most important reasons for the belief now that higher prices are in the making, as in the past, is due to the opinion that there will be another change in the Treasury's method of financing. . . . The indicated revision in the pattern of financing will no doubt tend to further relieve the debt burden, since the Government is definitely not in favor of higher interest rates. . . .

THE ORIGINAL PATTERN

The Treasury, through the Sixth War Loan, had a set pattern of financing the war deficit with the securities offered, in addition to savings bonds and tax notes, consisting of ⅜% bills, ⅞% certificates, eight to 10 year 2s and the longer term 2½s. . . . The ⅜% bills were intended for the banks, primarily the Reserve Banks, the ⅞% certificates for the large commercial banks and corporations. . . . The 2% bonds, sold originally to everyone except the commercial banks, ultimately found their way into these institutions. . . . The long 2½s were for the large institutional investors, notably the insurance companies and savings banks, and were restricted as to marketability. . . .

The principal criticism at that time of this system of financing was that the 2% bonds eventually found their way into the commercial banks, and the life insurance companies and savings banks were heavy traders of these obligations at a profit. . . .

Nevertheless, it prevented the outstanding issues from going too high in price because the banks knew that substantial sales would take place when the new securities were offered. . . . The Government bond market was orderly and stable. . . .

THEN THE CHANGE

With the Seventh War Loan the pattern of financing was changed by the Treasury, when the 5½-year 1½% bond was offered in place of the eight to 10 year 2% issue. . . . Insurance companies and savings banks were not allowed to buy the 1½% bonds, while commercial banks with time deposits could purchase only limited quantities of this obligation. . . . Although there were no restrictions on individual purchases, nevertheless it resulted in a much smaller amount of the 1½% issue being outstanding, that could be bought after the drive by the commercial banks. . . .

This created a shortage of the intermediate and long-term securities that could be bought by the deposit institutions and caused a sharp increase in the price of Government securities, especially the bonds. . . .

This new method of financing was the first indication that the Treasury intended to alleviate the debt burden at the expense of the commercial banks. . . . The savings banks and insurance companies were still offered the longer-term high coupon issues. . . .

FURTHER PROOF

The refunding of the partially exempt 2¾% on Sept. 15 with ⅞% certificates, and the Victory Loan terms and issues, gave further proof of the Treasury's intention to cut the debt burden, through the sale of low coupon short-term obligations to the commercial banks. . . . There are no issues in the present loan that can be bought by the commercial banks in the open market after the drive is over, other than the ⅞% certificates of indebtedness. . . . This means that deposit institutions, in order to get a larger income than is available in the short-term low coupon securities, such as certificates and notes, have to purchase the outstanding bonds. . . . Such buying has been reflected in the sizeable rise that has taken place in the price of the intermediate and long-term issues. . . .

The lowering of the yield of the bank eligible bonds is beginning to affect the longer term restricted issues, and the differential between these groups will no doubt continue to decrease as non-bank investors take advantage of the higher return that is available in the ineligible obligations. . . .

AT WHOSE EXPENSE?

This decrease in the yield of the bank eligible bonds, which is bringing down the whole level of interest rates, along with the lessening needs of the Treasury for new money in the future, is largely responsible for the opinion that there will be another change in the financing policy of the Government. . . . The political importance of interest rates and the apparent desire of the Treasury to alleviate the debt burden, raise the question as to whether the lowering of the cost of carrying the debt will be entirely at the expense of the banks. . . . In certain quarters, the opinion is held that the post-war pattern of financing may be somewhat as follows:

The ⅜% Treasury bill will be available as in the past. . . . The one-year certificate of indebtedness would be the principal means of financing, but the rate would probably be reduced from ⅞% to either ¾% or ⅝%. . . . A five-year 1¼% note would be used in place of an intermediate term obligation. . . . If there should be need for long-term financing either a 2% or 2¼% issue would seem to be indicated in this plan. . . .

As to whether the Treasury issues long-term securities to finance the deficit, which would be sold to the insurance companies and savings banks non-deposit creating institutions, would probably depend upon the need for inflation controls. . . .

TREASURY HOLDS THE REINS

The issuance of short-term low coupon obligations, principally certificates, to the commercial banks for refundings and new money will in itself cut the cost of the debt. . . . On the other hand, a reduction in the certificate rate from ⅞% to ⅝%, as is being presently talked of in the financial district, would result in additional large annual savings to the Government. . . .

There is no doubt it could be done if the Treasury so desires, since the level of interest rates will be wherever the Government wants them to be. . . .

No Mass Unemployment Again!

(Continued from page 2324)

out and hustled to beat the Germans and the Japanese.

First, let's clear the ground of two points which might trip us up later.

1. Full employment is *not* possible during the reconversion period. Many heavy industries have to be retooled, changing over from tanks to tractors. Only a few skilled machinists are needed during the retooling period; the rest of the workers, willy-nilly, have to cool their heels. While they cool them, they should have unemployment insurance.

2. We must also be careful of the definition. Full employment does not mean everybody punching a time clock on Monday morning. It means enough work which somebody is willing to pay for, to keep everybody busy who wants to work, including farmers and self-employed workers. Furthermore, on any given Monday morning there will be at least a million and a half workers moving from job to job, the so-called "frictional" unemployed group, and not on anybody's payroll.

The estimates we hear about for 60 million jobs starting in 1950 or so, divide roughly into 42 million at work for a boss; 14 million (including the farmers) working for themselves; two and a half million in the Armed Services; a million and a half in the ranks of the "frictionally" unemployed.

Another good definition of full employment is what we had in 1929 before the crash. Just point to it.

Early this year in 1945 we had super-full employment with 65 million Americans at work or in the Armed Services.

Factors for Full Employment

Having cleared the ground, let's go back to one of the main questions: *Is mass unemployment possible?* We had it from 1929 to 1941 with anywhere from seven to 15 million unemployed—why not again?

I think there are at least six good reasons why not again. The world has changed more than most of us realize since the day the Panzers marched into Poland. What was tolerable in the 1930's may not be tolerable now.

Change No. 1. We have proved to everyone's satisfaction that unemployment can be abolished if we organize to do it as in the war.

Change No. 2. We have proved that what is physically possible is financially possible. Our only limitation on building tanks, for instance, was not money but men and materials. The mass of the people will not, I think, soon forget this.

Change No. 3. The war has taught us that we are a 200 billion dollar a year country, not 100 billion which everyone thought the limit before the war. In 1944, we produced as much in the way of civilian goods as in 1940, plus as much more in the way of war goods. This means we can double the prewar standard of living any time we care to put our minds on it.

Change No. 4. We will finish reconversion with a national debt of around 300 billion dollars. If we hold our net national income at 150 billion or better the debt will not be too burdensome, but if the national income falls much below that figure we will be in deep trouble. With mass unemployment obviously we cannot swing the debt.

Change No. 5. The whole world has gone collectivist with a rush. The British elections, and now the French, show the U. S. is the only nation left on earth with the ideology of free enterprise still strong. If the U. S. goes into the old prewar cycle of boom and depression, it will be sufficient proof that the free enterprise idea has failed. Intelligent U. S. business men are well aware of this, shall we say, *competitive* urge to full employment.

Change No. 6. Finally, we have 14 to 15 million strenuous, combat-trained young men coming back into our economy with the Number One objective of a good job on which to start a family and bring up the children decently in a decent place. You can't do it on $25 a week. We have here, one suspects, the most terrific pressure group in the history of our country. With their families, veterans are destined to control half the nation's vote.

Problems Solved by Full Employment

In addition to these six basic changes, which are going to make mass unemployment more difficult, we should remember the many problems which full employment goes a long way towards solving, such as:

1. Full employment automatically brings high levels of exports and imports and is probably the best single move America can make to stabilize world trade.

2. It's the best program for agriculture. If city folks are secure in their jobs they will buy the farmer's crops.

3. Full employment tends to reduce strikes, lockouts and labor unrest—at least it did so from 1922 to 1929.

4. It tends to restrict the formation of monopolies and cartels, which always are more active when times are bad.

5. Pressure groups are more likely to turn the heat off with full employment. Depression is a great breeder of the me-first battalions.

6. Sixty million jobs are the best known solvent for race friction, anti-Semitism and discrimination generally.

7. The threat of a dictator and a Fascist State fades into the realm of the impossible with full employment. Hitler, never forget, took over when one man out of three in Germany was unemployed.

The Present Outlook

Now, let's turn to the present outlook. Are we in for a boom or a bust? Our present situation is precarious, as the strikes show. If the timing is wrong, if Congress fumbles the ball, we could drop into headlong depression. The fear of depression can bring depression. These great savings they talk about will not be spent except for the barest necessities if the down-swing starts. All studies show, furthermore, that the savings are pretty well concentrated in the upper brackets where people are looking for investments more than for new refrigerators and dining room sets.

We might have a boom, but it would be short. Personally, I am far more afraid of deflation than of inflation. Uncle Sam is pulling 75 billion dollars out of the market as war orders cease. Nobody, to my knowledge, has made any adequate plans to replace that 75 billion a year.

Meanwhile, we will be lucky if we hold 10% employment in aircraft, shipbuilding, machine tools, light metals and munitions.

The official outlook in Washington is for eight million unemployed early next year. Then a successful reconversion will reduce the total. But if the eight million frighten the rest of us into reducing our spending, the terrible downward spiral can begin.

Checking Booms and Depressions

Can we check the spiral and really plan for permanent full employment as defined earlier? I think we can. The method chiefly advocated for the United States has been well tried out for many years in Sweden and is known as a compensatory economy. Many experts have defined it, but Governor Dewey's definition is as good as the next: "If at any time there are not sufficient jobs in private employment to go around then Government can and must create additional job opportunities."

It is something like the thermostat control on your oil burner. When the economic house begins to grow cold, let the Government spray additional purchasing power into the system. When the house gets too hot, turn off the purchasing power, via taxation, and pay off some of the debt.

A bill has passed the Senate by a large majority embodying these principles, S-380, the so-called Murray Full Employment Bill. It is endorsed by President Truman, Secretary Byrnes, Secretary Vincent, Beardsley Ruml, Mark Sullivan, William Hard, and I would guess by the majority of all American economists. Only very prejudiced and very ignorant people can credit Moscow with its origin.

The bill does not provide for any specific measures for keeping employment high; rather it states a purpose and then makes both President and Congress responsible for carrying out that purpose. The idea is that the Federal Government is to make sure that there are enough orders to maintain substantially full employment, while businessmen, as heretofore, take full charge of production. Whatever the cost to the taxpayers, it will be very small compared with the cost of a real depression. The crash of 1929 cost us substantially as much as the war cost us — 100 million men years of work lost through unemployment to a value in goods and services of nearly 300 billion dollars.

Favors Senate Full Employment Bill

Nobody can know for sure whether S-380 is a powerful enough engine to produce full employment, but it seems the best plan to try first. It is a democratic solution — nobody gets pushed around, and it keeps Government out of most activities except a program of fiscal insurance.

Some people feel that the Government should do no planning at all, leaving the economy, as Alvin Johnson once said, to God and the National Association of Manufacturers. But modern economies, if they are to remain democracies, must be planned at certain key points for two reasons:

1. To keep the market system afloat. In 1932 our business system was six billion dollars in the red.

2. To provide certain services—defense, public health, social security, conservation, and now, most important of all, scientific research, which businessmen are not interested in providing as there is no immediate profit.

If Americans are not allowed to develop reasonable plans in advance, such as S-380, after a bout of WPA improvising, we can expect some very *unreasonable* plans indeed. They will, I fear, take us far along the totalitarian road, under heaven knows what leadership.

Not long ago I went out to an Army camp to lead what they call a GI bull session on post-war problems. Again and again, the question came back from sergeants, corporals, enlisted men, to this effect: "If the country can keep prosperous making tanks for men like us to die in, why can't it keep prosperous making homes for people to live in?"

No amount of verbal argument along the line that "Peace is different" is going to keep that question down.

What are we going to answer the young men?

Walter Felter Rejoins Staff of Taussig, Day

ST. LOUIS, Mo.—Walter E. Felter is again associated with Taussig, Day & Co., members of the St. Louis Stock Exchange, after having served three years in the armed service.

Gilbert Busch With Albert Frank Agency

Gilbert E. Busch, former staff correspondent and financial writer for United Press Association, who was recently released from the U. S. Marine Corps, has joined the advertising firm of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, as an associate on the publicity staff, Emmett Corrigan, Chairman, announced.

Mr. Busch was associated with the United Press organization for more than nine years before entering the service in February, 1943. In the Marines, he served as an aerial navigator in the central and western Pacific areas in addition to handling Marine public relations.

Williams & Watson Rejoin J. B. Roll Co. Staff

J. B. Roll & Co., 1 Wall Street, New York City, announce that Capt. Edward Williams, U. S. A., and Thomas Watson, U. S. C. G., have returned to their respective positions in the trading department and contact division of the company.

de Felice Opens

SAN FRANCISCO, Calif.—Aurelius F. deFelice is engaging in the investment business from offices at 130 Sutter Street. He was formerly with the U. S. Maritime Commission.

Mutual Funds

Investors Syndicate Changes Hands

Control of **Investors Syndicate**, long established Minneapolis Investment Company and sponsor of **Investors Mutual, Investors Stock Fund** and **Investors Selective Fund**, has been acquired by Bert C. Gamble, President of Gamble Stores, Inc., through acquisition of a majority of the common stock.

Mr. Gamble commented on the acquisition as follows:

"For sometime I have been personally interested in Investors Syndicate from an investment standpoint. For the last seven years controlling stock interest of Investors Syndicate has been held by several different groups. I have purchased the majority of common stock as a long range investment. My interest in the syndicate and purchase of its stock are entirely personal affairs and are in no manner whatsoever related to my association with Gamble Stores, Inc., nor with any of my other interests."

The present management of Investors Syndicate will remain unchanged.

Union Common Stock Fund

"The story of **Union Common Stock Fund**" is the title of an interesting four-page memorandum just released by Lord, Abbett, the sponsor.

"The story of Union Common Stock Fund is more than a story of good earnings and a bright outlook for dividends. It is a story of basically improving investment quality."

The Fund is likened to a manufacturing company and the basic improvement in investment quality is compared with the retirement of some of the bonds and preferred stock, leaving the common stock with a much larger proportionate claim on earnings.

Between 1939 and 1945 the total debt and preferred stock of the 25 companies now held in UCS was reduced 13%, resulting in a 16% drop in fixed charges and an equivalent gain in investment position of the common stock.

Keystone S-1

The current issue of Keynotes analyzes the effect of the new tax law on the stocks held in **Keystone S-1**—a list of 30 high-grade common stocks. Last year these 30 stocks earned an average of $13.07 per share before taxes. Income and excess profits taxes accounted for $8.39 per share leaving a net of $4.68 per share for the common stockholders. With the excess profits tax alone eliminated, these same companies could show, on the basis of last year's pre-tax earnings, a net of $7.62 per share for the common stockholders, or 63% higher than reported earnings.

Writes Keynotes: "There is a four-year deferred demand for peacetime goods, and an unprecedented volume of national savings to satisfy these demands—facts which point to a high level of business activity for several years to come.

"In view of these prospects many corporations should be able to approximate their wartime earnings before taxes. Even if gross earnings are lower, the reduction of taxes could still leave a larger net for shareholders."

Investment Timing

National Securities & Research Corp. has issued a well-illustrated booklet giving the history of that sponsor's Investment Timing service which was begun in 1937 as a two-year research survey under the direction fo Dr. Frederick R. Macaulay.

Throughout the booklet "timing" is stressed as the important factor in investing. Various methods of forecasting are discussed and the conclusions which resulted in National Securities' weekly Investment Timing service are explained.

Additional copies of this interesting booklet are available upon written request to National Securities & Research Corp., 120 Broadway, New York City.

New York Letter

Hugh W. Long & Co. devotes the current issue of the New York "Letter" to an analysis of the present position of the market. Several approaches to this question are discussed. Each of them establishes a level of "around 250" on the Dow-Jones Industrial Average as a rational goal for the current bull market.

In a separate tabulation the performance of the various industry series of New York Stocks over the past year are shown and compared with the movements in the Dow-Jones Averages over the same period.

Bullish for Rails

Distributors Group, in a new mailing on **Railroad Stock Shares**, discusses "A Bullish Development that Looks Bearish." The "development" is President Truman's proclamation of the "end of the emergency." As a result of this proclamation, the railroads will take advantage of speeded up amortization of wartime emergency expenditures and their **reported** earnings for the last four months of this year will be substantially lower than for any similar period in recent years.

However, the only real change in railroad earnings this year as a result of this development will be a substantial **savings** in taxes. In addition to this the railroads will have large claims for tax refunds in prior years and will have their new facilities fully paid for so that no further deductions against future earnings for these facilities will be necessary.

Distributors Group computes that 14 leading railroads whose stocks are owned by Railroad Stock Shares will have claims for refunds averaging $10 per share—nearly as much as their annual earnings (averaging $11.23 per share) last year.

Investment Company Reports

Keystone Custodian Funds, Series B-4—Net assets at the fiscal year ended Sept. 30, 1945 were $19,818,875 compared with $15,184,207 a year earlier. At the end of the fiscal year the market value of securities owned exceeded their cost by $4,781,022.

Series S-1—Net assets at the fiscal year ended Sept. 30, 1945 amounted to $2,605,229 as compared with $1,202,349 at the beginning of the period. The market value of securities owned in this Fund exceeded their cost by $394,638 as of the fiscal year-end.

Net assets of all 10 Keystone Funds are reported to total more than $145,000,000 at the present time.

Wellington Fund—In its quarterly report for Sept. 30, 1945, **Wellington Fund** shows total resources amounting to $22,990,734, an increase of $1,904,841 over the figure at June 30, 1945. The report also shows that the equity portion of the Fund rose during the period to 63.49%, or an increase of about 7½%.

Union Trusteed Funds, Inc.—In the Annual Report covering the period from Jan. 1, to Sept. 30, 1945, **Union Trusteed Funds, Inc.** reports growth in net assets from $6,315,554 to $8,213,253. These assets were divided up among the five funds as follows:

UBA	$768,598
UBB	1,267,591
UBC	2,291,383
UPS	3,065,242
UCS	820,439

Incidentally, this Union Trusteed Funds, Inc. report is beautifully illustrated with photographs and charts designed to help a shareholder understand the nature and progress of his investment.

New England Fund — In the 56th Report of the Trustees of New England Fund, covering the nine months ended Sept. 30, 1945, net assets were shown at $2,929,242, equivalent to $15.77 per share of outstanding capital stock.

Mutual Fund Literature

Distributors Group — Special month-end price comparison showing performance of all classes of **Group Securities, Inc.; General Bond Shares** portfolio folder showing holdings as of Oct. 31. . . . **National Securities & Research Corp.**—Current Information folder for November on all National-sponsored funds; portfolio memorandum showing changes in National-sponsored funds during October; current issue of Investment Timing discussing "The Reconversion Tax Bill." . . . **Keystone Co.**—Current Data folder on all **Keystone Custodian Funds** for November. . . . **Lord, Abbett**—Composite Summary folder on all Lord, Abbett sponsored funds for November; current issue of Abstracts; Investment Bulletin on **Union Common Stock Fund** listing issues held. . . . **Broad Street Sales Corp.**—Current issue of Items showing the performance records of **Broad Street Investing Corp.** and **National Investors Corp.** . . **Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Hare's Ltd.**—Leaflet entitled "Leading New York City Banks to Share Fully in Peacetime Prosperity."

Dividends

Wellington Fund—A year-end dividend to be paid Dec. 27 to stock of record Dec. 14 is **estimated** as follows:

	Per Share
From ordinary net income	15c
From net readized securities profits	75c
Total	90c

Group Securities Dividends

The fourth quarter dividends recently declared by the directors of Group Securities, Inc., payable Nov. 26 to shareholders of record Nov. 10, will total a record figure of $2,228,000. Of this amount $1,689,000 will represent extra dividends payable out of net realized securities profits. The balance of $539,000 will be made up of regular dividends from net investment income covering the two months period October and November.

A change in the Group Securities year-end from Dec. 31 to Nov. 30, accounts for the short quarter this time. The largest single dividend was $1 extra on investing company shares. Next in size were total dividends of 50 cents each on automobile shares and food shares.

Squier Returns to N. Y. Finance Inst.

Lieut. Albert P. Squier has been returned to inactive duty by the U. S. Navy and will resume his duties as director of the New York Institute of Finance. Lieut. Squier entered the naval service in December, 1942. After nine months' training in various Navy navigation schools, he served as instructor in aeriel navigation at Pensacola, as a member of a committee which revised the navigation curriculum for the advanced stages of Navy pilot training, as a member of the staff of the Chief of Naval Air Training, and for the past year as a navigator on the transatlantic run of the Naval Air Transport Service.

Mr. Robert Cluett, 3rd, who has served as director of the New York Institute of Finance during Mr. Squier's absence, will assume the position of Chairman of the Board of Advisors of the Institute. Miss Edith M. Squier, Manager since 1942, has been named assistant director.

Col. Kissam Rejoins Garey, Desvernine

Lieut. Col. Leo T. Kissam, after three and one-half years in the U. S. Army Air Corps, which included duty in the Pacific, has resumed the practice of law at 63 Wall Street, New York City, as a general partner of Garey, Desvernine & Kissam. Col. Kissam was formerly engaged in private practice in New York City; he acted as counsel to the group of motorists and successfully prevented a toll for the use of the Brooklyn Bridge; he also acted as counsel to the Judiciary Committee of the House of Representatives in the investigation of the Federal and equity receivership situation in the U. S. District Court for the Eastern District of New York.

Donald Royce Heads California IBA Group

LOS ANGELES, CALIF.—At the annual meeting of the California Group of the Investment Bankers Association of America, Donald Royce of Blyth & Co., Inc., was elected Chairman. Clay H. Sorrick of Dean Witter & Co., San Francisco, was named Vice-Chairman, and H. P. Schwemmer of Schwabacher & Co., San Francisco, was chosen Secretary-Treasurer.

Elected to membership on the Executive Committee were B. P. Lester, Lester & Co.; F. O. Maxwell, Maxwell, Marshall & Co.; Bruce McKennan, First California Co., and J. C. Youngberg, Stone & Youngberg. Other members of the Committee are Russell E. Evans, Nelson Douglass & Co.; L. M. Kaiser, Kaiser & Co.; John F. Kelsey, William R. Staats Co.; A. C. Purkiss, Walston, Hoffman & Goodwin, and J. R. Shuman, Shuman, Agnew & Co.

Stanley McKie Acquires Cinti Exch. Membership

CINCINNATI, OHIO—Stanley McKie, Vice-President and Secretary of the Weil, Roth & Irving Co., Dixie Terminal Building, has been elected to membership in the Cincinnati Stock Exchange. Bernard J. Barlage, Jr., was named as an alternate to trade on the Exchange, under a new ruling.

M. W. Lepper of A. Lepper & Co. was appointed to the Board of Trustees to succeed T. F. Davis who resigned.

The Pulp and Paper Industry

(Continued from page 2327)

saw the organization of the International Paper Company, Great Northern Paper Company, Oxford Paper Company, St. Regis Paper Company and the West Virginia Pulp and Paper Company, and when the total year's production of all grades of paper amounted to only 2,167,000 tons and consisted to a large extent of newsprint and book papers. Practically no wood pulp or paper was imported into the country. The average per capita consumption at that period was only 58 pounds per annum.

By 1916, the year I first became connected with the paper industry, substantial development of the industry in the Middle West and Lakes States had occurred and the United States production of paper had risen to 5,500,000 tons with imports into the country amounting to 600,000 tons per annum. Per capita consumption had jumped to 115 pounds per annum.

By 1929 the industry had pushed into the Pacific Northwest and to a lesser degree into the South and the newsprint production had largely migrated to Canada. Annual production of paper had reached 11,140,000 tons. Imports into the United States amounted to 2,533,000 tons and the per capita consumption had come up to 220 pounds per annum.

1941 saw the paper industry reach an annual all time high production at 17,762,000 tons, with imports also at a record high of 3,120,000 tons and per capita consumption up to 309 pounds per annum. The expansion of the industry into all sections of the Nation had occurred, climaxed by the phenomenal growth and development in the South. The use of the southern forests for pulping purposes had been delayed because of lack of technical knowledge for utilizing the wood species, but technological developments in the 30's had brought about a swift change and today Southern paper mills produce 27.7% of the total United States paper production and 48% of the United States wood pulp production.

Since the establishment of the 1941 high production records, World War II has reached the United States, with shortages of labor and raw materials and consequent curtailed production and consumption, coupled with Government controls of the manufacture and use of paper products. In spite of the many difficulties of the war years, it has been possible to maintain annual production in excess of 17,000,000 tons. Furthermore, annual importations of paper products of approximately 2,700,000 tons have resulted. Per capita consumption has leveled off around 285 pounds per annum.

The War Record

The pulp and paper industry may be justly proud of its war record, for it not only met all requirements of the armed forces and lend-lease, but it was able to maintain civilian requirements of paper on a satisfactory basis. This record was accomplished in spite of labor and material shortages and a complete cessation of wood pulp imports from Scandinavia, which in the prewar period had been an important raw material supply to the converting mills of the industry.

The War Production Board, in establishing complete controls over the industry, also drew heavily upon the officials of the various paper companies for the administrative posts in the different Government agencies, but the results of this action were most beneficial to the war contribution. The War Production Board program and policies developed splendid cooperation and a better understanding among the various segments and individual companies of the industry. I am hopeful of major benefits in the future from the cooperative efforts of the war period and the contacts and friendships established.

Integrated mills owning timberlands and pulp mills were obliged to help keep non-integrated mills operating by shipment of pulpwood and wood pulp. Many of the non-integrated mills had depended upon imports of wood pulp from Scandinavia for their complete requirements. War Production Board policy finally determined to keep all mills in operation if possible, subject only to the degrees of essentiality of the products manufactured from a wartime basis. This policy aided many communities, for 75% of the paper industry is located in towns of less than 10,000 inhabitants, and many of these smaller communities would have been in distress without the employment of the pulp and paper mills in their localities.

Perhaps you may be interested, possibly surprised, to know the value of pulpwood in the war effort. For instance, one cord of pulpwood converted into the basic part of smokeless powder permitted 9,000 bullets to be fired from a Garand rifle; or 42 shells from a 105 mm. gun; or 24 shells from a 16 mm. gun. A cord of pulpwood produced 4,200 weatherproof packages for blood plasma; 3,336 containers for first aid kits; 16,444 hospital waddings; 1,500 fiber parachutes; 1,440 anti-tank mine covers; 2,148 watertight jackets for 37 mm. shells; 800 warm vests for aviators; 1,560 containers for K rations; 900 tough multiwall paper bags for shipment of food products, chemicals and construction materials; 1,200 yards of ordnance wraps to protect airplane engines, and 6,120 military caps.

High ranking Army officials repeatedly stated that the war could have been lost in one day if the supply of pulp and paper in this country had been cut off.

Those of us in the industry who spent much time in Washington during the war period appreciate the splendid cooperation and assistance received from the officials of the War Production Board and other departments of the Government. A debt of gratitude is owed to them for their untiring and unselfish efforts and for their major contribution in the successful prosecution of the war.

With the end of the war in Europe and Japan accomplished, Government controls are almost completely eliminated. There remains only an inventory control order reserving a reasonable amount of paper covering Government needs and a newsprint consumption control order which is not expected to continue beyond December 31, 1945. The latter order was kept as part of the Government's cooperation with the control program in effect in the Dominion of Canada.

The Post-war Outlook

This brings us in our consideration to the post-war period. What does the future hold for the pulp and paper industry in the United States? The Department of Commerce published a world pulp and paper forecast, which contains the following statement:

"A tight market in paper and pulp could easily continue for three years following the close of the European War both in the United States and the world."

The paper industry is fortunate in having practically no reconversion problems. It also appears better situated than many industries with respect to a labor supply. Perhaps an important contributing factor in this regard is the location of the industry in the smaller communities. United States labor statistics show employment in the pulp and paper industry to be steadier than in many other industries. Based upon the year 1923 representing 100%, the paper industry in 1932 showed employment at 83.5 against all United States industry at 60.4. In 1941 employment in the pulp and paper industry stood at 125.8 against all industry in the United States at 119.8. The industry has also had a history of long, harmonious relationship between the various companies and the union labor organizations. Weekly wage rates in the pulp and paper industry averaged 92.7c per hour against the United States average for non-durable goods of 87.8c.

At this point I should like to comment on a radical change which has taken place in the South with respect to wage rates. The companies located in the South formerly enjoyed a substantial wage benefit which in some cases amounted to as much as 20%. This differential has completely disappeared, for at the present time Southern labor rates are higher than similar labor costs in Northern mills.

What of the future wood supply for the industry? It is estimated that in the United States our pulpwood resources are in excess of 500,000,000,000 cubic feet, which have an annual growth of 11,000,000,000 cubic feet. The annual requirements of the pulp and paper industry at present levels of production are 13,500,000,000 cubic feet. Consequently if we are to live entirely on increment growth in our forests it will require better industry practices to meet the demand. It is believed by improved forestry methods the annual growth could be practically doubled. Such results are accomplished by selective cutting methods in the forests or by tree farms and by fire prevention methods. European countries have pursued these practices for many years, but the abundant forest resources in the United States have not compelled serious consideration of these improved forestry methods in our country until more recent years. Present forestry methods are extremely wasteful. In many cases not more than 65% of the tree is utilized, whereas 95% could be used. Taxes to encourage private lumber husbandry; reforestation of cut-over lands; control of insects and disease are but a few of the methods which are demadned.

Wood Pulp Requirements

The present production of paper requires the use of more than 12,000,000 tons of wood pulp annually. While the greater part of this is produced within the integrated mills, nevertheless substantial quantities are normally imported from Canada and Scandinavia. Sweden has recently resumed exports of wood pulp to the United States and has plans for bringing in 550,000 tons before Dec. 31, 1945. It is possible that this goal may not be reached if the shortage of ships and manpower should continue. The cut of timber in Sweden and Norway is rigidly controlled by these governments for the purpose of maintaining a perpetual yield basis. Recently restrictions in those countries have prevented the heavy cutting of wood for pulping purposes because of added requirements of wood for fuel due to a heavy shortage of coal, which formerly was shipped to those countries in large quantities from Germany and Central Europe.

Finland remains an uncertain factor as yet in the export market for wood pulp. It is expected that most of Finland's normal exports of wood pulp will be required for the present for internal use in the Soviet Union.

One of the big future uncertainties is the part which the Soviet Union may play in pulp and paper markets of the world, for it is generally known that in the Soviet Union are vast coniferous forest areas suited to pulping purposes, but utilization is entangled with many economic, social and political problems, especially as export. While some Russian pulpwood has been shipped to North Atlantic ports, the quantity has been interesting rather than significant and it is generally believed in Washington that the immediate use of these forests will be required largely for internal purposes.

Exports

Exports of paper products from the United States have never been on a large scale, but exports may become more important in the future. As was previously stated, the United States per capita consumption has been up to 309 pounds per annum, but in 1937, when the United States per capita consumption was only 248 pounds, the following presented the per capita consumption in the countries listed, together with the amounts:

United Kingdom	152 pounds
Sweden	149
Germany	102
France	36
Argentina	29
Japan	23
Soviet Russia	12
China	8
Mexico	7
India	1

It is generally assumed by the trade that improved paper consumption in the Orient is most likely.

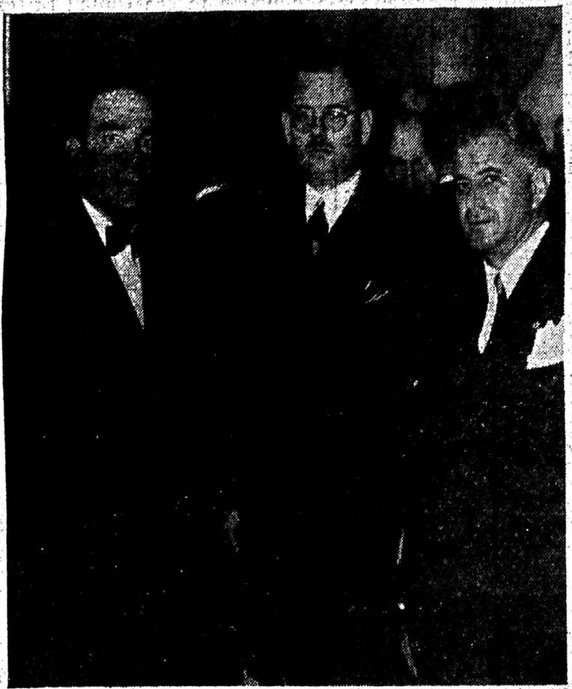
Based upon greater demands for paper in the printing and publication fields, expanded use of paper products in packaging and industrial uses, together with the growth of the non-paper wood pulp uses such as rayon, plastics, etc., it would seem reasonable to expect further substantial growth in the consumption of paper products worldwide. Such a condition would require a higher annual production in the United States, which might reach 20,000,000 tons in the next five years. It would appear as though the serious question for the industry during the next several years will be one of capacity production. With the expected rate of operation at maximum efficiency and with the elimination of excess profits taxes on corporations, it would appear that the pulp and paper companies are facing a prosperous period.

New York Security Dealers Association

Alfred E. Loyd, Executive Secretary of *New York Security Dealers Ass'n.*

C. E. Unterberg, *C. E. Unterberg & Co.*

Edward Russell, *Seligman, Lubetkin & Co.*; Samuel Englander, *Seligman, Lubetkin & Co.*; Arnold Hanson, *Hanson & Hanson.*



A. Wilfred May, *Financial Chronicle*; H. E. Kuehner, *Joyce, Kuehner & Co.*; Leo J. Goldwater, *L. J. Goldwater & Co.*

Robert I. Herzog, *Herzog & Co.*; Ben Grody, *Herzog & Co.*; Irving A. Greene, *Greene & Co.*

Col. Oliver J. Troster, James Currie, Jr., both of *Troster, Currie & Summers.*

Bill Kumm, *Dunne & Co.*; Elmer Myers, *B. W. Pizzini & Co.*; John Butler, *Huff, Geyer & Hecht.*

Meyer Willett, *C. E. Unterberg & Co.*; George Frings, *Fitzgerald & Co.*; Vincent Fitzgerald, *Fitzgerald & Co.*

Wilbur Krisam, *Huff, Geyer & Hecht*; Willard Bastian, *Huff, Geyer & Hecht*; Samuel King, *King & King.*

Dinner-Meeting Held November 7th

Guy de Simone, *Security Adjustment Corp.*, Brooklyn; F. R. Jurgens, *Security Adjustment Corp.*, Brooklyn; R. Newman, *Security Adjustment Corp.*; Samuel Weinberg, *S. Weinberg & Co.*

E. B. Breen, *R. H. Johnson & Co.*; T. Reid Ranken, *R. H. Johnson & Co.*; Eldridge Smith, *Stryker & Brown*; Gus Muller, *S. H. Junger & Co.*; Erwin Stugard, *Bond & Goodwin*; Irvin Hood, *Grimm & Co.*

B. W. Pizzini, *B. W. Pizzini & Co.*; Ralph Baker, *Amott, Baker & Co.*; John Hawkins, *Amott, Baker & Co.*

John F. Reilly, *J. F. Reilly & Co.*; John J. O'Kane, *John J. O'Kane, Jr. & Co.*; C. M. Myers, *Bond & Goodwin*; King Waldron, *W. J. Banigan & Co.*

Willard Bastian, Wilbur Krisam, George Geyer, George Collins, all of *Huff, Geyer & Hecht.*

J. Arthur Warner, *J. Arthur Warner & Co.*; Harry R. Amott, *Amott, Baker & Co.*; Richard Barnes, *A. M. Kidder & Co.*; T. J. Feibleman, *T. J. Feibleman & Co.*

James Vanderbeck, *Grimm & Co.*; Jack Cusack, *Amott, Baker & Co.*; Irvin Hood, *Grimm & Co.*; Rad Stoll, *Grimm & Co.*; Jack Miller, *Amott, Baker & Co.*

Peter W. Brochu, *Allen & Co.*; C. Merritt Coleman, *Allen & Co.*; Irving Koerner, *Allen & Co.*

Holds Britain Has An Alternative to U. S. Aid

(Continued from page 2325)
our money. The first choice — the increase in imports — requires a flexible economy capable of considerable adjustment, which would, however, in the end, contribute to greater trade and higher standards of living all over the world. As for the second choice— the attempt to buy power—history has proved how dangerous and futile it is for a country to try to impose its ideas and way of life on its debtors or those under its control. If one thing is certain, it is that England will not take our dollars at the price of independence.

The Alternative to Our Dollars

Let it not be assumed that England has no alternative to our dollars. Although during the last years she has used up most of her overseas investments, the income from those remaining is still greater than the interest on her blocked debt. In addition, she has some dollar and other freely convertible currency balances abroad to use as working capital.

Furthermore, although the Dominions, India, Egypt, Argentina, and other countries in the so-called sterling bloc have given England credits of £3 to £4 billion during the war, there is no reason why such credits cannot be expanded to £6 billion, £9 billion, or to an even higher figure.

These countries sent goods to England during the war in payment for which they were given sterling credits in London. Lacking the exchange to pay for the goods, and unable to pay in goods of her own manufacture, she "blocked" the sterling credits used for payment, saying that her creditors would have to wait for payment until she was in a position to pay with goods or services. As a result, her creditors did not receive exchange with which to buy goods elsewhere. Today these creditor countries have practically no exchange with which to buy goods outside of the sterling block, but still have goods to sell—primarily agricultural products and raw materials. England has always been their principal customer and if she could not take their goods now, they would be hard pressed to find new markets. Consequently, even though England cannot for some time to come produce goods acceptable to her creditors, the latter would probably prefer to give England more credit in order to dispose of their products, than to burn up their products or throw them into the sea. Blocked sterling is better than nothing.

England, therefore, has it in her power to carry on the existing "sterling area." Her economy would obviously be restricted if she traded within such a limited sphere. Obviously the United States would not be in the "sterling area," and Australia, India, Argentina, etc., could buy less and less from us.

Many Englishmen claim that England's political and economic interests are not necessarily identical with ours and that England would do well to turn from America towards Europe and the sterling area. Some argue that the United States cannot be counted on to maintain a stable economy and that should England depend on exports to the United States her economy would be too seriously affected by the contraction of our purchasing power during depressions.

England's Production per Man-hour

It has been proven that in many old-line industries England is 1½ to 2½ times less productive per man hour than we are. It has been possible for her to ignore for a long time the pressure to produce exports on a competitive basis with other increasingly efficient industrial countries because she has, in the past, bought so many of her imports with her income from overseas investments. But today, with her overseas investments sharply reduced, England must pay for her imports with exports. To succeed in a world of freer trade her manufacturers of coal, textiles, etc., must revamp their industries and must acquire modern machinery and the latest industrial know-how. On the other hand, in a closed economy, England's customers would be forced to buy from her and therefore she could sell her less efficiently produced textiles, etc., without competition from the United States.

England, then, has an alternative to our assistance. Quite obviously she need not give up her independence for the sake of our dollars. One might ask why she wishes our help. To begin with, even if she did perpetuate the sterling area, none of the nations in that area could rule out trade with the United States unless they were willing to face the deprivations of a complete system of autarchy—a system of complete self-sufficiency such as Germany attempted under Hitler. Trade with the United States and other countries the sterling block would be cut to a minimum, however. The standard of living in the sterling block would be limited by the goods which could be produced within that block, and for the time being the sterling block would probably retard the solution of the problem of efficient production. With markets in the sterling block not freely open to the United States, employment here might be reduced, and, in turn, any United States markets for the products of the sterling block would contract.

A dollar block would probably develop, and with increasing American productivity it would be faced with the ever more difficult task of disposing of its products. It would be a difficult problem to determine how to achieve and maintain a high level of employment in the United States in the face of contracting instead of expanding world markets. On the third side, there is an area under Russian domination, which with a completely planned economy, has no problem of distribution, but only of production. For many years to come this Russian area should have no difficulty to consume all it can produce. But here, in three mutually exclusive areas, we would have all the pressures and rivalries which make for bilateral treaties, trade wars and eventually military wars.

It is those elements in England who see the seeds of war in narrow, restricted economies who ask the United States to help get the British economy going again on a more efficient basis. They are anxious to participate in a freer world trade which should lead to higher standards everywhere and away from war. For it is a fact that the total of all multilateral trade is always greater than the sum of all bilateral trade.

English Industry Must Be Revamped

England in general is aware that she must pay for her desperately needed imports with exports produced only through hard work and continued wartime curtailments. It is also recognized that, whatever readjustments may be necessary, English industry must be revamped and put on an efficient basis. Many Englishmen realize too that the benefits of greater production per man hour and lower unit costs must be shared with labor, and that, better paid labor will provide an expanding market for the world's goods. Some also recognize that this principle must be carried over into the colonies and into the rest of the world as well as in the United Kingdom.

There are not only Englishmen who recognize these problems, but today there is a whole new group of potential industrial, commercial and political leaders to implement their solution. England's compulsory education system went into effect almost a hundred years later than that of the United States, so that until recently her leaders were drawn almost exclusively from her classically educated upper classes. It is only today that the products of her more broadened educational system are maturing and that she will for the first time be drawing upon the talent of all elements in her population. And it is also interesting to note that there is a great development of technical schools in England today which are open to everybody.

England Needs Our Assistance

England has the talent to see and solve her problems in a way that is of greatest benefit to herself, the United States, and the rest of the world, but she needs our assistance. Her shelves are bare of consumers' goods, her country needs rebuilding, and her industries should be modernized. Until she can produce enough exports to pay for imports, she needs help to meet the deficit between the two. If the United States, for example, provides dollars with which modern textile machinery can be purchased, and if England does her share in reorganizing her textile industry, England can produce cotton cloth more quickly and efficiently for India and will have exports with which to buy imports from India. If the textile worker, producing more efficiently, gets a larger wage, he provides a greater market not only for English but American and other goods. And so a cycle of trade is started which allows for expansion and is not by its nature limited in scope and full of the seeds of war.

Nobody knows how long and how much it will take to rehabilitate Great Britain and reconvert her industries to the point where she will be self-supporting. At the present time England, the Continent, and much of the rest of the world are in no position to export to the United States, even if we would absorb the imports. At the same time we want to provide exports to the rest of the world, hoping that thereby we will find one of the channels through which to provide maximum employment. But since the rest of the world has not enough dollars to buy our exports we have to provide the dollars as well. Unless and until those dollars are repaid, we have, in effect, given away our goods. Let us repeat that while this may be a wise temporary measure, it cannot go on forever. We should insist that any help from us should be used by England to improve her efficiency and thereby raise her standard of living. This will make her a better market for the rest of the world as well as for ourselves. Assuming the money is well spent, we can well afford to give more than the $5 billion dollars help spoken of today. Indeed the job had better be well done or not done at all.

U. S. Must Increase Imports

But suppose that the time comes when England can generate enough exports to pay for imports. Suppose that at that time standards of living have risen in England and the colonies and we have greater export markets than ever before. There still remains for the countries which wish to buy our goods the problem of how to get dollars with which to buy. The United States must face the fact that even though large exports today may contribute to a high level of employment, we are really giving away our exports and subsidizing employment with an international WPA. In the long run it is only imports into the United States, that is, our willingness to accept goods and services from other countries, which can generate the dollars with which outsiders can buy our exports.

Although elementary, this is one of the hardest lessons for Americans to learn. If we are not willing to keep our economy flexible and make room in it for the absorption of goods produced more economically abroad, we might as well shut our doors today, make no loans or gifts abroad and try to work out an isolated, self-sufficient economy. To do so, however, and at the same time to avoid a severe depression, extensive state control would be unavoidable.

There is indisputable evidence that the more efficient a nation is and the higher its standard of living, the more it participates in world trade. Canada, with a population of 12 million, imports more from us than all of the countries south of the Rio Grande with 120 millions.

The United States has learned that it can best develop mass markets by reducing unit costs and raising wages. By helping to increase production and raise living standards we would not be making other countries self-sufficient but greater consumers. We would not necessarily be helping all other countries to produce automobiles and refrigerators, but would be helping them to produce more efficiently what they were best fitted to produce.

This country cannot be expected to admit imports of technically efficient foreign producers who continue to exploit labor, but it can and should work through various international organizations and through private channels for the acceptance of progressively higher international labor standards.

The United States should, at the same time, study the whole question of expansion of imports, and be ready to adapt our industry, building up those enterprises at which we are most efficient, and refusing to subsidize with tariffs those which are unable to compete with efficient foreign producers.

By insisting, in conjunction with our financial assistance, that productivity and standards be raised, in the long run the American standards of living would also be raised. The overall American standard of living would be higher with an annual balance of 10 billion dollars imports and exports than it would be with a balance of 3 billion dollars imports and exports. Three billion dollars annual exports, and no imports, would last only until the dollars abroad had been used up.

If England and the United States do not together choose the difficult but far-sighted policy looking towards a genuine balance and higher level of trade the world over, both countries face trade wars, closed economies and totalitarianism.

Wall Streeters Aid Nurse Service Drive

The financial field is contributing strong support to the current campaign of the Visiting Nurse Service of New York to raise $400,000. Heads of the committees comprising the Financial Division include John S. Linen and Sheldon R. Green of the Chase National Bank, Duncan R. Linsley, Vice-President of First Boston Corporation; Delmont K. Pfeffer of National City Bank, and Albert H. Gordon of Kidder, Peabody and Company. They will seek contributions from men in their respective fields.

Philip D. Reed, Chairman of the board of General Electric Company, is general Chairman of the campaign.

The Visiting Nurse Service provides part-time nursing care for the sick in their homes throughout Manhattan, the Bronx and Queens. Besides making nearly 500,000 home nursing visits a year to the sick at home, the professional public health nurses of the organization teach families the principles of general hygiene, nutrition and child care; conduct instruction classes for expectant mothers, and cooperate with the New York City Health Department in the detection and prevention of communicable disease.

Part of the organization's activities are self-supporting, but 54% of its services are carried on among persons who are unable to pay. The Service has been operating with a depleted staff during the war and $400,000 is needed to enable it to restore its staff to full strength and to carry on its free work during 1946.

Glas & Crane Group Speedily Distribute Holmes Co. Shares

A group composed of Glas & Crane, Nusloch, Baudean & Smith, Lamar, Kingston & Labouisse, and Woolfolk, Huggins & Shober, offered, in a secondary distribution, a block of 6,000 shares D. H. Holmes Company, Ltd., of New Orleans, $20 par value capital stock at a price of 35⅜. Distribution was completed within three hours.

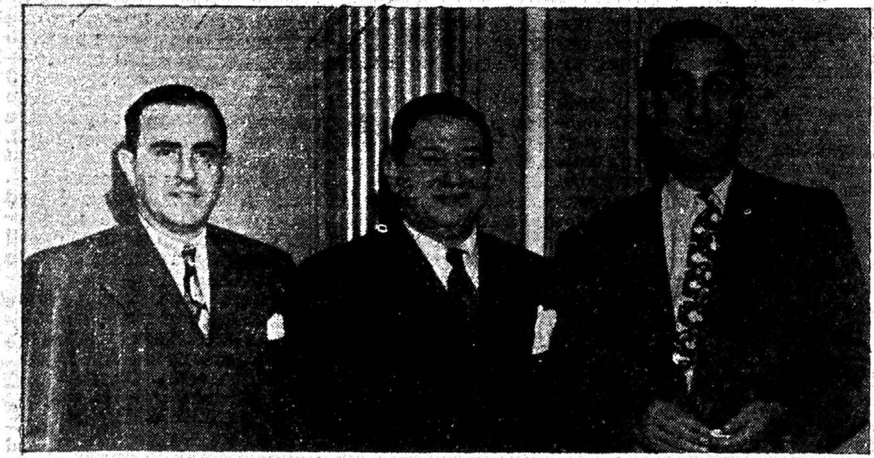
The Holmes Company is one of the leading and oldest department stores in New Orleans and the ready reception accorded its shares testifies to its prominent position in the retail business there. Established in 1842, the company's history is closely identified with the progress and development with the City of New Orleans, and dividends have been paid on the shares for the past 40 consecutive years.

Recovery in Number of Retail Trade Firms*

	% Incr. in No. of Retail Stores from Low Point to Dec. 31, 1944	Diff. bet. No. of Firms at End of 1944 & bef. the War
Retail trade, total	30	206,900
Home furnishings and equipment	73	1,200
Other automotive	71	900
Liquor stores	66	700
Eating and drinking places	58	23,900
Apparel and accessories	56	3,200
Appliances and radio	44	2,600
Hardware and farm implement	41	3,200
Lumber and building material	39	3,800
Other retail	38	19,000
Automotive dealers	36	6,400
Other food stores	27	18,400
Filling stations	22	44,700
General merchandise	20	3,400
Meat and seafood	20	9,600
Grocery, with and without meat	20	50,700
Drug stores	20	3,600
General stores with food	5	8,200
Shoe stores	5	3,400

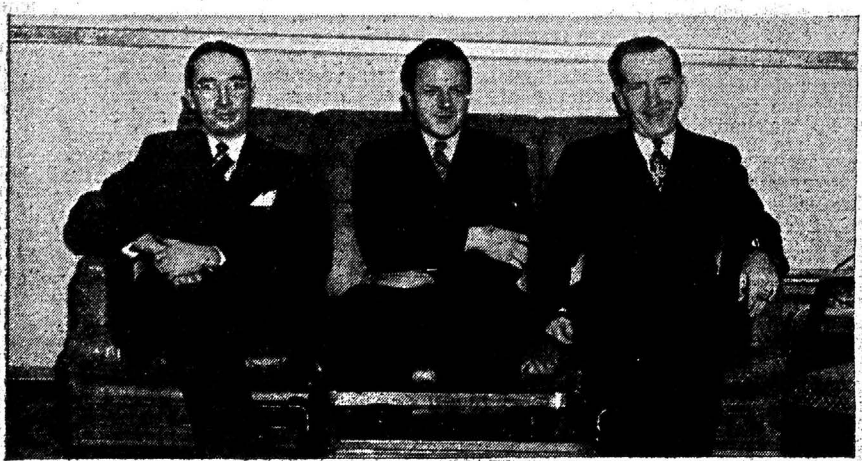
*Preliminary estimates of the Department of Commerce.

Well Attended by Unlisted Dealers



Sidney Fischer, Abe Strauss and John Stein, all of *Strauss Bros.*

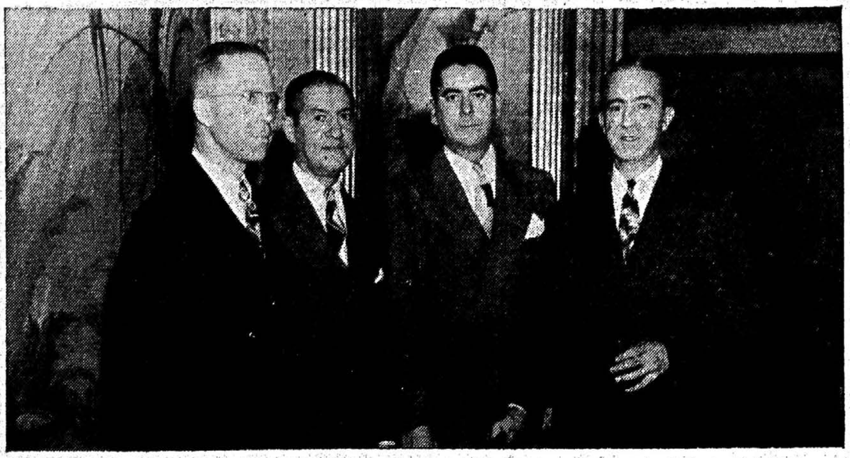
Ed. Ruskin, *Ward & Co.;* Tom Doyle, *Ward & Co.;* Bert Seligman, *Ward & Co.;* Irwin Mitchell, *Ward & Co.;* Milton Klein, *Ward & Co.;* Vincent Fitzgerald, *Fitzgerald & Co.;* H. E. Kuehner, *Joyce, Kuehner & Co.;* George Frings, *Fitzgerald & Co.*



Thomas Worthington, *Winckler, Onderdonk & Co.;* John Ohlandt, *J. Arthur Warner & Co.;* Lawrence A. Wren, *Allen & Co.*

Otto Steindecker, *New York Hanseatic Corp.;* Chester E. de Willers, *C. E. de Willers & Co.;* Duke Hunter, *Hunter & Co.*

Lou Walker, *Nat'l Quotation Bureau;* Carleton Shively, *New York Sun;* Shelly Pierce, *New York Journal of Commerce;* Jack Germaine, *J. Arthur Warner & Co.*



George Searight, *First Colony Corp.;* Martin King, *King & King;* William Judge, *John H. Valentine & Co.;* Fred Lewis, *John H. Valentine & Co.*

Douglas J. Luckhurst, *Luckhurst & Co.;* Louis S. Lebenthal, *Lebenthal & Co.;* Ralph Tyner, *Peabody, Tyner & Co.;* Harry MacCallum, *Peabody, Tyner & Co.*

Robert Ceble, Irving Feltman, Alfred I. Abelow, Cornelius B. Sheridan, all of *Mitchell & Co.*

Peering Into the Crystal Ball

(Continued from first page)

tem of the United States holds today something like $100 billions worth of government bonds, which means that $100 billions or more of purchasing power have been added to the nation's store of money. Nothing like that ever existed in the United States. Nothing like that ever existed anywhere.

A volume of actual and potential money of $220 billions, approximately—almost the same sum as the national debt—what does that mean? It is to be compared with about $60 billions, the largest amount of liquid purchasing power this country possessed previous to the present era. That was in 1929, at the time of the biggest peacetime boom in American history. (In both cases, in 1929 and in 1945, I leave out the cash surrender value of life insurance policies.)

We have almost four times more purchasing power available now than we ever had in good times, but that does not tell the full story. It must be further realized that in the last twenty years or so the people of the United States have never had less debts than they have now; in other words, they not only have more purchasing power—approximating $2,000 per capita, including everybody, as against some $600, $700 at best, before—but they also have less debts to worry about or to offset their liquidity.

Debts have been liquidated all along the line, corporate and consumer debts and mortgage debts, in cities and on farms. Under such conditions, how will that enormous increase in the volume of purchasing power affect our economic system?

That is a question to be answered only by the future, depending on how much of it will be spent. It is perhaps the most important single problem of our economic future, whether or not a substantial fraction of this purchasing power accumulation will be set into motion soon, such as $50 or $60 or $100 billions, and spent within a short time. If the American people become liquidity-minded and prefer to count the money in the drawer rather than to buy the good things money can buy, then that purchasing power will be stored up further and will never affect prices. But if the Americans feel that they have enough cash accumulated, enough notes, bank deposits, savings accounts and savings bonds, and want to use that money, or part of it, to buy houses and furniture and what have you, well then it is a different story.

It is safe to assume that at least a good fraction of the accumulated purchasing power is likely to be disbursed in the near future, over and above money saved out of current earnings. To understand the effects of such a mass disbursement, you must realize that purchasing power once "printed" using the word "printed" as an abbreviated term for the creation of money that is not self-liquidating, whether in the form of legal tender, check and savings deposits or short-term governments—stays with us. The lumber that went into buildings is not lumber any more from the point of view of the market; very little of it can be recovered economically for the purpose of adding it to the marketable supply. The money paid out to war workers may change hands, but stays in the economic system, unless a deflation "burns" it up.

Puts More Billions in Circulation

Every year, every month, every week we add more millions and billions to the circulation. It piles up. It is in effect like an indestructible and at the same time inflammable element injected into the economic process. Obvious as it may seem, it is essential to keep that in mind if one hears about America's vast productive capacity being able to offset the inflation of monetary units. One ought to be careful before swallowing the popular belief in the mysterious anti-inflationary power of production. In the coming period, the markets will not contain goods, practically speaking, more than what the current production will amount to (plus imported, minus exported goods). Especially so, in view of the completely depleted inventories which have to be replenished first. We can only sell what we produce currently, while we can buy not only with the national income we create currently, but also with the purchasing power we have accumulated in the course of the war years.

Putting it in another way, if $100 billions worth of goods are produced in a year, then $100 billions worth of national income are paid out. The goods produced and the income paid out are roughly equal, have to be equal since people get paid for producing, and the price structure is in balance. But if in addition, say, $50 billions are disbursed out of hoarded cash reserves, then $100 billions of goods have been produced and $150 billions worth of goods are being asked for. That causes a very unbalanced situation, and prices are bound to rise—OPA or no OPA.

In short, we have accomplished a miracle of war-time production, having produced hundreds of billions worth of munitions. People were paid for the munitions output, but did not spend all they received. Some 30 to 40% of the money the nation "earned" has been stored away for post-war spending. If that stored-away, pent-up demand bursts into the markets, then people who have produced torpedoes or battleships will be asking for houses or automobiles. They could get slices of battleships, but they do not want them. They want something they did not produce, and there will be two people, or one and a half or two and a half, asking for the same goods that one man can produce and buy at a time.

That is the essence of the *problem of price inflation.* It might be called the problem of economic disequilibrium — depleted inventories vs. filled-up money coffers. And to make things worse—worse or better, whichever way you look at it—not only have people "plenty" of money, but they also need things badly, according to their standards of living, the things they did not buy during the war. They have a pent-up demand as never before. Reduced private and corporate debts coincide with increased purchasing power in the hands of the very same people whose demand has been accumulating and whose appetites for "durables" have been whetted over the war period.

There will be some scramble for goods and some tension in the price structure. On top of it all there is, however, a question of timing complicating matters a great deal. It would take some time until reconversion in the technical and psychological sense is completed, even if no disturbances occur. But labor strife is a natural concomitant of the transition. It is part and parcel of the adjustment process even under normal conditions. With labor seeking a rest, with unemployment benefits on a level to induce unemployment, the workers' pockets bulging with war-time savings, the unions plentifully fortified with cash and backed by a political set-up catering to them—a protracted period of incessant fights is unavoidable. Presumably, they will be overcome by compromises permitting wages to rise and ceilings to be liberalized wherever the cost increase cannot be absorbed by tax reductions and direct subsidies. But compromises will create new inflationary pressures and new need for compromises after renewed strife. At any rate, reconversion will lag and it may take a year or longer before the consumer *begins* to get capital goods (after a minimum of inventories has been replaced). It will then take years before full production has been reached, to say nothing about full satisfaction of the urgent demand. And years are a long time to wait, especially when demands get more and more urgent, cash reserves continue to rise, thanks to continued national deficits and to additional boosting of the monetary circulation by commercial credits.

Foreign Demand For American Goods

One more point to complete the picture: namely, the *foreign demand.*

Our postponed demand is vast but it is moderate compared to that of the outside world which has to replenish sadly emptied inventories, reconstruct what has been devastated, and improve living standards in the countries under acute hardships. The rest of the world which has not been devastated is suffering too from the pains of pent-up demand, partly because it has not been satisfied for years, and partly because of incisive new policies such as industrialization of new countries, expansion of railroads, opening up of mines, intensification of agricultural and plantation production, etc. And this latent demand of the outside world coincides with a vast accumulation of purchasing power abroad.

We are accustomed to think of the whole world as poor compared to the United States. That is a fallacious generalization. Switzerland and the Argentine are per capita probably richer today than we are, if we look at it in terms of real wealth. Many other countries are in a very good financial condition, too—able not only to buy but also to pay in "cash." The gold and dollar resources of the outside world amount to about $25 billions, which gives quite a little money to buy with in this country, and most of that buying will be directed to the United States because the kind of demand that will be prevalent in this coming period can scarcely be satisfied anywhere except in the United States, speaking by and large.

But in addition, we intend to give credits. $1⅓ billions in the UNRRA, $3½ billions into the Export-Import Bank, $6 billions into the Bretton Woods institutions, are just the beginning. Now we are discussing $3 to $5 billion credits or grants-in-aid to Britain, an equal or larger amount to Russia, $1 or $2 billion to France, a number of billions to China. From all over the allied world capital is asked from us, and if I can read the signs, much of that credit demand will be satisfied. We will be generous to every friend who comes to us, and perhaps also to some who are not friends.

Theoretically, our export volume might score as high as wartime peak levels, especially so with prices rising. But it will be largely exports of capital goods which are the bottleneck in our own post-war economy (after a year or so of adjustment in raw materials and foodstuffs). Therefore, in practice there will be some reluctance on our part to sell abroad. I cannot imagine an American policy which would favor the export of American vital materials or durable goods while at home prices are soaring. America does not live on exports as a nation except to a very small extent, and can have any time as much of it as needed to balance the imports. We may even have export embargoes in this country.

Remote as that sounds today and undesirable as it would be, let's be clear about it: when prices start soaring in this country there will be a great outcry and a great political pressure exerted not to let the very same things go abroad which are scarce here, even if other countries offer higher prices for them.

Then there is another thing to be considered. Foreign demand for American manufactured products is unlimited for all practical purposes, provided that the respective governments do not interfere with their own peoples' wants. However, in a world in which managed economies prevail, after having made up your mind what the natural trends of things are, you must always ask: what are governments going to do about it? And governments do not follow necessarily the logic of things.

Foreign Governmental Policies

What is governmental policy in the leading countries which buy American goods, especially in Europe, in this respect? For the coming period, whether we give them credits or not, unless we give them unlimited credit, which is out of the question, Europe will labor under foreign exchange restrictions and similar monetary and trade manipulations.

The meaning of foreign exchange restrictions is this: even if I have the money to purchase with and even if I need the goods badly, my government will not permit me to buy because it figures that it needs the foreign exchange to buy something else, something more important, or not to buy anything abroad.

Unless you have to sell something absolutely essential to the foreign country, you can figure that they will make it as hard for you to sell as possible, or they will let you sell only if you buy at the same time and in the same amount. In other words, we are coming back again to an age of barter trade in the Nazi fashion. The world will be perhaps a little more sophisticated, and a little less obvious about it. When we do the same things the Nazis did in economic methods we do not call them by the same names, of course.

But it holds for Britain, France, and the rest, and you can go with a lamp and look for an exception—you might find one such as Switzerland—and you will find that the governmental policy everywhere is: "Buy abroad only the absolute essentials or else make the seller buy my products in exchange because I do not have the gold or foreign exchange, or if I have it, I will not give it anyway because I am afraid I will not have enough for the future."

Be that as it may, there can be no doubt that all indications of the trend are in the direction of a business boom of unheard-of magnitude, carrying with it, and carried by, rising prices which when once started will tend to accelerate the process in a self-inflammatory fashion. It may be held up or even reversed for a while—for a short while—by the rigidities in the way of reconversion, by falling world market prices for foodstuffs and overproduced minerals, by the slowness of the consumer in getting started in spending on durables. But such retardation of the trend can be temporary only, and very moderate at that.

The next question then is: *Are there no checks on this broad process obviously ahead of us?* If we wanted to stop it, all we would have to do is to tighten the tax screws or impose a capital levy and take away people's money, or freeze the bonds in the hands of the holders and forbid their use for purchasing goods. Tricks like that help; they stop the buying and they stop prices from rising. In other words, public policy is a decisive element in the post-war picture.

Surely we could stop the boom from coming. We could institute a big deflation and then there will not be any inflation, no disbursing of pent-up savings for capital goods, no rapid expansion.

Well, who thinks in terms of making a deflation? The spirit of the country is best gauged by the incessant talk about full employment. Full employment means not to interfere with the coming boom save by fostering it by lower taxes, to make it come faster, bigger and better.

If the boom does not come tomorrow, in the meantime high benefit payments to the unemployed should help to maintain the volume of purchasing power so that there should be no lulls on the markets. The government should give a lot of money to the veterans, which they well deserve; the government should go into public works; the government should not sell its excess property, but should do this and should do that, pay subsidies, and help in every way to bridge over any difficulty that may stand in the way of an early boom. More expenditures and less taxes add up to more peace-time deficits.

Of course, the deficit will decline. I hope we will not see again a 50-billion-dollar hole in the annual budget, but we might very well see in '47 a 25-billion-dollar deficit or something like that, which will add accordingly to the volume of purchasing power, add fuel to the fire.

To be sure, no obstacles will be put in the way of the so-called recovery or reconversion, which might be better called an inflationary boom.

But the full employment policy on which we have embarked unanimously means much more than to let things go upward and help them do so by government subsidies, public and private credit expansion, and what have you. Full employment means employment at high and higher wages.

There is something phony about that full employment discussion which never mentions at what rate of wages people should be engaged. Employment is not what we ask for; we are asking for it at a pay, and the pay makes all the difference in the world. We could have full employment at nominal wages and there would not be any need for government subsidies at all. But to have full employment at high wage rates will necessitate very substantial government aid and/or a very substantial rise of prices.

Our question, therefore, boils down to this: *Are we going to embark on a full employment policy at artificially raised wages; or will we let the markets take their course and establish wages at the rates which are in accordance with the efficiency and productivity of labor, and which therefore in many cases have to fall if prices should not rise?*

A Compromise Policy

The answer, I am afraid, is that as usual we will make a compromise. We will not go the whole reckless way, as some people want us to do, but we will not go the free market way either. We will make a compromise by aiding wages to rise and keeping prices under ceilings so long as possible, letting them go piecemeal. In other words, the price boom and business boom we are facing will be based on high if not continuously rising wages, and therefore rising prices. We have inflated the currency to a fantastic extent and yet we could still get away without a price inflation, and it is hard on the economist to predict that we will have it or not have it because it depends upon what policy we will follow; but all indications are that, given the policy we are most likely to follow, we shall have price inflation.

The American scene is set in a most dramatic fashion, if you will permit me to dramatize a little. People wait with their pockets bulging with money, though they do not like to admit it—I mean comparatively speaking — with prices not having risen very substantially and therefore easily within the range of that purchasing power, with pent-up demand of the war years, with new demands added to it, with a growing population, and with desires aroused for higher living standards and the good things of life. You can see before your eyes the upsurge of demand that cannot be counterbalanced by production, to repeat; as a matter of fact, a high level production is in peace time a stimulus for higher prices. That is also important to remember. It is a stimulus for two or three or four reasons.

One reason is that people start spending when the level of production is high. You may not go into the market for an automobile as long as there are no automobiles available, but when they do appear and your neighbor has one, that is the time you start thinking that you need one, too.

Another reason is that a high level of production means that people feel secure. They can spend their accumulated savings, or part of them, because they do not need to worry at least about the immediate future. They have jobs, jobs at good pay, and expect to keep them.

A third reason is that full employment means rising wages. High level of production strains the labor market; and you can rely on our labor, it will not miss the opportunity, and rightly so, to make the most of it. What I am against it that the government should help that artifically; but labor has a good right to bargain for what it has to sell, and it will bargain for higher wages. We will have a shortage of labor and "naturally" rising wages even without government interference.

Lastly, a high level of production in peace-time also means a lot of extra cost because peace-time demand cannot be met in the same standardized fashion, except in a few industries, as war can, and therefore costs per unit of output have to rise.

Delay in Full Production

Even so, the picture need not materialize for a while. It may take six months, nine months, perhaps twelve months. My hunch is that six to twelve months might pass before we enter into that era of substantially rising prices, full peace-time employment, and the strains and stresses of an inflationary upsurge.

The reasons are several. One reason is that there is no desire as yet to produce "fully," especially on labor's side. Labor is tired, naturally so; so is management. There is a period of rest needed in private life as in economic life, and I do not blame anyone who wants to take a vacation after years of overtime work. That will delay production and the demand for durable goods, as well as the beginning of the inflationary process.

Another factor is the world market price level. World market prices are bound to fall. How can they fall when there is inflation in every country? Our situation is duplicated practically everywhere to a greater or lesser extent, not to speak of the countries with run-away paper money inflations, like Greece and China and Germany and Italy and Russia, and of countries on the verge of run-away inflation, like France, nor of gold inflation, like South America, the Arab countries and in India.

Our situation is not unique; how then can world market prices fall? In gold terms, they will fall; raw material prices are bound to decline after a while. Some are falling already, such as aluminum and copper, because there was just too much produced, too many inventories left over, too much productive capacity opened up. The same may hold soon for cattle and wool and cotton.

Most farm products have a boom ahead for the next year, but after that farm prices in the world markets are downward bound. So are freight rates for ship bottoms, with the tonnage of the world having tripled against the pre-war, while the turnover of the world has not tripled at all and production of ships is proceeding at an unheard-of pace. A lot of other materials will go down, the one sooner, the other later. Sugar is shorter than most other foodstuffs and may start downward in two years. Timber is perhaps the rarest raw material today, rarer than diamonds, in proportion to the demand, and it may stay up for three years. This kind of prices may not lag behind those of industrial commodities, especially of capital goods. But, generally speaking, while this process of falling raw material prices is threatening, a restraint is put on internal prices, to some extent at least. Even more important in this respect is the short-run prospect of the labor market.

After three months or so, after labor has overcome its tiredness and is ready to work again, and after it has exhausted its surplus cash reserves on strikes, or much of it, and when unemployment benefits are nearing their end, it will start looking for jobs. Three to six months hence there may be a substantial surplus of manpower on the labor market. That is a fair bet. In addition, millions of men will have returned from the fronts and will look for jobs. We may have temporarily a surplus of employment-seekers, before they can be re-absorbed in production.

Of course the government may do what it pleases, and the unions may do what they please; but the unions' cash reserves will be depleted, too, and they will be less inclined to strike and fight. By that time wages may decline piecemeal, here and there, not openly perhaps but effectively. We may see within a few months the combined effect of demand not yet coming fully to the fore, I mean demand for durable goods in particular; of the labor market filling up, and a major sector of raw material prices going downward, adding up to at least restraining the infationary trend, if not cutting it down.

That is the typical *post-war recession*. It happens after every war. It is a short recession, usually very short; this time it may be shorter, and may not amount to much. It is more a lull than a decline; it is more a recession than a depression; it is mild and short, but then comes the outburst. The outburst may come gradually and almost invisibly if the market is left to its own play, or it may come with an explosion if it is manipulated from above or from below; but it will come. Short of a devastating and most severe deflation, which nobody I know even contemplates, that outburst has to come either slowly or rapidly, and then the famous vicious circle of prices rising, wages rising, prices rising more, wages rising further will get under way. Short of the atomic bomb being used to produce energy for no cost or some such invention, the inflationary process will be under way.

The Post-War Boom

Presumably, we may have then a boom period of years—presumably; estimates vary from one and two years to five and eight years. I am quite sure it cannot last eight years; I am pretty sure it will not last five years; but I am equally sure it will last longer than one year and I would be inclined to bet on two to four years as the period of upturn we are facing and during which prices will go to substantially higher levels, with "full employment" and high and rising wages prevailing.

From the businessman's point of view, this will be a most profitable period; it should be one. The question in his mind then will be only *how long it lasts and what comes after, and how to prepare for the aftermath*. But let me close with one more side remark in connection with this general picture, which I present as the best that I can offer with no guarantee attached.

This process of boom or inflation we are heading for, is based also on an international outlook that we already take for granted and do not discuss any more. I mean *peace*. Recent developments should reassure us that we will have peace. I do not think anybody is willing to start a war with the United States. With the unique situation existing, where one country is able today to destroy the rest of the world, nobody would take a chance to attack us, or to attack anybody else without our permission to do so, or against our definite prohibition. That condition is likely to last for some years, but not forever, depending on technological developments here and abroad.

But for the moment peace can be taken for granted, which does not mean that political equilibrium and happiness will prevail in the world, especially in Europe. European and Far-Eastern problems are as unsolved as they have ever been, or worse, but we feel now as the contemporaries of Woodrow Wilson felt, that, unsolved as the problems are, they do not mean that anyone can fight anyone else, and so let's not worry about the unsolved problems until they become hot enough to ask for solution. That at least is the attitude of the American and the British people, and they will proceed in their own business without regard to international complications.

Lt.-Col. Frank Coffman Rejoins R. W. Pressprich

R. W. Pressprich & Co., 68 William Street, New York City, members of the New York Stock Exchange, announce that Lt. Col. Frank W. Coffman, A. U. S., has been released from active duty and has rejoined the firm.

Chapin Admits Seacrest

Seacrest to partnership in Don A. Chapin has admitted Mark T. Seacrest to partnership in Don A. Chapin Co., 155 North College Avenue.

NYSE Explains New Rule on Margined Accounts

The Department of Member Firms of the New York Stock Exchange addressed the following communication to members on November 2 concerning a ruling of the Board of Governors of the Federal Reserve System in regard to Regulation T, as transmitted to the Exchange by the Federal Reserve Bank of New York in a letter dated October 31, 1945:

Substitution of Certificates of Same Stock in a General Account

"The question arises where a client has two certificates representing an identical number of shares of the same stock. One certificate is held by his broker as collateral. The other is in the client's safety deposit box. The client desires to sell the shares represented by the certificate held by the broker. The question is whether he can replace the certificate held by the broker with the certificate from his safety deposit box without violating the second paragraph of Section 3(b) which provides that no 'withdrawal' of listed securities shall be permissible if the account, after such withdrawal, would be undermargined.

"In speaking of a 'withdrawal' of securities, the Regulation has reference to a withdrawal of securities which were held as collateral. The mere substitution of certificates representing an identical number of shares of the same stock is not a transaction of a kind contemplated by the Regulation. In the circumstances, the Board has advised us that it is of the opinion that the substitution of one certificate for another in the circumstances described need not be regarded as subject in any way to the provisions of Regulation T."

The attention of members is invited to the fact that this ruling permits the substitution of certificates of the same stock. It **does not** mean that a customer may deposit stock of one company and withdraw stock of another company, or deposit one class of stock of a company and withdraw a different class of stock of the same company.

Example No. 1

A customer is long 100 shares of General Motors Corp. common stock in a "restricted" general account. He deposits another certificate for 100 shares of General Motors Corp. common stock and withdraws the certificates originally in the account.

Example No. 2

A customer is long 100 shares of General Motors Corp. common stock in a "restricted" general account. He wishes to deposit 100 shares of General Motors Corp. $5 preferred stock and withdraw the common stock. The broker **may not** permit the withdrawal.

Example No. 3

A customer is long 100 shares of General Motors Corp. common stock in a "restricted" general account. He wishes to deposit 100 shares of U. S. Steel Corp. common stock and withdraw the 100 shares of General Motors common stock. The broker **may not** permit the withdrawal.

(S) EDWARD C. GRAY
Director

Ames Again Active as Kean, Taylor Partner

Kean, Taylor & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Commander Charles E. Ames, United States Naval Reserve, on leave of absence since May, 1942, has returned to the firm as a general partner.

Recently released from active duty, Commander Ames was attached to the headquarters of the Commander-in-Chief, United States Fleet, and the Commander, Tenth Fleet (Anti-Submarine Warfare), in Washington.

New Evans Branch in Georgia Under Clarke

COLUMBUS, GA.—Clement A. Evans & Company, Atlanta investment house, announces the opening of an office in the Murrah Building, Columbus, under the direction of Hagood Clarke, Jr. Mr. Clarke, recently released from the service, for seven years prior to that time was connected with the firm.

Shadows of Government Controls

(Continued from page 2323)

work. Full employment is, therefore, as everyone realizes, more or less a figure of speech, a term to be modified by a number of practical considerations, such as have just been mentioned. The expression "full employment" must be interpreted practically and with the understanding that such employment may be accompanied by unavoidable unemployment amounting to from 5 to 10% of the total statistical labor force of the country.

Mr. Wallace also uses the word, "job," with a very broad meaning. It includes all possible kinds of gainful employment, including some millions of job givers, as well as job takers or seekers. We need to be clear in our minds on what is meant by jobs. It includes not only those who work for others, but also those who work for themselves. This term, as used here, includes owners, officials and executives of all kinds of business concerns, such as banks, brokerage houses, newspapers, wholesale establishments, retail stores, warehouses, repair shops, laundries and other service establishments, as well as factories, mills, mines, utilities and transportation companies. It includes farmers, lumbermen and fishermen. It includes all professional people who operate on their own including doctors, lawyers, dentists, engineers, architects, artists and musicians. It includes barbers, hair dressers and beauticians. It includes hucksters and peddlers. It includes all of these as well as the wage earners and operatives in factories, mills, mines and forests.

Sources of Jobs

There is a widespread but fallacious tendency to think of the factories, mills and the mines as the sole sources of jobs. As a matter of fact, as of 1940, out of the total labor force in this country, amounting to 52,020,023, the factories provided less than one-fifth of all the jobs.

The running of a business is a job. There are many of us who think that it is much more of a job than any hired man or woman knows anything about. There is no comprehensive, correct, up-to-date statement of the number of concerns in this country. Even the Census of 1939 did not report these figures. But it did report that there were more than 6,000,000 farmers; 1,770,000 retail stores; 389,000 personal service establishments; 215,000 building and construction concerns; 184,000 manufacturing companies; 150,000 repair shops of various kinds; 92,000 wholesale concerns; 44,000 movies and theatres; and 27,000 hotels.

Back in 1935 the Bureau of the Census found that these were 10,707,315 privately owned and operated business and professional enterprises of all kinds, including those kinds mentioned above. Presumably there were more in 1939, perhaps 11,000,000. So out of a total of 52,000,000 persons making up the labor force of this country in 1939 it may be assumed that at least 11 million, or one person in every five in the labor force of the country, were owners, operators, officers or executives of privately owned and privately operated business and professional enterprises.

Many of these enterprises were carried on by people working by themselves and for themselves alone and without hired help, but certainly more than half of them were employers. Excepting the Government, Federal and State, these were the job givers of the country.

Must Have Job Givers

Now, it must be clear that if there are to be jobs for job seekers we must also have job givers. There must be employers before there can be employees. The key to full employment under the free enterprise system is an adequate number of enterprisers, people who are on their own, people who are desirous of matching their ambitions, energies and abilities against the chances of success or failure, who are willing to risk their own capital and the capital that they may have borrowed from others in the hope of reaping a reasonable return and who are bidding for employees. If we are to have a total of 60 million jobs by 1949 or 1950, there should be at least 12 million private business and professional concerns in operation by that time.

A sufficient number of enterprisers striving to build their businesses is the surest guaranty of national prosperity. If by 1949 there may be not less than 12 million active enterprisers, and if those who work for them are willing to give an honest day's work for an honest day's pay, you can be sure that we shall closely approximate full employment. Moreover, we shall all be able to count on the continued success of the free enterprise system. It does not seem at all impossible nor even too difficult to expect that this country may be able to reach or even to exceed the goal of 60 million jobs. This thesis presented by Mr. Wallace is interesting and challenging.

A symposium on "Financing American Prosperity" based on the conclusions of six of America's leading economists has just been published by the Twentieth Century Fund. These economists represent the widest possible variation in viewpoints upon most subjects, but they unanimously agree that this country today has all the ingredients for a sustained period of prosperity that should last for several years. As a student of business and economics I join in this conclusion most heartily. In my opinion, it is entirely possible to achieve national prosperity and full employment under our present free enterprise system in the years that lie immediately ahead of us, IF.

Essentials to Prosperous Development

There are, however, certain fundamental essentials to a sound and prosperous development of our economy. Mr. Wallace in his book has indicated a number of industrial fields in which there should be important advances in enterprise and employment. This is excellent so far as it goes. There are still other requirements. We must take at least another step in our analysis to see what these requirements are for a sound national welfare. Among these conditions are the following:

1. Technical ability and capacity applied to production. This is, of course, a high essential, but American industry is already well prepared in this direction. The miracle of war production has conclusively shown that American industry is highly competent and well able to apply this competency to the extent needed to supply our markets.

2. Selling as we have never sold before. American industry all the way from the producers of raw materials to the retailers who effect the final sales to consumers must develop selling and sales service from its present low levels to a new high of efficiency. This means not merely the need for more but also for better advertising and selling, for better sales management, for more market research, for better selection and training of those who are to develop the markets and for every other detail necessary to better selling. The need for these essentials was never so great as it is now and as it will be in the next few years. But this subject has been dealt with both frequently and competently before this organization. It will be discussed again from new angles and viewpoints. Because it has been discussed so splendidly before this Club in the past and because it will undoubtedly be brought before you again and again, I have chosen to pass up the discussion of this item at this time.

3. The driving desire of at least 12 million men and women out of a total labor force of 60 million to go on their own, to engage in businesses or professions, to expand their old enterprises and to establish new concerns. This, as we have seen, is a prime essential not only of full employment but of national prosperity.

It is to this essential to the return of a balanced, thriving economy that I would like to direct your attention today. I would not ask you to abate your interest in the slightest in the problems of better selling than ever before, but I think you will be interested in this additional essential that will make increases in selling possible.

There are always people who have the normal instincts to expand their present businesses, or if not already in charge of concerns of their own, to become the officers or executives in businesses belonging to others. The extent to which expansions in old businesses and establishments of new businesses occur is an unfailing index of the rise or fall of our economic conditions. When there is an increasing number of persons daring and willing to extend their businesses, or who are desirous to prepare themselves to take the risks of new ownership and management, then there is business prosperity. A declining number of extensions of old businesses and of establishments of new businesses is a sure sign of economic pessimism and depression.

Retardants to Individual Enterprise

Among the present retardants to individual enterprise are the lengthening shadows of government control over business. This is a serious matter not only for those who are already operating businesses, but also for those who would normally start new businesses in the future, and, even more importantly, for those who may be the employees of business.

If the free enterprise system is to continue, then those who extend their businesses or who create new businesses and give additional employment need to be given some encouragement for their enterprise, such, for example, as the right to keep a reasonable share of the gains or profits from enterprises successfully carried on, and the right to engage in enterprises with reasonable freedom from regulation, restrictions and harassments of government bureaucracies.

The drains upon private incomes made by taxes as a result of the War are understandable and excusable. They were a part of the common burden of all of our people. The huge costs of repaying interest and principal of our war debts will continue to lay a heavy burden upon all. But now that the war is over the time has come for some retrenchments in government expenditures, for a prompt balancing of the government budget and for organizing the system of taxation so as to encourage rather than retard the development of enterprises.

This matter is now before Congress and every sound move for a proper and safe retrenchment of government expense, for a balanced budget, and for a system of taxation that will leave the enterpriser a fair return for his risks and labor deserves your active support. We may well be encouraged by the beginnings that have been made in that direction in Congress.

On the matter of freedom from bureaucratic regulations and control I am less hopeful. After a government regulation has once been established it is not easy to get rid of it. Back in the early 1930's General Johnson, Administrator of the NRA, aptly expressed this by the statement that "A government bureau comes nearest of all human institutions to immortality."

There were several regulative government agencies in existence before the war began. Most of these have extended their regulative purposes and powers during the war. Other administrative agencies were brought into existence solely to serve during the war emergency. Some of the war emergency agencies will probably close up. Others are striving to the utmost to continue indefinitely.

Both the older and the newer government agencies exercise an intense influence over business, often a retarding effect on the extension of old businesses and more particularly on the establishment of new businesses. When one considers the variety and kinds of regulations now in effect and applicable to the ownership and operation of a private business, one wonders at the hardihood, or even the sanity, of any one who attempts either to extend an old business, or to establish a new one.

This influence is baleful on new enterprise. I am sure you all have acquaintances who have both the means and the know-how to extend their present businesses, or to establish new ones; but who are deterred from doing so by the difficulties they would face. I believe this hesitancy to venture to invest, and to undertake new enterprise is one of the greatest dangers to the development of a sound operating economy and full employment. I do not blame those who hesitate to extend their enterprise or to venture into new businesses. They are merely exercising an essential prudence. The responsibility for this hesitancy rests squarely upon government and those of its agencies which use their powers to the detriment of the advancement of our economy.

As an illustration I would like to cite the OPA. This agency was created by act of Congress in 1942 to exercise control over prices and particularly to prevent wartime inflation. In framing the act, Congress drew from the experience of Canada, England, France, Germany, Italy and other countries in which similar legislation had already been passed. The American law was called the "Emergency Price Control Act of 1942."

Abolish OPA

Up to the end of the War, the OPA served a useful purpose. Prices of many goods and particularly such as are included in the official price statistics, have been kept down. The statistical showing has been good. But even during the War, the OPA did not and could not prevent creeping inflation. It did not, or could not prevent black markets. It did not, or could not prevent hidden inflation such as due to the general disappearance of low priced goods and the substitution of higher priced goods in our wholesale and retail markets.

On the basis of officially published price statistics, the OPA can claim that it has kept inflation down to a few per cent. But every one knows that this is not the whole story. There has already been considerable inflation of a kind not registered in the official price statistics. How much is not known, but that it has been important can not possibly be denied.

Now that the war is over, the price and merchandise supply has become progressively worse. The OPA has failed to meet this situation and its failures are certain to become more and more painful during coming months. The OPA has failed for the simple reason that it has never had, does not now have, nor is it likely that it will ever have any effective control over the costs of production, that is, over wages and certain kinds of raw materials.

The OPA is trying to hold a price line, with some exceptions a line based on the prices of March 1942. Since March 1942 there have been enormous wage rate increases at every stage of production and distribution. Now the industries and trades of this Nation are confronted by further demands from organized labor for higher and higher wage rates. In view of these wage increases, how in the world can March 1942 prices be maintained?

The present situation of the OPA in trying to hold an outdated price line is hopeless and even dangerous. To the extent that it may succeed, it will discourage production. To the extent that the OPA may apply squeezes to wholesalers and retailers, the so-called principle of cost absorption, it will discourage the distribution of goods. If the OPA succeeds in its present policies it will result in a decline in production and distribution. There have been ample evidences of beginnings of such declines already. Instead of an expanding economy that will provide more and more jobs, the OPA has become one of the outstanding causes of unemployment, of depression, or more extensive government relief, and of more unbalanced budgets.

Price Control No Inflation Remedy

This country, as the OPA has so frequently reported, is threatened by inflation; but the remedy for inflation from now on is not in artificial price controls, such as the OPA may apply. The surest and soundest way to keep prices from going up is to encourage production and employment to the fullest extent so that there may be plenty of goods of all kinds in our wholesale and retail markets. With a change from a seller's to a buyer's market the dangers of inflation would quickly disappear.

The policies of the OPA unfotunately do not encourage production. Their effect is just the opposite. So if the OPA is to continue under its present policies without change we face the incongruous and paradoxical possibility of continually increasing wage costs and higher prices, on the one hand, and decreasing, inadequate production with increasing unemployment, on the other. The prospect is as simple and as dangerous as that.

If it were possible at this late date to do what should have been done by Congress back in January 1942, that is, to fix the rates of wages and of raw materials, and then to adjust prices so as to cover the increases that have occurred in wages and raw materials since 1942, then it might be fair and reasonable to attempt some price controls, to last through the period of reconversion. I think you will all agree that this is hopeless. The chances that this Administration may order thorough-going wage control, or even wage stabilization, at this stage, are practically nil.

The only other alternative is the elimination of price control, or if the OPA persists, then the breakdown of price control. Either the elimination or the breakdown of price control will undoubtedly result in some price increases, additions at least sufficient to cover the increased costs due to higher wage and raw material costs. As wage cost trends are now going, the longer the OPA attempts the present farce of price control, the more difficult the situation will become and the sharper the crisis when it occurs as it surely will.

A Condition, Not a Theory

What I am at present describing is not a theory, but a condition. It is now several months since V-J Day. The processes of reconversion have already been seriously set back by a combination of OPA policies and by labor disturbances. There have not merely been serious set-backs in the reconversion of war industries to civil production, but even in industries in which there was practically no reconversion problem, the situation has grown progressively worse.

A few illustrations from the many that might be cited will show you what is holding us back from moving into full employment and sound economic conditions. Hardware retailers, for example, have few, if any, hand tools to sell for the reason that the manufacturers of tools have not yet obtained price adjustments from the OPA that permit their production at prices that cover their costs.

There are thousands of families that would like to buy washing machines. None have been available since the beginning of the war. There are as yet no washing machines to be had and none immediately in prospect for the simple reason that manufacturers can not afford to make and to sell at present OPA price ceilings.

The production and distribution of farm machinery, so much needed to maintain adequate production of food in this country, is being held up for the reason that OPA manufacturers' ceiling prices do not permit manufacturers to recover their cost of production.

Other heavy goods, including refrigerators, electric irons and radios are not coming off the production lines in a normal way. In its attempt to maintain prewar prices, the OPA has choked off the production of former goods and in some instances has forced manufacturers who formerly made such goods out of the market. Now, new goods are appearing of different types of manufacture and in different styles but at much higher prices. In some cases these goods are made by concerns never before engaged in such production.

Shoe stocks in retail stores are now abnormally low. Shoe production in the month of September fell off sharply. I have been informed that this was due, in part at least, to unsatisfactory ceiling prices allowed by the OPA.

Men's clothing retailers have completely inadequate stocks of men's clothing, particularly to take care of the increase in demands from returning service men for civilian wear. There has been no problem of merchandise reconversion in these trades. The fault is said to be a combination of OPA rules covering price ceilings and specifications as to how such clothing should be made, coupled with a highly restrictive labor situation. This labor situation will bear investigation. During the entire period of the war, even when there was the utmost shortage of manpower, men's clothing workers never averaged more than 38 to 39 hours of work week. At the present time men's clothing supplies are far below normal.

There are grave shortages in men's over-alls. Some factories have stopped shipping these goods because of advances in prices of denims and the OPA has not yet, to date, provided a higher price to cover these increased costs. If you do not know about these shortages go out and see what you can buy in the line of clothing, shirts, or underwear.

In women's, children's and infants' garments the situation is equally bad, or worse. As in the case of the men's wear industry, these shortages are said to be due in part to the OPA and in part to the restrictive domination of organized labor in this industry. During the war years, the workers in the women's apparel field averaged only 36 to 37 hours per week. In the millinery industry the workers averaged less than 32 hours per week, indeed during some of the worst periods of the war—only 30 hours per week.

This is the time of year when retailers' shelves and counters should be loaded with fall and winter merchandise. Instead, there are extreme shortages of the most needed items for fall and winter due to price controls and labor hold-ups. The merchandise situation is especially critical in regular, standard low-priced domestics, blankets, sheets and pillow cases.

Unreasonable price ceilings have discouraged the manufacture of these goods. The OPA is holding the line, but there are entirely inadequate supplies of merchandise being produced and sold. Is that what the public wants? Is that what will build up our economy and provide full employment?

The OPA Cost Absorption Theory

The obstructive influence of the OPA to the progress of our economy is not only to observed in the inadequacies of production, but also increasingly in the channels of distribution. The economists and attorneys of the OPA have developed a "brilliant" idea that some price increases can be granted to manufacturers to stimulate production, but that it is not necessary to increase the prices to consumers. The increased prices granted to manufacturers are simply to be taken out of the hides of wholesalers and retailers. This brilliant idea has been given the euphonious designation, "cost absorption." The OPA has looked at the operating statements of a few wholesaling and retailing concerns, the most successful operators in the country, and has observed that these concerns made a high profit **before taxes** during the war years and are now urging the principle of cost absorption on the ground that in the months ahead of us wholesalers and retailers can afford to take price squeezes and pay for them if necessary out of their past profits. The fact that most of these profits have already gone to the Government is not a deterrent to this reasoning. You can be sure that this cost absorption policy will have precisely the same effect in reducing distribution through the channels of trade that inadequate price ceilings for manufacturers are now having on the production of goods.

Christmas sales for this year are certain to be down, because the goods that customers want for this season of the year are not available in sufficient quantities. It seems to me most certain that retail sales during the coming year will fall off considerably below the levels of 1945. Now that retailers are faced with the prospect of falling retail sales they, in common with manufacturers and wholesalers, are also faced by the possibility of higher wage rates, shorter working hours and greatly increased wage costs. Lower sales mean rising overhead expenses. The rising wage rates together with the rising overhead, point positively to rising expense rates. This, in turn, means that it will become increasingly difficult for retailers, and I assume that the same holds true for wholesalers, to handle the goods on which the OPA is trying to establish cost absorption. Thus the outlook for production and distribution for the coming spring and summer is already darkened by the proposals of the OPA. This is a clear illustration of what is meant by the title of this paper on the effects of the "Lenthening Shadows of Government Controls Over Business." This is certainly not the way by which this country can achieve full employment and prosperity.

Conclusions

Now to draw some practical conclusions:

1. There seem to be present in this country all of the essential elements for a sound, substantial and progressive recovery of peacetime prosperity. This should be evident to all. If it does not materialize it will be because of inept, unsound and destructive government and labor regulations.

2. If the economy of this country were encouraged, or even if simply allowed to expand in an orderly, natural way, without the retarding influences of destructive restrictions, it would seem entirely possible to achieve a 60 million job economy within a very short time.

3. It is exceedingly important that we should all recognize the fact that a growing economic system dependent upon free enterprise needs an adequate number of job givers as well as job seekers. In a 60 million job economy at least one-fifth, that is, 12 million, should be men and women engaged as owners, officers, executives or professional workers on their own.

4. The real key to full employment and sound economics is to be found in a growing thriving number of enterprisers. It is through their efforts, their assumption of risks and their management ability that jobs are created for the masses of wage and salary workers.

5. The enterprisers of our system need some encouragement rather than the constant harassments to which they are commonly subjected by Government. Such encouragement might consist of the assurance that they may retain as their own a reasonable share of their honestly gained earnings or profits. This assurance may be effected through a sound system of taxation.

6. Enterprisers may be soundly encouraged by the assurance of a reasonable freedom from regulations and restrictions that not merely hamper opportunities for business advancement, but tend to make business life unbearable.

7. The OPA is an outstanding example of a regulating agency which began with a high ideal, served a useful purpose during the war, but which should now be brought to a speedy close. It has outlived its usefulness.

8. Business men owe it to their country, as well as to themselves, to take their stand for principles of sound economic life. One of these principles should be to oppose any and every control that may prevent the country from achieving a substantial, self-maintained, full employment economy based on the free enterprise system.

Anchorage Homes Stock Offered

Andre de Saint-Phalle & Co. Underwrite Shares in Concern Planning to Sell Pre-Fabricated Homes to Wage-Earners. Offering Oversubscribed.

Public offering of 250,000 shares of Class A stock and 50,000 shares of Class B stock of Anchorage Homes, Inc., was made Tuesday, Nov. 13, by Andre de Saint-Phalle & Co., as underwriters. Anchorage Homes is a newly-incorporated organization whose business will be designing, manufacturing, distributing and erecting factory-built houses. The initial product will be a line of 41 Colonial houses of Cape Cod design, the tentative prices on which have been set at a range of from $3,625 to $7,525. Anchorage houses have been designed to satisfy FHA mortgage requirements. The company plans to make the houses purchasable, through mortgage banks, on the basis of minimum down payments and moderate monthly installments. These installments plus taxes and maintenance costs, are expected to compare favorably with rentals paid by wage earners.

A model of one of the new manufactured houses, which will cost about $4,000, will be on exhibition at Lord & Taylor for the next two weeks.

The stock is being offered in units of ten shares of Class A and two shares of convertible Class B for $60.20 per unit. The shares will be separately traded over the counter. The Class B stock is convertible into Class A stock on a share for share basis upon payment of $6 per share, which is the same as the current offering price, until May 1, 1948; then at $7.50 per share up to May 1, 1951; and at $9 per share thereafter. Through the conversion feature of the B stock, the prospective buyers of this public offering will have the opportunity to increase their investment in the company to the extent of 20% at the initial issue price.

Complete conversion of the B stock on or before May 1, 1948, would net the corporation an additional $1,500,000 paid-in capital, which may serve to finance the expansion of the corporation's activities.

Dividends on the Class B stock, when declared, are limited to a maximum of 1/60th of the dividend paid on the Class A stock at the same time. This ratio of 1 to 60 is the same as the respective offering prices of the Class A and B stocks.

This offering marks the first public financing by a company devoted exclusively to home prefabrication.

The subscription books have been closed and the offering oversubscribed, de Saint-Phalle announced yesterday.

Robinson, Sanders and Yearley Are With Staff of Robinson-Humphrey

ATLANTA, GA.—Roby Robinson, Joe H. Sanders, Jr., and Alexander Yearley II have become associated with Robinson-Humphrey Co., Rhodes-Haverty Building.

Mr. Robinson, the son of the late Roby Robinson, Sr., former President and founder of Robinson-Humphrey Co., has been serving as a Lieutenant in the U. S. Navy in the Pacific area. Mr. Sanders is rejoining the firm after several years in the U. S. Army, and will again represent them in South Carolina with offices in the Carolina Life Building, Columbia, S. C. Mr. Yearley is rejoining the Sales Department after several years service in the Pacific area as a Major in the U. S. Air Corps.

Western Pa. Group of IBA Elects M. Hulme

PITTSBURGH, PA.—At a recent meeting of the Western Pennsylvania Group, Investment Bankers Association of America, the following slate was elected:

Chairman, Milton G. Hulme, Glover & MacGregor, Inc.; Vice-Chairman, L. Wainwright Voigt, Hemphill, Noyes & Co.; Secretary and Treasurer, Nathan K. Parker, Kay Richards & Co.

Also elected to the Board of Governors for three years were: Franklin J. Maroney, Blair & Co., and George R. Young, Young & Co.

A Policy of World Trade Expansion

(Continued from first page)

way to foreign markets, and particularly to see that we make available enough goods to help the liberated countries and UNRRA get their proper share of scarce necessities.

Although we in the United States are making progress in the relaxation of controls, I am concerned over the fact that there appears to be little prospect of any immediate general relaxation of controls throughout the world. I do not think that any of us are so naive or unrealistic as to believe that we shall see a return to "Laissez-faire" in foreign trade. That is a fact to which we must adjust our minds, and is a situation that calls for a new role on the part of the U. S. Government in connection with foreign trade. A major part of this new role will no doubt be related to the establishment of the international economic organizations which I have spoken of and which we hope will lead to the substitution of rational discussion and mutual agreement for unilateral action and outright economic warfare. In the decade just before the war we all saw enough of the effects of unilateral action and the retaliations that soon followed—no one wants to see that era repeated.

In the Department of Commerce we are thinking of our particular role in connection with these organizations as that of being the advocate of the general interest of the U. S. economy as a whole and the business structure upholding it. The State Department must obviously take the lead in negotiating the arrangements with foreign countries and in considering the U. S. position in respect to its effect on foreign relations. Both Departments must represent strongly the general welfare of the U. S. in its broadest sense and in its rightful and proper position in world economy. I feel that there are great possibilities in having the nations of the world decide to carry on their trade with each other under a recognized set of practices and rules, and under agreement to curb unilateral actions taken for the purpose of obtaining undue advantages which can be only temporary in character.

Function of Commerce Department

We in the Department of Commerce feel that one of our most important responsibilities is to report on and to interpret these new proposals in the international field to the trade in the United States. We also want to be the channel through which the ideas of the trade are brought to bear upon those governmental officials concerned with these matters. We shall welcome all of the ideas, suggestions, comment and criticism which we can get from you.

In addition to our work in connection with these newly proposed organizations, we have other plans for work of the Department of Commerce in the international field. There is much that we can do in the way of new methods of trade promotion, assistance in foreign industrial development, and in the reestablishment of trade with war areas. We believe that these activities are going to be so important that we are proposing basic organizational changes within the Department. We are asking Congress to sanction an enlarged organization that will deal exclusively with international trade and we hope to announce to you in a short time a comprehensive and concrete program of governmental assistance in that field. We must, of course, work as closely as we can with the foreign trade community in the development and in the carrying out of this program. We should like to know all of your troubles and difficulties in doing business abroad, so that we can really do something about those matters when you bring them to our attention. We intend to ask for and to give you our closest cooperation and we want your support in making our program possible.

Now of course the program which the Department follows in the field of foreign trade must be considered as part of the entire international picture today. I think it is imperative for us here today to spend some time examining the world situation as it now confronts us.

The World Trade Situation

A few days ago the Secretary of State said, in a radio address, "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." Fortunately, Franklin Roosevelt realized the truth of this statement long ago. Under his leadership this country called a conference of the United Nations in San Francisco, and there a Charter was drawn providing the mechanism for international cooperation. Happily, that Charter has been ratified by 35 nations, and the United Nations Organization came into being on October 24. It now seems probable that the first meeting of the General Assembly will be held in London in January of next year.

The United Nations Organization provides the machinery through which nations of the world may cooperate to promote peace and economic well-being. This will not usher in the millennium. Progress at times will be slow. There will be discouragements that we should be prepared to face, and obstacles that we must strive to overcome. But the free peoples of the world want peace, and that desire furnishes a firm foundation on which the United Nations Organization can be built.

Nevertheless, an organization can be no better or wiser than the human beings who constitute it. And we all still have much to learn in the art of international cooperation. The achievement of peace and progressive economic advancement will require a genuine effort on the part of each nation to understand the other's problems and to adjust divergent views and interests. It will require men of good will and breadth of vision. As we sacrifice an occasional temporary advantage for the common good, we must realize that such action is not loss, but gain, because no nation can long be prosperous and at peace in an impoverished world. We must serve both ourselves and the world by taking the long view rather than the short view. Any contribution we in the United States could conceivably be called upon to make would be small in relation to the blood and treasure that we have poured out in the last 5 years. And it would be insignificant, in comparison with the call upon us, should another conflagration envelop the world. This is not idealism; it is sound business and common sense.

But cooperation cannot be one-sided. Each nation must make its contribution to the general welfare. During the war we saw nations make sacrifices in the common defense. The people made these sacrifices because they felt they were fighting for a free world and the opportunity to create a higher level of living for themselves and their children. At a great price, we have saved our free institutions. But the job is only half done. Progressive advancement in economic and social well-being is still to be achieved.

We who are concerned with business and foreign trade have a special interest and a special obligation in international cooperation. Unless the present trends in the measures of foreign countries to control foreign trade are soon modified, world trade may be strangled by import permit systems, restrictive exchange controls, trade-diverting preferences, discriminatory trading arrangements, and increased import duties. In addition, there is likely to be an appreciable increase in the practice, by some countries, of state trading or state-controlled trading. These things may happen, indeed are almost certain to happen, unless this country assumes aggressive leadership in pointing the way to an expanding world trade on a multilateral basis. We must not only use our great economic power to aid other nations that may require our assistance in the abandonment of restrictive trade controls, but we must also give concrete evidence of our willingness to reduce our barriers to trade and thus promote our best interest as well as that of other nations. Unless we are successful in this endeavor, we may find ourselves engaged in a costly trade war, with the Russian group, the sterling group, and the dollar group divided against each other. Under such conditions world trade will shrink, the general welfare will be adversely affected, and the peace of the world still be jeopardized.

The Anglo-American Parley

And that is why the current conversations being conducted with the British are of such great importance. These conversations are concerned not only with the extension of a substantial credit to the United Kingdom, but also with commercial policies and problems affecting the trading relations between nations. The subjects under consideration include import and export tariffs, discriminatory arrangements, and nontariff trade barriers, such as quotas, subsidies, and exchange controls. In addition, they embrace such topics as state trading, commodity agreements, international cartels, the establishment of an international trade organization, and international cooperation in the maintenance of employment.

The position of the United States on most of these subjects has been made abundantly clear. We favor the selective reduction of tariff barriers in accordance with provisions of the Trade Agreements Act, renewed by Congress last June. We also favor the rapid elimination of tariff preferences and discriminations. With adequate safeguards this country believes in the elimination of quotas, embargoes, or other quantitative restrictions; in those few instances in which quotas might be required, provision should be made for their nondiscriminatory application. Subsidies, including those on domestic production and exports, should be brought under supervision. Local taxes on imported products should be limited to rates no higher than those levied on like products produced at home. Although in times of peace the United States does not itself engage in state trading, it recognizes that a number of other countries do maintain governmental monopolies. Agencies of government conducting foreign trade, therefore, should give fair treatment to the commerce of friendly states, make their purchases and sales on the basis of commercial considerations, and avoid using a monopoly of imports to afford undue protection to domestic producers. On these and other points, this Government seeks to establish fair principles acceptable and beneficial to all.

International Cartels

The United States has long believed that private international cartels should not be permitted to engage in practices which restrict trade, thus defeating the efforts of governments to expand it. After all, goods can surmount a tariff if they pay the duty, and enter into foreign markets despite a quota, if they fall within it. But when the markets of the world are divided among the members of a cartel, none of the goods under its control can move between zones of influence while the argeement is in force. Obviously, then, if trade is to increase as the result of the reduction of governmental barriers, these same governments must insist that trade should not be placed in a straitjacket by private arrangements. The United States, therefore, suggests that the countries should take individual and cooperative action to curb the activities of private combinations which would prevent access on equal terms to markets and raw materials and would interfere with efforts to increase production, trade, levels of employment, and real income. To accomplish this objective, a special international agency might be established to receive complaints concerning restrictive practices of international cartels, to obtain and examine relevant facts, and to advise the member governments regarding the remedies that may be required. Enforcement of these recommendations necessarily would rest with member governments which must take action under their own laws and procedures.

It may also prove desirable to consider the establishment of international machinery to deal on an intergovernmental basis with commodity problems causing widespread distress because of ruinous prices resulting from a burdensome world surplus. History shows that after a great war the extent and violence of price fluctuations in primary products are likely to be particularly marked. In instances of this kind, if the principal producing and consuming countries can participate with equal voice in the formation of a commodity agreement, a great forward step will have been taken in alleviating distress, establishing stability, and promoting the general prosperity. Prior to negotation of such an agreement, however, concerted efforts should be made in the countries concerned to increase consumption and reduce production through the diversion of resources from uneconomic utilization. Such principles should, of course, be incorporated in the agreements themselves to safeguard the interest of consumers and to promote a solution to the problem which originally called forth the agreement. Undoubtedly, the international economic machinery should also provide for an agency to deal with the problems of international water transportation.

An International Trade Organization

In addition to removing the shackles from trade, and to the establishment of equity in trading opportunities, suggestions have been made for the creation of an International Trade Organization. Standing beside international agencies dealing with currency, investment, agriculture, labor, and civil aviation, it would be designed to cope with the problems of international trade, particularly trade barriers, restrictive business practices, and international commodity arrangements. As one of the specialized agencies it should be brought into close relation with the Economic and Social Council, as provided in the Charter of the United Nations. In this relationship it would constitute one more block in the arch we are building to peace through international cooperation. The functions and activities of an international organization of this kind are one of the subjects of the current conversations with the British.

If substantial agreement can be reached between the two largest trading nations on the subject I have mentioned, it would contribute greatly to the success of an international conference on trade and employment which has been suggested by officials and businessmen on both sides of the Atlantic. Such a conference could have for its agenda the selective reduction of tariffs, the ultimate elimination of preferences and other trade barriers, and the establishment of an International Trade Organization.

Favors Foreign Financial Aid

But we must not delude ourselves. This step alone is not enough. If we are to achieve an expanding world trade on a multilateral basis, if we are able to preserve private enterprise in foreign trade, we must make available to those countries which need it the financial strength necessary to permit them to embrace this system which is not only in our best interests, but theirs also. It is for that reason that conversations with British officials regarding the extension of a substantial credit are of such vital importance. If the United Kingdom is to abandon its system of exchange controls which channelize and restrict trade, if it is to reduce or eliminate tariff preferences within the British Empire, then it must have the financial backing to make that possible. During the war the United Kingdom incurred, despite Lend-Lease and Canadian mutual aid, large obligations to Empire and other countries in the form of blocked sterling accounts. These obligations were accumulated because of the United Kingdom's urgent need for food and essential war materials, and because exports were drastically curtailed to meet the necessities of war. Moreover, during the transition period there will be need for increased imports into the United Kingdom to provide, in addition to food stuffs, the essential raw materials for reconstruction and reconversion. And this will occur at a time when exports can be expanded only gradually because productive capacity will be limited by the speed of reconversion. The United Kingdom, therefore, will require dollars to assist in putting its financial house in order and to pay for its import deficits during the transition period. Without this help, it will be impossible for the United Kingdom to participate with us and other nations in the cooperative reduction of barriers to trade. Without this help, they will be forced to strengthen the sterling bloc and the Empire preferential system.

But, in considering the plight of the British, we must not, and we cannot, forget our other Allies who fought no less gallantly and heroically at our side. They too suffered great loss of life and great destruction of property. The claim of these people for financial aid to alleviate their distress and suffering, and to assist in rehabilitating their war-torn countries, cannot be ignored. On the basis of their contribution to the war, and the need of their people, we cannot neglect those allies which require and seek our assistence.

This assistance to the devasted countries of Europe and Asia I submit to you as a business proposition. Without it, they cannot quickly rebuild their damaged economies; they cannot soon become large markets for our goods, and they cannot participate with us in a program for the expansion

NSTA Notes

(Continued from page 2334)

W. Weathers, City Securities Corp., Indianapolis, Ind.; Arthur I. Webster, E. W. Price & Co., Inc., Kansas City, Mo.

NSTA SPECIAL EXECUTIVE COMMITTEE

The Special Executive Committee of the NSTA for 1945-46 will be composed of the following:

R. Victor Mosley, Chairman, Stroud & Company, Philadelphia; Senator Stanley McKie, Vice-Chairman, The Weil, Roth & Irving Co., Cincinnati; Russell Dotts, Bioren & Co., Philadelphia; Edward H. Welch, Sincere & Company, Chicago; Thomas Graham, The Bankers Bond Co., Louisville.


R. V. Mosley


Stanley G. McKie


Russell M. Dotts


Thomas Graham


Edward H. Welch

This Committee is "Contact Committee" between the NSTA and various governmental and semi-governmental organizations, such as the National Association of Securities Commissioners, Securities and Exchange Commission and National Association of Securities Dealers, Incorporated. It also has the prime responsibility of directing the contacts of the traders organization with the various Committees of Congress having legislation affecting the investment industry.

NATIONAL SECURITY TRADERS ASSOCIATION

There will be a meeting of the Executive Council of the National Security Traders Association on Thursday, Nov. 29, at 1:00 p.m., at the Palmer House, Chicago, to discuss various important matters of the NSTA.

After a poll of the National Committee, it was found that a quorum would not be present for that day so the call could not be made for a meeting of the National Committee.

All Chairmen and Vice-Chairmen of the various Committees, Presidents of Affiliates, and National Committeemen, who are in Chicago on that day, are urged to attend the meeting in an advisory capacity.

The first report of the Constitution Committee and a preliminary report of the Corporate Bond Committee is anticipated on that date. It is hoped every Committee Chairman will have his complete plans for the present year ready for presentation to the Executive Council.

At this meeting it will be determined when and where the Annual Convention will be held.

American Program for World Trade

(Continued from page 2333)

many foreign countries, and we ought to take a good look at the reasons for this.

In some countries there is a preference in principle for the conduct of trade by Government rather than by private traders. We think these countries are mistaken, but we have no quarrel with them. Such things are their own affair. What we do want is that they conduct their foreign trade on trading principles, and buy and sell where goods are sound and prices right and payment prompt. If they do that—and leave political preference out of the conduct of trading operations—we will take our chance on getting, in fair and open competition, our share of whatever foreign business they originate.

Other countries prefer private business in principle, but they are still conducting their foreign trade directly through the Government, or controlling it very closely. They are doing this not because they want to, but because they think they have to. We need to understand the reasons why this is so, so that we can deal with them.

One of the main reasons is the difficulty of the job of reconstruction. When a country has been smashed as thoroughly as some of the United Nations have been, the job of putting the pieces together and getting production started again is so hard and so complicated that everyone concerned seems to feel that only Government has enough authority to handle it. Therefore, while that is going on, foreign trade is closely controlled by Government order along with everything else. Whatever emergency help we can give on reconstruction will hasten by so much the return to private trading.

Another reason for the close control of foreign trade and especially of imports by some governments is a financial reason. They are short of foreign exchange and need to apply what they have to the most essential purposes.

This is wholly natural. If our industry and transportation had been bombed nearly out of existence—if the only place we could get much of the equipment necessary to rebuild it was abroad—and if our supplies of foreign money and foreign credit were limited, we would insist on using them for the equipment that we needed and not for unessentials. That is exactly what several European countries are now doing, and they will go on doing it until they can see their way clear to release their control.

For this reason also, emergency help in reconstruction, especially financial help, will hasten the day when foreign countries can return their foreign trade to private hands and can remove the strict control of imports and exchange which is now the greatest impediment our exporters face.

Shortage of foreign exchange is, of course, a long-time as well as an emergency problem for many countries. This was recognized at Bretton Woods, and even under the Bretton Woods agreements restrictions are permitted on scarce currencies. It is important to all American exporters that dollars should not in the long run be scarce in foreign hands. It is for that reason that exporters think importers are pretty good people. Strength to your arms, we say!

One extremely important thing that we can do to prevent dollars from becoming scarce is to maintain full and regular operation of American industry. Whether American industry operates in high gear, it chews up enormous amounts of raw materials. Many of these come from abroad, and our purchases of them produce many dollars which mean orders to American exporters. But the building up of a high level of business activity at home itself requires the maintenance and expansion of a brisk foreign trade in all directions. To bring this about, we must use, intelligently and vigorously, the increased authority conferred by the recent renewal of the Trade Agreements Act to make reductions in our tariff. When we do that we are, of course, entitled to ask that other countries reduce their tariffs and other restrictions on our goods, and in particular that they eliminate discriminations against us.

There has been a good deal of silence in official quarters about trade agreements since the revised Act was passed by Congress last June. I suggest that it is time for the announcement of trade-agreement negotiations with several important countries. When that announcement is made the Foreign Trade Council will do everything it can to support a program of really effective reductions on both sides. We ought to do our best to demonstrate that the United States means business in this matter and that when we talk about the reduction of trade barriers and the removal of discriminations all around the trading circle, we mean exactly that.

It is time for some international organization in the field of trade. We now have United Nations organizations set up or proposed for security, for relief, for banking, for investment, for food and agriculture, for labor, and for aviation. Trade is at least as international as any of these, and at least as important. We already have an international organization of businessmen, but governments also act on trade matters, and so far they have no organized international forum where problems and policies can be discussed, information and ideas exchanged, and agreements reached. The United Nations ought to get together to discuss trade matters, and they ought to do it now.

All these are elements of an American program for world trade. The formulation and carrying out of such a program imposes great responsibilities upon both Government and business. I am confident that neither will fail to do its part.

George L. Burr Joins Cole, Hoisington & Co.

George L. Burr, formerly a partner of Lazard Freres and more recently during the war emergency operating trustee of Texas Pacific Land Trust, has become associated with Cole, Hoisington & Co., Inc., investment counselors and economic consultants, it is announced. Prior to joining Lazard Freres in 1927, Mr. Burr had for 11 years been with the Guaranty Trust Co. of New York, where he occupied the position of Vice-President.


George L. Burr

Mr. Burr is a director and member of the Executive Committee of Associated Dry Goods Corp. and Purity Bakeries Corp. His other directorships include Detroit Edison Co., Texas and Pacific Railway Co., Creole Petroleum Corp., Public Service Corp. of New Jersey, United Corporation, and Canada Dry Ginger Ale. A graduate of Harvard College, class of 1910, he received a degree in civil engineering from Columbia University two years later.

of world trade on a multilateral basis. This aid is not a gift; it is a credit, a credit which I am convinced can and will be repaid if we are successful in removing the barriers to world trade, thus promoting its expansion. And these economic considerations do not take into account the tremendous contribution which the enhanced well-being of men will make toward the maintenance of world peace.

Which is the better bargain? To lend wisely now and reap the profit of expanding markets, increased goods for our consumption, and enduring peace? Or to withhold our aid and watch trade diminish, free enterprise decline, and the world divide into three camps for a war of trade—the Russian bloc, the sterling bloc, and the dollar bloc? I submit to you that dollars invested now in rehabilitation will pay rich dividends in the form of markets, goods, contentment, and peace. Today we and the world must choose. But there is really no choice. This time it must be one world.

George Predicts Further Tax Cuts

Senator Walter F. George (D., Ga.), Chairman of the Senate Finance Committee, in commenting on Nov. 12 on the tax reduction bill recently signed by the President, stated that Congress expected to reduce taxes still further next year for the purpose of relieving individuals and to give additional relief to some types of business, according to United Press Atlanta advices. The Senator made his remarks while in Atlanta with Secretary of the Treasury Vinson for a Victory Bond rally.

Canadian Securities

By BRUCE WILLIAMS

Will Canada join the Sterling area? In the past the Dominion has had no choice but to preserve a precarious balance between sterling and the U. S. dollar, and its primary preoccupation had been the conservation and acquisition of U. S. dollars. Today the position is changed. Canada no longer has to seek to create U. S. dollar funds and on the purely economic side Canada is ineradicably attached to the sterling area.

This area, contrary to popular conception, has not come into being merely by reason of the linking by the members of this group of their respective currencies to sterling. The currency feature is secondary. The main advantage accruing to adherents to the Sterling bloc is the means of participation in an established foreign trade system, with ramifications throughout the commercial world.

The present progress of the discussions concerning a British loan, on the success of which presumably rests the fate of the Bretton Woods currency plan, does not inspire too many hopes in this direction. Failing a universal scheme permitting multilateral conversion of currencies, Canada will be faced with the necessity of making a vital decision.

Should Canada join the Sterling area it would no doubt give rise to another interesting development. The Dominion has long been embarrassed by the general conception that the U. S. and Canadian dollars are identical, and consequently that parity of exchange is the proper relationship. Canada has in any case reached the stage of economic independence, and if the decision were reached to join the Sterling area it would then be opportune to consider the establishment of an independent currency unit linked directly neither to sterling nor to the U. S. dollar.

In the event of failure to implement the Bretton Woods Plan, the inclusion of Canada within the Sterling area would strengthen this economic group immeasurably. The Dominion would constitute a perfect link between the sterling area and this hemisphere, especially in view of its strategic position at the center of the air map. A more immediately practical consideration would be Canada's capacity to supplement the U. S. dollar funds of the Sterling area. The greatest obstacle faced today by this country in its effort to expand foreign commerce is the scarcity of U. S. dollars within the Sterling area. Thus Canada's inclusion in this group could help to an important degree to give a better balance to the world's economy.

Turning to the market for the past week, the anticipated announcement of the call for redemption of the Dominion 3s of 1953, 1958 and 1968, duly brought about a belated upturn in the high grade section. The small floating supply of direct Dominions, guaranteed issues, and high grade provincials was quickly absorbed at higher prices, and a large underlying demand went largely unsatisfied. As was to be expected, Albertas were inclined to react on profit-taking, and some degree of new issue indigestion.

Internals were in fair demand and free funds held steady at 9¼%. It is possible, especially in view of the dearth of supply of externals, that some of the recently called bonds will be replaced by internal issues.

With regard to the possible future course of the market high grade Canadians are still out of line with comparable domestic issues, and the Canadian policy of reducing external indebtedness is another factor that indicates a generally higher market level.

Clarkson Runyon Dead

Clarkson Runyon, partner in Carlisle and Jacquelin, 120 Broadway, New York City, and a member of the New York Stock Exchange, died at his home at the age of 71. Mr. Runyan, in 1908, became a member of the firm of Carlisle, Mellick & Co., which was succeeded by Carlisle & Jacquelin.

Opposition to St. Lawrence Water Way Opposed By Rail. Workers and Management In U. S.-Can.

Spokesmen for nearly 2,000,000 railway workers in the United States and Canada and for railroad management declared their vigorous opposition to the proposed St. Lawrence Seaway-Power development at a luncheon-meeting on Nov. 7, at the Hotel Biltmore, New York, attended by several hundred business and labor executives.

H. W. Fraser, of Cedar Rapids, Iowa, President of the Order of Railway Conductors, and William White, President of the Delaware, Lackawanna & Western Railroad Co., were the principal speakers. Carroll B. Huntress, Chairman of the New York State Conference in Opposition to the St. Lawrence Project, which sponsored the meeting presided. Asserting that the railroad workers are profoundly concerned over the St. Lawrence plan and are on record many times in opposition to it, Mr. Fraser said:

"The fears of the railroad workers in this situation go to the damage to the railroad industry and to the unemployment, as well as to the public debt which is bound to be involved, and that means taxes super-imposed upon an already very difficult tax problem." Railroad employes and their families, he said, number somewhat above 4,000,000 persons dependent upon a payroll of rail carriers now running well above $4 billion annually.

Urging the importance of preserving the railroad industry against "unfair and unwarranted competition," Mr. Fraser reviewed the industry's impressive record of performance during the war and said: "The St. Lawrence Seaway project is a seven months' project each year with five months — five winter months — each year in which operations would be impossible because of ice conditions. With the project completed the railroads would be in the position of standing by for seven months with a plant equipped to take over the transportation during the other five months." Mr. Fraser contended that the St. Lawrence Project from the standpoint of both transportation and power, is "the contradiction of everything we learned" in the 20 years following World War I, namely, "that progress in production, whether of goods or services, is meaningless unless accompanied by employment and earnings sufficient to give balance to all elements in the field of private esnterprise." He added:

"Recognizing that the development of atomic energy may intensify our difficult responsibility of attempting to adjust ourselves sociologically in a world where scientific genius—under the stress of two wars—has leaped ahead a century or more, and without knowing exactly at this moment where this dilemma will take us socially, economically and politically, I think we can all agree that huge expenditures of money which will in the main only intensify our problems should be opposed to the utmost."

Mr. White declared that "all that the St. Lawrence Seaway would do would be to hurt America, American business and American labor, and to bring about this hurt we are asked to believe that it is economically beneficial for our country to pay its share of over a billion dollars for the project. With the national debt now about $260 billion and likely to go to $300 billion before the budget is balanced, I don't suppose another billion added to it means much; but when that other billion means fewer jobs for American railroad men and coal miners, bankrupt railroads, and loss to bondholders and stockholders of those railroads, and less business for the railroad suppliers, and a deteriorated railroad service that would necessarily follow the diversion of a large volume of tonnage during seven months out of twelve, then the spending of the billion becomes a serious matter indeed. I have not covered the field. I can envision imports coming into this country as ballast via the St. Lawrence Seaway, and at ballast freight rates; coal from Nova Scotia, Wales and Sweden; iron from Sweden and Belgium; wood pulp from Scandinavia and Russia; oil from Russia, Romania and the middle east, all dumped on the American market at distress rates to undersell and displace American goods.

"There is no evidence that the St. Lawrence Seaway has ever had broad American public support, but it has been noisly agitated by a small group for many years. The danger is that the noisy group of advocates will prevail over lack of understanding and because of lassitude on the part of the American people. There is always, of course, the further danger that while American citizens in some sections may be neither for nor against the St. Lawrence Project because they have no interest in it and don't know much about it, nevertheless their representatives in Congress may be prevailed upon to support it for political reasons—and when I say political reasons, I mean the old political axiom of 'you scratch my back, and I'll scratch yours.' "We have heard it advocated for the purpose of defense. We got along pretty well in this war without it. If we have another war, the atomic bomb and possibly other engines of destruction yet to be developed by science will undoubtedly affect the outcome, whether we have completed the St. Lawrence project or not. "If it isn't necessary to our defenses, and if it won't make work for American workmen, then we must view it entirely from an economic viewpoint. With respect to the power aspect it remains to be proved that we can't get just as much and as cheap power, with more benefit to the American people, without it than with it."

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Paul M. Rosenthal to Henry March will be considered on Nov. 15. Mr. March will continue as a partner of Ladenburg, Thalmann & Co.

Transfer of the Exchange membership of Martin L. Cohn, Jr. to Bertrand J. Foley will be considered on Nov. 15. Mr. Foley will continue as a partner in Dean Witter & Co.

Privilege of Charles F. Frothingham to act as alternate on the floor of the Exchange for James R. Leonard of Moore Leonard & Lynch, was withdrawn Nov. 1.

Privilege of Sidney T. Bailey to act as alternate for Frank L. Hawkes of Hawkes & Co. will be withdrawn on Nov. 15.

Privilege of John P. Cronin to act as alternate for William T. Emmet of Hilbert & Co. was withdrawn Nov. 3.

Privilege of Edward B. Schnell to act as alternate for Joseph A. Meehan will be withdrawn on Nov. 14.

Richard L. Newburger, limited partner in Newburger & Hano, became a general partner, as of Nov. 1.

James M. Fox, member of the Exchange, retired from partnership in Robertson & Co. on Oct. 31, 1945.

L. Richard Kinnard of Philadelphia, partner in Van Alstyne, Noel & Co., withdrew from the firm on Oct. 31.

Thomas B. Berentsen retired from Ingalls & Snyder on Nov. 7.

Mark Elworthy Forms Additional Partnership

SAN FRANCISCO, CALIF.—Mark C. Elworthy has acquired a membership on the San Francisco Stock Exchange, and has formed Mark C. Elworthy & Co., 111 Sutter Street, in partnership with Nion R. Tucker, Ralph E. Oppenheimer, Stanley R. Dickover, Henry J. Bates and Louis J. Spuller, Jr. Partners are all officers and associates of Elworthy & Co., a corporation.

Municipal News and Notes

That the market for highest grade State and municipal bonds has recouped virtually all of the loss suffered in the aftermath of V-J Day was clearly evidenced in the result of last week's award of $13,050,000 bonds by Baltimore, Md. Issued for various new capital purposes, and due serially from 1950 to 1964 inclusive, the bonds were awarded to a syndicate headed by the Mellon Securities Corp., on a bid of 100.554 for 1s.

In consequence of the premium, the city was able to effect the financing at a net interest cost of 0.942%, which affords ample testimony of the high rating accorded the city's bonds in investment circles.

In the reoffering of the issue, the Mellon Securities Corp. and associates established a yield scale of from 0.65% to 1%, the latter being applicable to the five longest dated bonds. The issue was reported as having proved of decided interest to investors.

Despite the relatively large amount of bonds involved, the city received bids from four syndicates, the memberships of which included most of the top-ranking investment banking and bond houses in the country. In each instance, the leading group member was a nationally known banking institution, with the three "also rans" being headed by the First National Bank of Chicago, the Chase National Bank of New York, and the Bankers Trust Co., New York.

Although the winning bid of the Mellon Securities group topped that of its closest competitor by a comfortable margin, it is of interest to note that the terms of the first three offers were based on a net interest cost to the city of less than 1%. The final tender worked out to a net basis of 1.03%.

Baltimore, incidentally, just recently was extended unlimited general taxing power for a period of two years, pursuant to a bill signed by Gov. Herbert O'Conor.

* * *

The City of Houston, Texas, was scheduled to present an issue of $2,350,000 bonds on the market during the past week, but was obliged to reject all bids because of failure of the formal offering notice to fully set forth the conditions of sale. Bids were entered by nine groups, with an account headed by Phelps, Fenn & Co., Inc., reported to have made the highest offer of 100.019 for a combination of $2,150,000 1¼s, due 1946-1970, and $200,000 5½s, maturing from 1946 to 1955.

Immediately following the rejection of bids, the city asked for new tenders to be opened on Nov. 21.

* * *

Results of the Nov. 6 bond elections justified predictions that the bulk of the approximately $200,000,000 in issues up for consideration would find favor with the voters. Among major items to receive approval were $50,000,000 for the Commonwealth of Pennsylvania; $20,000,000 for San Francisco, Calif.; $9,500,000 Franklin County, Ohio; $8,700,000 Columbus, Ohio, and $6,500,000 by the city's school district; $8,500,000 by Dayton, Ohio, and $2,000,000 by its school district; also $3,000,000 by Allentown School District, Pa.

* * *

The Dominion of Canada has decided to make a further substantial reduction in its external indebtedness by calling for redemption on Jan. 15, next, a total of $115,000,000 of its bonds which are payable in New York funds. The Government previously had issued a call for the redemption today (Nov. 15) of $40,000,000 bonds. The Government's action naturally reinforces the already acute need of investors to put capital to work.

* * *

Advised by Governor Darden that municipalities could not expect further financial assistance from the State in view of its own need of funds, the League of Virginia Municipalities approved at its 1945 meeting a program designed to increase revenues of local government units. The proposals include:

(1) Distribution of two-thirds of the revenue from beer; (2) allow municipalities to tax certain tangible property; (3) increase State appropriations for public schools; (4) increase State allowance for highway mileage through cities and towns; (5) repeal State business and occupational licenses so municipalities alone may have them; (6) give cities more of the bank stock tax; (7) increase the license tax on public utility receipts.

* * *

The City and County of San Francisco, Calif., has completed a decade of continuous reduction of debt, with the June 30, 1945, aggregate of both direct and contingent obligations (latter representing Golden Gate Bridge and Highway District bonds), estimated at $142,013,300. This compares with the June 30, 1935, total of $202,482,700, according to the Oct. 29 issue of "Business Outlook," published by the Wells Fargo Bank & Union Trust Co., San Francisco.

This source also states that, according to data released by the City Controller, expenditures and revenues of the city will be 17% greater during the July 1, 1945-June 30, 1946, fiscal year than in the earlier fiscal year. Bulk of the increase is attributed to the city's acquisition of the larger of the two privately-owned street railways.

Terry Holdings Sold To Schoellkopf Interests In New York & Buffalo

BUFFALO, N. Y.—Charles G. Terry and Frederick A. Terry have resigned as Vice-Presidents and directors of Schoellkopf, Hutton & Pomeroy, Inc., New York and Buffalo investment bankers, and have disposed of their substantial stock holdings to the Schoellkopf interests. Both have been associated with Schoellkopf, Hutton & Pomeroy for many years.

Charles G. Terry, who was associated with Harris, Forbes & Co. from 1913 to 1919, joined Schoellkopf, Hutton & Pomeroy when that firm was organized in 1919. He is a director and Chairman of the finance committee of Colorado Fuel & Iron Corporation, a director and member of the executive committee of Wickwire Spencer Steel Company which was merged last month with Colorado Fuel & Iron, a director and member of the executive committee of U. S. Vitamin Corporation and a director and member of the executive committee of Fidel Association of New York, Inc., an investment company. He has handled the underwritings of many securities issues, including those of various large utility, railroad and industrial corporations.

Frederick A. Terry has been in charge of the trading division in the Buffalo office. He originally became associated with Schoellkopf, Hutton & Pomeroy in 1921.

Hays Exec. V.-P. of Cinti First National

CINCINNATI, OHIO—President Waldo E. Pierson of the First National Bank of Cincinnati, has announced that the bank's board of directors has elected Reuben B. Hays Executive Vice-President of the bank, effective Dec. 1, 1945.

Reuben B. Hays

Mr. Hays resigned as First Vice-President of the Federal Reserve Bank of Cleveland to accept the First National post. President Pierson, who is a director of the Cincinnati Branch of the Reserve Bank, said in making the announcement:

"Mr. Hays brings to the First National Bank a wide practical experience as an executive in the fields of banking and finance. During the last 10 years, as an official of the Federal Reserve Bank, he has kept in close touch with the business, financial and agricultural interests of the areas served by our bank. As part of his duties as First Vice-President, Mr. Hays has had general supervision of the Reserve Bank's branches in Cincinnati and Pittsburgh.

"We welcome to our official family a man who is widely known by bankers and whose ability is outstanding."

Mr. Hays fills the position vacated last year by Mr. Pierson when he was elected President.

Born 46 years ago in Arkansas, Mr. Hays holds an A.B. degree from Hendrix College, an M.A. degree from Columbia University, and a certificate from the Graduate School of Banking, Rutgers University.

After four years as a public relations executive in New York City, Mr. Hays became an analyst for Continental Shares, Inc., of Cleveland in 1929. Three years later he joined the Reconstruction Finance Corporation and became a special assistant to the directors of the RFC in Washington, D. C.

In 1934, Mr. Hays was named Executive Secretary of the Industrial Advisory Committee of the Fourth Federal Reserve District, and the following year was appointed Assistant Cashier of the Federal Reserve Bank of Cleveland. During the next seven years he rose successively in that institution to Assistant Vice-President and Secretary, Vice-President and Secretary, and First Vice-Pres.

He is a member of the Retirement Committee of the Retirement System of the Federal Reserve Banks; a member of the Insurance Committee of the Federal Reserve System, and a member of the Advisory Board of the Cleveland Ordnance District.

Mr. Hays is a trustee of the Cleveland Council on World Affairs, and a member of the Cleveland Philosophical Society, the Union Club, Chamber of Commerce, and Rotary Club, all of Cleveland, and of the Shaker Heights Board of Education. He was listed in "Young Men of America" and is listed in "Who's Who in America."

A student of international finance, he has given special study to the proposals for an international bank and an international monetary fund which resulted from the Bretton Woods Conference. Mr. and Mrs. Hays and their twin 6-year-old sons will leave their home in Shaker Heights, a Cleveland suburb, to make their home in Cincinnati in the near future.

Hits 'Costs Up-Prices Down' Policy

(Continued from first page)

retain much of their overtime pay when they are no longer doing overtime work. The policy cannot succeed because it is costs of production that determine prices. If costs go up then prices have to go up also. The only condition under which it would be possible to pay workers as much for 40 hours of work as they have been receiving for 48 hours would be one in which they produced as much in 40 hours as they used to produce in 48 hours."

"In reality," continues the criticism, "the key proposal in the new policy is that the increases in the pay should be taken out of profits. In his presentation of the new policy the President said that management and labor must determine from time to time to what extent costs have been reduced and profits have been increased, and how far these can properly be passed on in the form of increased wages. This appears to imply that agreements would be worked out between management and labor by which rather constant and restricted amounts of any profits which might be earned would be allocated to the company for reserves and dividends, and the rest would be passed on to labor as wage increases."

Pointing directly to the shortcomings of the present wage-price policy, the Bulletin states, "There are three nearly insuperable objections to this procedure in a free, competitive economy. The first is that it would greatly restrict the volume of earnings that could be retained by the company in years of good earnings, and plowed back into the company in the form of expansions and betterments. But that is the chief way by which American industry has financed its expansion during its entire existence. It is almost the only possible way for young companies to grow.

"In the second place if earnings above restricted amounts should have to be paid out in wage increases there would be almost no new venture capital. That would bring disaster because it is venture capital which creates new jobs which we need now as never before. Finally if the proposed procedure went into effect it would stifle competition because management would be little tempted to strive to cut production costs in order to increase volumes of sales and thereby increase profits. The new policy would promote stagnation. There just isn't any way to put costs up, and to hold prices down, and to be prosperous while doing those two things."

Reparations Problems

(Continued from page 2323)

tails was first raised at Yalta by the U. S. S. R. Their representatives proposed:

(1) Within two years of the end of the war, plant, equipment, German investments abroad, and other assets, to a value of approximately $10 billion, be removed from the German national wealth. The main determinant in making these removals, the U. S. S. R. recommended, should be the extent to which they furthered the military and economic disarmament of Germany.

(2) Recurrent reparations in the form of annual deliveries of goods to the total of $10 billion should be paid over a period of 10 years.

There was no action taken at Yalta as to the use of German labor as reparations. The U. S. S. R. recommended that this question be put aside and considered at a later date. She further proposed that reparations be distributed in a manner which gave first consideration to those countries which had carried the greatest burden and had contributed the most toward victory. In conformity with this principle, she suggested that the U. S. S. R. receive one-half of the reparations.

It was agreed that a reparations commission to consist of the United States, the United Kingdom and the U. S. S. R. be set up in Moscow to study and make recommendations to the three governments. No commitment was made either by the United States or Great Britain on the proposals made by the U. S. S. R. They were merely to be used as a basis of discussion by the Commission with the further proviso that an additional criterion to be used in the distribution of reparations should be the losses suffered at the hands of the Nazis. The only agreement made at Yalta was that reparations should be paid in the form of removals from the national wealth of Germany and in annual deliveries in kind; that removals be primarily for the purpose of disarming Germany both militarily and economically and that the Commission should look into the U. S. S. R. suggestion that the total should be $20 billion.

The United States delegation to Moscow was specifically instructed among other things that any plan of reparations should conform to fundamental United States policy that industrial capacity which might be dangerous to the security of the United States should be eliminated. The plan was also to provide for the distribution of plant and equipment in a manner which would aid most effectively in rebuilding the damage done by Germany and in hastening the restoration and raising the standard of living of the non-enemy nations of Europe. In order to avoid the fiasco of the World War I reparations plan, as a result of which payments could be made only through the revival and expansion of German industry by outside capital, the delegation was instructed to approve of no plan which would promote or necessitate the building up of the German economy or require the financing of German reconstruction or reparations with foreign funds. Accordingly, such recurring reparations as might be agreed to should be as small as possible as compared with removals of plant and equipment, and should consist, to the greatest extent possible, of raw materials and natural resources, and of a minimum of manufactured goods.

As to the question of reparations in the form of labor, the United States delegation was to be guided by our policy that compulsory labor should be required only from the judicially convicted war criminal class. Among the latter were to be included proven members of public and private European axis organizations that had been adjudicated to be criminal. Such reparations labor as might be furnished should be used principally for reconstruction and repair of war damage; should be limited to a definite span of years and be subject to humane employment and living standards.

At no time during the discussions at either Moscow or Potsdam was the question of reparations labor formally raised by either Great Britain or the U. S. S. R. Indeed, the only official action taken on this matter was the formal filing of the United States official policy, namely, that reparations labor should be limited to war criminals and members of criminal organizations.

In the short time between the inauguration of the discussions in Moscow and the meeting in Potsdam—slightly more than three weeks—considerable progress was made toward agreeing on fundamental reparations policies. The Soviet proposal that the reparations bill be fixed at $20 billion with one-half going to the U.S.S.R. did not materialize, due in part to the fact that the unknown state of German industrial equipment at that moment made it impossible to fix a final bill. Moreover, in order to avoid fixing financial commitments which it might later prove impossible for Germany to meet, there was opposition to any valuation in dollar terms. The issue was finally resolved by providing that in distributing the plant, equipment and other assets to be removed, as well as the recurrent payments in kind, irrespective of what their value turned out to be, each of the three participating governments would give up proportionately from their respective shares such amounts as were required to meet the valid claims of all of the countries entitled to reparations. In other words, the amount that each of the three powers would receive would finally be determined by the shares that ultimately went to all of the claimant nations. At Potsdam this arrangement was changed and reparations were put on a zonal basis.

There was virtually no difficulty in reaching an agreement on most of the general principles embodied in the instructions to the American delegation. One stumbling block, however, was the question of paying for such imports as were necessary to maintain a minimum German economy. Throughout the proceedings the United States, as well as Great Britain, contended that the payment for imports should take precedence over reparations deliveries from current production and existing inventories. With the knowledge that there was no alternative other than for the United States to ship food and other raw materials into Germany even to maintain a subsistence standard of living, it was evident that unless some such provision were agreed to we would find ourselves in the position of financing the German economy while others were taking out the products of German factories and mines as reparations. The Soviet point of view, on the other hand, was that the peoples of the devastated areas of all of Europe, and particularly her own citizens, should not be put into a position where food and materials for Germans would be given preference over their own drastic requirements, not only for reconstruction but for the restoration of their standard of living. This problem, later resolved at Potsdam, as well as definitions of war booty and restitution, were the more important of the unresolved issues before the Allied Commission on Reparations when the Big Three assembled.

The reparations agreement arrived at in Potsdam is too well-known to require much elaboration at this point. Briefly it provides that the Soviets are to secure their reparations from the zone they occupy in Germany, together with certain German external assets. They are also to receive 10% of the industrial equipment that may be removed from the Western zones, plus an additional 15% for which they are to pay in an equivalent value of food, coal and other products. Since the area occupied by the U. S. S. R. includes German territory already under Polish control, Poland is to have its claims met from the Soviet's share. The claims of all other countries are to be met from the zones occupied by the United States, the United Kingdom and France.

The determination of the amount and character of German industrial equipment unnecessary for the German economy and therefore available for reparations is to be determined by Feb. 2, 1946. This determination is now being made by the Allied Control Council in accordance with the economic and political principles embodied in the Potsdam Protocol and such other policies as may be recommended to the Control Council by the Allied Commission on Reparations. Removals are to be completed in two years. Pending the determination of the total amount of plant and equipment eligible for delivery as reparations, interim removals may be made by the Control Council. The Protocol also enlarges the size of the Reparations Commission by making France a member.

It is quite apparent that the extent to which Germany will pay reparations will be determined primarily by the nature and the value of the plants and equipment that the Allied Control Council deems it essential to retain in Germany. The determining factor will be: What industries and plants are necessary to produce the goods and services required to meet the needs of the occupying forces and displaced persons and to maintain in Germany an average standard of living not exceeding the average standard of Europe (excluding the United Kingdom and the U. S. S. R.). (It might be well to point out in passing that this formula will eventually permit a fairly decent standard for the Germans. It provides for a standard higher than that of many of the eastern European countries that were overrun by Hitler, for it takes into the calculation of the average the standards of such countries as Switzerland, France, Belgium, Sweden and Denmark.) Everything in excess of these requirements are theoretically available for removal as reparations.

It is around this vital point of the productive capacity required to enable the German economy to function within the terms fixed by the Potsdam agreement that we may look for vociferous controversy. In the first place, agreement will have to be reached on just what is the average living standard of the European countries. Is it the average of the standards that prevail today or is it, as one American advisor has suggested, the average that is expected to prevail at some date in the not distant future? Certainly there is little justice in any proposal that provides the German people with a better standard of living than prevails generally in many parts of Europe. Steps are now under way to increase food shipments from the United States to the point where they will be sufficient to bring the average ration up to 1,550 calories a day. This is certainly little enough, but it should not be overlooked that last winter considerable portions of the French industrial population were forced to get along on less than 1,500 calories. Indeed, recent press despatches from France are to the effect that in some of the industrial areas certain segments of the population are not today averaging much more than 1,700 calories. And France, it might be pointed out, is now in immeasurably better shape than many of the other devastated countries of Europe.

A second reason why we may expect controversy on this point is that once the average standard of living for Germany has been agreed upon, agreement will have to be reached on what productive equipment will be essential to realize it. This involves questions ranging all the way from whether the Germans should be permitted to produce synthetic oil, or aluminum, or nitrates, or what allowance, if any, should be made for accumulating new capital for the future growth of the German economy. The way these questions will be resolved will determine how much electrical generating capacity and chemical capacity and how many blast furnaces can be removed for reparations. Although no definite agreement has yet been reached on the German standard of living, estimates of the annual steel capacity required to meet Germany's needs already put forth by responsible officials, range from five million tons to more than 10 million tons. And when the 10 million ton figure is recommended, let us not forget that in 1933 Germany got along with a steel output of slightly more than three million tons.

These are the two issues that must be resolved before the extent of reparations removals are determined. Others are the extent to which we are to make the Germans bear the cost of the occupying forces. Are we to charge the total cost of maintaining our troops, including wages and overhead, to occupations costs, despite the fact that the actual size of the occupying army may have little or no effect upon the size and cost of the peacetime military establishment that we are going to maintain anyway? Since agreement was finally reached at Potsdam that the proceeds of exports from current production and inventories shall be available for paying for imports approved by the Allied Control Commission, the policies adopted and the accounting methods used in relation to occupation costs will have a definite bearing upon how much productive capacity will have to be retained in Germany to produce the exports necessary to meet these charges.

Indeed, according to recent press despatches, to meet the costs of occupation as figured out by one official, will require the maintenance and operation of so great a part of heavy German industry that very little will be available for removal as reparations. One does not have to stretch his imagination very far to surmise what the attitude of the people of devastated Europe will be toward such a policy. Although this policy has not been officially adopted, they know that it has been seriously proposed. Is it any wonder that responsible persons are raising the question as to whether it is the intention to permit Germany to remain a powerful industrial nation?

The alternatives facing us are: Should our present concern be the immediate suffering of the German people and repayment for the cost of feeding and occupying Germany, or should it be the long term security of the world? As long as we continue, as a member of the Allied Control Council, to be part of the Government of Germany, we have the obligation of preventing starvation and disease in that country. (It is an interesting commentary that as conquerors we assume the responsibility of seeing to it that those whom we have vanquished shall remain alive while those who have suffered so horribly from Hitler's hordes are in so many instances going hungry.) To be sure, we want to be repaid for the food as well as for any other goods we make available to Germany and it is but natural that we should want to be reimbursed for the costs involved in maintaining our army of occupation. But is it good foresight to insist on these repayments, if to get them we must retain in Germany an industrial machine which in the future can be used again as the basis of a German armament revival? Would it not be more sensible to assume these costs ourselves for the next few years and remove the threat to the safety of the world that will lie in a Germany which still has synthetic rubber, synthetic oil, synthetic nitrogen, automotive and heavy steel industries? Such costs may be high, but they will be a cheap insurance premium against any revival of German militarism at least within the present generation. The economic demobilization of Germany will no doubt be expensive to us. In return, however, we shall be purchasing many additional years of security.

A further factor which will determine what will be available for reparations removals will be our policy toward the Ruhr. The greatest concentration of heavy industry lies in that area—industries that are needed and badly wanted by some of our Allies. If the Ruhr is separated from Germany by cession to any of the western European powers, the probability is that much of the equipment there will be retained and incorporated into the economy of the neighboring countries. If the Ruhr is internationalized, it is quite likely that much of the equipment will be used for the manufacture of goods to pay for necessary imports into Germany and perhaps for recurrent reparations. The extent to which the latter is done will, of course, have a direct bearing on what will be available from the existing wealth of Germany to recipient countries, although it may be offset in time by greater shipments of manufactured goods as reparations.

Whatever our policies turn out to be relative to the German standard of living, the cost of occupation, or the future of the Ruhr, one conclusion appears to be definite. The total value of the plants and equipment that will be removed from Germany will be relatively insignificant, as compared either to what she paid in reparations after the last war or as compared to the losses suffered by the United Nations or the cost of the war. Recent estimates place the value of all industrial movable capital assets in Germany at the present moment, after making allowances for war damage, at approximately 13 billion marks or about $5 billion at the inflated prewar rate of exchange. Of this amount, capacity to the amount of approximately 8 billion marks is located in the three western zones. It is obvious that all of this capital cannot and should not be removed. Even that part which will be removed will have considerably less value after it has been transported and erected at its new site.

It should be noted that the Protocol makes no provision for recurrent reparations deliveries. The extent and duration of such deliveries is still to be agreed upon. It is worthwhile noting that the deliveries to be made by the U. S. S. R. in return for her 15% share of the removals from the western zone are to extend over a period of five years. This may have some bearing on the ultimate decision as to the length of recurrent reparations when such are provided for. The extent of these deliveries will, of course, be directly affected by what we

Preview of a Debacle

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to the consumer dollar during the forepart of 1937.

Effect of Prices on Consumer Demand

Consumer resistance to price-purchasing power disparities is flexible in varying degrees with respect to different types of commodities. Salt is the classic example of one extreme—large percentage changes in price affect consumption relatively little. Price-demand flexibility increases rapidly toward the luxury end of the commodity spectrum. Now, an extremely important contribution to this line of thought was made by two distinguished economists (the American, Paul H. Douglas, and the Englishman, A. C. Pigou) in concurrent but independent statistical studies of labor as such, as a commodity, in which both arrived at the same conclusion. These studies covered a long term of years prior to 1929 and can be tested with validity to periods subsequent thereto. Their conclusion was, namely, that the elasticity of demand for labor in relation to consumer purchasing power is 3 to 4 times. In other words, if artificial politico-bargaining pressure force a 1% rise in wage rates with respect to consumer income, then employment and production, on the average, decline 3 to 4% due to correspondingly reduced demand. In 1937, it has been indicated that the durable goods wage versus consumer income disparity amounted to about 10% (more in some industries, less in others). **Durable goods employment and production according to U. S. Government data declined 34% between the October, 1937, high and the July, 1938, low points.** As an extreme example of what happened in one major industry alone, we find that wage rates in automobile manufacture in 1937 increased 13.1%, auto prices 11%, and the subsequent 1938 decline in auto production amounted to well over 60%. Here then is a clear and irrefutable measure of what can happen in the current reconversion crisis if the unreasoning demands of labor's socalled leaders are substantially or wholly complied with and labor is priced clear out of the market. If a sales manager is so out of touch with his competition as to price his line too high, he has a good chance of being fired. Not so in the labor hegemony.

War-Time Purchasing Power Illusory

Labor's argument in the present situation is false and illusory from several different standpoints. First, the alarm is raised that a retreat from war-time purchasing power levels represented by unprecedented weekly take-home pay will in itself create depression. The war-time purchasing power level was a fiction. Mounting national purchasing power is dependent upon a free exchange of goods and services in volume. From 1941 on, we were fighting an all-out war for existence, with the supply of civilian goods and services kept at an absolute minimum. It is true that the politicians were sponsoring the theory that you can eat your cake and keep it too, but no amount of money on this earth could have bought a 1944 automobile or refrigerator, simply because there were none made. The major part of our vastly expanded manufacturing capacity was given over to the production of materiel for war, with the government as the customer paying negotiated prices. War-time wage rates were the product of political arrangement arrived at through bargaining and pressure between unions and the government. The employer, and the consumer where civilian goods were involved, were almost always mere bystanders. High take-home pay was translatable into immediate purchasing power only where available and unrationed commodities and services were involved.

Producer Depends on Sale of His Product

Another labor delusion concerns the relationship between its position as producer and consumer, and all other consumers. For every wage earner in mine and factory there are three or four potential consumers of his product engaged in other occupations. The factory worker's purchasing power, it is true, is measured by his weekly pay in relation to price levels, but that take-home pay is directly dependent upon the sale of his product, which in turn is predicated upon price, cost, and finally wage rates and productivity per hour. The 1937-38 debacle is clear proof that there is no escaping this simple fact of life. Since factory labor constitutes approximately one-fourth the much disrupted national labor force, the factory worker's position is, inversely, that of being one-fourth consumer, and three-fourths producer and merchant of his product. The fact that he has a lot of dollars burning a hole in his pocket at the end of the week is important only to that extent. The labor argument, of course, is that a fat pay envelope per se is reflected in demand for personal and recreational services, which swells the purchasing power of the non-factory people. In a smaller, more personal, and great deal less mechanized economy it might, just might, work out that way. But dismal failure of imported pump-priming theories and huge government expenditures in the '30's to create 2, 3 or 4 dollars of total purchasing power for every Federal deficit dollar spent should have exploded that theory by now.

Question, What Will Consumer Pay?

No, the present day value of labor cannot be measured on the basis of war-time weekly pay levels. The factory worker, most especially in durable goods production has been out of the market for the duration of the war. What the consumer will pay now, is the question. U. S. Department of Labor records show that straight-time average hourly factory wages in 1945 have risen 55% since 1939 compared with 31% in the cost of living index. More significantly perhaps, wage rates gained some 35% since 1941, the last year of full peace-time production. Complete data is lacking but the indications are that non-manufacturing and white collar incomes have barely kept pace with the factory trend. It is common observation that the politically unorganized white collar workers' salaries were more effectively frozen than were factory wages. Recent U. S. Department of Commerce estimates show that full-time average annual earnings of employees in private enterprise outside manufacturing rose 31% from 1941 to 1943. This will be the measure of ability and willingness of the consumer to support factory production at advanced wage costs. The labor leaders' demand for a 30% hourly wage rate advance to compensate for loss of overtime is equivalent to a 75% hourly wage boost over 1941. This inordinate increase would produce a 35 to 45% discrepancy with respect to the concurrent gain in non-factory consumer income, making the similar 10% difference which caused the 1938 "recession" look like piker stuff. The evidence indicates that any wage rate increase at all to be passed on to the consumer would meet stubborn sales resistance.

Can Wage Increases be Underwritten?

To what extent could a wage increase be underwritten by anticipated larger manufacturing incomes accruing from both peak peace-time production and lower corporate taxes, but in the face of normally keen competition? The U. S. Department of Commerce estimates total manufacturing wages at war-time levels to have been about $32 billion, including $25 billion straight time and $7 billion overtime. Manufacturing company profits after taxes are also estimated to have totalled $5.7 billion in 1943 and $6 billion in 1944. Obviously, a 10% increase in straight time wages out of this level of profits would decrease the latter 40-50%, while a 30% pay increase would knock them into a cocked hat. A quick glance at the yearly net rates of return on captial invested in manufacturing enterprise will furnish a clue to the extent to which a potential increase in profits over the next few years might become available for wage earners rather than stockholders. The net rate of return of profits, after taxes, to the net worth of all leading manufacturing companies averaged 11% during the boom years 1925-29, and reached a peak of 12.8% in the latter year. The same ratio averaged 10.1% for the war years and was 9.8% in 1944. A recovery in this profit ratio to the 1929 level would be equivalent to a 30% increase above 1944, or a total of around $1.75 billion for all manufacturing enterprise. This would be less than 10% of the total straight time factory wages.

Furthermore, a recent Department of Commerce survey revealed that industry has been planning to invest during the next year or so $4.5 billion in plant and equipment and $2.8 billion in increased inventories. These are bona-fide job-making dollars, but how much would actually be pumped into the production stream if profits were threatened to the extent indicated above? Probably less than in 1939 when plant investment totalled $1.5 billion, and unemployment hit the ten million mark despite further hourly wage advances of 4% above 1937.

No amount of trick bookkeeping, dollar juggling, or legislation can alter the willingness of the investor to make commitments in an uncertain industrial future, or the ability of the consumer in a free society to buy goods, and they will go begging if the price is too high. In short, no matter how you peel or slice it, there is just so much juice in the orange.

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decide to do concerning plant removals.

Nor is there anything in the Protocol concerning restitution. This is a matter of vital concern to some of the western European nations, particularly those bordering upon Germany. Hundreds of millions of dollars worth of property stolen from these countries—some of it vital for the reconstruction of their economies—is still in Germany.

Some Dutch frontier towns have been denuded of their cows. Yet it has been reported that on the German side of the border the Dutch can see their own cows which are producing milk, which cannot be made available to them because, as one official stated, it is needed to prevent unrest and disease in Germany. It has been estimated that more than 90% of the Dutch freight and passenger cars and some four million bicycles were moved into Germany by the Nazis. The location of many of these items has been definitely verified. The return of works of art and objects of religious and historical value is already under way. However, the Dutch, the French and other peoples of Europe want their other property back also. They are fearful that it may find its way into the reparations pool and not be available to them if it is not returned quickly.

Also omitted from the Protocol is any reference to reparations labor. Until a final peace treaty is written, the French, the Soviet, and other governments will no doubt continue to use prisoners of war for reconstruction purposes. It is possible that if the signing of the peace is long enough deferred, the problem of reparations labor may solve itself in the sense that none of the claimant nations may at that time have any further desire for labor services from Germany.

These are the more important of the items that are still to be determined in connection with reparations. There remains also the important task of determining how these reparations will be divided among the governments with recognizable claims. With the exception of Poland, the shares of these countries are to be paid out of the zones occupied by the United States, the United Kingdom and France. Some 17 governments have been invited to submit their reparation claims. The data they have furnished are now being analyzed. They are now in session in Paris for the purpose of reaching agreement as to their respective shares.

There also still remains to be created a permanent reparations agency to carry out the administrative tasks incident to the distribution of reparations. The main functions of the agency will be to allocate specific plants, properties and commodities to specific claimants and to settle any disputes that may arise with reference to such allocations.

W. H. Bell Installs Phone From N. Y. to Boston; Opens Portland Branch

W. H. Bell & Co., Inc., are announcing that they have leased from the American Telephone & Telegraph Co. a private telephone wire (Canal 6-3667) from New York City to their Boston office, 49 Federal Street.

The firm has just opened a new office in Portland, Me., under the management of Rex W. Dodge. Besides its principal offices in Philadelphia and Boston, the firm has branches in Washington, Allentown, Easton and Harrisburg.

Economic Relationships Among European Countries

(Continued from page 2326)

undeniably possesses a sphere of influence in the western hemisphere but this does not prevent the countries of this hemisphere from substantial independence in their foreign policy. In time of emergency the United States could not and would not tolerate anti-American governments in neighboring states; no more could or would Russia in her security zone. But this does not necessarily imply that neighboring states are pawns to be moved here or there on a political chess board. It was possible until recently, I have said, to imagine that a substantial group of European states might emerge from the war in such a position of relative independence. My own final awakening from this dream — already troubled — may be dated a few weeks after Yalta when apparent agreement relating to the Balkan states turned out to be no agreement at all.

Turning to the second point, few people in this country have realized the importance of intra-European trade to the standard of living of at least the western European countries, and the significance of this trade for the maintenance of prosperity in other countries of the world. In the years before the war, more than one-third of the total volume of world trade consisted of exports from and imports into the countries of Europe, exclusive of Great Britain and Russia. Substantially more than half of the foreign trade of European countries was intra-European trade. In 1938 the industrial countries of western and northern Europe found markets for 67% of their exports in Europe and drew from Europe 56% of their imports.[1] The mainly agricultural countries of the rest of the continent were even more dependent on intra-European trade. Intra-European trade supplied to the relatively small economies of the continent some of the advantages conferred on the United States by the size of our domestic markets. A substantial diminution of that trade could not take place without causing a serious decline in European standards of living. The very large pre-war European imports of raw materials from the rest of the world were dependent on the maintenance of these standards. If the restoration of the network of intra-European trade is seriously impeded by political or other forces the prospects for peace and prosperity in the world are inevitably and seriously damaged.

In fact the restoration of that network is endangered by many influences domestic and international. Considerations of time and space will limit my remarks to three of the international questions which appear to be of greatest significance for the future of economic relationships among European countries. I shall be concerned with the implications of the Russian security zone, of the treatment of Germany and of British trade policy. Since each one of these subjects is a large morsel, indigestion is not precluded. Any consideration of the future of European trade must, however, at least nibble at these questions.

The Russian Security Zone

At the London Conference of Foreign Ministers, questions involving the relations of Russia to those countries which constitute what we are apparently destined to know as the Russian security zone seem to have been primarily concerned with the acceptability of the existing governments. Are these governments fit company for the society of nations and, if not, what conventions must they satisfy? Now, these are important questions. But also of importance and of more relevance to our subject is what has been happening to economic relations between these countries and Russia. At the present time Russia is engaged in obtaining large quantities of existing stocks and equipment from Bulgaria, Roumania, Finland, and Hungary and to a smaller extent from Austria, justified as reparations, war booty and restoration of looted property. With these countries, and also with Yugoslavia and Poland Russia has entered into extensive barter arrangements exchanging in the main industrial raw materials and fabricated products for foodstuffs and other raw materials. Russia has entered into longer-run agreements with the Roumanian and Hungarian governments for the joint exploitation of the economic resources of these countries. A similar agreement, limited to oil, has been proposed to Austria. An agreement with Poland provides for fairly extensive shipments of capital equipment from Russia for purposes of industrial development.[2] Finally the governments of Poland, Roumania, Bulgaria, Hungary and Yugoslavia are apparently encouraged to make trade agreements with each other and discouraged from making trade agreements with the rest of the world.

The effect of these arrangements is, for the time being, to channel the whole of the exports from this large area into Russia and to limit such imports as may be available, to Russian sources. The trade agreements are of course entirely intergovernmental and lay the basis for a continuation of state trading throughout the whole area. Is this rechanneling of eastern European trade likely to persist indefinitely? If so what effects will it have on intra-European trade and other economic relations? What will be the effect of this reorientation of economic relationships on the Russian economy and on her trade with the rest of the world? Unfortunately the answers to the first two questions do not seem to involve any large amount of speculation.

The transfers to date of reparations, war booty and loot, which have of necessity been pretty well limited to existing stocks and equipment, would seem to have been on a scale which can hardly fail to affect the ability of Bulgaria, Roumania, and Hungary to export. This will not, however, prevent the exaction of reparations from current output. Taking account of the absence of transfer difficulties and the magnitude of Russian requirements it seems probable that a high fraction of the export capabilities of the former German satellites will be devoted to supplying Russia with reparations for many years to come. Such additional export surpluses as these countries may be able to generate appear to be destined for Russian consumption by way of barter agreements. This is also true of the exports from Poland and Yugoslavia. Russia appears to be able to export to these countries such manufactured articles and industrial raw materials as may be necessary to keep their economies functioning though the terms are likely to be extremely unfavorable.

This rechanneling of the foreign trade of eastern Europe is the more remarkable in that before the war the trade with Russia of four of the six countries involved was negligible and even for Poland and Finland amounted to no more than a few million dollars annually. All these countries were in the main exporters of raw material to, and importers of manufactured products from central and western Europe. For all but Finland, Germany was by far the largest market for exports and source of imports. In addition to the countries mentioned it seems probable that the foreign trade of both Austria and Czechoslovakia which, before the war, was also more exclusively linked with Germany than with any other country will now be largely oriented toward Russia.

It should be noted that, apart from Finland and Czechoslovakia, the foreign trade of the countries here under discussion was small. In fact inability to export or import except in trifling quantities was both a measure and a condition of the low level of economic existence in this area. Even Poland, the largest of these countries, exported a value of only $220,000,000 in 1938 and imported less than $250,000,000. What is lost then to intra-European trade, if commerce persists in its new channels, are eastern sources mainly of foodstuffs and raw materials and outlets for western and central European manufactured products, which amounted prewar to a few hundred million dollars per annum. In the absence of political pressure there is every reason to believe that this trade would presently resume its western orientation. For the immediate future, however, the political facts of life seem to be more important than the economic.

The implications of events in eastern Europe for the structure of intra-European trade are all too clear. The implications of these events, however, and of internal Russian development for Russian trade with western Europe and the rest of the world are far from clear. The integration, whether partial or complete, of the predominantly agricultural economies of eastern and southeastern Europe into the larger Russian economy should make possible the diversion of additional resources to manufacturing industries. It is probable that Soviet production, after the long period of expansion of heavy industry involved in the three Five Year Plans and the war will now turn more definitely to the manufacture of consumers' goods. It can be argued that since such manufacture does not have the same significance for national security as does heavy industry the USSR will pay more attention to comparative costs and engage in a more selective program of importing and producing for export. On these matters one guess is about as good as another. My own guess would be that regard for self-sufficiency is fairly basic in Russian planning and that although foreign trade will increase somewhat the increase will not be very large.

If Russia succeeds in borrowing on a large scale from this country, her imports will of course increase but there is no reason to believe that these funds will be so used as to increase permanently her volume of foreign trade. Russian gold holdings and gold production together with some small increase in the export of traditional articles such as timber, furs and oil, would be sufficient to finance interest and retirement charges on a debt of the size customarily discussed. This, by the way, is probably a consideration which should affect our lending policy. Unless we are willing to lend merely to increase employment with the certainty that when the debt is repaid the difficulty of maintaining employment will also be increased, the considerations which justify foreign lending run pretty largely in terms of the encouragement of economic development the advantages of which are shared through the resulting expansion of world trade. There is no assurance in the case of Russia that the advantages would be so shared.

The one consequence for world trade of recent economic events in the Russian security zone which is clear is that the channels of intra-European trade are being profoundly altered and perhaps permanently. Whether political considerations will continue to outweigh economic considerations indefinitely is merely one aspect of the larger security problem facing this post-war world. Let us turn now to a consideration of the consequences of policy toward Germany for intra-European trade.

Policy Toward Germany

The bulk of the very important intra-European trade in the years before the war was trade between the industrial countries of western, northern and central Europe.[3] A substantial fraction of this trade consisted of exchanges of coal and iron ore but most of the rest was made up of the exchange of manufactured goods on which the different countries making up this group specialized. The central position of Germany, the excellence of her railway communications and the size of her domestic market gave Germany a strong competitive position in this trade. Despite Nazi attempts at self-sufficiency German exports in 1938 still amounted to over two billion dollars and her imports to over 1.7 billions. Despite Nazi attempts to divert German trade to raw material producing countries her commerce with industrial Europe remained over 40% of her total trade. In 1928 it had been over 50%. Industrial Europe was bound together by a trade network of vital importance to the continued prosperity of the area and Germany was at the center of this network.

At the present time, of course, trade between Germany and the world is at a complete standstill. Except for the removal of equipment and stocks from the eastern zone into Russia, a certain amount of restitution of looted property to the west, a small export of electric power and coal and some shipments to occupying forces and displaced persons chiefly in the British and American zones, nothing is moving into or out of Germany. Of highest immediate importance, in view of European needs, is an increase in German coal production and the restoration of transport facilities from the Ruhr to carry this coal to neighboring countries. Beyond these immediate problems, however, lies a series of questions, the answers to which will go far toward determining the future course of European trade.

In order to put these questions in their proper setting account must again be taken of the underlying political aims and security considerations now shaping policy toward Germany. If a dangerous cleavage between east and west in Europe were to be avoided, one of the essential conditions was the administration of Germany as an economic and political unit in accordance with principles mutually acceptable to the occupying powers. It was of vital importance that standards of living, reparations exactions, and policies of demilitarization and economic demobilization be approximately uniform throughout Germany. The conditions imposed on Germany might be harsh or they might be lenient: it was imperative that, whether harsh or lenient, they be similar in the different zones. The need for uniform policies increases with the length of the period of occupation and the magnitude of the governmental task contemplated. If victory over Germany were to have been followed by a short period of occupation to complete the smashing of the German war economy and the liquidation of a large segment of Nazi personnel it would not have made much difference whether smashing techniques and results were approximately uniform in the zones of the different occupying armies. Since, however, Germany is going to be governed by occupying forces for a considerable period of time to accomplish far-reaching objectives, it is important, if the partition of Germany into spheres of western and eastern influence is to be avoided, that Germany be governed as a unit. The argument, by the way, against the division of Germany into a number of smaller states is not merely that such a division would create economic difficulties or would prove for political reasons impracticable; the argument is that partition cannot take place except under conditions which would force the separate parts into alignment with the neighboring great powers. Partition of Germany would accentuate the cleavage between east and west in Europe.

Yet partition obviously is well underway. It is unnecessary to trace the steps by which this result is being brought about. Perhaps it is inevitable in a four-power administration of Germany. Joint Anglo-American conduct of military government in Italy proved difficult enough. A four-powers administration with separate occupation zones immeasurably increases the difficulties of uniform administration. Whatever the basic causes, the most striking indication to date of the flow of events toward partition is the Potsdam decision on reparations. Instead of treating Germany as a unit for reparation exactions, Russia is invited to collect her share from the eastern zone and the western powers from the western zones with the proviso that 10% of collectible surplus over and above German needs, shall be supplied to Russia on reparations account and an additional 15% in exchange for shipments of equivalent value from the eastern zone. If reparations policy were independent of other objectives with respect to the German economy this might be considered a satisfactory compromise. But what is taken out of Germany on reparations account unfortunately affects the administration of the other announced purposes of occupation, economic demobilization, and the maintenance of a standard of living no higher than that endured by surrounding populations. If one zone is stripped of productive equipment while other zones are not, it becomes impossible to maintain anything like uniform levels of living throughout Germany no matter what that level may be. How the reparations decision is to be reconciled with the Potsdam intentions to establish common economic policies throughout Germany it is difficult to see.

This is not necessarily a criticism of the policy of the American Government on German reparations. No one is in a position to criticize who is not fully aware of the obstacles to an alternative decision. It may well be that, in view of all circumstances, the Potsdam reparations agreement was the only practicable course of action. If so events have already proceeded far toward partition of Germany into eastern and western spheres of influence. To the extent that this is so, the treatment of Germany and of Germans will inevitably be different in the different spheres and inevitably a source of suspicion and of friction. Trade between east and west may be limited to the barter exchange contemplated by the reparations agreement. The

1 League of Nations, *The Network of World Trade*, Geneva, 1942, p. 68. The pre-war trade figures quoted in this paper are taken from the above-quoted source and from a companion volume, *Europe's Trade*, Geneva, 1941.

2 State Department Bulletin.

3 Austria, Belgium-Luxembourg, Czechoslovakia, France, Germany, Italy, Netherlands, Sweden, Switzerland.

import and export program for Germany as a whole as planned at Potsdam may become import-export programs for the two halves of Germany.

The future position of Germany in intra-European trade clearly depends very much on whether there are going to be two Germany's or only one. If there are two, there is every reason to expext that eastern Germany will be integrated into the economies which make up what is becoming the Russian security zone. If that is so, western Germany in order to live would have to develop a greater degree of specialization, a larger foreign trade, and a closer economic interdependence with the rest of the world than would otherwise be necessary.

Whether or not Germany is treated as an economic unit is, then, the first important question mark in attempting to forecast the future position of Germany in intra-European trade. The second is the course which may be followed with respect to de-industrialization in Germany. Obviously policy toward a reduction of Germany's industrial capacity is closely linked to reparations and to the standard of living which it is considered desirable to maintain. A standard of living being given, the larger reparations payments out of current output, the greater German's industrial capacity would have to be. This obvious relationship has defined the British and the American position against large reparations. This issue has, however, become academic for it is already clear that no, or at most negligible, reparations from current output can be collected from Germany, unless the United States is willing, as after the last war, to finance German reparations payments.

We have, however, this time affirmed as a guiding principle that payment for imports into Germany shall be a first charge on exports from Germany. Since at any standard of living one wants to choose, imports into Germany are going to exceed exports for a long time to come, the possibility of reparations from current output is out of the window. By the time Germany has recovered sufficiently to balance her external accounts the accumulated deficit on previous imports is apt to be so large that, if the first charge principle is followed, any export balance will be exhausted in meeting the deficit. We may, therefore, rule out reparations on current account as a factor determining Germany's future position in world trade.

There remains for consideration policy toward de-industrialization and the standard of living which is sought to be attained in Germany. The Potsdam declaration envisaged for Germany a "production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of standards of living of European countries." Preliminary findings of American experts indicate that this standard might be interpreted to mean a per-capita consumption in Germany perhaps ¾ as high as in 1938, or about equal to consumption in Germany in 1932 at the depth of the depression. These findings also indicate that even on favorable assumptions it will probably not be possible to attain these standards until three years after the end of the war.

The standard of living is a very fuzzy and elastic concept. It could embrace a wide variety of combinations of consumers' goods and services. However, if the combination bears any resemblance to what Germans previously consumed or to what other peoples in continental Europe consume it is certain that it cannot be maintained in Germany without a substantial volume of foregn trade. But the volume and character of that trade may be considerably influenced by the policy adopted toward German production facilities. This brings us to the question of de-industrialization.

The Potsdam policy is oriented in the direction of maximum self-sufficiency for Germany. "Production of metals, chemicals, machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved post-war peace time needs. . . ." The German steel industry would be reduced to a suggested 7 million tons of ingot capacity as compared with a pre-war capacity of 25 million tons, and other heavy industries proportionately. This would, of course, deprive Germany of her principal pre-war exports and she would have to turn to the maximum extent possible to domestic production of formerly imported products. The extent to which this is possible, however, is distinctly limited. Germany would still have to import large quantities of materials which could not be domestically produced. To pay for the imports she would have to develop an export of substantial volume pretty much limited to coal, potash and a very few other basic products and to consumers' goods not fabricated from heavy materials. Textiles and ceramics are suggested as possibilities. Whether this can be done remains to be seen.

I rule out, as being unworthy of serious consideration, proposals for an agrarianization of Germany adequate to develop an export surplus of foodstuffs. Hitler's efforts to stimulate agricultural output failed to achieve self-sufficiency for Germany although wheat and rye were produced at three times the cost of production outside of Germany. Since then Germany has lost 25% of her arable land and, if the existing program of population transfer is carried through, will have somewhat more than 60 million people to feed from her restricted territory. We are asked to believe that Germany could then develop a substantial export of foodstuffs in a world which will already be glutted with agricultural surpluses. The proposal makes no sense.

If the Potsdam industrial policy is carried through, the prospects are that the volume of German trade with the rest of the world will be much less than pre-war; her exports would consist predominantly of finished consumers' goods and of coal and potash; her imports would be predominantly the raw materials needed for consumers' goods production. The extensive pre-war trade between Germany and the countries of western Europe would be severely diminished. These countries would have to look elsewhere for markets and sources of imports of manufactured products. Whether or not German heavy industry could be transferred to neighboring countries is problematic. It is one thing to destroy heavy industry in Germany and another thing to build or rebuild this industry elsewhere. These and other questions, however, cannot be pursued further here. We must turn to a brief consideration of a third major influence on intra-European trade, British commercial policy.

British Trade Policy

The commerce of the United Kingdom in the period before the war was not so closely linked to the intra-European trade network as was the trade of the countries of western Europe. In 1938 about a third of the U. K. imports came from continental Europe and less than 2/5 of British exports were sold on the continent. British trade was more widely distributed with the rest of the world with an increasing percentage going to Empire countries. If, henceforth, the trade of countries making up the Russian security zone is largely or exclusively with Russia, Britain will lose some part of her customary European trade. If the volume of German trade suffers a permanent contraction Britain may, on the other hand, fall heir to a part of this trade with countries outside the Russian security zone. Political considerations will undoubtedly augment economic interests in encouraging the development of this trade relationship. If, however, the tug of war between east and west splits Germany in two, the subsequent integration of western Germany into the economy of western Europe will involve consequences for Britain's trade with Europe which defy prediction.

Meanwhile Britain is taking energetic steps to restore her trade with various countries in the continent. Since the summer of 1944 she has entered into bilateral financial and trade agreements with Belgium, Sweden, France, Denmark and the Netherlands.[4] These agreements, which all follow pretty much the same pattern, accept the prevailing exchange control system, establish or recognize a rate of exchange, and provide sufficient credit on both sides to assure that trade will not be handicapped by lack of means of payment. These agreements are all technically discriminatory in the sense that the credits provided cannot be converted into other currencies, but must be used to pay for imports from the country participating in the agreement. Since, in the absence of such arrangements, it is doubtful whether much if any trade would move, it cannot be said that the discrimination is of a sort which might injure the interests of other countries. If, however, these arrangements extend beyond a period of transition and are accompanied by such controls as may be necessary to keep trade in the channels which have been established the basis will have been laid for a policy of great significance for the future course of European trade.

We are told that the possible courses of action that confront England in the field of commercial policy are (1) co-operation in a multilateral trading system with the rest of the world, (2) the formation of a preferential bloc of western European and Empire countries within which trade might be relatively free, and (3) the consummation of bilateral arrangements with interested countries.[5] We are further told that the conditions necessary to Britain's co-operation in a multilateral trading system are the maintenance by other industrial countries of the world—meaning the United States—of full employment, an acceptable balance of imports and exports and a stable foreign economic policy.[6] It is no doubt highly desirable that the United States attain these objectives. I consider it questionable, however, whether Britain is in a position to be quite so "choosy" as this statement of conditions would imply. It furthermore seems to me doubtful whether the possible courses of action open to Britain are quite so clear-cut.

On security grounds it would seem to be of great importance that Britain cement her relations with the countries of western Europe and her Empire without losing the good will of the United States. These security conditions set a very difficult problem for British commercial policy. It can only be solved, I believe, by full British cooperation in a multilateral trading system. The second and third choices are so inferior as to constitute, in effect, no choice at all. They may be feasible commercially but they cannot be embarked upon without seriously jeopardizing Britain's power position in the world. The United States has no interest in jeopardizing that position; in fact, quite the reverse is true. We have a great interest, moreover, in establishing the conditions necessary for multilateral trade. On grounds both of national security and economic interests, therefore, it follows that such assistance as Britain needs from us in order to make possible her cooperation in a multilateral trading system is a good American investment.

On the assumption that this investment is made, one may probably expect that the trade of western Europe will also be a part of a multilateral trade network rather than a part of a western Europe-British Empire preferential system. If western Europe can succeed in replacing the trade lost through a permanent decline of Germany's economic position, it will probably be by way of an expansion of commerce with countries outside of continental Europe. Whether western Europe can replace this trade; whether western Europe can in fact again become prosperous with a Germany which is permanently depressed, is, however, a matter of grave doubt.

To one who believes that a high level of intra-European trade and the avoidance of a cleavage between East and West can make an important contribution to peace and prosperity in the world, the present course of European events offers food for melancholy reflection. The absorption into the Russian economy of the trade of eastern and southeastern Europe is a thoroughly uneconomic development which can persist only if the potential power cleavage in Europe becomes a reality. If this should happen a permanent partition of Germany between east and west appears to be a real possibility. Whether or not partition occurs a policy of thoroughgoing de-industrialization in Germany will reduce the volume of intra-European trade disastrously for years to come. The recovery of western Europe under these circumstances becomes a much more difficult task. It is a task, however, which can be facilitated by the establishment of the conditions necessary to integrate the economies of western Europe into a world network of multilateral trade. In the fulfillment of this task the United States has great interests, great resources, and great responsibilities.

4 Cf. Board of Trade Journal.
5 Cf. Sir William Beveridge, *Full Employment in a Free Society*, Part VI.
6 *Ibid.*

Herbert Stern Admits Wm. Rosenfeld, Jr.

Herbert E. Stern & Co., 30 Pine Street, New York City, members of the New York Curb Exchange, announce the admission to general partnership of William I. Rosenfeld, Jr., Captain, A. U. S., a member of the New York Curb Exchange.

Mr. Rosenfeld formerly did business as an individual Curb floor broker and conducted his own firm, William I. Rosenfeld & Co.

Should We Subsidize Britain?—Two Different Views

HERBERT M. BRATTER

(Continued from page 2323)

now well established as the laboratory for the germination of international politico-financial plans. Among its technicians one can find some who are as unhappy with the British loan prospect as is Mr. Crawford, although for unlike reasons. They fear that this country will not be liberal enough to do for the United Kingdom the job that needs to be done; that we shall do only half or three-fourths of a job, with all that this implies for a few years hence. This is the view of some of those who listen with the greatest sympathy to Britain's current demands; men of financial good-will toward Britain.

One well-informed Washingtonian, a close observer of the Anglo-American negotiations, when interviewed by this reporter last week, expressed the feeling that Congress will not likely make a loan to the British in an amount large enough to assure the pound sterling a margin of safety. Lord Keynes is reported to estimate Britain's probable need for hard-currency aid in the next 30 years as between $3 and $6 billions, whereas reports have it that the Anglo-American negotiators have submitted to the British Government a plan calling for $4 billion. If Canada makes available one-tenth of whatever we lend the British, as our Northern neighbor is said to be ready to do, and if South Africa can be persuaded to make more than a token loan in supplement thereof, Britain should be able to count on not less than $4½ billions. This, say the advocates of generosity, cuts the cloth too closely and does not leave enough room at the seams. Peering into the future, they foresee that Britain will need not less than $5 billions.

Terms More Important Than Amount

But even more important than the amount of credit to Britain are the terms of the transaction, these analysts think. According to one of them, who prefers to remain anonymous, an interest rate on a long-term loan to Britain "at ½ to ¾% would be generous, at 1½ to 2% would be liberal, but at more than 2% would be only on a business basis. And remember, the rate we fix will be a pattern for others from whom Britain must borrow. If Britain can secure aid without unduly burdening its balance of payments in coming years it can the more quickly give up wartime restrictions on trade. So it is to our interest as seekers of a multilateral system of trade to be generous now in this matter. The important thing is to help Britain restore a balance in its current international transactions as soon as possible and to assure that country the help needed to bridge the transition period. By being liberal to Britain now we may shorten that period, for liberality will give strength to sterling." This viewpoint, we may assume, has been discussed by the British-American financial negotiators against the background of what Congress is thought likely to accept. Once the British Government consents to the unveiling of a financial and commercial program as a result of the recent conversations, one may expect to see the above views elaborated and widely disseminated.

Disposal of "Blocked Sterling"

In the same parcel with a combination gift-loan to Britain, a hoped-for Anglo-American agreement of international commercial policy, and a plan for settling Lend-Lease obligations, there must be a suggestion for solving the problem of the large sterling balances due other countries which have been accumulated in London during the war. On this subject my informant has some definite suggestions, stating:

"Britain cannot deal with this 'blocked sterling' problem as an ordinary debt. To liquidate $14 billion of sterling indebtedness even over a period of 50 years would require annual payments of $550 million a year on a 3% interest basis. The expansion of Britain's pre-war exports by 50% is difficult; but it can be done. To add to this an obligation of $550 million a year, in addition to the indebtedness that will be incurred to finance the transition, would be beyond Britain's capacity, certainly within the next decade. To secure an export surplus of $550 million a year to service the sterling balances would require in fact an expansion of exports on the order of $700 million a year, if imports for British use are not to be curtailed below the low 1938 level.

"To resume the convertibility of sterling, some means must be found to reduce the aggregate sterling indebtedness and to finance it without heavy interest charges. Britain can legitimately request the holders of sterling balances to reduce the aggregate of their claims as part of their contribution to the war. It is worth a good deal to India to have kept Japanese conquest from penetrating to that country; it is worth a good deal to Egypt and to the Middle East to have kept German and Italian conquest from that area. The war payments which Britain met for the defense of these areas, when difficult political negotiations could not be undertaken and when the aggregate cost of the war could not be determined, should now be renegotiated so that these areas and the British Empire countries assume a fair share of the cost of their own defense.

Suggests Cancelling Part; Gradually Repaying Rest

"It is not practicable to ask these countries to give up all of their sterling balances as their contribution to meeting the costs of the war. They have already made large sacrifices in providing the real resources for carrying on the war in return for payments that can be used only for deferred imports. For some of these countries, the sterling balances represent nearly all of their monetary reserves. A reasonable compromise can be made by reducing the sterling balances and arranging for their gradual liquidation. This would take account of the needs of the sterling area countries for monetary reserves and their obligation to share in the costs of the war.

"With a substantial reduction in sterling balances Britain could undertake to make convertible immediately an amount of sterling needed by these countries as normal working balances to finance their international trade. The remainder could be funded in sterling annuities payable over a considerable period without interest. Even a moderate rate of interest would increase enormously the burden to Britain in liquidating the wartime balances. Furthermore, nearly all of these countries financed their accumulation of sterling balances by monetary expansion. The increase in their sterling balances corresponds largely to the increase in cash balances in these countries and involves little or no interest cost to their monetary authorities."

The Position Britain Takes

In the view of my informant, who has had much opportunity to study the matter, the British public would welcome any plan which would enable that country to participate in a program for a world economy. On this point his comments were:

"If the special problem of the transition could be solved, Britain would be prepared to assume the risk that a world economy can be made to work. This, in substance, is the position that British spokesmen have always taken. Now, with the end of the war, the magnitude of Britain's transition problem is clear. The countries that stand to gain most from the restoration of a world economy—Britain herself, the United States, Canada, and the countries of the sterling area—should in their own interests agree on a program that will enable Britain to meet this problem.

"A program for this purpose will involve financial aid on terms within Britain's capacity to repay and in an amount that will enable her to dispense with the restrictive and discriminatory arrangements designed to meet her transition needs. The aggregate amount of such aid from the United States and other countries would have to be about $5 billion. Clearly, it would not be desirable to reduce the amount to a level that would raise doubts as to its adequacy and require the retention of harmful restrictions. The aid should be in the form of credits repayable over a long period after Britain's balance of payments has been restored, repayment to begin in the post-transition period, about five years from now. The interest rate must of necessity be less than would be expected on a banking basis. Britain will have to meet not only the transition debt, but also a large part of the wartime sterling debt. The burden should not be increased by heavy interest charges.

"If the transition problem were met, Britain would be in a position to establish the full convertibility of sterling hereafter derived from current transactions. Obviously, accumulated sterling balances could not be made freely convertible, even when they are needed for current trade in other countries, until satisfactory arrangements are made to scale down by 40 to 50% the large balances accumulated by the sterling area countries as a result of Britain's war expenditure. When this has been done, some part of these sterling balances, not to exceed $2 billion, could be held as working balances convertible under the terms of the International Monetary Fund, and the rest could be funded into long-term sterling obligations without interest. Because such a settlement of the sterling balances is essential to enable Britain to assume the obligation of immediate convertibility of sterling, it should be part of the arrangements made by Britain to deal with the transition problem.

"If means were provided to enable Britain to maintain her imports during the transition, and if sterling were made convertible, it would be possible to abandon promptly the sterling area dollar pool."

JESSE JONES CALLS FOR CAUTION

(Continued from page 2323)

have some opinion of current proposals to do something for Britain that will take the place of Lend-Lease."

"That is right," said the present owner and publisher of the Houston "Chronicle." "In the editorial columns of my paper my views on financial help for Britain have been clearly set down. That they are my views, I do not deny. There is nothing I could say on the subject now that would not be repetitious."

Mr. Jones' views, as reported below, are therefore based upon the Houston "Chronicle" editorials, eight in number, published between September 11 and October 27.

Can't Be Called a Loan

Mr. Jones believes that the financial arrangement which has been under discussion with the British delegation now in Washington cannot be called a loan, lacks the elements of good business, is predicated on the erroneous assumption that the British cannot pay, is all give and no take, contains the dangers of other secret agreements, and will cost the United States dear.

In Mr. Jones' opinion, "the problem is one of reorganizing, compromising and adjusting debts of a nation that is pleading poverty or insolvency [but which] is not lacking in assets which might be applied in adjusting some of its debts, but does not wish to use any of them for this purpose. . . . The only alternative to a loan which has been suggested by the British has been a direct grant by the United States Government. . . . Our own heavy debt, together with the increased costs of government necessary to reconversion, should make Congress cautious about putting too much additional strain on our own credit. . . . The British can make certain contributions in return for some form of aid from the United States. . . . But until we have put our own house in order the British should not expect to find further aid here on anything but a business basis."

Assets Britain Could Use

Commenting on the fact that the British negotiators on arrival in this country were quoted as saying that they were "not in the mood" for a loan, Mr. Jones states that the United States is not in the mood for additional gifts, beyond those already made to bring an end to the war. Alluding to the British statement that they cannot entertain a regular loan because of the problem of repayment, the former Federal Loan Administrator replies: "This may be true, but repayment of a reasonable loan or advance need not be all in dollars. Certainly Britain is not without assets which could be used. . . ."

Citing the billions of dollars worth of scarce and critical materials which the United States to a very large extent purchased in the British Empire under his direction, Mr. Jones records: "A large part of these purchases were made from members of the British Empire and were paid for in cash, while at the same time we were furnishing Britain with our supplies through Lend-Lease and many of the supplies furnished Britain through Lend-Lease were made from the materials we bought from . . . the British Empire. . . . It would be to our advantage to stockpile [such materials] as President Truman suggested. The United States could very properly make advances against the delivery of such articles . . . say $500,000,000 to the British in return for future deliveries of such products.

"Early in the war Great Britain obtained a credit of $425,000,000 from the RFC secured by assets which the Britiish held in this country, together with earnings from British insurance companies doing business in the United States. . . . It is estimated that the collateral and the income now pledged would enable the RFC to advance probably $500,000,000 additional, with good prospects of repayment from the earnings in from 25 to 30 years.

"These two possibilities offer a businesslike basis for an advance of approximately $1,000,000,000. Such an operation would provide a method of repayment which the British can afford, and would make funds available while the executive departments and Congress are considering any future arrangements," Mr. Jones holds.

Sees British Propaganda Effective

Mr. Jones thinks the British are skillful at mobilizing American opinion in support of what they want here. To get support for a long-term credit "at an interest rate which would amount to only a service charge" they have scared American export interests. "The result has been a wave of support for some form of aid to Britain from producers and exporters of durable goods, marketers of oil, and the agricultural and dairy interests."

But, continues Mr. Jones, "any loan or advance made to Britain to please these interests would be in the nature of an export subsidy. It would mean that the American taxpayer, already saddled with a $300,000,000,000 national debt and facing an annual budget of $25,000,000,000 for government expenses, would assume an additional burden in order to protect markets abroad for special and limited classes of Americans. There is reason to question that American exporters need any such aid. Germany and Japan, both heavy exporters in the past, have been eliminated as competitors. . . . It is indeed time to put an end to subsidy operations. This harmful expedient, begun in the field of agriculture, has become far too widespread. . . . If we are to subsidize the restoration of the economies of Great Britain, France, Russia and China, and make loans to many other countries, Uncle Sam may soon become 'Poor Pa' indeed."

Congress Getting Wise

Mr. Jones takes hope from the changed opinions which certain members of Congress are reported to have undergone as a result of personal observations in Europe. He cites approvingly statements made by Senators Moore and Morse, and by members of the House postwar committee who were in Europe this summer. "The philosophy of the House sub-committee that we must 'take' as well as 'give' represents a viewpoint which, fortunately, is gaining more and more adherents. . . . It is believed that Great Britain should recede from its policy of imperial preference and that applicants for loans should first show their willingness to exhaust facilities offered under the Bretton Woods agreements and the Export Bank. . . .

"If the current expressions of Congressional opinion strengthen the hands of the American negotiators in demanding that any advance be based at least upon the cost of the money to this government with a businesslike arrangement for repayment, much will have been gained, and no less can be accepted. If in addition we can obtain other material offsets, such as trade concessions and bases, it may be possible for us to make an advance to the British that is not entirely one-sided. . . . More and more members [of Congress] are coming around to the view expressed by Mr. Colmer, when he said: '. . . We feel the United States does not necessarily want to "take" but there comes a time when giving must stop and value be received. That time is here.'"

Loan Plan Conceals Gift of Billion

In current suggestions that the negotiators are considering a $5 billion 55-year loan to Britain interest-free the first five years, and at a nominal rate thereafter, Mr. Jones sees concealed a huge gift from American txapayers to the British. "Any such plan would mean that the American taxpayers would have to pay rather dearly for the privilege of extending aid to Britain. The Government at the presnet time is paying approximately 2½% for its borrowing of long-term money, so that it would have to pay $125,000,000 annually—or a total of $625,000,000—for the $5 billion loaned Great Britain during the five-year period during which the borrowers paid us nothing. To this must be added the differences between the interest which the United States receives in subsequent years and what the Treasury pays for the money. It is probable that the differential may increase to $1 billion what it will cost the taxpayers of this country to give Great Britain the assistance her representatives say she must have. The cost would be greater if Great Britain failed to pay any part of the principal." And Mr. Jones thinks Britain may so fail, for he adds:

"The negotiators are . . . looking very far into the future when they talk of making a loan with a maturity of from 50 to 55 years. That covers a length of time in world history in which much can happen. Two world wars have been fought at an interval of only 25 years, and it took Great Britain less than half that time to repudiate the debt she owed the United States after World War I. That is not an encouraging record on which to base a future commitment running half a century." And Mr. Jones brings to his side the testimony of Senator Walter F. George, Chairman of the Senate Finance Committee, when the Senator observes: "I don't think this is the time to be pouring out a lot of money to any nation on earth. There are sound reasons why a policy of extreme caution should be followed."

Hits at Secret Negotiations

Mr. Jones hits at the secrecy of the Anglo-American negotiations which started in September, saying: "The American people, who will have to furnish whatever money is advanced to the British, are entitled to know what is going on in the current negotiations. A loan or credit of $5 billion or more from the United States Treasury does not fall into the field of personal government. There should be no secret understanding such as those by which the United States agreed to support Russia's demand for three votes in the United Nations Organization, and gave the Soviet Government control of lower Sakhalin and the Kurile Islands. . . . One way to avoid this is for the American and British negotiators to make a progress report to the nation. . . . Continued secrecy may lead to understandings between the negotiators which would not be acceptable to Congress or to the American people, and result in charges of bad faith and broken promises."

Sees UK Dragging Feet on Quid Pro Quo

In the view of Mr. Jones, apart from the dubious quality of British promises to repay a loan of anything like the size and duration of that which is apparently now under consideration, there is, according to his information, an unwillingness of the British to commit themselves to any commercial quid for the financial quo. They want the loan signed and sealed now, and will talk about commercial - policy commitments later. To quote Mr. Jones:

"The British evidently have not receded from their original position for a loan with interest payable only if, as and when convenient, and at a very low rate. They also insist that a part of the loan, if it can be called a loan, may be used in reducing the debt which they owe to their colonies. It is understood that the British have refused to make any concessions with respect to Empire preference, beyond a general statement that members of the international trade organization which it is planned to set up in June will undertake reciprocally to act to lower their tariff barriers gradually when they impede a high level of international trade. If that decision is to be deferred until June, 1946, any loan or advance should be deferred so that whatever agreement is made which entails money from the United States Government may be a part of an overall contract.

"So far as the contemplated agreement has been made public by our negotiators, there is nothing in it that can be recommended to the American taxpayer. . . . No loan, credit or advance should be made to Great Britain on terms that cost the American taxpayer anything. There is no reason why Great Britain cannot afford to pay as much for the money we may let them have—if we let them have any—as it costs us. The British in return should facilitate the resumption of normal international trade in every way possible. As long as blocked-sterling areas remain and the British Empire preference policy continues, this will be impossible. Congress, which will have to ratify any agreement which the British-American negotiators have made, should reject any proposed loan which lacks the elements of good business as this one appears to do."

Public Interest Takes Precedence In Labor-Management Strife

(Continued from page 2331)

labor education long sponsored by the mature labor movement which existed in Great Britain and other European countries. Some of our union organizers were distinguished by their physical force rather than by their training in economics, industrial and social relations.

In many respects the same was true with industry. Our great industries grew so fast that they had no time to learn the complicated business of labor relations. Many of our industries, too, were built by aggressive and dominant men who were impatient with the practice or even the idea of dealing with their employees as equals. Even now, there are some who have refused to learn the facts of modern, industrial life.

To Develop Leaders in Industrial Relations

Today, the old rules of force and violence are as out of date as the posse which strung up a horse thief on sight. We are growing up. We must now attain the age of reason. One of the things of which I have been proudest during my three years in Albany is our splendid record in the relationship between capital and labor in the State of New York. During the war we led the nation in avoiding strikes on the production front. We still maintain this leadership, thanks to the wisdom and understanding that business and labor leaders of our State have shown. Now, at this school, we propose to develop the trained leaders who will know how to solve our industrial and labor problems of the future.

We know now that the negotiation and debate involved in labor relations must be based upon a knowledge and understanding of the economic process, of the history of industrial development, of the effects of technological advances, and, of course, of the complicated inter-relationship of prices, costs and wages. We can no longer afford to have among our leaders of labor and industry men who do not know the economic effect of many factors in our financial system, of tariffs, of the myriad types of taxation and the delicate balance between production and consumption.

Our whole future depends on the intellectual capacity and the moral determination to work out our problems peaceably at the conference table. But this capacity and this determination must be solidly based upon knowledge and training. The future leaders in this field must understand the broad fundamentals that men can only earn more in the long run by producing more with modern facilities; that business can exist and get the capital which creates jobs only if it makes a good profit that no one piece of our economy can be happy or prosperous if it attempts to profit at the expense of the rest. Both sides must learn that the interest of the public at large is paramount and that the bargaining between capital and labor must scrupulously avoid putting a burden on the public too great for it to bear. Excessive wages or excessive hours of work can be such a burden. Strikes which interfere with the public generally can be such a burden. Too high prices can be such a burden. In short, a trained understanding of all the factors in industrial relationship must take the place of force. The yes or the no from either side of the conference table must be accompanied by reason and sound argument.

To serve the general welfare, the State of New York is establishing here at Cornell a unique educational institution to train the men and women who will deal with these problems of ours in the future. It is an adventure in broadening the horizon of the mind of man. It is an effort to expand men's knowledge in a field where too often passion and prejudice over-ride judgment and truth.

Dogma Not to Be Taught

This is no labor school where dogma will be taught, from which trained zealots will go forth. This is no management school where students will learn only to think of workingmen and women as items on a balance sheet. This is a State school under the sponsorship of our great, progressive land-grant university and under the direct control of a board of trustees selected from all walks of life—from education, from business, from labor, from agriculture and from the professions.

It is a school which denies the alien theory that there are classes in our society and that they must wage war against each other. This is a school dedicated to the common interest of employer and employee and of the whole of the American people. It is dedicated to the concept that when men understand each other and work together harmoniously, then and only then do they succeed.

The State of New York will here provide the equipment to abate the fevers which rise from claims and counter-claims which are now the language of industrial relations. We will be applying the tested techniques of study, research, and analysis to the crucial social and economic problems of our time. The future leaders in industrial relations for both labor and management will learn here to do the sifting and winnowing by which alone the truth may be found.

Second only to the need for leaders of broad vision is the need for a community which takes an alert and informed interest in those problems which affect us all. Public opinion is often the final arbiter in a labor dispute and this school will seek to make the whole community better informed about the problems of both management and labor.

These, then, are the great purposes to which this school is dedicated. We entrust its destiny to a distinguished faculty under the leadership of a great public servant who led the way in its creation—Dean Irving Ives. I know it will receive the support of men of good will everywhere.

I am happy and proud to dedicate this, the New York State School of Industrial and Labor Relations, to the increased productivity of our economic system, to peaceable relations between management and labor, to an ever higher living standard for all our people, and to the inner security of the human soul which can come only to free men.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

New highs point to still higher prices. Intermediate reaction indicated which should be used to buy stocks missed on recent advance.

The strength in the market during the final days of last week put both averages through their old highs. That is an accomplished fact and not arguable. But what is debatable is how such a confirmation of one average by the other will affect the immediate trend. Bullishness in itself is not an absolute. At best it is a relative. Its contributing components come from all sorts of things; fear and hope play a large if unmeasurable part.

* * *

Fear is a corollary to hope in stock market transactions. Right now it is the fear of inflation that is bringing in thousands of new buyers. But while fear in itself can attract buyers it can also increase the number of sellers to tremendous proportions. For if hope of profits can attract many new buyers the change of hope to fear can cause a stampede the effects of which are incalculable.

* * *

There is little doubt but that lots of new buying was held off until the averages moved up into new high territory. It isn't that an establishment of a new high means very much to the public. But as the greater majority of actual and potential buyers are guided by brokerage opinion, which is guided largely by technical factors, its effect on the market is considerable. This effect, however, is belated in character. It represents the explosive factor which makes prices zoom at one time and plummet down at another time.

* * *

In the past few weeks the strike situation has beclouded the market horizon. It has repeatedly been said here that strikes in themselves are not bearish. It is when they are in the formative stage, that is before they are even threatened, that they are serious. Having explained the reason for this opinion in past columns no additional space need be taken up here. Now another piece of news comes to the fore—profits. As the year approaches its end more and more earning statements will be made public. There seems to be considerable confusion about the smallness of profits that many companies are reporting and will continue to report for 1945. The fact is, however, that many companies are charging off practically everything they can think of. If ordinary accounting methods were followed I believe profits would

(Continued on page 2363)

Cross Co. Preferred Shares Publicly Offered

Offering of 60,000 shares of 5½% cumulative convertible preferred stock ($10 par) of The Cross Co. was made Nov. 9 by F. H. Koller & Co., Inc. The stock was priced to the public at $10 per share.

Sugar Prospects for 1946

(Continued from page 2324)

modity family in a world trying to recover from the wounds of war. Victim of war-sundered trade routes, submarine sinkings, destroyed plant and field facilities, manpower shortages and strikes; victim, also, in the earlier war years, of the emphasis placed by governmental edict on more favored crops, and, in many cases, of poor Government planning, sugar, from a supply standpoint, has probably reached the depths of its misfortune. That state, however, has its compensations. Matters can hardly get worse; in all likelihood they will get better. In short, we are probably witnessing the turning point right now.

However, the climb back to adequate sugar supplies for the United States and for the world generally will be slow and difficult. It will not be a matter of months, but of years. Sugar, the first food commodity on the ration list, will probably be the last off. But from now on, sugar should progress step by step up the percentage ladder until that happy day when a ration check is as obsolete as the horse-car.

It would seem, that with profit to all of us here, we might look over briefly these factors which will bear on sugar during 1946. First, supplies; second, price, and third, rationing, both as to quantity and duration.

Prospective Sugar Supplies

In order to give you a perspective of just how this question of supplies shapes up for the year 1946, the following figures are what we may reasonably expect to be available in 1946 from the areas which customarily supply the United States. All figures are given in short tons, raw value.

Latest estimates indicate a total Cuban raw sugar crop of approximately 4,700,000 tons. Puerto Rico is expected to produce about 1,000,000 tons, and Hawaii, 900,000 tons. Domestic beet sugar crops, figuring the carryover from 1945, plus the amount to be distributed from the 1946 harvest, should be good for another 1,400,000 tons. Florida and Louisiana combined should contribute about 300,000 tons. Odds and ends from the Virgin Islands and full duty countries, principally in the Caribbean area, might contribute another 50,000 tons.

These figures add up to a total of 8,650,000 tons from which must be deducted a total of 450,000 tons that will probably be consumed locally in Cuba, Puerto Rico and Hawaii, leaving a net balance of 8,200,000 tons. Please remember this figure of 8,200,000 tons for we shall revert to it later.

No provision in this supply picture has been made for arrivals from the Philippines or Java. It seems almost certain that little or no sugar may be expected in 1946 from the Philippines where much devastation has been wrought both in the mills and in the fields. Armed guerillas still roam the countryside in all Philippine sugar-producing areas. Life is very unsettled there. Such conditions certainly do not make for sugar production—in fact, just the opposite. In addition, latest reports indicate a decided tension in these Islands between the field workers and small farmers on one hand and large landowners on the other. A sort of agrarian revolt seems to be in progress.

On top of all this it is scarcely likely that those firms, both United States and foreign, who own the bulk of the Philippine sugar properties, will pour in millions of dollars for the necessary repair of their properties until such time as the United States Government's program for the rehabilitation of these Islands has been definitely decided upon and enacted into law. This has not yet been accomplished. It still remains to be seen what will be decided on such matters as the quantity of sugar which may be permitted to enter this country free of duty, or at a preferential tariff, the duration of such preferential treatment once the Philippines achieve their independence next July 4th, the credits or grants-in-aid to be extended to the new Philippine Government by this country, etc. Certainly, most firms controlling sugar mills in the Philippines, in the interest of their stockholders, will not commit themselves to additional heavy expenditures necessary for substantial sugar production until our Government's program has been spread on the statute books.

As to Java, much public speculation and hope have centered around the unexpected discovery of a sugar stockpile in that Island amounting to 1,600,000 tons. Secretary of Agriculture Anderson, according to press reports last week, has again confirmed the existence of this sugar bonanza. Here, again, however, you have an insular area prostrated as a result of World War II. Furthermore, an internal war is going on in Java as the Indonesians attempt to break loose completely from the type of control exercised by the Dutch Government in prewar years. Entirely apart from these tragically upset conditions in this Netherlands' possession in far eastern waters, there are many practical problems of finance and distribution which will have to be worked out before one knows whither this sugar will go and at what price. Presumably it is still the property of the Dutch; presumably they will set the price for it, and presumably they will have a voice in its ultimate distribution. There will be many claimants for it. All the pre-war purchasers of Java sugar, and we were not one, will undoubtedly push the merits of their claims. What quantities from this Javan treasure trove may come to rest and where, among the various nations ravenously hungry for sugar, may well serve today as one of the world's outstanding guessing contests.

If we are very, very lucky, we may get some of this sugar. At the moment, however, it seems safer not to count upon it as any part of our potential supply for the coming year. Probably the best that can be said is that its over-all distribution may serve to lighten somewhat the burden our Government will face in aiding other nations with sugar from Western Hemisphere stocks.

Let us now return to that round figure of 8,200,000 tons which we estimated will be available for the United States in 1946, granted Providence smiles upon us in the way of weather and granted the human factors necessary for production achieve close harmony and efficiency. Just what quantity will be available out of this figure for the civilians of the United States is a mixed pattern of sunshine and shadow.

We might dwell upon the shadowy or pessimistic side first. Cuba is now fighting for 300,000 long tons of this sugar to take care of her pre-war Latin American markets. The Commodity Credit Corporation, in its negotiations for the purchase of the coming Cuban crop, wants to allow only 50,000 tons for this purpose. Last year the Cubans were allocated 150,000 tons for free export. Their desire to augment this quantity is readily understandable in light of their desire to retain their markets among our southern neighbors and also in light of the fact that Peruvian raw sugar has recently sold at 8 cents per pound and refined at 10½ cents per pound. There is a strong possibility this issue may be compromised; Cuba may receive again for free export about what she received last year, or possibly a little more.

Again, the United Kingdom and Canada, as well as other countries, will be claimants for part of the available sugar supply. Several hundreds of thousands of tons of the total supply will undoubtedly be shipped abroad during 1946, through allotments made by the CCC. Another claimant for a part of this sugar will be the United Nations Relief and Rehabilitation Administration. Their takings, while small in 1945, will undoubtedly be larger this coming year.

Another shadow that hovers over our potential supply is the ever-present manpower problem that confronts the domestic beet processors. This year large numbers of war prisoners were used to achieve the final sugar beet harvest by both the beet companies of the west and the east. Most of this type of manpower will be lacking next year, and a real problem faces the beet processors in the matter of a sufficient labor supply to assure production of the size crop we have estimated.

A final shadowy point, which must be borne in mind in trying to figure out just how much the citizens of this country will benefit during the coming 12 months from the anticipated sugar supply, lies in the possibility that governmental agencies concerned with sugar will go on a stockpiling spree. After having been harried by acute shortages these many months past, it is not unreasonable to feel that there will be temptation on their part to build up reserve stocks. In other words, the pendulum might swing from one extreme to the other.

Despite the foregoing, there are counterbalancing points on the sunshine or optimistic side of this pattern. First and foremost of these is the fact that the Army is tapering off its buying and beginning to live, in some measure, on its sugar stocks. Certain of the empty bags and containers in the hands of refiners, originally destined for Army use, are now being prepared for resale under the Army's renegotiation authority.

Furthermore, demobilization of members of our armed forces is proceeding rapidly. According to press reports, demobilization will reach a peak of some 700,000 men per month in December and January, and by July 1st next year, some 8,000,000 men and women or more from the Army, Navy, Marine Corps and Coast Guard, will have have passed from military to civilian life. Their sugar consumption while members of the armed forces approximated 155 pounds per capita annually, but as civilians, based upon figures for this year, their consumption will be reduced to around 78 pounds. In other words, the quantity of sugar allotted to this segment of our population will be cut almost exactly in half.

Another optimistic sidelight is the fact that there will be no Lend-Lease shipments next year of sugar, or products containing sugar, from the United States or from Cuba. This year it looks as though approximately 300,000 tons of refined sugar for Lend-Lease and other exports will leave the shores of Continental United States and a little over 200,000 tons will leave Cuba.

There is now no lack of shipping tonnage, nor will there be next year. We have been blessed with huge cereal crops of wheat and corn, and it is to be hoped that the Government will utilize its vast merchant tonnage, wherever possible, to aid other nations with these crops, particularly in the form of whole wheat and flour, to reduce the outflow of sugar.

We also have as a factor on the credit side of our supply situation for next year the aggressiveness of Secretary Anderson who, ever since he took office on July 1st, has been doing an outstanding job in stimulating production. He has already raised substantially the incentive payments to insure next year increased production of sugar beets in Continental United States and sugarcane in Louisiana, Florida and our insular areas.

And finally, on the sunshiny side of our sugar supply pattern, we have the fact that although stocks on Dec. 31, 1945 will be abnormally low, there are no longer large balances of sugar ration evidence backed up in banks to hover as a sword of Damocles over year-end stocks. These balances, in the main, were converted into physical sugar during the third quarter of this year. They no longer constitute a potential drain on supplies.

Summing up the sunshine and shadow balance sheet it would appear to us that foreign withdrawals from our potential supply of 8,200,000 tons should be substantially less next year than this year. In fact, with good fortune in the way of weather and with restraint on the part of the Government on foreign commitments, it would appear that Mr. John Citizen of the United States should have some 800,000 to 1,000,000 tons more sugar to eat and drink in 1946 than 1945.

Sugar Prices

Now as to price, it is still a moot question whether the Government will see fit to raise the ceiling on refined sugar as we begin to use new crop raws after Jan. 1st. It is no secret that sugar, both cane and beet, in this country has been heavily subsidized by the CCC; in point of fact, Uncle Sam has subsidized sugar with a vengeance. It is estimated that the total subsidies of all types paid out during 1945 on sugar alone will amount to upwards of 100 million dollars.

The CCC, after purchasing the Cuban crop in 1942, 1943 and 1944 at $2.65 per 100 pounds, were forced to pay $3.10 for the 1945 crop and they have already bid $3.67½ for the Cuban 1946 production. The CCC, having absorbed the 1945 increase in price, may find the additional increase indicated for 1946 too much for them to swallow. Based upon published statements by high officials, it is the avowed intention of the Government to reduce or eliminate food subsidies wherever feasible.

It is possible, therefore, that sometime after Jan. 1st the Office of Price Administration will raise the ceiling on refined sugar anywhere from 50¢ to $1 per 100 pounds in order to shift part of the subsidy burden from the Government and taxpayers to the ultimate consumer. This is by no means a certainty, but it is a distinct possibility.

In very few commodities has the hold-the-line policy been more tightly held than on sugar. Let us look at the record. On Aug. 14, 1941, before price ceilings were inaugurated, a bag of sugar at the refinery in New York City cost $5.35 per 100 pounds less the customary cash discount. On Oct. 15, 1945 the price for a bag of sugar at the New York refinery was $5.50. During this same four-year period a bushel of wheat on the farm advanced from 88½¢ to $1.51; a bushel of corn from 70¢ to $1.13; a pound of cotton from 15.3¢ to 22.3¢, and a bushel of potatoes from 68.6¢ to $1.26. Certainly it should cause no surprise in the mind of anyone familiar with comparative pre-war and war commodity prices to find that a modest advance might be authorized by the Government in sugar in order to follow through on their policy of cutting down subsidies.

One of the opening guns in the efforts of the Government to get away from subsidization is to be found in the elimination of the butter rollback of 5¢ per pound which took place in October. Butter prices immediately advanced a corresponding amount as a result of this subsidy withdrawal. A precedent here has been established which may later have its repercussions in the sugar field.

Duration of Price Control

As regards the duration of price control of sugar it seems an almost foregone conclusion that this control will have to be maintained throughout all the year 1946. Even the most optimistic estimate covering available supplies will not meet the minimum estimated demands were a free market to exist in the acquisition of sugar. In fact, it seems more than probable that Government price controls may have to be carried on well into 1947 to avoid runaway prices on sugar.

The third and last general topic on sugar, in which all classes of sugar users are interested, is that of the probable Government rationing program for 1946 and the probable duration of rationing itself. Any attempt to forecast the Government's rationing program for sugar as we swing into the new year is naturally purely a matter of guesswork. If one is to guess probabilities, then the probabilities are that the household and industrial rations on sugar will in all likelihood remain the same during the first quarter of 1946 as the last quarter of 1945.

The OPA in its rationing program has attempted to be conservative. This statement is made despite the brickbats thrown in its direction over the free issuance of home canning certificates during 1944, a development which apparently was brought about by several contributing factors. It would seem that a conservative viewpoint on sugar rationing will probably appeal strongly to the OPA until additional information has been developed as to the actual size of the new sugar crops and the extent to which the current ration figures, both consumer and industrial, have evened up sugar outgo with sugar stocks and supplies.

Despite the likelihood of the OPA's maintaining a conservative policy in rationing early next year there is at least some ground for the thought that if one takes an optimistic view of this question an increase of some 10% in the industrial users' allotments might well be considered by the OPA as we start the new year, accompanied by or followed a little later by some increase in the housewife's ration.

The housewife is now, and in the future will be, keenly desirous of having access to augmented supplies of manufactured products containing sugar. A small increase in the industrial users' ration, therefore, will not annoy her a bit. Here we have a neatly dovetailed situation, which if recognized by the OPA, can kill two birds with one stone, i.e., give the housewife a better supply of beverages, baked goods, confections, ice cream, etc., and at the same time allow manufacturers to step-up their production somewhat, thus cutting costs and increasing employment, both very desirable factors in the conversion from war to peace.

This idea of a 10% increase in industrial allotments for the first quarter of next year is not quite so daring as it might sound, even though year-end stocks will be quite low. Sugars withdrawn by manufacturers from sugar suppliers will not be taken out in one lump sum right at the beginning of the year, but deliveries, under the OPA 30-day inventory regulation, will be spread out over the quarter. Therefore, refiners and beet processors will not be swamped with too much business in any single month. Later, as the weeks of the new year roll on, sugar supplies should steadily increase.

When we reach the end of the first quarter of next year and face the probable sugar allotments for second quarter usage very definite increases may well be expected in both the household and industrial rations. In the case of average industrial users such ration might well reach 70 to 75% of 1941 usage as compared with the current 50%. Again, based upon our estimated supply picture for next year, it would seem that further increases in all types of sugar ration allowances may be expected in the third quarter.

Rationing Outlook

Having come this far along the pathway of surmise a possibility exists if our present optimistic forecast of 1946 production is borne out that the household consumer may be freed of all sugar rationing by the fourth quarter of the coming year after the canning season has largely ended. In the case of industrial users, however, rationing or some other limitation on the acquisition and use of sugar is most likely to continue throughout the entire year of 1946 and possibly some time into 1947.

To sum up then, we are witnessing the first signs of a break in the gloomy skies of a short sugar supply. Prospects for production in this country and the insular areas which supply us are greatly improved as compared with the 1945 picture. Even now, sugars refined on the Pacific Coast, which, for many weary months have found an all-absorbing market there, are creeping over the Rockies and filtering onto the great plains east of the Continental Divide. Western beet sugar is flowing into Indiana and Ohio, permitting a better supply of sugar for East Coast buyers than otherwise would be the case. New Orleans refiners, after having been closed throughout most of October, are now receiving a steady volume of Louisiana raws. The Philadelphia refining industry which was two-thirds shut down by a seven weeks strike is now again back in operation. Yes, the future for sugar supplies is looking up and OPA is doing a good job in spreading these supplies as they become available.

As to price we have a situation where sugar under its tight Government controls has been a negligible participant in the creeping inflation which is evident in most of the things that the United States citizen buys. However, since past experience teaches us that even mild inflation in a closely integrated society sooner or later catches up with practically everything it would be well to bear in mind the possibility of sugar joining this inflation parade. It certainly warrants keeping a weather eye to windward for it.

As to sugar rationing, it will, in all probability, be with us throughout most of next year, and in the case of certain classes of sugar users, all of next year. Nevertheless, the skies are beginning to clear and very definite increases in the ration allowances are in prospect for all of us during the second, third and fourth quarters of 1946. With a little spice of daring on the part of OPA thrown in for good measure, it is even possible that industrial users and housewives may be able to secure a modest increase in their rations as we come into the new year. Sugar is even now turning the corner—let us therefore take the optimistic approach and make the most of it.

Virginia Securities Company Is Formed

NORFOLK, VA.—Announcement is made of the formation of the Virginia Securities Company to succeed Aycock & Company, Royster Building. Principals of the firm are Henry G. Isaacs and Charles L. Ivey.

Theodore M. Rust and William D. Sullivan will be associated with the firm in the sales department.

What Do the Charts Forecast?

(Continued from page 2322)

preted, they are as valuable to the investor and speculator as a compass is to a mariner. They are based upon the general principle that the technical position of the market or of any individual security is the one important factor affecting price and trend. Experience has proved on innumerable occasions, and without exception, that "good news" cannot cause a market which is technically weak to advance, and that "bad news" does not break a market which is technically strong.

Generally speaking, an advance in the market or in an individual security can be divided into three phases, namely (1) Accumulation, (2) Uptrend, and (3) Distribution. When these three phases are repeated several times, usually at least three, at progressively higher prices, we have what is commonly known as a bull market. The reverse of these phases is generally known as a bear market.

Charts distinctly show the above three phases with amazing clarity. The ideal time to purchase a security is at the time when the accumulation phase has been completed and the uptrend phase has just started. The ideal time to sell this security is at the beginning of the period of distribution. A proper analysis of the charts enables one to pick these spots clearly and easily.

II

Interpreting the Recent Trend

I am now going to give you a short synopsis of what the charts have demonstrated to me during the past few years. I see in this audience quite few people who have been receiving my weekly market letters for more than ten years. You can be assured, therefore, that I shall stick closely to the facts and forego what might be a natural impulse to exaggerate. As you all know, a long bear market culminated in April 1942, with the averages around 93. Five days later, on May 4th the charts indicated to me, and I stated that the bear market had been completed. By the middle of May, with the averages still below 100, I was able to state that when the averages would cross 100 a dynamic advance would be indicated, and for the first time I presented a long list of stocks for purchase. In looking over that list preparatory to today's talk, I found that I then had recommended only high grade peace stocks. Please bear in mind that this was only four months after Pearl Harbor. By July 14th, and the averages then were only 107, I stated unequivocably that we were in the primary phase of a long-term bull market which would last for several years. I mention this to you, not by way of self-praise, but in all humility and modesty in pointing out what were the chart indications at that time. I might add that in January 1942 I had already written "The Coming Boom in Railroad Securities," all based upon chart work. What railroad securities have done since that time is now a matter of history.

The charts remained bullish on the market until early in July 1943, when, with the averages at 144, the charts indicated the approach of an important resistance level and I stated that the area above 145 should be regarded as a selling area. The averages reached about 146½. Thereafter, an intermediate decline brought the averages back to 129 by November; when the trend, according to the charts, again turned upward. The reason for the July-November 1943 decline was that when the market reached the 145 level, it reached the lower part of an indicated supply area. in which the market had been confined from September 1939 to May 1940. And so strong was the picture of that supply area that it was obvious that the market would not advance through that level without first experiencing an intermediate correction.

I now want to present a few recent case histories. For almost a year prior to last February, Electric Auto-Lite had been confined within a trading area between 42 and 45 and a fraction. It had registered 11 tops over a period of several months at or fractionally above 45. It became obvious that an important move in the stock was impending. The direction of that move would be whatever direction the stock took in breaking out of this narrow trading area. I accordingly advised the purchase of Electric Auto-Lite at 46 stop. For the short-term trader, a five-point profit became available within a week after the stock reached 46. For the six months holder, a 17-point profit accrued at the expiration of the six months period. Just at the time when the six months holding period expired, a somewhat similar chart picture had developed in Crown Cork and Seal. A switch from Electric AutoLite into Crown Cork was thereupon an obvious recommendation. And so I could go on citing dozens of similar case histories; some perhaps not quite so good, many very much better.

III

What Future Trend is Indicated

What do the charts indicate now? For the longer term, I can envision very much higher prices. According to my interpretation, we are still only on the second leg of the present bull market. I cannot recall any bull market which has not had at least three completed legs. Both from the charts, and from every economic angle such as the supply of money, the pent-up demand for goods of all kinds, the favorable tax position, to name just a few, we can conclude that the averages could reach the 220-250 level next year and perhaps the 275 level in 1946 or 1947. The near term market outlook, however, is not so distinct, and in my opinion, not so bullish as the recent action of the market might tend to indicate. In fact, for many reasons, I am inclined to the position that the market must be regarded for the time being as on the defensive. This market has not experienced anything in the nature of a substantial correction in over two years—the longest period of sustained uptrend since the averages were inaugurated in 1896. Furthermore, we are closely approaching the 1937 highs of 195.59 for the Industrials and 65.08 for the Rails. Normal market procedure would call for either an intermediate reaction or the formation of a long trading shelf before penetration of the 1937 highs. Frankly, the averages are already about three points higher than I had expected them to reach at this time. It would appear to me to be good market strategy to cut down rather than to add to commitments at this level. If the market penetrates the 1937 highs without further ado, which I am very much inclined to doubt, very little will have been lost by selling here and repurchasing after the 1937 tops shall have been penetrated. On the other hand, the possibility of a substantial reaction developing before the 1937 highs are penetrated appears to me sufficiently great to warrant the procedure which I have just outlined and which would be, in my opinion, in the form of an insurance policy. I recently characterized the last few weeks of the advance as having been what I call lop-sided. By that I meant, and still mean, that there have been far too many good stocks such as American Can, duPont, General Electric, International Harvester, International Nickel, Union Carbide, Westinghouse Electric and Woolworth, which have not shared in the bull market for the past two months. When Board Rooms become overcrowded and bullishness becomes rampant, and when Commonwealth and Southern acts better than General Motors, and particularly when the market is so close to an eight-year top, I believe that the time for caution and discrimination has arrived. Reactions always come when least expected by the public, and the market which in many instances has been so thin on the upside could prove equally thin on the downside for at least several points. I had very little company when, guided by the charts, I turned emphatically and rampantly bullish on Aug. 20th, with the averages at 163. Pessimism then was the order of the day. Yet within a week the market had advanced eight points, and hasn't stopped even to take a good deep breath since. This does not mean that indiscriminate selling should be indulged in. There are many stocks which have recently commenced major upward moves. These should be held and added to during periods of weakness in the general market. This is a time for cool heads and steady nerves. This is a time when discretion will prove the better part of valor. This is a time when I, for one, refuse to be swayed and engulfed by the emotionalism of the moment. This attitude may not be popular, but it is sincere, and I believe that it is sound.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2361)

be as outstanding as many people believe they should be.

* * *

But markets are not reflectors of past events, they are forecasters of the future. The present advance is not based on 1945 earnings. They point to 1946 income, at least the first quarter of 1946. To that extent they say figures will be better.

* * *

After sounding a note of caution for weeks, last week's column advised the purchase of new stocks. At the time that was written all of the stocks recommended were within the buying price range. By the time it reached you, stocks had already started to move up. Result was that out of three new stocks suggested only one was available. With the market continuing to show strength I see little point in chasing them. I still feel that buying should be done on reactions, not rallies. So if you haven't gotten them up to now, better let well enough alone.

* * *

Up to this writing you have the following: Allied Mills at 34½ (available Saturday when it sold down to 34¼). Stop remains at 33. A. M. Byers at 19 with a stop at 21½; current price about 23; and finally, Paramount at 30½, bought some time ago. Latter still carries a stop at 43: It was also advised that Lockheed be bought at 31½-32½, stop 30; and Western Union between 51½ and 52½ with a stop at 50. Neither of the last two were available by the time the column reached you. I suggest, however, that buy orders be kept in until advice to the contrary appears here. I suspect you'll get them before this week is over.

* * *

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.]

Anson Beard is With Delafield & Delafield

Delafield & Delafield, 14 Wall St., New York City, members of the New York Stock Exchange, announce that Anson M. Beard has returned from military service and has joined the firm's investment advisory staff. Mr. Beard was formerly associated with Hayden, Stone & Co.

T. A. Martin Is With Staff of Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Theron A. Martin has become associated with Fewel & Co., 453 South Spring St., members of the Los Angeles Stock Exchange. Mr. Martin was formerly with R. D. Bayly & Co. In the past he was an officer of C. H. Hatch & Co. and R. C. Wade & Co.

Low Interest Rates and Public Welfare

(Continued from first page)

of modern business if I hadn't had those early days of relationship to the law. At every angle now, law and Government touch us businessmen and especially those of us who, like myself, pretty much confine our business activities to taking care of other people's money.

In that way, your business and mine are very much alike. Also we are alike in that we deal with long term investments and have to look to the future. And it is a difficult thing these days to look to the future.

Before we really get accustomed to the Diesel engine, we are told that it may be replaced by the steam turbine; and before we can appreciate what that may do, we are told that the jet propulsion engine will send them both to the switchyards. As your Chairman has suggested, who knows what lies ahead for long term businessmen as a result of the progress made by the atom busters?

It is pleasant, too, to be with the members of the Bond Club, at a time when everybody is in good humor, enjoying a strong bond market, a bull bond market, a buoyant bond market. The investment bankers bid like collectors who thought there were never going to be any more issues. The customers, in a panic, reach for what is offered like the ladies at a bargain counter. Once in a while, even the staid old Equitable steps out and grabs an issue all for itself!

Ferocious Refinancing

I dreamed the other night that I was in the presence, on summons, of a great investment banker, who demanded, "Have you life insurance fellows any more bonds that are paying as much as 3¼%?"

I admitted that we had a few Alaska Ice 3¼s. Thereupon he summoned as by magic the President of the Alaska Company and demanded, "Why haven't you refunded those 3¼s?"

The President of the company attempted to defend himself by saying that there was a call price of six points, and it really wouldn't be worthwhile.

"Why not?" said the great investment banker. "Take out your pencil. That call price would be absorbed by your excess profits tax. I can sell your 2¾s, and I figure out that upon refinancing at that rate, after you have made allowance for the corporate and excess profits taxes on your saving, you will have a net saving of $40 a week for the balance of the term."

I came down to the office the next day and found that the factual world isn't so different from the dream world. The Northern Natural Gas bonds had just been sold for a 20-year term with an average return of less than 2¼%.

You know, it's only a few years ago that I trembled in my responsibility for other people's money and its investment, when I went along with our investment department and bought the bonds of that company on a 4¾ basis, and later on a 4¼ basis. Then they were refinanced at 3¼%, and now at 2¼.

Another similar occasion was presented by the Public Service Co. of Oklahoma. There again, I trembled when we stepped forward as pioneers and bought, for long-term investment, the Oklahoma 5s at around 90. They were refinanced as 4s, and then at 3¼s, and now at 2¾s.

My friend Tom McCarter, just retired from Public Service of New Jersey, pointed an accusing finger at me the other day and said in the presence of several of my good friends, "There's the fellow who a few years ago said that, though the heavens fall, he wouldn't break 4%."

I said meekly in self-defense, "The trouble, Tom, was that the heavens did fall!"

The Equitable's Buying Attitude

Then I talked last spring to the New York investment bankers, and I announced a program: Come hell or high water, the Equitable wouldn't buy a corporate bond with a maturity of more than 20 years at a yield under 3%.

Well, the water got pretty high and while I'm not much for mathematics, I think there has been a little bit of trimming.

Now, with a little less emphasis, a little less sureness, may I tell the Chicago Bond Club that not until hell freezes over will I go any lower!

Even as I say that, I think of the possibility that those atom busters may yet devise sufficient energy even to create ice in that far-off region, and I realize that I may even have to revise that solemn formula for future investment.

We experts in the investment of money who are responsible for the funds of our policyholders looking into the long future, are a bunch of boobs after all. Who has been buying these successive issues at lower and lower yields? I suppose the life insurance companies own about 60% of all the public utility bonds outstanding; and I suppose twelve or fifteen institutional customers have bought 75% of these issues whose rates have been declining down and down.

I wonder why we do it? We in the Equitable have made some effort to resist the lower trend, and in the process of resisting it our net investment in public utiliy bonds has gone down during the last two years by more than 200 million dollars. There has been some consolation in that we have taken some nice profits on the call in those instances where we did not participate in the new issue.

I think my figures are about right—but always remember, God gave me a poet's license in the matter of figures—when I say that we have parted during that period with about 235 million dollars of public utility bonds which we had bought with an expectation of about 3½% for a period of 30 years, but which by reason of the refinancings we held for only about six years, and the realized yield, if you will permit me now to add the little profit that we took on the call, instead of being 3½, was about 4¾.

Institutional Buying Competition

Why have the life insurance companies not ganged up and said, "We won't buy these constantly declining coupons, and ourselves provide the means of refinancing our own higher coupon bonds?" I don't think it was because we were afraid of the anti-monopoly laws. I think it's because there is such constant competition between our companies.

We do not all have the same ideas as to the future. We do not all have the same present portfolio. I have in mind one large life insurance company, the John Hancock, whose public utility investment has gone up during the last couple of years by about the same amount that the Equitable has gone down.

We still hope for a little better yield, though I must admit there is not much with which to document that hope at the moment. It doesn't do us much good to observe that the Federal Government charges 5% on its policy loans to those veterans of the 1st World War who still have war risk insurance policies. It doesn't do us much good to know that the Federal Government still issues its 4% bonds to its own Civil Service Retirement Fund.

We have to note that at the moment the trend is down and these is no one to protect the one who suffers most from it. You investment bankers used to serve the borrower and protect the investor. Even we enjoyed your protection. But you must admit that the modern method of financing corporate needs has developed you into specialists representing the borrower.

The Investor Suffers

The fellow who suffers is the investor. He suffers not merely because of lower yield at the moment, but he suffers also if and when the interest trend turns. The investor doesn't really care very much what's the cause of his loss if he suffers a loss, and believe you me, he will suffer a loss if on his purchase the yield is around 2¾%, and he finds himself faced in the future with an increased interest rate.

You know the figures better than I, but I am told that the investor who pays 2¾% for a 30-year public utility bond today will find himself losing about 15 points in five years if the interest rate then goes to 3½%.

I used to tell my insurance people what I thought was of academic interest: namely, that the old Equitable Life Assurance Society of London would have been better off in 1917 if it had put all its cash in the vault from 1896 on than to have bought its British Consols, whose market value in 1917, together with all interest payments in the meantime, was materially less than the Society's cost.

You know what I mean. The investor who buys a return of 2.8% on a long term bond today and pays a 50% income tax has bought for himself at the end of five years, $7 of net income per $100 of principal. Would you like to take the responsibility to your customer investor of telling him that there is no danger of his principal being worth less than he paid for it by more than $7?

I don't wonder that a new York house the other day, using just those figures, suggested that it was advising its clients to put their money in the bank and live on it.

The Opinion Danger

You know, unanimity of opinion is a danger sign. When everybody thinks that interest rates are going to remain low or go lower, look out. Maybe that is just a pious wish on my part. But in 1899—of course that was way back in the old era—the then president of the Equitable Life addressed a letter to about 200 of the leading financiers and experts in finance in the country and asked them what rate of interest he could expect for a period of twenty years.

The replies, which are very interesting, have been summarized by Dwight Rose in a recent book. The experts were practically unanimous in the view that the low interest rates then prevailing would continue indefinitely into the future. Lyman Gage, then Secretary of the Treasury, assured us that there could be no reasonable hope for a better rate than 3%. One very optimistic leading banker in New York suggested that there was a chance that the rate in the following twenty years might go to 3½%. But August Belmont, supposed to be something of a leader of the day, said that if the Equitable really wanted to be conservative, it had better assume a rate of less than 3%.

Well, you know that low yield period lasted for only two more years. During those two years we acquired some 3% corporate bonds. We still have the Alton's.

During that period, second rate—then second rate—borrowers, put out their hundred-year bonds at 3¾% and less. So sure was the whole investment world that there would be nothing better that they were gobbled up. You know how soon thereafter the rate went to 4½% and 5% and higher.

You also know how in 1920 the price of commodities was sure to go up and up, you know how in 1928 and 1929 prices of stocks could only go higher, you know how in 1938 the railroads were all washed up.

The history of human affairs, in the financial and economic world particularly, has a way of moving in cycles. When everyone thinks that a condition now existing will last forever, it is almost ready to change.

Following Mass Judgment

As your Chairman has said, I did spend my early days in Philadelphia, and during those days I came to admire both the edibility and other qualities of the sturgeon, a fish that enjoys the reputation of swimming upstream when the tide is running out.

That takes a lot of courage, but usually if that courage is used with judgment, the opportunities of the business, financial and particularly the investment world, open to those who do not slavishly follow mass judgment.

You remember that in Wall Street and La Salle Street in 1935 the Equitable was casually referred to as buying second rate public utility bonds. We had to absorb that criticism quite a lot for a year or two. We bought 125 million dollars' worth of the bonds of underlying generating and distributing utility companies, many of them in the Insull, Associated and like systems, and did it because after examining the then pending legislation including the death sentence for holding companies, we decided that that was not going to adversely affect the underlying generating and distributing companies or their first mortgage bonds. Those purchases of so-called second class utilities have all been refinanced and Equitable policyholders enjoyed fine income while we had them, and a nice profit when they were taken away from us.

In 1939 we again stepped against the current—I hope you won't mind if I boast a little—and we bought railroad bonds when everybody else was selling them. We didn't have to go in search of them. There was panicky selling of them. Institutions dumped them in our laps in great volume at unbelievably low prices. I say unbelievable in comparison with present prices. We bought Atchison General 4's at 96. I'd hate to tell you in the presence of Ralph Budd where we bought CB&Q's, and, incidentally, we did not pay Lazard Freres for that pessimistic memorandum on the future of CB&Q. We bought Central Pacific's in the Southern Pacific System in great gobs at 75.

No Certainty in Investments

We in the Equitable don't want to be too sure about anything in the investment world. Lord Keynes can be sure of what is going to happen, and usually is. Even Henry Morgenthau sometimes can be very certain of what is going to happen. We have some ideas, but we do not feel that we can be too sure as we look to the future, hoping for better times for the investor.

We in Equitable have learned that in our investment work we cannot depend on statistics alone. Statistics are mostly history. You've got to have something of the poet in you to be a good investor. You must look a little into the future, and yet we cannot hope to have the gift of prophesy.

We bought those so-called "second grade" public utilities in 1935 because of legal as well as statistical research. We bought those railroad bonds in 1938 because of legal as well as statistical research. We didn't buy those public utilities until we had satisfied ourselves that the then pending legislation, including the "death sentence provision," would not seriously affect the underlying generating and distributing power and light companies, irrespective of what that legislation might do to the securities of the parent or holding companies. We didn't buy those railroad bonds until we analyzed the probabilities with respect to whether the courts would sustain the priority of the underlying bonds as against the second, third, or later liens. Having made up our minds that this first lien would be safe with the courts, we made up our minds also that heavy industry would revive, and with it railroad earnings. Of course we didn't know there was going to be a war, but in addition to being a bit of a poet, to be successful in investment, you must also have a little bit of luck.

Insurance Companies Not Limited to Trustee Investments

Another thing that I think I ought to take a few minutes of your time to explain is that we in the life insurance business are **not** trustees. We are managers of the funds of our policyholders who fulfill their purposes as evidenced by the contracts which we have issued and which they hold. There is a great difference between investment by managers and investment by trustees. You know that trustees' investments are carefully guarded by laws in which the kind of investments that trustees can legally make is carefully prescribed, and this is true also of the savings banks. There is almost a guarantee that if the trustees do buy in accordance with the law, they will buy when the "legals" are at the highest possible prices.

We in the life insurance business are not subject to those laws governing "trust" investments. We are permitted a much greater latitude of selection. Therefore we were able to take advantage of the opportunity which our discretion indicated in the railroad bond market of 1938 and the following years. Altogether in that period we bought over $400 million of the securities of carefully selected railroads. We had learned by experience that there are railroads which begin somewhere and go nowhere. We had, for example, some years ago, bought, and frequently bought, the first mortgage bonds of a division of the Central of Georgia, I think it was, whose earnings were wonderful. It wasn't until the receivership and in the more careful examination of all the facts that we discovered that the reason for those earnings was that that branch road for a year or more had been carrying great quantities of road-making machinery and road-building material which produced a highway that took away all the line's business.

Then, you know, even when you do get the facts, we don't always see them in the same light. You know that little tale about two pals named Mike and Pat. They shared their worries and their refreshments together, until Mike had to lay up for repairs. He went to the hospital and after he had been there for a few days, Pat stopped in to see him. As he was leaving the hospital he met Father Foley, the parish priest, who asked him, "How did you find Mike?"

"Oh, Father, he's in a terrible way. He's very bad. Why, you know, Father, that man don't know what he's saying. When I was up there in his room Mike said to me, 'Oh, I'm feeling fine, I'm getting better every day. When I first came in here I could see elephants and snakes and things all over the wall and on the ceiling, but now it's all cleared up and they've all gone.'

"Think of it, Father, that man lying there and talking like that, when I could see all them elephant and snakes just as plain as the nose on your face!"

Role of Insurance Investments

I want to say a word to you about the way we life insurance investors see our investment problem; and I want to say it to you because I want to correct the mistaken notion that we must have income and therefore must buy whatever is available, even though the rate is low.

That is not quite true. Life insurance today is done as it has been since 1760, on what is known as the level premium plan. That means we charge you more in the early days of your insurance than it costs us to insure you, but we charge you less in the later years of your insurance than it costs us to insure you in those later years. Where do we get the funds to supplement your inadequate payments in the later years? They are the result of the extra charges in your early years accumulated and invested. That is the reason that we have large assets. Our assets are principally the excess funds charged in the early years of our policyholders' insurance and invested in order to supplement inadequate payments to meet the greater cost of insurance in the later years. It is for this reason that we speak frequently of those assets of ours as being trust funds. We don't mean trust funds in the technical sense. What we mean is very sacred funds. We must have those funds in the later years or we can't make up the supplemental payments that are required to meet the increasing cost of insurance as policyholders grow older.

In order that we may do business on that basis our actuaries assume a rate of interest, select a mortality table, and then provide something for expenses. Those three "factors" as we call them, fix the premium or consideration which you must pay to us through the period of your life in consideration of our taking on the obligation of paying to you the fixed amount of the policy at your death.

If you tell the actuary what rate of interest you assume, let us say it is 3%, and if you tell him the mortality table upon which you depend, and let us say it is what we know as the American Experience mortality table, which most of us use, he can tell you to a cent what net premiums must be charged at each age.

That net premium having been fixed, then discretion and estimate come into play to fix the amount for expenses that shall be added to that mathematically determined net premium, and the result is the gross premium, which of course varies with the age of the policyholders.

The consideration which we take for our promise to pay a specified sum at death, is determined upon an assumed interest rate for a given mortality table, and an estimated expense factor.

I can't give you the figures for the business generally, but let me give you the Equitable figures. These are the laymen's figures, the only kind that I can make use of. In 1944, our interest earnings were approximately 100 million dollars. That was just 5 million dollars more than we needed on our assumed interest rate on our outstanding liabilities. That 100 million dollars gave us a margin of 5 million dollars more than our interest expectation at the rates we assumed on our outstanding contracts.

Our mortality gain over and above the expected mortality for 1944 was 33 million dollars. That, you will note, is about 1% on our then outstanding liabilities. Our gain on the expense factor over and above what we had expected and provided for in our premium was 24 million dollars. And because of your ferocious refinancing our profit on the sale and call of assets for the year was 35 million dollars.

You will notice that the gains from the mortality and the gains from the expense factor and the profit are just about equal to the interest earnings. In other words, we could have gone without any interest earnings last year and still have met our obligations to policyholders without any difficulty. But without interest earnings we could not have paid over 45 million dollars in dividends to our policyholders, and we could not have added 30 million dollars to our surplus, and we could not have put aside over 25 million dollars to strengthen our reserves. We didn't have to put all that money to surplus, but it was in the interests of our policyholders, now and for the future, that we should. We didn't have to pay 45 million dollars out in dividends, but the payment of those dividends decreased the present net cost of insurance to our policyholders.

What I am trying to say is that with our present mortality gains, and our expense gains, we could get along for a while with half our interest earnings or with none of it. To put it another way, on a 3% interest assumption our insurance costs a policyholder $21 a thousand; at 2%, $24 a thousand at 1%, $27 a thousand; at no interest, $31.

From our point of view, this interest rate is therefore principally important from the point of view of the net cost of our protection to our policyholders.

That brings me, I hope, to my closing remarks. I say that because, as you see, I have no manuscript, and you have to have some evidence that I'm not going on all afternoon, which is a great danger when a lawyer from Philadelphia without manuscript gets before such an audience as this in such a beautiful setting as this room. I assure you, you are very inspiring. I like to say to my life insurance friends when I talk to them, as a super-salesman, of course, that I will try either to inform them, inspire them or provoke them. I hope that I may do a little of one or the other with you today.

Government-Fixed Interest Rates

What I do want to get very clearly to you is that we in the life insurance business have not yet been reduced to the point where we have to buy just anything in order to have some income. What we really need to do in view of our experience in the past is to be careful that we don't commit too much of our policyholders' funds for too long a time at too low a rate of interest, because it is they who will suffer until maturity, if the interest curve turns upward.

Why shouldn't it turn upward? Why is the interest rate down where it is? Is it the result of some circumstances from which it naturally flowed? No, it is not. It is there because it has been deliberately set there as a fiscal policy of these United States. I will come in a moment to pay my respects to those who fixed that policy.

I represent the thrifty, saving, capital-producing people of this country. I maintain that the future welfare of this whole country depends on the hard work, the thrift, the saving of our people. I believe that the institutions that represent thrift and saving must be soundly administered; that they must provide an incentive to saving. Who thinks that it is good financial policy for this country to maintain interest rates at so low a spot that there really is no incentive to saving? If you ask how could anyone ever fix and maintain interest rates at the current low level, I answer by the simple process of creating an excessive amount of money which is available for use in this country today.

That excessive amount of money is represented by $140 billion of bank deposits compared with about $70 billions at the beginning of 1942 and by about $28 billions of money in circulation compared with $10 billions at that time. There is more than twice as much of that which people use for money available in this country at this moment, as there was in 1942.

Now you may say that that increase was necessary in order to finance the war. Some of it was necessary in order to finance the war, but not that much of it. It is that great mass of money circulating in the country today, piling up at various points, where it becomes available for investment, that is competing for the small volume of available investments and causing these very low interest rates. My point is that these yields on Government bonds and these consequent yields on corporate bonds do not give a fair return to the hard-working, thrifty saver, for the savings which he hires out for capital.

You know the process. That increase in bank deposits is precisely the amount by which the holdings of Government obligations in the commercial banks have increased in the same time.

I am only here to point out the facts. Father Coughlin, with that glorious oratorical brogue of his, and that perfectly innocent conception of economics and money, proposed a few years ago that since there were $300 billion worth of property in this country and only $40 billion of bank deposits and money available to the people, there was no reason why the Government shouldn't provide as much bank credit or money in circulation as there were values in the country. We smiled indifferently because we knew on that subject he was as innocent as a babe.

But today by some process we have nearly $200 billions of that money-supply created and awaiting use, except as the Government by some method may control that use. I say again that that increase has been due to the fact that the principal borrower, the Treasury of the United States, controls the Federal Reserve System and through the cooperation of the member banks of the Federal Reserve System there has been devised the most beautiful indirect method of creating greenbacks ever thought of by humankind.

Perhaps I am whining, but if so it's because there is so much money seeking investment that the insurance funds for which I am responsible have to take a lower and lower interest yield. But I am also emphasizing that the long term welfare of this country is not advanced by that abnormally low interest rate produced by that indirect and cloaked creation of money, and I am saying that there is a great source of public welfare in inspiring the thrift and saving of the people of this country by the incentive of a reasonable hire for their savings.

Where are we going? Is that volume of money to increase? You know that the process of building up bank deposits with the cooperation of the commercial banks began with the purchase of gold through the banks which directly increased the bank deposits from around $35 billions in 1935 to over $50 billions in 1939. Then when the deficits got big enough to take over the job, the financing of the Treasury deficits through the commercial banks was used to increase those deposits and money in circulation until we now have a staggering amount approaching $200 billions.

Will it go to $250 billions? We hope that the deficits will be brought under control. But we submit they won't be brought under control until the Treasury of the United States and the Congress of the United States make up their minds to handle the federal financial business like every other financial business is handled; that is, decide first how much money they can afford to spend and then appropriate it, and not first appropriate everything that is demanded and afterward try to find where the money is coming from to meet the appropriation. If bank accounts and money in circulation go to $250 billions, it will be because further deficits are financed through the commercial banks or because in their desperation for funds the fiscal authorities again monkey with the price of gold.

The Treasury Experts

Who will decide whether those things will happen? At present, the powers have been delegated by Congress, vested in the Treasury where, as a practical matter, they are to be exercised not by Henry Morgenthau, not by Judge Vinson, but by the Treasury experts. Who are they? I don't know them. They are not responsible representatives of the people. They are not the agents of the Congress who are the representatives of the people. They are substitutes for the representatives of the people. I have never had much confidence in experts, except experts in common sense, and there aren't many of them, who have no direct responsibility to the people.

I believe in representative government, and if we are to avoid these dangers Congress will have to take back the policy-making function and will have to see to it that the experts of the Treasury keep within the policies framed by the Congress. I suppose that if that is to be accomplished, the people, men like you and me, will have to see to it that the personnel of Congress is such that we can expect them to take over the policy-making job of a democracy and a representative government.

We are all afraid of inflation. Our own business is picked on all the time as illustrative. But don't forget, as Judge Hughes once said, life insurance is still the best bet in the world. We pay the face value for sudden death against the premium perhaps of a few years. It is the older policyholder for whom we have the greatest concern. We know that not all the concern about prices, not all the concern about wages, or controls of other things that go into making inflation, will prevent that terrible possibility if the money-printing machine goes on grinding out more and more money, available for spending and speculation.

I brought with me a little clipping from the New York "Times" editorial page of a few months ago which says, "It is the spending of this excess bank credit and currency that has forced up wages and prices and brings about the results collectively known as inflation. All the other causes of inflation are secondary or derivative. Most of them, in fact, might be better calley 'symptoms' than causes."

I wonder why that sentence doesn't appear in every financial journal of the country and especially every journal of the banking world? I was brought up to believe that banks were responsible not merely for the safe custody of the funds of their depositors left with them, but responsible also for the soundness of the currency in which the deposit was made and in which they were payable.

If the bankers will not take on the responsibility of preserving the soundness of our currency, who will? If the bankers go along with this established practice of creating more and more money by the process of selling the Government's obligations to the commercial banks, and if as a result of it there comes a financial debacle in this country, don't ever forget who will be responsible. The politicians will turn, as sure as I am here, and say, "Why, when the bankers didn't make any effective protest, how were we to know that the drift was so dangerous?"

Responsibility of Bankers

If the bankers do not find a way to prevent their institutions from being used by an uncontrolled Treasury to create more and more fictitious money under the cloak of the respectability of the Federal Reserve System, they cannot escape some share in the responsibility for consequent inflation. The problem is to avoid too much money because of its depreciating effect. A large supply of money has always been popular. We cannot expect the mass of the people themselves to complain that they have too much money and by the same token we cannot expect public officials who depend on the support of the people to have the courage to take the leadership in such a matter. I do not mean to criticize my banking friends but merely to suggest that the initiative is theirs.

I am an optimist; I believe there are ways out. One is emphasis on production. Another is one more sentence which I would add to the President's speech the other night: "If labor is not reasonable in its demands it will not continue to have the support of the Government for its unreasonable demands." Still another is increased representation of the public good by our representatives in Congress. Some such changes in leadership will save us from some of the things that I have been suggesting here, and if I didn't think that I wouldn't take the responsibility of urging the Equitable representatives to continue to sell Equitable policies.

We are suffering at this moment from the fact that for 12 years labor has been told by irresponsible leaders who did not have the long term welfare of labor in mind but only temporary political expediency, *that there is plenty more for labor if it will just ask for it.* The trouble has been in the past not with collective bargaining, but with the fact that we haven't had true collective bargaining, because whenever collective bargaining got to the point where labor was afraid they weren't going to get what they were demanding, they have turned to and they have had political support from Government. That is not collective bargaining.

When labor really turns under intelligent leadership to speed up production and management sympathetically sees to it that labor has a fair deal, and Government maintains its proper place as an umpire representing the general public welfare, then even with our big debt, even with the big burden, we are still a hard-working, sensible, producing, stable democracy and we shall come through.

I have faith in our institutions. But I do believe that the termites who have been working in the District of Columbia to concentrate all Government in that little patch and to delegate all power to the experts in the administrative and executive departments, and then to free the whole machine from the control of the courts, will have first to be driven out of the garden so that common sense responsible American citizens can reconstruct or build anew on the institutions of America.

I have talked longer than I meant to, and probably longer than I should have, because I was told that you like to get away from these meetings early and that if I talked too long you might not come back to the next one. I apologize for my trespass, and assure you that your very efficient President will sell the next guest speaker as he sold me.

I have enjoyed very much being here. I hope I have provoked you a little, or inspired you a little, or informed you a little.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending December 31, 1945, payable January 2, 1946, to holders of such stock of record on the books of the company at the close of business December 4, 1945.

Common Stock Dividend

THE regular quarterly dividend of Forty Cents (40c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending December 31, 1945, payable December 15, 1945, to holders of such stock of record on the books of the company at the close of business November 20, 1945.

Extra Common Stock Dividend

AN extra dividend of Thirty Cents (30c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company, payable December 15, 1945 to holders of such stock of record on the books of the company at the close of business November 20, 1945.

H. D. ANDERSON, Secretary.

November 14, 1945.

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.

COLUMBIAN CARBON COMPANY

Ninety-Sixth Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of thirty-five cents ($.35) and a year-end or final dividend for the year 1945 of ten cents ($.10) per share, payable December 10, 1945, to stockholders of record November 23, 1945, at 3 P. M.

GEORGE L. BUBB
Treasurer

LANE-WELLS COMPANY

DIVIDEND NOTICE

The board of directors has declared a quarterly dividend of 25 cents per share on the common stock, payable December 15, 1945, to stockholders of record November 28, 1945.

B. G. PETERS, Secy.-Treas.

Sun-Kraft, Inc.

DIVIDEND NOTICE
CLASS "A" STOCK

A regular quarterly dividend of 12½ cents per share on the Class "A" Stock of Sun-Kraft, Inc., has been declared, payable November 15, 1945 to stockholders of record at the close of business November 5, 1945. Checks will be mailed.

SUN-KRAFT, INC,
CHICAGO
A. V. ASHMAN, Secretary

Manufacturers of Sun-Kraft quartz ultra-violet ray equiment.

The New York Central Railroad Co.

New York, November 14, 1945.

A dividend of One Dollar ($1.00) per share on the capital stock of this Company has been declared payable January 15, 1946, at the Office of the Treasurer, 466 Lexington Avenue, New York 17, N. Y., to stockholders of record at the close of business December 1, 1945.

G. H. HOWE, Treasurer.

With E. H. Rollins & Sons

INDIANAPOLIS, IND.—Addison A. Howe has been added to the staff of E. H. Rollins & Sons Incorporated, Circle Tower.

DIVIDEND NOTICES

Imperial Oil Limited

Toronto 1, Ontario

NOTICE TO SHAREHOLDERS AND THE HOLDERS OF SHARE WARRANTS

NOTICE is hereby given that a semi-annual dividend of 25c per share in Canadian currency has been declared, and that the same will be payable on or after the 1st day of December, 1945, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 64 at:

THE ROYAL BANK OF CANADA,
King and Church Streets Branch,
Toronto 1, Canada.

The payment to Shareholders of record at the close of business on the 16th day of November, 1945, and whose shares are represented by Registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 30th day of November, 1945.

The transfer books will be closed from the 17th day of November to the 30th day of November, 1945, inclusive and no Bearer Share Warrants will be "split" during that period.

The Income Tax Act of the Dominion of Canada provides that a tax of 15% shall be imposed and deducted at the source on all dividends payable by Canadian debtors to non-residents of Canada. The tax will be deducted from all dividend cheques mailed to non-resident shareholders and the Company's Bankers will deduct the tax when paying coupons to or for accounts of non-resident shareholders. Ownership Certificates must accompany all dividend coupons presented for payment by residents of Canada.

Shareholders resident in the United States are advised that a credit for the Canadian tax withheld at source is allowable against the tax shown on their United States Federal Income Tax return. In order to claim such credit the United States tax authorities require evidence of the deduction of said tax, for which purpose Ownership Certificates (Form No. 601) must be completed in duplicate and the Bank cashing the coupons will endorse both copies with a Certificate relative to the deduction and payment of the tax and return one Certificate to the Shareholder. If Forms No. 601 are not available at local United States banks, they can be secured from the Company's office or the Royal Bank of Canada, Toronto.

Under existing Canadian Regulations:

(a) Payment of this dividend to residents of enemy countries or countries formerly occupied by enemies is prohibited.

(b) Payment thereof to residents of other portions of Continental Europe is restricted, and to residents of China is prohibited, but such residents may direct the deposit to their credit in a Canadian Bank of all amounts payable to them.

(c) Other non-residents of Canada may convert this dividend at current Canadian Foreign Exchange Control rates into such foreign currencies as are permitted by the General Regulations of the Canadian Foreign Exchange Control Board. Such conversion can only be effected through an authorized dealer, i.e., a Canadian Branch of any Canadian Chartered Bank.

Shareholders residing in the United States may convert the amount of the current dividend into United States currency at the official Canadian Foreign Exchange Control rate by sending at their own risk and expense, coupons or dividend cheques properly endorsed, to The Agency of The Royal Bank of Canada, 68 William Street, New York City, which will accept them for collection through an authorized dealer, or direct to any authorized dealer of the Canadian Foreign Exchange Control Board.

Shareholders residing in countries other than the United States to whom payment is not prohibited as noted above may convert the amount of the current dividend by sending at their own risk and expense coupons, or dividend cheques properly endorsed, to The Royal Bank of Canada, King and Church Streets Branch, Toronto, Canada, or to any other authorized dealer or to The Agency of The Royal Bank of Canada, 68 William Street, New York City, U. S. A., with a request for a draft in such foreign currency as is permitted in settlement of same, but they should first satisfy themselves that this action is not prohibited by the Foreign Exchange Control Regulations of the country in which they reside.

IMPORTANT NOTICE

Holders of Bearer Share Warrants who have not yet secured new talons with Dividend coupons numbered 61 to 80 inclusive, are hereby notified that same are available. The talon only should be detached from the Bearer Share Warrants and presented at or forwarded to the office of the Secretary, Imperial Oil Limited, 56 Church Street, Toronto 1, Ontario, Canada, by registered mail (with return address clearly indicated) when a new supply of coupons bearing the same serial number as the Warrant from which the talon is detached, will be issued in exchange therefor.

By order of the Board,
J. A. NEW, General Secretary,

56 Church Street,
Toronto 1, Ontario.
7th November, 1945.

LION OIL COMPANY

El Dorado, Arkansas

A quarterly dividend of 25¢ per share and an extra dividend of 10¢ per share have been declared on the Capital Stock of this Company, both payable December 15, 1945, to stockholders of record November 30, 1945. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

November 8, 1945

Newmont Mining Corporation

Dividend No. 69

On November 14, 1945, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable December 17, 1945, to stockholders of record at the close of business November 30, 1945.

H. E. DODGE, *Treasurer.*

British Labor Party's Policy

(Continued from page 2322)

I was glad to meet President Truman for a brief moment here in Washington when I was returning from the San Francisco Conference and I had the advantage of observing and admiring his courage and statesmanship at Potsdam where with him and Generalissimo Stalin we sought to deal with some of those problems which the ending of a great war produces. Sirs, in what spirit shall we approach these high matters?

On Sunday at Arlington, I stood with President Truman and the Prime Minister of Canada at that impressive ceremony of Armistice Day. I know that in the minds of the President and myself were remembrances of when we were both fighters in the First World War. We little thought then on Nov. 11, 1918, that we should witness another World War. I do not think that either of us then thought that we, out of the millions of our fellow soldiers, would be called to shoulder the great responsibilities of high office. Yet I am sure there was present in our minds last Sunday the same thoughts we had years ago—regret for lost comrades, gratitude for our deliverance and the resolve to do what in us lay to spare others the ordeal which we have endured. We have ended this Second World War, deadlier, longer and more terrible than its predecessor. We should none of us be here today unless all the Allies had done their part, unless the unequalled fighting forces and matchless industrial and scientific resources of the United States had been thrown without reserve into the pool. We rightly today pay honor to all the Allies. There is honor enough for all; for those who fought in the West and in the East, in the air, on the land and on the sea. For those who fought in the formed units of the great states, for those who served in the Resistance Movements in so many countries and for those who stood firm when their homes were bombed. All contributed but the greatest contribution was made by those with the greatest resources, the United States of America, Russia and the British Commonwealth and Empire. Twice in a generation the countries of the British Commonwealth and Empire came instantly to the help of Great Britain, and none made a greater contribution than Canada, whose Prime Minister I am happy to see with us today.

We were fortunate in finding great political leaders. We were fortunate too, in the men of outstanding ability who planned our resources and our campaigns and who led our Navies, Armies and Air Fleets in battle. Standing here, I would like to pay a special tribute to the Combined Chiefs of Staff. I would like to recall many of the leaders in the field, but I must content myself today with three names of great men—one in the West, two in the East—General Eisenhower, General MacArthur and Admiral Nimitz.

Greatness of U. S.

Speaking here today when all our enemies have been beaten down, my mind goes back over those five years in which I served in the British War Cabinet. I recall so vividly those critical days in 1940 after Dunkirk. How anxiously we awaited the arrival of ships carrying rifles and ammunition from America which gave us at least something in our hands to fight the invader whose threat was so imminent. I recall that wise and generous provision of Lend Lease. I recollect two years before the event General Marshall unfolding to us in the Cabinet Room his conception of the invasion of Europe. Then I remember so well the tremendous strength of the United States of America, slowly at first and then swiftly developing to take the weight from those who had borne the burden in the early years of the war. Today the United States stands out as the mightiest power on earth. And yet America is a threat to no one. All know that she will never use her power for selfish aims or territorial aggrandizement in the future any more than she has done in the past. We look upon her forces and our own forces and those of other nations as instruments that must never be employed save in the interests of world security and for the repression of the aggressor.

When I was last here I was taking part in the San Francisco Conference, a conference summoned by President Roosevelt with wise prescience while war was still raging in order that as soon as victory was secured we might have an instrument ready to hand for the prevention of all wars in the future.

We have gone through a horrible destructive war. You here have lost great numbers of the flower of your young men. So have we in Britain. So have all the countries that have been engaged in this great struggle but you have been spared the destruction of your great cities, you have not had in America the spectacle of hundreds of thousands of broken homes, you have not had great masses of people, driven from their habitations, wandering about seeking somewhere to lay their heads. You have not had the work of centuries of human endeavor destroyed in a few short hours by attacks from the air. But I know that you are fully conscious of the tragic folly of war. There was a time which I remember when we in Britain enjoyed the same immunity. Wars might devastate the Continent but we were safe behind our moat, the inviolable sea. Those days are past. Defensive frontiers, mountain barriers, the seas and even the oceans are no obstacle to attack. The old discontinuity of earth and sea has been replaced by the continuity of the air. In our atlases that show the division of land and water, of the countries and states, there should be a blank page which should represent the air to make our children realize that these old and historic divisions do not exist in the element in which men now move. If not now then in a few years the devastating weapons which are at present being developed may menace every part of the world.

The Atomic Bomb and World Peace

It is in the light of these facts and in particular in the light—the terrible light—of the atomic bomb, that I have entered into discussion with your President in order that we may get together with all the nations of the world and consider what kind of a world it is necessary to have if civilization is to endure and if the common man in all lands is to feel secure.

But in facing world problems as we must, it is a great mistake in my view to think exclusively of war and the prevention of war. We have to think rather of the best means of building up peace. Speaking last week in London, I said that the foundation of peace lay in the hearts of men and I hold it true that the more the citizens of the world can get to know each other the less likely are we to have the emotional condition in which war is possible. We have been fortunate in this war to have welcomed to our shores so many citizens of the United States of America. There have been many friendships made, many misunderstandings have been removed, which almost inevitably arise because, knowing each other only from a distance, we see each other in a distorted way. All the differences are emphasized. The underlying likeness is obscured but the British soldier and the American soldier when they came to close quarters soon found how much they had in common. I hold therefore that our United Nations Organization, in which I profoundly believe, must be something more than an agreement between Governments. It must be an expression of the will of the common people in every country. Perhaps I might assist today in removing some misapprehensions. I come before you as the Prime Minister of Great Britain, but in accordance with our constitutional practice, I am also a Party Leader; the leader of a majority returned to power in the House of Commons.

The Labor Party

I wonder how much you know about the British Labor Party. We are not always very well informed on the politics of other countries. I doubt in fact whether very many British citizens know the exact difference between a Republican and a Democrat. You have heard that we are Socialists but I wonder just what that means to you. I think that some people over here imagine that Socialists are out to destroy freedom, freedom of the individual, freedom of speech, freedom of religion and freedom of the press. They are wrong. The Labor Party is in the tradition of freedom-loving movements which have always existed in our country; but freedom has to be striven for in every generation and those who threaten it are not always the same. Sometimes the battle of freedom has had to be fought against Kings, sometimes against religious tyranny, sometimes against the power of the owners of the land, sometimes against the overwhelming strength of monied interest. We in the Labor Party declare that we are in line with those who fought for Magna Charta, and Habeas Corpus, with the Pilgrim Fathers and with the signatories of the Declaration of Independence.

Let me clear your mind with regard to some of these freedoms that are thought to be in danger. In the ranks of our Party in the House of Commons are at least 40 practising journalists. There are several clergymen, many local preachers, plenty of Protestants, some Catholics and some Jews. We are not likely therefor to attack freedom of religion or freedom of the press. As to freedom of speech, believe me, as Leader of our Party for ten years I have never lacked candid critics in my own ranks and I have been too long in the Opposition not to be a strong supporter of freedom of speech and freedom of the individual. We believe in the freedom of the individual to live his own life but that freedom is conditioned by his not cramping and restricting the freedom of his fellow men. There is and always will be scope for enterprise, but when big business gets too powerful so that it becomes monopolistic, we hold it is not safe to leave it in private hands. Further in the world today we believe, as do most people in Britain, that one must plan the economic activities of the country if we are to assure the common man a fair deal. One further word. You may think that the Labor Party consists solely of wage earners. It is our pride that we draw the majority of our members from the ranks of wage earners and many of our Ministers have spent long years working with their hands in the coal mines, the factory or in transportation. But our Party today is drawn from all classes of society; professional men, business men and what are sometimes called the privileged classes. The old school tie can still be seen on the

Government benches. It is really a pretty good cross section of the population.

You may ask why do people from the well-to-do classes belong to our Party? May I refer to my own experience—forty years ago as a young man studying law, just down from Oxford University, I visited for the first time my constituency, Limehouse—a very poor district in East London. I learned from it first hand the facts of poverty in our great cities. I became convinced that we must build our society on a juster foundation. The result was that I joined the Socialist Movement and eventually after many years of striving I find myself Prime Minister of Great Britain. The reasons that impelled me to join the Labor Movement are the same that actuated so many of the members of my party, especially the great number of young men from the Fighting Services.

Foreign Policy

What is our attitude towards Foreign Affairs? We believe that we cannot make a Heaven in our own country and leave a Hell outside. We believe this not only from the moral basis of our Movement which is based on the brotherhood of man, without distinction of race or creed, but also from an entirely practical standpoint. We seek to raise the standard of life of our people. We can only do so by trading with the rest of the world and as good traders we wish to have prosperous customers. The advance in methods of production so strongly exemplified in the United States has resulted in an immense output of goods and commodities of all kinds. We in our turn show the same results on a smaller scale. Yet there are hundreds of millions of people living in the world at a standard of life which is the same as they have had for a thousand years. There is ample room in the world for the products of the great industrial nations like our own to raise the general levels throughout the world. We, like you, believe in an expansive economy and we can see no reason why the need being so great there should be any undue rivalry between us. We believe that the foundations of peace must be world prosperity and good neighborliness. That where science has placed such potential abundance before the human race we should collaborate to take advantage of it rather than scramble and fight for larger individual shares which only results in an immense increase in poverty. We recognize that our immediate task is not easy. Many a man in Britain returning from the war finds his home blitzed and his business ruined. He has to start afresh and it's a tough proposition.

As a country we are just like that man. We went all out to win the war and now have to start afresh. Like him we are facing the future with courage and a determination to win through. We have not stood up to our enemies for six years to be beaten by economics.

I look forward to an era of an increasing co-operation and friendship between the U. S. A. and Great Britain—not as being an exclusive friendship but as a contribution to the knitting together with all peoples through the United Nations organization in the bonds of peace.

Will Embark on Nationalization

In our internal policies each will follow the course decided by the people's will. You will see us embarking on projects of nationalization; on wide all-embracing schemes of social insurance designed to give security to the common man. We shall be working out a planned economy. You, it may be, will continue in your more individualistic methods. It is more important that we should understand each other and other nations whose institutions differ from our own. It is essential if we are to build up a peaceful world that we should have the widest toleration recognizing that our aim is not uniformity but unity in diversity. It would be a dull world if we were all alike.

In a town there may be a great diversity of character and habit among the townsfolk. To some of my neighbors I may be drawn closely by ties of relationship or by old memories; for others I may have more sympathy through sharing their religious convictions although perhaps estranged by their political views. Yet I may be on good terms with them all and in close friendship with some. I hope to see a world as orderly as a well-run town, with citizens diverse in character but co-operating for the common good. In the British Commonwealth and Empire we offer an example of many nations some of which have reached, others of which are approaching, full self-govenrment. Even during the war India was given the opportunity of taking complete charge of her own affairs and in the Colonial Empire eight or nine new constitutions have been adopted or are being worked out, all based on the extension of democratic principles. I hope that there will be ever closer friendship between our great democracies. We have much in common. We have the language of Milton and Shapespeare, of Burke and Chatham, of Lincoln and of Jefferson. We have the memories of comradeship in a great adventure. Above all things we share the things of the spirit. Both of our nations hold dear the rule of law; the conception of freedom and the principles and methods of democracy; and most vital of all we acknowledge the validity of the moral precepts upon which our whole civilization is founded. Man's material discoveries have outpaced his moral progress. The greatest task that faces us today is to bring home to all people before it is too late that our civilization can only survive by the acceptance and practice in international relations and in our national life of the Christian principle we are members one of another.

Hazlitt Attacks Full Employment Bill

(Continued from page 2324)

Mr. Hazlitt points out, there was an average error in the estimate of receipts of about 10%. In the same seven years there was an average error in estimating expenditures of 23%. The error in estimating net deficits averaged 150%. The fact that these are averages means that in particular years the percentage of error was far higher. "It is obvious that errors of this size, or even much smaller . . . ," Mr. Hazlitt concludes, "would render the forecasts required by the Murray Bill not only useless but potentially very dangerous."

Official guesses, he believes, "would set off widespread psychological forces that would falsify them. The Bill assumes that Government spending would be a net addition to private spending. It completely overlooks the effect of Government spending in frightening private capital away. The passage of this Bill would only multiply existing fears of inflation."

Mr. Hazlitt believes that "the Government is responsible for establishing conditions under which maximum production and full employment are possible. The Murray Bill will not establish these conditions. The proper measures to prevent unemployment in the long run are simply the proper measures for creating a sound, stable, and progressive economy. . . . The only 'substitute' for the Bill would be to take precisely the opposite course of the one it proposes. This course would be an announcement by Congress of its determination to bring the Federal budget into balance at the earliest practicable moment."

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. 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., on Oct. 29 filed a registration statement for an indeterminate number of common shares, par $1.

Details—See issue of Nov. 8.

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.

Underwriters—It is not contemplated that the issue will be underwritten.

MONDAY, NOV. 19

ALASKA AIRLINES, INC. on Oct. 31 filed a registration statement for common stock to net $2,000,000 to the company. The number of shares will be filed by amendment.

Details—See issue of Nov. 8.

Offering—To be filed by amendment.

Underwriters—To be filed by amendment.

FLEMING-HALL TOBACCO CO., INC., on Oct. 31 filed a registration statement for 150,000 shares 6% cumulative preferred stock, par $10, and 150,000 shares of common, par $1.

Details—See issue of Nov. 8.

Offering—The stock will be offered in units consisting of one share of preferred and one share of common at $15 per unit.

Underwriters—Floyd D. Cerf Co. heads the group.

WEDNESDAY, NOV. 28

PACIFIC TELEPHONE & TELEGRAPH CO. has filed a registration statement for $75,000,000 40-year 2¾% debentures due Dec. 1, 1985.

Address — Care American Telephone & Telegraph Co., 195 Broadway, New York, N. Y.

Business — Furnishing communication services.

Offering—The price to the public will be filed by amendment.

Proceeds—The debentures are being issued in connection with the retirement of the two series of bonds of the company now outstanding and to reimburse the treasury of the company in part for uncapitalized expenditures made for the retirement of other bonded indebtedness, the acquisition of property, completion, extension and improvement of telephone plant. The bonds to be retired are the $29,652,000 refunding mortgage 3¼% bonds, series B, due April 1, 1966, and $24,916,000 refunding mortgage 3¼% bonds, series C, due Dec. 1, 1966.

Underwriting—The names will be furnished by amendment. The company proposes to offer the bonds for sale at competitive bidding and will receive bids at Room 2315, 195 Broadway, New York, before 11:30 a.m. on Dec. 10, 1945.

Registration Statement No. 2-5996. Form A-2. (10-9-45).

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.

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.

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 were 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.

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 — Present shareholders of the Crosley Corp. as of record Nov. 6 and former stockholders of Crosley Corp. who sold their shares to Aviation Corp. are given the right to subscribe for shares of Crosley Motors for the same number of shares as those held in Crosley Corp. at $6 per share. Rights expire Nov. 27. 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.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,596,000 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 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.

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.

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 price to the public of the bonds is $103.50 and preferred stock $50 per share.

Underwriters—Group headed by Paine, Webber, Jackson & Curtis; Stone & Webster and Blodget, Inc., and Mitchum, Tully & Co.

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.

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 96,000 common shares, par $5.

Details—See issue of Oct. 25.

Offering—The company will offer the new common to its common stockholders pro rata at $72 per share. Old class A stock (par $50) may be accepted at par and dividend in lieu of cash payment.

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.

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.

IBA Washington Staff Under Col. M. Hanson

Announcement was made in Washington of the appointment of Colonel Murray Hanson of Cleveland, Ohio, as general counsel of the Investment Bankers Association of America upon his relief from active duty in the Army. This announcement was made by John Clifford Folger, President of the IBA, and senior partner of the investment firm of Folger, Nolan, Incorporated, Washington, D. C.

Col. Murray Hanson

The selection of Colonel Hanson comes as a result of unanimous action of the IBA Board of Governors directing the Executive and Conference Committees, together with a special committee, to select a top staff officer for the Association. It had been previously announced that Alden H. Little, who has been Executive Secretary of the IBA for the last 20 years, will retire during the summer of 1946 at the age of 65.

It will be recalled that a nationwide referendum was conducted among the members of the IBA to secure an expression with respect to the future program of the investment bankers' organization. Washington representation is an outgrowth of that referendum and involves a plan for expanding activities. Colonel Hanson's office will be in the nation's capital.

Colonel Hanson was born in Baltimore, Md., in 1904. He took his undergraduate work at the University of Delaware, and law at the Harvard Law School. Immediately thereafter he became associated with the Cleveland law firm of Baker, Hostetler & Patterson, and from 1930 until 1934 he served as Secretary and assistant to the late Hon. Newton D. Baker. In the fall of 1935, Colonel Hanson came to Washington as the representative of the Baker law firm to do the legal work of the Investment Bankers Conference Committee. Following the establishment of the National Association of Securities Dealers, Colonel Hanson continued in Washington doing the major part of the legal work for the NASD until going on active duty in the Army.

The Cleveland attorney was appointed a First Lieutenant, AUS, in March, 1942. His first assignment in the Army dealt with legislative and Congressional investigative matters for the air forces. Since August, 1943, he has served as assistant executive officer to the Hon. Robert A. Lovett, Assistant Secretary of War for Air.

Colonel Hanson is widely known in legal and investment circles throughout the country. His training and experience made him a logical choice under the IBA's enlarged program.

Wells Rejoins Moore Leonard & Lynch

PITTSBURGH, PA. — Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchange announces that J. J. Turner Wells, who was admitted as a partner early in 1945, has been discharged from the Army and is now active in their Pittsburgh office.

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Michigan and Connecticut Securities Sections on page 2332; Missouri on page 2333.

Chas. W. Scranton Has New Phone Number

Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn., members of the New York Stock Exchange, announce that effective Nov. 13 their direct New York-New Haven wire was changed to CAnal 6-3662.