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Dollar Loan as Seen from London

By PAUL EINZIG

Mr. Einzig Foresees Acceptance of American Terms in Negotiations for Dollar Loan to Britain, Though Not Satisfactory to Leading Members of British Cabinet. Looks for Strong Conservative Party Opposition, but Concludes British Parliament Will Ratify Terms by Overwhelming Majority.

LONDON, ENGLAND — Although reports about the prospects of the Washington loan negotiations continue to be conflicting, there is a general feeling here at the time of writing that an agreement will be concluded shortly. This assumption is based on the knowledge that the British negotiators have already given way in respect of major principles, such as the acceptance of Bretton Woods (reinforced by an undertaking not to devalue the pound, even to the extent of 10% permitted under Bretton Woods, without the consent of the United States), the weakening of Imperial Preference,

Paul Einzig

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What's Ahead for Business?

By LEWIS H. HANEY*
Professor of Economics, New York University

Challenging the Uncertain Attitude of the New Dealers in Regard to the Future Outlook on Business as "Economic Agnosticism," Dr. Haney Maintains That Economic Laws Will Prevail and Predicts After a Slight Recession a Boom That Will Last Until the Present Inflated Conditions Cease to Exist. Says There Is a Vast Inflation Potential and Points Out Maladjustments That Must Be Corrected as (1) Adjusting Goods to Money Prices; (2) Adjusting One Price Group to Another; (3) Adjusting Production to Consumption at High Levels; (4) Adjusting Wages to Productivity; (5) Adjusting Interest Rates to Cost of Savings and Investment; (6) Adjusting the National Debt to Nation's Income, and (7) Adjusting Our Money System to a Sound Standard. Advocates an Organization to Fight Radicalism With Truth.

The New Dealers and social planners in our midst are making a last ditch stand. It is their claim that "nobody knows." When you tell them what good money is, they say nobody knows. When you predict the outcome of their inflationary policies, they say nobody knows. If you predict inflation, they say that you are wrong—that there *may* be deflation. Then they proceed to advise businessmen to prepare *both* for inflation and for deflation! Why, I ask, prepare at all, if you don't know what to prepare for?

Lewis H. Haney

Being convicted of *error*, their recourse is to say that there is *no* truth. When confronted by one who *knows* the laws of econom-

*An address by Dr. Haney before the 43rd Fall meeting of the Steel Founders Society of America, Atlantic City, N. J., Nov. 19, 1945.

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Public Loans to Foreign Countries

By J. REUBEN CLARK, JR.*
Former Ambassador to Mexico
Chairman, Executive Committee of the Foreign Bondholders Protective Council

Asserting "Our National Drivers" Are Pitching Forward at Breakneck Speed for a Dream Utopia, Mr. Clark Cautions That Continued Heavy Government Spending and Foreign Loans Will Make Us "a Busted Community." Attacks Non-Revenue Producing Schemes as Preventing a Balanced Budget, and Asserts That This Government and Our People Are in No Position to Undertake a World-Wide Policy of International Financing. Says We Have No Obligation to Make Foriegn Loans and Defends the U. S. Private Foreign Loans as Free From Corruption. Estimates Our Foreign Loans and Gifts Exceed $59 Billions, and That It Would Be Wrong to Risk Taxpayers' Money in Further Wild Schemes

Way out on the prairies, where you travel on and on, and still on the prairies, a farmer was resting his mules in the corner of the field. One of the great state highways came down alongside the field, and just at the corner where he had stopped to rest, the highway forked in several directions. A great limousine, painted red, very red, came swaying down the road as the driver broke all speed limits. Belatedly seeing the forks of the road, he jammed on his brakes and brought

J. Reuben Clark, Jr.

*An address by Mr. Clark before the National Industrial Conference Board, Hotel Waldorf-Astoria, Nov. 20, 1945.

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Europe's Financial Needs

By ROBERT B. WARREN*
Institute of Advanced Studies, Princeton, N. J.

Dr. Warren Points Out That the Mistake of the 20's Was That All Economic Problems Were Considered as Essentially Financial Problems. Contends That the Only Difference in Approaches to Solution of Present Problems, as Represented by the Bretton Woods Agreements, Is That Instead of Existing Private Financial Institutions There Are to Be Created Others, Administered by Public Officials. Lists Four Fundamental Errors of the 20's as: (1) Exclusive Preoccupation With Finance; (2) the Overloading of the Economic Machinery With Uneconomic Residuals; (3) Political Timidity or Fear of Doing the "Politically Impossible" and (4) Ignoring That Foreign Loans Can Be Paid Only by Exports.

Dr. Robt. B. Warren

In his last annual message, the late President Roosevelt offered the hope that, in facing the postwar world, we should avoid the mistakes of 1919. He did not elaborate this statement; but it is so arresting that I propose to use it as my text in discussing our prospective response to Europe's present economic needs.

Twenty-six years ago we confronted the problem of our part in European economic reconstruction, and for some six or seven years

*A paper presented by Dr. Warren at the annual meeting of the Academy of Political Science, New York City, Nov. 8, 1945.

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Holland's Position and Prospects

By DR. E. D. DE MEESTER
Secretary, Dutch National Committee, International Chamber of Commerce
Economist, Amsterdamsche Bank, Amsterdam, Holland

After Recounting the German Depredations in Holland, Dr. de Meester Describes Extent of the Rehabilitation That Is Now Taking Place. Holds That Despite Depressed Spirit of People Resulting From Five Years of Tyranny, Robbery and Exploitation, Considerable Economic Progress Has Been Accomplished, but Stresses Need for Foreign Assistance in the Form of Raw Materials and Machinery Required to Restore Normal Conditions. Points Out Need of Expanded Commerce With U. S. and England, and Looks Upon Germany as Future Market for Dutch Produce. Says Holland Must Have Long Term Loans and Gives Four Reasons Why the Country Should Be Granted Liberal Credits From the United States.


Dr. E. D. de Meester

There is no doubt that, of all countries of Western Europe, Holland has during the last six years suffered most from the war. On the 14th of May, 1940, after a gallant but from the outset, hopeless fight for its freedom, the country was overrun by the German aggressors, who had pledged themselves solemnly to respect its neutrality but had for years secretly prepared for their attack on this peace-loving nation.

At that time, damage resulting from the hostilities, such as the ruthless bombardment of the centre of Rotterdam, was estimated to be high, but as compared with the losses which the German occupation itself would subsequently cause, this damage now seems rather insignificant.

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Challenge to Construction Industry

By L. C. HART
Vice-President, Johns-Manville Corporation
President, Producers' Council

Construction Industry Executive Sees as Hazards Ahead for New Construction, Continuation of War Time Controls and Public Policy That Will Hinder Rather Than Promote Building. Estimates Peak of New Construction Will Not Be Reached Until 1949, When It Will Attain the $15 Billion Mark, Although Industrial Building Will Reach a Billion Dollar Peak in 1946 and 1947. Expects Large Repairs and Remodeling Outlay but Sees No More Than 450,000 New Home Units in 1946, and Rising to Over 1,000,000 by 1950. Cautions Against Failing to Hold the Line Against Inflation and Advocates Organization of Local "Construction Industry Councils" as a Safeguard. Praises Work of Federal Housing Administration.

With the winning of the war, the Construction Industry now faces its most serious challenge—the rebuilding of America. Private enterprise can feel justifiably proud of its outstanding record in the production of the vast tonnage of material which made victory possible. We must now make a comparable contribution to the winning of the peace.


L. C. Hart

Peace holds great promise for the building industry; but we shall have to call upon every ounce of our energy, every bit of wisdom and sound judgment at our command, if we are to win the peace. We must take full advantage of the experience we have gained from past and present emergencies which have so seriously interfered with our economic cycle. That peace can be securely won only if we sustain a prosperous and stabilized construction market and provide the means for maintaining optimum employment.

We are confronted with the greatest opportunity in the history of our industry as we enter this post-war period. The existing need for new construction, the knowledge that ample funds are available for financing it, an ultimate supply of labor adequate for the task and the vast manufacturing facilities to produce the necessary materials and equipment are most encouraging factors.

Hazards Ahead

Yet, despite all this, we do not face clear sailing by any means. There are other tangibles and intangibles which constitute a dire threat to the fulfillment of our opportunities. We face the hazard, both direct and implied, of continuing and expanding governmental controls. Though acknowledged as vitally necessary during the emergency of war, they would seriously stifle and throttle the free play of competition, intiative and progress in a peacetime, democratic economy.

All that we in the industry ask from government is that, with wartime controls no longer necessary, we be given public policies which will encourage, not hinder,

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*An address by Mr. Hart before the New York Paint, Varnish and Lacquer Association, New York City, Nov. 20, 1945.

Our Stake in Britain's Economy

By WILLIAM L. BATT*
President SKF Industries
U. S. Deputy Member, Combined Production and Resources Board

Contending That We Must Have Allies on the Economic as Well as Political Front, Mr. Batt Stresses the Factors on Which Assistance to Great Britain Are Justified. Recounts British War Sacrifices and Efforts at Reform of British Industry. Holds Present British Policy Not Destructive of Our Free Enterprise and Warns That Without Our Aid Extremists Will Gain Upper Hand and British Empire Economic Isolation Would Follow. Sees No Danger to Our Foreign Trade in Enlarged British Exports and Maintains That Helping Britain Regain Prosperity Is a Sound Investment in a Business Partner.

It has been my rare privilege to serve our government from the first days of the organized defense program, as Mr. Stettinius' deputy of raw materials, with Mr. Knudsen in all those first steps in strengthening our production line, and then with Mr. Nelson and Mr. Krug through that epic-making institution, the War Production Board. At the direction of the President and the Prime Minister of Great Britain, I was the American member charged with the setting up of the Combined Raw Materials Board, whose duty it was to see that the materials of the United Nations were used in the way best calculated to win the war. A little later I was also to take over the American side of another of the joint war operations, the Combined Production and Resources Board.

W. L. Batt

You will understand, I hope, that I refer to these personal contacts only so that you may see the background of association and experience against which I speak. The economic problems of the war have brought me continuously into intimate association with those in Britain who have worked with us to a common victory. I have a deep admiration for the qualities of the British character, and I am convinced that this will be a better world for us in the United States to live in if it includes a strong Britain. When I say to you with all the emphasis of which I am capable that the United States has a very large stake—and a very selfish stake—in the welfare of the British economy, you can weigh that conclusion against this background of experience and conviction.

Let me first develop that point of view by quickly emphasizing a few of the economic consequences of the war.

It seems to me quite clear that the American people have emerged from this war with a sharpened sense of their relationship to the rest of the world and specifically, I think, with a widely held conviction that we shall have eco-

*An address by Mr. Batt before the Foreign Policy Association, New York City, Nov. 17, 1945.

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Inflation Psychology Taking Hold

By HERBERT M. BRATTER

Mr. Bratter Gives View of OPA Economist That (1) Inflation Psychology Has Just Begun to Take Public Hold; (2) That Real Estate Market Has Begun an Inflationary Boom; and (3) That Purchase Contracts Are Now Being Made With "Escalator Clauses." Sees Business Abandoning Support of OPA and States Price Controls Cannot Continue to Stand Up, Though Profits Are Higher Than Pre-War Level. Holds Price Director Bowles Predicts Dropping of OPA in June Would Mean a Boom-and-Bust Spiral and Cause a Rent Situation That Would Be "Political Dynamite." Writer Contends That Burden of Resisting Wage Increases Has Been Deliberately Placed on Management.

At a time when the inflationary pressures as measured by economists—current income, demand, etc.—are less than they were during the war, Washington economists and officials interested in price control are watching with deep concern as inflation gets a grip on the country. The OPA is particularly anxious. Price Administrator Chester Bowles has repeatedly pointed out that almost half of the World War I inflation came after the Armistice, following a misleading lull.

Richard V. Gilbert

Dr. Richard V. Gilbert, Economic Advisor to the OPA, in a statement to the "Chronicle," pointed to three important developments of recent weeks: (1) For the first time since the war began we see an inflationary psychology on the part of the general public. This is evidenced in the action of the stock market, in the advice being given by investment counsellors, in the nature of the stock market trading, etc. The attitude of 1928 and 1929 can easily become the attitude of 1945 and 1946, Dr. Gilbert believes. (2) The real estate market has been booming, in a sense that is new, only in the last month or two, with prices being bid up and up and up. (3) Increasingly, business contracts are being made with escalator clauses, as is reported widely by purchasing agents. This is due to a variety of causes, including the wage situation, inventory hoarding attendant upon repeal of the excess profits tax, and other uncertainties.

Out of the wage-price policy of

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According to Plan

NASD "Application for Registration for Employees, Partners and Officers of Members" Not a Form of Vaunted "Self Regulation," but a Brazen Case of Regimentation and Compulsion in Its Most Naked Form. Forewarns of More Annoying and Intricate Exactments to Come, When NASD Becomes More Ravenous.

The National Association of Securities Dealers has just sent out its "application for registration" together with an accompanying pamphlet, which shed light upon its regimentation activities.

We quote:

"This pamphlet is addressed to the employees, partners and officers of members of the National Association of Securities Dealers, Inc. Its purposes are to discuss the objectives and mechanics of their registration and to set forth the advantages which the over-the-counter business and those engaged in it will derive from the program."

Now then, we feel that all this is belated. The time to have addressed these individuals and to have sold them the idea that advantages are to be gained from registration by those engaged in the over-the-counter business, was before the passage of the recent NASD by-law amendments.

Those who are required to register were vitally affected by the then projected registration, and we feel as we have heretofore urged, that their consent should have been obtained in the first instance.

The timing of the present effort at persuasion is bad, and the effort itself unconvincing.

The pamphlet emphasizes that registration is a simple process and that the registrant need only answer three questions. Of course each of these questions contains subdivisions.

It stresses that the registrant must signify his willingness to abide by the Association's by-laws and rules of fair practice.

The form of registration is in the nature of an applica-

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William Chappell Rejoins Mellon Securities Corp.

William B. Chappell has rejoined the staff of Mellon Securities Corp., 2 Wall St., New York City, after leaving the armed forces. Mr. Chappell was formerly in charge of the firm's trading department in New York City.

War Department Official On Occupation Currency

In Letter to Senator Green, Secretary Patterson's Executive Assistant Explains Conditions Which Lead to G. I. Speculation in Occupation Marks. Says Regulations Are Continuously Reviewed to Prevent Profiteering. States Why Russian Soldiers Are Dumping Marks on G. I.'s.

Along the lines of the article of Herbert M. Bratter in the "Chronicle" of Nov. 8 (p. 2207) recounting the G. I. profiteering in German occupation marks, John W. Martyn, Executive Assistant to Secretary of War Patterson, in a reply to an inquiry of Senator Theodore Francis Green, Democrat of Rhode Island, explains the situation and though not denying the conditions as set forth in Mr. Bratter's article, states that the War Department is continuously taking measures to prevent exchange profiteering by American occupation troops in Germany. The text of Senator Green's letter to the Secretary of War and of Mr. Martyn's letter in reply thereto as released by Sen. Green follows:

Sen. Theo. F. Green

Oct. 29, 1945.

The Secretary of War
War Department
Washington 25, D. C.
My dear Mr. Secretary:

As you know, there have been a number of stories in the press about the occupation currency used by our forces abroad. Some of these stories strike me as rather fantastic and irresponsible. I understand that in the course of the War several statements were given out to the press by the War Department and the Treasury jointly. Those statements gave basic information about the invasion and occupation currency used in Europe and elsewhere. They do not, however, cover the administrative practices of the Army in connection with such currency. Some of my friends have been asking me about this, and I would appreciate it if you could tell me just what the Army's practices are in this connection.

For example, is there any truth in the stories that we supplied the Russian Government with the plates to print occupation marks, that there were no restrictions placed on the volume of such occupation marks to be printed by the Russians, and that large quantities of these Russian-printed occupation marks have found their way into the hands of American soldiers in Germany?

If so, how many marks have the Russians issued, and how many have been issued by each of the occupation armies? What happened to those marks after the American soldiers obtained them? It would be interesting to know what instructions have been issued by the Army to Army officers concerning the redemption or rejection of such marks by finance officers, and who redeemed the money ultimately.

Also of interest would be an account of the steps which the Army has taken to prevent American soldiers and officers from cashing in on the profits derived from the sale of merchandise abroad. My attention has been called to a newspaper article re-

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Transportation Prospects

By JULIUS H. PARMELEE*
Director, Bureau of Railway Economics, Association of American Railroads

Railroad Analyst, Using Data of Research Commission of Association of American Railroads, Contends That Postwar Railroad Ton-Miles Will Be Greater Than Prewar, but Looks for a Decline Below Wartime Peaks. Estimates That by 1950 Rail Operating Revenues Will Be Less Than $6 Billions Annually, or Below 1929 Level, and Net Earnings Will Decline Even More. Sees Greatest Postwar Traffic Growth in Air Lines, but Maintains That in the Competitive Race, Rails Will Hold Their Relative Place in the Freight Field.

Three years ago the Association of American Railroads organized a committee of more than 50 railroad officials to consider some of the questions that will confront the railroad industry in the postwar period. Mr. R. V. Fletcher, Vice-President in Charge of Research of the Association, has served, and is still serving, as Chairman of that committee, which is known as the Railroad Committee for the Study of Transportation. The committee has conducted its work largely through 15 subcommittees, each dealing with a specific subject or field.

Julius H. Parmelee

One of the subcommittees, the Subcommittee on Economic Study, has undertaken a number of studies, including a general study of past, present, and prospective economic and transportation trends.

This general study is now nearing completion. It is still in preliminary form, and has not been approved either by the subcommittee itself or by the general approved either by the subcommittee is a part. However, sufficient material has been assembled to warrant some rather general and tentative conclusions, which I shall present briefly today. The conclusions are my own, not those of any other individual or organization, and are subject to further study and revision.

General War Trends

An interesting historical fact the study has developed is that the three major wars in which the United States participated, prior to the second World War, showed striking similarities in certain of their economic features. Those three wars were the War of 1812 to 1814, the Civil War of 1861 to 1865, and the first World War of 1914 to 1918.

A number of economic tendencies made their appearance during and following each of those three wars. Some of the tendencies may be attributed to the nature of war itself, which is essentially the same regardless of time, purpose, or instruments employed. Other tendencies can be attributed to the rather consistent and continuing nature of the human character.

In each of the three wars, economic activity in the United States showed a great advance, rising to levels higher than in any previous period. Prices increased. Each of the wars was followed by a brief period of economic hesitancy, or readjustment, which was then succeeded by a business upturn of varying proportions and duration. The beginning of the upturn was based upon the satisfaction of a deferred demand for commodities that had not been available in sufficient quantities during the period of active warfare, and the replacement of property destroyed in the course of the conflict.

The period of economic expansion following the readjustment period varied in length, as between the different wars. It lasted about four years after the War of 1812, or from 1815 to 1819; about five years after the Civil War, or from 1868 to 1873; about seven years after the first World War, or from 1922 to 1929. These ex-

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*An address by Dr. Parmelee before the National Postwar Conference, Atlantic City, Nov. 1, 1945.

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Mineral Resources and Venture Capital

By ALLAN S. RICHARDSON*

Secretary, Association of Securities Administrators

Pointing Out the Vast Proportions and Potentialities of the Mining Industry and Its Importance to National Progress, Mr. Richardson Defends the Honesty and Integrity of Its Promoters. Holds Regulation of Mining Issues and Requirements of Full Disclosure in Mining Promotions Have Largely Corrected Abuses and That No Controversy Exists Between Honest Small Mining Companies and the State Regulating Commissions. Says No Suspicion Should Be Levelled Against Canadian Mining Industry Because of Actions of a Small Group of Toronto Dealers.

As Chairman of the Mining Securities Committee of the National Association of Securities Commissioners, it has fallen to my lot to address this convention again on the subject of mining. Perhaps this is because I come from a mining state but not necessarily because I am in some quarters looked upon as a specialist in the field. To be such, I would have to be a geologist or an engineer, or in fact a prophet, or perhaps a combination of them all. To none of these distinctions do I lay claim.

Allan S. Richardson

I do believe, however, that someone should attempt to correct the improper impressions prevalent concerning the mining industry, someone who not only is familiar to a modest extent with the problems of the miner but also one who by limited experience at least with the problems of security regulation, can attempt to bring together such divergent views as do exist to the mutual benefit of the producer of mineral wealth and the investor who furnishes the capital funds with which this production is accomplished. Mining as an industry needs no defense. It is against those purveyors of worthless paper that we wage our relentless war. Whether this paper represents an interest in a mine or any other type of enterprise, our course is the same. However, mining has romance and glamour and it is because of this many have fallen victim to swindles which might have been based upon any other industry with a similar appeal.

Mining of Vast Proportions

In the first place a consideration of the dilemma must recognize that mining embraces a field of such vast proportions and potentialities that any concept limiting it to gold and silver fails woefully of its purpose. Resulting judgments of the industry are as biased as would be the case if one

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*An address by Mr. Richardson before the Convention of the National Association of Securities Commissioners, Chicago, Ill. Nov. 17, 1945.

The Investment Company in 1945

By HUGH BULLOCK*

Stressing the Need of Professional Guidance to Investors, Mr. Bullock Maintains the Well Managed Investment Fund Serves This Purpose. Says Shares of Well Managed Investment Company Offer a Larger Measure of Protection of Income and Principal, With Opportunity for Appreciation, Than Any Other Class of Security, and Holds This Is Due to Diversification, Good Supervision, Breadth of Market, and Regulation Under Investment Company Act. Estimates Investment Trusts Hold $2 Billions of Assets and in 1944 Purchased and Sold $700 Millions of Securities.

Professional advice on legal or medical problems is needed by almost everyone during some stage of his career. Investment problems cross millions of people's lives just as surely as those pertaining to law or medicine. And in the field of investments, as in the case of law or medicine, one should be guided by professional advice.

Hugh Bullock

Never before in the history of America have so many people had so much money. It is estimated there are 85,000,000 War Bond holders. Many of these have never bought a security before. Many of these—just as after World War I—will eventually buy other securities. They will comprise a veritable army of new investors. They will know very little indeed about investments. To prevent financial disaster to themselves, they should have professional guidance.

A convenient way for investors to secure professional guidance is to purchase securities of a well-managed investment fund. In 1945, there is a broad choice of such funds available to conform to almost any reasonable objective an investor may have.

First of all, he may purchase a security of one of the two broad classifications of investment companies, namely, of a closed-end fund. Incidentally, all statistics which may hereinafter be used in connection with closed-end funds are confined to those funds, regardless of their technical classi-

*An address by Mr. Bullock before the convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 17, 1945. Mr. Bullock is President of Calvin Bullock, Investment Advisers and Distributors of Investment Company Securities, New York, Boston and Chicago.

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AIB Public Speaking Contest Dec. 11

"How Can Banking Services to the Public be Improved?" is the topic of a public speaking contest to be held by the New York Chapter, American Institute of Banking, on Tuesday evening, Dec. 11th in the chapter's assembly hall at 233 Broadway. Leroy Clark of the Marine Midland Trust Co. and Chairman of the public speaking committee, announces that the contest, which is an annual affair, is open to all chapter members. The chapter's alumni association will award cash prizes to the winners.

C. E. Weinig Opens

BUFFALO, N. Y.—Carl E. Weinig is engaging in the investment business from offices at 291 Delaware Avenue as an individual dealer. He was formerly President of C. E. Weinig, White & Co., Inc.

Grabenstatter to Join Hoit, Rose & Troster

Hoit, Rose & Troster, 74 Trinity Place, New York City, announces that Eugene L. G. Grabenstatter, formerly with Trubee, Collins & Co., will be admitted as a general partner in the firm as of Dec. 1, 1945. The company also announces the installation of a direct private wire to Trubee, Collins & Co., Buffalo.

Marquette de Bary With Harris, Hall & Co., Inc.

Marquette de Bary is now associated with Harris, Hall & Co., 14 Wall St., New York City, in the municipal department. Mr. de Bary left the investment business in January 1942 to join the armed forces and is now on inactive status with rank of first lieutenant. He went overseas in November 1942 taking part in the African invasion at Casa Blanca, from there going with the 62nd Fighter Wing of the 12th Air Force to Tunisia, Sicily and Italy.

Mr. de Bary has specialized in tax-exempt securities since 1935.

Rejoins First Mich. Corp.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Ervin F. La Rowe** has rejoined the **First of Michigan Corporation**, Buhl Building.

With McDonald Moore Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Frederick J. Bolton** has become affiliated with **McDonald-Moore & Co.**, Penobscot Building. Mr. Bolton has recently been with the U. S. Navy. Prior thereto he was with Ryan, Sutherland & Co.

Public Utility Securities

What Is Standard Gas $4 Preferred Worth?

In recent weeks there has been a great deal of market interest and activity in junior holding company equities, such as Commonwealth & Southern, Standard Gas $4 preferred, Northern States Power A, Central & South West, L. I. Lighting, etc. The largest advance has been in Standard Gas preferred. The company originally filed an integration plan with the SEC seven years ago but it was not until August, 1944 that a plan was finally evolved to suit the SEC, and this was finally approved with a slight change on Nov. 18 of last year.

The District Court disapproved the plan, but the Circuit Court reversed the lower Court. It was then generally assumed that the plan would be consummated without further change. However, there were persistent rumors that, due to the advance in utility values while the plan was in the hands of the two courts, some attempt might be made to modify it in favor of the second preferred (which in the present case had the standing of an equity stock, the common being wiped out). These rumors were eventually confirmed by the action of the management which recently indicated that it would watch the situation and ask the SEC to join with the company in seeking a court delay, in order that the Commission might consider a modified plan.

The company now proposes to pay off the $59 million bonds in cash, raising the money by sale of its holdings of Pacific Gas and Oklahoma Gas, together with a $25 million bank loan (to be repaid with proceeds of sale of investments in California Oregon Power, Mountain States Power, Louisville G. & E. (Ky.) and Wisconsin Public Service).

It is estimated that under the present plan bondholders will get the equivalent of $1,250 or about $15,000,000 more than they would be entitled to if paid off at par (if the six issues were retired at their respective call prices, ranging from 100 to 104, the latter amount would be reduced slightly). The question would then arise as to how this "gravy" would be distributed to the prior preference and preferred shares (it is generally assumed that the common would again be omitted from consideration in any new plan).

Under the proposed new plan as under the old, Standard Gas would dispose of practically all subsidiaries except Philadelphia Company, its most valuable asset; but under the new program there would be some cash left over after paying off the bonds—presumably the $15,000,000 referred to above. Philadelphia Company is currently selling on the Curb around 15, which gives Standard's holdings a paper value of about $75,000,000; adding the $15,000,000 cash referred to above, would make $90,000,000.

The preferred stocks and their arrears are as follows:

	*Liquidation Value	Dividend Arrearses to 12-31-1945	Total
$7 prior preference	$36,834,800	$30,813,000	$67,647,800
$6 prior preference	10,000,000	7,170,000	17,170,000
$4 preferred	37,872,100	38,800,000	76,672,100

*All the issues have no par value; the two prior preference issues are entitled to $100 in liquidation, the preferred has second preference in the amount of $50 (together with dividend arrears in each case).

Obviously if the $90,000,000 were to be used to pay the prior claim of the prior preferred issues in full, there would only be about $5,000,000 left over for the $4 preferred or about $6.63 a share. But it seems unlikely that the prior preference could claim the full amount, for the SEC has in some other cases used the "discount" method of evaluating the present value of arrears. Including next year's substantial tax savings, Standard Gas might in future earn in the neighborhood of $22 a share on the prior preference stock (less rate cuts and war load losses). Assuming the maximum estimate, arrears could be paid off at the rate of perhaps $10 per annum (leaving $5 for surplus) on which basis it would take over eight years to pay off arrears; but allowing for earnings irregularities, ten years would seem to be a practical minimum. On this basis the value of the arrears on the $7 prior preference would be reduced from $84 to about $62 and the total cash required to settle arrears on both

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Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — G. Leonard Allen has become associated with Johnson, Lane, Space & Co., Citizens & Southern Bank Building. Mr. Allen in the past was with Allen & Co. of Atlanta.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Gordon M. Copp of Worcester and Frank J. Laughlin are now connected with W. H. Bell & Co., Inc., 49 Federal Street. Mr. Laughlin has recently been serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, CONN. — Patrick L. Caldana has rejoined the staff of A. M. Kidder & Co., 940 Broad St.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—William M. St. George has been added to the staff of Louis G. Rogers & Co., Johnston Building.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Michael E. Berman and Cecil C. Rankin are with R. S. Dickson & Company, Wilder Building.

(Continued on page 2611)

Peacetime Problems And Fiscal Policy

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

Pointing Out That Success of the Victory Loan Is Essential to the Accomplishment of a Peacetime Economy of High Production, Secretary Vinson Holds That the New Techniques and Scientific Developments of the War Must Be Applied in Peace. Says Tax Structure Will Be Further Modernized to Encourage Business Enterprise and Promote Mass Production, but Cautions That Reserve of Purchasing Power Must Be Held Back to Provide Jobs and Markets Tomorrow, Rather Than Wasting Itself in Driving Up Prices Today. Looks for Greatly Reduced Government Expenditures, and Defends Low Interest Rates as Aiding Government and as a Stimulating Force in Our Economy. Says Nation Can Meet Burden of the National Debt.

Success in the Victory Loan is a significant contribution to our Nation's conversion from the ways of war to the ways of peace. In turn, a speedy reconversion aids in laying the foundation for an invigorated, expansive economy so essential for the long pull. A successful Victory Loan, moreover, helps not only in the immediate reconversion period, but also in that later peacetime economy. The full importance of the Victory Loan, therefore, cannot be appreciated without understanding its proper place in the whole of our country's economy.

Secretary Vinson

We have just won a long and a hard war. In truth, that war was won such a short time ago, it is still difficult to realize that the question is not what can I do for the war effort, but what can I do for prosperity and peace. In winning the war, we met a challenge to our way of life. We have turned that challenge aside and utterly defeated our enemies upon the field of battle.

We have done this at a great human and economic cost. It would be easy to seize a victory so dearly won as an opportunity to relax, to rest upon our laurels, and to return to the old ways.

*An address by Secretary Vinson before the State Chamber of Commerce of Indiana War Finance Committee, Indianapolis, Ind., Nov. 27, 1945.

(Continued on page 2607)

National Prosperity— Whose Responsibility?

By PAUL G. HOFFMAN*
Chairman, Committee for Economic Development
President of the Studebaker Corporation

Assuming That the Task of Attaining and Maintaining Prosperity Is a Tough One, Mr. Hoffman Holds We Must Have an Overall Expansion of Production at Least 30% Above 1940 to Create 56 Million Jobs Essential for a Satisfactory Situation. Says This Must Be Accomplished by Free Enterprise and a Program of Encouragement and Incentives of Private Initiative. The Responsibility, He Asserts, Must Be Shared by All Participants in Our Economy Who Are Essentially Interdependent. Holds Government Should Play Important Role in Stabilizing and Maintaining Prosperity, but Must Learn When and How to Use the Tools It Has for This Purpose. Advocates Creating Both a President's and a Congressional Committee on Full Employment.

The invitation to address this postwar conference of the National Association of Securities Commissioners was accepted by me with great pleasure, because you gentlemen have a vital role to play in the building of a better America. America has been and is a strong country because conditions here have promoted in our people the growth of self-reliance, ingenuity, and resourcefulness. But too many of our citizens have not had too good a break. Our future strength depends primarily upon our ability to give to all our citizens maximum opportunity for growth and development—materially, intellectually, and spiritually.

Paul G. Hoffman

I shall leave to better men than myself the discussion of how to achieve those conditions that best promote intellectual and spiritual growth, and will restrict myself to a discussion of problems incident to the achievement of material welfare or national prosperity. It would be well, I believe, to be specific in defining what we mean by national prosperity. The current political phrase that is used as a synonym for national prosperity is "full employment." There is a hazard in this symbol because it implies that jobs are created for their own sake. They are not. They stem from and are a by-product of the production of goods and services which people want to buy. Jobs cannot be created merely by adding names to payrolls. Productive employment can be expanded only by expanding production. The question, therefore, is: How much must our output of goods and services be expanded in order to have avail-

*An address by Mr. Hoffman before the Convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 16, 1945.

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Investment Company Portfolios

Third Quarter Cash Positions Generally Improved. Purchases Widely Scattered and Sales of Industrials, Such as Deere & Co., Socony-Vacuum, Electric Auto-Lite, Firestone Tire, General Motors, Greyhound and U. S. Rubber, Predominate. Most Widely Held Issues Not Changed Materially. Tables Show Purchases and Sales of Individual Issues and Those Held in Largest Volume.

Investment companies as a group increased their cash positions moderately during the third quarter of 1945, according to a study issued November 7 by the National Association of Investment Companies. Total cash and U. S. Government bond holdings of the 30 largest broadly diversified funds amounted to $114 million on September 30 this year, or approximately 8.9% of total assets of $1,283 million. Three months previously, cash or its equivalent held by the same funds totaled $99 million, or 8.2% of $1,214 million total assets.

Third Quarter Purchases

Purchases during the third quarter were widely scattered among many industries. Six public utility preferred and common stocks were bought on balance by at least three of the 30 companies whose portfolios were analyzed, although at least one sale was recorded in all but one of these issues: United Light & Railways,

(Continued on page 2612)

Real Estate Securities

18 East 41st Street Corporation—Fee Mortgage Bonds Attractive Equity Situation

Bondholders own 100% of the Capital Stock of the 18 East 41st Street Corporation which owns the 20-story office building located at 18-20 East 41st Street, New York City. The location, just off Fifth Avenue, is ideal, and the building contains a net rentable area of about 64,000 square feet.

A total of $949,300 bonds and 9,493 shares of stock were issued to bondholders in reorganization. $76,000 bonds have been purchased and retired leaving $873,300 bonds presently outstanding. Bondholders retain stock in event bonds are purchased by the corporation for retirement. The bonds are junior in lien to an institutional first mortgage in the amount of $190,000 extended in 1944 to May 1, 1949, with a reduction in the interest rate from 4¾% to 4%.

Initial interest distributions were made this year, 2% on May 1 and 2% Nov. 1. The rent roll has increased about $20,000 over the 1944 year. The current asset position of the corporation at Dec. 31, 1944, was quite satisfactory. Total current assets of $40,785.86 (mostly all cash) compared with current liabilities of $8,084.66, a ratio of 5 to 1. Prior to this year there has been little trading in this issue but present conditions warrant consideration as at current levels in the low 40's the bonds appear to be considerably underpriced as the yield is high and out of line with most other real estate issues.

Ownership Declaration For Cash in Danish Banks

C. S. Young, President of the Federal Reserve Bank of Chicago, has called attention to an announcement made by the Danish Legation in Washington to the effect that any person who has a cash balance held with a Danish bank, savings-bank, or cooperative savings-bank which, with interest, exceeded the sum of 500 kroner on July 23, 1945 must file a declaration of ownership with a Danish Consular office in the United States or with the Danmarks Nationalbank. The advices from the Chicago Reserve Bank Nov. 14 added:

The declaration must be in the possession of the Danmarks Nationalbank of Copenhagen not later than Dec. 31, 1945. If no declaration is made, the account will be attached in favor of the Danish Government. After the expiration of the time limit, the acceptance of any declaration may be made subject to a fine of up to 25% of the account balance.

Such declarations are provided for by Danish Law No. 352 of July 22, 1945. Danish authorities expect all persons, whether or not they are nationals of Denmark, to submit separate declarations with respect to each deposit in excess of 500 kroner maintained with any bank, savings-bank, or cooperative savings-bank in Denmark. The forms for filing the declaration may be obtained from Danish Consular offices.

The forms for filing may not be obtained from a Federal Reserve Bank and should not be submitted to a Federal Reserve Bank.

Economic Reconstruction in Europe

By MARION BAYARD FOLSOM*

Treasurer, Eastman Kodak Co.

Director, Special Committee on Post-War Economic Policy and Planning of the House of Representatives

Director of Congressional Post-War Economic Policy Committee Reviews Conditions in the Chief European Countries, and Urges the United States to Give Relief and Make Productive Loans. Contends That Credits to Russia Should Be Based on Free and Frank Disclosure.

Before discussing the European situation I would like to refer briefly to the work of the House Special Committee on Post-War Economic Policy and Planning in the field of foreign trade. This Committee, composed of 18 members selected from both parties, issued in May of this year a 57-page report on the post-war foreign economic policy of the United States. It contained recommendations on a number of basic principles which the Committee felt should underlie our post-war foreign trade. Many favorable comments were received on this report and the recommendations were widely endorsed in editorials and by men in both Government and business.


M. B. Folsom

Some of these principles are indicated in the following excerpts from this report:

"Our foreign trade, though only 5 to 7% of our national income, provides us with many essential products and raw materials, and affords us a very important market for certain agricultural and manufactured products. Moreover, this trade, which is small compared with our total national volume of business, has a very important impact upon other nations, many of which depend heavily upon international trade.

"High levels of output and employment at home, which the Committee discussed extensively in its fourth report, are an essential requirement for expanded world trade. . . .

"It is the Committee's view that foreign trade can contribute most to the peace and prosperity of both the United States and the rest

*An address by Mr. Folsom before the 32nd National Foreign Trade Convention, New York City, Nov. 12, 1945.

(Continued on page 2602)

Hopkins, Smith & Virgin Rejoin Courts Staff

ATLANTA, GA. — Lieutenant Commander W. Cabell Hopkins, Captain Walter Smith, and Lieutenant Commander Jack Virgin, after having completed their service with the armed forces, have resumed their association with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange and other exchanges.

The Problem of Development Capital

By RALPH E. FLANDERS*

President, Federal Reserve Bank of Boston

Prominent Industrialist and Banker Traces the Development of New Undertakings and Points Out That Initial Capitalization Is Now Seldom Supplied by the Wealthy. Lays Declining Attractiveness of New Undertakings to Drying Up of Adequate Returns Due to Excessive Taxation, Advantages of Old Concerns in Trying Out New Ideas and Restrictions on Risk Investments. Holds Heavy Brakes on New Investment Are Discouraging Small Business, Are Strengthening Large Corporations and Retarding Industrial Expansion. Urges More Freedom in Investment for Banks and Fiduciary Funds and Less Interference by Administrative Regulations. Says Decline in Enterprise Not Due to Internal Decay.

The problem which I wish to discuss with you this morning is one of very great importance. I am familiar with much of the past history and the present situation relating to the financing of new undertakings. I am not familiar in detail with the responsibilities laid upon the State supervisory authorities by the laws under which you operate, and which your bodies were organized to enforce. This will be, therefore, in the main a brief presentation of the problems from the standpoint of public interest, leaving to those who are more experienced and expert than myself any offering of suggestions as to how the difficulties can be met by ways in which the public interest is protected and served.


Ralph E. Flanders

My connection with American industry goes back to January, 1897, when I entered on an old-fashioned apprenticeship in a New England machine-tool plant, from which I graduated three years later as a journeyman machinist. In one way or another I have been connected with the machine-tool industry for the intervening 49 years. During the early part of that period many new companies were established within that industry and many more within related industries. Of these a fair proportion have gone through the difficulties of childhood, have lived through a vigorous youth, and have arrived at mature strength and usefulness as sources

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*An address by Mr. Flanders before the Convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 16, 1945.

Post-War Supervision Of Securities Dealers

By EDWIN M. DAUGHERTY*
Commissioner of Corporations, California

In Pointing Out the Progress of Securities Regulation, Commissioner Daugherty States That Government Agencies Are Now in a Position to Devote Their Energy to the Small Minority of Securities Dealers "Which Have a Taint." Praises Maloney Act as a Vehicle for the Investment Business to Regulate Itself and Relieve Government of Burdensome Regulation. Says Prevention Is Preferable to Prosecution in Dealing With Fraud. Because of Probable Increase in Securities Business Advocates a Stern Policy in Dealing With Swindlers. Calls for Legislation to Prevent Sale of Spurious Canadian Mining Stocks.

Let us consider the problems involved in the "Supervision of Securities Dealers and Agents in the Postwar Period" from two points of view; first the Dealers and second the Supervisors. In this discussion, the terms "Dealer" and "Broker" are used synonymously as the problems of supervision are basically the same.

Edwin M. Daugherty

The public usually classifies a dealer as either good or bad. The vast majority of dealers and agents today conduct an honest and legitimate business as gauged by the standard of the governmental supervisor. Thus governmental agencies designed to regulate the sale and issuance of securities are in a position to devote a substantial amount of their energy to the small minority which has a taint.

This was not always the situation. Prior to the '30s the "Get-Rich-Quick Wallingfords" often exploited investors at will. The investing public became outraged. Legislative bodies responded to public demand. More and more securities laws were passed. As protective legislation progressed, the stock-selling bunco-man exchanged the 4-carat diamond and startling plaid tweed for the Oxford broadcloth of asserted respectability. These wolves in sheeps' clothing really had a heyday in the '20s. When a duped public was again disillusioned in '29, it demanded severe laws to curb the abuses. The Securities and Exchange Commission, the National Industrial Recovery Act with its Investment Bankers Code, and the Maloney Act came in succession as the Congress sought an effective remedy. Many States also added more regulations for the brokerage business.

The Maloney Act was probably the most progressive forward step, in that it created a vehicle for the investment business to regulate

*An address by Commissioner Daugherty before the Convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 17, 1945.

(Continued on page 2603)

Torpie & Saltzman Are Forming Inv. Business

James V. Torpie and David I. Saltzman are forming Torpie & Saltzman with offices at 9 East 40th Street, New York City, to engage in the investment business. Prior to their service in the U. S. Army, both were associated with William F. Moore & Co. as unlisted securities traders.

Col. Cox Returns to Asiel

Asiel & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, announces that Col. Hugh J. Cox, A. U. S., has returned to the firm.

A Program of Education

By JULIEN H. COLLINS*
First Vice-President, Investment Bankers Association

Mr. Collins, as Chairman of IBA Education Committee, Stresses the Importance of Having Young Men of Character and Ability in Investment Banking. Describes Steps Taken Toward This End, Which Comprises Publication of the Booklet "Careers in Finance"; the Inauguration of a Training School at Chicago; and the Plans for Additional Training Centers, With Lectures by Financial Leaders. Says Investment Public Must Still Be Mindful of Fraudulent and Unintelligent Transactions.

The President of the Investment Bankers Association, Cliff Folger, would have been your speaker this noon, except that he found it necessary to attend an important meeting of the American Red Cross in Washington. I bring you his compliments and his best wishes.

Julien H. Collins

There is probably no logical reason why I should be his substitute, except that I have been responsible for the conduct of an activity in the Association which he thought would be of interest to you. Had he addressed you, he would have mentioned several important projects of our Association which parallel the work which members of your organization are doing throughout the country.

I will describe to you briefly, the program of the Education Committee, which, after two or three years of planning, has progressed from the blue print stage to the classroom. You will recognize the aims and purposes of our program, and their long range benefits to the investing public.

We are seeking to further improve the ethical and intellectual standards of the investment banking business, by sponsoring the selection and training of young men who will shortly become the representatives of our various member firms. They are the young men who will present our offerings to buyers of securities, and we as an Association, are eager to have the presentation made honestly and intelligently.

Importance of Men of Character and Ability

For more than two years this plan has been discussed with our committees and has gained the enthusiastic endorsement of our members. It is important to us that we attract to investment banking, young men of character and ability, capable of learning the simple truths, which may mean the difference between profit and loss to an inexperienced investor.

Our first step in the program, was to prepare a booklet, TOWARD CAREERS IN FINANCE. These have been widely circulated among service men overseas, and also among eligible men in colleges and universities. Of late, they have been placed in the hands of men who are being re-

(Continued on page 2604)

*An address by Mr. Collins before the National Association of Securities Commissioners, Chicago, Ill., Nov. 17, 1945. Mr. Collins is President of Julien H. Collins & Company, Chicago, Ill.

Fraud in Sale of Securities

By ERNEST CORNELL*
Chief, Division of Securities, State of Ohio

Maintaining That Civil Action Against Sellers of Securities, Where Fraud Is Involved, Is More Effective in Protecting Buyers Than Criminal Provisions, Mr. Cornell Urges That Courts Clarify the Basis for Assessing Damages. Holds Fraud Should Extend Beyond Statements in the Prospectus and Should Include Oral Statements and Negligence of Seller to Properly Acquaint Himself With Facts. Urges Courts to Look Behind the Scene and Consider Relationships of Parties as They Exist Under Particular Blue Sky Laws.

When a person buys a security he buys only a piece of paper, the intrinsic value of which is negligible. The reason he purchases that piece of paper is because some one has told him a story as to what that piece of paper represents or what is behind it to give it value. If the piece of paper is a bond, then the purchaser doubtless has been told it represents a certain component part of a mortgage upon property worth so much money. If it is a share of common stock, then the purchaser has doubtless been informed that he is buying an aliquot part of the assets of a corporation, the assets of which amount to a certain sum of money. In either case, what the purchaser is really buying is a representation and promise, upon which he relies, and seldom does he actually view and behold the physical premises or property. Unlike the purchaser of securities, the purchaser of a refrigerator can see the tangible property that he is buying. He can determine its size, depth and dimensions, and by his sense of touch he can further determine whether it is hot or cold. Unlike the purchaser of a show-horse, whose glossy coat, shiny tail and well-combed mane are visible to the eye, the purchaser of securities sees nothing and sometimes gets nothing. Therefore, because of the intangible nature of these pieces of paper, which have been designated as securities, and their well known susceptibility to manipulation and fraud, the Legislatures of many of the states, acting under the due exercise of

Ernest Cornell

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*An address by Mr. Cornell before the Convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 17, 1945.

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.

Briefs—Notes on subjects discussed in recent reviews—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Canadian Excess Profits Tax—List of companies which should materially benefit under reduced rates of Canadian Excess Profits Tax effective Jan. 1, 1946—Charles King & 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.

Increased Earnings for Low-Priced Metal Shares — Study of benefits to be obtained by conservatively capitalized companies from an increase in the available labor supply and a gradual rise in base metal prices — Thornton & Co., 60 Wall Street, New York 5, N. Y.

People's Bank—Booklet discussing the whys and hows of the success of the **Bank of America**—Butler-Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Real Estate Quotation Sheet—A monthly quotation sheet on real estate securities designed especially for dealers, showing current market, as well as change in price on each issue since the close of the preceding month — Amott, Baker & Co., Inc., 150 Broadway, New York 7, 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.

American Service Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Automatic Signal—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.**

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

Chicago Railway Equipment Co.—Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle St., Chicago 4, 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; United Artists Theater Circuit; and Purolator Products.**

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.
Also available a report on **Sheller Manufacturing Corp.**

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

Franklin County Coal—Analysis of condition and post-war prospects—F. H. Koller & Co. Inc., 111 Broadway, New York 6 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.**

Hill Diesel Engine Co.—Memorandum—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Illinois Central—Outlook and earnings indications — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.
Also detailed circulars on **Fashion Park, Shatterproof Glass,** and **Wellman Engineering Co.;** and reports on practically all **Real Estate** issues in New York City.

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 **Locomotive Firebox.**

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 **Bird & Son, Inc.** and **Midland Utilities.**

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.

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

Wellman Engineering Co.—circular — Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

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

Woodall Industries, Inc. — Detailed memorandum on outlook—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

Robinson & Co. to Be Formed; NYSE Firm

CHICAGO, ILL. — Robinson & Co. will be formed as of Jan. 2nd with offices at 231 South La Salle Street. Partners will be George A. Robinson, Arthur C. Harrison, member of the Chicago Stock Exchange, and Karl H. Schewe, member of the New York Stock Exchange.

Mr. Robinson was formerly a partner in Goodbody & Co.; Mr. Harrison has been doing business as an individual floor broker on the Chicago Exchange; Mr. Schewe was with Mitchell, Hutchins & Co.

Lazard Freres Opens New Chicago Branch

CHICAGO, ILL.—Lazard Freres & Co., members of the New York Stock Exchange, have opened an office in Chicago to accommodate its business in the Middle West.

The new office is located in the Continental Illinois Bank Building, 231 South La Salle Street, and is in charge of John N. Shillestad, formerly Sales Manager of Glore, Forgan & Co., Chicago.

Lazard Freres & Co. also maintains branch offices in Boston and Philadelphia.

Return to Chicago Exch.

CHICAGO, ILL.—The following floor members, all former officers of the Army or Navy of the United States have returned from service and have resumed their duties on the floor of the Chicago Stock Exchange, it is announced:

Arch C. Doty, Charles T. Jawetz, Francis O. McDermott, Robert F. Schenck, Jr., and Hugh H. Wilson.

It was announced, also, that the following Stock Exchange employees have returned from service in the United States Army: James J. Glenday, Lawrence E. Gavin, and Louis J. Gronski.

Five Men Rejoin Nuveen

CHICAGO, ILL.—John Nuveen & Co., 135 South La Salle Street, announces that Arthur F. Goeing, Fred D. Stone, Jr., and Ben H. Fuqua, all Lieutenant Commanders, Navy, and Jackson E. Cagle and Paul A. Hakanen, both Lieutenants, Navy, have been released from active service and are again associated with the firm. Walter R. Sundling, recently on leave of absence, has also rejoined the company.

Post-War Problems of Security Commissions

By MAURICE HUDSON*

Corporation Commissioner of Oregon

Mr. Hudson Foresees the Same Problems as in Pre-War Days, but Says They Will Be Greater in Volume and the Applications to Sell Securities Will Be Greatly Increased. Warns of Pressure Put Upon Securities Commissions to Approve Issues Because of Benefits of New Businesses to Local Communities, and Predicts a Larger Number of Corporate Reorganizations and Recapitalizations Than Formerly. Looks for New Foreign Issues and Promotions of New Inventions and Calls for Full Cooperation of the Various State and Federal Commissions.

Yes, I come from Oregon where some time ago the poet said in effect, "Where rolls the Oregon and hears no sound save its own dashings." The Oregon still rolls, but no longer in silence. The cries of promoters fill the otherwise crystal clear air. They are promoting everything from safety pins to giant liners of the stratosphere, and they are expecting you and me, as a matter of course, to approve of any stock offering they may conjure up.

Maurice Hudson

To answer some of them, a man would have to be a Houdini, a financial wizard, an expert appraiser, a keen judge of men and a seer whose knowledge of the future would be infallible. I cannot so qualify. I doubt if our genial Secretary or our handsome President could so qualify. If anyone here can so qualify, he has undoubtedly checked his wings before coming in. Being, then, mere men, we must wrestle with the problems to the best of our respective abilities and untie the Gordian knot, if possible.

A Multitude of Problems

As a matter of fact, it is my personal opinion that the postwar problems of the commissioner will not greatly differ from the war problems or ante-war problems. The difference, if anything, will be a multitude of these same problems. Postwar activity undoubtedly will, and in many cases has already meant an increase in applications to sell securities. I know this is true of my own department, and inquiry has shown the same condition to exist in other states. What, then, are the

(Continued on page 2609)

*An address by Commissioner Hudson before the Convention of the National Association of Securities Commissioners, Edgewater Beach Hotel, Chicago, Nov. 17, 1945.

The Stock Exchange's Place in Finance

By KENNETH L. SMITH*

President, Chicago Stock Exchange

Limiting His Remarks to the Chicago Stock Exchange, Mr. Smith Describes Its Rules and Regulations Regarding Memberships, Trading and Listing Requirements. Says Progress of Improvement of the Exchange Has Been Revolutionary and That It Now Occupies an Important Position in the Capital Market of the Middle West and in Aid in the Expansion and Financing of Industry. Membership Has Now Been Increased to 140 Well Capitalized and Well Organized Firms and Corporations Who Do Business With the Public and the Exchange Will Continue Its Efforts to Promote Just and Equitable Principles of Trade.

Mr. Chairman, Members of the National Association of Securities Commissioners, and guests of the Convention:

First, I would like to thank Mr. Adams and his Committee for the opportunity of appearing before you today. I have had the privilege of being present at a great many conventions of this association; the first, as I recall, was in 1925 or 1926. I have watched them become progressively constructive and there is no doubt that the primary purpose of these conventions should be to analyze every organization, technique, plan or device used in the purchase and sale of securities. Your business is to protect your public and yet you must encourage the legitimate elements of the securities business in your States. Every such situation that can be brought before you should be diagnosed in a manner that will enable you not only to point out weaknesses but to enable you to offer constructive suggestions for the good of the public who

(Continued on page 2605)

*An address by Mr. Smith before the Convention of the National Association of Securities Commissioners, Chicago, Ill., Nov. 16, 1945.

NSTA Notes

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its annual meeting for the election of officers in the form of an oyster roast on Dec. 14 at the Maryland Yacht Club.

Edward B. Freeman, Lockwood, Peck & Co., has been nominated for the presidency, to succeed R. Emmet Bradley of Mackubin, Legg & Co.

Other officers nominated are: J. W. Butler, Baker, Watts & Co., Vice-President; Edwin P. Sunderland, Mackubin, Legg & Co., Secretary; and William J. Herr, Alex. Brown & Sons, Treasurer.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Securities Traders Association of Detroit and Michigan, Inc. have announced the date of their annual Winter Party as of Dec. 7. The event will take place at the Penobscot Club. Cocktails will precede the dinner. Security traders of affiliates are invited. Paul I. Moreland, Moreland & Co., is President, while Claude G. Porter, Baker, Simonds & Co., is Chairman of the Party.

BOSTON SECURITIES TRADERS ASSOCIATION

The following members of the Boston Securities Traders Association are resuming their activity in the investment business after completing their military service:

Capt. H. N. Bernard; Cpl. Gerald S. Colby; Sgt. John J. D'Arcy; Lt. Com. Russell Dean; Cpl. Alvin A. Dykes; R. B. Elwell; Sgt. John L. R. French; Lt. Col. James H. Goddard; Donald S. Goodhue; Lt. Com. Fredk. L. Harson; Capt. Edward Herlihy; Sgt. Robert U. Ingalls; Major Samuel G. Jarvis; Lt. Nicholas Lamont; S/Sgt. Carl A. Levine; PFC. Gilbert Lothrop; Sgt. Wallace Mossop; S/Sgt. J. Russell Potter; Cpl. Arthur Reilly; Lt. E. J. Ryall; Lt. John L. Shea, Jr.; Col. Paul D. Sheeline; Lt. William Skinner; Lt. Paul Sughrue, and Cpl. Robert S. Weeks, Jr.

NATIONAL SECURITY TRADERS ASSOCIATION

Thomas Graham, Bankers Bond Co., Inc., President of the National Security Traders Association, met with the Board of Directors of the Bond Traders Club of Chicago to discuss that organization's plan for the coming year. The meeting was well attended with 226 of the members present.

The National Committee will meet in Chicago on Jan. 29. The winter dinner of the Bond Traders Club of Chicago will be held the same evening.

McGuire With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William T. McGuire has become associated with Bache & Co., 135 South La Salle St. Mr. McGuire has recently been with the Reconstruction Finance Corp. Prior thereto he was with Bear, Stearns & Co. and Stein, Brennan & Co.

Lambert & Doherty Rejoin A. C. Allyn in Chicago

CHICAGO, ILL.—A. C. Allyn and Company, Inc., 100 West Monroe Street, announces the re-association with them of Col. Henry G. Lambert, A. U. S., and Sgt. John J. Doherty, A. U. S., both returned from the Armed Forces.

Rejoins First Boston

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Francis R. Schanck, Jr. has rejoined the staff of The First Boston Corp., 231 South La Salle St., after serving in the U. S. Navy.

Mutual Funds

Gifts and Taxes

Two prominent Mutual Fund sponsors devote their current bulletins to estate and gift taxes. **Keystone Co.'s** Keynotes presents tables showing the substantially lower rates applying on gift taxes than those on estate taxes and both sponsors point out the advantages of gifts made in the form of securities.

Selected Investments Co. discusses a very interesting advantage of gifts made during the donor's lifetime. Through such gifts the donee can gain experience in the management of money and the donor can learn how well his heir is likely to handle the management of the final estate. The donor might learn that it would be advisable to leave his estate in the form of a trust so that the heirs would not have occasion to dissipate the principal.

Advice

In **Lord, Abbett's** latest Investment Bulletin on **American Business Shares,** a portion of N. Y. U. economist Lewis Haney's column in the New York "Journal-American" is reprinted. Dr. Haney answers the question of a widow with $2,000 to invest who is considering American Tel. & Tel. or General Motors stock. She asks: What should I do?

Here is Dr. Haney's answer:

"I know nothing better than well-selected stocks as a place for surplus funds. But you must recognize that this means some risk (there are no riskless investments today). Successful stock investments also require some know-how, usually gained through experience.

If the $2,000 is surplus and not absolutely needed, you may 'invest' it yourself. . . . But if you need, or depend heavily upon this money, you had better buy the stock of some high-grade successful management investment trust. This would result in the trust putting your money into stocks and managing it for you."

Extent of Speculation

Distributors Group, sponsor of **Group Securities,** has reprinted a Cleveland Trust Company Bulletin entitled "Stock Trading."

In a covering letter on this mailing to dealers, Distributors states that one of the most dependable of warning signals has always been broad participation in the stock market by people who have no business there.

The Cleveland Trust Company Bulletin points out that trading on the New York Stock Exchange is being conducted in such restricted volume that the fears being expressed that a great speculative boom may develop seem absurd.

A diagram is presented showing the annual values of the round-lot stock trading on the New York exchange as percentages of our national income for the 71 years from 1875 to date. **There have been only four years in the past three-quarters of a century in which the value of the round-lot trading has been at as low a level when compared to our national income as it is now.**

The Bulletin concludes that "there is slight basis for worrying about the danger of a real speculative boom in the stock market."

Optimum Earnings

"In the next five years," writes **National Securities & Research Corp.** in the current Investment Timing, "once the pangs of reconversion . . . are survived, the United States will face the period of greatest peacetime activity in its history."

The survey goes on to reflect that it is reasonable to assume that this activity will result in strong and optimistic markets in securities. And there is great temptation to peer into the future and to make "educated guesses" as to the likely optimum earnings of companies in the various fields of industry.

The 1945 Reconversion Tax Bill, eliminating the Excess Profits Tax after Jan. 1, 1946, establishes at least the minimum tax reduction that can be expected and gives a reasonably sound basis for calculating the amount of pre-tax earnings that can be carried into net.

"In our opinion it is almost impossible to make 1946 forecasts with any degree of reliability, in view of the present troubled situation arising from labor's demands for greatly increased wages, strikes, and threats of more strikes in key industries, together with the handicap of OPA. . . .

"On the other hand, we believe that the optimum year for corporate earnings should be reached somewhere between 1947 and 1949. . . ."

A Bullish Story

In a current bulletin on the **Railroad Equipment Industry Series of New York Stocks, Hugh W. Long & Co.** compares the bullish story for this industry as it exists today against that existing 10 years ago.

The bulletin quotes a story appearing in the Nov. 2, 1935, "Wall Street Journal" about broad buying developing in this industry as a result of announcements that certain carriers were giving considerable thought to purchases and repair of rolling stock. When, in 1936 and 1937, the railroads spent on average $805 million, railroad equipment stock prices moved up 113% from November, 1935, to February, 1937.

The point is made that actual orders of 750 million dollars for passenger cars alone are on the books of equipment companies today.

"Prices of railroad equipment shares are now only 62% above those in November, 1935. They would have to advance more than 31% from today's levels to reach 1937 highs—and railroad equipment companies expect business substantially greater than that of 1937."

Capital Goods Industries

Broad Street Sales Corp., in its current Letter presents a comprehensive report on the outlook for capital goods industries. The various problems and potentialities are discussed and psychological factors affecting these industries are presented.

The conclusion is reached that "the capital goods industries should tend to support and thereby help to prolong the high level of general business activity expected to result from the deferred demand in the consumer goods field."

Mutual Fund Literature

Broad Street Sales Corp.—Current issue of Items; a new edition of "Highlights," containing up-to-date information on the **National Investors** Portfolio. . . . **National Securities & Research Corp.** — Charts showing income and price appreciation of the various **National Securities Series.** . . . **Selected Investments Co.**—Current issues of Selections and "These Things Seemed Important." . . . **Vance, Sanders & Co.** —Quarterly Report on **Boston Fund** dated Oct. 31, 1945. . . . **Keystone Co.**—Latest issue of The Keystone Investor. . . . **Distributors Group** — Revised folder on Steel Shares. . . . **Lord, Abbett** — Current Abstracts giving 1945 tax information on **Affiliated Fund.**

Dividends

Investors Selective Fund, Inc. —A year-end dividend of 20¢ per share payable Nov. 26, 1945, to shareholders of record Nov. 16.

George Putnam Fund—A quarterly dividend of 35¢ per share payable Dec. 15, 1945, to stock of record Nov. 30.

Union Trusteed Funds, Inc.— A quarterly dividend payable Dec. 20, 1945, to stock of record Dec. 10 as follows:

	Per Share
Union Bond Fund A	$.21
Union Bond Fund B	.20
Union Bond Fund C	.03
Union Preferred Stock Fund	.10
Union Common Stock Fund	.09

Lamont Gives $1,500,000 for Harvard Library

A gift of $1,500,000 by Thomas W. Lamont of New York, to build an undergraduate library for Harvard College was announced at Cambridge, Mass. on Nov. 20 by Dr. James B. Conant, President of the College. Mr. Lamont, Chairman of the Board of J. P. Morgan & Co. Inc., is a member of the Harvard class of 1892. Expression of his unbounded gratitude to Harvard was conveyed to Mr. Conant by Mr. Lamont in making the gift, the banker at the same time recalling "the sense of exhilaration and stimulus" that the college gave to him in his undergraduate years. The New York "Herald Tribune," in special advices from Cambridge Nov. 20, referring to Mr. Lamont's gift, stated that in announcing their vote of acceptance the Harvard corporation stated that immediate steps would be taken to raise another $1,500,000 to provide for the upkeep and endowment of the new library. The building will be designed by Coolidge, Shepley, Bulfinch & Abbott, architects, said the advices from which we quote, which also stated:

Throughout his career Mr. Lamont has been active as a Harvard alumnus and has been most generous to Harvard causes, Dr. Conant said. At the time of the Harvard tercentenary celebration he gave the university $500,000 to establish the Lamont university professorship, now held by Professor Sumner H. Slichter. In 1943 Mr. Lamont was awarded the Harvard Alumni Medal as the most distinguished alumnus of that year.

It was further stated in the "Herald Tribune" account of the gift:

According to Professor Keyes D. Metcalf, Director of the Harvard University Library, the new library unit has been planned for the primary benefit of the college undergraduate.

"The present Widener Library Building," said Professor Metcalf, "has not been and never can be a satisfactory headquarters for undergraduate library service.

"Ideally planned with graduate students and faculty in mind, it has a tremendously large catalogue which is unsatisfactory to the majority of younger students," he said. "It has a collection of 2,000,000 books to which it is impossible to grant free access by undergraduates. They need a much smaller library, of perhaps 100,000 volumes, made up chiefly of modern, replaceable books, to which they can be admitted without restriction, and for which a simplified catalogue is available.

"At present without stack access, with a catalogue prepared for research workers, and with a building that was not planned for their needs, Harvard undergraduates are less well cared for than those in many other colleges of the country.

"It might be added that, with a special building for the undergraduates, the pressure of space in Widener will be greatly relieved, and it should be possible to continue that building as a central library of the university during a generation to come."

Mr. Lamont's letter of gift as given in the "Herald Tribune" read as follows:

"Dear Mr. Conant:

"Referring to my recent discussions with you and Mr. K. D. Metcalf, the distinguished librarian of Harvard College, I have this day delivered to your treasurer securities with a marketable value of $1,500,000. This gift is to enable Harvard to build the library for undergraduates that, you tell me, is one of the college's outstanding needs.

"My own gratitude to Harvard is unbounded, and the sense of exhilaration and stimulus that the college gave to my undergraduate years is as vivid today as it was a half-century ago.

"Sincerely yours,

"THOMAS W. LAMONT."

In acknowledging the gift, Dr. Conant wrote:

"Dear Mr. Lamont:

"I am sure I speak both for myself and for the university as a whole when I express profound gratitude for your splendid gift of $1,500,000, which will enable Harvard to build a new library for undergraduates. We are already deeply in your debt for your generosity on more than one occasion, and it is therefore hard for me to find words to express adequately our appreciation of what you have done for Harvard as a wise and far-seeking donor.

"A new library for the use of undergraduates is indeed one of the college's outstanding needs, but the erection of the building which your gift makes possible has even wider significance for the university as a whole. Once this undergraduate library is completed, Widener can be used entirely for advanced scholarly work, and, together with the Deposit Library recently built near the Business School, should provide for our expansion during the coming decades of this century without a new central building. Therefore, not only future generations of Harvard College students but scholars in all parts of the university—indeed, in the entire learned world—will benefit by your donation.

"The Harvard Corporation will take steps immediately to raise an additional $1,500,000 required for the endowment of the new undergraduate library. I am sure this gift of yours will provide the initial impetus so essential in any campaign for funds. The fact that you have felt this need of Harvard to be of great importance cannot fail to stimulate others to follow your example. Your endorsement of our plan for handling the inevitable expansion of our great library in the years ahead will be sufficient guaranty that our need is both immediate and real.

"Sincerely yours,

"JAMES B. CONANT."

Hanke With Gibson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Walter G. Hanke has joined W. C. Gibson & Co., 231 South La Salle St., after completing service in the U. S. Navy.

Withdraw from Partnership

CHICAGO, ILL. — James R. Sterling and Michael Cantacuzene have withdrawn as partners in Ross, Browne & Fleming, 919 Michigan Avenue.

With Slayton & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Paul S. Dittmann, Harold B. Prout, Earl S. Toner, and Everett L. Wright have been added to the staff of Slayton & Co., Inc.

Estimated Optimum Earnings on 200 Stocks During Early Post-War Period

Writer Gives a Tabulation of Highest Expected Per Share Earnings in the Period of 1947-1949

In the next five years, once the pangs of reconversion—not merely the physical task, but OPA snags and labor difficulties—are survived the United States will face the period of greatest peace-time activity in its history.

Leslie H. Bradshaw
Editor
"Investment Timing"

As it is sensible to assume that this should be reflected in strong and optimistic markets in securities, there is a great temptation to peer into this future and to make "educated guesses" as to the likely optimum earnings of companies in the various fields of industry.

While obviously such estimates must be essentially conjectural, some future yardstick for the investor is of such significance that there should be real value in the procedure. Indeed, some such process is a practical necessity in attempting to decide on relative values and prospects in the security field.

The future remains the future, and it is necessary to try to see through its curtain. But one imponderable in the way of such "guesstimating" has been removed with the passage of the 1945 Reconversion Tax Bill eliminating the Excess Profits Tax after Jan. 1, 1946. The new law establishes at least the **minimum** tax reduction that can be expected, and gives a reasonably sound basis for calculating the amount of pre-tax earnings that can be carried into net.

Among the factors included are potential sales or gross revenue volume, considered in relation to the normal percentage of operating profit of a specific company, indicated demand, labor force, raw material costs, competitive position, improved production methods, new lines, and numerous other allied aspects.

Using all these considerations together with historical background as a measure enables us to arrive at a consensus reflecting the judgment of our Economics and Investment Department staff, composed of specialists in the several fields of industry. In the final analysis, the estimates are a matter of judgment.

A table of 200 companies on which we have estimated the earnings per share likely to be made in a theoretical optimum year is given below. This is not likely to be 1946, but quite likely to be either 1947 or 1948 or possibly 1949. It is the year in which business may be expected to be at a flood tide that may continue for several years.

Different companies will doubtless experience their best results in different years, although some particular year may prove the best for the majority.

Later on the passage of time will make it possible to render such estimates more accurate.

In our opinion it is almost impossible to make 1946 forecasts with any degree of reliability, in view of the present troubled situation arising from labor's demands for greatly increased wages, strikes, and threats of more strikes in key industries, together with the handicap of OPA—all of which have already slowed down the rate of reconversion and reduced the volume of production, and will continue the slowing-down process to a degree that is impossible to gauge at present.

On the other hand, we believe that the optimum year for corporate earnings should be reached somewhere between 1947 and 1949, and this is the figure that we estimate in the table, which also gives the current market prices of the stocks considered.

Conclusion

The huge postwar backlog of demand for goods and services in this country ushers in an era of prosperity which should begin next year and reach its optimum probably between 1947 and 1949. How long this prosperity at a new high level for America will last is impossible of prediction. Equally impossible at this time is any exact appraisal of the earnings per share of leading corporations in the first postwar years of complete operation. However, we have attempted to produce a reasonable estimate which should prove of some value to investors as a guide to relative values and prospects of the various types of securities.—Reprinted from the Nov. 21, 1945 issue of "Investment Timing" published by the Economics & Investment Department of the National Securities & Research Corporation, New York City.

Name of Company	Current Price	Estimated Earnings Per Share in Optimum* Post-war Year
Aircraft—		
Boeing Airplane Co.	26⅞	$3.75
Douglas Aircraft Co., Inc.	86	11.00
Lockheed Aircraft Corp.	34½	4.00
Martin (Glenn L.) Co.	39½	4.25
Solar Aircraft Co.	18⅞	5.50
Air Transport—		
American Airlines, Inc.	84¼	5.25
Eastern Air Lines, Inc.	96	6.50
Northwest Airlines, Inc.	49½	3.00
Penn-Central Airlines Corp.	44⅝	3.00
Trans. & Western Air, Inc.	65	5.00
Auto Parts—		
Bendix Aviation Corp.	60	6.00
Bohn Aluminum & Brass Corp.	68	6.00
Borg-Warner Corp.	52⅜	6.00
Briggs Mfg. Co.	51¼	5.00
Budd (E. G.) Mfg. Co.	17⅞	2.50
Electric Auto-Lite Co.	64¾	9.00
Libbey - Owens - Ford Glass Co.	66⅞	5.25
Thompson Prod., Inc.	65	7.00
Timken-Detroit Axle Co.	48	6.00
Timken-Roller Bearing Co.	63¾	6.50
Automobiles—		
Chrysler Corp.	132	15.00
Fruehauf Trailer Co.	67⅜	8.00
General Motors Corp.	74	8.00
Mack Trucks, Inc.	64½	6.00
Nash Kelvinator Corp.	24½	3.75
Studebaker Corp.	29	3.00
White Motor Co.	39½	4.50
Baking & Milling—		
Continental Baking Co.	14	1.75
National Biscuit Co.	33	2.75
United Biscuit Co. of America	36	4.75
Beverages & Confectionery—		
American Chicle Co.	144	8.50
Beech-Nut Packing Co.	133	7.50
Canada-Dry Ginger Ale, Inc.	43⅞	4.00
Cocoa-Cola Co.	178	9.00
Wrigley (Wm.) Jr. Co.	80½	4.00
Brewing & Distilling—		
Distillers Corp. - Seagrams, Ltd	79	9.50
National Distillers Products Corp.	69	7.50
Building—		
Amer. Raidator & S. S. Corp.	17⅞	1.50
Amer. Seating Co.	31⅛	3.50
Carrier Corp.	29⅞	5.00
Crane Co.	40¾	3.50
Johns-Manville Corp.	145	11.00
Masonite Corp.	58¾	3.75
Minneapolis-Honeywell Reg. Corp.	52½	5.00
National Gypsum Co.	22⅛	3.00
Otis Elevator Co.	33½	3.00
Paraffine Cos., Inc.	79	6.00
Sherwin Williams Co.	140	11.00
U. S. Gypsum Co.	103	8.00
Chemicals—		
Air Reduction Co., Inc.	50	3.50
Allied Chemical & Dye Corp.	186	12.00
Atlas Powder Co.	86	7.50
Commercial Solvents Corp.	20	1.75
Hercules Powder Co.	115	9.50
Monsanto Chemical Co.	111½	7.00
Union Carbide & Carbon Corp.	99¾	7.50
United Carbon Co.	76½	5.50
Containers—		
American Can Co.	106	7.75
Continental Can Co., Inc.	47⅞	4.00
Crown Cork & Seal Co., Inc.	51¾	4.25
Hazel-Atlas Glass Co.	132	7.50
Owens-Illinois Glass Co.	75½	5.50
Drugs & Cosmetics—		
Amer. Home Products Corp.	101	9.00
Parke, Davis & Co.	39¾	2.50
Pfizer (Chas.) & Co.	31⅞	5.25
Sharpe & Dohme, Inc.	23¾	2.00
Sterling Drug, Inc.	42½	4.00
United Drug, Inc.	26⅝	3.25
Electrical Products—		
Black & Decker Mfg. Co.	31⅞	3.50
Chicago Flexible Shaft Co.	48½	4.50
Cutler-Hammer, Inc.	32½	3.00
Emerson Electric Mfg. Co.	23⅛	3.00
General Electric Co.	48¼	2.50
McGraw Electric Co.	41	5.00
Philco Corp.	37	4.75
Radio Corp. of America	16	1.00
Square D Co.	58	6.50
Westinghouse Electric Corp.	35¾	2.25
Food Products:		
California Packing Corp.	38¼	4.50
Corn Products Ref. Co.	69½	4.50
General Foods Corp.	52	4.25
Libby, McNeill & Libby	11⅞	1.50
Penick & Ford, Ltd., Inc.	71	5.00
Standard Brands, Inc.	43⅝	3.50
Stokeley-Van Camp, Inc.	24¼	3.50
Household Furnishings:		
Armstrong Cork Co.	58½	4.00
Artloom Corp.	17⅜	2.00
Simmons Co.	42	4.00
Leather & Shoes:		
Brown Shoe Co.	68½	5.75
Endicott, Johnson Corp.	74	6.00
International Shoe Co.	43	3.00
Machinery—Agricultural:		
Deere & Co.	45½	5.50
International Harvester Co.	92¾	8.00
Machinery—Industrial:		
American Chain & Cable Co.	37¾	3.75
American Machine & Foundry Co.	37½	2.50
Bucyrus-Erie Co.	18⅜	2.75
Cooper-Bessemer Corp.	24⅛	3.00
Dresser Industries, Inc.	30½	5.00
Ex-Cell-O Corp.	62	11.00
Fairbanks, Morse & Co.	64¼	10.00
Ingersoll Rand Co.	128¾	11.00
U. S. Hoffman Machinery Corp.	32½	4.75
Worthington Pump & Machinery Co.	66¼	9.00
Meats & Dairy Products:		
Armour & Co.	14	2.25
Beatrice Creamery Co.	49	4.50
National Dairy Products Corp.	35⅞	3.25
Wilson & Co.	19¼	2.00
Metals—Non-Ferrous:		
Kennecott Copper Corp.	47⅝	4.25
Molybdenum Corp. of America	17⅝	2.50
Phelps Dodge Corp.	39½	3.50
Reynolds Metals Co.	26¼	3.00
St. Joseph Lead Co.	52¾	3.50
Miscellaneous:		
U. S. Plywood Corp.	42	4.00
Motion Pictures & Amusements:		
Eastman Kodak Co.	219	13.00
Loew's, Inc.	31⅛	3.00
Paramount Pictures, Inc.	44¾	5.00
Twentieth Century-Fox Film Corp.	39	4.00
Warner Bros. Pictures, Inc.	24¼	3.75
Office Equipment:		
Addressograph-Multigraph Corp	31¾	2.75
National Cash Register Co.	39	3.50
Remington Rand, Inc.	31⅜	3.00
Royal Typewriter Co., Inc.	29	2.75
Underwood Corp.	73½	7.00
Oils:		
American Republics Corp.	18	3.00
Lion Oil Co.	29⅛	4.00
Pure Oil Co.	22⅞	4.50
Phillips Petroleum Co.	56	5.00
Skelly Oil Co.	56½	6.75
Standard Oil of Indiana	43	3.50
Standard Oil of N. J.	67¾	5.25
Standard Oil of Ohio	25¼	3.50
Paper:		
Container Corp. of Amer.	40½	3.75
Dixie Cup Co.	46⅛	6.50
International Paper Co.	43¾	7.00
Kimberly-Clark Corp.	59½	4.50
Lily Tulip Cup Corp.	47½	5.00
Union Bag & Paper Corp.	25	3.00
Railroad Equipment:		
American Brake Shoe Co.	51	5.00
American Locomotive Co.	36¼	4.00
American Steel Foundries	40⅜	3.25
Pressed Steel Car Co., Inc.	22¼	3.00
Westinghouse Air Brake Co.	33½	2.75
Railroads:		
Atchison, Topeka & Santa Fe Ry. Co.	109¾	12.00
Chesapeake & Ohio Ry. Co.	57¾	5.00
New York Central Railroad Co.	30¾	6.00
Pennsylvania Railroad Co.	45	4.00
Southern Pacific Co.	59⅜	8.00
Southern Railway Co.	56½	10.00
Retail Trade—Variety:		
Butler Brothers	24½	3.00
Green (H. L.) Co., Inc.	74	6.00
Kroger Grocery & Baking Co.	47¾	3.00
Woolworth (F. W.) Co.	50¼	3.50
Retail Trade—Dept. & Mail Order:		
Allied Stores Corp.	38¾	4.50
Gimbel Brothers, Inc.	43½	6.00
Montgomery Ward & Co., Inc.	73¾	8.50
Penney (J. C.) Co.	140	9.00
Sears, Roebuck & Co.	37⅜	3.00
Soaps & Vegetable Oils:		
Glidden Co.	38	3.75
Procter & Gamble Co.	64¾	4.25
Steel & Iron:		
American Rolling Mill Co.	27⅛	3.50
Bethlehem Steel Corp.	96	13.00
Harbison - Walker Refractories Co.	27⅝	2.50
Inland Steel Co.	101½	8.50
Jones & Laughlin Steel Corp.	45¾	6.50
National Steel Corp.	85½	8.00
Republic Steel Corp.	27¼	5.00
Rustless Iron & Steel Corp.	26⅝	3.75
U. S. Steel Corp.	81⅛	9.00
Wheeling Steel Corp.	44¼	6.00
Youngstown Sheet & Tube Co.	64	9.00
Textiles:		
Adams-Millis Corp.	45	4.50
American Viscose Corp.	63½	4.50
Bond Stores, Inc.	38	5.00
Burlington Mills Corp.	35½	3.75
Celanese Corp. of Amer.	61⅛	4.50
Cluet, Peabody & Co. of Canada, Ltd.	49¾	4.75
Industrial Rayon Corp.	61½	5.75
Kayser (Julius) & Co.	45	4.50
Manhattan Shirt Co.	32½	3.50
United Merchants & Manufacturers, Inc.	39	4.00
Tires & Rubber:		
Firestone Tire & Rubber Co.	69⅞	9.00
General Tire & Rubber Co.	40¼	5.25
Goodrich (B. F.) Co.	70	8.50
Goodyear Tire & Rubber Co.	61½	9.50
U. S. Rubber Co.	66¾	9.00
Tobacco:		
American Tobacco Co.	89½	7.00
Liggett & Myers Tobacco Co. "B"	99¼	7.00
Philip Morris & Co., Ltd., Inc.	69	5.75
Utilities:		
American Gas & Electric Co.	42½	3.25
American Water Works & Electric Co.	23⅝	2.50
Arkansas Natural Gas Co.	6¼	0.35
Cities Service Co.	29	4.50
Commonwealth Edison Co.	33⅞	2.30
Consolidated Edison Co.	34	2.25
Detroit Edison Co.	25¼	1.75
Engineers Public Service Co.	31⅞	3.75
Pacific Gas & Electric	45¼	2.75
Public Service of N. J.	26	2.00
Southern California Edison Co., Ltd.	36⅝	2.60

*The year in which business is expected to be at flood tide, probably between 1947 and 1949.

Canadian Securities

By BRUCE WILLIAMS

Canada is about to pass another important milestone in her history. Long delayed by the wartime emergency and to a lesser degree by opposition on the part of certain provinces, the Dominion-Provincial Conference on Reconstruction is now preparing to consider momentous decisions.

This conference seeks to implement the intention of the Canadian Fathers of Confederation to provide Canada with a strong central government. However, provisions of the British North America Act, which determines the Canadian constitution, have been interpreted in such a way by decisions of the Canadian courts and the British Privy Council, that the provincial powers have been constantly strengthened at the expense of the Federal Government.

As a result in the depression period of the early 30s it was found that the Provinces had the power but not the finances to avert the 1936 financial crisis, and the Dominion had the finances but not the power to take appropriate specific action. Alberta defaulted—Saskatchewan was saved by outside assistance—Manitoba and British Columbia survived by exceptional financial management—the entire country rocked under the blow and the Federal Government was virtually powerless to act.

This crisis led to the appointment in 1937 of the Rowell-Sirois Royal Commission whose subsequent recommendations virtually constitute the basis of the discussions of the Dominion-Provincial Conference now in session.

In brief, the Dominion Government is proposing that the provinces agree permanently to leave to the Dominion Government the imposition of personal income taxes, corporation taxes and succession duties. In compensation the Dominion Government purposes to pay each Provincial Government an annual sum the minimum amount of which would be higher than that received temporarily during the war under the Dominion-Provincial Wartime Taxation Agreements.

Other objectives are the following: (1) The Taxation system to be redesigned to encourage and not restrict private enterprise, investment and employment; (2) That the Dominion should have the financial resources to finance deficits with unquestionable credit, and the Provincial Governments be assured of more stable revenues; (3) Adequate minimum standard of services in all provinces while not denying to any province the advantages which its resources give to it nor the freedom to establish its own standards; (4) That the Dominion Provincial financial arrangements strengthen, not weaken, the federal system, and give the provincial governments a dependable financial basis and assurance of freedom to make responsible decisions independently of the Dominion.

With these laudable objectives in view, it is now to be hoped that the conference will place the national interest above narrow provincialism and will arrange for the belated modernization of the Canadian constitution.

Turning to the market for the past week, recent characteristics of strong demand but declining supply were even more marked. The supply of high grades was lamentably insufficient to satisfy demand, and higher prices were registered in all sections with little turnover. Montreals and Albertas were also scarce and it was left to Saskatchewans to provide the greatest activity.

Internals continued strong and free funds consequently remained at the peak level of 9⅛%. In the absence of adequate supply of external issues the brunt of the replacement demand arising from recent redemptions falls increasingly on the internal section of the market.

With regard to future prospects everything points to a continuance of the recent pattern of strength with small turnover in the externals and increasing interest in internals.

McDonald-Moore Co. Adds Four to Staff

DETROIT, MICH.—McDonald-Moore & Co., investment bankers in the Penobscot Building, announce the association with them of Harold D. Beattie, Herve H. Hutchinson and Donald E. Pilkinton as sales representatives, and Luella M. Smith as assistant in the Municipal Bond Department. Mr. Pilkinton will be in charge of the Flint office for the firm, while the others will be in the main office. All four previously were with Crouse, Bennett, Smith & Company.

Forms Donald Young & Co.

Donald Young will form Donald Young & Co. with offices at 40 Exchange Place, New York City, to engage in the securities business.

Canada Cancels New Tariff Rates

The Canadian Government, although reaffirming its support of free trade principles on Nov. 12, announced cancellation of all new tariff rates based on changes proposed in the new budget only a month ago, the Associated Press reported from Ottawa, adding that the action was taken to placate the Government's supporters from the West.

The issue centered around a protective tariff of 20% placed on a certain type of steel tubing, according to the Associated Press, which continued:

The tariff was directed against the United States. Before the war this product came almost wholly from the United States, but during the war a Canadian plant expanded to produce the item on a large scale. The protective tariff did not apply to the British Empire.

In announcing the budget Oct. 12, Finance Minister J. L. Ilsley had stated that there were no important tariff changes. Upon discovery of the steel tubing item the Government was brought under immediate attack by two of its leading newspaper supporters and by members of the Government Liberal Party from the West, who charged that the tax was a reversion to a protective tariff policy in conflict with the Government's avowed principle of favoring free trade.

Today Mr. Ilsley declared that "certain" of the tariff changes which increased duties "have been widely interpreted as representing a change in the Government's general approach to commercial policy and to efforts to liberalize and expand world trade."

"I wish to emphasize," he continued, "that the Government had not the slightest thought that a new policy was being adopted or that the action would be interpreted as anything more than what in fact it was, a minor modification of the tariff structure.

"The Government is more concerned with this misinterpretation of its attitude than otherwise it might have been because within the last few days we have been given substantial ground for believing that the prospects of early international action for reduction of tariffs and other barriers to world trade are considerably improved.

"The Government has repeatedly expressed the view that in the interdependent world of today prosperity is indivisible, and that the prosperity of any nation cannot long be maintained without a restoration and expansion of international commerce."

The Finance Minister said that the new tariff measures were being cancelled because "it is important that no action should be taken which can be interpreted either at home or abroad as showing anything but the strongest support for the principles upon which international negotiations will, we hope and expect, soon be based."

It is learned on reliable authority that Prime Minister W. L. Mackenzie King, who had been abroad since before the budget was announced, was not aware of the protective item.

Year-End Income Tax Problems in Securities

"Year-End Income Tax Problems in Securities" will be the subject of a four-session late afternoon course to be given by Charles Meyer, C. P. A. and attorney, at the New York Institute of Finance, 20 Broad Street, New York City, beginning Thursday, Nov. 29. Brokers, dealers and investors in securities will make up the student body.

Wright to Head Phila. Bond Club

PHILADELPHIA, PA.—Spencer D. Wright, Jr., partner of Wright, Wood & Co., has been nominated for the office of President of the Bond Club of Philadelphia in 1946 by the Club's nominating committee, to succeed Chauncey P. Colwell, partner of Merrill Lynch, Pierce, Fenner & Beane, the 1945 President. According to Club tradition nomination is tantamount to election.

S. D. Wright, Jr.

Other nominations announced by the committee are: Vice-President, William K. Barclay, Jr., Stein Bros. & Boyce; Secretary, John C. Bogan, Jr., Sheridan, Bogan Co., and Treasurer, Edgar J. Loftus, Elkins, Morris & Co.

For three places on the Board of Governors the following have been nominated: Chauncey P. Colwell for term expiring in 1946; Willard S. Boothby, E. H. Rollins & Sons, and Philip L. Lee, Wurts, Dulles & Co. for terms expiring in 1948.

The annual meeting of the Club will be held Dec. 14 at the Racquet Club.

Capital Movement Information Resumed

Treasury Department Again Issues Data Which Has Been Withheld Since January, 1942.

WASHINGTON, Nov. 29.—With the November "Treasury Bulletin," released today publication is resumed of detailed information on capital movements between the United States and foreign countries, the short-term foreign assets and liabilities of reporting banks and brokers in the United States, and the position in foreign currencies of reporting banks and bankers. Publication of this information was discontinued as of January, 1942, for reasons of national security.

Summary information for the period January, 1942 through April, 1945, and details for May, 1945, appear in the new bulletin. A supplement to this issue of the "Treasury Bulletin" is being prepared which will provide additional information for the January, 1942-April 1945, period, and which will be available upon request.

Banks, bankers, and securities brokers and dealers are the "reporters" of these data. They report with respect to—

(1) Their foreign transactions in securities on their own account and on behalf of other institutions and individuals, and

(2) The outstanding short-term foreign assets and liabilities in their own accounts or in accounts with them.

John Aldred Dead

John E. Aldred died at his home at the age of 82. Until his retirement because of ill health several months ago, he was President of Aldred & Co., 115 Broadway, New York City, and had maintained his directorship in the Eastern Rolling Mill Company, Gladding's, Inc., the United Shipyards and the Industrial Corporation of Baltimore. Mr. Aldred had played a leading role in the development of hydroelectric power in Quebec, and served on the boards of many power companies.

Tax Saving Opportunities

By G. Y. BILLARD

Investment Research Dept., J. R. Williston & Co.

Heavy tax rates applicable to this year's income make it imperative that security holders give full consideration to such tax saving opportunities as may exist.

Tax selling at the year-end is usually a market factor of importance, but this year it will hardly reach the proportions of previous years for two principal reasons, namely (1) security prices are around the highest level in eight years and (2) many security holders who do not benefit from the alternative tax rate of 25% on net long term gains seem likely to postpone establishing profits until next year when generally lower tax rates will be effective.

Gordon Y. Billard

Security holders are presumably familiar with the tax provisions pertaining to capital gains and losses and we shall therefore merely review the same briefly. Capital assets held for six months or less are classified as short-term holdings and those held for more than six months as long-term holdings. The amount of gain or loss on short-term transactions is recognized at 100% for tax purposes as compared with 50% on long-term transactions. Short-term losses may be applied in full against both short-term and long-term profits. Long-term losses also may be applied against either short or long-term gains after application of the appropriate percentages. An excess of losses regardless of type can be deducted from other income to the extent of $1,000, but any losses in excess of this amount can be carried over for the next five succeeding years and applied against future capital gains and also up to $1,000 maximum in each year against other income. If there is an excess of short-term gains over losses, the excess is added to other income and is taxable at the prevailing normal and surtax rates. Conversely, if there is an excess of long-term gains over long-term losses the taxpayer may segregate this amount from other income. If treated separately, the net capital gain is taxable at 50%, but as this rate applies to only 50% of the actual gain the effective rate is 25%. If the surtax net income, including net capital gain, exceeds $16,000, it will be to the taxpayer's advantage to treat security transactions separately, based upon this year's tax rates. Those with lesser income should use the lower rates applicable to their particular tax bracket.

The same principles will apply to next year's security transactions although tax rates will be lower. Some recent agitation, however, has developed for increasing the time period for long-term transactions from six months to 18 or 24 months. If such change is made there seems little likelihood it will be made retroactive, but rather that the lengthened holding period will apply to assets purchased after a given date.

Lowering of surtax rates next year will raise the $16,000 level referred to above to $18,000, as may be seen from the following tabulation showing the effective

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Business and Atomic Energy

By ROGER W. BABSON

BABSON PARK, MASS.—We probably are headed for two or three years of good business with fair employment. Sixty-five years ago only one billion dollars was available for spending or investing. In 58 years this gradually increased from one billion to fifteen billion dollars. But, during the past seven years, these fifteen billions have soared to seventy-five billions, most of which is waiting to purchase homes, merchandise and securities.

Roger W. Babson

Possibilities of Inflation

Nothing will ever happen in this country comparable to what happened in Germany following World War I. On the other hand, further inflation is inevitable. This will be caused by a surplus of money and a scarcity of goods, homes and securities. It will be due to war waste, increased consumption and to the need of other nations for help to get on their feet, which will require continual expenditures. Labor union officials are also unconsciously causing inflation.

Increasing wages and prices will cause the spiral to go upward until people have spent, or invested, most of the above 75 billions, when they will go on a buyers' strike. Then the spiral will collapse with the customary decline in production, much unemployment and lower prices. Before that time comes, however, homes, merchandise and securities will probably sell higher than at present. Yes, almost everything, except bonds, should continue to go up further in price.

Taxation Problems

We plan to collect in 1946 about 35 billions in federal taxes. This will probably be accomplished easily; but when the next depression comes it will be very difficult, if not impossible, for the Federal Government to collect one-half of this amount. This will be accompanied by another government spending spree and a resort to the printing presses. From such, everyone—wage workers, home owners and especially bondholders—could suffer terribly.

It is an old saying, "In time of peace prepare for war." Based on this principle, the Federal Government should immediately reduce government bureaucratic expenditures; encourage the production of goods and homes; and subsidize the unselfish—but sane—development of foreign trade. The world needs our charity and help now. Helping unfortunate people to raise their standard of living is not only a Christian thing to do, but it will be good business for us.

Atomic Energy Possibilities

Were I Economic Director of the U. S., I would also immediately re-convene the scientists who worked on the atomic bomb and get them busy applying this new energy to everyday uses. We might still be in the depression of the 1870's, if steam energy had not pulled us out. We might still be in the depression of the 1890's, if electrical energy hadn't then been harnessed. We would now be suffering from World War I, if the gasoline engine had not saved the day. Atomic energy may well serve a similar purpose to prevent a collapse around 1950.

I admit that the best authorities tell me that such an atomic development, **within the next five years,** is an impossibility. The stakes—namely the avoidance of national bankruptcy—are so high, however, that we should at once make a tremendous effort to show these "authorities" that they are wrong. We MUST immediately harness this new energy to develop new industries and new jobs.

Remember This Fact

Atomic energy for industrial and utility uses means vastly more than the substitution of atomic energy for coal and oil. Atomic energy produces an entirely new heat which is actually a new power. Atomic energy may be as much of an advance over steam power as steam power was an advance over hand power. Atomic energy will result in entirely new industries and vastly different machines than now exist, all of which will provide millions of new jobs **if we get it harnessed in time.** In short, to me the question is either of harnessing atomic energy before 1950 or perhaps facing national bankruptcy soon thereafter.

Railroad Securities

Various members of Congress have recently been complaining over the delays in railroad reorganizations and have cited such delays as leading to unhealthy speculation in the junior securities of such roads. Again scoring these delays Representative Chauncy Reed last week introduced a new bill dealing with reorganizations. However laudable may have been the intent of Mr. Reed, the end result of the proposed measure would be the virtual perpetuation of the delays which have so irked our legislators. The present confusion brings to mind the consternation a few years ago of Senator Wheeler over undue speculation in junior reorganization railroad securities holding up reorganization progress, and his proposal to remedy the evil by confiscation, through taxation, of such speculative profits.

Under the Reed Bill, railroads now in reorganization would be turned back to the old stockholders if the average earnings over the past seven years had been sufficient to cover the old fixed charges. The old stockholders would then have 18 months, or longer at the discretion of the court, to work out a satisfactory voluntary readjustment plan. If it proved impossible to work out such a voluntary plan the property would then again revert back to trusteeship and the lengthy process of Section 77 proceedings would start over. It is extremely difficult to see just how reorganization could ever be consummated under such a program.

Under Section 77 it is also provided that a plan must be presented within a specified time (six months) after filing of the bankruptcy petition but with provision for extension of the time limit by the court. History of actions under Section 77 certainly justify the expectation that the 18 months proposed in the new bill as a limit for devising a voluntary readjustment would inevitably be subject to interminable extensions. It is not difficult to visualize the properties going back to the old stockholders, staying there during the anticipated prosperity period while opposing interests wrangled over terms, and then returning to trustees if, or when, a business recession came along. Given the normal ups and downs of our economy this cycle could be repeated endlessly.

Obviously the proposed legislation could not by any stretch of the imagination hasten the reorganization process. A few reorganizations are being held up simply because even in a war boom there is not sufficient earning power to support a workable capitalization. These can hardly be helped by any legislation. There are a very few (New Haven and Missouri Pacific are the notable examples) now being seriously delayed by friction among opposing interests. These interests have had plenty of opportunity already to sit down among themselves and iron out their differences. There is no reason to believe that they could come to any more rapid accord if removed from the jurisdiction of the court.

In the vast majority of important reorganizations there is little question but that the proposed legislation would delay rather than expedite reorganizations. The most striking example is, of course, the Chicago, Milwaukee, St. Paul & Pacific. It had generally been expected that this reorganization would be consummated and the securities issued before the end of this year. Now Judge Igoe has postponed indefinitely any further action on the plan. Even if the proposed legislation is defeated Representative Reed will have succeeded in delaying this schedule. If the legislation is to affect equity as well as Section 77 proceedings, it is also likely that the Seaboard reorganization plan, the product of many years of negotiation, will go by the board.

The St. Louis-San Francisco reorganization is in its final stages, the voting having been overwhelmingly in favor of the plan. Votes are being counted in the Chicago, Indianapolis & Louisville reorganization. Ballots are now being being mailed to bondholders and creditors of the Chicago, Rock Island & Pacific. All of these plans which have finally come in sight of final consummation would have to be scrapped under the Reed Bill, one of the main avowed purposes of which is to expedite reorganizations.

Why An Inferiority Complex In Business Leaders?

By WALTER LIPPMANN*

Prominent Columnist, Warning That the United States Is Now the Only Big Industrial Country Committed to Free Enterprise, Calls for an Enlightened Policy by Business to Preserve Free Enterprise. Warns Business Men Against the "Unwise Friends" Who Are Scare-Mongering and Creating Hysteria and Urges That a Confident and Unfrightened Attitude Be Taken. Calls for Captains of Industry "to Be Captains Indeed" and Go Forward Unafraid. Says Businessmen Would Do Country a Service by Getting Rid of an Inferiority Complex.

I am most grateful to Mr. West for bringing me here today, and it is kind of you to listen to me. What I have to say is the outcome of several intimate talks I had during the war with Mr. West and some of his associates in the War Advertising Council.

Walter Lippmann

Nevertheless, no one should hold Mr. West responsible for what I am going to say except that he started me thinking by making one great fact clearer than it had ever been before. It is that the ablest and most successful men in the field of advertising and public relations do not accept the conventional idea that their only business is to find ways of selling to the public whatever goods or ideas their clients turn out. It is an equally important part of their job to tell their clients about the people who do the buying, do the work which businessmen manage, who do the voting which determines the kind of Government there is to be, and in war the fighting and the dying—and I might add—the hoping and the praying that there will be better things for their children.

It is this second, this least appreciated but most interesting and important part of your work that I wish to talk about. From what

*An address by Mr. Lippmann at the annual meeting of the Association of National Advertisers, New York City, Nov. 20, 1945.

(Continued on page 2605)

Says OPA Motivates Depression

Wm. J. Cashman Tells American Marketing Association Administration's Price and Labor Policies Are Impeding Production. Fears Cat-and-Dog Fight in Appliance Field That "Will Hit the Industry Right in the Eye."

Speaking at a luncheon meeting of the American Marketing Association on Nov. 14, in New York City, William J. Cashman, merchandize manager of Landers, Frary and Clark, charged the Office of Price Administration with laying a foundation for an industrial depression by creating a consumer psychology of "saving with fear, instead of buying with confidence."

W. J. Cashman

Mr. Cashman spoke chiefly on the problems of merchandizing of mechanical appliances. He asserted that labor and pricing difficulties were greatly handicapping the appliance industry and interfering with a return to normal competitive conditions and was laying the foundation for a major business depression by imposing pricing policies which impede production. He deprecated over-optimistic estimates of the demand for new appliances. The demand for radios, he said, can be met within six to eight months after production begins on a normal scale and major appliances can be filled within two years.

"Eventually there will be a competitive cat-and-dog fight in the appliance field that will hit the industry right in the eye," Mr. Cashman said. "While demand may rise 30% over the 1940-41 average in the first year of postwar production, competition will increase at a far faster pace. There will be many more retailers and manufacturers in the field, stressing the need for better merchandising by the retailer and selective distribution by the brand name manufacturer."

Mr. Cashman expressed strong opposition to the pricing philosophy of the OPA, which he accused of lacking in leadership and decision and in a knowledge of "elementary economics."

Mineral Resources and Venture Capital

(Continued from page 2573)
were to judge the profession of the law by the antics of an ambulance chaser or the prosecution of phoney claims against the insurance companies. Since human nature is substantially the same wherever you find it, it may be held that human frailties and weaknesses will be seen in any field of endeavor where relationships between people are involved.

We have all heard of loan sharks and land sharks but it does not follow that all money lenders are shysters or that all real estate men are frauds. To believe so would constitute an indictment of all the banks and bankers and also the realtors whose present code of ethics leaves little to be desired.

The simple fact that banking is an honorable profession and that dealing in real estate is one of the oldest and most respected of vocations leads the unscrupulous to hang on to the coattails of a legitimate industry and claim the honors and distinctions of a worthwhile and necessary function to cloud his real motives and to carry on his nefarious practices to the profit of the promoter and the everlasting sorrow of the trusting though ill advised victim.

So indeed it is with mining. The fact that mining is so alluring to speculatively minded people and has upon occasion paid off so well has made possible abuses by persons who are not miners at all but merely promoters for private gain. Their perversions have brought a bad name to an industry which could and should enjoy prosperity and respect.

Since the days when the ancients found treasure in their hills and down through all the ages the lure of hidden wealth has opened the purse strings of men and women in every walk of life. To be sure, mining is a speculation but what progress would the world have made without risk? It is an economic truism that investment in security alone ultimately results in the destruction of wealth whereas speculation, when intelligent and farseeing, eventuates in a multiplication of values. It is for this reason that financial managers counsel a proper proportion of common stocks along with good quality bonds to arrive at a suitable balance in the investment policy of an estate or trust.

In Colorado there is a district called by the odd name of "Cripple Creek." Hundreds of millions in gold were taken from its parched and seemingly barren hillsides. No one has ever been critical of the old prospector who came galloping on a mule down Ute Pass into Colorado Springs crying like Archimedes of old, "I have found it." You see, he found the gold. The first consequence of this discovery was the release of the miner's wife from the drudgery of washing clothes for the neighbors. The next, an influx of miners who found more and more of the precious metal and who made possible the fabulous production over the intervening years totaling literally hundreds of millions in gold; and this to the everlasting credit of the pioneering spirit of the people of the State of Colorado.

Full Disclosure in Mining

Today however the coattail hangers on tell of strikes "as good as in Cripple Creek" and that, gentlemen, is where we come in. Well, what can we do about it? First we can require full disclosure of all pertinent data. The fluoroscope of inquiry often shows flaws in the structure of a mining deal and will, as it should, discourage the unworthy promoter from further action. We can also look into the character and reputation of those interested in every such enterprise and when weighed in the balance and found wanting, deny the right to sell their securities to the public.

Most state laws I believe require this full disclosure of data as a prerequisite to qualifying shares for public distribution and all, I further believe, require a condition of solvency and good business repute in the dealer who sells the shares to the speculatively minded investing public.

I sincerely believe that the mining industry agrees with the principle of security regulation, because the actions of those who have brought discredit on the industry are its own worst enemies. It has been said that in the old days there were more mines in Wall Street, or on La Salle Street than there were in the western mountains, and that the mining had been done principally by loudly dressed promoters with their feet on the desk top and the traditional cigar in their mouths.

Such practices were of course intolerable and in time have been largely corrected, at least so far as we in the United States are concerned. While these vultures grew fat, the legitimate miner read the handwriting on the wall and gradually saw his financing plans go a-glimmering and except in a relatively few instances gave up the battle as a bad job. The miner should not blame the security administrator for the low estate into which his business has fallen. The blame rightfully goes back much farther than the establishment of state securities laws or the passage of the Securities and Exchange Act in 1933. It goes back to those diamond studded days when all was fair game, if you were a sucker.

The Effect of Blue Sky Regulations

There are those however today who quite unfairly blame the Securities and Exchange Commission, the State Securities Commissions and the Investment Bankers Association, claiming that a combination of those three with the Better Business Bureau has conspired to rid the country of small mining enterprise. These same people say since this conspiracy does exist the federal government should furnish the capital for mineral development or all will be lost. Now for thirty years I have been involved with affairs financial, as a newspaper man on The Wall Street Journal and the Commercial and Financial Chronicle, as a statistician and salesman with firms who were mostly Investment Bankers Association members, and now for two and one-half years as a State Securities Commissioner, and I can most emphatically say that at no time in more than a quarter of a century have I ever seen any evidence of such collusion or conspiracy against the mining industry. The only association of those four organizations of which I have any knowledge is that of being dedicated to the promotion of legitimate business and the downfall of the deceiver.

The publication of such sentiments as I have just referred to in my opinion serves no good end. It seems to me that the tragic outcome of such inflammatory publicity is only to add fuel to the fires which in all conscience should have died out of their own volition a long time ago for lack of kindling.

I know of none of my commissioner friends who are unfriendly to mining as an industry and certainly my dealer friends are always interested in a new security issue to sell to their clients; and as for the Better Business Bureau, the name alone should signify that good business enterprise not only *has* but *is* its support. So it seems to me that no controversy really does exist between the small mining company and the commissioners at all. The controversy is between the commissioners and any unscrupulous person who seeks to separate a man from his money with much promise but no performance.

The ill advised critic who scandalizes about conspiracy between the Securities Commissioners and Investment Bankers Association and Better Business Bureau is in reality, although possibly inadvertently, the support of the swindler, gives comfort to the corrupt and is the champion of the cheat. To such an extent as he succeeds does he injure the small mine owner who thinks he is his friend.

The Toronto Dealers

The recent publicity involving a group of so called dealers in Toronto is but a case in point. At no time should the established investment firms resident in our neighbor to the north be blanketed with an indictment because of the undesirable practices of a few within their midst. And in the same breath let me state that in no sense should suspicion be leveled at the mining industry of that great country which was and is, and please God always will be, our ally in any righteous cause, just because some of its citizens have seen fit to take advantage of easy money conditions in the States. It is to be hoped most sincerely that local authority will be able to cope with this situation in a manner that is both fitting, final and proper.

I feel therefore that this is an occasion upon which an expression of confidence in mining as an industry may well be voiced. It is superfluous to state that our mines are necessary to our economy. The record of the mineral producers during the war speaks for itself. Except for the output of the mines the victory which we have recently achieved could not have been won. Nations without developed mineral resources cannot win wars. We have dipped deep into our mineral reserves and now we should take stock of what we have left. Surveys show the appalling drain has dangerously reduced our visible supplies of ores of nearly every variety.

Free enterprise made this country great and unhampered explorations will make it greater. Let us look with sympathy and understanding upon those who, with courage and integrity, go forth to force a reluctant nature to disgorge her fruits for the benefit of all mankind.

Herbert H. Browne Opens

COLUMBIA, S. C.—Herbert H. Browne is engaging in an investment business from offices in the Palmetto Building, under the firm name of Herbert H. Browne & Co.

G. H. Walker & Co. Adds Simmons to Staff

ST. LOUIS, MO.—G. H. Walker & Co., Broadway & Locust, members of the New York, Chicago and St. Louis Stock Exchanges, announce that Mr. Charles C. Simmons has become connected with their organization as representative in the southern Illinois territory.

Mr. Simmons has had a lengthy career in the investment business following his discharge from the U. S. Marines as Captain following World War I. His first connection was with Kaufman, Smith, Emmert & Co., who were absorbed later on by the Boatmen's National Bank, forming their Bond Department. Mr. Simmons then spent a number of years with Francis Bros. & Co., leaving them to be connected with Crago, Smith, Canavan.

At the beginning of this war, due to physical ailments, Mr. Simmons was unable to rejoin the Services and entered the employ of the U. S. Cartridge Co., occupying the position of Chief Ballistician.

Admits New Partner

LOUISIANA, MO.—William W. Sheppard has been admitted to partnership with Frank M. Sheppard in the Pike Grain & Securities Co., Mercantile Bank Building.

Public Loans to Foreign Countries

(Continued from first page)

the car to a stop, with screeches and moans from brakes and tires. He was just opposite the man and the mules.

He looked for road signs, but none were standing, all had been hacked down and burned by someone who thought the old signboards were out of date, obsolete. Finally, after vainly looking about for some guidepost, he asked the farmer if he knew whether the road to the extreme left would take him to Loafhaven. The farmer answered:

"Ah don't know."

"Will the road in the center take me there?"

"Ah don't know."

"Will the road to the right get me there?"

"Ah don't know."

"Which way is Loafhaven?"

"Ah don't know."

Temper lost, the driver said, "You don't know much, do you?"

"Nope," was the prompt reply, "Ah don't. But ah ain't lost. Ah work."

Our national drivers are pitching forward at breakneck speed; they are searching for a dream—Utopia; they do not know in what direction it lies, nor do they know which road to take to get there. But they are almost at the forks of the road.

But we farmers, and merchants, and mill hands, and white collar men, and bankers, and professional men, "us of the run of the flock"—"we ain't lost"—yet.

We are to work, and we are still thinking and working, on the old rules of debit and credit—we have to if our drivers are to have money to pay their hotel bills, and to buy gas and tires to get them to their Utopia—Loafhaven.

Aid to the Needy and Suffering

We run of the flock know we must help, and are willing and anxious to help, the poor of the world, with food and clothing and shelter. We want nobody to starve or freeze or die from exposure or disease or plague. We do not want any of these things for our wives and children, and we know that disease and plagues anywhere in the world threaten us. We are all willing and anxious to cooperate with appropriate agencies set up to extend all necessary help to suffering humanity everywhere. Some of us believe the Red Cross could do the job if we all fell in and helped. But of course we are aware this method might not be politically expedient, it would not supply lame-duck ex-office-holders with fat jobs, nor give high salaries to key politicians or their friends, nor enable any group to wreak vengeance on those they hate. So the Red Cross is probably out.

Santa Claus to the World

But there is much more in the air than I have suggested. First, "we are to feed the world as we know now it should be fed and as it never has been fed before." Then, plans are forming to supply to other countries funds for rehabilitation, for reconstruction, for currency stabilization, for industrial restoration, for new industries, for raising standards of living, for educational and cultural progress and development, for more and better poor houses, general housing, jails, insane asylums, for universal social and economic security, and public insurance, and a hundred other like purposes.

Some feel that behind this plan with its outward humanitarianism is a subversive plot to make the whole world communistic, on the Soviet plan. If this is the conspiracy, it could hardly be better planned.

All this will take a lot of money, and the world plans that we shall furnish most of it. They expect to get it either from our government or from us individuals. They do not care which. Either way, we citizens pay the bill.

As I have just said, to keep the government going we citizens must operate on the old debit and credit plan. Not for us is this luxurious adventure into deficit peace spending. We must be solvent to buy bonds to keep up the government house, for a bankrupt people means a bankrupt nation. We at the crossroads must have real values.

Let me say to begin with that I cannot guarantee the figures I shall use. I have taken them from government sources or from tables and compilations based (so they say) on government sources. Published tables are frequently not in agreement. I have done the best I could.

Our National Capacity to Finance the World

First: I wish to say something about our national capacity to take on this load our Utopian dreamers propose.

In his statement before the Senate Finance Committee Secretary Vinson told us that by June 30, 1946, our public debt outstanding would be $273 billions; that our expenditures for 1945 were $100 billions, and that for 1946 (year ending June 30, 1946) the expenditure would be $66.4 billions (of which $50.5 would represent war activities). Combining these figures with others furnished by the government it would appear that since and including 1932 up to June 30, 1946, the Federal Government will have spent $459.258 billions, of which $205.758 billions were raised by taxing the people. During the period 1932 to 1943, inclusive (figures for 1944-1946 were not available to me), the States spent approximately $39.4 billions, and the local governments in the States approximately $63.5 billions, or a total for States and local governments of $102.9 billions. This makes a grand total for Federal, State, and local governments (with years 1944-1946 lacking for State and local governments) of $562.158 billions, more than half a trillion dollars.

War Expenditures

According to Treasury figures, submitted by Secretary Vinson, the "war expenditures" for the years 1941-1946 were: Munitions, $219.7 billions; pay and subsistence, $72.5 billions; miscellaneous, $48.7 billions—a total "war expenditure" of $340.9 billions. To this should be added $1.7 billions for 1940 (the Treasury says of this, "breakdown not available"). (I wonder where this went.) This makes a total "war expenditure" for 1940-1946 of $342.6 billions, which approaches the equivalent of one estimate of our national wealth. The bulk of this huge sum is as completely lost to our economy as if the money had been burned up.

Ancient and Modern War Concepts

Perhaps this is the point where we might reflect that waging wars in earlier days had this advantage: The sovereign waging the war must always remember that he wanted still to be king, win or lose, after the war was over, so he had to be careful of his men and frugal with the money he exacted from his subjects. In our day and here amongst ourselves, our militarists have no such relationship to us; under our system they hold their jobs, win or lose; so personally they are not so intimately concerned with the wastage of men and the burning up of money, as was the old king. I appreciate this is not a pleasant, even as it is not an easy thing to say. But it is a truth, with far-reaching consequences.

I wish to make this further unpleasant and unpopular observation: If our militarists, in and out of the army and navy, continue to exercise a dominating influence in our foreign relations, particularly vis-a-vis our recent allies, if they continue to exercise an equal influence over our domestic policies relating to armament and military training, I venture the opinion that we shall hardly escape, within the life time of any of us but the oldest, the most terrible war of all time. Gossip has it that some are now talking about it. What they think we will use for money in such a war is not clear,—probably their thinking has not gone that far.

Our Expenditures vs. Our National Wealth

Referring to the question of the effect of this vast expenditure on our national wealth: As just stated $342.6 billions were "war expenditures." Now, while a part of this sum was reinvested by the people receiving it, in houses and furnishings, so adding to the national wealth, we are obliged to consider that the bulk of it that was expended in wages, was eaten and drunk up by those receiving it. Waste and extravagance was everywhere to the last degree. This same observation will apply to the non-war expenditures, some $86.431 billions. It is almost certain that enough of this latter sum was wasted to offset the "war expenditures" that were saved by investment to increase the national wealth. Thus it is believed we may truthfully say that the "war expenditures" reached a total waste and loss of $342.6 billions, or, say, approximately 90% of one estimate of our national wealth.

I will not belabor the point that when our national wealth — our capital account—is gone, we are bankrupt; we will be "a busted community."

Nature of Our Bond Indebtedness

I suppose none of us here have any illusions about the $273 billions of bonds. We can all appraise in part at least, our true relationship to them. The government has our money, we have its promise to pay back. It is the old operation of taking cash from the till and dropping in IOU's.

Who Owns The Bonds?

Who holds these securities of ours?

It is a difficult thing for one of us common folk to understand the figures which economists, government and private expert accountants, bankers, brokers, etc., put out, particularly when each set seems built on a different system. But I will try to indicate how it looks to some of us.

It is said the deposits in all banks in the United States and its possessions total roughly $152 billions. As we understand, very little of this money belongs to the banks, and what there is could be wiped out by a very small drop in their government holdings. All these bank funds belong to the depositors, to us.

As we have gone along, we depositors have individually put into bonds what we thought we could spare from living necessities, which amount was said to total in December 1944 (it will be more now) $52.2 billions. But that is not our total contribution, for the banks have invested in bonds a large proportion of our deposits with them, — commercial banks $84.1 billions, and mutual savings banks $9.6 billions. Our insurance companies have put, of the money we have given them to protect our families after we have gone, the sum of $21.7 billions, out of a total of $38.2 billions of assets. There are millions of bank depositors, there are some 67 million carrying life insurance policies, with an average of $2,200 to each policy. These bank depositors, policyholders, and members of loan associations and like institutions, comprise the financial middle class of the country. Thank God we have in America no other kind of middle class; in every thing else we are all one class, with the topmost achievement open to all of us, indeed even in finance.

War Waste and Financial Middle Class

But by our individual purchases and by our participation in the purchases of these institutions I have named, we, the financial middle class, carry the bulk of this government load. These funds represent our life's savings. If they were to go, we would be ruined, and with us the nation. We middle class cannot go on much further.

All this money represented by government bonds, and much more, has been burned up. In fact, nationally we are, as already stated, the poorer by an amount equal to somewhere near 90% of our total wealth. It seems to me that no argument is needed to show that we are not in the same position to go forward in public financing that we were at the beginning of the war. Our assets have been depleted by virtually the "war expenditure,"—approximately $342.6 billions. We cannot pass this off with a mere wave of the hand or a laugh; it is a reality. A national financial mishap can and would wipe out this whole financial middle class, and if they go down our whole economic structure goes with them. We cannot afford to blink our eyes at this.

What We Should Do

We have no business to be undertaking anything in the matter of world economics and financing except the relief of actual suffering — a tremendous load — and that should be left in largest part to the regular relief organizations, such as the Red Cross, drawing upon the well known sympathy and generosity of the American people. We can be of no help if we permit ourselves to get into the same desperate straits as those whom we wish to help. You do not get into bed with a smallpox patient in order to be sure you can nurse him to health.

Tax Reduction

There is another matter I wish to refer to.

We have made a beginning in the reduction of taxes. We should all like to see taxes reduced. But the tax reduction should so far as possible be divorced from mere political considerations. No tax plan is sound, as a matter of political science, which does not apply to all the citizens. Every citizen should have a personal dollar-interest in how all the tax money is spent.

It is likely that most of us think of a post-war tax burden, that at the worst shall not be greater than the pre-war level.

But that is not the proposed pattern. Secretary Vinson in his statement before the Senate Finance Committee spoke of a non-war-activity expenditure load for 1946, and inferentially thereafter, of $15.9 billions. But his itemization of such expenditures totals $21.1 billions. But the Secretary apparently did not include any estimates for amortization on the public debt of $273 billions, nor for tax refunds now running about $2.9 billions for 1946, nor for unemployment relief on the new proposed plan (though he did include the 1940 load of $2.2 billions spent largely for WPA projects); nothing was included for military expenditures (except veterans relief), notwithstanding we still have a staggering military establishment which must be maintained till demobilized, which in itself is a costly undertaking, placed at $270 per man discharged, nothing for liquidating war contracts, though the Treasury estimates it will require $4 to $5 billions; nothing for the large military establishment our military [illegible] expect to retain, no for the cost of training the huge reserve army the militarists are now planning; and nothing apparently for the uncompleted lend-lease commitments we seem to have still outstanding; nothing for the international loans that are now projecting, — all which unestimated items must inevitably run into several billions of dollars.

The pre-war tax collections, 1932-1941 inclusive, rose in a steady curve from $1.788 billions in 1932 to $7.67 billions in 1941, with a yearly average for the period of $4.346 billions.

The Treasury's estimates (minus the unestimated items) for the coming year, are five times the average for the ten years preceding the war, and three times the actual for the last year before the war.

The Federal tax collections during the war are given: 1942, $13.2 billions; 1943, $22.3 billions; 1944, $44.1 billions; 1945, $46.5 billions; 1946 (estimated) $36 billions.

Apparently we have reduced the tax load by recent legislation by $6 billions, leaving our tax load under the present setup at apparently $30 billions. These are the best figures I can get.

If they are accurate, then our present proposed tax load after the tax reduction just made, is nearly seven times our average pre-war tax burden (1932-1941) and more than four times our last pre-war year tax load. The non-war estimated budget for 1946 is $15.9 billions; the itemized budget is over $20 billions, with a leeway of some $10 billions to meet the unestimated items, which, having in mind the loans foreign governments are seeking, seems far too low.

Reduction of Tax Base

Now, we should not overlook that our tax base has been drastically reduced, how much I cannot estimate. But we shall lose all of the taxes we collected on the proceeds of war contracts. They were enormous. One incident: a friend of mine had a government building project involving the expenditure of $7,800,000. His fees before taxes were $125,000 (they would not give him the regular fee); after he had paid all his taxes he had left to put into his capital account $3,200 on a 40% total interest in the proceeds of a $7,800,000 contract.

Our total national income for 1944 (1945 figures were not available to me) is given at $160 billions, of which $80.8 billions paid normal tax and $55.7 billions paid surtaxes, and on an estimated $125 billion post-war national income, $44.7 billions would be taxable. Our total national income for 1940 has been given at $77.8. I have no taxable breakdown for this year.

In 1944 more than half the total income was taxed. In the estimated post-war income ($125 billions), a little more than a third would be taxed. Obviously, if the income were reduced to the 1940 level, $77.8 billions, very much less actually and in proportion would be taxed.

Balancing Budget vs. Reducing Taxation

The balancing of the budget has been touched lightly and very delicately, but with no real suggestion that it was to be sought. But clearly you cannot reduce taxes even to approach pre-war levels and balance the budget, while at the same time carrying on such prodigious non-revenue producing schemes, for ourselves and for the world, as are being projected. Indeed, we cannot make real our domestic dreams, unless we either continue peace-time deficit financing, or increase our taxes, or both. This seems clear to a demonstration.

I believe that our planners know all this and that they have no real intention or expectation of either balancing the budget or giving up deficit financing or of giving up their schemes which would make attainable one or both of these desirable ends. They must contemplate increasing taxes. Their course is understandable to me on no other premise than that they deliberately plan a continuous policy of enormous taxes and deficit peace spending which shall finally end in debt repudiation, by one device or another.

No Capacity to Make Foreign Loans

With all the foregoing in mind, I am sure this government and our people are in no position to undertake a world-wide policy of public international financing by the national Treasury, because we do not have the funds therefor, and they are not obtainable under any safe financial policy.

* * *

Now so much for governmental wisdom and ability to make further loans to "gimme" governments.

Collection of Foreign Loans

But, however much one might disagree with what I have said regarding our real ability to make and the wisdom of making new loans, I would assume all would agree that our situation is such that we cannot ignore the question of the repayment of the loans. We surely need the tens of billions of dollars we could loan. While some of us do not realize it, a billion dollars is still a lot of money.

Experience shows very clearly that the most important factor in securing the repayment of loans made to foreign governments, is the **will to pay** on the part of those governments. Capacity to pay and lack of foreign exchange to make payment is really rarely involved, notwithstanding the whimpering of foreign governments on these grounds.

We Have No Foreign Obligations

I begin with the premise that we do not owe anybody anything anywhere in the world, on any account. A "war expenditure" of 342.6 billions of dollars, with over a million casualties, and hundreds of thousands of them dead, mostly on foreign battle fields, and not on American soil to repel an invasion against our own shores, make this clear. Moreover, we must be observant of the implications of the President's phrase in his Central Park speech, where speaking of our Navy, its record, and its purpose, said:

"We cannot reach out to help stop and defeat an aggressor without crossing the sea."

This obviously contemplates more foreign wars.

Possible Foreign Obligations

I have said we owed nobody anything on any account. Perhaps there should be an exception to this, for we may not yet have settled for camp sites and army transportation and other incidentals in Great Britain while our boys trained and waited to furnish 70% of the force that invaded the continent to make sure Germany would not invade Great Britain. It may be, too, we owe something to France on the same account, for saving her hide, and Belgium, on the same score.

Obligations of Foreign Governments to Ours

When we entered the war in 1941, European governments owed the United States nearly $14 billions, which was the hangover from the First World War and which those governments were making no real effort to pay.

You will recall that this vast fund was the result of funding operations which our fiscal experts at the time declared were most magnanimous.

Our Private Loans to Foreign Governments

Much has been said, in criticism, in derision, even in contempt of the lendings by citizens of this country to foreign countries from 1919 to 1930. Those initiating the loans have been accused of all the financial crimes in the full category. The bankers and issue houses have largely taken all this "lying down." I should like to say here and now that from the information coming to the Foreign Bondholders Protective Council from defaulting foreign governments, it is my opinion that very few of the loans made are properly subject to the charge of corrupt negotiation. As to some loans, concerning which such charges have been hurled most urgently, the record shows that the lenders made every effort and took every precaution to see that no corruption attached to the making and approval of the borrowing.

Just a few figures:

During the period 1919-1930 foreign governments (for themselves and for political subdivisions thereof, and for government guaranteed private loans) made borrowings from private sources in this country of slightly over ten billions of dollars, at that time thought to be an extravagantly large sum, but now hardly more than the largesse distributed among the powers at a Yalta Conference.

On Dec. 31, 1941, on an issued $7 billion indebtedness, made up of 1,009 issues, $5.195 billions were still outstanding, of which 327 issues were in default upon a principal amount of $2.3 billions. That is, 44.4% of the total amount outstanding was in default. On that data of the 41 countries in the world owing us money, every debtor except 4 in Europe (small states all of them) and two in the balance of the world, was in default either as to interest or sinking fund or both, upon one or more issues of government, state, municipal, or government guaranteed corporate bonds. On Dec. 31, 1944, there were 6 countries of the 41 debtors that were not so in default on some issue of bonds put out for which the governments were responsible for service.

Now, all of these defaults were in addition to the defaults on the debts owed to the Government of the United States.

Advances to Foreign Governments During War

It appears that to many of these countries so in default, we have during the war and while they were still in default, and apparently without asking them to make any payment on account of their default, made lend-lease payments totaling some $41.208 billions, up to May 31, 1945, and we had received back $5.5 billions, leaving us a net-giver in the amount of $35.708 billions. To this should be added the $2.8 billions the Export-Import Bank has agreed to loan (also apparently without any commitment from the debtors to pay anything on account), which makes a total advance to governments under these headings of $38.508 billions. It is understood that very large sums have been invested in some of these countries by military authorities for military purposes, but which are of a character of permanent use and benefit, for which these countries cannot pay, and which we must either give to them or take bonds therefor.

Critics of the 1919-1930 lendings have stressed the importunate approaches for loans made by American lenders during that period. But it is reported that some Latin Americans are now saying that the importunities of the private lenders of those lush days were as a gentle zephyr to the tornado in comparison with the high-pressure methods of our currently operating government lenders.

It is also reported—I believe accurately — that the government importuned loans were accepted by the foreign governments concerned with no idea or intent on their part (which was more or less openly expressed) of ever repaying them and, it is said, that frame of mind still continues.

Amount of Our Money in Foreign Countries

To recapitulate: foreign countries now have of our money more than $14 billions they owed us at the beginning of the war, the approximately $7 billions they now owe us on account of borrowings from our private citizens, the $35.708 billions we have given them on lend-lease, and the $2.8 billions Export-Import Bank lendings, or a total sum of our money they have had from us, of over $59 billions, not to count the hundreds of millions of UNRRA and public relief, the large Red Cross funds we have given them, the war materials they will be given, the permanent improvements and industries we have made and built on their territories, and many other money and other gifts of which I know nothing whatever.

Risking the Taxpayers' Money

Foreign countries are not at this time good credit risks. The "gimme" spirit is too strong and too universal.

Surely it would be wrong to risk the American taxpayers' money in any such wild-scheme public international financing as is projected so long as we are as we are and the world is as it is. We should leave the making of further loans to foreign countries to private investors who think they have money to lose, or who wish to gamble. Equally, it is sure there is no justification for further mulcting the taxpayer to carry the financial burdens of the world, when private individuals are prepared to do it.

Can Defaulted Foreign Loans be Collected?

I wish now to make a few concluding observations over the collection of loans made to foreign governments, because obviously a bond or other security is no whit better than the amount you can certainly collect on it, which depends (as to all debtors without the will to pay) upon the adequacy and certainty of the means of collection,—in our own domestic securities, upon the courts and the sheriff.

I might begin by saying that up to this time there is no adequate and certain international court, and certainly no international sheriff to collect international loans.

So our loans must be made with that in view.

Will to Pay

Remember always that the most important element in the repayment of foreign loans is the debtor's will to pay. It is, I believe, demonstrable that during the war period many debtor governments, perhaps most of them in number, have had sufficient dollar exchange to pay the service—interest and sinking fund—on their obligations, but they have stubbornly refused to do so, preferring—inspired by our peace-time deficit spending policy—to use their funds in their own country, not infrequently for grandiose schemes and plans that will be social luxuries in their countries for a long time to come. This lack of the will to pay was, for most of them, the real reason for the non-service of their bonds for years before the war. I repeat again, this attitude, practically universal in the governmental borrowing field, constitutes a real hazard to international lending that is of particular importance when the lender is putting out other peoples' money—the taxpayers' money whenever the government loans—instead of his own, as is the case when the citizens make the loan instead of the government.

Purpose of Making Foreign Loans

The purposes for which a loan is made is another matter to be carefully considered. With all due respect to our governmental departments and those who man them, one can be reasonably certain that the dominating element in making the loans by government will be the political element. That is always a highly hazardous venture. No loan is likely to be made to the fellow we do not like, no matter how sound he may be financially, and loans will be made to the fellow we do like, without too much scrutiny about his financial responsibility, providing he promises to play our game. Making such loans would mean our control of the domestic policies of every country willing to sell out to us. Thus we would become not only the monitor, but the dictator of every little country in the world, we would be trying to control their national, economic, even cultural life, to meet the ideas of the official staffs and their civilian cronies of our own departments. To do this we should have to dictate who shall govern the borrowing countries. Now we have had our foreign favorite individuals even in the very recent past, and we did what we could to further their interests. Along with that we had, of course, our personal enemies that we wished to punish, and we have done the best we could at that. Sometimes we have been gloriously disappointed; in the vernacular "we bet on the wrong horse," so suffering a serious, humiliating rebuff. We shall frequently bet on the wrong horse, because our very backing of a favorite will normally create such a reaction as to defeat our scheming. Thus government lending will involve us in a career of imposition and interference that will bring upon us the deserved hatred and fear of the world, to the destruction of the good will that should obtain among nations and that must obtain if we are to have peace.

This government lending plan will in addition tend to destroy much, perhaps a good part of our trade and commerce with the nations affected, for nations do not buy, any more than individuals buy, from those they do not like, if there be any other place where they can get what they want, and we shall have plenty of trade and financial competition in the years to come.

Ours Not the Only Way

There is a good deal of talk about remaking the world to conform to our standards of life and living, as to food, clothing, education, economics, culture, government, and what not.

We must give up this idea too many of us have, that our way of life and living is not only the best, but often the only true way of life and living in the world, that we know what everybody else in the world should do and how they should do it. We must come to realize that every race and every people have their own way of doing things, their own standards of life, their own ideals, their own kinds of food and clothing and drink, their concepts of civil obligation and honor, and their own views as to the kind of government they should have. It is simply ludicrous for us to try to recast all of these into our mold.

Furthermore, we must come to acknowledge and accord to every people, the divinely given right to live their own lives as they wish to live them. We claim this for ourselves; we must yield it to others.

Sovereignty

This may be a good place to say a word or two about sovereignty, which I shall not define, but which, for our purpose, can be said to be full, complete national independence, with no overlordship by any power. The effect of full sovereignty was stated by Chief Justice Marshall, 120 years ago. He said:

"No principle of general law is more universally acknowledged than the perfect equality of nations. Russia and Geneva have equal rights. It results from this equality that no one can rightfully impose a rule on another. Each legislates for itself, but its legislation can operate on itself alone. A right, then, which is vested in all by the consent of all, can be divested only by consent. . . . As no nation can prescribe a rule for others, none can make a law of nations."

All states, all nations, belonging to the family of nations—an association *that has existed in the* world for hundreds of years—are sovereign states.

The Atlantic Charter—which it now appears was never a formal document and never signed—though we were once told it was a solemn international undertaking, affirmed:

"Third, they respect the right of all peoples to choose the form of

(Continued on page 2588)

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

On Nov. 1 of this year, Corn Exchange was quoted 62 Bid and 64¼ Asked, and Manufacturers Trust, 64 Bid 65½ Asked. On Nov. 21, the relative positions of the two stocks were reversed, Corn being 63-65¼ and Manufacturers 62-64.

During the six year period 1939 to 1944, both inclusive, Corn has invariably sold higher than Manufacturers, and sometimes by a very wide margin. This year, however, Manufacturers has been quoted higher than Corn, until about the middle of November, when again their relative positions were reversed. The following tables show the high and low bids each year of each stock, beginning with 1939, also the 1944 year-end bids, and the high monthly bids for 1945.

	Corn Exchange		Manufacturers Trust (Com.)	
	High	Low	High	Low
1939	61½	49	43⅛	32¾
1940	61½	41	40⅞	27¼
1941	52½	28	40	27½
1942	37½	23⅝	35¾	26¼
1943	47	37	46⅝	34¾
1944	57¼	44½	56	45¼
12-31-1944	57⅝ Asked	55⅛ Bid	57¼ Asked	54¾ Bid

1945 MONTHLY HIGH BIDS

	Corn Exchange	Manufacturers Trust (Com.)
January	57⅞	57½
February	55⅞	59½
March	54⅞	58¾
April	54⅜	58¼
May	57	64½
June	58½	66⅝
July	57¾	64½
August	56¼	60⅜
September	58¼	61¾
October	63¾	64
Nov. 1, 1945	62 Bid—64¼ Asked	64 Bid—65½ Asked
Nov. 21, 1945	63 Bid—65¼ Asked	62 Bid—64 Asked

It is now of interest to turn to a statistical comparison, based on the Sept. 30, 1945 statements of each bank.

Sept. 30, 1945—	Corn Exchange	Manufacturers Trust
Capital	$15,000,000	$41,250,000
Surplus and undivided profits	24,551,000	70,257,000
Deposits	744,295,000	2,055,638,000
Ratios—		
Surplus and undivided profits to capital	1.64	1.70
Deposits to capital funds	18.8	18.4
Earnings assets to capital funds	15.7	16.0
Per Share—		
Book value	$52.93	$54.06
Deposits	992.40	996.70
Earning assets	828.79	865.16
Bank's Assets %—		
Cash	20.6%	18.0%
U. S. Government securities	69.1	59.3
Loans and discounts	5.8	18.1

Looking at these comparisons with a critical eye, we first of all observe that Manufacturers is a considerably larger banking institution than is Corn. This fact by itself, however, means little, for they are both large and prominent institutions. The next point of significance to observe is that Manufacturers has a slightly higher earning power leverage, with a ratio of earning assets to capital funds (book value) of 16.0 compared with Corn's 15.7. Another important point of comparison is that Corn has a higher percentage of idle funds, cash representing 20.6% of total assets compared wtih 18.0% for Manufacturers. Corn also has more Government Securities, but, what is of even greater significance, Corn is very low in loans and discounts, which represent only 5.8% of total assets, compared with 18.1% for Manufacturers.

With regard to earnings, in 1944 Corn's net operating Earnings, before reserves, amounted to $454 per share, and net security profits, $1.01. Manufacturers Trust's net operating earnings, before reserves and adjusted to its new capitalization of 2,062,500 shares, were equivalent to $5.46 per share, and net security profits, $1.94.

For the first nine months of 1945 indicated earnings per share are $3.63 Corn and $3.51 Manufacturers.

At current asked prices the two stocks compare as follows:—

	Corn Exchange	Manufacturers Trust
Asked price	65¼	64
Dividend yield	3.7%	3.8%
1944 earnings yield (excl. security profits)	7.0%	8.5%
Book value per $ of market	$0.81	$0.85
Earning assets per $ of market	$12.70	$13.50

It is now of interest to compare the growth trend of each bank over the past few years, starting with balance sheet figures as of Dec. 31, 1939.

	Corn Exchange			Manufacturers Trust		
	12-31-39	9-30-45	% Increase	12-31-39	8-30-45	% Increase
Book Value	$45.42	$52.73	16%	$36.05	$54.06	50%
*Deposits	338	744	120	763	2,056	170
*U. S. Govts.	131	544	316	282	1,299	360
*Loans and disc.	26	46	74	189	395	109
*Earning assets	221	622	182	582	1,784	206

*Millions of dollars.

It will be observed that Manufacturers has far outstripped Corn in growth of book-value since 1939, while its percent increase in deposits, Governments, loans and discounts and total earning assets has been substantially greater. On the basis of present dividends, book values and interim earnings, in relation to current market prices, there does not seem to be much to choose between the two stocks. But, in view of the more vigorous growth trend evidenced by Manufacturers Trust, the latter would appear to be the more attractive long term investment.

Public Loans to Foreign Countries

(Continued from page 2587)

government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them."

In his Central Park speech, the President declared, in dilute paraphrase of the Atlantic Charter:

"We believe in the eventual return of sovereign rights and self-government to all peoples who have been deprived of them by force."

Both the Charter and the President's dictum leave us in doubt about Porto Rico, Egypt, and the Boer South Africa, the Dutch East Indies, India, the Philippines, and other countries.

But all I want out of the statements now is to show we admit the principle of sovereignty, and in principle the non-infringement thereof by others.

Our Excuse for Government Loans

But when the proposals are made to make these government loans to foreign countries, we shall be told they are for this, that, or the other humanitarian purpose, or for bringing the blessings of needed transportation, or for indispensable port facilities, or to increase production so that the standard of living shall be raised, and so on through a long list of similar prima facie beneficial enterprises.

How shall we be sure that the moneys lent will be spent for the purposes specified. Someone will remember that in the past, money lent to certain countries for prescribed purposes have been frittered away or completely subverted — stolen — when they reached the confines of the borrowing nation.

Supervising Expenditure of Loan Funds

This problem will be answered by the affirmation that we will supervise the expenditure, we will see the money is honestly spent for the right purpose. Of course, we have not been too proficient ourselves along this line in spending our own moneys in our own country. But we can do it somewhere else, we say. Of course, we shall not be able efficiently to supervise loan expenditures, and if we undertake it, we shall sooner or later be faced with a scandal that will make us blush with shame, and discredit us before the whole world. Already we are being twitted about the wasteful expenditure, some call it by a worse name, of UNRRA funds.

But this is where sovereignty comes in: No sovereign state permits another sovereign state to come into its jurisdiction and exercise sovereign functions, and there is no higher sovereign function than the direction of the expenditure of sovereign funds, as these loan funds would be when they gave us their IOU's, and we turned the money over to them. The public treasury is the life blood of every state. But some again will say, we will not turn over the money to them, we will retain it and spend it. That is, we would think we could go into another country, with our supervision, perhaps equipment, and construct something they might or might not want, and then send them the bill to pay. Such an arrangement would almost surely precipitate a revolution in the borrowing country that would overturn the borrowing administration and install another that would repudiate the whole transaction as an infringement upon their sovereignty. So we would be back to the place of beginning,—unless we used force, and that would obviously be a violation of sovereignty, such a violation as would set-by-the-ears against us every little nation in the world—for we would not treat the big nations thusly. This would mean the complete destruction of international good will towards us, and also our power and prestige among the nations; and we have none to spare now.

Collection of Loans

But suppose the loans are made, and the money expended properly. What about collecting the loans, for we must assume we are not intending to give the money away—we are hardly in a position to do that.

As I have already indicated to you, on Dec. 31, 1944, there were in default on one or another bond issue six out of every seven of all debtor countries owing us money. With that record and with the "gimme" complex thoroughly imbedded in the international mind, we must expect some defaults. Then, what are we going to do about it?

Well, the custom of nations is pretty well crystallized on this.

In the first place, in theory, you might be able to bring suit in the debtor's courts for the default. But for one sovereign to sue another sovereign in the latter's own courts is such an unconventional, not to say, discourteous proceeding, that merely the bringing of the suit would arouse more resentment than the default might be worth, so this would hardly be a practicable measure.

Furthermore, if suit were brought and successfully prosecuted and judgment obtained, how could recovery be had. The enforcement officer could hardly break into the public treasury to fetch us the gold, and there would probably be no gold there to fetch. You might say: Levy on the national palace or the capitol building. But how would you realize? In the United States a judgment against the government must normally be satisfied by a Congressional appropriation, and experience shows this may take two generations or more to secure. So the court route seems out.

In theory, our government might exercise some diplomatic pressure to get payment. But here you run into a deeply imbedded international rule that distinguishes between tort claims, for example, claims for personal injury or destruction of property, and contract claims, including bond claims. Governments do exercise diplomatic pressure in behalf of tort claims, but not usually for contract claims, because the latter are supposed to have a remedy in the courts. But we have just seen how illusory this remedy might be. It might be here said that of all contract claims, bond claims are at the bottom of the list as to diplomatic intervention. So diplomatic pressure is out. We call this initial pressure unofficial good offices.

If nothing happened from this pressure, the next remedy in order would be formal representation. But since sovereigns would be involved on both sides, it is hardly likely formal representations would accomplish anything where the informal had not.

Your next step would be breaking off diplomatic relations, but as again as sovereigns were directly involved, the respective positions would have been discounted long before this, and each would probably stand pat.

The foregoing having failed we could ask for arbitration; this could have been done earlier if it had been considered by either party desirable, that is, if the party proposing it felt it could certainly win.

All of these having failed, we could next proceed to what are called measures of force short of war.

You could first parade the fleet outside one of their ports, if they had one, to show how big and powerful we were. They would probably have discounted that long before this stage was reached.

If the fleet did not scare them, we might put reprisals into effect. This could be worked out, if the debtor were an importer to us of his goods, by sequestering his dollar credits here and applying them to repayment of his loan. But that would seriously interfere with trade relations and all our importers and exporters would make so much fuss, we would not likely try that. Great Britain tried that against Frederick of Prussia way back in those days, in connection with the Silesian loan, but gave it up.

Then reprisal failing, you might institute a so-called pacific blockade (as did certain European powers against Venezuela at the beginning of this century). That enterprise caused the framing of the Drago doctrine (Dr. Drago was an Argentinean) that force shall not be used for the collection of bond debts.—a doctrine which Latin America particularly has even since insisted upon.

I ought to mention here that in order to forestall a legal excuse for the interposition of a sovereign in behalf of his subject or citizen whom another sovereign was injuring by violating contract rights, another Argentinean, Dr. Calvo, formulated a clause, since bearing his name, by which the alien concessionaire was to covenant as a condition to the granting of his contract, that he relinguished all right to the protection of his government in connection with the contract or any violation thereof.

But all the foregoing remedies failing, the final remedy is war. In the last analysis, that seems the only real sanction which can be effectively used against a recalcitrant debtor. But is 10 millions or 100 millions or 100 billions of debt worth a war? That question answers itself.

So, in fact, there is no procedure known in international relations by which the collection of a bond obligation can be certainly made.

The attitude and conduct of the run of existing debtor governments are not such and have not been such over the years as to warrant an assumption that they will pay their debts except as their convenience may suggest. The bulk of the debtors in numbers are now, and many have been for years, in default. They show no inclination to pay. They seek, not facilities to pay, but devices to avoid payment.

Governments now debtor to us are not now safe risks for further Treasury loans from us.

If you add to this fact the further ones that we are in no position nationally to make Treasury loans unless we either substantially raise, not lower our taxes, or resume our peace-time deficit spending—that is, float more government bonds—neither of which alternatives is desirable, and each may be ruinous, I say, unless we go forward on either or both of these bases, we are in no position to make loans to foreign governments from our national funds.

Whatever further financing of foreign governments is to be done by dollar lendings should be done only by lendings made in the conventional way of privately purchased foreign bonds by persons willing to take the hazard; it should not be done by Treasury lendings with taxpayers' money whether that money be obtained by further taxation or by the sale of our own government obligations, or by some scheme which may be proposed of bonds issued directly by foreign governments, but guaranteed by our own government.

Jas. Brown Sales Mgr. For Mohawk Valley Co.

UTICA, N. Y.—James M. Brown has become associated with Mohawk Valley Investing Company, Inc., 238 Genesee Street, as Sales Manager. Mr. Brown was formerly in charge of the Utica office of the Smaller War Plants.

Our Stake in Britain's Economy

(Continued from page 2571)
nomic peace and internal prosperity only as the United States is willing to participate more freely and intelligently in the world economy. As a condition of that participation we should make it abundantly clear anywhere that the United States wants the opposite of the controlled sort of trading under which the governments of nations have so frequently dictated, or even actually conducted, the overseas business of their nationals. It is the firm policy of the United States to do all within its power to eliminate trade barriers and trade restrictions.

Must Have Allies on Economic Front

But we are not going to be able to meet that situation realistically unless our people realize that the United States cannot accomplish the task alone; she must have strong allies in winning the economic peace, just as she required strong allies in winning the fighting war.

The only way to have strong allies on the economic front is to be alert to the necessity for providing the conditions for strong growth, not only abroad but at home as well. What happens in the United States today is no longer our concern alone. The currents of prosperity and depression which leave our shores can easily become tidal waves that profoundly affect the well-being of the rest of the world.

We must, as I have many times said, clearly recognize the simple fact of our overwhelming strength —a strength at this moment so greatly in excess of that of any other country or any likely grouping of countries, as to be a matter of grave concern to the rest of the world.

Europe, Asia, and the Far East have suffered incalculable damage in production facilities, in housing, in lives. Their standard of living, never up to ours, has fallen sharply; the means of recouping those losses are unclear and uncertain.

They cannot overlook, and we should not, the sharp dissimilarities between their economic situation and ours. To simplify this comparison, it is not I think inaccurate to group all the European and Asiatic world on the one side and the United States on the other.

They have suffered heavy loss of life and property; their assets are drastically reduced; their production facilities are sharply impaired. They are literally short of everything. The one thing that is not like to be a problem for them is work for their people. Unemployment is not likely to cause those national leaders their sleepless nights.

Now turn to the United States for dramatic contrast. Unquestioned credit; the bulk of the known gold reserves of the world; a production machine twenty billion dollars larger than at the outbreak of the war; plenty of materials and the greatest aggregation of labor and management skills the world has even seen; a standard of living high and capable of being raised much higher.

But with all that, our one concern, by sharp contrast, is whether or not we shall be able to find work for all our people. Is it any wonder that the rest of the world looks at us with apprehension and uncertainty? For one thing is quite clear, and that is that American post-war economic and political policy can profoundly affect, for better or worse, every one of those hundreds of millions of people.

Our Interest in Britain

To the British, as a particular example, our economic policies are of the utmost significance. We are their largest markets, and when Britain doesn't export, she doesn't eat. In pre-war times, her import and export trade—the things she bought for her use at home and the things she sold to others abroad—made up a most important part of her national life. During the war, and particularly after we set up Lend-Lease and made our resources available to her, a vitally different program was possible. She could now divert that man-power that had been used to produce food and other essential consumers items to the production of war material and the fighting forces. She could also cut down her exports, because many of her imports, food in particular, were being provided partly from us under Lend-Lease and partly from some of the Dominions. Let me emphasize that these exports were cut during the war to about one-third of what they had been normally. Put in another way, and this is what the British businessman sees, she gave up two-thirds of her overseas customers, and most of these were supplied from the United States. Where ten million workers had served her peacetime civilion needs, she could now get along with five million, in considerable part because of our help. That was one of the reasons she could manage to put one man or woman out of every four in the national labor force, into the Armed Forces, and on top of that one man or woman out of every three into making weapons for the victorious armies, theirs and ours. Put in another way, she was able to put in more fighting men as we put in more material.

With all her outside assistance, however, Britain could not have made the great contribution to winning the war which she did make, without sharply tightening her national belt. It has been difficult to compare what she did in this respect with the performance here and in Canada, but the Combined Production and Resources Board has made an attempt at some relative evaluation. Let me outline that briefly.

First as to living standards: In Britain they fell roughly between 15 and 20%. Here and in Canada they actually rose over 10%, a 20 to 25% disparity, and a very large figure in the economy of a country. In spite of the many things some of us didn't have, we had more civilian goods in total than ever before.

Britain was cold during the war and she still will be this winter. Each household in the southern part will get up to one and one-half tons of coal, and for the northern and colder part, two and a half tons. There will be little, if any, oil and gas heat to supplement that.

British Coal Industry

Let me stop here for a moment to talk about Britain's coal problem, because it is one of her most troublesome ones and one most difficult of solution, I apprehend. The new Government has served notice that it intendts to nationalize the coal mining industry, but so far as I have seen, it hasn't said how it proposes to do it. No wonder, for it is a complex maze of unsatisfactory performance of labor and management and government. Coal is important to Great Britain, because it has for a long time been a large export item, and its cost plays a big part in the efficiency of another major item, iron and steel production. The cost of British coal has doubled during the war, and at the same time the tonnage produced has fallen sharply. Britain will have little coal to export in the years immediately ahead, and its cost is likely to be so high as to make even those sales uneconomic. I won't take the time to go into the detailed reasons; a wasteful use of labor and low output per man; inadequate mechanization, and as a part of that, I suppose, the long-standing fear of the mine owners that some day the Government might take over their properties—these and many more glaring inefficiencies have combined to bring about a situation in coal that has confounded British administrations long before this one.

Other export items that were sharply reduced during the war were machinery, vehicles, textiles, and a great variety of miscellaneous items, of which whiskey was worth mentioning.

You have all heard something of the clothing restriction. Roughly speaking, the man and woman in Britain had a third less clothing than before the war. As of V-J day that has been still further reduced. This wasn't too serious in the first years, but as the war stretched out, closets became thinner and thinner, and more and more people increasing threadbare. I must say, however, that a fairly balanced and well-administered rationing system distributed what they had with little complaint.

While this curtailment was taking place there, we and Canada were consuming not less but more clothing, and for us, the period was much shorter.

The production of household goods in the UK was drastically cut. Floor coverings, furniture, kitchen utensils and the like, they reduced by more than half. On our side there was even an increase over pre-war.

Housing became a national emergency, partly from the same pressures that we encountered, largely, however, from enemy action. Millions of homes were damaged or destroyed. Think what it means to the service man returning after six years or so of absence, to his wife or the girl who waited for him, only to find it impossible to obtain a roof or furniture to put into it.

These are only typical examples of what Britain has done during the war to tighten her belt, to reduce her need for help from abroad, to make her greatest contribution to victory. You know I could go much further. The point which I want to make now is that the ending of the war doesn't bring these sacrifices to an approaching end for the citizen of Britain, as it does for us. He still doesn't have gasoline for any considerable driving, even if he has a car; his clothing ration has actually been cut since the war ended; he won't have much more food this winter, and I've told you about his coal. He knows everything possible will be done to repair the damaged homes, but that will take years, and new houses will be few and far between. The ending of the war gave him freedom from those frightening fears that he has carried for six years, but not much else.

The future looked far from bright.

For the first time, he was a debtor to the rest of the world. He had lost a large part of his world savings through the sale of securities abroad. Two-thirds of his precious shipping had been sunk; his home costs were high and the job of getting back his pre-war markets, without which he simply could not live, was a long and uncertain one.

It was in this atmosphere that Britain faced the ending of Lend-Lease and the planning of the future. *For plan she must.* No possibility there, today, for the risks inevitable to the working of the free enterprise system; insfficient dollar exchange to permit her citizens to purchase where they want and insufficient total resources to allow them to purchase all they want.

Reforming British Industry

The imperative need for a program of modernization in those industries which have failed to keep pace, has brought the new British Goyernment to certain interesting steps. In five areas of production, they propose to encourage early action. Tripartite working groups of four scientifically trained men selected by government, four representatives of management, and four from labor have been brought together in each of these industries; they are directed to frame and put into effect the best possible rearrangements that will assure improved output, better living standards at home, and a more favorable export position abroad. It is assumed that such plans will certainly involve large amounts of improved machinery, new and better methods and, what is important, the effective use of both by men and management.

This is the same kind of planning for peace, that nations have found vital to success in war. There is nothing inherently inefficient in Britain. Any such assertion must be denied. Some of the newer plants that the British built for war production are models of efficiency. And the British today know where they are inefficient and want in the most urgent sort of way to find a remedy. This is highly important, not alone from the narrower viewpoint of a loan repayment, but much more so as bearing on their likelihood of regaining a strong economic position worldwise.

Now it is important to recognize that faced with these gigantic problems at home, the British have made it clear that they would prefer to carry on in peace in the same cooperative spirit in which they did in war. They have taken an active and constructive part in the relief and rehabilitation problems of the liberated areas. Again, as during the war, they have made further sharp sacrifices in their own living standards, to help their neighbors in greater need. Any attempt objectively to evaluate their post-war economic policies, will not fail to give them this credit.

In the swift rush of events, they have embarked on expedients which from this distance, and in our atmosphere, seem to many here unwise and unnecessary. In certain quarters this development has given such cause for concern that suggestions have been made that we refuse any aid to Britain at this time on the ground that it would in effect be a contribution by us to the ultimate destruction of our own system of free enterprise.

British Policy Not Destructive of Our Free Enterprise

It seems to me that this line of reasoning is not only unwise but dangerous. At root the British are the same sound liberty-loving people that we are. How they work out their own critically difficult problems is their own business, precisely as we regard our own domestic solutions as our business. I do not see how genuine friends of democratic government by the people can take any other position and I wonder if they do not hurt their own cause by any such threats. Indeed, as Walter Lippman so aptly pointed out, the *one* way to assure excessive socialization in Britain is to withhold aid that would otherwise be normally available. It would tend to throw the control into the hands of extremists; it would almost certainly compel Britain to a larger degree of economic isolationism, swinging with her the neighboring nations in the north of Europe and as well, of course, those Dominion areas and others in the so-called "sterling bloc." Then we would certainly find our own position in the world market infinitely more difficult. For we shall want a place in these same foreign markets for our merchandise. The best analyses I have seen of our problem of maximum employment lay great emphasis on the necessity for a substantial export trade. It may not be so large a percentage of our whole national turnover, but it represents life or death to many industries and many areas.

Larger British Exports Not Detrimental to U. S.

The superficial conclusion is frequently met that a resumption of Britain's export trade must mean a reduction of our own. This would follow the unhappy scarcity theory that there is only so much trade to go around and enlarging that of one country automatically reduces that of others.

It is more intelligent, I think, to reason that the needs of a healthier and wealthier world must expand in proportion and that under such conditions of a better balance world economy there will be all the export business that we and Great Britain and other exporting nations can handle. In our own case the limitation on the growth of our export business is more likely to come from our unwillingness or inability to accept sufficient offsetting imports.

Now you may conclude that much of what I have said today only goes to prove that many contend, namely, that Britain needs us all right, but we do not need Britain. I hope that I have made it abundantly clear that my profound conviction is precisely to the contrary, and that I arrive at that conviction from no such limited considerations as only these of sympathy or admiration. No, our need for a strong Britain is very real. We, in the United States are, today, whether we like it or not, one of the greatest forces in the world, and as such, must carry a large share of the responsibility for an orderly world. No nation in the world is more likely to stand shoulder to shoulder with us in that almost terrifying responsibility than Great Britain and the British Commonwealth of nations. We come of he same stock, we speak the same language. We read the same literature, and we have the same background of ideal and tradition; and in saying that, I do not for an instant, underestimate the necessity for a similar sharing of responsibility by all those other nations of the world likewise concerned with us in an assured peace and orderly international relations. But in this meeting today we are only discussing our economic relations with Great Britain and what the United States should do about those. There are, it is true, many other demands being made on us, and there is a limit to what we can afford to do, but the problem of assistance to Britain is with us today and it must be settled.

Let us take first things first. If we have any faith in human progress, it must include the faith that Britain will regain her prosperity and her rightful usefulness in the world. Therefore, anything we do to help Britain today is not money thrown away. It is a sound investment in a business partner, and it should have sound businesslike restrictions. There will be numerous concessions which we may, in fairness, ask of the British. This is a proper time to advance them. We have never had shrewder or wiser representatives than those who are in charge of these discussions from our side, and you and I can have complete confidence in their ability and judgment.

This is one of the costs of winning the peace. Some may think it high, but it is not nearly so high as the cost of not doing it.

The Investment Company in 1945

(Continued from page 2573)

fication, which are commonly considered investment companies; certain large holding companies would therefore be excluded.

It may be remembered that the first American investment company, dating back to the 90s, was a closed-end fund, as were all of the even older, larger and numerous English and Scottish Investment Trust Companies of those days. The vast majority of the successful and unsuccessful American investment companies of the 20s were closed-end companies. While none has been formed since 1929, the assets of the closed-end group have always, until this year, exceeded those of the open-end group. To day, the closed-end companies have assets of slightly under a billion dollars and the open-end group of slightly over a billion.

The Closed-End Companies

The securities of the large majority of closed-end companies are today listed on the New York Stock Exchange or other securities exchanges. An investor may purchase debentures combining a reasonable yield with a high factor of safety. He may purchase preferred shares of different grades or he may purchase one of two kinds of commons. One kind would be that of an investment company that had no funded debt or preferred outstanding—in other words, a non-leverage company. The other would be the common stock of a leverage investment company—definitely a speculative equity in either great or lesser degree; but, as the saying goes, "a margin account that almost never would be called." Most closed-end companies are leverage companies.

Moreover, these closed-end companies have different investment objectives. The majority of their portfolios contain a broadly diversified list of junior securities of American corporations—combined with a minor proportion of senior securities. Some, however, concentrate on "special situations"; some are virtual finance companies; some specialize in utility, railroad, petroleum, insurance, aviation, tobacco, mining, or other enterprises.

Generally speaking, the common stocks of closed-end companies, because of leverage and not being tied to their asset value, have fluctuated more widely than the shares of open-end companies. Almost all common stocks of closed-end companies have sold at a discount below their asset value in the last decade—just as most of them sold at premiums in the 20s. This discount, however, has tended to narrow in recent years and, in a few cases, has disappeared.

That, of course, reminds us of the most distinguishing characteristic of an open-end as against a closed-end company: viz., the fact that the open-end company's shares at all times have a definite relationship to asset value because of the company's agreement to repurchase them at such value. Indeed, the open-end company is virtually always repurchasing shares or issuing new shares, whereas the closed-end company's capital remains relatively unchanged.

There are only one or two leverage companies in the open-end field. Yet, even though the open-end company does not generally offer an investor a choice of senior and junior securities but only one class of share, nevertheless such shares represent a pro rata interest in funds of many varieties. Assets of the funds that invest primarily in common stocks total more than half of open-end assets (the largest of all investment companies is in this category). Some of these common stock funds invest in orthodox "blue-chips"; others are more venturesome and go in for "growth stocks"; some go in for broad diversity; others believe in relatively few holdings.

Greatest recent growth has occurred in the bond and specialty funds. Here investors can purchase an interest in funds containing bonds of various grades, or preferreds, or low-priced shares, or steel, automotive, aviation, utility, rail, bank, insurance and other categories of stocks. Finally, there is available a selection of so-called "balanced funds" —funds that always have some proportion of their investment in senior securities as well as in common stocks.

Position of Investment Companies

Thus, there are many and varied investment companies for the investor to choose from. As surely as the sun sets, investment company securities will depreciate when the next depression comes along. But the shares of a well-managed investment company would seem to offer an investor a larger measure of protection of principal, reliability of income, marketability and reasonable opportunity for appreciation, **combined,** than any other general class of security available.

This is because of the basic principles upon which a true investment company is built. The first is diversification of investment—on the theory than 10 securities are safer than one, 100 safer than 10. The law of averages is pretty fundamental (although, amid profanity and tears, some friends of mine the other day just had their fifth straight baby girl). No one could deny that there is less chance of loss—other things being equal—in owning shares of a fund based, for instance, on a cross section of well-known bank or insurance or steel stocks than simply in owning one of such stocks directly. Or a fund based on a large number of bonds obviously gives more protection to an investor than if he owned just one or two even higher-grade bonds.

If one basic principle of an investment company is diversification, the second is continuous, experienced supervision. The layman has no conception of the extensive management machinery that is employed to supervise his investment in some of the well set up investment companies. The statistics, the investigational field trips, the seasoned advice from hundreds of pertinent sources, are far beyond the capacities of individual investors. Yes, honest mistakes are made by investment company managers, just as medical men and lawyers occasionally come to the wrong conclusions. But there has grown up in this country over the period of a generation a group of investment company managers who are knowledgeable and seasoned, and who possess high professional ethics and sense of fiduciary responsibility.

Diversification and supervision —these two principles, likewise, have great bearing on one of the other desiderata of investment—reliability of income. Payments to investors by investment companies are derived from a sufficient number of carefully watched sources as to minimize the probability of the well's running dry.

Closed-end investment company securities for the most part are listed on various securities exchanges; while their activity and breadth of market is very different from that of market leaders, nevertheless the last few years have seen them more active than at any time since the last 20s. The repurchase provisions of open-end companies place their shares in a desirably liquid category, giving them a position comparable to active, listed securities.

Finally, the investor wants not only marketability, but reasonable opportunity for appreciation. In 15 years out of the past 19, the average performance of investment companies was as good or better than the general market. From the middle 20s most companies in most years have done better than recognized market averages. Especially is this so in recent years.

The Investment Company Act

A milestone, of course, in the history of the investment company movement was the passage of the Investment Company Act of 1940. Very few institutions today are as strictly regulated as are investment companies. The Act has been workable because of reasonable interpretation and administration of its provisions. There is no question but that the popularity of investment company securities has increased because of this series of regulations, as well as the fact that investment companies are constantly giving a better account of themselves managementwise. Assets of investment companies have increased over 50% since the passage of the Investment Company Act.

"Investors' Cooperatives" is a term today frequently being applied to investment companies. For they are, literally, a joint venture of a group of investors whose objective is conservation and increase of their capital—while receiving a reasonable return therefrom. Such investors, in effect, band together to hire experienced management to attend to their financial affairs, whereas very few of them individually would have the capital to employ managers of equal ability. Because the small investor can secure through this medium the same diversity and expert guidance as a millionaire, the investment company, in very real degree, represents democracy in finance.

Investment Companies as Stockholders

In other years you have had a talk before this convention on the role of investment companies as public stockholders. To be specific, an investment company which may own a very substantial portion of stock of an industrial corporation, and believes that the management of such corporation is not operating in the best interest of stockholders, can, because of its large holdings, bring real pressure to bear to rectify the situation. A small stockholder could not.

Today there are some 70 active open-end and some 40 closed-end companies. The assets of both groups together total over $2 billion; shareholders number almost a million. The operations of investment companies today are the largest single factor in the stock market. This last calendar year purchase and sales by investment companies totaled almost $700,000,000.

What is the most important single factor about any investment company? The answer forever and a day is: "The integrity of the men who run it." The next most important factor is the ability of such men. These two all-important factors stand out like beacon lights above some minor pebble on the beach, such as whether some company may have a comma here or there or elsewhere in one of its legal instruments. Such factors are measurable. The first is measurable by means of ascertaining the business reputation of the men behind a project. And their ability can clearly be measured by management results over a reasonable period of time.

Along comes a friend of ours who bought United Founders stock in 1929. In colorful language, he tells us he will never own another investment company security. That statement ranks in intelligence with any man's who swears he will never go to another dentist because, as a soldier, he found himself in the Persian Gulf Command and had to have a horse doctor pull his tooth. There have been many misnomers in the early days of the investment company movement. Let us hope and believe that the character of present-day management, plus the drastic screening of the Investment Company Act of 1940, in addition to the conscientious supervision of State Securities Commissions, will prevent anything even remotely comparable to certain experiences as an aftermath of the 20s.

Investment companies are not all equally "good," just as all men are not equally reputable and able. But the majority of the hundred or so active ones are so much better than the investment that the average man might make, that thoughtful men should welcome their availability. The diversity obtainable through their securities, the experienced supervision of their portfolios, their necessary conformation to the Investment Company Act of 1940, brings them up to the final supervision of State Securities Commission with high priority for soundness. A conservatively capitalized, broadly diversified, well-managed investment company whose cost to the investor is equitable would seem to be the best medium for investment of any vehicle yet devised.

The Commissioner of Securities of any State has a most solemn responsibility. His mission is to make as sure as he can that investors in his State are offered only sound securities. The objective of most individuals identified with the investment company in 1945 is exactly the same.

Maj. R. L. O'Brien Jr. Rejoins Folger Nolan

WASHINGTON, D. C. — Major Robert Lee O'Brien, Jr., has returned from military service abroad and has rejoined Folger, Nolan & Co., American Security Building. Prior to his association with Folger, Nolan & Co., in 1937, he was with the investment department of the National Savings & Trust Co. and later with A. S. Pratt & Sons.

Transportation Prospects

(Continued from page 2572)

pansion periods were then followed in each case by a period of economic recession.

Thus the three general characteristics of economic trends accompanying previous major wars have been first, a high level of production during the war; second, a short period of reconversion, or readjustment, immediately following the war; third, a considerable period of postwar expansion. In each case the expansion period carried economic levels in the United States above those of all previous prewar periods, and in some cases above those of the immediately preceding war period itself.

Long-Term Trends

The situation following the second World War seems likely to pursue these same general lines. The war period itself is behind us, and exhibited an even greater rise in economic activity than any previous war. In addition to the war influence, the postwar period will be affected by certain long-term trends that have persisted in the American economy over many years. All these trends have been upward, as befits a country where expansion and growth are still an effective force. Total population has continued to grow. Urban population has grown at a greater relative rate than rural population. Increasing mechanization and improved methods of production, such as the assembly line, have made it possible to produce a given amount of goods or services with a decreasing number of man-hours of labor. Standards of living have risen, with greater individual earnings, and more goods and services available to the average citizen. These are the outstanding achievements of the national economy in the past, achievements which should continue into the postwar future.

Indicative of these upward trends of the past, I give below the percentage increases in certain economic and transportation factors over the 40-year period from 1900, the first year of the present century, to 1940, the year preceding our entrance into the war.

NATIONAL PROGRESS: 1900-1940

	Per Cent Increase
Population	73
Rural	25
Urban	147
Labor force	93
Civilian employment	71
Production:	
Manufactures	282
Minerals	266
Utilization of power in manufacturing	406
Gross national product (1943 dollars)	254
Railroad mileage:	
Mileage owned	21
Total trackage operated	57
Railroad traffic:	
Passenger-miles	48
Ton-miles	165

Comparison of First and Second World War Trends

In the case of the first World War, whose characteristics were more nearly like those of today than was true of previous wars, the readjustment period following the war was a somewhat lengthy one, with some ups and downs, but ended in 1922. The period of expansion then continued for seven years, to the autumn of 1929.

Assuming that the pattern to be experienced in the present postwar period will be similar to that of corresponding periods in the past, particularly the one following the first World War, we have prepared a number of charts dealing with certain economic factors. The charts show the trends preceding, during and following the first World War, and preceding and during the second World War. The current postwar period is just beginning, and cannot yet be charted in the form of a definite curve.

Five of these charts have been selected for presentation to you today. They deal, respectively, with the Federal Reserve Board (FRB) indexes of (1) Manufactures and of (2) Minerals, the Department of Agriculture (DA) index of (3) Agricultural Production, and our own indexes of (4) railroad ton-miles and (5) passenger-miles. All these indexes are based on physical rather than dollar volume.

These five factors by no means exhaust the list of significant economic factors. They do not, for example, include the important elements of construction, trade, employment, and national income. They do comprise the important elements of production and transportation, the trends of which will largely determine the postwar economic pattern.

Manufacturing Output

Chart I is the index of total manufacturing production. The lower or broken curve on the chart relates to the first World War and its postwar period. The years indicated at the bottom of the chart apply to that curve. The year 1915 is taken as the first war year, and is the index base of the curve, or 100. The year shown to the left of that date is the year in which the highest previous level was attained by the particular factor. In this chart dealing with manufactures, that year was 1913. Taking the 1915 index of production as 100, that figure was slightly above the corresponding index of any previous year, whether in war or in peace. The trend over the four years of the war, or to 1918, is plotted on the chart. The next block of the chart covers the readjustment period, consisting of the three years from 1918 to 1921. The postwar period is taken as the years 1922 to 1929, and the curve runs through 1922, 1923, and to the average of the years 1923 to 1929.

Chart I shows that the index of total manufacturing in the first World War rose to a level 19% above 1915, which continued to 1920, with a sharp dip in 1921. The index reverted to about 120 in 1922, then went up to nearly 150 on the average, in the years 1923 to 1929. In the course of the postwar expansion period, manufacturing attained higher levels than in any previous year, even those of the war period itself.

Consider now the corresponding curve on Chart I relating to the second World War. The years applying to that curve, which is the upper or solid curve, are indicated at the top of the chart. For this curve, the year 1940 is taken as the index base, or 100. The period from VE-Day in 1945 to some date in 1946 is taken as the present readjustment period, and it is assumed that the postwar expansion period will run to at least 1950. The final date shown at the top of the chart is the average of the years 1947 to 1950.

In the case of manufacturing production, and its trend in the second World War, the index in 1940 (as in 1915) was above that of the previous peak, which was attained in 1937. The manufacturing curve rose rapidly from 100 in 1940 to more than 200 in 1943, and turned down to about 200 in 1944.

The question that confronts us with respect to this and the other charts is the trend the respective curves will follow from 1945 to 1950. Will the upper or current curve parallel the general trend of the lower or first World War curve? Will it dip downward, or will it follow some other general tendency? I shall comment on these points in a moment.

Other Economic Factors

The other four charts in the series are prepared along lines similar to those I have described for Chart I. Chart II deals with the index of minerals output compiled by the Federal Reserve Board. Chart III is an index of agricultural production compiled by the United States Department of Agriculture. Charts IV and V deal, respectively, with railroad ton-miles and railroad passenger-miles.

All the charts indicate the tremendous impact of the recent war effort on these several economic factors. This fact is particularly striking in relation to the index of manufacturing, and the indexes of railroad passenger-miles and ton-miles. Some of these indexes started at a higher level in 1940 than in any previous year; this was true of manufacturing, mineral, and agricultural production. All of the indexes rose to much higher levels during the war than in any previous period.

The problem is to determine the extent of the industrial and railroad postwar recession that will take place during the readjustment period, and the date or dates when the several indexes will reach their low points and again turn upward. It looks to us, as of today, that the turn in the tide will not come before July 1, 1946, and may be postponed in the case of some of the principal economic factors to the end of 1946. Much will depend, of course, on the wisdom, intelligence, and restraint which the several interests involved — management, labor, the general public, and our legislative and administrative groups—bring to bear on the intricate and difficult problems of wage, price and other adjustments that lie immediately ahead of us.

In so far as the production indexes of manufacturing, minerals, and agriculture are concerned, we believe that the trend from the low point in 1946 to 1950 will be generally upward, and that the 1950 levels will be higher than in any period prior to the war, although somewhat below the war levels themselves.

Reverting to Chart I, the manufacturing index more than doubled during the war, rising from 100 in 1940 to 205 in 1943. It declined slightly to 200 in 1944, and by June, 1945, had shown a further decline to 187. These index numbers are all stated in terms of 1940 as 100. The low point may be close to 100, to be reached some time in 1946, after which there should be a gradual recovery to perhaps 125 in 1950. This would be equivalent to an FRB index of about 160, based on 1935-39 as 100.

Chart II shows that the minerals index rose slowly but steadily from 100 in 1940 to 120 in 1944, and continued to rise to 126 in June, 1945. The later advent of VJ-Day, bringing cancellations of war contracts in its train, will be reflected in the minerals index for the second half of 1945, and the decrease will probably persist well into 1946. The expansion following the low spot may carry the index back to about the 1942 level, which was 110 on the 1940 base, and would be about 130 on the FRB base.

Chart III shows that agricultural production was much less sensitive to the war stimulus than manufacturing output, although more sensitive than was agriculture in the first World War. The index rose steadily from 100 in 1940 to 124 in 1944, but declined during the first six months of 1945 to about 116. It will probably drop lower, in some month of 1946, to less than 110, then return to perhaps 110 in 1950. This would be equivalent to a DA index of 122, on the 1935-39 base, which would be higher than in any year prior to the war, and higher even than in 1940 and 1941.

Railroad Traffic Prospects

Chart IV relates to railroad ton-miles, and shows that the freight traffic doubled in volume between 1940 and 1944. The same general conclusions seem reasonable as to postwar railroad ton-miles that have been outlined respecting production, namely, that they will be greater than before the war, but will not equal the war performance. We expect ton-mileage to be greater in 1950 than in 1929, which was the prewar peak year, greater in 1950 than in 1940 by perhaps 25%, but lower than in any of the war years from 1941 to 1945.

The prospects with respect to railroad passenger-miles are less favorable, although Chart V shows the tremendous effect of the war, which raised the index from 100 in 1940 to more than 400 in 1944. A rather heavy passenger movement is anticipated for the balance of 1945, and to about the middle of 1946, growing in part out of extensive transfers of troops from Atlantic and Pacific ports to their homes, and in part dependent on the fact that the automotive industry will not yet have reached its postwar level of production of automobiles and busses. Following 1946, however, we expect aggregate railroad passenger-miles to decrease rather steadily, reaching a level in 1950 above that of 1940, but below all of the years from 1941 to 1949, inclusive.

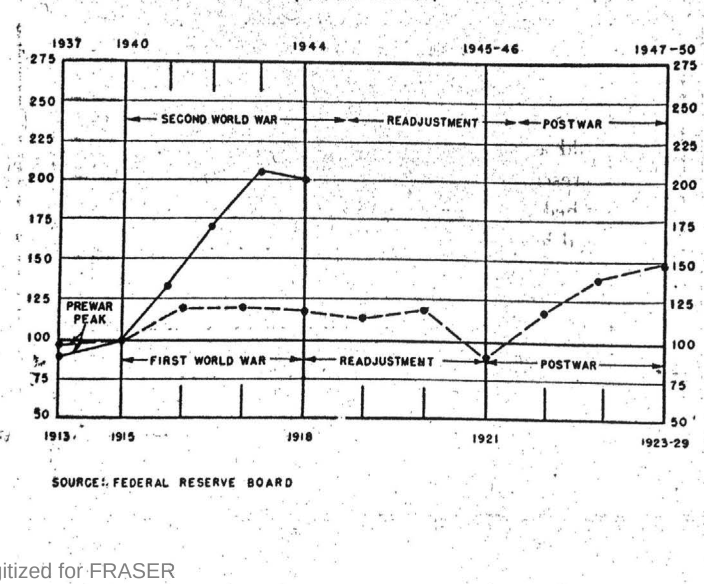
The following table indicates how the railroad traffic prospects here outlined compare with past records:

PAST AND PROSPECTIVE RAILROAD TRAFFIC
Railways of Class I
(Figures in Billions)

	Ton-Miles	Passenger-Miles
First World War Peak (1918)	405.4	42.7
Interwar Peak:		
Ton-miles (1929)	447.3	--
Passenger-miles (1920)	--	46.9
Prewar (1940)	373.3	23.8
Second World War Peak (1944)	737.2	95.5
Prospects for		
1945	665.0	87.3
1946	500.0	65.0
1950	485.0	27.5

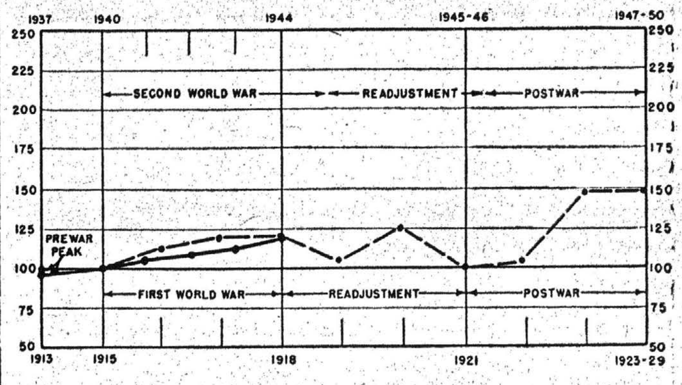
The railroad traffic levels here indicated for 1950, which are only tentatively advanced, would (at existing freight and passenger fare levels) produce a total operating revenue in 1950 of slightly less than $6 billion. This would be below the total of about $6¼

CHART I
INDEX OF TOTAL MANUFACTURING
(1915 AND 1940=100)



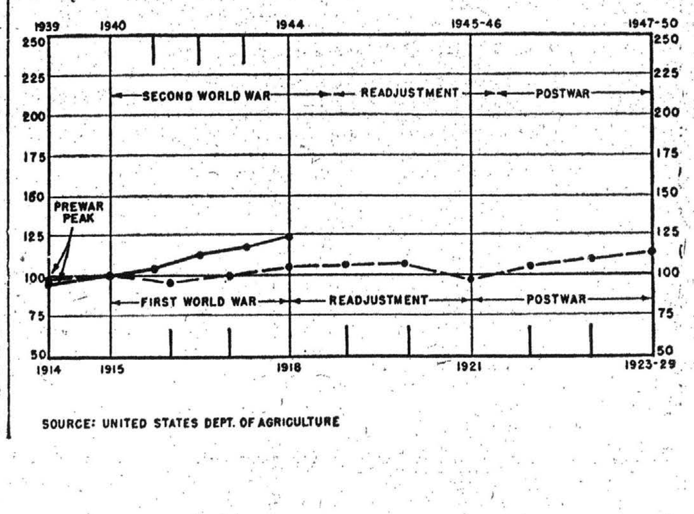
SOURCE: FEDERAL RESERVE BOARD

CHART II
INDEX OF MINERALS
(1915 AND 1940=100)



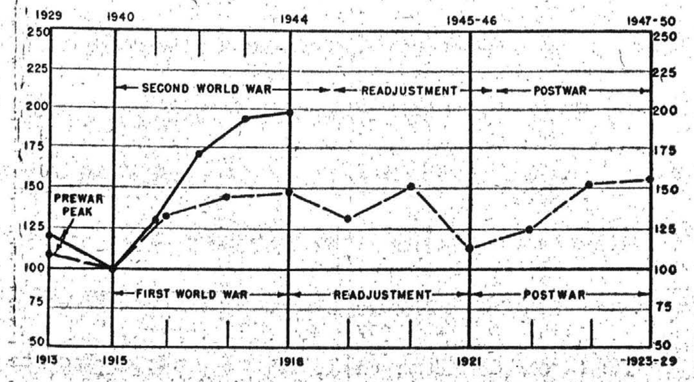
SOURCE: FEDERAL RESERVE BOARD

CHART III
INDEX OF AGRICULTURAL PRODUCTION
(1915 AND 1940=100)



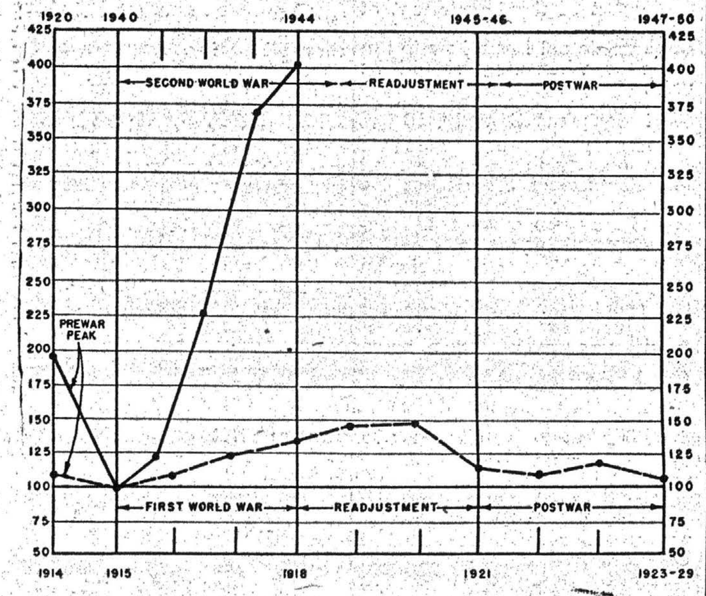
SOURCE: UNITED STATES DEPT. OF AGRICULTURE

CHART IV
INDEX OF RAILROAD TON-MILES
RAILWAYS OF CLASS I
(1915 AND 1940 = 100)



SOURCES: BASED ON REPORTS OF THE INTERSTATE COMMERCE COMMISSION

CHART V
INDEX OF RAILROAD PASSENGER-MILES
RAILWAYS OF CLASS I
(1915 AND 1940 = 100)



SOURCE: BASED ON REPORTS OF INTERSTATE COMMERCE COMMISSION

billion of gross earned in 1929, but would be greater than that of any of the years from 1930 to 1941, inclusive. Such a gross would, however, produce considerably less net earnings than in 1929 because of the great increase in wage rates, prices and taxes since 1929.

Total Transportation

Four of the 15 railroad subcommittees, to which I have referred, have conducted studies of prospective postwar traffic by those agencies of transport that most strongly compete with the railroads, namely, air, highway, inland waterway (including the Great Lakes), and pipelines. Their tentative findings, compared with the prospects already indicated for the railroads, are summarized in the following table, in which the estimated percentage increase, 1950 over 1940, is shown for each of the principal agencies of commercial transportation in the United States:

ESTIMATED PER CENT INCREASE: 1950 OVER 1940

Agency	Ton-Miles	Passenger-Miles
Railroads	28	16
Trucks	27	--
Busses	--	21
Pipelines	38	--
Air	100	572
Water	27	18
All agencies	27	29

The greatest relative increase in freight traffic from 1940 to 1950, amounting to 100%, is anticipated in the air. That agency, however, handles a very small proportion of the total freight movement, considerably less than 1/100th of 1% in either 1940 or 1950. Pipeline traffic is expected to increase 38%, truck traffic 27% and railroad freight traffic 28%, compared with an increase of 27% in total freight traffic. In brief, the railroads are expected to hold their own with other agencies, their proportion of total freight traffic being about 62% in 1940 and estimated at 63% in 1950.

In the commercial passenger field, the greatest relative increase between 1940 and 1950 will again be in the air. That agency will have increased its passenger mileage nearly six times during those 10 years. Thus air passenger traffic is becoming an appreciable transportation factor, rising from 2.7% of the total in 1940 to an estimated 28% in 1950. Busses are expected to handle an increase in passenger-miles, 1940 to 1950, but to show a slightly smaller proportion of the total, 28% in 1950 as against 30% in 1940. Railroad passenger traffic will also increase between 1940 and 1950, but will show a decrease in relation to total commercial passenger traffic, from 61½% in 1940 to an estimated 55% in 1950.

In summary, if the prospects here outlined are fulfilled, total commercial freight and passenger traffic will increase between 1940 and 1950, and increases will take place with respect to all of the principal agencies of transport. In the competitive race, the railroads will about hold their relative place in the freight field but air freight and pipeline traffic will make relative gains. In the passenger field, the railroads will show a relative loss, busses will lose to a lesser degree, and the principal gain will be in the air.

General Conclusions

Without war there would be no postwar situation to study and analyze. The tremendous impact of war on the economy is the most important element affecting postwar levels and conditions. With this point in mind, we may suggest a general summary of the war and postwar factors that will determine and control the nature of the economy. The effects of the war may be summarized as follows:

(1) The war left this country with the greatest productive capacity in its history, and a probable surplus of labor with which to operate.
(2) The war piled up a deferred domestic demand for many types of goods and services, more particularly construction materials, consumers' durable goods, and producers' durable goods.
(3) The war stimulated the accumulation of an unprecedented amount of liquid assets in the hands of domestic consumers, both individual and corporate, thus creating large prospective buying power for post-war products.
(4) The war brought six years of world-wide destruction. This destruction, and the devotion of the resources of many foreign countries to war, has created an extensive potential demand for American goods abroad.

As the net result of these four factors, the United States faces the postwar period with the greatest productive capacity in its history, and a tremendous potential market for its goods and services, both at home and abroad. The scene is set for high economic levels. Added to that is the effect of long-term trends of continued growth, increasing productive efficiency, technological improvements, greater earnings, and higher standards of living.

All these factors spell potential prosperity, but prosperity can be delayed or diluted by failure to solve certain conditioning problems, some of which may be outlined as follows:

1. Attainment of high levels of employment and avoidance of long periods of large-scale unemployment.
2. Improvement in labor-management relations, and development of greater industrial cooperation.
3. Adjustment of the country's cost-price relationships, so that producers are assured a suitable margin of profit in a time of rising labor, material and other costs, with prices held to designated ceilings.
4. Control of prices, and prevention of either inflation or deflation.
5. Prudent management of a huge public debt and the resultant tax burden.
6. Orderly demobilization of the extraordinary economic controls acquired by the Government during war years.
7. Maintenance of a more even balance between production and consumption.
8. Achievement of harmonious relations with countries abroad, thus expediting a free flow of commerce between nations.

There are other problems, but these are outstanding. In many instances they are closely interrelated. Lack of skill in handling these matters may delay our attainment of high postwar economic levels, or handicap realization of our opportunities to the point where we shall be called upon to provide only a part of the goods and services which we might otherwise sell.

In closing, may I express the hope that this conference, and all thoughtful organizations and individuals, will cooperate together for the common good, to the end that this country of ours, having fought a good fight against the foreign foe, shall now fight the less tangible but nonetheless potent foe of disunity, discontent and despair. If this be done, we can advance in future, as in past, to higher standards of living, widespread employment at good wages and an era of prosperity for all.

Public Utility Securities

(Continued from page 2574)

issues would be in the neighborhood of $28,000,000; adding in $100 liquidation value per share would bring the total requirement to roughly $75,000,000. On this basis it would be convenient to give the prior preference stocks all the Philadelphia Company common, leaving the $15,000,000 cash for the $4 preferred (about $20 a share).

However, it might well be argued that the 10-year estimate for payment of preferred arrears is too optimistic (in view of rate cuts and other factors) and that 15 years would be nearer the mark. On this basis arrears could be discounted at 65% of the present total or about $24,700,000, which would increase the remaining equity for the $4 preferred to $24 a share. The figure might then be stretched to a still higher level by making more liberal calculation of the value of Standard's portfolio excluding Philadelphia Co. For example, applying a "12 times" ratio to system earnings ex-Philadelphia (including in each case estimated tax savings) would give an indicated value of $86,000,000, leaving some $26,000,000 for the $4 preferred after paying off the bonds—nearly $35 a share.

It is obvious that there many answers to the question, but the stock at its current price around 27 (range 33⅞-2¾ this year) seems to discount the apparent possibilities as outlined above.

Re-Election of Dir. of Chicago Reserve

Balloting for the election of a Class "A" and a Class "B" director of the Federal Reserve Bank of Chicago closed on Nov. 16 resulting in the reelection of Walter J. Cummings and William Clarkson Heath to serve for three years beginning Jan. 1, 1946. Both men were unopposed. Mr. Cummings, Chairman of the Board of the Continental Illinois National Bank and Trust Company of Chicago has been a director of the Federal Reserve Bank of Chicago since 1937. He is a Class "A" director and was chosen by and is a representative of the member banks. Mr. Heath, President of the A. O. Smith Corporation, Milwaukee, is a Class "B" director and, as such, may not be an officer, director, or employee of any bank but at the time of his election must be actively engaged in the district in commerce, agriculture, or some other industrial pursuit. He has been a director of the Federal Reserve Bank of Chicago since 1943.

Stripling & Humphreys Formed in Shreveport

SHREVEPORT, LA.—James E. Stripling and Luther T. Humphreys have formed Stripling and Humphreys with offices in the City Bank Building to engage in the in stment business.

National Prosperity—Whose Responsibility?

(Continued from page 2575)

able abundant productive employment?

In 1940, our last peacetime year, our gross output of goods and services was $100 billion. Approximately 45 million people were gainfully employed, but we had substantial unemployment. In 1944, our gross output was $160 billion in terms of 1940 dollars. In 1944, we had over-employment with 63 million people in our working-fighting force. In my opinion, if after reconversion we have an overall expansion in the output of goods and services of from 30 to 45 per cent over the level prevailing in 1940, we will have a very satisfactory situation. It will provide from 53 to 56 million jobs (not including those in the armed forces), or 7 to 10 million more than we had in 1940.

Role of Private Enterprise

To understand the nature of the problem that lies ahead, we should face the fact that the overwhelming proportion of the immediate expansion in employment must come in the field of private enterprise. Historically, the Federal Government has provided approximately 5 per cent of total employment, while state and local governments have provided another 5 per cent—a total of 10 per cent for government at all levels. No one wants to see this percentage increased; in fact, many would like to see it decreased. Therefore, consideration must be given to the development of a program which will encourage private enterprise to achieve record-breaking levels of production.

Despite the optimistic forecasts one hears, we should harbor no delusion as to the ease with which this needed expansion in production can be attained and maintained. Called for is a free flow of ideas and willingness on the part of hundreds of thousands of enterprisers and millions of investors to risk many billions of dollars. These investments must run the gauntlet of the market. Some will prove profitable, some unprofitable, and much new as well as old investment will be lost in the process. Incentives muct be provided for the risks to be undertaken, because unless those risks are assumed, new production plans will not be carried out and new jobs will not be born.

I should like to say with all possible vigor that in a free society no rival has been found in peacetime for the profit incentive as a dynamic. It enlists the ingenuity of millions of people in the search for products and services for which customers will part with their dollers. No other incentive has been so successful in stimulating the inventiveness and resourcefulness of so many people. A reasonable hope for profit is essential to healthy and vigorous free enterprise—the most promising basis for the creation of abundant and varied opportunities in productive jobs.

I repeat, the task of attaining and maintaining national prosperity is a tough one, and if we are to accomplish it I think as a first step it is important that we recognize that no single group or agency can assume sole or ultimate responsibility for its accomplishment. It is a responsibility shared by all participants in our economy—employers, labor leaders, agriculturists—by government and by individuals.

Interdependence of Economic Groups

Next, we should recognize that in discharging their respective responsibilities, all groups and individuals are interdependent. All of the major segments of our economy—business, labor, agriculture and government—have a common interest in attaining and maintaining prosperity. Employers, as well as the self-employed, have a vital interest in rising standards of living which permit expanding markets for their products. The interests of business as a whole are best served by passing on a substantial part of the savings flowing from higher productivity in the form of lower prices and higher wages.

Workers and labor leaders—directly concerned with high wages and low prices—promote their own interests wnen they, too, contribute toward the productive efficiency upon which high wages and low prices depend. Increased output per worker, through improved technology, is essential to a steady rise in real wages. Furthermore, increasing productivity is the basis of all social progress.

Both employers and labor leaders, in pursuit of this common goal, generally profit in the long run by opposing restrictive policies that lower output and raise costs. Taking a long view of self-interest is, in fact, a first step toward harmonizing objectives which, on the surface, often appear to clash. To the extent that long-run group interests converge on high productivity, they coincide with the interests of the community as a whole.

Agriculturists have a direct interest in the prosperity of employers and workers, and the reverse is also true. We cannot have a prosperous America unless agriculture fares well.

This unity of long-term interests emphasizes the need for restraint on the part of individuals and groups tempted to turn to government for special favors or alleviation of short-term difficulties. Artificial price maintenance, restrictive trade and labor practices, subsidies for particular groups, and other impairments of competitive markets generally operate counter to the public interest and, in the long run, counter to the interests of the class of which the self-serving individual or group is a member. Moreover, they place the free enterprise system in jeopardy.

Businessmen, within the framework of a competitive economy, have a primary responsibility to operate their businesses profitably. It is a responsibility they owe to their stockholders and associates, to their workers, and to the public. Since profits depend on the loyalty and ability of workers, as well as on technical skill in management, the businessman should create in his enterprise conditions that encourage the maximum growth and development of the capabilities of employes. Profits depend in large part on the ability of the business manager to adapt his operations to changing market requirements. A business manager should have ready at all times intelligent, courageous plans for carrying on and expanding his business—plans developed to the point where they can be applied quickly.

Labor leaders are responsible for protecting and advancing the interests of the employes they represent. In their collective bargaining activities, however, they must recognize the joint responsibility they share with management for productive efficiency, upon which the long-range advantage of workers depends. By far the greatest real gains to labor have come from increasing the size of the total pie to be shared.

Responsibilities of Government

Next, I want to discuss the responsibilities of government. Frequently businessmen give me a bad case of the jitters by asserting that if the shackles are taken off of free enterprise, all will be well; that nothing more is needed. This comes close to being nonsense. The government, which is we, the people, acting in concert, and especially the Federal Government, has a most important role to play in promoting national prosperity; a role, by the way, which is as yet imperfectly understood. In some quarters there is a feeling that government should undertake the responsibility for almost everything. That also comes close to being nonsense. There are those who hold, for example, that the government should guarantee "jobs for all." A government of limited powers cannot fulfill so unlimited a guarantee. It is the type of promise that no government of a free people should make, because it is an over-promise. But the government does have many opportunities for wise and constructive actions, and few any longer doubt that the policies and actions of the government will be decisive in shaping our economy.

The most vital function of government in fostering prosperity is to establish conditions under which a free enterprise system can operate most effectively and to counteract the tendencies in that system toward booms and depressions. The effect of some government policies of recent years has been favorable to these objectives; of others, unfavorable. No clear-cut, consistent philosophy has been followed. The magnitude of the existing public debt and the anticipated volume of regular public expenditures makes government policy so dominant a factor in the economy that clarity, consistency, and coordination become imperative.

We need a complete recast of our federal tax system. Up to now, tax programs have been developed largely with a view to their impact upon votes. If we are to have business expansion and, hence, prosperity, it's their impact on business expansion that should be the paramount consideration. The most damaging fallacy in our present thinking about taxes is that there is a clear-cut distinction between taxes on business and taxes on individuals. Overlooked is the patent truth that only people can pay taxes. Business can collect taxes, but those taxes are paid by people. Just who pays business taxes, it is hard to determine, but this is certain: Taxes are shared by consumers, workers, and investors.

There is another area in which the government should move quickly and with great vigor—namely, in its planning for competition. Too often in the past, business and labor, as well as government, have directed their planning against competition by price maintenance schemes, freezing of trade practices, and similar measures. We need realistic policies for dealing with monopolistic practices, for extending the area to effective competition, and for promoting stability in ways that will supplement competition and not restrain or extinguish it.

Of great importance at the moment, from the standpoint of government action, is the promotion of new and small business. The government should remove obstacles that interfere with the establishment of new business and the growth of small business, as well as afford positive help to the small businessmen in overcoming their special handicaps. One of these handicaps is a lack of opportunity to secure equity capital (except at high cost) even after they have given proof of capable management.

These are just some of the areas in which government policies have an important bearing on business expansion. Unquestionably, from the standpoint of counteracting the tendencies in our free enterprise system toward booms and depressions, government fiscal and monetary policies are of primary importance. The direct effect of the collection of taxes, of expenditure of public funds, of control of credit, and the indirect effect of the whole body of government fiscal and monetary policies on the confidence of individuals and businessmen exert perhaps the greatest leverage government has on prosperity.

This review of the inter-relationship of government and business which I have given, sketchy though it may be, makes inescapable two conclusions: First, that the impact of government on business is both intensive and extensive; and second, that far too little is known as to how government can best serve the interest of all the people. The entire future of our country rests upon our finding a sound answer to the question of what a government of a free people can and should do to promote the attainment of an economy of abundant production and employment.

Mr. Harold D. Smith, Director of the Budget, in his testimony on the Full Employment Bill before the Senate Committee on Banking and Currency, spoke of the government having a chest full of tools which could be used to combat both inflation and deflation. The difficulty is that we do not yet know what tools can be safely used, safely from the standpoint of the impairment of our freedoms, and in too many cases we do not know how to use them or when they should be used.

Recommendation of CED

Because it is imperative that we learn quickly to make the most effective use of these tools, the Committee for Economic Development has recommended the immediate appointmnt of:

(1) A President's Commission on Full Employment. This Commission should be headed by a representative of the President. It should be a small working body composed of the ablest men to be found. Its members should be chosen as representatives of the general public interest (particularly economic groups or viewpoints can be represented through advisory groups). The Commission should be serviced by a staff of the most competent authorities in the various fields. It should make policy recommendations to the President periodically, beginning as promptly as possible. It should lay the groundwork for the development of a continuing and co-ordinated program of government action.

(2) A Joint Congressional Committee on Full Employment. This Committee should be composed of the ranking members of Senate and House Committees which now deal with major problems affecting the economy. It too should be adequately staffed. It should receive reports from the President with regard to such matters and should work toward the development of a coordinated Congressional policy.

In conclusion, because I have spent so much time talking about responsibility of government, I should like to reiterate a statement I made earlier—namely that the task of attaining and maintaining national prosperity is a tough one and can be achieved only if all elements in our society meet their respective responsibilities and recognize their interdependence. Furthermore, we, the people, acting in our individual capacities, must meet our individual responsibilities. It is going to take courage, imagination, and toil on the part of all of us to realize our goal.

Inflation Psychology Taking Hold

(Continued from page 2571)

the Government has developed a weakening of businessmen's support of the OPA, whose life must be renewed if it is not to expire next June. Indeed, the OPA can be destroyed before next June, if present trends are accelerated. In pointing out this fact, Dr. Gilbert stated that businessmen want controlled inflation of prices. "The whole business community cannot possibly want all price controls ripped off. We can hold the line only if the business community will change its present attitude toward prices and price controls and will get behind OPA, as they did until recently. From the selfish standpoint of business there is every reason why business should do so. Any other course is shortsighted."

OPA Not Hurting Business

"Our present controls are not hurting business," Dr. Gilbert continued. "Net profit margins in general are about twice what they were in 1939. While there are difficulties in all our regulations—a squeeze on some items or some firms—in the broad, business is extremely profitable and in my judgment would really be willing to settle for the present situation for the next generation. With the elimination of the excess profits tax, reduction of overtime, downgrading of workers, etc., durable consumers-goods industries face the greatest profits in history. With virtually unlimited markets, even a sharp drop in the national income won't affect their sales. What management needs is output.

"The ratio of corporation profits to the value of the output of industry increased from about 7½% in 1939 to more than 16% in 1944. Eliminating from the figures the data relating to partnerships and individuals, the ratio was less than 10% in 1939 and more than 20% in 1944. Therefore price increases, by and large, are not necessary now. At this moment we are for the first time really up against the danger of inflation. If the inflation psychology gets strong enough, the controls cannot continue to stand up."

OPA Disagrees with Professor Slichter

In a radio broadcast of Nov. 13 Mr. Benjamin F. Fairless of the United States Steel Corporation stated with regard to the steel industry that actually a lot of overtime is being worked in the industry and it will be many months yet before steel companies can find enough workers to get back to the normal 40-hour week. In an interview published in the "Christian Science Monitor" of the same date, Prof. Sumner H. Slichter of Harvard University listed seven respects in which the wage situation is better for the worker than had been anticipated. Among the seven points were these:

Payment of overtime has continued to a much greater degree than anticipated.

Very little downgrading of employees has occurred.

Many wage increases have been put into effect since the close of the war.

When asked to comment on the foregoing, Dr. Gilbert told the "Chronicle": "Dr. Slichter is quite mistaken. Overtime has been eliminated much more rapidly than anticipated. Average hours worked in September were down to a shade under 41 per week, as compared with a level of more than 45 hours during the second quarter of 1945. While substantial overtime still exists in some industries, for example steel, approximately 40% of the overtime payments in the second quarter of the year are still being paid. The trend is very clear from the average figures just quoted.

"Downgrading is also proceeding rapidly. Several weeks ago the United States Employment Service reported that, had the applicants for unemployment compensation accepted the jobs offered by the USES, it would have meant a decrease in take-home pay ranging from 34 to 49% for men and from 49 to about 60%

for women, as I recall the figures.

"Third, basic wage rates are being increased on a voluntary basis. How large these increases are and how general is not yet clear. We do know, however, that a 15% wage increase would restore only about half of the loss in weekly take-home wages which would result from the shift from a 48 to a 40-hour week. This is true, furthermore, only for a worker who remains in the identical job. The downgrading of workers and the inevtiable shift from higher paying war employment to lower paying civilian employment means that a 15% increase will make up less than half of the cut in take-home pay. Sharp deflation in the wage and salary bill has already taken place and further reduction is in prospect.

"As to Dr. Slichter's saying that conversion unemployment has passed its peak, I wish his statement were true. It is too early to know. The facts are not as yet clear."

If OPA Folds Up

When testifying before the Senate Banking and Currency Committee last month Mr. Bowles described the Government's price policy and predicted what will happen, should the OPA die next June. Mr. Bowles stated that the stabilization program for the transition period is that "the cost of living and the general level of prices should be held at the levels existing last August and that pricing of reconversion products must be on a basis of full volume rather than on volume that will be limited during the changeover from war goods to peacetime production."

In Mr. Bowles' opinion, the dropping of all controls next June would mean:

(1) An explosive rise in the price of building materials which would endanger all our hopes of a quick rise in home building . . .

(2) Grave danger of soaring prices for a limited number of other key industrial materials which even then cannot be produced rapidly enough to keep up with the demand.

(3) Serious inflationary rises in the prices of many consumer durable goods . . .

(4) Rises in the prices of other cost-of-living items . . .

(5) Sweeping increases in rents in most areas . . .

(6) . . . another round of price and cost increases. . . . The boom-and-bust spiral would be on.

The OPA Data on Earnings

The OPA's data on business profits before and after taxes embrace a long list of industries in manufacturing, mining, services, transportation and trade. The tables are too detailed for reproduction here. They report that, for 1,743 companies in the just mentioned fields, in 1944 profits before income taxes were 217.7% greater than the average for 1936-39. The profits of the same companies before income taxes were 8.6% of net sales in 1936-39 and 10.8% in 1944; and they were 9.7% of net worth in 1936-39 and 25.1% in 1944.

Rent Question Political Dynamite

If for no other reason than rent control, a very strong case will be made for OPA's continuance after June 30 next. A government price economist outside the OPA stated to the writer: "It is abundantly clear that by next June, when OPA's present life expires, the gap between the supply of and demand for housing will be greater than ever, what with demobilization and additional families. Rent is political dynamite already. The public has not spoken up much as yet, but if the real estate lobby succeeded in killing rent control before next June, there would be real trouble. It is perfectly evident now, in fact, that June will not be an appropriate time to give up various price controls. There are a number of commodities which we can see will not be available in ample supply that soon. Examples are some of the main building materials: lumber, brick, possibly cast-iron soil pipe, cast-iron radiation pipe, plumbing fixtures, bathtubs, shingles, asphalt roofing and gypsum laths.

"The Administration's test for the suspension of price controls is a reasonable balance between supply and demand. The aim is to get back ultimately to a free competitive economy, but this cannot be done overnight. One condition of a free competitive economy, the Administration believes, is collective bargaining between labor and management. The collective bargaining machinery got rusty during the war, but the alternative to collective bargaining is undesirable; namely, to keep the Government in control."

According to this economist, what the Government has done as a matter of policy is to turn over to management the duty of resisting any unreasonable demands for wage increases. If one may turn the metaphor, management is now fighting such demands with its back to the ceiling. The price ceilings are the Government's prod to keep management fighting **unreasonable** wage demands. Inherent in the Administration's policy is the principle that there is ample room for some wage increases within the price ceilings. The real issue, as the Administration sees it, is whether organized labor will push management beyond the point where industry can operate at prewar profits.

Within the general principle outlined above there is in the Government's policy a safety valve, as where a company in good faith grants a wage increase and then, within not less than six months, finds that it cannot absorb the increase without diminishing profits below prewar. If many such cases developed, there would have to be OPA approval of many price increases after the stated interval. The Administration assumes and hopes that management will know its business outlook well enough to limit its wage concessions to those the Administration policy described above would permit.

With the labor situation what it is today, the Administration's policy puts the spotlight, and the heat, on management. So long as the war machine was the chief customer of business and strikes were held to a minimum, there was no fight. But now labor and management are in the ring again, management with one hand tied behind its back and labor with no holds barred. Uncle Sam, outside the ropes, watches anxiously and hopes that management's free hand will be strong enough, yet not too strong.

P. T. Bryan Joins Staff of Reinholdt & Gardner

ST. LOUIS, MO.—P. Taylor Bryan, Jr. has become associated with Reinholdt & Gardner, 400 Locust Street, members of the New York, Chicago and St. Louis Stock Exchanges. Mr. Bryan, who has been in the investment banking and brokerage business for more than 25 years, was formerly with I. M. Simon & Co.

Securities Salesman's Corner

By JOHN DUTTON

The Disorganizing Influence of Further Governmental Controls Continues to Threaten the Welfare of the Retail Securities Dealer.

Even though the war has been over these many months, the ever busy lawyers of the Government agencies go merrily on their way. The little dealer in automobiles in the smallest cross roads hamlet in America, IS NOW BEING TOLD WHAT PERCENTAGE OF PROFIT **HE WILL BE ALLOWED TO MAKE ON THE CARS HE SELLS.** And what, you may say, has this to do with the future of the small securities dealer in this country? Well, they started with the securities industry back in 1933; when our Government changed over from what was left of a representative democracy, into what is now primarily a bureaucracy; AND THEY ARE FINALLY GETTING AROUND TO TELLING THE AUTOMOBILE DEALER HOW MUCH PROFIT HE CAN MAKE. Who would have thought back in those days, that in 1945 arrogant bureaucracy would also wrap its arms around the neck of the car dealers too?

But that's the way it goes. Give a Government agency power, and it will continue to expand and use that power, come hell or high water. Our founding fathers knew this fact . . . and they knew that if we ever delegated unlimited powers to any group of men, we were on our way out as a nation. We've gone a long, long way down that road. But let's get back to our business and see where we stand.

For a number of years, our friends in the SEC have been making one attempt after another to expand their control over the small dealer in securities. The Commission was behind that attempt a couple of years ago to put over a "minimum capital provision" via the NASD. Then we had the NASD "5% markup" thing. This proposal was licked too . . . but if you think the SEC liked the fact that they had to render a decision against that proposition . . . just go back over the decision and read it for yourself . . . there are enough weasels in it to start a menagerie. Now we have "the registration of salesmen and traders" . . . exclusively for members of the NASD. Always the NASD bringing these things up . . . AND THE SEC SITS BACK AND HOLDS HEARINGS. The hearing on this one was held only one DAY AFTER MANY SECURITIES DEALERS RECEIVED THEIR NOTICES THAT THE HEARING WOULD BE HELD.

Now there is one fellow in the SEC who always speaks off the record . . . or unofficially. When a guy becomes an important Government lawyer, HE TALKS THIS WAY. That's because no one can pin anything on anybody—he's the trial-balloon "shooter upper." For the past few years one of these "off-the-record, strictly unofficial" fellows, has been making speeches about what he thinks should be done regarding further regimentation of the retail dealer. He's got a fancy name for it. HE CALLS IT "FULL DISCLOSURE." If anybody who is in this business, and who knows this business, is so gullible as to believe that there is ever going to be any good come out of a proposition where the securities business, OR ANY OTHER BUSINESS, is forced to DISCLOSE its GROSS PROFIT PER ITEM ON THE MERCHANDISE IT SELLS, then they are welcome to that opinion . . . BUT AFTER 20 YEARS OF RETAILING SECURITIES WE'LL SAY . . . WE DON'T WANT ANY PART OF IT. And we say if the "full disclosure" philosophy became an accomplished fact in all lines of business it would have such a devastating effect on our economy that you'd no longer realize that this was still America.

We don't want anyone—bureaucrat, lawyer, mother-in-law, or customer—to compel us to disclose the amount of profit we are making on anything we sell. We believe that if you force margins of profit down through any such scheme of profit disclosure . . . you might as well pack up now and go to Russia. That's the way they do things there.

But those bureaucrats are going to keep on requesting us more and more, until a strong legalized organization, in the securities industry arises with one purpose, and the strength to carry out that purpose. Such an organization SHOULD PROTECT THE RETAIL SECURITIES DEALERS FROM FURTHER ENCROACHMENT UPON THEIR CIVIL AND CONSTITUTIONAL RIGHTS AS CITIZENS. Such an organization composed of even a thousand retail dealers who were determined to put up a court battle from here now on every time another one of these smart little lawyers thinks up a new one to drive this business deeper into regulation and control, IS SOMETHING THIS INDUSTRY NEEDS, AND NEEDS SO BADLY, THAT IT SHOULD BE ACCOMPLISHED AS SOON AS POSSIBLE.

We've been talking to quite a few dealers. We've heard some interesting suggestions on this whole matter. The idea is not so far away from accomplishment that it couldn't be done . . . quickly and well.

Haakon on Norway Throne Forty Years

The fortieth anniversary of the accession by King Haakon to the throne of Norway was celebrated at Oslo by brilliant firework displays, according to Associated Press advices from there on Nov. 24. President Truman sent the monarch a message of congratulation which was reported from Washington in a special dispatch to the New York "Times" as follows:

"During the past forty years under your Majesty's wise guidance, Norway has gained for herself an eminent and honorable position among the nations of the world. On behalf of my countrymen, therefore, I am very pleased to send you heartiest congratulations on this particularly significant anniversary of your ascension to the throne and my best wishes for the long and happy continuation of your reign and the speedy recovery of Norway from the ravages of war.

"Having admired the fortitude and courage displayed by the Norwegian people during the darkest period in their history, we now rejoice to see that with God's help Norway has emerged with her liberties restored and her people strengthened in their faith in their country's future."

New York Stock Exchange Weekly Firm Changes

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

Privilege of William F. Andrews to act as alternate on the floor of the Exchange for John Carrere will be withdrawn on Nov. 30th. Mr. Andrews will retire from partnership in the firm on the same date.

Privilage of Peter Morgenstern to act as alternate on the floor of the Exchange for Harry Grabosky, Newburger & Hano, was withdrawn on Nov. 1st. Mr. Morgenstern has acquired the Exchange membership of Thomas R. Cox.

Charles B. Crouse and Harold R. Chapel will withdraw from partnership in Crouse, Bennett, Smith & Co. on Nov. 30th.

To Admit Parkinson

BOSTON, MASS. — Nathaniel Parkinson will be admitted to partnership in Hutchins & Parkinson, 50 Congress Street, members of the New York and Boston Stock Exchanges, on Dec. 1st.

Business Man's Bookshelf

Post War Savings and Investments—A study of the opportunities for saved capital available to the American people, and an appraisal of the past and probable future hazards of savings and investments—Laurence H. Sloan—Harper & Brothers, New York City—cloth—$1.75.

Tin and Its Uses—A review issued by the Tin Research Institute — Battelle Memorial Institute, 505 King Avenue, Columbus, Ohio —paper.

Holland's Position and Prospects

(Continued from page 2570)

As soon as the Germans had taken possession of the country they inaugurated a policy of well-organized "buying." They began by requisitioning against cash-payment motorcars, followed by copper and tin. Before long they started "buying" stocks of every kind. At the outset, mainly stocks of foodstuffs such as cheese, butter, cocoa, rice and coffee; further, luxuries such as tobacco and wine. They soon turned their eyes, however, upon more durable goods, such as clothes, leather articles from footwear to trunks and attache cases, and upon such appliances as vacuum cleaners and wireless sets.

German Depredations

In carrying out their policy of robbery by so-called purchase, trying to play the role of fair and liberal customers, it was of great value to them that, at the suggestion of a man who had been appointed President of the Netherlands Bank (and who has since committed suicide), the exchange control between Germany and Holland was lifted. From that moment every German banker could change his Reichsmarks freely and without any limit into Dutch guilders. It was the Netherlands Bank that provided him with these guilders. In return the Bank became holder of a Reichsmark balance. After five years of occupation this balance appears in the books of the Bank at a figure of not less than 4,500 million guilders, but it was generally realized from the very first that its real value would wholly depend on the capacity of a defeated Germany to fulfill her obligations.

This buying method made place for one of barefaced robbery in the case of Jewish property and, at a later stage, in that of furniture and other household property of families who, often without any military necessity, were forced from their homes at such short notice that there was no time left for them to rescue more than their clothes and a few other personal belongings.

As the allied bombardments of German cities and industries became more and more effective and as it gradually became obvious, even to the German leaders themselves, that they were losing the war, German rapacity directed itself to the most valuable possession of every nation, viz., its productive capacity. The fact that shortage of raw materials had brought many of our factories to a standstill served them as a pretext to assert that a great deal of their machinery was no longer of any use to them and that it should therefore be placed at the disposal of other factories in the European "Lebensraum" which, incidentally, meant that it should be given to German factories.

After the battle of Arnhem, the pillage reached its climax. Although the Germans described Arnhem as the Allied Stalingrad, they realized, as we did, that the liberation of the rest of Holland and the ultimate defeat of Germany itself was only a question of time. Their desire to do as much harm as they could to the nations they considered responsible for their failure to dominate the world, made them devote the remaining time to bring about disorganization and destruction everywhere. The general strike of the Netherlands railways, ordered by our Government at the request of the Allied High Command, induced them to carry off nearly all our railroad material, even the electric coaches for which they had no other use in Germany than that of emergency housing.

At the same time they destroyed other parts of our transportation system such as bridges, locks and ships; in the harbors of Rotterdam and Amsterdam quays, warehouses, cranes and docks were blown up and added greatly to the picture of devastation.

In the manufacturing industry the depredations were carried on with renewed assiduity. Damage already done to agriculture was aggravated to an almost national calamity by the needless blowing up of a dyke of one of the great new "Zuiderzee polders," the famous Wieringermeer. Through the gap in the dyke flowed about 27 million cubic feet of water, washing out farms, stables and even whole villages, filling the greatest part of the ditches and canals with mud, destroying locks, bridges, pumping stations and roads.

About the same thing happened—in this case by the military action of the Allied Powers—to our beautiful and from an agricultural point of view highly developed isle of Walcheren. The island had been fortified by the Germans for the defense of the estuary of the Scheldt.

There is no need to say that the military phase of our liberation, to which we had looked forward for such a long time, was accompanied by many other vast destructions. The southeastern provinces of our country, Limburg and Guelderland, have more particularly suffered in this respect. It is estimated that about 800,000 people (9% of the population) have during the war lost everything they possessed.

It is not our intention to describe the non-material losses, such as the murder and ill-treatment of many thousands of our best citizens, the murder of not less than 117,000 Dutch Jews, the injury caused to public health and so forth. These cannot easily be measured in terms of money and can never be made good by it. Such losses have been suffered, however, and should not be forgotten.

To make a long story short, damage caused by the war and its consequences is very substantial. How substantial is demonstrated by the fact that the national wealth for 1939 was estimated at about 29,000 million guilders, while the loss in productive power is now estimated at about 7,700 million guilders. This gives a proportion of damage of 27%.

Of this sum, the loss due to the reduction of stocks is estimated at 40%, 28% to war operations, destruction and evacuation, 20% to requisitioning and 12% to delay in replacement and repairs.

Losses of Foreign Investments

Besides this, a further loss has been incurred by our gold and foreign investment position, estimated at 2,800 million guilders; of this sum 2,000 million has been suffered by investments in the Netherlands Indies, 500 million by investments in Central Europe and 300 million by the stocks of gold and bullion.

Relatively the greatest war damage has been done to trade (61%), transport (53%) and industry (40%). In agriculture the damage is about 20%, a percentage also found in respect of public buildings, works of art and housing (including furniture).

The investment loss in the manufacturing industry alone amounts to 1,950 million guilders, of which some 800 million guilders is due to depletion of stocks and 450 million guilders to requisitioning.

Although the resulting difficulties are great the Dutch people are convinced that they can and should be overcome. As a matter of fact, the results already obtained in this respect during the five months which have elapsed since the liberation, have strengthened this opinion. It is true that in Holland, just as in many other countries, there has been some talk of a disinclination to normal work. Nevertheless, this aversion caused by various reasons of a partly physical and partly psychological character has never taken possession of more than a small minority of the people, and certainly not of persons entrusted with leading and organizing functions in Government service or in private business. The Dutch have always been a people of workers and one may say that, fortunately, there is nothing which indicates that they are going to lose this reputation.

Americans who paid a visit to our country in May a few weeks after the liberation and saw it again in September were much impressed by what had been accomplished in the interval.

Extent of Rehabilitation

In May there had been no coal, no gas, no electricity, scarcely any food and practically no traffic. In September all this had changed for the better. There was more and better food, there was once more gas for people to cook their meals on, the houses were lighted again by electricity, a number of factories were supplied with coal and nearly the whole country could again be reached by train. Bridges had been provisionally repaired, harbors had been made serviceable again, the inundated parts of the country had been drained, except in the more serious cases of the Wieringermeer and Walcheren and, something of great psychological importance, a new Government had been formed, a Government consisting of very able men, inspired with an earnest will and desire to lead their country out of the twilight period of confusion into the broad light of recovery.

Although the favorable conditions for a speedy recovery lie in the existence of a strong will and the ability to overcome the many difficulties by which our people and its Government are faced, it would be a mistake to think that recovery can be obtained within reasonable time without the active and material assistance of our Allies.

We do not say "of our former Allies"; for though the war itself is over, it is felt all over the world that the relationship between the Allied nations should not end with the cessation of hostilities, but should have further-reaching consequences. During the war Holland and the Indies stood firm against aggression and dictatorship and consequently suffered heavy losses. The fact that they came through the ordeal and after years of oppression are now again able to breathe the free air blowing over the oceans, they realize quite well what they owe to the enormous war effort of the great victorious nations. There was partnership in wartime but now that the common cause for which all Allied nations gave the best they had is coming to an end, we are happy to know that the common struggle has brought about between the Allied nations a spirit of international cooperation and mutual responsibility which will help them not only to win the war but also the peace.

The existence of this spirit, so clearly demonstrated by many acts of the other Allied nations, gives us almost the certainty that the assistance so much needed for our recovery will not be withheld.

Holland's Need of Assistance

The need of help from abroad is, in the first place, a need of imports and, in the second place, a need of assurances as to our future exports.

As regards imports, some of these are needed to bring back to our people such material circumstances as will allow them physically and mentally to return to normal work and to a certain extent to become immune against imminent political dangers. In this category have to be reckoned the need for such items as food, clothing and footwear. To the same class belong cigarettes, films, a certain quantity of foreign newspapers and periodicals, and in general all those items which together form a minimum level required for the maintenance of a people's joy of life.

Other imports are needed to help restart the wheels of industry. To people living in a happy country like the U. S. A. it must be difficult to realize what it means for the production of a national household to come gradually to a standstill by sheer exhaustion; when factories have to be closed down after having used the last remnants of coal, iron or wool. In such a case, the national economy may be compared with a man who, after a serious illness, has fallen into a state of lethargy and can only get out of this state if he is assisted in his recovery by his family or friends. In our case, the patient has been very ill, but the will to regain health is there and the only thing he needs is assistance in the form of raw materials and replacement of stolen machinery. This will bring him back to normal life and once more make him a useful partner in international economy.

The demand for imports is not of a precisely specified character. One might say that nearly everything is needed. But as both the means to buy and to transport are very limited, it is the task of the Government to determine priority.

Next to imports of the first category mentioned such as food, and the imports of raw materials such as coal, iron and timber, there is urgent need of all kinds of railroad material, trucks and motorcars, bicycles and tires. There is also a very urgent need of glass, or its substitute, cellophane. As many thousands of Dutch farmers have had to pay for Allied victory with everything they had, a great and urgent demand exists for agricultural implements such as ploughs, harrows, mowing and reaping machines, sewing machines, combine harvesters, tractors and even pitchforks. Other requirements are ships, horses and fertilizers. It would not be difficult to give a long list of all kinds of machines badly wanted in our factories.

Future Trade Relations

We have mentioned that, besides a need for imports, there exists a great thirst for knowledge regarding the probable development of trade relations. Now that our whole national economy has to be newly planned and that our Government must decide upon its economic policy in structural matters, it is obvious that it would be very useful if such a policy could be based on established expectations in relation to the economic policy that other countries will adopt and follow. If one could be sure, for instance, that England or the United States were prepared to buy from this country high quality agricultural products in sufficient quantities and at prices covering the cost of production, the Netherlands would be in a much better position to determine her own economic policy than she is now.

It is obvious that a country like Holland, whose national resources consist mainly in the fertility of its soil, the technical knowledge of its engineers and its highly skilled labor, a country producing only one important mineral, viz., coal, and of this scarcely enough to cover its own wants in normal times, is so dependent on the development of international trade relations that the whole structure of its economic life must be radically adapted to the import possibilities offered by other countries. It is for this reason and for no other that we should not claim damages from Germany in the form of annexation or imports of German goods, without at the same time demanding the right to use Germany as an outlet for a considerable proportion of our agricultural exports.

It is evident that under present circumstances the question of exports is only acute in relation to economic planning and not in relation to any actual export needs. Our trade relations have until recently been marked by a one-way flow of food and other necessities to this country; for exports, except for some quantities of flower bulbs, have scarcely been possible.

Moreover, for the immediate future the decrease in our productive capacity will result in a limited export capacity.

This means that of the 3,000 million guilders which the Netherlands Government will within the next few years have to spend abroad, only a relatively small percentage can be paid for by exports during the same period.

Future Loans to Holland

The question therefore arises whether and where Holland will be able to find the other means.

These may come from the liquidation of assets we hold in other countries such as, for instance, from the realization of shares in concerns in the United States. But they may come also, and probably this course would be preferable, from credit facilities which we might be able to secure from abroad.

For the time being these may be short-term credits, but in the long run such credits will have to be converted into long-term loans. All too well do we remember the financial disaster of German banking in 1931.

There are several reasons why it is by no means improbable that foreign investors (Governments or private persons) will be ready to give us the necessary long-term credits. One of the reasons is that it is felt in many countries that Holland should be assisted in its endeavors to restore her normal life. But in the long run arguments of solvency will carry more weight. As to these, several points deserve consideration.

In the first place, it should be observed that the Netherlands have always enjoyed a good reputation as a debtor. As distinct from all other countries, the Netherlands-Indies dollar loans have always been paid in accordance with the gold-clause.

In the second place, it should be remembered that Holland has a highly trained and industrious population and that before the war the capital required per head of the working population showed, with Switzerland, the highest figures in Europe. The fact that we have the intention of building a very modern production apparatus promises a high labor productivity.

In the third place, attention may be drawn to the fact that the economic structure of the Netherlands is highly differentiated. Of a total national income in 1938 of 4,823 million guilders, 21% was earned by manufacture, 14% by trade (including hotels and restaurants), 11% by agriculture and horticulture, 10% by way of net rental value of dwellings, while 9% was derived from Government sources (including education), 6% from communication and transport, 5% from construction, 3% from domestic services, 2% from banking, 2% from shipping, 2% from insurance, 6% from other occupations (including professions), and 5% from income from foreign investments or balances abroad and the rest from mining, gas and electricity, fisheries and religious bodies.

In the fourth place, it should be mentioned that in Holland the habits of thrift are known to be strong and are responsible for the fact that in this country savings constitute a larger percentage of the national income than in many other countries.

Then there are the Dutch East Indies from which we trust that, after a frank discussion between the Netherlands Government and the representatives of Indonesian peoples, the greatest proportion of whom are loyal, they will remain a valuable part of the Kingdom as a whole.

And, finally, we might mention here our claims on Germany (consisting in a claim for restoration and a holding of 4,500 million guilders Reichsmarks), our gold, and our foreign exchange position.

The answer to the question of where we will be able to obtain the necessary credit will be of great importance for the future development of our trade relations, for our Government intends to spend the dollars, sterling, francs, or whatever foreign exchange will be placed at their disposal, in those countries where Holland was able to secure credit facilities.

Problem of Balance of Payments

One of the dominating factors in the Dutch national economy of the future will be the existence of a large foreign debt. Holland will have to be looked upon as a debtor country. Consequently, this country, formerly pledged to free trade, as creditor countries should be, will now be a country whose balance of payment must be carefully watched.

Studies published by the Central Bureau of Statistics have shown that, after the country has recovered from war damage, one may reckon upon a transfer capacity of about 250 million guilders annually. This would allow us to pay interest on a debt of 3,000 million guilders and to amortize part of the foreign debt; at the same time it would probably allow us to pay for some imports. It is evident, however, that such a transfer capacity can only be reached if the creditor countries, such as the U. S. A., open their frontiers to our exports. Only a creditor country which gives its debtors the opportunity to earn, by means of exports of goods and services, the foreign exchange they need for paying off their debts, can expect them to fulfill their engagements. This is the law of the Medes and Persians in international economics and also a conclusion of every logical reasoning.

International cooperation, to the mutual benefit of all by world trade, world welfare and world peace has in our country always been welcomed with sincere sympathy. We support the idea of a gradually expanding economy and, being a country of individualistic traditions, we place a high value on the methods of private enterprise.

At present the general impoverishment which we all hope is only of a temporary character, in many cases puts a curb on private enterprise. This has but little to do with socialism as by far the greater part of the controls was introduced and is only retained out of sheer necessity.

Only by rendering such liberal assistance to our country that this necessity falls away will it be possible to give private enterprise another chance. As a matter of course, business circles in the Netherlands are anxious to resume trade with their colleagues in other countries. In this connection they welcome the monetary agreements concluded with Belgium and recently with Great Britain, both of which provide for Government-controlled trade between private individuals. That such an agreement does not yet exist between Holland and the United States is felt as a blemish which should ere long be eliminated. If the trade relations between the two countries could only be normalized and the shortage of dollars overcome, Holland would prove herself a considerable market for American products. There have always been close ties of blood and friendship between our people and that of the United States and the events of the last few years have aroused in the Dutch people feelings of admiration for the American war effort. This can only be to the mutual interest of both countries.

Holland today is a country badly wounded by the war. In surveying its present situation, however, one should not forget that in the background of the picture there stands a people of a good mentality, great energy and a determined will to achieve a speedy recovery of its former prosperity.

Our Reporter's Report

Traders, with a yen for a speculative turn, who thought they had things pretty well figured out as far as the securities of the so-called "reorganization" rails were concerned, found themselves in a bit of unexpected mist recently in consequence of developments in Washington.

Most of the roads which went into receivership in the course of the depression have worked out plans subject to approval of the Interstate Commerce Commission, looking toward the reestablishment of their properties as going concerns.

The ICC, however, has insisted that such plans whittle capital and fixed charges of the bankrupt roads down to a point where recurrence of their difficulties would be most unlikely. Consequently most such plans called for the elimination of old equity securities which meant, of course, that stockholders had no part in the new setups.

As a matter of fact, the majority of the reorganization proposals were set up on the basis of depression earnings. If the ICC has its way, new capitalizations will remain that way.

But now Congress has before it a bill calling for review of such reorganizations and proposing that at least some of them be redrawn to reflect the changed position in which many roads find themselves as a result of high-income and debt reduction during the war.

The aim of course is to give stockholders of the defunct roads some voice in the new companies where possible. These proposals gave traders something to think about and the action of stocks and bonds of such companies indicated a good deal in the way of "hedging" was in progress against eventualities.

New Issues Nil

This is the second straight week in which it appears that the corporate issue market will remain dormant, no new offerings having come to hand after a similar experience last week.

There is a possibility, however, that next week may bring at least one new offering. But this one, it is to be noted, will be originated by a Government Agency, the Office of the Alien Property Custodian.

The latter agency has announced plans to offer for competitive bids 479,000 no par shares of American Potash & Chemical Corp., comprising 90% of that company's shares. Two banking groups are known to be prepared to bid for the stock. A meeting is slated for tomorrow afternoon to discuss mechanics of the sale.

Two More Stock Deals

Two large potential stock deals have been added to the list of public offerings shaping up to follow the end of the Victory Loan Drive.

Electric Bond & Share Co. is now considering plans to sell outright its 846,985 shares of common stock of American Gas & Electric Co. rather than offer to exchange the shares for its own preferred.

And Electric Power & Light Corp. of the Bond & Share group, is expected to file a registration statement next month for sale at competitive bidding of its holdings of common stock in Dallas Railway & Terminal Co., which means the entire issue, though it is only 32,500 shares.

Consolidated Edison

Consolidated Edison Co. of New York, Inc., came under the scrutiny of investment bankers again upon news of its plans to spend some $120,000,000 for expansion and betterments in the next five years.

The company already has authorized an outlay of $22,500,000 for work on its Waterwise electric generating station to complete a project begun in 1935.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

Public scare psychology broke prices last week. Market still looks higher but indiscriminate selling by recent buyers, guided by emotion, can upset everything.

* * *

Last week I went into detail about stops; their value and application. Some of the type was pied when it appeared in print but I think you got the general idea. I also discussed the movements of the averages as interpreted by the Dow Theory and how and why its practical application seldom helped the market trader.

* * *

In the past few days you saw how stops and Dow Theories work and how the former can be beneficial in a nervous market while the latter can throw you completely if applied to daily trading. A few weeks ago you saw a belated confirmation by the industrials of the earlier rail move. This confirmation meant that the bull market was still in force until a contrary sign was given. It was on the basis of such a confirmation that scores of new buyers appeared. But, in retrospect, most of the recent buying was done at or about the tops. So despite this confirmation the majority of new buyers have losses today. It was this fear of buying close to highs that led me to recommend buying at specific prices. In some cases these were some points under the market. But I felt, and still feel, that unless some safeguards are thrown around new purchases the danger of losses is all out of proportion to the potential profits that might accrue. This is particularly true during an upswing. For it is then that optimism reaches heights which can carry prices to dangerous levels.

* * *

So far as stops were concerned their practical value was re-demonstrated in the past few days. Some time ago I advised the purchase of A. M. Byers and Paramount Pictures. From week to week I raised their stops in order to safeguard profits if an unexpected reaction occurred. You know what happened. The market sold off and the stops were taken. But readers had profits to console them and not abstract theories about inflation.

* * *

Last week three stocks came into the list. Allied Mills at 34½, stop 33; Lockheed at 32½, stop 30; and Western Union at 52, stop 50. Before the week was over Allied Mills broke its 33 figure so a loss resulted. On the other hand Western Union got down to 50 and held it, while Lockheed is still some distance away from its stop figure. So long as any of these issues hold at or above the stop levels, positions should be held.

* * *

Now comes the question: Why last week's late sell-off? The answer is that the public, which is in this market with both feet, is guided almost wholly by the headlines. A strike, as I mentioned before, is not bearish, except in its formative stage. But once the lines are drawn, the implications are, if anything, bullish. But the public, seeing its worst fears realized, acts on these fears and sells. So long as such selling is held within bounds it need not be disturbing. The danger is that the public may become panicky and if that happens then all the fundamentals in the world won't stop a decline. Prices will break until they reach a level where they are sold out. It is against such danger that stops were used.

* * *

A reader asks why I don't recommend buying at a level closer to the stop point. Reason is that there is nothing automatic about the market. I try to estimate a level at which support will appear. Then using that level I figure a price under which I will not hold a stock. For example, using the reader's question, Western Union was advised at 51½-52½, stop 50. Theoretically it is a buy anywhere under 52½. But its attractiveness is gone once it breaks 50. Naturally it would be nice to buy at the bottom eighth. But that is a matter of luck and I don't toss coins to see which way I'll jump. To limit a loss to a fraction would be ideal. But I have yet to find the ideal in market trading. When I advise buying I also have to be prepared for losses. One without the other just doesn't exist.

* * *

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.]

Roger Evans Reopens Investment Business

DALLAS, TEX.—Roger Evans has resumed his investment business as dealer in corporate and municipal securities, under the name of Roger Evans Company, from offices in the Mercantile Bank Building. Mr. Evans has been in the investment business in Texas since 1920. During the last five years he has been associated with Rauscher, Pierce & Co., specializing in the origination of municipal and corporate issues.

Methods of Securing Raw Materials With Rescinding of WPB Orders

John D. Small, Administrator of Civilian Production, Washington, D. C., will discuss methods of securing raw materials, the date on which all WPB orders will be rescinded, and the status of business on Dec. 31, when the Second War Powers Act expires, at a meeting of the Commerce and Industry Association of New York in the Hotel Commodore at 2 p.m., Friday, Nov. 30. Thomas Jefferson Miley, Secretary, has announced that since these matters are so vital to the reconversion plans of all industry, the meeting will be open to non-members of the Association.

What's Ahead for Business?

(Continued from first page)

ics, they say, "there is no economics."

Of course, this is a gospel of defeatism. It is cynical agnosticism. No, is the stinking materialism of the tribe of Karl Marx. These fellows are all tarred with the same stick. The only thing they know is that *they* want to run things, and when nobody knows how, the only way to run things is dictatorship!

Economic Law Prevails

I come here today to challenge this doctrine of economic agnosticism. As a long-time and thoroughly trained student of the social science of economics, I want to assert, first, that there are valid laws of economics, and, second, that they can be known. I know some of them. (Later on, I will hope to sell you gentlemen on the idea that it is high time that American businessmen got together to start the study and teaching of those laws which govern American business.)

Back in 1928 and 1929 I was repeatedly on record in the columns of the Hearst papers, in "Iron Age," in the "Textile World," and in the "North American Review," to the effect that great inflation existed in real estate and in the stock market. I repeatedly and publicly predicted a great recession. Again in 1933, at the bottom of the depression, when the New Dealers and social planners were beginning their campaign to raise prices to the 1926 level, I predicted that, despite inflationary potentials, demand and supply conditions were such that prices could not rise much. The *demand* at that time was not strong, it being apparent that desires were less intense than in 1929, that purchasing power had been reduced by unemployment and lower farm incomes, that foreign demand was low, and that consumption, being limited largely to necessities, the tendency of demand to expand would be limited. On the *supply* side, I found that costs of production were declining, and that the holding power of sellers was small, because of their weakened financial positions. Finally, the circulation of the currency was retarded by *fear*, and inflation would not become effective except on a fear basis.

There is a true forecast, proving a sound analysis. And it applies today, exactly in reverse. Conditions in 1945 are nearly the opposite of those in 1933. Prices did not rise much then. They will rise more now. Today, the demand is not weak; it is strong. Desires are not less intense; they are more intense. Purchasing power is not down; it is up. Costs of production are not declining; they are rising. Industry is not in a weakened financial position; but in a strong one. And the circulation of money is just beginning to emerge from the shadow of fear into a state of optimism.

A Prediction

Now I am again making predictions in the light of economic law. The other day at the Boston Conference on Distribution I ventured the following statement: "For another month or so, a continuation of the current minor reaction in business, which results from the termination of war contracts. The further recession, I expect to be mild and short, as the pick-up of civilian demand has been very rapid, while reconversion difficulties have been relatively slight. Thereafter, I expect a boom. Indeed, if it were not for strikes and labor difficulties, I would predict a rise forthwith. Of course, during this intermediate period prices will be irregular or mixed.

"Probably the boom period that I think lies ahead will last until the leading characteristic manifestations of the present inflated condition cease to exist. Among the most notable symptoms of the end, would be the following: (1) Money rates would tighten, marking the end of the easy-money policy and bond prices would show a sizable decline. (2) Wages and farm prices would weaken, especially wages. (3) The abnormally low price average of the semi-manufactured group of commodities would rise, including, for example, the price of copper.

"I am sure there will be no end to the inflation until the prevalent notions about national income as a controlling cause of economic conditions, about parity farm prices, about wages paid to create purchasing power, and about the duty of Government to give jobs to all, are exploded and abandoned."

How do I know this? Exactly in the same way that I, along with other sound economists, knew certain things in 1928 and in 1933. Economic laws are complex and sometimes difficult to formulate, but there are no exceptions to them, and they can not be violated.

Inflation Exists

The immediately outstanding fact governing the economic situation today is not that prices have or have not risen. It is the fact of the *vast inflation potential*, the fact of the excess supply of currency and liquid savings. Simply expressed, we have more money than we know what to do with. We have more than we can possibly use at the current level of prices.

Once a year, at least, it is a good idea to take up a Federal Reserve Bank statement, and see how the significant items have moved in the last twelve months. (This should not be done too often; for then one becomes numb from the shock of billions of dollars, and thus loses one's appreciation of the enormity of the currency inflation that goes on while we sleep.) As of Sept. 19, 1945, one will find the following changes from a year ago:

Apparently the largest single change is the *rise in U. S. securities* held, which increased by 6.4 billion dollars. But about equal, is the rise in note and deposit liabilities, Federal Reserve notes increasing by 3.97 billion dollars and deposits by 2.1 billion dollars, a total increase of about 6.1 billion dollars. ("Money in circulation" increased 4.2 billion dollars.) Meanwhile, the "gold certificate reserve" declined by over 1 billion dollars. The "reserve ratio" dropped to 43.2 per cent, so that the old legal requirements had to be reduced.

A glance at the statement for the "reporting member banks" shows closely related movements. About the biggest change during the year was the increase of 5.2 billion dollars in U. S. bonds held by the banks. In addition, moreover, it should be noted that bank loans for carrying and purchasing government securities rose 568 million dollars. Thus member bank credit based on the public debt rose by nearly 6 billion dollars.

The only other point of special significance at this time is the increase in demand deposits, which rose 3.4 billion dollars. If you add this increase in deposit currency (available for checking out) to the increase in Federal Reserve notes issued, you get a rough idea of the total currency expansion, amounting to about 7.5 billion dollars in a single year.

Yet the nation lost gold, and the volume of industrial production declined. Thus it is apparent that there is little relation between the currency expansion and either reserves or industrial requirements. The figures presented suggest that the main relationship is between the growing public debt and the currency. They suggest that the debt is being turned into "money"—a "monetization of the public debt."

But while I thus emphasize the potential inflation and the inflation of the currency, it is by no means true that this inflation *potential* has had no effect on prices. At different times inflation is "effective" in different price fields. *In 1919*, after World War I, it was effective in wholesale *commodity* markets. But in 1929 commodity markets were *declining*, while inflation found fantastic *expression* in the prices of *stocks, apartment hotels, and the like*. Now, in 1945, the chief manifestation of *"effective* inflation" is found in the price of *labor*, although as usual, real estate and farm land prices are obviously inflated. Today, the capital value of any sure income is enormously inflated, as a result of the low basis of capitalization found in money rates. (I need hardly mention tax-exempt bonds.) And the prices of gold and silver are enormously inflated—at least the gold would be if you could buy any.

Seven Maladjustments Must Be Corrected

As a result of the vast inflation in our currency, and the ill-advised government "controls" that have accompanied it, we find today seven obvious maladjustments. These now cry for remedy. I will therefore refer to them as the seven great needs. The first one is—

(1) *The need of adjusting goods to money at higher prices.* Two outstanding facts are the shortage of goods and the surplus of money.

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

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

There is in effect only one general surplus, and that is the surplus of money. This surplus is especially significant, since it is in terms of money that all prices are expressed. Accordingly, the surplus of money, which of course tends to put the value of money down, by the same token tends to put the prices of other goods up.

Like surpluses of other goods, the surplus of money is definite, only when we assume *some given level of prices.* The only way to relieve the surplus of money is to allow the prices of goods to rise. This would *require* the use of more money to move any given quantity of goods, and would thus reduce the *surplus* of *money.*

The one great fact to keep in mind, is that money is not wanted for itself; that money is no good unless it is spent, and that a surplus of money (inflation) works through demand for goods.

It follows from these points that the vast surpluses of currency today, call them what you will, must, in this country, be used for buying goods, thus implementing the unsatisfied desires that have accumulated for five long years.

(2) *The need of adjusting one price group to another, notably semi-manufactured goods to raw materials and finished goods.* Among what you are apt to call basic raw materials, are many commodities such as the non-ferrous metals, leather, cotton yarn and cloth, pig iron, and steel bars, which are classed by the government statisticians as *semi-manufactured* products. In these semi-finished products, lies one of the great price maladjustments of the day. As a group, they are too low. They are out of line with the heavier raw material prices such as ores, raw cotton, hides, and steel scrap, to such an extent that I doubt it has ever been equalled in history. I know that this maladjustment will have to be corrected. I believe that it will be corrected through a higher average price of semi-finished goods, and that then, and not until then, will the cycle of war inflation and post-war boom be completed.

(3) *The need of adjusting production to consumption at high levels.* This can be done only through stimulating production by allowing prices to rise.

Probably the most seductive theory now used to defend the schemes of the social planners and OPAers, is the argument that we must continue the government's war powers until supply catches up with demand.

It is argued that prices must be fixed and held down, until the quantity of goods available becomes so large that prices can't rise.

This argument is plausible, however, only because it makes four big assumptions. There are four big "ifs," which are ignored by men like Bowles and Snyder. (It is much like urging that we must put salt on a bird's tail in order to catch him, or that the dog will catch the rabbit if he doesn't stop running after it.)

These "ifs" are as follows:

(a) IF prices could be held down by government price-fixing laws;

(b) IF prices SHOULD be kept low, in a period of scarcity of goods and vast surpluses of money;

(c) IF, without higher prices, production WOULD increase so as to overcome all shortages;

(d) IF it would not take so long a time, and require so much government control, that the nation would suffer from bureaucracy and debt more than it would from high prices.

As an economist who has had much experience in such matters, I know that none of these "ifs" can be overcome. But, unless *each* and *every* one of them is overcome, the argument falls to the ground.

First, the real prices actually paid have not been held down. In cases where the fixed prices have been actually enforced (quality considered), they have become mere nominal quotations. (You can't get the goods at the publicly quoted prices.)

Second, many goods are so scarce and cost so much to produce, that, in view of the vast supplies of currency and "liquid savings" now on hand, and the current high national income, prices should be allowed to rise. We *should* be allowed to use our money for buying goods.

Third, production will never increase much unless and until the prospect is for higher prices—prices which will increase the probability of good profits on expanded outputs.

Fourth, even if by some compulsion enterprisers and investors could be induced to expand production without rising prices, the process would be so irregular and slow that meanwhile we would suffer more harm than good. Government spending and debt would be maintained. For example, subsidies and controls would have to be paid for.

One big trouble with the wait-for-production-to-increase notion, is that it does not consider the motives and attitudes of the individual producers who must make the supplies. It is assumed that somehow or other supplies will increase rapidly in the face of fixed prices and rising wages.

Thus it ignores the function of prices in a free economy. That function is to stimulate or retard production, as required by demand.

In fact, supply can equal demand at any price level, high or low. What price level SHOULD BE, all depends upon (1) the desires and the purchasing power of the buyers, and (2) the costs and desire-to-sell of the sellers. These are the fundamental conditions of demand and supply, and no government can control them.

Today, they all point toward higher prices.

(4) *The need of adjusting wages to the productivity of labor.* The price of labor is today highly inflated. It is too high in comparison with the prices of the products of labor. It is not warranted by the quantity of the product that labor turns out. In one way or another, there must be a readjustment.

There are several ways in which labor can make wage adaptations that will adjust the employer's pay roll expense to existing price levels, and to other expenses, as follows:

(a) *The "cost of living" may decline*, due allowance being made for quality of goods, so that food, clothes and rent will cost less. To this extent, money wage rates could be reduced without real hurt to labor. Certainly labor's taxes, excises, and duties, can be much reduced.

(b) To some extent, labor's *war standard of living can be modified* without harm. Some of the more luxurious items of dress, for example, do no particular good.

(c) Labor can secure *more steady employment* by accepting a reduction in the basic hourly wage rate, and labor's annual income would thus be sustained. There would be less substitution of machinery.

(d) Labor can and should in some cases accept *longer hours per week.* It has been pretty definitely ascertained that in ordinary trades upwards of 48 hours work a week cause no injury to the worker, and bring maximum output.

(e) *Less high-paid overtime* may well be accepted.

(f) Labor will have to *accept more differentials in pay*—wider differences between high and low pay for different ability in the same trade.

(5) *The need of adjusting interest to the costs of saving and investment.*

Our debt-ridden government has listened to the specious doctrines of Lord Keynes, and on the wings of the easy-money policy, has sought to maintain a permanent system of deficit financing. Money rates have been reduced nearly to zero. As a result, we have had unparalleled quantities both of idle money and of idle men. The typical normal individual will not invest without interest that is somewhat in proportion to the costs of waiting and supervision, and the risks involved. So funds have been held liquid, which means idle or uninvested. As a result, there has been a lack of venture capital. The capital-goods industries have been backward for over a decade. Abnormal unemployment is thus always just around the corner. Unless and until interest rates are allowed to rise so as to express an equilibrium between the demand for capital and the supply thereof, these conditions will continue to prevail.

Incidentally, the government is never going to be able to get its debt out of the banks and into the hands of individual investors until its bonds give a higher yield.

(6) *The need of adjusting the nation's debt to its income*—or, if you please, the need of lightening the burden of the public debt.

The nation has about got to the point where it can not possibly pay its way. It is insolvent. More than that, it is on the way toward bankruptcy. There is no definite proposition for balancing the budget within any definite period of time. I doubt that it can ever be done, unless and until we go through a period of great inflation with rising prices and expanding national money income. Always when a debt becomes impossible, the debtor wants to lighten its burden by depreciating the currency in which it is payable. But our national debt has now become impossible. The inevitable conclusion must follow. With annual carrying charges of upwards of 6 billion dollars, with a greatly increased annual cost of military establishments, world relief, vast increases in veterans' bonuses, pensions, and the like, and a large expansion in social security, it seems out of the question to cut the annual Federal expenditure much if any below say 30 billion dollars. But on the general theory that the nation will not normally stand a government which takes much more than 20 per cent of its income, an annual expenditure of 30 billion dollars would require a national money income of 150 billion dollars. Such an income we are never going to have, unless under conditions of inflation.

(7) *The final basic need is of adjusting our money to some standard of value.* For all practical purposes, in the present state of our knowledge, this means adjusting our money to the nation's gold reserve, or going on a gold standard.

Economic democracy is founded upon a standard of value.

The ideal of economic democracy is that each individual should be rewarded according to the value of what he produces, as determined in competitive markets. Such rewards are the only ones which free men regard as economically just; for they are governed by values which result from their own free choices.

Economic democracy is a condition in which we individual buyers vote for what we want produced, by means of the prices which we offer to pay out of our earned incomes. On the other hand, the sellers, as it were, have to run for office of supplying to us buyers the products we want, on the basis of their efficiencies and costs. Thus the price system may approximate the ideal of individual freedom and democracy.

Such a price system can exist only where there is an objective standard of value. Where the politicians manufacture money at will, they seek to control values, and to fix prices, which is a system of autocracy.

Inevitably, in all nations and in all times, when the politicians who constitute the government undertake to run the nation's economic life, we find them eventually turning to the old army game of using the public debt as currency. Early in the 18th century, the eminent Scotch New Dealer, John Law, summed up the idea when he said that money is the sovereign's credit, and that the sovereign should give credit and not receive it—that is, the sovereign should issue his notes with no special security, and without relation to any standard other than his generosity (or need of cash).

Plainly, however, if debt is to be money, there is no limit either to debt or to money. The only hope that the nations will ever return to economic sanity, and balance their budgets, lies in the hope that they will restore those limitations on their spending and their note issues which can exist only when they adhere to some monetary standard. I know full well that mere talk about the gold standard does no good; but I also know that if a nation in deed and in truth were to limit its spending and note issues to a normal relation to its gold reserves, the gold standard would always be effective, and the nation would remain solvent.

One of the main arguments for a monetary standard is that it provides a basis for limiting the extension of *government* credit, as well as all other kinds of credit. I know of no other basis. As long as politicians desire to stay in power, and as long as they have access to the printing presses or banks, they will spend and spend, and elect and elect.

In sum, our great need today is to correct these seven great maladjustments by allowing the prices of most commodities to rise and be measured in an objective standard of value.

Organization Needed to Fight Radicalism With Truth

This brings me to my final point, and my main reason for being here today. I want to make a plea to you businessmen to *organize a fight against radicalism and pressure groups in American politics*, in order that we may preserve what you call Capitalism and what I call free private enterprise. Call it what you will, it is all based upon the ideal of free individual choices, both in production and in consumption.

Consider *the wages-price situation* today. The futility of the whole discussion is apparent when you reflect that nobody has any idea what wages *ought* to be. Some take cost of living, some take profits, some take wages in a past period. Nobody has a true theory of wages which is applicable as a practical guide to determining what wages ought to be in the steel industry, the automobile industry, or in any other particular case. Nor do you know where to find out. When the nation needed an atomic bomb experts were called together and in time the atomic bomb was forthcoming. When you want to prevent the disruption of reconversion and seek a wage formula, you call in vain. This is because we have no accepted economic theory. You can set up all the collective bargaining schemes in the world, but you will never have them work smoothly unless you have some accepted criteria of what constitutes a fair bargain—a fair wage.

So it is with *interest*. Apparently nobody remembers the theory of "time preference," and the basic idea that in abstaining from consumption, investment and waiting for returns, costs are incurred that have to be rewarded. The uncertainties of time are disregarded. And since there is now no body of scientific economists to turn to, you take zero interest rates lying down.

Or, again, consider the *profits* situation. For nearly a generation, an increasing number of academic economists have been teaching that profits tend to disappear, and that they exist only in conditions of imperfect competition. In this doctrine are the seeds of destruction for enterprise and profits. Do you know anything about this condition? Have you done anything about it? The answer is, no. Yet you are the enterprisers. You are the ones whose function I seek to explain when I explain the necessity of profits and justify the existence of differential profits, that is, profits which are low at the margin and high where superior entrepreneurial ability is exercised.

Free private enterprise is never going to be safe until you free private enterprisers show a fair and intelligent interest in economic theory, including the theory of profits.

Finally, there is the whole subject of *money*, which is the root of all evil in economic theory. Probably some of you have said "nobody understands money." Certainly you have talked about money being "just a medium of exchange," or at one time or another have questioned the necessity of having any objective standard for money such as the gold standard. Now you are paying the price for your lack of interest and intelligent understanding. As I have said, there never can be economic democracy or freedom of economic choice unless it be founded upon an objective standard of value.

So I propose that you industrialists take intelligent steps to combat and offset the propaganda and the pressure-group activity of those who seek to overthrow the system of free private enterprise. I propose that each company among you delegate to the most competent of its officials the duty of devoting not part of their time but their entire time to organizing the resistance, and to developing an effective counterattack.

But this you will never do unless and until your efforts are implemented by a broad, true, social-minded theory of economic value. You must have the advice of trained economists who are above suspicion of bias or prejudice. You must aid them in their studies, and, above all, in maintaining the research and publications which are so important in the development of science. Economics needs more wisely endowed "chairs"—more effective publications to encourage the scientific study of the forces of demand and supply.

The situation in this respect is lamentable. *In my opinion, the American Economic Association, and its organ, "The American Economic Review," are dominated by an essentially radical element, which is opposed to the idea of economics as a science, and has a closed mind to the possibility of basing economic life upon a system of free individual choice.* Too many of our leading colleges and universities are dominated by the same group, while in government quarters most of the "economists" are distinctly on the radical side.

At the present time, all I will say is that I can see no reason why in the name of truth and justice there should not be on the faculty of every great university at least as many economists who take the Liberal point of view, which I represent here, as there are on the radical side.

The truth shall make you free. But first you must find it!

Municipal News and Notes

In last Thursday's commentary it was observed that while the volume of new issues scheduled to reach the market, according to the calendar of events at that time, was something less than of substantial proportions, there was always the possibility that the list would be materially broadened on relatively short notice. This was no more than an obvious conclusion, of course, particularly in light of the huge backlog of credit needs created during the war period by reason of the inability of States and local governments to undertake normal municipal plant improvements, not to mention various new projects, because of restrictions on materials and manpower.

In addition, there is the knowledge that approximately $200,000,000 of new business alone was created by virtue of the bond issues approved by the voters at the Nov. 6 elections. It should be remembered, naturally, that many governmental units are able to incur indebtedness without voters' approval, with the limitation on volume being subject to constitutional debt limits.

It follows, therefore, that the amount of bonds authorized early this month constitutes no more than a factual statistic of part of the potential supply of bonds that may reach the market in the immediate peacetime years.

In any event, as previously indicated, the fallacy of accepting the calendar of prospective sales too literally in attempting to assess the market's future prospects, is again demonstrated in the case of the city of Tulsa, Oklahoma, which is asking for bids until Dec. 11 on an offering of $7,000,000 bonds.

These obligations, it should be noted, were only approved by the electorate on Nov. 20, and notice of the sale date and various other details was received by this department from City Auditor S. Maxwell Smith, under date of Nov. 23.

The offering, according to Mr. Smith, includes the following bonds, all dated Jan. 1, 1949-1966: $3,000,000 limited access facilities, due on Jan. 1, 1949-1966; $3,000,000 waterworks improvement, due 1949-1966; $300,000 public parks improvement, due 1949-1961; $300,000 sewer extension and improvements, due in 1949-1961; $187,000 fire station and equipment, due 1949-1956; $43,000 traffic signal, due 1949-1951; $20,000 detention home, due 1949-1951; and $20,000 street department warehouse and equipment, due 1949-1951, incl.

The decision of Tulsa, incidentally, to lose no time in implementing the program authorized by the voters suggests, among other things, that city officials are agreed as to the desirability of marketing the bonds without delay. It may be assumed also that they were guided in so doing by the advice of those whose judgment in such matters merits the highest consideration.

However, the present calendar of coming events still shows the State of California offering of $15,000,000 on Dec. 11 as the largest deal in prospect. In second place, according to size, is $2,900,000 by State of Louisiana on Dec. 18, followed by the $2,840,000 Richmond, Va., undertaking on the 19th.

Aside from the Tulsa item, two other new additions to the list of $1,000,000 or more were made to the list in the past week. They consist of $1,950,000 by Boston, Mass., for which bids will be considered on Dec. 3, and $1,750,000 by Stockton, Calif., with the award to be made on Dec. 17.

Chicago Sanitary District Early Market Candidate

Recent action of the Commissioners of the Chicago Sanitary District, Ill., in negotiating a $10,386,125 contract for a sewer project, the final cost of which is estimated at $18,000,000, suggests that the district will shortly call for bids on a substantial amount of bonds in order to meet construction costs. The district, it is noted, has made sharp inroads in its bonded debt in recent years and presently enjoys an unexhausted bonding capacity of about $40,000,000.

Minnesota Portfolio Sale Comprises $6,983,000 Bonds of Sister States

Something of an innovation in portfolio offerings is afforded in the scheduled sale on Dec. 5 of $6,983,000 bonds by the Minnesota State Board of Investment. This transaction differs from most, if not all, of the many similar undertakings in recent years in that it consists exclusively of various State bonds, rather than of bonds of both States and lower levels of government.

The Minnesota Board offering includes $3,167,000 bonds of the State of Arkansas, $925,000 of California, $60,000 of New York, $863,000 of South Carolina, $1,698,000 of Tennessee and $270,000 of the State of West Virginia.

Like its predecessors, the bulk of the bonds bear interest rates which long antedate present-day yields of slightly more than 1% on 20-year paper.

Florida Municipals Selling At Record Low Interest Rates

Florida State Treasurer J. Edwin Larson, who is also Treasurer of the State Board of Administration, in calling attention to the recent sales of $787,000 of SBA refunding bonds which were issued on behalf of several Florida counties, stated that the "interest rates being obtained are the lowest for obligations of this nature in the history of the State of Florida."

Mr. Larson referred specifically to the awards on Nov. 13 of the following issues, complete details of which were given in detail in the municipal news section of the "Chronicle" of Monday, Nov. 26: $100,000 Alachua County Special Road and Bridge District 1½s, due 1954-1955; $17,000 Hardee County 2.20s, due 1961; $85,000 Hillsborough County Special Road and Bridge Districts, 1.90s, due 1963; $60,000 Pinellas County, St. Petersburg Special Road and Bridge District, 2s, due 1966; $52,000 Polk County Special Road and Bridge Districts, 1.70s, due 1958; $440,000 St. Johns County 1½s, due 1947-1952, and $33,000 Marion County 1¾s, due 1961.

The foregoing results, of course, are merely illustrative of the progressively favorable basis on which the State Board of Administration has been able to refund the high coupon road and bridge bond issues originally floated by the State's taxing units.

According to Mr. Larson, approximately $11,000,000 of refunding securities have thus far been issued by the SBA, and of those offered to the public approximately 70% were purchased by banks and dealers located in the State of Florida. It should be noted, however, that the various offerings by the SBA usually elicit bids from bond houses whose normal sphere of interest is far removed from activities in the Florida municipal market.

As is generally known, the bonds issued by the State Board of Administration are secured by a pledge of the full faith, credit and taxing power of the unit involved, as well as an additional pledge of the county's distributive share of a tax of two cents per gallon on sales of gasoline or other like products of petroleum, for a period of 50 years from Jan. 1, 1943.

This latter pledge, incidentally, is contained in the constitutional amendment approved by the electorate in November, 1942, under which the State Board of Administration was clothed with the responsibility of acting as trustee for all county road and bridge district bonds issued prior to July 1, 1931.

The amendment, in effect, placed in the hands of the SBA the authority to assure the payment, without delay, of both principal and interest on all obligations of that nature. At the same time, it served to greatly strengthen the entire Florida municipal bond structure.

Challenge to Construction Industry

(Continued from page 2570)

construction; that the forms and economic philosophies which are our true American heritage and tradition—be undisturbed.

Heritage and tradition, particularly among those persons who had none, seem to have been given unfortunate connotation. It has become fashionable to ridicule tradition. And heritage is confused, in many minds, with something that a stiffer income tax would "redistribute."

Last December, Bernard M. Baruch gave a truly modern and effective testimonial to our traditional, American way of life when he said:

"The system of individual effort which we call the capitalistic system is the best in the world. It has proved itself so in peace and in war. I believe in trying to better that system instead of tearing it down. I believe that it rests upon the elements that I have named and that the protection of these essentials leads to certain social and economic levels which promise progress. We must proclaim the lessons we learn—that we live by the sweat of our brow, that helpfulness to others is helpfulness to ourselves, that these are the measures of social consciousness which we freely accept and enact, rejecting a pauperizing, strength-destroying form of statism against which the whole spirit of America is committed."

Fortunately, we can talk about the future of construction with much more assurance and confidence than was possible even a few weeks ago, in spite of some remaining confusion resulting from a number of pricing and labor uncertainties. On Nov. 1, John W. Snyder assured us in Washington that the Administration was not inclined to recommend to Congress the expanding of Government controls on construction. He stated further that more expeditious action could be expected from existing Federal agencies, particularly with respect to pricing bottlenecks against production.

Forthcoming Construction Volume

The easing or actual elimination of many wartime shackles, however, does not mean that we can expect a record-breaking volume of new construction next year or even the year after. New construction will probably not reach its post-war peak for at least three more years. Architects and contractors must gradually rebuild their organizations which were virtually dismembered during the war. Much of the needed construction has not yet been blueprinted or reached the actual planning stage. Many potential home owners will wait to see what post-war homes will cost. Utility companies cannot start much of their construction until the trends of urban development are clearly apparent. Farmers, also, are likely to hold back much of their building plans to see how the agricultural outlook develops.

In spite of these anticipated delays, there are two specific advantages which should not be overlooked. First, to the ultimate benefit of our national economy as a whole, new construction will still be climbing when the first heavy demand for automobiles, radios, washing machines and other consumer durables has been filled. Thus, the construction industry may well be the means of prolonging a high level of production and employment, thereby providing a more stable economy than we have ever known in the past.

Remodeling and New Construction

Second, your particular segment of our industry need not suffer from any delay in new construction activity, because of the vast market which faces you in the repair and remodeling field.

New construction forecasts by the Market Analysis Committee of the Producers' Council are as follows:

Total new construction:	
1946	$7,400,000,000
1947	10,400,000,000
1948	13,700,000,000
1949-1951	*15,000,000,000
Residential construction:	
1946	425,000 units
1947	620,000 "
1948	870,000 "
1949-1951	†1,045,000 "
Industrial construction:	
1946	‡$1,000,000,000
1947	‡1,000,000,000
1948	600,000,000
1949-1951	†575,000,000
Utility construction:	
1948	‡$1,600,000,000

*Average per year. †Average. ‡Peak.

When total new construction reaches an annual level of $15,000,000,000, our industry will account for about 11% of our national income and will provide about 12% of all jobs, a total of 7,000,000 on-site and off-site workers.

The Remodeling Market

It has been much more difficult to prepare intelligent forecasts on the volume of our post-war repair and remodeling market. Estimates have varied from $3½ to $5 billion per year during the period while new construction is approaching its peak. We all appreciate fully, I am sure, the vital importance of this repair market as the result of past experience. During depressed construction periods, repairs and remodeling have enabled many of us to hold our organizations together and to maintain some semblance of "break-even" or slightly profitable operations.

It is most encouraging to know that one of the major objectives of John L. Haynes, Chief of the newly established Construction Division of the U. S. Department of Commerce, is to provide data with respect to this very important segment of our market. Such data will be of inestimable value in determining our merchandising and sales promotional programs for the effective development of the repair and remodeling markets within specific regions.

Currently, the only published forecasts of repair and modernization opportunities which I have been able to locate in the residential field are from the U. S. Department of Labor. The estimate for deferred repair and maintenance to existing dwellings is $40.00 per unit on the average, for a total of $1,400,000,000 annually. This peak should be reached at an early date.

In the commercial field, modernization is expected to provide for expenditures at the rate of $750,000,000 per year, as soon as material and labor shortages are overcome with a probable later peak of $850,000,000 per year.

Farm Construction

We know, also, that the farm market provides vast opportunities for necessary and immediate repair, maintenance and modernization. Assuming an expenditure of only $100.00 per farm for repairs and maintenance in 1946, the opportunity would represent a market of $600,000,000. The U. S. Department of Agriculture reported to the Senate Committee on Appropriations last May that $20,000,000,000 would have to be spent by farmers in the next five years to restore our national farm plant to its prewar level. From this you can see that any estimate for farm maintenance under $1 billion in 1946 is extremely conservative. And I need not dwell on the fact that requirements for your products are enormous in these rural areas.

Total opportunities for your own industry, covering both new construction and repair, were very clearly set forth in Ernest T. Trigg's article, released on Oct. 31. Your National President stated:

"When one takes into consideration the possibilities for our industry in the years immediately ahead, it is not hard to understand why I have predicted that 'some year within the first five years after the war is over our industry's volume will reach a billion dollars.'"

I am sure that we are all agreed that no question exists in anyone's mind about the tremendous pent-up need for a vast volume of construction. This is true with respect to both the new construction and maintenance fields. It is unnecessary, therefore, to belabor the point with further argument.

Time Required for New Construction

We must recognize, however, that in new construction, there is a difference between "existing need" and "effective demand." There seems to be no fixed limit to the former while the latter is dependent upon a number of factors, the most vital of which is that of "timing." It requires time to prepare for new construction, including the site selection, design and blueprinting, financing and the letting of actual contracts. To cite just one example, in the residential field there is ample evidence of the immediate, existing need for several million homes; but from the standpoint of practicability, vast as our facilities may be, we can hardly expect preliminary planning to be completed before next spring. And it will be quite an accomplishment if we can actually construct next year 425,000 or possibly 450,000 new home units. Even those anticipated objectives are dependent upon the availability of adequate materials and the necessary number of skilled workmen in the major building trades.

May I emphasize again, however, that these time limitations do not necessarily constitute a serious obstacle to those segments of our industry which are organized to capitalize on the tremendous, immediate repair, maintenance and modernization market. The paint, varnish and lacquer industry is undoubtedly an outstanding example within this particular segment of construction.

By organization, I refer to such elements as production, distribution and financing. I am not qualified to speak authoritatively on the subject of production within your industry but I do know that you have left no stone unturned to provide the maximum possible quantity of finished products; that you have exercised extreme ingenuity in the development of satisfactory substitutes for raw ingredients which became wartime casualties; that you have taken full advantage of war technology for the vast improvement and serviceability of your products. Fortunately, too, your industry was not required to convert to war production and probably, therefore, you are not faced with any serious reconversion problems in your plants.

Neither would I presume to dictate or even suggest just what methods might be used to improve and broaden your distribution. I do feel justified, however, in quoting from authorities who are qualified to speak on this subject. L. L. Anderson, Sales Manager of Lowe Bros. Co., Dayton, Ohio, recently addressed a group of lumber and building materials dealers on the advantages of including paint in their merchandising operations. He stated: "The paint manufacturer is anxious to build the business of all of his dealers—not only in the paint line but every other line that he carries, for it follows that the paint department will benefit with the dealer's expanding business." This has been characterized by your own national association as a "practicable concept" and a "sound selling view."

It has been substantiated and endorsed also by my good friend, H. R. "Cotton" Northup, Secretary of the National Retail Lumber Dealers Association. In his Oct. 31 article he stated in part as follows:

"The combination of paint manufacturers' ingenuity and the lumber dealers' dire necessity to have something to sell may be responsible for the present-day lumber dealers' receptivity to the idea of actually merchandising paint.

"A recent nation-wide survey shows that over 75% of the lumber dealers in this country plan to remodel their yards. This remodeling in most instances not only includes modern yard layout and methods of handling material, but also includes larger and better display rooms. Although lumber dealers are inevitably tide to a wharf or railroad siding in order to handle heavy materials economically, their plans for remodeling and merchandising contemplate in many cases the opening of a downtown display store where over-the-counter merchandise can be sold. Over-the-counter merchandise means paint and other items easily carried home by the customer.

"Although 76% of the lumber dealers in the United States are already selling paint products over the counter, the above-mentioned facilities make it apparent that lumber dealers are putting themselves in a position to merchandise rather than merely handle paint."

Financing Repairs

In the field of financing repair, maintenance and modernization activities, you have two outstanding advantages: (1) the tremendous amount of accumulated funds in wartime savings with which consumers can pay cash for repainting and redecorating their properties; (2) the liberalization of "Regulation W" which will permit FHA financing insurance on a much more favorable basis than has been possible during the recent past.

Right here, I want to pay tribute to the FHA on the outstanding services which they provided to us during those very difficult years in the decade of the 'thirties. And I want also to clarify one point on which I may have been misunderstood in my previous violent protests against continuing the expanding governmental controls. We in private enterprise have asked that we be given public policies by our Government which will encourage and assist construction rather than hinder it. The FHA plan of insurance is an example of such assistance. It has proved itself so in the past and will continue so in the post-war period. It is not a control and it is not a subsidy but an actual and quite effective aid to private enterprise financing for private construction.

The Line Against Inflation

I do not want to conclude without emphasizing the vital importance of our most serious challenge as a long-range problem, the necessity of "holding the line" against excessive inflation. Already we are faced with considerable inflation. The cost of living definitely has risen since 1940. The cost of building has increased from 30% to 40% in the last five years. But let us not overlook the fact that in other consumer items many increases have been far in excess of those figures. Our challenge now is to prevent further increases in construction costs.

If we in the industry, manufacturers, architects, engineers, dealers, contractors, mortgage bankers, realtors and labor, do not cooperate at the local level to "hold the line," we face one of just two alternatives. Either the Government will shackle our industry with controls which will strangle private, competitive enterprise, or we shall encounter consumer resistance in the form of a buyers' strike which will have the very same effect upon our industry.

As a means toward the accomplishment of our objective, we in the Producers' Council strongly urge the organization of local Construction Industry Advisory Councils. We are so organized at the national level now, under the "roof" of the U. S. Chamber of Commerce, working closely with the Construction Department of the National Chamber. Organization at the local level has also been effected in quite a number of our larger cities. These groups are working with various organizations locally, including Chambers of Commerce, Building Congresses and similar construction industry associations. I am certain that we require no immunity under the Sherman Act to resort to such a form of "collusion" as long as it is in the interest of the general public welfare.

In conclusion, we shall encounter other very serious and difficult problems, particularly for the next 12 crucial months, until we can provide some substantial supply in the face of the overwhelming demand. We shall be called upon to exercise a superabundance of patience, courage and wisdom. I know of no better way to express a creed for our guidance during these coming months than in the words of a simple little prayer:

Oh Lord, give me the *patience* to endure the things I cannot change.
Give me the *courage* to change the things I ought to change,
And, above all, give me the *wisdom* to know the difference.

Baum, Bernheimer Will Underwrite New Palace Clothing Co.

Baum, Bernheimer Co., 1016 Baltimore Avenue, Kansas City, Mo., will underwite the preferred stock issue of the new Palace Clothing Company of Topeka. This offering of $200,000 of 5% preferred stock will be the first public offering of any Palace stock, it was announced by Arthur Guettel, President of Palace Clothing. Public offering at $100 a share will be made shortly after approval of the offering has been obtained from the Missouri and Kansas securities commissions. Attorneys of the company are now preparing to file a letter of notification of the issue with the SEC.

The new company, incorporated last month, purchased all the physical assets of the Topeka retail store from the Palace Clothing Company of Kansas City. Authorized capital consists of the preferred stock and $150,000 of common. Of the latter, $101,500 has been subscribed; the remainder will not be issued at this time.

About 74% of the common stock is owned by the Palace Clothing Company of Kansas City, and the balance by the management of the company, who are also principal stockholders of the parent and affiliated companies. Total assets of the new company are about $300,000.

The Topeka store has been in continuous operation at the same location and under the same ownership since 1888.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market turned strong last week and moved up to new highs under the leadership of the longer partially exempt securities. . . . Because of the growing scarcity of long-term obligations that can be bought by the commercial banks, it was only a matter of time before the longer partially exempts would be taken on by institutions who were in a position to assume the large premium involved, in order to get the larger tax-free income that is available in these securities, compared with similar maturities of the taxables. . . . Although the recent rise in the partially exempts has narrowed this spread, it is still considered large enough under present and indicated future money market conditions to make the longest maturities of these bonds attractive to certain institutional buyers. . . .

HIGHER AND HIGHER

The bank eligible taxables have again broken into new alltime high ground, paced by the 2½s due 9/15/67/72, and the June and December 2s of 1952/54. . . . Offerings of the 2s that came into the market, were readily absorbed, largely through Pacific Coast bank buying, and these bonds continued to make progress on the upside. . . .

Nevertheless, there is still a feeling of caution among some of the trading fraternity concerning the 2s at present prices. . . . They believe that it may be advisable to withhold a part of ones commitments at these levels, since it is possible that the floating supply may be increased during the waning days of the Victory drive or shortly thereafter. . . .

With reference to the longest bank eligible, the 2½s due 9/15/67/72, it is being advised that this bond be purchased at present prices. . . . Any addition to the floating supply should be very quickly taken out of the market. . . .

QUESTION OF SUPPLY

It is the opinion of many money-market followers that there will be very little, if any, increase in the near future, in the amount of this bond available for sale. . . . It is indicated that large institutional holders are not going to let out the 2½% obligations until they are sure that more of these bonds will be offered to them in the future. . . .

The 2½% due 9/15/67/72 is not a large issue, and with the commercial banks owning about half of this bond issue, and a substantial part of the remainder in strong hands, it is believed that this obligation will still seek higher prices. . . .

RESTRICTEDS POPULAR

The restricted bonds continue to advance with the opinion quite prevalent that these obligations will go through previous highs when the Victory drive is over. . . . Non-bank investors are taking advantage of the higher yield available in these securities, and it was reported that sizable purchases were recently made in the 2½s due 6/15/62/67, and the 2¼s due 6/15/59/62. . . . The 2¼s of 1956/59 seem to be among the attractive issues in this group, and it is indicated that a sizable switch order out of this security has been completed. . . .

Undoubtedly a contributing factor to the recent strength in the Government securities markets was the Treasury's announcement that the maturing ¾% notes, and the called 2½% partially exempt bonds, both of which will be retired Dec. 15, would be refunded with ⅞% certificates. . . . This is the same policy that the Government has followed in the past and will no doubt continue in the future. . . . This refunding operation indicates that the Treasury will cut the debt burden whenever it is possible to do so, and there will be no increase in the amount of high coupon intermediate and long-term obligations that can be bought by the commercial banks. . . .

V-LOAN SUCCESS ASSURED

Another development that is having a favorable effect on the market is the indication that the Victory Loan totals will be at least $18 billion, with some opinions that it may go as high as $20 billion. . . .

The 2½% due 12/15/67/72 still is the most favored issue, although there are many who like the 2¼% due 12/15/59/62, with some of the large corporations inclined toward the latter obligation. . . .

The out-of-town commercial banks with time deposits, who can purchase limited amounts of the drive issues, seem to be showing more interest in the 2¼s than previously. . . . Although these institutions will still put the bulk of their subscriptions into the 2½s they will also take on some of the 2¼s. . . .

RATIOS

It is indicated at the present time that these banks will use about 80% of their subscriptions for the 2½s, with the 2¼s coming in for the balance. . . . Not so long ago the ratio was about 90% and 10%, respectively, for these subscriptions. . . .

The premium for the new bonds will probably be at least one point immediately, with the belief quite general that the 2¼s will sell close to 102, and the 2½s at 102½ shortly after they are available in the open market. . . .

STRONG INCENTIVE

The realization that the Victory Loan will be the last big drive for funds, and that future financing of smaller deficits will be confined largely to low coupon short-term obligations, is creating a great demand for the drive bonds. . . . This demand is responsible for the indicated premium that these obligations will command at the conclusion of the loan. . . . Although there will be purchases of these securities for quick profits, it will not be nearly as important as it was during the war loans. . . . Even with individuals, who in the past have turned over drive purchases after short periods of holding, because they knew that they could buy these bonds again in the next loan, there is a changed attitude. . . .

Most of these buyers are going to be quite permanent holders of the drive bonds since they also feel that it may be a long time before they will again be allowed to purchase the long-term 2¼s and 2½s. . . .

DEBT RETIREMENT SEEN

Because of the indicated heavy oversubscription of the Victory Loan, which will give the Treasury large cash balances, and the lessening needs of the Government for funds in the future, it is believed in some quarters that the Treasury may use part of its cash to pay off some of the high coupon partially exempt obligations that will be callable next year. . . .

It was pointed out that the Treasury will not have the same need for large working balances, as during the war period, so that some of these funds could be used for debt retirement. . . .

Bowles Sees Serious Housing Shortage

OPA Administrator Tells National Association of Real Estate Boards That at Year's End 3,400,000 Families Will Need Housing. Denies Discriminatory Rent Control and Bases His Refusal to Exempt New Houses From Control on Ground That Not More Than 470,000 New Units Can Be Provided in Next 15 Months.

Pointing out that this country is facing its tightest housing situation, Administrator Chester Bowles of the Office of Price Administration on Nov. 24 answered the major rent control complaints of the National Association of Real Estate Boards. In a letter to Alexander Summer, Chairman of the association's sub-committee on residential rent control, he called upon members of the association "to help meet the impact of an unprecedented housing demand and to cooperate in averting its inflationary menace."

Chester Bowles

Mr. Bowles pointed out that by the end of December more than 3,400,000 new families, an estimated 2,900,000 of them veterans' families, will need housing.

"This calls for a serious, sober and farsighted approach to the housing problem," Mr. Bowles said.

Answering first the association's first complaint that rent control has been discriminatory, Mr. Bowles pointed out that the rent program has been before Congress on three occasions and, after extensive hearings each time—at which association members had full opportunity to testify—rent provisions were renewed without significant change.

Moreover, the courts have repeatedly tested and sustained the validity and equity of the rent regulations. In the only instance cited in the association's recent recapitulation of complaints, the court later vacated its order under which it previously had directed an adjustment for housing renting for over $100 in New York City.

"Last Spring," Mr. Bowles said, "your Association argued before the Banking and Currency Committee of the Senate and House in much the same vein as your letter to me that rent control has been discriminatory. At the same time the results of extensive studies by OPA of the operation of over 200,000 rental units in over 70 cities were filed in the form of a statement to the committee. The results of these surveys show that rent control has been generally fair and equitable and has not been discriminatory."

Replying to the association's proposal that new construction be exempted from rent control, Mr. Bowles said that the most optimistic estimate of new construction calls for a maximum of 475,000 new units in the next 15 months, leaving more than 3,000,000 families living doubled up by the end of 1946.

"Obviously no balance between supply and demand is remotely possible in the near future," Mr Bowles said. "To imply as you have that the nation's builders will refuse to supply new rental housing for returning veterans, for example, unless they are permitted to exploit the housing shortage to the hilt is an unwarranted slur on the industry."

Calling attention to OPA's recently announced program of establishing ceilings in advance on proposed construction of new rental units, Mr. Bowles explained that it provides due allowance for increased construction costs since 1939 and clears the way for immediate building by giving the builders an advance commitment on the maximum rents that they may charge.

"The plan is fair and practical —fair to the builder who wants to get started now and fair to the tenants who will occupy these new rental units."

Mr. Bowles also reviewed briefly the necessity for extension of the eviction notice period from three to six months pointing out the alarming increase in evictions resulting from sales and the serious consequences of forcing thousands of families in crowded areas to seek new living quarters.

"The action was taken only after long and careful examination of the housing situation throughout the United States and a thorough appreciation of the impact of demobilization on the housing market," Mr. Bowles said. "I believe it to be thoroughly justified. Ample discretion was provided for local variation where conditions did not require the longer period."

Regarding the request that discretionary authority of OPA's local offices be further extended Mr. Bowles said that he had already gone further in lodging full authority to act over a wide scope of matters in the area rent control offices than any other Government operation permits. Further decentralization, he indicated would jeopardize the unity of the stabilization program.

"With respect to decontrol," he concluded, "I have, on a number of occasions, publicly announced our policy and the Rent Industry Advisory Committee for Housing has been furnished copies of memoranda issued to our field personnel giving criteria and instructions to follow in making surveys and recommendations. As you know, our program is to remove rent control as soon as it becomes apparent that the necessity for continuing control has passed."

Poe, Rogers & Bates With Mackubin, Legg

BALTIMORE, MD.—Announcement is made by Mackubin, Legg & Co., 22 Light Street, members of the New York Stock Exchange, that Major Philip O. Rogers, recently discharged from the United States Army, has resumed his association with the firm.

Gresham H. Poe, formerly a partner in Jenkins, Whedbee & Poe, and J. Kenneth Bates, have also become associated with the firm in the investment department.

Louchheim SEC Adviser On Foreign Investment

The Securities and Exchange Commission announced on Nov. 26 that it had appointed Walter C. Louchheim, Jr., to be its Adviser on Foreign Investments, to advise the Commission and to act as its representative to other executive departments and agencies in the field of international finance. The advices from the Commission state:

"The appointment of Mr. Louchheim was made in recognition of the increasing importance of foreign loans and investments, both private and public, and the necessity for the correlation of policies adopted by government lending institutions with the interests of private investors and of private banking and financial institutions. Provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 for the protection of investors give the Commission a direct and primary interest in the field of privately financial foreign loans and investments, these include requirements for the disclosure of information to investors in connection with new public offerings of securities as well as Exchange listing of and trading in securities, both foreign and domestic. The Commission also recognizes the importance of developing a long-range program of international investment that will be contributory to the sound expansion of world trade, and wishes to lend whatever assistance it can to the solution of the problems incident thereto. Because of its peculiar experience in the administration of the securities laws, the Commission is in a position to make a worthwhile contribution in this field.

"Mr. Louchheim will continue to serve as the Commission's representative on inter-departmental committees concerned with international economic and financial matters, advising on the formulation of policies and operating procedures. In cooperation with the Trading and Exchange Division, he will also assist in carrying out the Commission's responsibility for surveillance of the U. S. capital markets with particular reference to conditions affecting the offering of foreign securities and dealings therein, and related matters."

The Commission also states that, a Harvard University graduate and formerly active in the investment banking industry, Mr. Louchheim has been on the staff of the Commission since 1934 and has served as an Assistant Director of the Trading and Exchange Division since June, 1941. He represented the Commission at the Bretton Woods Conference as an adviser to the United States delegation. His headquarters are in the Commission's Washington office.

Early Xmas Mailing Urged

Postmaster Albert Goldman called attention on Nov. 16 to the desirability of early mailing of Christmas gifts and cards to civilians abroad. In his advices he said:

The Christmas Holiday period is fast approaching and the quantity of mail for foreign destinations will increase materially. Conditions in certain countries, together with lack of transportation facilities, require the early mailing of Christmas gifts and cards, particularly those destined to distant countries.

Letters should be plainly and fully addressed, bear the return card of the sender in the upper left hand corner and be full prepaid. Parcels should be properly packed in order to avoid damage or possible loss of contents while in transit. The use of good quality wrapping paper and tying with strong twine is recommended.

Economic Reconstruction in Europe

(Continued from page 2576)
of the world if it is based upon the principle of balanced expansion. This means that the enormous capacity of our country to produce, to consume, and to save must result, in the post-war period, in extensive exports, extensive imports, and extensive foreign investments. . . .

"After the war extensive foreign investments by the United States will have important benefits both to the United States and to the rest of the world. The scarcity of capital in undeveloped regions and in countries devastated by the war will provide a large opportunity for American investments. If loans are made on a productive basis, both the lending nation and the borrowing nations will benefit from the resulting industrial expansion. The United States will benefit from the stimulus which foreign loans and investments provide for exports, and from the returns which we will later receive on our foreign investments. Other countries will benefit from an increase in their productivity made possible by more rapid industrial development. At the same time, the resulting diversification of their economies will make them less sensitive to changes in the world demand for particular commodities. . . .

"Past experience provides no support for the view that industrialization of the rest of the world will destroy our export markets. We may expect, rather, that as the incomes of other countries are increased by development programs, our exports to these countries will likewise increase.

"As a means of relaxing restrictions upon trade throughout the world, the Committee believes that an international conference should be called as soon as practicable to establish a general policy of reducing barriers. The immediate establishment of such a policy would be of enormous assistance to businessmen both at home and abroad in making postwar plans. The conference should consider not only reduction of tariffs, but also such trade controls as import quotas, export subsidies, exchange controls, and other forms of State interference with the movement of goods between countries. . . ."

In order to determine to what extent these principles could be applied at this time, seven members of the Committee visited Europe this fall. The Committee, accompanied by the staff director, Dr. W. Y. Elliott, of Harvard, former Vice-Chairman of the War Production Board, and Mr. Farriss, of the State Department, spent eight weeks in Europe and the Middle East. The principal countries were visted and conferences were held with our Ambassadors and the staffs of the Embassies, with the finance and production ministers of each country, and with business men. In some cases conferences were held with the heads of the governments, including Prime Minister Attlee and Gereralissimo Stalin. The Committee held long discussions on the German economic situation with General Eisenhower, General Clay and members of their staffs. The Committee has just submitted a report on its findings to Congress.

I will attempt to summarize the conditions which we found and some of the conclusions at which the Committee arrived, with particular reference to the part which this country should play in the rehabilitation of Europe.

Immediate Problems in Europe

Due to the exhaustion and destruction resulting from the war, conditions are far from normal and there are many obstacles to the resumption of full economic life. There is a great lack of consumer goods in practically all countries of Europe. Millions of people in the liberated and occupied countries are inadequately housed, inadequately clothed and without sufficient fuel to face the winter. The financial structures are strained and there are inflationary trends in several countries. Black markets and barter are looked upon as normal conditions of trade.

Transportation

The disruption of the whole transportation system in the liberated and the occupied countries is probably the most serious factor delaying recovery. The transportation system is functioning considerably below 50% of normal. Even where there are adequate supplies of food in the farming areas of a country, lack of transportation prevents this food from being carried to the cities, with the result that the people in the large cities have inadequate rations. Coal production, while considerably below normal, is ahead of the possibility of transportation during the immediate future. This disruption applies not only to railroads but to waterways and coastal shipping. The highways are in better shape but there is a great shortage of motor transport.

Progress is being made in most countries in restoring damage to the railroads but there is a shortage of rolling stock. To meet this situation the Committee recommended that there should be a central transportation coordinating authority to handle existing equipment and to allocate the new equipment where it can do the most good. It also suggested that every effort be made to speed up production of transportation equipment in countries like France, Belgium and also in Germany. The Committee pointed out the necessity of eliminating the administrative barriers which operate against freedom of passage on some of the principal waterways. Many of the surplus trucks which our Army has in Europe could be used to ease the highway situation and they should be allocated to the countries most in need of them. Likewise some of the surplus ships, Liberty ships particularly, could be used to meet the shortage in shipping in certain countries, and surplus small craft used in coastal shipping.

Fuel and Raw Materials

Next to transportation, the shortage of coal and raw materials is the greatest obstacle to the resumption of industrial production. France, Belgium, Luxemburg and Holland are all dependent upon the Ruhr and the Saar areas for coal. German Silesia, which is now in Poland, and Czechoslovakia also furnish coal to other parts of Europe. The coal production in all these sections is far below normal due to lack of manpower and to transportation difficulties. The coal production in England is also way short of the needs. Efforts are being made to increase the production in these countries but production is rising at a slow rate. It will probably be necessary to continue to send coal from this country next year to assist industry until their coal production can be increased further.

Until industry can be started, unemployment and the lack of production will impose many burdens on the financial structure of each country and increase the need for relief. Production of consumer goods, so badly needed to avoid inflation and to reduce the need for relief, depends upon the rapid availability of coal and basic raw materials, such as cotton, wool, minerals and lumber.

Relief

What can this country do to assist in this immediate situation? First, of course, appropriations to UNRRA must be continued. There is no question about the need for relief in the liberated areas and in other countries such as Italy and Austria for which UNRRA is responsible for relief, until industry can be revived and food and clothing becomes available. Much of the surplus property which we now have in Europe can be used for relief purposes as a part of this country's contribution to UNRRA.

Loans

While recognizing the need for immediate relief, the Colmer Committee points out in its report that the need can be much better met by productive loans to enable the countries to begin to manufacture and to exchange the goods needed to support their own populations. The procurement of a relatively limited amount of raw materials, such as coal and cotton by Italy, for example, would go far toward supplying the Italian population not only with the necessary imports but with means of payment by the laborers in Italy for the goods they need. As long as the resumption of industry is held back, the need for relief continues because there is no purchasing power placed in the hands of individuals and no means for satisfying the needs of those individuals with consumer goods. The spiral of inflation which this scarcity economy sets in leads to the need for continued relief. The problem of setting up sound banking institutions under these conditions presents grave difficulties. The essential, however, is to resume production of consumer goods and goods for export. Under these conditions the Committee feels that productive loans could be justified to break bottlenecks through the financing of raw-material purchases, transportation equipment, and fuel.

Such loans have already been granted by the Export-Import Bank and others are being considered. These should be of considerable assistance.

Private loans by banks or two or three year credits by business concerns would be justified in some cases.

There will also be need for longer-term loans to assist the general reconstruction and recovery. As far as governmental loans are concerned—and these will be the predominant type for the first few years—the Committee feels that they should be conditioned upon the willingness of the countries to reduce trade barriers and restrictions, and also to adopt the Bretton Woods Agreement. As soon as international affairs become more stable, private lending should again become an important factor.

Individual Countries

While this represents the situation in general in Europe, the conditions vary considerably, of course, in the different countries. In Greece, for instance, need for relief is great. Inflation has already gone the whole way in Greece and a new currency established. It will be some time before conditions will be normal in that country. In Italy relief is also necessary and there is an inflationary trend at present. Its industry, however, is almost intact and the indications are that, if the country could be assisted in obtaining raw materials, Italy could within a reasonable time resume production on a scale which would prevent the necessity for further relief.

France is relatively better off than most of the other liberated countries. The food situation for the total of France is only about 15% below normal but, as in the other countries, there is insufficient food in the cities. There is great shortage of consumer goods in France; there is an active black market and prices are very high. Lack of fuel and raw materials are holding back the industrial recovery. With efforts now being made to increase production and with the assistance of loans which have already been granted, it is expected that in a comparatively short time France will be well on the way to industrial recovery. France has always been more nearly self-contained than most of the countries in Europe. It still has large holdings abroad of gold and investments but most observers feel that before its financial house can be put on a sound basis, the franc must be devalued from its present level. France should soon become an important factor in the foreign trade of this country, both as to exports and imports.

Belgium has probably made greater progress toward recovery than any other country in Europe. Its industry was not badly damaged; the financial situation is sound and the Government officials are capable. Coal and transportation are the factors which are now holding back recovery. As soon as more coal can be obtained, its industry and foreign trade should be able to return rapidly to normal.

Holland was not visited by the Committee but conditions there are understood to be much worse than in either Belgium or France.

Business has been very active in Sweden during the war. Its standard of living is the highest in Europe. The country has always been an important factor in foreign trade and its businessmen are now keenly interested in developing the post-war trade. The financial structure is sound and the governmental officials and businessmen very able.

The three countries which present the principal problems in the economic recovery of Europe are England, Russia, and Germany.

United Kingdom

After talking with the principal ministers in the Government and with some of the leading businessmen, one cannot help but be impressed with the ability of the men who are in control and with their moderate views. They are seriously concerned with the difficult problems England is facing and they are attempting to solve them in a courageous, democratic manner. In appraising the methods which they will use, the American businessmen should realize that their economic conditions are different from ours. The standard of living of the average man in England is below that of this country. One reason is the fact that industry on the whole is not as efficient as it is in this country. On the other hand, Government is more efficient than here and there is a better coordination between Government and business, especially in foreign trade. It seems to be the attitude of the present Government to give an industry full opportunity to improve its efficiency and increase production and wages, but if the industry does not deliver within reasonable time the Government will probably take action.

As is well known, England before the war had an unfavorable balance of trade but this was met by income received from overseas investments, income for shipping, insurance, and other services. During the war she was forced to sell a substantial proportion of her investments and she also incurred debts in the form of blocked sterling to the extent of $12,000,000,000. Her income from shipping and the other services has also been greatly reduced. On the other hand, she faces the problem of repairing and replacing the homes which were damaged during the war and making up the deficit incurred in the war years when no houses were built. We were told that over 200,000 houses had been totally destroyed and that 3,000,000 others had been damaged. New machinery was not provided for industry during the war, to the extent that it was in this country, and large sums will be needed for new machinery and building for industry and for repairs to houses damaged by the bombing. Thus their problem is to build up exports quickly so that they will be able to finance not only the food and other essentials which they have always imported but also the machinery and materials so badly needed in the construction of houses and in the reconstruction and modernization of industry. It will be necessary to impose severe import restrictions on other goods, particularly luxuries, during this transitional period.

This country is vitally interested in the British situation because in the past our trade with Great Britain has been greater than with any other nation. Anything which this country can do to facilitate recovery in England will lead to more trade between the two countries and will promote world stability and recovery. This country could contribute toward its recovery by advancing long-term loans to Great Britain but as the Colmer Committee points out there should be assurances given that steps would be taken by Britain to remove restrictions on trade within the sterling areas and to encourage world trade in general. This probably will involve a scaling down and refunding of long-term obligations of large sterling debts which England now owes to many of the countries in the sterling bloc. Another prerequisite for the granting of large-scale loans should be the removal of tariff preferences, quotas and exchange controls, and of the temporary import restrictions.

Russia

As the Colmer Committee has stated in its report, there would seem to be real economic opportunity for extensive trade between the United States and Russia. The Committee was informed that Russia needs immediately and during the next few years a wide variety of goods produced in this country, such as locomotives, rolling stock, transportation equipment of all kinds, machine tools, construction equipment and many other types of capital goods. On the other hand, Russia can supply this country with minerals such as magnesium, chromium, asbestos, platinum, and timber and various wood products, furs and caviar.

There has been tremendous destruction in Russia and at least 40% of industrial capacity in Russia was at one time under German domination. The coal mines in the Don Basin were largely wrecked and the industrial area around Stalingrad was reduced to ruins. This destruction, together with the loss of millions of men and the effects of the scorched earth policy on their farm lands, have reduced the standard of living of the people considerably below the level, which was never high, of prewar Russia.

The Committee points out in its report that whether the possibility of expansion can be realized for the benefit of both countries depends not only on the possibility of Russia obtaining productive loans from the United States, but upon the full cooperation of the two countries in working out the conditions for repayment of loans and working together on equal terms. The Committee thought that the granting of loans should be dependent upon the clarification of the several points: (1) the full and frank disclosure of Russian production statistics and an opportunity to scrutinize the facts upon which they are based, and what proportion of Russian production will continue to be devoted to armament; (2) the disclosure of terms of the trade treaties made with eastern European countries under their control; (3) opportunity for businessmen and journalists to travel more freely within Russia and right of entry of planes into Russia; (4) the protection of American property rights and the right to distribute papers, books, etc., in the countries in Eastern Europe under its control. Another factor which must be considered is how much gold this country would be willing to take in payment of loans.

Reconstruction in Germany

To quote from the Colmer Committee report:

"The reconstruction of Germany is basic to the recovery of other European countries and through it world recovery. . . . The Committee was in full agreement that the destruction of Germany as a war-making country had been achieved from what it saw of the unbelievable ruin created in the German cities and centers of production."

The Committee was informed that all the major cities in Germany had been largely destroyed and there are only two cities which escaped with less than 50% destruction of housing.

While a considerable part of the machinery in Germany was not completely destroyed, steps are being taken to remove the war-making industries. As long as the control of Germany continues and the destruction of the war-making industries is thoroughly carried out, as is now being done, there is no possibility of Germany's becoming a danger to the peace of the world. Everyone is agreed that this control should be continued. The Committee pointed out that the only foreseeable danger that Germany presents is that she might become a source of infection for the health and economic and social life of all Europe if the cities in Germany are not maintained on a minimum basis of health for the population.

I would like to quote from the Committee's report its conclusion regarding Germany:

"In the judgment of the Committee, a complete stopping of Germany's productive capacity in any zone will impose a severe burden upon the rest of Germany to maintain sufficient production of a peacetime character to prevent widespread disease and unrest in Germany and, as a consequence, in the rest of Europe. The Allied Nations have undertaken the responsibility to prevent serious unrest in their occupied zones. Failure in any respect to meet this responsibility increases and prolongs the necessity for large numbers of American occupying forces beyond normal needs.

"The Committee is convinced that to strip Germany of the factories necessary for the ordinary industries of Germany would be to impose a burden of relief on the western powers, principally the United States, if widespread starvation and dangerous conditions to the public health are to be avoided in all Europe.

"Germany before the war was the most important industrial country of Europe and the largest importer as well as exporter on the Continent. The industries of countries surrounding Germany depended in large measure on Germany for parts, machine tools, and components, as well as on her coal, potash and other fertilizers. To destroy these basic German industries would be to immobilize many other industries dependent upon them.

"The simplest analysis shows the dependence of the industries of all the other countries surrounding Germany upon German raw materials and German manufactures. To go beyond the limits of destroying the war-making power of Germany is to depress the whole standard of living of Europe and, through it, of world recovery. It follows, of course, that our own foreign trade with Europe would suffer in proportion."

The Committee quoted General Eisenhower as saying:

"We want a lean Germany but not a hungry Germany. A hungry Germany is a dangerous people."

Thus the picture in Europe is not a very bright one. Progress however is being made toward recovery in most countries. Assistance in the form of relief and productive loans are needed from the United States. Immediate aid will greatly facilitate the resumption of production and trade so that further relief will not be necessary. Productive loans and a sound cooperative relationship should result in improved trade of the world and thereby contribute to a stable peace.

Europe's Financial Needs

(Continued from first page)

both public and private agencies in this country devoted to it a great amount of energy, intelligence, and goodwill, to say nothing of vast sums of money. One way and another, the various problems were brought to what were called solutions; and then, almost at the moment of seeming success, the whole laborious fabric tumbled in ruins. Something had evidently been wrong—terribly wrong—about our earnest and costly efforts. Certainly, we wish to avoid the mistakes that led to such catastrophe. The first question is: What, precisely, were the mistakes of the '20s?

Mistakes of the '20s

I propose to offer for your consideration my version of the mistakes of the '20s. No doubt other persons would give quite a different list. I do not even insist that I am entirely satisfied with my own catalog. But it seems to me quite clear that we shall never avoid the mistakes of the '20s unless we have some idea of what those mistakes were; and we shall never know, as our international program develops, whether we are repeating or avoiding the mistakes of the '20s, unless we provide ourselves with some criteria of judgment.

The topic of this paper: "Europe's Financial Needs," shows that in some respects our premises today are similar to those of a generation ago. Certainly at that time Europe's economic needs were assumed to be primarily financial; and in the field of economic reconstruction, complete reliance was placed upon institutional finance.

This premise was historically logical. The early years of the 20th century had seen the flowering of the money economy into a highly developed phase of finance capitalism; and the war had demonstrated a capacity of the credit mechanism to transmute capital into income and income into capital, in a measure far beyond the anticipations of either academicians or financiers. In 1914, it had been widely believed that finance would prove the limiting factor of war—that the war would of necessity be brief because a long war could not be financed; actually finance proved a facilitating mechanism for extending military magnitudes to unprecedented dimensions. To economists, financiers, statesmen and people generally, it seemed the realization of the alchemists' dreams; finance was the art, not, indeed, of transmuting base metals into gold, but of transmuting paper into the wealth of nations. It is small wonder that the economic problems of the postwar world should have been regarded as soluble not only primarily but exclusively in terms of finance; and that the formerly mysterious and dismal subject of economics should have been resolved into the happy mathematical simplicities of "money and banking."

The world of the '20s saw all economic problems essentially as financial problems and susceptible to financial solutions. And for these solutions it found institutions at hand—institutions of tested and proven capacity. For the restoration of an international medium of exchange, it had the cooperative system of national money markets, captained by their respective and collaborating central banks; for relief and rehabilitation, it had the institution of international banking, with its long record of constructive achievement in the direction of capital movements.

Present Role of International Finance

If this underlying faith in the financial solution of all economic problems was strong in the '20s, it is scarcely weaker in the '40s. The first international plans to be discussed in anticipation of the end of hostilities looked to the restoration of an international medium of exchange; and these were presently supplemented with plans for the creation of an international bank for longer term loans. As provided in the Bretton Woods arrangement, the Fund is functionally the successor of the international money market; and its board of directors is the successor of the cooperative organization of central bankers. Some such institutional innovation was logically required for two familiar reasons: the former international money market can no longer operate in the presence of rigid money rates; and as the paramount function of central banking is the maintenance of the national pattern of money rates, the central banker can not resume his former international functions. The International Bank, provided at Bretton Woods, is the logical supplement of the Fund, and functionally is the successor of the international bankers.

It is currently rather fashionable to reduce questions of functional institutions to the argumentum ad hominem. The international financial institutions with which we are concerned were, in the '20s, in the hands of persons called "private individuals"; under current proposals, the successor institutions will be in the hands of persons called "public officials." To some this seems to make all the difference in the world — the difference between goodness and badness; with the location of these respective attributes depending on general intellectual propensities. But I do not believe that what proved to be the mistakes of the '20s are attributable to the personal shortcomings of the actors; I believe that they were due to faults in the underlying premises on which they were acting.

Fundamental Errors

Since I believe that this failure was not primarily a fault of individuals or even of institutions, I offer for your consideration what I consider to have been its fundamental errors. Of these I shall enumerate four.

First, an exclusive preoccupation with finance; or perhaps, more bluntly, a confidence in the loan as the universal panacea for all economic ills. There was, I believe, a failure to appreciate what a complex and delicate mechanism the political economy of pre-1914 had been; how many intangible values had been destroyed by a war in which physical destruction was concentrated in a narrow zone. In the preoccupation with finance, and in the reliance upon what seemed to be tried and proven mechanisms, there was a failure to appraise the kind of world in which those mechanisms were to be applied, and the changed political, social, and economic institutions which the financial mechanisms were to supplement. It was not a question of whether the financial mechanism was good or bad in itself; the question was, whether it fitted. The answer was that it never fitted.

The second error of the '20s was the over-loading of the economic machinery with uneconomic residuals. The aftermath of every program of war finance involves a considerable amount of shifting of costs; and in that instance, the settlements of the Interallied Debts and the Reparations were efforts at an international shifting of war costs. There was never any doubt of the validity of the Interallied Debts; the terms were denominated in the bond, and the settlement was far easier than the bond. While the original Reparations claims were exaggerated, the eventual dispositions represented international agreement. Yet within less than a decade both settlements had been abandoned and are now forgotten. The world economy had never supported the residual over-load; the finance mechanism had momentarily made it seem supportable. To quote William Adams Brown, it had "created a facade that masked the true nature of economic problems. It promised escape from radical economic readjustments by making hard and intractable problems appear transitory and transitional. It was a false signpost that made dangerous ways seem safe." The fault was not that our claims for repayment were unjust, or that the Allied claims for reparations were unjust, or that this or that one of the aggregate of loans was imprudent. The fault was that the whole structure was unsound; and the solemn conferences, the ingenious plans, the glowing prospectuses were only the sequences of a charade. This is not to say that the program accomplished nothing; it is to affirm that it could have accomplished more at a fraction of the cost if the uneconomic or anti-economic nature of war residuals had been acknowledged.

The third fundamental error derived from political timidity. The records of the period indicate that warnings were not entirely lacking. Some were shouted down, more were ignored. Others, more influentially placed, were dismissed, as "politically impossible." This proposal would offend France, and that would antagonize England, the other "could never get by Congress." The world never has a surplus of wisdom at its disposal; but the historian, leafing over the records of international conferences, must often be dismayed to discover how much of this scanty store is secretly buried because someone regarded not its acceptance but its mere publication as "politically inexpedient." By what peculiar insight do negotiators recognize this or that suggestion as "politically impossible" without submitting it to the responsible political authority? To a degree, the international financial conferences of the '20s were conducted in a world of conscious make-believe.

The fourth mistake of the '20s has been so often acknowledged that it would hardly be necessary to mention it, except for one peculiarity. In the '20s it was known to be a mistake; the fault was universally recognized; yet little or nothing was done to correct it. As every school boy knows—literally—an international loan is a prepayment of goods. The borrower buys present goods with the loan, the lender buys future goods. This simple fact presupposes two conditions. The borrower must be capable of producing at a specific future time a surplus of goods desired by the lender, and the lender at that specified time contracts to desire such goods and in such quantities. The essence of every successful foreign loan has been the desire for imports—and not imports in general, but the specific products the borrower was capable of producing. This fact is so well known that I blush to repeat it. But it was equally well known in the '20s; and completely ignored.

Present Situation

So far this paper has been phrased in the past tense. Unfortunately Europe's financial needs are in the present tense, and some observations on the present are no longer escapable; indeed, two are implicit in the preceding remarks.

The first concerns the disposition of war residuals. The Interallied debts from the previous war still exist in a state of technical default; and the still larger debts of Lend-Lease from the recent war. I do not see how the financial needs of Europe can be seriously considered until these have been erased from the slate.

Second, I would raise the question whether the immediate needs of Europe can best be met by loans. The loan is a familiar device of international finance, and the gift is not; but we should at least raise the question as to which is the most appropriate—the most "economic" medium for meeting the immediate financial needs of Europe.

The papers in the morning session gave a vivid picture of Europe's needs—food, fuel, shelter, transportation. To a great extent these urgent needs cannot, by their nature, be met from abroad—they are matters of internal social, economic, and political organization. Yet until this internal organization can reach the condition of a "going concern" (and many areas of Europe are not going concerns), it does not seem to me that their financial needs can properly be met by loans in any accepted use of that word.

To a degree, and only a limited degree, they can be met by gifts—gifts which eventually may make Europe able to qualify for loans. The word gift is a hard word, but it is an honest word. But on what grounds can we consider Europe a claimant for our gifts?

If the object of the war was to smash Hitler, that end has been attained and the war is won. But if the object of the war was to save the integrity of Europe and of European civilization, that end has not been attained, and the war is not won. As I see it, the overseas world did not enter the war because Hitler had an economic ideology which it disliked, or because he made war on this or that European state. It entered the war because Hitler denied the integrity of Europe and the unity of European culture; because in attacking European civilization he attacked every people who were spiritual partners in that civilization.

The death of Hitler did not undo his work of destruction, and until Europe has been restored our responsibility has not ended. I do not believe we should approach this responsibility in a spirit of bargaining. There are times for international bargaining, for haggling, for horse-trading. But you cannot trade horses with a fellow who has no horse; and at this time Europe has nothing to trade, and, I think, little that it can candidly even promise.

For the immediate future, I believe that the financial needs of Europe should be regarded as war needs, and met as the war needs were met, in the spirit of lend-lease. The letter of lend-lease expired by statute when the shooting-war stopped; but I believe the spirit of lend-lease shows the economic approach to Europe's financial needs for some time to come.

Wiley Bros. Inc. Is Formed in Nashville

NASHVILLE, TENN. — Wiley Bros., Inc., has been formed with offices in the Stahlman Building to engage in an investment business. President of the firm is David W. Wiley, formerly an officer of Jack M. Bass & Co.

Fraud in Sale of Securities

(Continued from page 2577)

their police power, have enacted laws regulating the sale of securities. Blue Sky laws have no foundation in the common law. They are clearly statutory enactments, enacted to fulfill the needs and meet the requirements of a high and advancing civilization.

It is the sale of the security that is the basis for all Blue Sky regulation under the Ohio law as well as the laws of her sister states. The sale of a security is the hub of the law. Legal prohibitions, such as the prior registration of the security sold, surround the sale, the purpose of which is to prevent imposition — where one person might impose upon another person. It is the age-old conflict — The Strong vs. The Weak.

The sale of securities in violation of the Blue Sky Laws is penalized, and fraud in the sale is always illegal and severely condemned. Fraud in the sale not only involves a penalty under the criminal statutes, but in many states, the Legislatures have provided a civil remedy, as well, in the nature of a remedial statute containing an indemnity bond for the benefit of the aggrieved purchaser, who has been defrauded.

Civil Actions Against Fraud

Our discussion here will be directed principally to civil actions against sellers of securities where fraud has been alleged as an inducement for the purchase.

Under the Common Law, the following elements must appear to constitute actual fraud:

1. That the representations made were false.

2. That the representations claimed to be false related to a material existing fact and did not constitute a mere matter of opinion or future promises.

3. That the party making the representations could by some manner or means have ascertained that it was untrue.

4. That the representations were made with the intention that they be relied upon.

5. That the representations were in fact relied upon.

6. That the party relying upon representations was damaged as a direct result thereof.

It is very difficult, sometimes, to determine whether or not the statements and representations made by the seller are true or false. The most flagrant of frauds are couched in language where it is impossible to find any single statement or representation or a distinct assertion which is false, yet the whole set-up is intended to create an erroneous impression and to leave a wrong inference which tends to deceive and defraud the purchaser. This has been particularly true of securities sold by means of a prospectus. The Supreme Court of the United States has held, in the case of Wiser vs. Lawler, 189 U. S. 260, to-wit: "That a prospectus circulated as an inducement to take stock in enterprises, should be interpreted by the effect it will produce upon **an ordinary mind.**" Fraud is both insidious and subtle, and like the deadly and venemous copperhead, it will strike in the dark and kill without warning.

The Use of the Prospectus

In the administration of our Blue Sky laws, the paramount issue, which always confronts us, is how we can best serve and protect the investing public. There are instances where a civil action for recovery in the sale of securities by the aggrieved purchaser, where there is fraud in the sale, is highly desirable and accomplishes much more good than a criminal prosecution by the state. In the registration of securities under our Blue Sky laws, I think we should bear this fact in mind, that in certain cases we should not place the purchaser of securities in such a position where he is estopped from bringing a civil action for recovery where fraud might exist in the sale. To more particularize, I refer to a case where we require that securities be sold by means of a prospectus. The seller, at the time of the sale, may have the purchaser sign a waiver of his right to recover upon the ground that all representations made to him are wholly contained in the prospectus when, as a matter of fact, the most material and false representations upon which he relies and which induce the sale, are **oral.** Although the seller may be able financially to pay for his fraudulent acts, yet the purchaser is estopped from proceeding against him. This example sometimes emphasizes the weakness of the use of a prospectus in the sale of securities which tends to disarm the purchaser rather than benefit him in case there exist fraudulent misrepresentations. Certainly no one here will admit that the prospectus is a perfect, silent salesman.

Now, what constitutes representations as to existing and material facts as distinguished from future promises, statements of opinion, puffing, etc., by sellers of securities? To fully understand this proposition, let us examine our Blue Sky laws to determine the character and legal Blue Sky status of the sellers and their relationship to the purchaser.

The Dealers' Position

Sellers of securities may properly be divided into two classes; First—the officers of small, closed corporations who sell its securities as issuers without a commission for selling and without a trained selling organization. Transactions of this character by so-called amateurs, may be undertaken under the Ohio law without a license and in most cases by only a perfunctory filing in the Division.

The second class is those who make it their regular business to sell securities. Unlike the first class, who are not skilled in the art of selling and consequently are presumed not to be able to inflict great harm upon the investing public, the second class of sellers are considered to be expert in the securities business with an organization trained in the art of selling. The second class are dealers. Blue Sky Laws require not only that the dealer be licensed, but that each salesman working for him also be licensed. The licensed dealer always receives a commission for selling, the amount of which commission is regulated in most states having Blue Sky Laws, even though he may have no pecuniary interest in the corporate issue. The selling of securities is his business and his livelihood. The license itself denotes that he is a privileged person under the law, for without such license he is impotent and could not legally approach the purchaser and make a sale. A higher degree of duty is, therefore, imposed upon licensed dealers of securities under the Blue Sky Laws than upon others who are legally permitted to sell securities without a license.

If there exists alleged fraud in the sale, the Courts should look into the background of the seller in order to determine, among other things, the character and status of the seller. Is the seller, by reason of his license, a superior person where a so-called confidential relationship between him and the purchaser might exist? If such a confidential relationship does exist, is what might be termed "puffing" a misrepresentation as to a material fact? Does the purchaser rely more strongly upon the statements and representations of a licensed dealer than upon the statements and representations of an official of the issuing company, who is not licensed by the state? The answer to all of these questions, in the determination of the existence of fraud, is important because fraud in the sale of securities should be determined not alone by the common law definition of fraud, but also in the light of Blue Sky legal authorities and practices. Our courts, in the sale of securities, where fraud is alleged, should look behind the scenes and should consider the relationships of the parties as they exist under the present Blue Sky Law of that particular state where the action is brought.

Under Blue Sky Laws and in the application of Blue Sky statutes to transactions in securities where fraud is alleged in the sale, the courts universally hold that a purchaser of securities "does not stand at arms length with the seller" and the common law rule of "caveat emptor" does not apply.

In most cases, the seller or the party making the representations shall be deemed to have knowledge of any matter of fact concerning such security offered for sale by him. There is imposed upon him by a statute a legal duty to exercise reasonable diligence in ascertaining the truth with reference to the security sold and to speak that truth to the purchaser at all times and nothing else.

Because of the high duty imposed upon those who sell securities under Blue Sky Laws, innocent misrepresentations, in some instances, have been held to be actionable whether or not there was proof of an intent to deceive or defraud upon the part of the seller. All statements and representations made by sellers of securities are usually made with the intent upon the part of the seller that they be relied upon by the purchaser and conversely and likewise, the purchaser is presumed to and does rely upon the statements and representations of the seller. However, proof of reliance by the seller is always important and may be fatal to recovery, if omitted.

The Assessment of Damages

The question of damages also presents a unique situation in civil suits where fraud is alleged and proven in the sale of securities. What is the measure of damages in such cases? What is the yardstick that should be used in measuring damages? The rule of law as laid down by the Supreme Court in Ohio in civil suits in fixing a standard for the measure of damages where fraud is alleged in the sale of personal property, is as follows:

"The measure of damages resulting, from a sale induced by a vendor's fraudulent representation is the difference between the actual value of the property at the time of the purchase and its value had it been as represented." (Molnar vs. Beriswell—122 Ohio State 348.)

The application of this rule to all cases where securities were sold under misrepresentation would generally fix the *date of the sale* as the time for the measurement of the damages, although the securities may have been bonds and were purchased for investment purposes and laid aside for that use. And, in addition thereto, a fictitious market may have been maintained by the seller for a considerable period of time after the sale was made or until the issue was finally disposed of, which did not reflect the true value of the securities at or near the time of the sale.

The Supreme Court of New York, approaching this legal proposition from a Blue Sky standpoint, in the case of Hotaling vs. Leach and Company (247 N. Y. 84; 159 N. E. 807) rendered an opinion in a case involving the sale of securities by fraudulent misrepresentations of which the following is a part:

"The loss proximately caused by the defendant's fraud is the difference between the price he paid and the value of what he received when put to the use contemplated by the parties."

As we have already indicated, there is a difference between the character of sellers of securities, as there is also a difference between the character of various securities, which difference is clearly recognized in the application of our Blue Sky Laws. Bonds, by their very nature, partake more of the characteristics of investment securities than do shares of common stock. The latter are usually more speculative. Investment securities, on the other hand, are not always subjected to the same rule of Blue Sky regulation and prohibition in their sale as are speculative securities. Whether or not a security is purchased for speculative purposes to be sold in a bull market or whether or not it was purchased for investment purposes and laid away in a safety deposit box, without regard to market quotation, are subjects which our courts should weigh and consider in fixing the measure of damages. Certainly, Blue Sky Laws should not be excluded in fixing the measure of damages in cases involving the sale of securities.

We have attempted here to discuss fraud in civil actions in the sale of securities from a Blue Sky standpoint. We believe a better understanding upon the part of the lawyers and courts of this important subject will be extremely helpful not only in the administration of our Blue Sky laws but in the protection of the investing public, which should always be our profound duty and great responsibility.

A Program of Education

(Continued from page 2577)

leased from military service, because we feel there is a large and important vocational field in the financial enterprise throughout the country, particularly in investment banking.

I will quote a paragraph from our vocational booklet which might well be regarded as a statement of policy by our Association.

"We believe that the man who enters Investment Banking, needs one thing above all else—character. Lacking this, nothing else counts for much. Next, he must have intelligence, mixed with a lot of plain common sense. The salesman must know **all about** the securities he is selling, and he must know more about the needs of the client than the client knows himself. That is the combination that is most likely to bring success in this business."

First School Established

The first comprehensive training school to be established by our Association, was opened in Chicago, Wednesday of this week, with 51 registered students from 32 member organizations. This course is being conducted by the School of Commerce of Northwestern University, and includes as one of its important study topics, a section devoted to Federal and State regulation—a subject which is of great and continuing importance to everyone in our business.

An outline of the course as presented by Northwestern University, which was recently circulated among our members, describes its objectives as follows:

1. To learn the nature of the various kinds of securities.

2. To understand the general principles and practices of financial statement construction and the interpretation of such statements by informed buyers of corporation securities.

3. To know the practices of corporations that investors commonly discuss in connection with their investments, such as dividend policy, mergers, refinancing and reorganization.

4. To become familiar with the practices of the securities markets.

5. To acquire the vocabulary of finance.

6. To appreciate the considerations and needs which influence investors in the selection of investments.

The subjects covered by the course, include a study of:

Economic Functions of Investment Banking
The Instruments of Investment Banking
How to Read Financial Statements
Analysis of Major Classes of Securities
Special Financial Problems of the Corporation
The Marketing of Securities, including organization, distribution, regulation and markets. And,
Security Buyers and Their Needs.

During 1946, it seems likely that there will be established at least seven other training schools which will be located in major financial centers. A feature of the course which has attracted considerable interest, is that in addition to regular classroom lectures, we have arranged a series of discussion sessions which will be presided over by leaders in the selected fields of study.

Caution to Investing Public

We have discussed the selection and training of young men entering the business, but we are not unmindful of the importance of reminding the investing public of the dangers of fraudulent and unintelligent transactions, especially in periods of great market activity such as we are now experiencing.

I am aware that your Association has also devoted its attention to the program of education, and in doing so, you have offered a challenge to us which we willingly accept in a spirit of full cooperation. It seems apparent that if your Association and ours, continue to pursue the problem of education in our separate spheres, that the results are certain to be of great benefit to the nation's economy, particularly, to the private investor.

We will continue our efforts to attain that idealistic state in which a well informed seller completes a satisfactory transaction with a well informed buyer.

Gerstley, Sunstein to Be NYSE Members

PHILADELPHIA, PA.—William Gerstley, II, will acquire the New York Stock Exchange membership of A. Richard Frank and the firm will become Exchange members effective Dec. 6th. Partners in the firm, which is located at 213 South Broad Street, are Leon C. Sunstein, Isaac Gerstley and William Gerstley, II.

Froelich Resumes as Pershing Co. Partner

Louis B. Froelich, member New York Stock Exchange, has rejoined Pershing & Co., 120 Broadway, New York City, as a general partner. Mr. Froelich has served as a Lieutenant in the U. S. N. R. for the past three years.

Two With Peter Morgan

Peter Morgan & Co., 31 Nassau Street, New York City, announce the association with them of Lieut. John R. McDonnell, USAAF, and L. N. Parker.

The Stock Exchange's Place in Finance

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buy, sell or deal in securities in your respective States.

The Chicago Stock Exchange certainly welcomes the opportunity to submit itself, its organization and its techniques to you for this purpose. We want you to examine not only these techniques and our organization, but we want to point out our function in the financial world and our hopes for future service to the public in the Middle West who deal in securities on our Exchange. Those of you who may have known the Chicago Stock Exchange in earlier years and were familiar with its problems will recognize the revolution that has taken place in our business.

A story is told of a proverbial mountaineer who was not too familiar with the many luxuries of civilization and who was wandering far back in the hills of his homeland. He came across a spot where some tourists had recently camped. Rummaging around the camp he found a mirror which had been left behind and which was entirely strange to him. He took a long look into the mirror and in astonishment exclaimed, "Well, if it ain't a picture of my old pappy! I never knowed he had his picture took." He carried the mirror home and cautiously stole into the attic and hid it under a pile of old clothes and odds and ends. His actions, however, aroused the suspicions of his wife and that night, while he was asleep, she slipped up to the attic to find out what it was all about. Eventually, she found the mirror and carefully examined it in the light of the bright mountain moon. She, too, was astounded and exclaimed, "So that's the old hag he's been running around with!"

Instead of giving each of you a mirror and causing similar confusion among you as to what you might see, I would like to describe some of the reflections that a mirror would show if turned on the Chicago Stock Exchange.

The Chicago Stock Exchange

I am going to assume that you have never heard of the Chicago Stock Exchange. (Although goodness knows we have made every effort to keep that from happening.) To prove to you that there is indeed much misunderstanding about stock exchanges by people, I cite some answers from polls which indicate what the public really thinks a stock exchange does. Opinions expressed ranged from, "a place where livestock is led to slaughter" to "a place where bundles of certificates are taken to the floor and dumped in the laps of people who scramble to buy them." Surprising as it may seem, this latter opinion has been expressed by people who have actually used the facilities of the Exchange. Of course, neither is correct, although some of our critics have tried to find some similarity to the stock yards procedure of sheep being led to slaughter by the Judas goats. Seriously, however, the most common misconception that prevails in many minds is that a stock exchange itself buys and sells securities. I want to definitely correct this misconception above all others. The Exchange is a **meeting place** where the public, through individual and firm members, may freely bid and offer securities in a **direct** and **open** market in competition with others who also wish to buy or sell those securities. I also particularly want to point out that the Exchange is not a private club. True, the floor is private to all but members and trading on the floor takes place through members, but **membership** on the Exchange is open to **any** reputable person, firm or corporation who can meet the rigid requirements for membership. Generally speaking, these requirements are a clean business reputation, a record of financial responsibility and integrity, experience, and an organization equipped to do the particular type of business it intends to engage in. Members of the Exchange must, as a voluntary act, bind themselves and their organizations to follow prescribed rules and regulations laid down by the Board of Governors regarding transactions not only between themselves but on behalf of their customers. The government of the Exchange is formed along the democratic principles of the election of the board by the membership. Outside advice and guidance is sought from men of unimpeachable reputation who have no connection with the Exchange and who each year are chosen as independent advisors to the board. The present four advisors of the Exchange are leaders in the industrial and banking circles of the Middle West. I want to point out to you that all these men are charged with the direction of the policies of the Chicago Stock Exchange and exercise powers of business life or death over the membership of the Exchange through a non-member staff which enforces the rules and regulations of the Exchange and promotes its interest and welfare. If I read all the detailed rules and regulations of the Chicago Stock Exchange to you I am sure you would be as confused as I would be reading the detailed regulations of OPA, WPB, WLB or the numerous regulations of other agencies of the Federal Government and you would probably conclude that the Exchange is more of a bureaucracy than any of those agencies that we discuss in our present form of Federal government. But, I would like to outline some of our purposes. First, the standard of eligiblity for membership on the Exchange is strict and entails meeting not only standards of experience, reputation and business integrity but sets well defined capital requirements for membership that are far above those of any other regulatory body. You can readily see the necessity for this as the orders and proposed contracts of people from all walks of life are handled on the floor of the Exchange. In order to strain out those of illegitimate and irresponsible intentions, the funneling process must be narrowed to those who must take the responsibility for the acts of their principals. The legal foundations of partnerships and corporate members are scrutinized and subjected to approval by the Exchange. Employment of member associates and salesmen, office arrangements, private wire connections with non-members, the conduct of accounts, financial transactions which have even an indirect result on ability to properly protect equities of money or securities belonging to others are closely examined and regulated by the Exchange. When you do business with a member of the Exchange, therefore, you are doing business with a firm who not only has voluntarily pledged itself to abide by these regulations, but is prepared to sacrifice its business life if it errs. It also has an organization to observe and command compliance with these regulations through its vigilance. Transactions made through and by members of the Exchange are on a definitely prescribed basis that can be readily ascertained by the smallest customer. The Exchange prescribes how bids and offers shall be made, how transactions shall be cleared, how actual certificates shall be delivered to settle such transactions, and has, over the years, tried to erect every feasible protective measure to assure that customers' transactions are on a fair and equitable basis.

The mere presence of all these rules and regulations on the books of the Exchange would mean very little if the Chicago Stock Exchange did not employ a capable and adequate staff of officials and accountant investigators to make audits and checks on the transactions of each of our members who do business with the public. Our auditors are among the most capable brokerage accountants in the country. These men go through a rigorous training to develop not only this accounting knowledge but to develop their instincts for detecting irregularities. The Exchange believes there is no substitute for vigilance, but at the same time education and thorough explanation of Exchange policies and practices is one of the most important functions of our auditing staff. After many a routine inspection of our member's office, with suggested changes in both the business methods and accounting records of a member firm, these men are invariably asked if they won't leave the Exchange and take over the reconstruction job themselves.

If any of you ladies and gentlemen took advantage of our invitation to go on the floor of the Exchange during the trading session yesterday, I can assure you that, while your impressions may have been confused, each movement, each sign, each shout by the floor members and their employees had a purpose and that after the transaction the steps necessary to complete the transaction also receive as thorough and complete supervision as is humanly possible. What occurs on the floor of the Exchange represents only the beginning of a transaction, while behind the verbal contracts are very carefully planned steps to clear, settle and complete the transaction. This latter part of the Exchange is very seldom taken into consideration when its real functions are discussed, but is a part that makes a large contribution to the proper conduct of the securities business. The Exchange system of trading is an intricate piece of machinery, voluntarily designed to bring all public and professional bids and offers together at one point on the floor of the Exchange so that those buyers and sellers have the advantages of direct and open dealing with each other at the same prices.

Listing Requirements

In addition to the regulation of members, the securities that are made available for trading on the Exchange are subjected to standards of legality, going concern probabilities and definite requirements for uniformity in reporting to stockholders. Not only the informative material prescribed by the Securities and Exchange Commission in connection with registration of the securities is required for listing on the Exchange but contracts are made with the Exchange that cover many uniform corporate procedures such as mechanical checks on the issuance of certificates which are established by contracts between independent corporate fiduciary agents and the Exchange. The listing of securities does not mean that a corporation is going to be successful, but there is a clear implication from listing that the corporation, at the time it comes to the Exchange, is free from fraud and legal pitfalls which might deprive stockholders of otherwise assumed rights and that there has been a clear demonstration of the ability of management to run the company.

Its Place in Finance

I have told you what the Exchange is and something of what it does in general terms. The job I undertook for your President was to describe "The Stock Exchange's Place in Finance." I am not an economist nor am I a financier, but one could hardly serve as an official of a stock exchange for 16 years without recognizing the many definite places in finance occupied by the Chicago Stock Exchange.

Listing and trading the securities of a corporation on the stock exchange establishes the credit of that particular company in the capital markets of the territory served by the Exchange; the "capital market" being the accumulated surplus funds of all potential buyers of securities in that territory. Through our many firms, that capital market is centered not only on the Exchange but also is available to the over-the-counter market. The fact that Exchange markets are centered in one place, openly recorded and transactions reflected in published reports, aids in more firmly establishing the credit standing of a particular listed corporation in the capital markets of the territory served by the Exchange. While ordinarly the Exchange market is in small units of trading, it is the only method of accurate public appraisal of the equity of that corporation and records what the public things of its possibilities and probabilities for a successful earning and asset record. If a corporation's shares currently sell at $10 and the corporation has 100,000 shares outstanding, it is logical to assume that the equity of the common stockholders of that corporation is worth somewhere in the neighborhood of $1,000,000. Now what does this mean to the corporation in carrying out a program of financing? It means at least that the public has shown a willingness to pay a certain amount for the pro rata share of that corporation that is represented by the number of shares purchased. It also means that apparently no owner was willing to sell his shares for less than that price. It would naturally follow that the corporation would be able to easily obtain further equity capital if it offered the stockholders the opportunity to subscribe to additional shares near that publicly established price. One can hardly dispute the purpose served by the Exchange in this connection. On the other hand, factors which tend to influence prices are obvious to all. An over-supply of sellers or an over-supply of money to buy those securities will distort the accurate normal appraisal of the equity of that corporation.

Now let me give you an actual illustration of how the machinery of the Exchange was used not only to thus establish the credit of a particular corporation in the capital markets of our own Middle West, but has led to the subsequent establishment of the credit of that corporation in the capital markets of the entire nation. Prior to 1928 there were five small but well-established manufacturing companies in the Middle West whose securities were listed on the Chicago Stock Exchange. The trading in the securities of those five companies closely followed the corporations' progress and their shares each attained stature in our market. Each of the five companies, having successfully established its credit in our capital market, was recapitalized through the issuance of rights to its stockholders. A point was reached in the recapitalization where the shares of all five companies were of comparable price, earningswise, assetwise and marketwise on the Chicago Stock Exchange. A merger of these companies was effected by an exchange of shares and a very substantial consolidated company resulted whose shares were also listed on the Exchange. The size and scope of the operations of this consolidated company eventually called for additional capital. The company went to its stockholders and, using the market price of its stock on the Chicago Stock Exchange as a public appraisal of its common stock equity, the company raised an additional $11,000,000 through the issuance of rights to its shareholders. This was only the beginning of the expansion of one of America's greatest industrial corporations. During the year following 11 additional operating subsidiaries which supplemented the activities of that particular company were purchased outright by using shares of stock which were being currently appraised on the Chicago Stock Exchange by these publicly recorded transactions. The picture today is that of a corporation whose assets total more than $137,000,000 and whose operations are firmly tied together in a well integrated unit owned by more than 19,000 shareholders. Many corporations followed this pattern by availing themselves of this reservoir of venture and investment capital; some were successful and some were not—but during the two years of 1928 and 1929 the Chicago Stock Exchange was used as a medium for financing industry to the extent of over $1,000,000,000 through the issuance of rights to stockholders alone.

Contribution to War Financing

You may not realize it but you are listening to the how and why America has just won the greatest victory of all history. The Chicago Stock Exchange and the entire securities industry is justly proud of its part in this contribution to victory. Our American system of financing needs no defense in view of these results. This basic system is still being used today.

Our rules and regulations, our functions and our hopes are all directed toward providing the most serviceable markets possible on the Chicago Stock Exchange for buyers and sellers of securities residing in the Middle West and thus increase the reservoir of capital for Middle Western and national industries. The acceptance of the Chicago Stock Exchange as a medium for placing venture as well as investment capital is increasing every day. The number of members of the Chicago Stock Exchange has also increased and our membership now consists of 140 well capitalized and well organized firms and corporations who do business with and for the public. A geographic expansion has also taken place in recent years with substantial firms and corporations in Wisconsin, Minnesota, Nebraska, Colorado, Missouri and Pennsylvania recently becoming members of the Exchange. We now have more substantial firms and corporate members doing business with the public than we have ever had in our history. You commissioners should be intensely interested in our efforts because these efforts to promote just and equitable principles of trade will inevitably decrease your burdens and problems. That is why we invite you to look at us closely and give us your cooperation and your constructive comments.

Maj. Falk Resumes as Active Partner at Samuel

Ralph E. Samuel & Co., 115 Broadway, New York City, members New York Stock Exchange, announce that Major Myron S. Falk, Jr., A. U. S., has been released from the service and has resumed his position as a general partner in the firm.

H. I. Josey Opens Firm

OKLAHOMA CITY, OKLA.—Harold I. Josey has formed H. I. Josey & Co. with offices in the First National Building to engage in the securities business. He was formerly with Oklahoma Gas & Electric Company.

Post-War Supervision of Securities Dealers

(Continued from page 2577)

itself. This self-government of the investment industry has done much to date to eliminate fraud and the undesirable element from the brokerage business. To date the largest dealers' association, the National Association of Securities Dealers, has functioned well.

It appears that the United States is entering upon an era of unusual business expansion similar to that which followed World War I. It is equally likely that a comparable expansion in the securities business will occur. Should this happen the self-government theory will face a severe test. If the dealers' association is equal to the occasion the theory of self-government is definitely vindicated. Such vindication should go far in assisting the securities business in eliminating much asserted burdensome Government regulation.

Should the self-governing association fail, it is almost a foregone conclusion that more Government regulation will follow. The failure will occur only if the majority of dealers, large and small, decline to assume and effectively discharge the obligation which the privilege of self-government imposes.

Supervision From Dealer's Standpoint

Return to the first premise—supervision from the dealer's viewpoint.

Few men relish Government regulation of their own business. Investment brokers in the United States with few exceptions find it expedient to maintain membership in a trade association as a result of the Maloney Act.

The Maloney Act, among other things, provides a vehicle for self-government by members of an investment trade association. The dealers' trade association in the recent years of small volume has shown the ability to supervise its members. But the privilege of self-government carries a solemn obligation and a harsh penalty. The situation is similar to our citizenship.

From the minute the better element of the investment banking business organized under the N. I. R. A. in California, self-governing dealers' associations proved they were competent to cope with fraud and punish member and nonmember brokers. Today the brokers' and agents' swindle is rare. This is a remarkable record to establish in the Golden State, once known as a paradise for investment swindlers.

The questions now to be answered are:

Will prosperity consume all the dealer's time?

Will a big volume and increased profits drug the dealer's sense of the responsibility contemplated under the Maloney Act?

Will the dealer surrender the freedom of self-government for regulation by the State in order to pursue the prospective profits of a bull market?

The dealer association has proven to be an admirable supervisor. The system of free enterprise demands that this efficient self-government be maintained.

Supervision From Government Standpoint

Now, to consider the second premise: Supervision of dealers from the Government administrator's viewpoint.

The judicious securities administrator will assist wholeheartedly in promoting self-government regulation. At the same time this State agency, if wise, will prepare to enforce the law regulating brokers should the industry fail. In any event there must not be a recurrence of conditions which marked the opening of the century, when the laissez faire doctrine ruled the field of finance. If that should occur total regimentation of the industry would follow.

The steps for the Government agent to take are obvious.

1. Tune up the fraud prevention machinery in the securities department.

2. Keep on the alert for fraudulent schemes.

3. Deal firmly and promptly with fraud cases.

4. Enlist the support of reputable brokers and businessmen.

5. Above all utilize the facilities offered by other Government law enforcement agencies.

This policy has been carried out successfully in California for more than a decade. It has paid handsome dividends to the commonwealth, the investors, the dealers and the department.

Once legitimate business produces a large volume of securities sales, the Wallingfords will surely try to sandwich in their nefarious swindles. It should be remembered that as "hope springs eternal in the human breast," so love of quick profits springs eternal in the promoter's chest.

In dealing effectively with fraud, prevention is preferable to prosecution. With this in mind and in anticipation of post-war activity, the California Legislature in 1945 created a Department of Justice. An important division of this Department is the Central Fraud Bureau. Through this Bureau every law enforcement agency in the State has an opportunity to clear records. The Central Fraud Bureau also collaborates with the United States Government and principal police departments throughout the country. Through this service known swindlers may be identified easily and accurately.

The Securities and Exchange Commission maintains an efficient fraud bureau. Utilize it and supply the SEC bureau with vital information promptly.

A stern policy in dealing with swindlers is recommended. It should be remembered that the certainty of punishment and not always the severity of the penalty is the surest proven crime deterrent. Therein is a master key for quickly halting the growth of fraud.

Canadian Mining Stocks

There is one vexing dealer problem facing securities administrators in the United States. Uncle Sam has the power to solve it. I refer to the illegal selling epidemic of mining stock emanating from one of our neighbors. One effective solution would be an adequate treaty.

It is recommended that this convention consider seriously this problem and take appropriate steps to urge that the Congress immediately act to halt the flood of spurious mining shares into this country. In the United States the securities brokerage business is circumscribed by a multitude of laws and restrictions. These laws are rigidly enforced. The Congress has gone to great lengths in an effort to safeguard the interests of the investor and the widow and orphan. The professional stock swindler today usually thinks twice before launching a stock-selling swindle from within the United States.

The same type of swindler may walk across the international boundary line and successfully flood the United States with avalanche after avalanche of spurious shares apparently with a feeling of perfect safety.

This menace to the investors of the United States should be brought forcefully to the attention of the Congress. It is almost a certainty that the Congress would act to meet this situation if the full facts are made known to our representatives. It would seem inconsistent for the Congress to go to the length it has in protecting the investors in the United States from domestic swindlers but by failure to act, permit the same swindlers to proceed unrestrained over an international borderline.

Why An Inferiority Complex In Business Leaders?

(Continued from page 2584)

I have seen of the leading spirits in the War Advertising Council I know that I do not have to prove to them that in public relations there is no such thing as a one-way street. There are, however, many people who don't know this, and when they are reminded of it, prefer not to believe it. Washington is full of lobbyists who in international trade want to sell without buying, to export without importing, who want to cooperate with foreign governments if they will always agree with us, who feel that when foreigners make a concession that is only our right and the least we are entitled to, but that when we make a concession we are being too noble for words. Because there are so many of these people, responsible public men, spend at least as much of their time, and the better part of their energy, not in defending and advocating the case for the legitimate and vital interests of the United States in negotiation with foreign governments, but in arguing with their colleagues, and with men professing to represent the public, to let them have a case to advocate and defend which really does represent the legitimate and vital interests of the United States.

You have to do the same sort of thing. You could not get out of doing it even if you wanted to. For the position of the businessmen (who are your clients) is now such that their future is certain to be dark, turbulent and tragic if they are not strongly led by men who take seriously, and take regularly, honest and wise advice on the world they are living in, the character of the age to which they belong, and the best that is being thought and said. If anyone thinks I am exaggerating the necessity of all this, let me remind him that whereas 50 years ago, even 25 years ago, the system which we call free enterprise was universal among all economically developed countries, today the United States is the only big industrial country now committed to the perpetuation of free enterprise.

An Enlightened Public Policy

Anyone, therefore, is deluding himself dangerously if he imagines that the businessmen who lead American free enterprise can survive successfully without considering an enlightened public policy as much a part of the business of being directors and managers as is scientific and technological research, production, financing and merchandising.

If any one of them imagines that consideration of public policy can be treated lightly, improvised without prolonged study and consultation and self-examination, or settled by saying the hell with the New Deal, the hell with the labor unions, the hell with the Russians, the hell with the British, the hell with all foreigners, politicians, professors, theorists who do not have to meet a payroll, they are talking and acting exactly like all other governing classes who throughout history were on their way down and on their way out.

A wise Frenchman, de Tocqueville, who himself belonged to the old aristocracy of France, once made an inquiry into the reasons why, during the revolutionary period before and after the Napoleonic Wars, the French aristocracy fell from power, except in fashionable society, while the British aristocracy not only survived but let the British nation into and through the period of Britain's greatest influence and prosperity. The difference was, says de Tocqueville, that the French aristocrats clung so grimly and stupidly to their privileges that they lost their power, whereas the British aristocrats gave up privileges whenever that was necessary in order to retain their power. Nothing that has ever been said, it seems to me, is so pertinent to the peculiar position of American businessmen in the years that lie ahead of them. They will need to take it to heart. But they will be able to take it to heart only if they use their heads.

Unwise Friends of Business

I often wonder whether American businessmen and our system of private enterprise do not have more to fear from their unwise friends than from their severest critics and their ardent opponents. In saying this I do not for a moment mean to underestimate the force and the sweep of the tide which throughout the world is running towards socialism and one from or another of government management and direction of investment, production, and trade. There can be no doubt that the competitive system as such now has formidable rivals and competitors. The system of private competitive enterprise is no longer, as it was in the Nineteenth Century, the accepted, and natural, the unchallenged order of things in all economically advanced countries. Today, and for as long a time ahead as any of us can see, we shall be living side by side with and shall be trading with and shall be seeking to maintain the peace with, countries which are for the most part organized on a different principle from our own.

It is precisely because our own system now has such strong rivals, it is precisely because it will call for the highest kind of statesmanship to make the mutual adjustments, that we must above all make sure that American business is led by men who are cool, calm, and collected. For you, for the work which is yours to do, the beginning of everything, the primary condition of success, is that there shall be no panic, no scare-mongering and hysteria. Just because the world we are living in is turbulent, difficult, and dangerous, it is peculiarly necessary that the business community be unfrightened, confident and that it should set itself firmly against false alarms, stampedes. In the Army this is called discipline and morale, and it is when things are toughest that discipline and morals are most needed.

I have spoken of the unwise friends of business. Let me describe them to you, not by name, but in the form of a composite picture. They are to be found in politics, on public platforms, on the radio and in the press, and among publishers of confidential sheets which profess to give the inside dope, the low-down, and the dirt. At the lower end of the scale they are demagogues who conduct what is in the exact sense of the word a racket. They prey upon the most innocent and gullible of the businessmen, and their racket consists first in scaring the life out of their victims and then setting themselves up as the stalwart defenders of the businessmen against their enemies. The more they can frighten businessmen, the more their own particular business flourishes. They paint a wholly false picture of the world. They make it out that the American business community is beset on all sides by enemies, that it is attacked by the government, the labor unions, the college professors, Russia, Britain, that all about the businessmen there is conspiracy, persecution, and mortal peril. Every dog that barks they describe as a wolf, every cat is a tiger, every sparrow is a vulture.

When you remember that the American economy is in weight of productive power about half the economy of the world, that it is economically the most powerful, and technologically the most progressive on earth, that it has just emerged triumphantly from the test of war, and that the people of this country know and all mankind knows how great have been its achievements—when you think of all that, it really is annoying to have the American businessman portrayed to himself and advertised to the world as a poor little helpless frightened creature quaking in his boots.

Business Needs Confident Leaders

Of course, businessmen have their troubles. But anyone who expects to live an active life without trouble should have seen to it that he was born somewhere else in some other period of history than this one. I think it is time the business community dismissed the people who impair their dignity, undermine their confidence, impugn their self-respect, and in their everlasting whining and wailing seem to have forgotten that a businessman is first of all a man, and must have the manly virtues. Let the captains of industry be captains indeed, and go forward unafraid into the days to come. Let them send back to the rear all those who would mother them, baby them, worry over them until they are so softened up with false sympathy and fear that they lose their nerve.

They have to live and deal with governments, with labor unions, with popular movements, and the only way to live in such a world is not to have an inferiority complex about it. The men who manage American industry have no reason whatsoever to feel inferior to government officials, politicians, newspaper editors and reporters, college professors and labor leaders. There is a lot the businessman does not know and will have to learn. But that is true of everyone else.

You can do no greater service for businessmen and for the American economic order than to attack this inferiority complex, whether it expresses itself as irrational fear or as a pretense that the man who has it already knows everything and has nothing further to learn.

If you can do that, you will have broken down the inner core of obstruction and distortion in the public relations of the American business community. I have no doubt you can do it if you become convinced that it must be done.

Frank Filip Forms Own Firm in Cedar Rapids

CEDAR RAPIDS, IOWA.—Frank Filip has formed Frank Filip & Co. with offices in the Higley Building to engage in an investment business. Mr. Filip has recently been with Lynn Swaney & Co. in charge of the municipal department. In the past he conducted his own firm in Cedar Rapids.

Maj. W. P. Kinsey Rejoins J. Arthur Warner in Phila.

PHILADELPHIA, PA.—Major W. Patton Kinsey, recently returned from service with the Air Corps, has joined J. Arthur Warner & Co., 1421 Chestnut Street. He was formerly associated with David Jester, Jr., present Manager of J. Arthur Warner & Co.'s Philadelphia office.

Peacetime Problems and Fiscal Policy

(Continued from page 2575)

This is the way in which foreign victories are treated by old and declining countries, with old and declining ways of life.

But to a young country, such as ours, with a young and vigorous way of life, victory does not mean relaxation. It is in itself the greatest challenge of all; and to the United States, victory in this war must be taken as a challenge and as an opportunity to advance to new standards of achievement and to show, both to ourselves and to the world, the accomplishments of which our system of free enterprise is capable.

What War Taught As to Economy

The war has taught us two important things about our own economy. In the first place, it has shown us that, when the people and the Government of the United States want to do a thing and consider it of sufficient importance that it be done, the whole resources of the country can be mobilized for its accomplishment if we have enough time. This was the case with the war. Winning the war was rightfully considered to be all-important. So we did our best to call into service every human and material resource which the country had at its command, and to put it to use either directly for the war effort or for the maintenance of the civilian economy. And we may be thankful that once again fortune allowed us to borrow some time, although the grace period was scarcely sufficient.

One of the tangible evidences of our total mobilization was what happened in the labor market. There were more jobs than people seeking work. This was not only an evidence of our waging total war, but was a very desirable condition for our people. We saw what full employment can do to alleviate suffering. We saw what full employment can do by way of increasing purchasing power, and how people with jobs can "eat up" most of our so-called surpluses.

The second thing which the war has taught us about our own economy is its tremendous productivity. Our gross national product increased from $89,000,000,000 in 1939 to $199,000,000,000 in 1944. Some of this, of course, represented an increase in prices, but the product of the country, expressed in real terms, increased by about 75%.

We must now possess the intelligence, industry, and purpose to apply these primary lessons of the war to our peacetime economy. These lessons simply are that our economy under the free enterprise system has a tremendous potential productivity and that this productivity can be realized when we are of a mind to do it.

During the peak of our economic mobilization for war, nearly half of our resources were being applied to the single task of achieving victory. During the fiscal year 1945, the United States Government spent $91,000,000,000 for war purposes. Yet, so great was the increase in our aggregate production, that our civilian population enjoyed a higher and more widely diffused standard of living than ever before in the history of the country.

Most of the nearly half of our resources, which were so recently devoted to the single purpose of waging war, are now being returned to the service of peacetime industry. The return of these resources to civilian production can and should mean that the people of the United States have an opportunity to enjoy a much higher standard of living than ever before.

Of course, we cannot and should not expect to maintain under peacetime conditions all of the methods by which production was increased during the war. Part of the increase in our production during the war period was due to drawing into the labor force students who, under normal conditions, would be in our schools and colleges; housewives who, under normal conditions, would be tending to their homes, and old people who, under normal conditions, would have retired. Another part of our increased production was due to overtime work and to the special intensity of effort which is appropriate only to a wartime period. Another part was due, perhaps, to overdrafts on our natural resources.

These sources of increased productivity were necessary during the war—when we were buying time and trying to compress the greatest possible product into the shortest period in order to bring an overwhelming force to bear on the enemy. Such sources are out of place, however, in a peacetime economy; for they can be obtained only at the sacrifice of values, such as health, education, and home life, which are more important, under normal conditions, than the increase in physical product which their sacrifice would make possible.

Goal, A High Level of Production

On the opposite side of the ledger from those methods which increased the national product during the war years, but which will disappear in time of peace, must be placed the possibilities of applying to peacetime production the new techniques which have been devised and the fundamental scientific developments which have occurred during the war period.

The differences between wartime and peacetime conditions of production are many and complex, but they must not be allowed to obscure the basic fact that our economy can produce prodigiously either in war or in peace. In order to realize this potential today, it is necessary that we integrate our social and economic policies so that they converge on the goal of a high level of production, employment, and national income, just as during the war we integrated all our policies to converge on the goal of victory.

The policies which must be integrated to converge on this goal include those relating to taxation; small business; competition; labor, management, and wages; foreign trade; social security; agriculture; public works and construction, and fiscal policy. I cannot hope to touch on all of these here, and I shall comment only upon taxes and the public debt, two matters particularly under my jurisdiction as Secretary of the Treasury.

Modernization of Tax Structure

The modernization of our tax structure, in my opinion, is the foundation of our entire program for maintaining full production and full employment in the postwar period.

The Revenue Act of 1945, approved this month, is a significant step in the right direction. It does two things of the utmost importance.

First, it repeals the excess profits tax. This puts business planning and business initiative on a peacetime basis and makes it possible for businessmen to plan programs of expansion with more confidence. It makes it more worthwhile for businessmen to seek economies of operation, and so paves the way for lower prices. It is also important that the removal of the excess profits tax makes it possible for small businesses to grow on a basis of competitive equality with old established enterprises with liberal excess profits credits.

Second, the Revenue Act of 1945 has stricken from the income tax rolls millions of taxpayers whose incomes in relation to their family responsibilities justified taxation only under the stress of great national emergency. These persons were on the tax rolls solely because the misnamed "normal" tax allowed no exemptions whatsoever for dependents. Under the new Revenue Act, we now take account of dependency for the entire individual income tax, both normal tax and surtax. In this, we have taken a major step toward streamlining the income tax so that it will reflect true ability to pay.

As it becomes possible to revise our tax system further, we should keep in mind the twin objectives of encouraging business enterprise and promoting mass consumption—which is, in itself, the most important encouragement which business enterprise can have.

Remove Impediments to Mass Production

As the reconversion of our physical facilities to peacetime production is carried nearer to completion and the demobilization of the armed forces adds more men to the labor force, we may expect to see consumers' goods become more plentiful. As this occurs, it will become more and more desirable to remove impediments to mass consumption, as well as mass production. Under those conditions it will be more important than ever to have, what I have believed in for a long time, a thorough modernization of our tax structure.

For the present and immediate future, our problem is not the provision of adequate markets for consumers' goods. Our problem is rather that of expediting the production of these goods and holding back the expenditure of our surplus purchasing power. Our reserve of purchasing power should be used to provide jobs and markets tomorrow, rather than wasting itself in driving up prices today.

There is no contradiction between this and what I have just said about creating larger markets later on, for flexibility must be the keynote of all sound policy. There is also no contradiction between this objective and the Revenue Act which we have just passed, for the basic objective of that Act is to encourage a rapid reconversion with its increased civilian production and so help to redress the current unbalance between supply and demand. This Revenue Act, then, is primarily a reconversion measure.

The Victory Loan is also an important step on our path from wartime to peacetime prosperity. As you know, it is designed to do two things; and these two things are complementary to one another.

In the first place, it is designed to raise the funds necessary to carry the Government through the demobilization period. It is necessary to raise the money to bring the bulk of the armed forces home, to demobilize them, to provide them with necessary hospitalization, to furnish their mustering-out pay, and to meet our obligations under the G. I. Bill of Rights. It is necessary to settle the war contracts and to place the economy on a peacetime basis. And, finally, it is necessary to maintain occupation forces in the enemy countries for as long as may be necessary to finish the job which we have undertaken; we must not abandon the Victory that we so dearly won.

Government Expenditures Reduced

Government expenditures are being reduced just as rapidly as is consistent with getting these things done. In July, the total expenditures of the Government amounted to 8½ billion dollars; in October, they were under $6,000,000,000; and they will continue to fall at a rapid rate for the remainder of the fiscal year. But, despite the rate of decline in Government expenditures, the money from the Victory Loan is necessary to finish the job; and I know that we can count on it.

The second objective of the Victory Loan is to draw surplus purchasing power off the market for consumers' goods and services and to dam it up until we have goods and services to match it. In achieving this objective, the individual goal of $4,000,000,000 is of even greater importane than the total goal of $11,000,000,000.

Individual ability to subscribe varies with family responsibilities and many other factors; but I am sure that the people of the United States, as a whole, can equal and exceed this goal. In doing so, they will make a major contribution to easing our problems of transition from a wartime to a peacetime economy.

With the end of the Victory Loan, we shall have concluded the era of war finance, and will have entered into that of transition and post-war debt management. I believe that we will be entering this period with the debt in such shape that it can play its part in the flexible fiscal policy which will be necessary to maintain full production and full employment in the post-war period.

The interest burden or carrying charge on the debt is well within the ability of the economy to bear; but it is large and it should serve as a constant reminder to us that the burden of the debt will be far greater if we permit our national income to fall. It should be remembered also that the burden would be much greater if the level of interest rates were only slightly higher.

Policy of Low Interest Rates

A policy of low interest rates clearly benefits the taxpayer by making possible a lower level of Government expenditures and, consequently, a lower level of taxation than would otherwise be possible. More important, low interest rates will be a stimulating force in the economy generally, as they will make it possible for the home-buyer to get more house value for each dollar of monthly payment; for State and local taxpayers to get more schools and more hospitals for their tax dollars; and for industrial concerns and public utility companies to get more plant for every dollar of their fixed charges.

I am conscious that I have just scratched the surface in indicating to you today how we can concert our social and economic policies so that they will converge on the goal of full production. I have touched upon taxes and the public debt lightly, and upon other matters—including the important fields of monopoly and and competition, social security, and foreign trade—not at all. All of these must play their part in building the economy of tomorrow.

Weaving together all of these policies into a consistent fabric will require a great deal of hard work. And these are not all of the many problems ahead. Not only do we have the problems of finding and carrying out the ways and means to full production, full employment, and high national income, but also we have numerous political and economic problems among all of the nations of the world, the resolution of which is essential to a lasting, prosperous peace.

Under the drama of war—labor, industry and agriculture pulled together in unity and in strength. Under the drama of war—all of the United Nations fought together in unity and in strength. Now that drama is gone. But still we must have some cohesive catalyst to live together in unity and in peace. That cohesion and unity can come from the faith, courage, and purpose within the breast of every man throughout the world, whatever his place or station may be.

U. S. Terms Outlined for Albanian Recognition

The provisional government of Albania, under Col. Gen. Enver Hoxha, President of the Council of Ministers, received from the United States notice of the three provisions under which this country's recognition will be accorded the existing regime, Associated Press Washington advices stated on Nov. 10. One of these provisions is that reporters would have to be assured of an opportunity to cover forthcoming elections and the following Constituent Assembly; the others are, first that the elections "shall be held on a genuinely free basis, with secret ballot and with no threats or intimidations," and the second that "all democratic individuals and groups in Albania shall enjoy freedom of speech and the right lawfully to present and support their candidates."

Great Britain is also said to have announced its recognition of Premier Hoxha's regime with the understanding that free elections would be held at an early date. The situation is said to be complicated for Britain because of her friendship with Greece, as the Greeks have laid claim to the territory of northern Epirus and protested against British recognition of Hoxa on the ground the claim would be prejudiced.

The news freedom requirement, the Associated Press continued, is one of the most definite diplomatic steps taken by the United States in its efforts to negotiate friendly relations with another country, although Secretary of State Byrnes has for months followed the policy of trying to get as many American reporters as possible into the Soviet-controlled Balkans.

Albania, which Mussolini took over on April 7, 1939, has been trying under Hoxha to get big-Power recognition for a long time. The State Department said it understood that Russia also was making recognition offers.

Report On Bill To Raise Parity Basis

A report by the House Agriculture Committee on a bill introduced by Representative Stephen Pace (D.-Ga.) favors revising the farm parity price formula as recommended in this legislation, the "Wall Street Journal" stated in its Washington advices, Nov. 3. The report, prepared by Representative Pace, the "Journal" continued, stated that agricultural labor constitutes 32% of the cost of producing a crop. The bill proposes that this cost be added to the parity formula so that farmers will be paid for the wages of their hired workers, family labor, and farm operators. As of October 1 the farm wage rate index, as computed by the Bureau of Agricultural Economics, stood at 345% of the base period (1910-14).

The effect of this provision of the parity formula, the report said, according to the "Wall Street Journal", would be to increase the parity price of affected commodities by approximately one-third.

Under the Pace formula the parity price of wheat on Sept. 15, 1945, would have been $2.02 per bushel as compared with $1.54 per bushel under the present parity formula. Corn would have been $1.47 per bushel as compared with $1.12, rice, $1.86 as compared with $1.41; flaxseed, $3.87 as compared with $2.94; cotton, 28.40 cents as compared with 21.58 cents; hogs, $16.60 per cwt., as compared with $12.60; beef cattle, $12.40 per cwt. against $9.43; wool, 41.9 cents per pound against 31.8 cents.

The Problem of Development Capital

(Continued from page 2576)

of profit to the investors, as producers of needed goods for the nation's economy and as providers of profitable employment for many thousands of employees.

These new undertakings were started in many different ways, but typically by young men with energy and ideas who obtained the backing of local capital in amounts ranging from a few tens to a few hundreds of thousands of dollars. With this start these undertakings grew by reinvesting their earnings and eventually became solidly and profitably established.

It was seldom that the initial capitalization was supplied by men of great wealth or by large financial institutions. Under the conditions existing up to the first world war, before the income tax had become the colossus which it is to day as a result of two world wars and one great depression, a man's income was his own, except for paltry local and State taxes. Investment in new enterprise was attractive because the earnings of the enterprise itself were earnings free of heavy taxation. They could be directed toward building up the company or directed into the pockets of the stockholders, depending on the business judgment of the owners and the management. Under these conditions investable funds were abundant and new investment was attractive.

The conditions were very different a generation later. Two world wars and the deficit spending of the great depression raised the Federal indebtedness to undreamed of heights and carried an increasingly heavy burden of income taxes as the inevitable concomitant of the indebtedness. Particularly during this period of the second war, even with the rebates allowed on the excess profits taxes, the Federal Government is in a position to take 80% of the earnings of successful corporations in addition to the sums it realized by renegotiation. This means that investment in new undertakings has very greatly decreased in attractiveness.

At the same time the personal realization by the investor on these diminished returns was reduced to the vanishing point. Take, for instance, the case of a man who would be considered very well fixed indeed in popular estimation. If that man had income from wages and dividends of $100,000 a year and sought additional income by putting money into a new undertaking, he got no return from it to justify his venture. Even though that new undertaking should return clear to him as a stockholder, after it had paid its own Federal tax, an amount as large as 10% on the investment (and this is practically impossible) the man with the $100,000 would find this new income coming out of brackets so high that he could realize no more than 0.6% on the money he had put into the undertaking. If he were a man with a $200,000 income the return on the successful investment would be still more meager. He could hope for no more than 4/10ths of 1%.

Drying Up of Adequate Returns

From this drying up of the possibilities of adequate returns in a new undertaking and the still greater barrier put to the realization of the investor for his own personal use of any considerable part of these returns, there has resulted a condition in which new undertakings for the first time in the history of this country ceased to be attractive to the diminishing number of men who might be convinced of their intrinsic worth.

Parallel with this has gone an increasing incentive to old-established and well-financed firms to absorb the new ideas and new undertakings as an integral part of their large operations. When a new idea comes along whose development looks worthwhile the great corporation can put money into its development and charge its cost into expense, thereby and to that extent relieving itself of tax burden by corresponding reduction in its profits. If the undertaking does not prove satisfactory the advantage of the tax reduction remains and the loss is minimized to a small percentage of the funds actually invested. On the other hand, should the development turn out well, the big corporation has that added volume of profitable operations. The whole result has been to put heavy brakes on the development of new industry and to give greater advantage to the growth and strengthening of large corporations. This is not what the country set out to do, but this is what it did. The result, I am sure you will agree, is not in the public interest.

While the income tax situation has been the major deterrent to new undertakings, I am assuming that there have been others which lie within your field of responsibilities. The general public was very severely burned in the speculative spree of the late '20s and in the ensuing liquidation and depression of the '30s. It was necessary that the lessons learned during that period should be taken to heart and that proper safeguards should be set up around the offering of securities to the public, so as to prevent the serious abuses which had been current. Has not the time now come, however, when the situation should be reviewed to see whether means cannot be found for reviving the financial support of new developments, while still affording all proper protection to the investing public?

The Recognition of Risk

In raising this question we do have to recognize that new undertakings involve risk. The problem is to recognize the risk as a necessary element in a progressive, industrial economy, while protecting the general public not merely from fraudulent solicitation, but from too serious subjection to the necessary risks involved. I believe that means can be found and must be found to do this within the limit set by the responsibilities which have been laid on you gentlemen by your State governments.

As a clue to the solution of this problem, your attention might be called to a law passed by the Legislature of Connecticut early this year. This law provides that 5% of the admitted assets of a life insurance company shall be freed from all legal limitations as to the character of investment allowed.

Now there are two or three interesting things about this new idea. The first thing is that it removes the limitations on a small percentage only of the total admitted assets. Even though there should be a considerable amount of loss in this unrestricted investment it would not be enough to affect the financial stability of these insurance companies, which are subject both to such skillful internal management and such minute public scrutiny that their investment policies as a whole can be depended upon to be safe and conservative.

Another interesting thing is that the great body of fiduciary funds has taken the place of the vanishing aggregate of smaller personal funds as the primary source of new investment. The proposal to free 5% of such funds allows room, if the directors of these insurance companies so desire, to make full-scale experiments in raising the birthrate of new enterprises. The opportunity at least is there for rendering a great public service. As to the extent to which that opportunity is being grasped I am at present uninformed.

With this to point the way other possibilities suggest themselves. Why should not a comparatively small percentage of other types of fiduciary funds be similarly freed? What about the funds in the hands of investment trusts? Much could be done with 5% of the capital of the most responsible and successful of this group. There would be required in any case a spread of investment over a sufficient number and variety of new undertakings to wipe out losses in some against larger gains in others. Under wise management the net result ought to be a larger return to the investor than is possible from the diminishing returns of debt evidences and seasoned equities.

Still another interesting possibility is involved. Such an investment fund would naturally turn into a revolving fund by the process of public sale of the securities in the new undertakings as soon as they had come to the point where they stood on their own feet as securities of proven intrinsic value. The money realized from the sales becomes available for initiating still more new enterprises; and thus the total volume involved might serve as a catalyst in a continuous revivifying of American business by new growth from the bottom.

The Impediment of Regulations

As stated at the beginning I am not fully informed as to what regulations and administrative practices would interfere with an undertaking of this sort. If this, or projects of a similar nature and for similar purposes are developed, I do urge that you gentlemen give them sympathetic treatment and make such recommendations as may be necessary in your State laws to permit the operation of all well conceived projects of this sort.

Much has been said of late years to the effect that this nation has reached industrial maturity and can no longer expect the vital growth of new enterprise that has been the energizing source of our progress in generations past. Some have even pressed this point so strongly as to lead to the suspicion that they are really fearful that we are approaching senility rather than maturity. I cannot hold with this belief. As I endeavored to show earlier, I feel sure that the brakes on new enterprise do not arise from any internal decay. They have been brought upon us by the deadening pressure of high taxation. In the new tax law for 1946 this pressure has been lifted sufficiently to give some small measure of the freedom for investment and the hope for profit that existed two generations ago.

Meanwhile there is no lack of new and hopeful ideas for new enterprises. As President of the Federal Reserve Bank of Boston, I find myself sitting in a spot where large numbers of new opportunities come to my attention. Our country is boiling with new ideas and I am the recipient of but a minute fraction of them.

The Importance of New Ideas

Of these many ideas at least a half can be discarded without a second glance. Of those remaining a little thought would indicate that not more than a half are worthy of investigation. Of that remaining number, possibly a half on thorough investigation would seem to warrant investment. Of those invested in perhaps no more than one-half would turn out successfully, but the success of that remaining small percentage of the original total should be and would be sufficiently great to far more than pay up the cost of screening and the losses on the failures.

Private individual funds have become scarce, but we have this great accumulation of fiduciary funds. We have the great number of possibilities for new investment. We have various means for selecting the most attractive possibilities and for spreading the risk on those selected. Does not this furnish a sound business basis for trying new methods of applying development capital?

American business, American employment, and the prosperity of the citizens of the country as a whole cannot be indefinitely assured under free enterprise unless there is a continuous birth of healthy infants in our business structure. We cannot depend safely for an indefinite time on the expansion of our old big industries alone. We need new strength, energy and ability from below. We need to marry some small part of our enormous fiduciary resources to the new ideas which are seeking support.

The purpose of this paper is to urge that you gentlemen within your own important sphere of responsibilities consider the overall importance of this birth of new undertakings; and that you endeavor to allow enough freedom so that wise and farsighted endeavors in this field will not run into unwise legal restraints.

Tax Saving Opportunities

(Continued from page 2583)

tax rates of net short-term and net long-term capital gains based upon the Revenue Acts applicable to 1945 and 1946:

Tax Rates Applicable to Capital Gains

Brackets of Income After Exemptions	1945 Income Net Short-Term	1945 Income Net Long-Term	1946 Income Net Short-Term	1946 Income Net Long-Term
$2,000-4,000	25	12.5	20.90	10.45
$4,000-6,000	29	14.5	24.70	12.33
$10,000-12,000	41	20.5	36.10	18.05
$16,000-18,000	53	*25.0	47.50	23.75
$18,000-20,000	56	25.0	50.35	*25.00
$22,000-26,000	62	25.0	56.05	25.00
$44,000-50,000	75	25.0	68.40	25.00
$90,000-100,000	90	25.0	82.65	25.00
$150,000-200,000	93	25.0	85.50	25.00
over $200,000	94	25.0	86.45	25.00

*Maximum rate of 25% applies to net long-term capital gains.

The extent of the advantage in taking a long-term gain instead of a short-term gain is obvious from the foregoing. It is also apparent that capital losses may result in greater tax benefits if taken this year rather than in 1946. Furthermore, a short-term capital loss results in a greater tax saving since 100% of the loss is taken into account whereas only 50% of the actual long-term loss is recognized.

Summarizing, we present below some brief practical suggestions which may prove helpful in minimizing the tax burden for security holders, viz:

(1) As an initial step classify all security holdings into their proper short-term or long-term category.

(2) If transactions completed thus far this year show an excess of net short term gain, these should be offset, where practical, by establishing losses, preferably short term losses. Likewise an excess of long-term gains should be offset to the extent feasible and practical.

(3) If securities are virtually worthless, but not legally declared so, it may be desirable to sell in order to establish a loss before they become worthless and thereby prevent argument and delay with the Treasury Department as to whether such securities are worthless and, if so, when they became worthless.

(4) If there is no free market for securities of dubious worth, transactions should not be entered into with friends. Preferably such securities should be disposed of through security auctioneers or through advertising or through offering to the issuing company.

(5) Last year's records should be reviewed in order not to overlook a carry-over loss which could be applied against 1945 capital gains or income.

(6) In the case of a security held for more than six months on which a large dividend has been declared, but not paid, disposal of the stock should be considered through sale just prior to the ex-dividend date on the basis that such a security usually declines by the amount of the dividend after the ex-dividend date. In effect, the dividend would be received through the higher sales price and would be taxed to the extent of only 50%, whereas the dividend, if actually received, would be taxable at 100%.

(7) The last date for recording losses is Dec. 31 but the last date for recording profits (except by cash sale) is Dec. 27.

(8) A security sold to establish a profit may be repurchased immediately without penalty, but a security sold to establish a loss may not be repurchased for 30 days.

(9) Since taxes this year will be higher than next year, capital losses taken this year may result in greater tax benefits than in 1946. Likewise postponement of establishing profits, particularly short-term profits, until 1946 would be advantageous from a tax standpoint.

(10) Where a choice is presented among securities of equal merit, establishing a long-term rather than a short-term gain or establishing a short-term loss rather than a long-term loss would be advisable.

(11) In contemplating security transactions, intrinsic merit of the individual security should be considered first and the tax saving opportunity second.

(12) Tax selling is likely to be heaviest in issues showing greatest price declines during the past six months, but in view of the favorable long-term outlook for the general market an offsetting factor will be the desire of tax sellers to reestablish positions immediately. Tax buying may be most urgent in those issues which are selling near the year's highs and which at the same time harbor large short positions—in other words, a year-end speculative demand to cover outstanding short positions, most of which at present levels show losses which presumably can be used to advantage.

David Means Resumes

BANGOR, MAINE—David G. Means has resumed his investment business from offices at 6 State St. He has recently been serving in the U. S. Navy.

H. F. Miller in Rochester

ROCHESTER, N. Y.—Hermann F. Miller is engaging in a securities business from offices at 798 Merchants Road.

D. C. Compton Opens

WINFIELD, KANS. — D. C. Compton is engaging in a securities business from offices at 106 West 9th St.

Port-War Problems of Security Commissions

(Continued from page 2579)

problems of the securities commissioner, suddenly enhanced by new developments? They will be discussed subsequently, but first let us look at a few general conditions.

During the war the earning power of the people increased tremendously. Much of the surplus over living needs and taxes was invested in war bonds or other legitimate securities. Many promoters were busy with war work or in the armed forces. Therefore, the incentive and opportunity to to invest in unsound securities was largely avoided.

Soon, however, war bond drives will be a thing of the past. People who have invested their surplus in war bonds will be urged to cash them in and invest in securities of a speculative nature. Promoters have been released from war work and the armed forces. The wolves will be looking for their prey. Here is a danger that can only be brought home by proper educational and publicity work on the part of the commissioners and law enforcing bodies. Our association has heretofore done much in educating the public regarding unsound securities, and this good work should be continued. The commissioner should take stock of the situation in his own state and take all necessary steps to protect the people.

Pressure Groups

One of the greatest problems is pressure. Different groups attempt to sway your judgment one way or the other. If you disagree with them, you are raising obstacles to the development of your state. One would think that the fate of the state hung in the balance if this or that particular scheme should be disapproved. If they are unable to get at you direct, they have others wire, telephone or call. Of course, I don't need to tell any of you how to handle this situation. We have to keep ourselves immune from such influences, but doing so takes time, and at times a good deal of tact.

Postwar development will bring about the establishment or attempted establishment of many small businesses, some of which will entail the offering of securities to the public. Some of these will be pure promotions with little or no chance for the public to realize on the investment. Other offerings will be legitimate, the honest efforts of honest men to make a start in a small way. There are, of course, legitimate promoters as well as the other kind. All in all, it is the duty and problem of the commissioner to sift the chaff from the wheat and decide what is fair to the public.

Reorganizations

A vital problem is bound to be the ascertainment of the proper basis for reorganization or recapitalization of companies where such a necessity appears. During the war, when most business was confined to war work, many enterprises not engaged in war activity found it difficult to meet dividend requirements. Some companies, however, which had prior to 1942 been unable to meet cumulative dividends found that it was not possible to build up a surplus from a market into which was poured an increasing flood of money. Restaurants, hotels, stores, transportation companies, warehouses, apartments and buildings could be so classified. It is true that ceiling prices were made effective, but, as in the case of hotels, it was found that an 85% occupancy suddenly had a 100% occupancy. Restaurants had greatly enhanced business. Stores were bought out. Transportation companies had such a flow of traffic that they found difficulty in operating. Apartments and office buildings were greatly overcrowded.

Under these circumstances some companies which had theretofore been unable to meet preferred dividend requirements, resulting in large accumulations, suddenly found that their surplus was such as to take care of all or a substantial portion of funds necessary to meet dividends due the preferred shareholders. Instead of using this cash, however, for the payment of these dividends many companies made an effort to retain this cash for future operation and to eliminate the dividend delinquency by issuing debentures. These offers varied to an extent limited only by the plans of the officers of the company. To arrive at an equitable solution of such a problem the securities commissioners in the various states will have to exercise a great degree of care.

The problems of the commissioner which have always been present are the use of discretion in combating unfavorable stock structures, misleading advertising, and fraudulent schemes carried on through high-pressure salesmen. Some of these are carried on from beyond the confines of your own state by solicitation through mail or telephone, a good example, of course, being the solicitation of American citizens by promoters located in Canada.

Foreign Issues

The change from war to peace is apt to bring about many new developments in foreign lands. New plants and industries will be established in war torn Europe, in the Orient and in the Latin American countries. Many of these enterprises will seek American capital, in whole or in part. As commissioners we will be called upon to decide the fairness of these issues, and to do so we must have adequate knowledge of operations in foreign countries. This will mean additional research on the part of the busy commissioner.

New Inventions

New inventions will undoubtedly call for new promotions. The commissioner will not be called upon to decide whether the new invention will be successful or not, but he must see that the public has a fair run for its money. Atomic bomb developments and rocket planes will cause great revolutions in industry and our mode of living. Sale of stock in "Trips to Mars, Incorporated," may become a reality, but probably most of us will serve out our terms before being called upon to solve this mystery.

As I have been pointing out, some of the propositions submitted to the commissioner will not stand up under light of day. They remind me somewhat of the story of the man who was reported to have made a strike. He was met by a friend soon thereafter, and the following conversation ensued:

Friend: Well, I see you made $100,000 out of oil in Oklahoma.

The Man: Well, you are substantially correct, except that it wasn't in Oklahoma, but in Pennsylvania—it was lead instead of oil—and I lost $10,000.

Many of the schemes proposed fade out when subjected to searching investigation.

Recently we had an application to sell $1,000,000 worth of stock in a purely speculative venture. The promoters proposed to invest exactly $1,000 of their own money in the scheme, but naturally they wished to retain control of the corporation. Needless to say, their application was denied.

We have had the problem of the sale of securities involving oyster beds, these beds being situated on the tidelands of the Pacific Ocean. When the promoters disapproved of our restrictive regulations, they took the matter into court and had the sale of an interest in the oyster beds defined as "land sales," and therefore not within our jurisdiction. Many investors lost money on this venture. However, some of the promoters are now under federal indictment for using the mails to defraud.

Interstate Cooperation

It is our duty as commissioners to cooperate with all other agencies charged with like duties. Cooperation helps the efficiency of all.

While certain restrictions must be put into effect as an administrative policy in order to prevent fraud and provide full disclosure, yet these restrictions should not be such as to impede legitimate enterprises. We must not put the brake upon the flow of commerce. Increased postwar activity may be the difference between a prosperous nation and one suffering from evils of depression. The commissioner should have vision, and his administrative policies should be elastic enough to encourage progress.

In closing I scarcely need again to remind you that we are human and, of course, we make mistakes. When the going gets rough, as it certainly will, take time out and indulge in your favorite hobby. You will return to your problem with renewed vision and strength to stand by your convictions. From my own knowledge of the men congregated here I know that you will approach all problems in a spirit of fairness and that your decisions will be just.

War Department Official On Occupation Currency

(Continued from page 2572)

porting that for the month of October only the Army was easing its restrictions on the transference home of the dollar equivalent of occupation money in the hands of G. I.'s abroad. What are the facts?

One story in the "Stars and Stripes" stated that our troops in Berlin were sending home much more money than they were receiving as pay. Can you give me these statistics covering our forces in Berlin and showing how much they were paid and how much they have sent home since they entered that city?

I shall greatly appreciate any information you can supply me, both on these specific questions and on the general subject, so long as the disclosure will not interfere with the military security of the United States.

Yours sincerely,
THEODORE FRANCIS GREEN.

The War Department's reply to the above letter, made through John W. Martyn, Executive Assistant to Secretary Patterson follows:

Honorable Theodore Francis Green
United States Senate

Dear Senator Green:

In response to your letter of Oct. 29th, Mr. Patterson has looked into the matter of occupation currency, and has asked me to provide you with the following answers to your questions on the subject.

The occupation currency to which you refer is the Allied Military Mark which is currently being used by the United States, British, French and Soviet forces in their respective occupation zones in Germany. In order to avoid monetary problems which might have otherwise arisen, it was considered desirable for the various occupying powers to use a uniform military currency throughout Germany. None of the occupying powers is committed to redeem Allied Military Mark currency.

This Allied Military Mark currency was printed in both the United States and the U. S. S. R. The United States made available to the Soviet Government duplicates of the plates in use in the United States in order to insure uniformity between the AM marks used by the British and American forces and the AM marks used by the Soviet forces. In the field, United States Army finance officers are able to distinguish between Soviet printed and United States printed AM marks by means of a very small difference on the face of the notes.

As in all parts of the world, the pay and allowances of members of the United States Armed Forces are calculated in dollars. Whatever portion he desires, the soldier may use to make dependency allowances, to make deposits in bank accounts in the United States or in soldier deposits accounts, to purchase war bonds and to pay insurance premiums; all of these transactions are carried out in United States dollars. United States troops stationed in Germany may, for local purchases, draw any portion of their pay and allowances in AM marks. Prior to the invasion of Germany, American-Anglo-Soviet agreement was consummated to utilize the AM marks and the dollar, the pound sterling and the ruble. In fixing this military rate, one of many factors considered was the assurance that members of the United States Armed Forces would enjoy a satisfactory purchasing power in Germany. If a soldier decides that he has drawn more of his pay and allowances in AM marks than he requires, he may reconvert such excess back into United States dollars at the same rate at which he acquired the AM marks.

This privilege of guaranteed conversion from a local currency, including the AM mark, into United States dollars applies only to amounts originally drawn by military personnel as pay and allowances or derived from legally acquired dollar instrumentalities such as checks or money orders from home, through regular military finance offices. We have issued directives to all theaters designed to restrict remittances from all foreign areas within these limits.

It is undoubtedly true that some United States soldiers have acquired AM marks and Reichsmarks from the sale of personal property to Russian soldiers and in various other ways. While it is always possible for our soldiers to evade to some extent regulations restricting remittances to the United States, the regulations are continuously being reviewed and perfected to prevent the conversion into dollars of either AM marks or Reichsmarks not eligible for conversion into dollars, without making it difficult for the individual soldier to remit unspent portions of his pay to his family or to savings institutions. Every effort is being made to prevent the eventuality of more marks being offered by the United States troops to Army finance offices than had been disbursed to these troops. The only appropriated funds available to effect these conversions are the dollars equivalent to mark disbursements for United States military purposes set aside in a special account in the Treasury.

When quantities of AM marks are made available to the United States Army in Germany to meet its expenditures in that country, the appropriate War Department appropriation is charged and the dollar equivalent of these marks is set aside in a special account at the Treasury. In this way expenditures of the United States Army in Germany are confined to expenditures which have been duly authorized by Congress.

Soviet troops are paid in AM marks while stationed in Germany. Investigations have revealed, however, that many Russian troops now there had not been paid for many months or even for over a year. Accordingly, they have received a large number of marks. In addition to having large quantities of marks in their possession, the Soviet Army does not have the same facilities for reconversion into rubles and the remittance of funds back to the U. S. S. R. Accordingly, Soviet soldiers are particularly desirous of spending the AM marks which they receive for their pay and allowances and are willing to offer unnaturally high prices in marks for various personal type articles. This is especially true of the luxury and semi-luxury type goods readily available to American troops abroad through post exchanges and other Army sources and comparatively in short supply in the U. S. S. R. and amongst Soviet troops.

I trust that the foregoing information will satisfactorily answer your question. Please do not hesitate to call on me if I can be of any further service in this matter.

With kind regards,
Sincerely yours,
JOHN W. MARTYN,
Administrative Assistant.

Rejects Demands for Higher Prices on Cars

Price Administrator Chester Bowles told Congress on Nov. 13 that he is rejecting demands of automobile dealers for higher retail prices on new cars and bitterly denounced, "government by pressure," according to Associated Press advices from Washington on the same day, which also had the following to say; Mr. Bowles said OPA would announce the prices Thursday.

Appearing before the House Small Business Committee, the OPA chief estimated members of Congress have received more than 5000 telegrams protesting against OPA's auto price plans.

Describing this as "the greatest single pressure group operation since OPA was established," Mr. Bowles declared:

"Two and one half years in Washington has made me something of an expert on pressure groups, lobbyists and pressure group tactics. I have been alarmed at the tendency on the part of some to feel that Congress and governmental officials should base their decisions, not on the validity of a particular issue but on the measure of pressure which could be focused at any given point.

"This idea of 'government by pressure' is an ominous sign of our times. It is a threat to the democratic rights of all the inarticulate, silent, little people of America."

Mr. Bowles told the committee, in the presence of hundreds of auto dealers gathered in the House caucus room, that under the OPA price schedules for new automobiles the dealers "are likely to have their best profit year in 1946."

According to Plan

(Continued from page 2571)

tion to the Board of Governors of the National Association of Securities Dealers.

As to employees and traders, those registrants who are in the actual employ of NASD members, do they have a choice? Can they refuse to register, and refuse to signify their willingness to abide by the Association's by-laws and rules of fair practice?

Clearly the answer is no, for the exercise of such a choice would leave them without a job, since under the registration provisions of the by-laws the member firms are limited to the employment only of registrants.

HERE IS COMPULSION IN ITS MOST NAKED FORM.

By what right does the NASD impose these restraints upon the employment of the prospective registrant? Can some 30,000 individuals be legally registered without their being consulted? Can such regimentation properly be termed "self-regulation"?

The enormity of this invasion of private rights is staggering and beggars belief.

The pamphlet goes on to say:

"It seems reasonable to assume that by enhancing the prestige of the over-the-counter market, the new registration requirements will act as a stimulant to the market and thus promote the interests of members and their employees."

Such assumption does violence to the facts. Illegally imposed restraints enhance nothing, and are not providers of prestige. The unanimity of the Board of Governors is meaningless in the light of the failure to consult the very individuals who are being regimented. These forced requirements on so vast a scale deprive the over-the-counter field of dignity.

The addressees are further told:

"So long as the instrument of regulations, NASD, fully observes its obligations to the public and its own membership, regulation of a more restrictive and less sympathetic character can be resisted."

We remind the NASD that the instant regulation and regimentation is not of its members, but of those entirely alien who enjoy none of the privileges of membership and, therefore, should have none of its obligations.

The veiled threat of unsympathetic and restrictive regulation is an old gag, constituting an attempt to force a choice of the lesser of two evils. Goodness knows that NASD and SEC regulation have, in many instances, been completely bereft of all sympathy and understanding. We need only turn to the recent NASD by-law amendments providing for registration, and empowering the Board of Governors of the NASD to submit by-laws defining what are "unreasonable profits, unreasonable commissions, and other charges," for a striking example of lack of sympathy and understanding.

The controls of the securities field imposed by the regulatory agencies find the public and securities dealers and brokers continuously ground between the upper and the nether millstones.

Consistently enough, although the NASD designated the recent amendments as one, nothing is said in this pamphlet concerning "unreasonable profits, unreasonable commissions, and other charges."

Many a call for help and of dismay will be heard when the NASD seeks to put teeth into its new powers.

We prophesy that the current registration statement is not the end. True, it may only contain three questions and the subdivisions of them. However, it would be extraordinary if the NASD did not become more ambitious upon the first dose being taken agreeably. There will be amended registration statements.

In our opinion future statements will be longer and more annoying. As the NASD feels its oats, its appetite will continue to become more ravenous.

Wage Rises Permit Tax Deductions

The National War Labor Board announced on Nov. 7 that wage increases granted without Government approval after Aug. 18, 1945, will not be liable to disallowance as business costs for income tax purposes, Washington Associated Press advices stated, and continued:

Pay increases lacking Government approval prior to Aug. 18 had been subject to disallowance as a cost item by the Internal Revenue Bureau on WLB recommendations. It was one means used to prevent manpower pirating by indiscriminate wage rises during the wartime manpower shortage.

President Truman changed the Government wage policy, effective Aug. 18, so that wages and salaries could be raised without the Government's consent. However, wage decreases still are subject to WLB.

Wants Investment Company Profits Paid as Extra Dividends

Securities Commissioners' Committee on Investment Companies Hold This Will Avoid Deceiving Investor Regarding Income Return.

The Investment Company Committee of the National Association of Securities Commissioners issued its report on Nov. 16 at the annual convention in Chicago. It dealt mainly with the tendency of investment companies to stress the amount of dividends paid in past periods regardless of whether or not a large part of these payments merely represented capital gains. The full text of the Committee's report follows:

The Committee held a two-day regional conference in Chicago on May 23 and 24 of this year. In addition to the three states represented by those members of the Committee in attendance, the Commissioners of nine other states were present. We met with a special committee of the National Association of Investment Companies to discuss investor problems arising from the present war and steps which might be taken for the protection of new investors. There was an extended discussion on specialty funds, which are those investment companies which provide a number of different funds under one sponsorship, and also on the general problem of switching for the purpose of commissions. An interim report was submitted by our Committee following that meeting.

The attention of the Committee was directed to the tendency of investment companies in preparing sales literature to stress the amount of dividends paid in past periods without clearly pointing out, in every case where distributions were made of capital gains, that such distributions were a return of capital and not income. To further encourage the investor to regard such distributions as regular income, there is some tendency to pay capital gains distributions quarterly or semi-annually without knowing whether the net result for the year from the sale of securities may be a profit or loss. An investment company, especially in a rising market, can easily establish capital gains by selling a few of its securities to that end if it is so minded. These gains must be distributed to investors to avoid Federal income tax thereon. When distributed semi-annually or quarterly, they are very apt to be regarded by the investor as "regular dividends" indicating a high yield. It is then much easier for the dealer to sell the investment company's shares. It is of the utmost importance, therefore, for investors to realize the nature of these distributions. If they do not, a substantial decline in market levels is bound to be followed by keen disappointment on the part of investors who labored under the illusion that they were getting an 8% or 10% yield and who suddenly find themselves obtaining 4% or less.

The suggestion has been made, and we believe it merits further serious consideration by securities commissioners, that the sale of shares of an investment company be not permitted in their state unless (a) it pays such special distributions arising from capital gains only in the form of extra dividends and only at the end of the year, and (b) at all time describes the same as being, from the standpoint of the investor, a return of principal or in the nature of a capital distribution. A proposed regulation on this point is as follows:

"Dividends paid out of net profit derived from the sale of securities or from sources other than current or accumulated investment income (i.e., net income derived from dividends and interest received) should be declared as extra dividends only near the end of each fiscal year, and should be ear-marked as such dividends. The stockholders should be informed that such dividends do not represent earnings on their investment but represent a distribution of realized capital gains, or otherwise as the case may be, and therefore should be regarded by them as distributions of capital or of principal.

"Regular quarterly or semi-annual dividends paid during the year shall not for the purpose of this regulation be deemed to be from other than investment income merely because for the particular period the amount thereof may exceed the investment income, if all the regular dividends paid during the year do not exceed in the aggregate the income derived from investments during the entire year, including any undistributed balance of such investment income that may have been left over from the preceding year.

"No sales literature or reports shall be used which are inconsistent with the foregoing."

The foregoing matters were scheduled for discussion at the open meeting of the Committee at this annual convention, as were certain other items including the requested modification of regulations existing in certain states prohibiting the purchase by investment companies of securities where the issuing company has been in existence less than three years. It has been proposed that investment companies be permitted to invest up to 5% of their assets in such securities.

The Committee notes with particular regret the resignation, effective Oct. 6, of Paul Bartholet as Executive Director of the National Association of Investment Companies, and the resignation of his assistant, Lucile Tomlinson, and expresses its appreciation for their able counsel and cooperation on problems of mutual interest during the past year.

Respectfully submitted,
John F. Hueni, Chairman, Michigan; Harold Johnson, Nebraska; Edward J. Samp, Wisconsin; John B. Wilson, Georgia; Simon M. Sheldon, New Hampshire.

Dollar Loan as Seen From London

(Continued from first page)

and the eventual discontinuation of bilateral and regional pacts. It seems reasonable to suppose, therefore, that Lord Keynes and his colleagues, having swallowed the camels, will not find it unduly difficult to swallow the gnats of unimportant details such as the interest rate or the so-called escape clause.

As far as Lord Keynes himself is concerned, he would have accepted the American terms long ago if he had not received instructions from London to hold firm on some points. In an exasperated message to a London friend, he is understood to have used some words to the effect that "If I had to deal with the U. S. Government only, the matter could be settled quickly. Unfortunately, I have to deal also with the British Government, which makes things much more difficult." He is subject to much criticism on this side, on account of surrendering vital points too easily; that he should be regarded in the United States as personifying the dangerous Machiavellian British diplomat puzzles people here beyond measure.

Now that the negotiations are believed to be on the eve of conclusion, the attitude of various political circles towards it is becoming clearer. Several members of the Government are known to be against the plan. They include the Foreign Secretary, Mr. Bevin, who is strongly opposed to a return to the gold standard. But since, as Foreign Secretary, his first concern is to maintain friendly relations with the United States, he does not throw in his full weight to prevent the deal, even though he would probably be secretly relieved if the negotiations failed through no fault of the British. Mr. Morrison, too, is reluctant to support the plan, largely because he believes in strengthening Empire links rather than weakening them. Mr. Greenwood, whose attitude was indicated by his much-quoted reference to pounds, shellings and pence being but meaningless symbols, is also opposed; so is Mr. Shinwell who, before assuming office, was one of the most determined opponents of the Bretton Woods agreement on the ground that it would outlaw bilateral and regional agreements.

Government Supporters of Plan

It would not be easy to name any member of the Cabinet who is strongly in favor of the plan. But Mr. Hugh Dalton, the Chancellor of the Exchequer, with an eye on the foreign exchange position, which is his immediate responsibility, and Sir Stafford Cripps, who as President of the Board of Trade has shown signs of favoring multilateral trade, are believed to be supporting it. As for Mr. Attlee, his great concern is to avoid a breakdown which, apart from causing bad feeling between the two countries, would lead to a temporary decline in the standard of living in Britain, and might interfere with the success of his Socialist experiment.

It now seems that opposition to the ratification of the agreement is likely to be much less fierce than was expected. It will be confined almost entirely to the Conservative Party. Whether Mr. Churchill himself will take an active part remains to be seen. But if not, the fight is expected to be led very ably by Mr. Ralph Assheton, Chairman of the Conservative Party and former Financial Secretary to the Treasury, who had relinquished that post because he found himself in a minority of one at the Treasury as an opponent of Bretton Woods. His former chief, Sir John Anderson, himself is expected to show some lukewarm resistance, after having done his utmost while Chancellor of the Exchequer to obtain the adoption of Bretton Woods. Many Conservatives are, on the other hand, strongly in favor of the agreement, judging by Mr. Lyttelton's advocacy of Article 7 of the Lend-Lease Pact, but if the official Party decision will be to oppose it, there will be only isolated voices raised in its favor from the Opposition benches.

As to the Labor Party, the number of those who are likely to oppose the pact is known to be quite negligible. At a recent private meeting of the Finance Committee of the Parliamentary Labor Party, the Chairman, Mr. George Benson, came out strongly in its favor, and was supported by Mr. Durbin, Parliamentary Secretary to Mr. Dalton, and Mr. Gaitskell, one of Mr. Dalton's confidential advisors. The resolution favoring the agreement was passed with an overwhelming majority; there were only two votes cast against it. In all probability there will be less than half a dozen Socialists who will vote against ratification when it comes before the House. Thus, the acceptance of the agreement by the British Parliament by an overwhelming majority may be considered a foregone conclusion.

Broker-Dealer Personnel Items

(Continued from page 2575)

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Herman Brumme** is with **A. E. Aub & Co.**, Union Trust Building.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Paul W. Glenn** has rejoined **Edward Brockhaus & Co.**, Union Trust Building, after serving in the U. S. Army.

CINCINNATI, OHIO — **John O. Fuerbacher** has rejoined the staff of **Walter, Woody & Heimerdinger**, Dixie Terminal Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O. — **Donald E. McGuire** has become affiliated with **Otis & Co.**, Terminal Tower Building. Mr. McGuire prior to serving in the armed forces was with Otis & Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—**Frank C. Thomas** has rejoined the staff of **the First Cleveland Corporation**, Huntington Bank Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — **Glen B. Clark** has rejoined **Sidlo, Simons, Roberts & Co.**, First National Bank Building, after serving in the U. S. Navy for the past three years.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—**Robert J. Connell** has become associated with **Charles J. Rice & Company**, First National Bank Building. He has been in the U. S. Army Air Force for the past four years.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — **James T. Causey** has become associated with **Peters, Writer & Christensen**, U. S. National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Fred E. Ernst** has been added to the staff of **Moreland & Co.**, Penobscot Building. He was formerly serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Joseph Tirri** is with **Slayton & Co., Inc.**, 111 No. Fourth Street.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Alfred Towns** has been added to the staff of **Wm. C. Roney & Co.**, Buhl Building.

FRESNO, CALIF.—**William F. Wright** is connected with **Blyth & Co., Inc.**, Rowell Building.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Helen F. Madden** is with **Fahnestock & Co.**, 75 Pearl St. She was formerly with Robert C. Buell & Co. and Coburn & Middlebrook.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Bruce H. Beal** has rejoined **Kennedy-Peterson, Inc.**, 75 Pearl Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — **Marcus N. Mitchell** has rejoined the staff of **Putnam & Co.**, 6 Central Row.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Alexander T. Rydel** has rejoined the staff of **Brainard, Judd & Co.**, 75 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Richard T. Meskell** is with **Coburn & Middlebrook**, 49 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Albert T. Putnam** has rejoined the staff of **Putnam & Co.**, 6 Central Row.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—**Theodore R. Biggs** is with **Blair F. Claybaugh & Co.**

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Gerald P. Loomis** has become affiliated with **G. Brashears & Co.**, 510 South Spring St.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Florence H. Lary** is with **First California Co.**, 650 South Spring St.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Sydney C. Krams** is with **Hope & Co.**, San Diego Trust & Savings Building, San Diego, Calif. He was formerly with Witherspoon & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**John C. Schulte** is with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Frank D. McNaughton** has become affiliated with **Edgerton, Wykoff & Co.**, 620 South Spring St. He was previously with Boston Commonwealth Corp.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**John J. Fetters** and **Anne M. Welzenbach** have become affiliated with **Thomas Kemp & Co.**, 210 West Seventh St.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Edward D. Hurst** and **Earl W. Melville** are associated with **Livingstone & Co.**, 639 South Spring St. Mr. Melville in the past was with Lester & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Geo. H. Andersen, Geo. W. Briggs, Jr., David H. Cook, Victor H. Gould, George D. Hansen,** and **Ronald H. Ross** are with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — **Raymond W. Wilson** has been added to the staff of **J. W. Goldsbury & Co.**, 807 Marquette Ave.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — **John Pillsbury Lewis** is again associated with **J. P. Lewis & Company**, 735 North Water Street. Prior to military service he was with the firm.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—**Albert W. Master** has rejoined the staff of **Holley, Dayton & Gernon**, 105 So. La Salle Street, Chicago, Ill. He has recently been in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

NEW BRITAIN, CONN.—**Michael G. Varhol** has rejoined **Sweeney & Company**, 55 West Main Street after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — **William H. Purcell** is now connected with **Stephenson, Leydecker & Co.**, 1404 Franklin St. He was formerly with Edgerton, Bourne & Co.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, FLA.—**William H. Barber** is with **Daniel F. Rice & Co.**, Roney Plaza Hotel, Miami, Fla.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF. — **Raymond B. Jarecki** has become associated with **Reagan & Co., Inc.**, 575 East Green St.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—**Robert J. Albrich**, formerly with Ferris & Hardgrove, has become associated with the **Pacific Northwest Co.**, Wilcox Building.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — **James S. Cousens** has rejoined the staff of **J. Arthur Warner & Co.**, Chapman Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — **Robert H. Gremley** has rejoined **E. H. Rollins & Sons, Inc.**, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — **Gilman L. Arnold Jr.** has rejoined the staff of **Timberlake & Co.**, 191 Middle Street, after three years' service in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**Magnus H. Horner** is again with **J. Arthur Warner & Co.**, Chapman Building, after serving in the U. S. Air Force for the past four years.

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, MAINE — **Nestor S. Brown** has been added to the staff of **Lincoln E. McRae**, 449 Main St.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Edward L. McKeon** is with **John R. Kauffmann Co.**, 506 Olive Street.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Berney Harris** and **Joseph E. Rohan** are connected with **Scherck, Richter Co.**, Landreth Building. Mr. Harris was with the firm in the past; Mr. Rohan has been serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Francis M. Johnson** has become associated with **Fulz-Schmelzle & Company**, Boatmen's Bank Building. He was formerly serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Margaret E. Frissell** has been added to the staff of **Slayton & Co., Inc.**, 408 Pine.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**Keith R. Gilmore** has rejoined the staff of **Kalman & Co., Inc.**, Endicott Building.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**Karl D. Arnold**, having completed military service, has rejoined the **Milwaukee Co.**, 144 Endicott Arcade.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—**Leland A. Darling** is with **W. H. Heagerty & Co.**, Florida Theatre Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Geo. D. Roberts** is with **First California Co.** 300 Montgomery St.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Earl T. Riley, Jr.** has joined the staff of **Greenwood-Raggio & Co.**, Russ Building. He was formerly with John D. Stern & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Llewellyn J. Reese** is with **Waldron & Co.**, De Young Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Frederick W. Buechner, Paul P. Granbery, Jr., Donald H. Coyne,** and **Eugene H. Ratto** have become associated with **Walston, Hoffman & Goodwin**, 265 Montgomery St. Mr. Coyne was previously with Barbour, Smith & Co.; Mr. Ratto with Bankamerica Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Myron A. Lomasney** is with **Wulff-Hansen & Co.**, Russ Building.

Vinson OK's Green's Silver Bill

Treasury Secretary Writes Sponsor of Measure to Extend Period of Silver Sales to Satisfy Industrial Needs.

WASHINGTON, Nov. 28.—Senator Theodore F. Green, Democrat, of Rhode Island, has made public a letter written to him by Secretary of Treasury Fred M. Vinson endorsing the Green Bill (S. 1508) which would extend the period of Treasury selling of silver to industry beyond the period limited under the present law, known as the Green Act, which expires at the end of the year. (See the "Chronicle," Nov. 22, p. 2425 and Oct. 25, p. 1952.)

The text of Secretary Vinson's letter to Sen. Green follows:

My dear Mr. Chairman:

Further reference is made to your letter of Oct. 26, 1945 requesting a report of S 1508 a Bill "to authorize the use by industry of silver held or owned by the United States."

Enactment of the Bill will enable the Treasury to continue selling silver to American industry for manufacturing uses. It is unlikely that domestic production of silver and imports of silver will be sufficient to satisfy the demands of industry for a considerable period of time. A shortage of silver for industrial use would interfere with reconversion and the maintenance of high levels of production and, accordingly, authority for the Treasury to sell silver to industry would greatly assist in the adjustment from a wartime to a peacetime economy.

With respect to leases the Bill would permit the extension, if necessary, of two leases which are now outstanding and which will terminate six months after the cessation of hostilities in the present war. As proclaimed by the President the War Department holds nearly 475,000,000 ounces under lease and the Reconstruction Finance Corporation holds slightly more than 400,000,000 ounces. The silver is used in bus bars located in aluminum and magnesium plants throughout the country and in the War Department's atomic bomb plant in Tennessee.

For the reasons stated above, the Treasury Department recommends that S 1508 be enacted.

The Department has been advised by the Bureau of The Budget that there is no objection to the submission of this report to your Committee.

Sincerely yours,
FRED M. VINSON,
Secretary of the Treasury.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Horace C. Lansing** and **James F. McCone** have become affiliated with **North American Securities Co.**, Russ Building. Mr. Lansing in the past was with Bankamerica Company and Edgerton, Bourne & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Edward M. Jones** has been added to the staff of **Schwabacher & Co.**, 600 Market St.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Francis K. Cook** has been added to the staff of **Waldron & Co.**, De Young Building.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF. — **Lee B. Puncochar** is with **H. Irving Lee & Co.**, First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

SCOTTSBLUFF, NEB.—**J. McGilvrey Powell** has been added to the staff of **Boettcher & Co.**, 828 Seventeenth St., Denver, Colo.

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, WIS. — **Richard O. Ballschneider** has rejoined **Heronymus & Co.**, Second National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA.—**Thomas D. Rollins** is with **Herrick, Waddell & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA.—**Henry C. MacDonald** has been added to the staff of **Herrick, Waddell & Co.**, 55 Liberty Street, New York City.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO — **Guerdon D. Smith** has joined the staff of **Collin, Norton & Co.**, 508 Madison Avenue, after serving in the armed forces.

Christmas Club To Make Distributions Beginning Nov. 26

$550,000,000 was slated for distribution to about 7,600,000 Christmas Club members by approximately 5,000 banking and savings institutions and other organizations during National Prosperity Week, starting Nov. 26, according to an estimate given out on Nov. 7 by Herbert F. Rawll, founder and President of Christmast Club, a corporation. The total distribution is 10% ahead of last year and represents a high since the year of the bank holiday. The average per-member distribution increased to approximately $72 as compared with $70 last year. The total number of individual members participating this year shows an increase of 600,000 over a year ago. The announcement from the Christmas Club also said:

The use of Christmas Club checks this year shows a decrease of 2% to be applied to Victory Bonds, permanent savings and Government urged, anti-inflationary purposes. A recent cross section survey indicates the estimated fund of $550,000,000, will be used by the recipients approximately as follows:

Permanent savings	25%	$137,500,000
Victory Bonds	18%	99,000,000
Insurance premiums	11%	60,500,000
Debt retirement	10%	55,000,000
Taxes	8%	44,000,000
Christmas purchases	27%	148,500,000
Unclassified	1%	5,500,000
	100%	$550,000,000

In the distribution of Christmas Club funds this year, New York State leads the other States with about $152,000,000; the estimates for Pennsylvania are $62,000,000; for Massachusetts $54,000,000; for New Jersey $42,00,000; New York's Metropolitan area will receive about $94,000,000. The Bank of America N. T. & S. A. has $9,500,000 for almost 100,000 members in California. The Bank of the Manhattan Company has $5,000,000 for 60,000 members enrolled in 49 offices in Greater New York. The Seamen's Bank for Savings in New York City has an approximate total of $4,200,000; The Dime Savings Bank of Brooklyn $2,860,000; The Howard Savings Institution of Newark, N. J., $2,400,000; the Trust Company of New Jersey $2,000,000. About 15% of the entire fund of $550,000,000 will be distributed by 41 banks, each of which has more than $1,000,000.

E. A. Stephenson Has Rejoined Chase Bank

Lt. Col. Edwin A. Stephenson, who was with the Fourth Corps Headquarters in Italy, part of the Fifth Army, was discharged on Oct. 18, and has resumed his duties as assistant manager of the bond department of the Chase National Bank of New York.

Investment Company Portfolios

(Continued from page 2575)

Middle West Corporation, Commonwealth Edison Engineers Public Service, the preferred stocks of Electric Bond & Share, and Electric Power & Light $6 and $7 preferred. Selectivity of buying, however, was indicated by the fact that five public utility preferred and common stocks and bonds are included in the list of securities in which sales predominated: North American, Electric Power & Light bonds, Niagara Hudson Power, Philalphia Electric, American & Foreign Power bonds, and Buffalo, Niagara & Eastern Power preferred stock.

Louisville & Nashville and Southern Railway common and Baltimore & Ohio bonds were bought on balance, while sales predominated in Chesapeake & Ohio common, which was sold by six funds with no purchases recorded, Southern Pacific common and Northern Pacific bonds.

Nine funds bought the new preferred stock of Johns-Manville, four funds added the new General Mills preferred issue, and three purchased R. J. Reynolds Tobacco's new preferred.

Third Quarter Sales

A considerably greater degree of unanimity of action was apparent on the sale side than on the purchase side. Deere & Co. was sold by seven funds and purchased by one; Socony-Vacuum was sold by six and purchased by none, and Electric Auto-Lite, Firestone Tire, General Motors, Greyhound and U. S. Rubber were each sold by five funds and no purchases were recorded.

Sales predominated during the third quarter in seven of the ten securities which were most widely held on June 30. Other sales were scattered among various industries, including steels, metals and oils.

Securities Most Widely Held

The list of stocks held by the greatest number of investment companies has not changed materially in the past year. As of September 30 the 10 stocks most widely held were the following:

No. of Funds Holding Stock	Name of Stock	No. of Shares Held
22	North American Company	1,295,300
22	Montgomery Ward	285,000
21	Standard Oil (N. J.)	189,700
19	Chrysler Corporation	133,700
19	Kennecott Copper	182,100
18	General Motors	173,100
17	E. I. duPont de Nemours	61,400
16	Sears Roebuck	127,900
16	International Nickel	183,700
15	Commonwealth & Southern $6 Pfd.	93,800

TABLE I

PART A

Third Quarter Portfolio Changes of 30 Investment Companies*

Securities in Which Purchases Predominated:

No. of Funds Buying	Shs. or Par Value Bought	Security	No. of Funds Selling	Shs. of Par Value Sold
9	6,700	Johns-Manville 3½% Pfd.	--	------
5	3,900	Johns-Manville Common	3	1,900
5	24,000	United Light & Railways	4	16,085
4	6,050	General Mills 3⅜% Pfd.	--	------
4	73,000	Middle West Corp.	1	200
4	3,700	C. I. T. Financial Corp.	1	4,400
4	41,100	Commonwealth Edison	2	12,000
3	5,400	American Tobacco "B"	--	------
3	34,500	Engineers Public Service	--	------
3	7,000	Kennecott Copper	--	------
3	2,900	Youngstown Sheet & Tube	--	------
3	9,500	R. J. Reynolds Tobacco $3.60 Pfd.	--	------
3	2,033	Crown Cork & Seal	--	------
3	11,700	Dresser Industries	--	------
3	13,800	Emerson Electric	--	------
3	22,000	Louisville & Nashville R. R.	--	------
3	6,200	American Cyanamid	1	15,000
3	4,600	Eastman Kodak	1	1,000
3	2,000	Hercules Powder	1	2,400
3	11,850	Pan American Airways	1	14,000
3	2,600	Elec. Bond & Share $5 & $6 Pfd.	1	1,000
3	2,700	Elec. Power & Light $6 & $7 Pfd.	1	400
3	16,100	Manufacturers Trust Co. of N. Y.	1	1,900
3	6,700	Southern Railway	1	1,500
3	$350,000	Baltimore & Ohio R. R. (var. issues)	2	$161,000
3	13,600	Allied Stores	3	13,000

PART B

Securities in Which Sales Predominated

No. of Funds Selling	Shs. or Par Value Sold	Security	No. of Funds Buying	Shs. of Par Value Bought
7	26,000	Deere & Co.	1	3,900
6	36,800	Chesapeake & Ohio Rwy.	—	------
6	90,500	Socony-Vacuum Oil Co.	--	------
6	20,200	North American Co.	3	15,200
5	5,400	Electric Auto-Lite	--	------
5	4,100	Firestone Tire & Rubber	--	------
5	16,100	General Motors	--	------
5	62,800	Greyhound Corporation	--	------
5	4,600	United States Rubber	--	------
5	$97,000	Elec. Power & Light (var. issues)	--	------
5	14,400	Hudson Bay Mining	2	6,000
4	20,000	International Nickel	--	------
4	6,300	Philco	--	------
4	21,300	Sinclair Oil	--	------
4	1,202	Pittston Co.	--	------
4	10,800	Paramount Pictures	1	500
4	14,100	National Cash Register	2	2,300
4	4,900	Chrysler Corporation	3	2,400
4	3,600	United States Steel Corporation	3	5,500
4	13,600	Montgomery Ward	4	10,400
3	7,100	American Steel Foundries	--	------
3	6,600	National City Bank of N. Y.	--	------
3	19,200	Niagara Hudson Power	--	------
3	14,000	Philadelphia Electric	--	------
3	15,400	F. W. Woolworth Co.	--	------
3	33,900	Pure Oil Corporation	--	------
3	$439,000	Amer. & For. Pwr. (var. issues)	--	------
3	9,500	Anchor Hocking Glass	--	------
3	1,500	Zenith Radio	--	------
3	3,000	Armstrong Cork	1	2,000
3	4,700	Lockheed Aircraft	1	10,000
3	19,200	Loew's, Inc.	1	4,000
3	14,800	Southern Pacific	1	10,000
3	7,200	Twentieth Century-Fox Film	1	21,000
3	1,700	Continental Oil	1	1,500
3	2,500	Goodyear Tire & Rubber	2	2,200
3	1,700	Sears, Roebuck	2	5,000
3	6,500	Westinghouse Air Brake	2	3,500
3	$400,000	Northern Pacific (var. issues)	2	$260,000
3	44,000	Buffalo, Niag. & East. Pwr. $1.60 Pfd.	2	13,000
3	8,000	American Light & Traction	2	2,800

TABLE II

50 Stocks Most Widely Held by 30 Investment Companies* on September 30, 1945

No. of Funds Holding	Name of Stock	No. of Shares Held	Market Value of Shares Held	% of Outstanding Stock Held
22	North American Company	1,295,300	$35,296,925	15.1%
22	Montgomery Ward	285,000	19,950,000	5.5
21	Standard Oil (N. J.)	189,700	11,666,550	0.7
19	Chrysler Corp.	133,700	16,762,638	3.1
19	Kennecott Copper	182,100	7,693,725	1.7
18	General Motors Corp.	173,100	12,809,400	0.4
17	E. I. duPont de Nemours	61,400	11,451,100	0.6
16	Sears Roebuck	127,900	17,906,000	2.2
16	International Nickel	183,700	6,750,975	1.3
15	Commonwealth & Southern $6 Pfd.	93,800	10,271,100	6.3
15	American Gas & Electric	254,550	9,959,269	5.7
15	Union Carbide & Carbon	99,000	9,590,625	1.1
15	Gulf Oil	169,900	9,429,450	1.9
15	United States Rubber	117,700	8,136,013	6.7
15	Paramount Pictures	197,600	7,706,400	5.3
14	Elec. Pr. & Lt. $6 & $7 Pfd.	76,600	10,532,500	11.4
14	Texas Company	174,600	9,341,100	1.6
14	Socony-Vacuum Oil	390,800	6,203,950	1.3
14	Johns-Manville	41,800	5,810,200	4.9
14	American Radiator & S. S.	289,500	5,138,625	2.9
13	Goodyear Tire & Rubber	142,000	8,591,000	6.9
13	General Electric	169,700	8,209,238	0.6
13	Firestone Tire & Rubber	92,400	5,867,400	4.7
13	Hercules Powder	45,900	4,888,350	3.5
12	United Light & Railways	435,550	9,146,550	61.5
12	B. F. Goodrich	136,200	8,989,200	10.5
12	Deere & Company	158,200	6,921,250	5.3
12	Amer. Pr. & Lt. $5 & $6 Pfd.	79,500	6,747,563	4.5
12	Westinghouse Electric & Mfg.	187,600	6,706,700	1.5
12	C. I. T. Financial Corp.	114,340	6,231,530	3.2
12	Allied Stores	163,100	5,908,750	9.0
12	International Harvester	63,800	5,710,100	1.5
12	Continental Oil	151,900	4,936,750	3.2
12	Canada Dry Ginger Ale	73,300	3,225,200	12.1
12	Greyhound Corporation	119,000	3,108,875	4.3
11	Great Northern Railway Pfd.	122,800	6,754,000	4.9
11	Chesapeake & Ohio Ry.	91,380	5,128,703	1.2
11	Hudson Bay Mining	134,300	3,961,850	4.9
11	Sherwin-Williams	27,700	3,742,963	4.3
11	American Viscose	56,100	3,464,175	3.3
11	Armstrong Cork	42,300	2,273,625	3.0
11	Ohio Oil	99,000	1,782,000	1.5
10	Pepsi-Cola	288,610	8,153,233	3.4
10	Philip Morris	111,900	7,693,125	5.6
10	Middle West Corporation	456,000	7,296,000	13.8
10	United States Steel Corp.	64,600	4,861,150	0.7
10	Standard Brands	117,000	4,855,500	3.7
10	Commonwealth Edison	138,100	4,401,938	1.1
10	National City Bank of New York	88,400	3,989,050	1.4
10	Phillips Petroleum	79,900	3,975,025	1.6

TABLE III

10 Bond Issues Most Widely Held by 30 Investment Companies* on September 30, 1945

No. of Funds Holding	Name of Company or System	Face Amount Held
12	Missouri Pacific System	$10,731,000
10	St. Louis-San Francisco System	10,056,000
10	Chicago, Milwaukee, St. Paul & Pacific System	6,195,000
10	Baltimore & Ohio Railroad	4,500,000
8	Associated Gas & Electric System	11,955,000
8	New York, New Haven & Hartford System	5,346,000
6	Cities Service Company	745,000
6	Chicago, Rock Island & Pacific System	7,600,000
5	American Power & Light Company	823,000
5	Electric Power & Light Company	733,000

*Combined assets of the 30 companies amount to about $1,283,000,000 and constitute approximately 80% of the total assets of all broadly diversified investment companies.

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Since the 30 funds included in this study all follow a policy of investing chiefly in common stocks and other equity-type securities, the most widely held bonds on September 30 were, as might be expected, mainly those of reorganization railroads. Twelve funds held Missouri Pacific System bonds with a total face amount of $10,731,000. Also included in the 10 most widely held were bonds of St. Louis-San Francisco System, Chicago, Milwaukee, St. Paul & Pacific System, Baltimore & Ohio, New York, New Haven & Hartford System and Chicago, Rock Island & Pacific System. Public utilities were represented by Associated Gas & Electric System, Cities Service, American Power & Light and Electric Power & Light.

In releasing results of the study, the Association emphasized that the statistics do not necessarily reflect **current** management opinion in regard to the securities mentioned, nor is it possible to reflect in such composite statistics the complete policies of the portfolio analyzed. The major part of investment company holdings and transactions are in a wide list of securities which individually are neither held by a sufficient number of companies nor bought or sold during a short period by enough companies to appear in such composite tabulations. The 50 stocks most widely held on September 30, 1945, accounted for only 31.2% of the total assets of the 30 funds on which the study is based.

Third Quarter Portfolio Statistics

The attached tables are a continuation of previous investment company portfolio tabulations prepared by this Association. They are based upon an analysis of holdings on September 30, 1945, and changes made during the third quarter of 1945, by the 30 largest broadly diversified investment companies. Total assets of the 30 funds amounted to about 80% of the total assets of all investment companies of that type.

Table I shows separately those securities in which buying and in which selling predominateed. The determining factor in this case is the number of **companies** which bought or sold, rather than the total number of **shares** bought or sold. Only securities in which three or more out of the 30 funds took the same action are included.

Table II lists the 50 stocks (common or preferred) which were most widely held by the 30 Companies on September 30, 1945.

Table III lists the most widely held bonds. These have been grouped to include all bonds within the same System. For example, the face amounts of bonds of New York, New Haven & Hartford System held by the 30 funds includes also bonds of New England Railroad, Central New England Railway and Housatonic Railroad.

Qualifications as to the interpretation of the statistics are always important. They do not necessarily reflect **current** management opinion in regard to the securities mentioned; nor is it possible to reflect in such composite statistics the complete policies of the portfolios analyzed. The majority of investment company transactions take place in a wide list of issues which one or two funds may buy or sell but which do not appear in a tabulation based upon composite action. The 50 stocks most widely held on September 30, 1945, accounted for only 31.2% of the total assets of the 30 funds on which the tables are based.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Privilege of Bertrand J. Foley to act as alternate for Harold W. Scott of Dean Witter & Co. was withdrawn Nov. 10th.

Privilege of Edward B. Schnell to act as alternate for Joseph A. Meehan of M. J. Meehan & Co. was withdrawn on Nov. 14th.

Privilege of Ramond J. Bechdol to act as alternate for Geo. M. La Branche, Jr. of La Branche & Co. was withdrawn on Nov. 10th. Mr. Bechdol retired from partnership in the firm on the same date.

C. Lee Todd retired from partnership in Moors & Cabot, Boston, Mass., on Nov. 15th.

L. Richard Kinnard retired from partnership in Van Alstyne, Noel & Co. on Oct. 31st.

Interest of the late Anna M. McGough in McGough & Schuman ceased as of Oct. 31.

Significance of Labor-Management Conference

The labor-management conference now in session in Washington is attempting to fill a very pressing need in the economic life of the nation. The United States has entered the critical transition period poorly equipped to deal with the industrial disputes that are sure to occur at such a time. Some of the basic factors governing industrial relations have changed rapidly in recent years, and neither the legal framework nor the administrative machinery apparently needed to meet the new conditions has been developed, states the Guaranty Trust Co. of New York in the current issue of "The Guaranty Survey," its monthly review of business and financial conditions in this country and abroad, published Nov. 27.

"Although the meeting is free from purposely imposed time restrictions, its deliberations could hardly fail to be affected by the critical situation that clearly exists at present in the field of industrial relations. The prospect of permanently beneficial results might have been greater if the conference could have taken place in an atmosphere of less tension and urgency. Yet there was reason to suppose that the pressing need for agreement might call forth broader concessions in the interests of industrial peace than would otherwise be made; and, despite the wide differences of opinion revealed by the deliberations, there still appears to be some prospect that constructive results may be achieved, particularly in the fields of voluntary arbitration, fact-finding procedures and a strengthening of the Federal Conciliation Service," "The Survey" continues.

"Some of the questions proposed unquestionably strike very close to the heart of the industrial relations problem as it exists today. What procedure shall be followed in the adjustment of disputes and grievances during the life of a contract and in the negotiation of a succeeding contract? Shall contracts include no-strike and no-lockout agreements—that is, shall the strike and the lockout be reserved as weapons of last resort in the making of an agreement but adjured for other purposes while the agreement is in force? Shall provision be made for the early use of conciliation, mediation and, where necessary, voluntary arbitration when negotiations for the renewal of a contract have failed? Shall provision be made for facilities and personnel to permit quick settlement of grievances at the level where they occur? Shall both parties adhere to a policy of responsibility for living up to the letter and spirit of all collective agreements and effective measures to carry it out? What measures are needed to control the actions of union members and management representatives who show tendencies to violate agreements?

Essential Conditions of Industrial Peace

"The questions of responsibility for enforcement and of orderly procedures for peaceful settlement are particularly crucial, for it is in these matters that law and administration have lagged farthest behind the needs of the times. Both legally and practically, the enforcement of collective bargaining agreements is very difficult, especially for the employer. Although such agreements are held to be valid and enforceable contracts in most jurisdictions, suits against unions through representatives or in their common names can be instituted only in some States, while in others the employer and the union have no rights of enforcement against each other, and suits by employers must be brought against individual employees. The impracticability of such a procedure in most cases is obvious. In the few instances where employers have carried through legal actions against unions, the long periods of years occupied by the proceedings and the amounts finally recovered have been such as to discourage the use of this remedy. In the absence of marked changes must rest primarily upon the voluntary assumption of responsibility by the parties and upon their control over their members and representatives.

"The proposed Federal Industrial Relations Act, now in the hands of a Senate committee, calls for the establishment of a permanent Federal agency, modeled to some extent on the pattern of the Railway Labor Board, to aid in the settlement of industrial disputes. The proposal, however, goes considerably beyond the Railway Labor Act in that it provides for compulsory arbitration of disputes in cases where an interruption of supply would cause severe hardship to a substantial number of persons. This provision would be applicable to public utility services, essential foods such as milk, essential fuels such as coal or oil, and other supplies and services that are deemed indispensable to public health, safety or welfare.

"Active consideration of this proposed legislation has been postponed until after the conference. Its chief significance at the moment lies in its reflection of the growing recognition of the public interest in industrial relations. That interest is recognized in the Railway Labor Act, which prescribes a special procedure to be followed in the settlement of railway labor disputes. It is recognized also in the program for the present conference, which declares that 'there may be a different approach to industrial relations in the field of vital public utilities.'

Protecting the Public Interest

"The public interest in industrial relations, however, is not confined to the railway and public utility fields. Some industries are so essential to public health and welfare that, as a matter of practical necessity, they must be kept operating in one way or another. Other industries are so large, so highly centralized, or so strategically placed in the general economic structure that a prolonged suspension of their operations would constitute a public calamity. When an industry employs hundreds of thousands of workers, and when those workers are subject to a single labor leadership, so that the entire industry, along with others dependent upon it, can be paralyzed for indefinite periods, a dispute in that industry cannot be treated as if it were a matter of concern only to the labor and management units that are parties to it.

"Agreements and proposals giving adequate effect to this principle are what the public interest requires of the labor-management conference. If the meeting attains a reasonable degree of success in meeting this need, it will have made a contribution of outstanding importance to industrial peace and public welfare. If it fails, and if industrial strife occurs on the scale that now seems to be threatened, the public interest may assert itself through measures that will be satisfactory neither to labor nor to management, that will be difficult to enforce, and that will be repugnant to the economic legislation or judicial interpretation, the practical validity of collective bargaining agreements nomic freedom that Americans desire. For the sake of all concerned, it is to be hoped that the essential needs of the situation can be met by voluntary agreement."

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, DEC. 1

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

MANUFACTURERS CREDIT CORP. on Nov. 13 filed a registration statement for 40,000 shares 6% preferred stock, $25 par, and 40,000 shares of common stock, $1 par, and 40,000 common stock purchase warrants and 40,000 shares of common reserved for issuance upon exercise of warrants.

Details—See issue of Nov. 22.

Offering—The offering price to the public will be $30 per unit, a unit consisting of one share of preferred and one share of common stock.

Underwriters—Walter F. Tellier, doing business under the firm name of Tellier & Co., New York, is named principal underwriter.

MONDAY, DEC. 3

MAINE PUBLIC SERVICE CO. on Nov. 14 filed a registration statement for $2,200,000 first mortgage and collateral trust bonds due Oct. 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds are to be offered for sale at competitive bidding and the names of the underwriters will be filed by amendment.

WASHINGTON GAS LIGHT CO. on Nov. 14 filed a registration statement for 40,000 shares of $4.25 cumulative preferred stock, without par value.

Details—See issue of Nov. 22.

Offering—The company is offering 40,000 shares of the new preferred stock to the holders of its outstanding 40,000 shares of $5 cumulative preferred stock on basis of one share new plus $1.10 for one share old. Unexchanged through underwriters at $104 per share. Company proposes to redeem any unexchanged stock.

Underwriters—Alex. Brown & Sons; Auchincloss, Parker & Redpath; Johnston, Lemon & Co.; Folger, Nolan & Co., Inc.; Goodwyn & Olds; Mackall & Coe; Ferris, Exnicios & Co., Inc.; Robert C. Jones & Co., and Robinson, Rohrbaugh & Lukens.

TUESDAY, DEC. 4

INSURANCE CO. OF NORTH AMERICA on Nov. 15 filed a registration statement for 300,000 shares of capital stock, par $10.

Details—See issue of Nov. 22.

Offering—The company is offering to its stockholders of record Nov. 30, 1945, subscription warrants to subscribe at $40 per share on the basis of one new share for each four shares held.

HOWARD STORES CORP. on Nov. 15 filed a registration statement for 31,525 shares of cumulative preferred stock, par $100 and 75,000 shares of common stock, par $1. The common stock is being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The company is offering the holders of its 31,525 shares of outstanding 5¼% cumulative preferred stock the opportunity to exchange their shares of old preferred for the new preferred stock on a share-for-share basis plus cash payment. The initial public offering prices will be filed by amendment.

Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

MARY LEE CANDIES, INC., on Nov. 15 filed a registration statement for 79,228 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The price to the public is $7.87½ per share.

Underwriters—The group is headed by Herrick, Waddell & Co., Inc., New York.

WEDNESDAY, DEC. 5

ALLEGHANY CORP. on Nov. 16 filed a registration statement for 700,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders. These stockholders are Allan P. Kirby, 600,000 shares; Walter W. Foskett, 50,000, and Eunice M. Oakes, 50,000 shares.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting group is headed by Otis & Co.

HAMMERMILL PAPER CO. on Nov. 16 filed a registration statement for $5,000,000 20-year 3% sinking fund debentures due Dec. 1, 1965 and 15,000 shares of cumulative preferred stock. The dividend rate will be filed by amendment.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

NATIONAL LINEN SERVICE CORP. on Nov. 16 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of its $5 cumulative preferred stock and $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. The price to the public is $103 per share.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

SATURDAY, DEC. 8

SOUTHERN ADVANCE BAG & PAPER CO., INC., on Nov. 19 filed a registration statement for 25,000 shares of 4½% cumulative preferred stock, par $100.

Details—See issue of Nov. 22.

Offering—The company is offering 20,202 shares of the new preferred in exchange to the holders of the outstanding 20,202 shares of 7% and 6% cumulative preferred stocks on the basis of one share of new for each share of 7% preferred and one share of new preferred and $7.50 in cash for each share of 6% preferred. In addition, holders making the exchange will receive a cash payment. The underwriters will purchase any shares of new preferred not issued in the exchange and the shares of 4½% preferred not required for exchange.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

S. D. WARREN CO. on Nov. 19 filed a registration statement for 30,000 shares $4.50 cumulative preferred stock, no par value.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—First Boston Corporation heads the underwriting group.

PRESSED STEEL CAR CO., INC., has filed a registration statement for 85,955 shares of 4½% cumulative convertible preferred stock, series A, par $50.

Address—2500 Koppers Building, Pittsburgh, Pa.

Offering—The company is offering to holders of its common stock the 85,955 shares of 4½% preferred at the rate of one share of preferred for each 11 shares of common held of record at the close of business on Dec. 10, 1945. Subscription rights are exercisable on or before Dec. 21, 1945, at $50 per share. The underwriters will purchase from the company such share of preferred stock as are not subscribed for and will offer them to the public at $50 per share.

Proceeds—The net proceeds estimated at a maximum amount of $4,172,126 will be added to the general funds of the company and used in part for the following purposes: In order to diversify its products the company intends to manufacture and sell domestic appliances such as electric stoves, refrigerators, and air-conditioning equipment. The manufacture of such appliances will be located at the Hegewisch, Chicago, Ill., plant. In connection with such intended manufacture the board has already authorized the expenditure of $785,000. It is estimated an additional expenditure of $1,500,000 will be required for this purpose. The company anticipates some rearranging of and additions to the equipment of the McKees Rocks plant will take place. The board has already authorized expenditure of $185,000 for such purposes, and estimates an additional $500,000 will be required. Approximately $900,000 of the proceeds will be used in part to replenish the company's cash for the expenditure on Sept. 24, 1945, to redeem the then outstanding $895,700 of 15-year 5% debentures.

Underwriters—Kuhn, Loeb & Co. heads the underwriting group.

Registration Statement No. 2-6012. Form S-1. (11-19-45).

BATES MANUFACTURING CO. has filed a registration statement for 256,500 shares of common stock, par $10.

Address—Canal Street, Lewiston, Me.

Business—Woven bedspreads, drapes, drapery fabrics, upholstering cloth, etc.

Offering—The new shares are being offered first to the company's stockholders at a price to be filed by amendment. Each shareholder will be entitled to subscribe to 1.9 shares for each share of outstanding stock. The underwriters will offer to the public at $25 per share all of the 256,500 shares not subscribed for by stockholders, except as to certain shares offered by First Boston Corp. and Coffin & Burr, Inc., to minority stockholders of the four transferor mills participating in the Maine Mills plan. The First Boston Corp. and Coffin & Burr, Inc., together own individually a majority of the capital stock of Bates as well as of the following four mills: Androscoggin Mills, Edwards Manufacturing Co., Hill Manufacturing Co. and York Manufacturing Co. The First Boston and Coffin & Burr are offering an undetermined number of shares of common stock out of the shares which as underwriters they have agreed to purchase from the company to the minority stockholders of the four mills named above which are participating in the Maine mills plan. The Maine mills plan provides for the acquisition by Bates or its wholly-owned subsidiary, Bates Company, of the plants and certain other assets of the four mills named. Under the plan the original contractors or underwriters will offer to exchange a certain number of shares of Bates stock for minority holdings of stock in the four mills.

Proceeds—The sale by the company of the 256,500 shares is a part of the plan of financing which includes the issue by the company, through private placement, of $1,600,000 serial notes and $3,000,000 debentures which are not being offered by the prospectus. The aggregate net proceeds from sale of the stock, notes and debentures will be utilized to discharge the obligations of Bates to pay cash to Androscoggin and Hill as a part of the consideration for the assets to be transferred by those companies to Bates; as a loan to company's subsidiary, Bates Company, to enable the latter to make cash payment to Edwards and York as part consideration for the assets of those companies, and to pay off indebtedness. Any balance will be used as working capital.

Underwriters — First Boston Corp. and Coffin & Burr, Inc., head the underwriting group.

Registration Statement No. 2-6013. Form S-1. (11-19-45).

SUNDAY, DEC. 9

NATIONAL DAIRY PRODUCTS CORP. has filed a registration statement for $50,000,000 2¾% debentures due Dec. 1, 1970.

Address—230 Park Avenue, New York, N. Y.

Business — Purchase, manufacture or processing, and distribution of diversified lines of dairy products.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds are to be used, together with company's treasury funds, to redeem, at 105½ and accrued interest, the corporation's 3¼% debentures due 1960, of which $50,600,000 is outstanding. The total redemption price of the debentures, exclusive of accrued interest, will be $53,383,000.

Underwriters—Goldman, Sachs & Co. and Lehman Brothers head the underwriting group, which will include more than 100 underwriters.

Registration Statement No. 2-6014. Form A-2. (11-20-45).

FANSTEEL METALLURGICAL CORP. has filed a registration statement for common stock, without par value, the number of shares to be filed by amendment.

Address—North Chicago, Ill.

Business—Development and refinement of rare metals.

Offering—Holders of record of the outstanding common stock will be given the right to subscribe to new common stock, the record date, ratio and price all to be filed by amendment.

Proceeds—Of the net proceeds, $648,076 will be used to redeem all of the 6,292 shares of outstanding preferred at the redemption price of $103 per share, and the balance will be added to the general funds of the company. These funds will be applied to the possible acquisition of the plant and facilities now leased by its wholly owned subsidiary, Tantalum Defense Corporation, or the construction of additional plant facilities.

Underwriters—Hallgarten & Co., is the principal underwriter.

Registration Statement No. 2-6015. Form S-1. (11-20-45).

MONDAY, DEC. 10

UNITED STATES AIR CONDITIONING CORP. has filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter.

Address—Northwestern Terminal, Minneapolis, Minn.

Business—Line of cooling, heating, ventilating, air-conditioning and related equipment.

Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.

Proceeds—If the underwriter exercises his option in full, the net proceeds to the company will be $562,500 less expenses not to exceed $15,000. Of the proceeds approximately $425,000 will be used for the purchase or to build a factory and or office building, etc., and the remainder will be added to working capital. The company is the successor to the United States Air Conditioning Corporation which primarily engaged in fans and blowers resigned for ventilating and cooling of theaters.

Underwriter — George F. Breen, New York, is named underwriter.

Registration Statement No. 2-6016. Form S-2. (11-21-45).

BRUNNER MANUFACTURING CO. has filed a registration statement for 100,000 shares of common stock, par $1. Of the total 15,004 shares are to be sold by the company and 84,996 shares to be sold by certain stockholders.

Address—1821 Broad Street, Utica, N. Y.

Business—Commercial refrigeration condensing units and air compressors.

Offering—The price to the public is $7.75 per share.

Proceeds—Company will use its portion of the proceeds for general corporate purposes. The remaining proceeds will go to the selling stockholders.

Underwriters—Mohawk Valley Investing Co., Inc., George R. Cooley & Co., Inc., and Cohu & Torrey.

Registration Statement No. 2-6017. Form S-2. (11-21-45).

INVESTORS MUTUAL, INC., has filed a registration statement for 3,000,000 shares of capital stock, no par value.

Address—200 Roanoke Building, Minneapolis, Minn.

Business—Open-end investment company of the management type.

Offering—At market.

Proceeds—For investment.

Underwriter—Investors Syndicate, Minneapolis, Minn.

Registration Statement No. 2-6018. Form A-1. (11-21-45).

PHILADELPHIA TRANSPORTATION CO. has filed a registration statement for $7,000,000 first and refunding mortgage bonds series B due Dec. 1, 1970. The interest rate will be filed by amendment.

Address—1405 Locust Street, Philadelphia, Pa.

Business—Street transportation system.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used to redeem on Feb. 1, 1946, $1,897,800 of the company's first and refunding mortgage 4% bonds; to redeem on March 1, 1946, $115,000 Philadelphia Rapid Transit Co. 5% bonds and to redeem on March 1, 1946, $6,367,000 Philadelphia Rapid Transit Co. 6% bonds. The total required, including premiums where payable, but exclusive of accrued interest, is $8,703,900. The balance will be supplied from company funds.

Underwriters—Drexel & Co. is the principal underwriter.

Registration Statement No. 2-6019. Form S-1. (11-21-45).

WEDNESDAY, DEC. 12

CENTRAL POWER & LIGHT CO. has filed a registration statement for 100,000 shares of preferred stock, par $100. The dividend rate will be filed by amendment.

Address—120 North Chaparral Street, Corpus Christi, Texas.

Business—Public utility.

Offering—Central Power & Light Co., Mass., proposes to offer the holders of its 7% and 6% preferred stock an opportunity to exchange their shares for shares of the new Texas concern on a share for share basis plus cash. The dividend rate on the new preferred will be specified by underwriters in connection with the sale at competitive bidding. It is expected the exchange offer will be in effect for about ten days and that the shares of the old preferred stock not exchanged will be redeemed on Feb. 1, 1946, at $120 per share and accrued dividends, in the case of the 7% preferred, and at $110 per share and accrued dividends in the case of the 6% preferred.

Purpose—The net proceeds to be received by the old company from the sale to underwriters of the shares of new preferred not issued in exchange, are to be applied by the company, together with treasury funds, to the redemption of the outstanding shares of old preferred as shall not be exchanged for shares of new preferred.

Underwriters—The shares will be offered for sale under the Commission's competitive bidding rule, and the names of underwriters will be filed by amendment.

Registration Statement No. 2-6020. Form S-1. (11-23-45).

NICKEL CADMIUM BATTERY CORP. has filed a registration statement for 35,000 shares of capital stock, par $10.

Address—Easthampton, Mass.

Business—Corporation was incorporated in Delaware on Nov. 8, 1944 to manufacture and sell electric storage batteries.

Offering—The price to the public is $10 per share.

Proceeds—Of the 35,000 shares registered, 10,000 represent the shares held under option by six individuals, and the company is offering the remaining 25,000 shares to its present shareholders and to a limited number of others at $10 per share. The company stated it has no reasons to expect to receive the proceeds of the sale of the 10,000 shares held under option in the immediate future, so that the gross proceeds will not exceed $250,000. The net proceeds will be added to the general funds of the company.

Underwriters—None. The securities are being offered by the corporation.

Registration Statement No. 2-6021. Form S-12. (11-23-45).

WELCH GRAPE JUICE CO. has filed a registration statement for 20,392.8 shares of second preferred stock, par $100.

Address—Westfield, N. Y.

Business—Grape juice, jams and jellies, etc.

Offering—The 20,392.8 shares of second preferred are being offered to the holders of common stock, at the rate of two shares of second preferred for each 15 shares of common held, at $100 per share. Navajo Corporation has agreed to purchase all of the unsubscribed shares at $100 without any discount or commission. Navajo states it will purchase the unsubscribed shares for investment, and not for distribution to the public.

Proceeds—The proceeds will be utilized for plant improvement, tentatively proposed as follows: Grape juice cold storage tanks and building $850,000, refrigerating and processing equipment $450,000, equipment to process tomatoes and fruits other than grapes $300,000, and general plant improvement $400,000.

Underwriters—None mentioned.

Registration Statement No. 2-6022. Form S-2. (11-23-45).

SATURDAY, DEC. 15

STATE STREET INVESTMENT CORP. has filed a registration statement for 123,411 shares (additional) of no par common stock, and stock purchase warrants entitling the bearers to subscribe in the aggregate to said 123,411 shares of common stock, to be given to issuer's stockholders of record at the close of business on Dec. 15, 1945. In addition 34,113 shares already issued on Aug. 22, 1944, to be registered to permit the re-sale thereof when and as reacquired issuer.

Address — 140 Federal Street, Boston, Mass.

Business—Open-end, diversified management investment company.

Offering — Initial offering of 123,411 shares expected to be made on or about Dec. 24, 1945, through the issuance of stock purchase warrants to stockholders.

Underwriters—None.

Registration Statement No. 2-6023. Form A-1. (11-26-45).

O'SULLIVAN RUBBER CORP. has filed a registration statement for 63,000 shares of common without par value, 6,000 shares of 5% cumulative preferred, par $100 and $500,000 4% first mortgage bonds. Of the common stock registered, 58,000 shares are issued and outstanding and are being sold by Victor Products Corp.

Address—Winchester, Va.

Business—Rubber heels, soles and soling material, also purchase and wholesale distribution of machinery, equipment and supplies used in the operation of shoe repair shops, which business is conducted as a division of the company under the name of Laing, Harrar & Chamberlin. The corporation was organized under the laws of Virginia on Sept. 22, 1945, to acquire all of the assets of The O'Sullivan Rubber Co., Inc., a Delaware corporation.

Offering—The price to the public will be filed by amendment. The underwriter will purchase the securities at the following prices: bonds at 95%, preferred stock at $92 per share and common stock at $4.50 per share.

Proceeds—The company will apply its proceeds as follows: for the retirement, at 104, with accrued interest of first mortgage bonds issued by the Delaware company $249,000; for the retirement, at par and accrued dividends, of 6% preferred stock of the Delaware company $125,000; for plant additions and improvements in Winchester, $380,000, and for working capital $295,500. The net proceeds of the sale of securities by Victor, amounting to $261,000 will be used to increase its working capital.

Underwriters—The principal underwriter is C. F. Cassell & Co., Charlottesville, Va. The underwriter has agreed to purchase from the company 5,000 shares of common, 6,000 shares of preferred and $500,000 of 4% first mortgage bonds, and has also entered into an agreement to purchase 58,000 shares of common from Victor Products Corp.

Registration Statement No. 2-6024. Form S-1. (11-26-45).

SUNDAY, DEC. 16

WOODALL INDUSTRIES, INC. has registered 100,000 shares of 5% cumulative convertible preferred shares, par $25.

Address—7565 East McNichols Road, Detroit, Mich.

Business—The company's pre-war business consisted primarily in the manufacture, assembly and sale of interior panels for automobile bodies, truck cabs and automobile trailers. The company is in the process of reconverting its Detroit and Monroe plants for its normal peace-time operations.

Offering—The price to the public will be filed by amendment.

Proceeds—Net proceeds will be applied for the following purposes (or to pay off sums borrowed for such purposes or reimburse treasury for funds expended for such purposes): $680,000 for acquisition of all the outstanding capital stock of Board Fabricators, Inc., $438,400 for acquisition of certain assets of and the business formerly owned by Service Industries, Inc., $260,000 to organize a subsidiary to acquire all of the business and assets of Service Products Co., $220,000 to acquire buildings, $200,000 to acquire certain patents and $305,150 for acquisition of all the capital stock of Industrial Fabricators, Inc. Any balance will be added to working capital.

Underwriters—Paul H. Davis & Co. is named principal underwriter.

Registration Statement No. 2-6025. Form S-1. (11-27-45).

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.

ALASKA AIRLINES, INC. on Oct. 31 filed a registration statement for 100,000 shares of common stock (par $1).

Details—See issue of Nov. 8.

Offering—To be filed by amendment.

Underwriters—To be filed by amendment.

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.

BUFFALO NIAGARA ELECTRIC CORP. on Nov. 9 filed a registration statement for $56,929,000 first mortgage bonds due Nov. 1, 1975. The interest rate will be fixed by the successful bidder and filed by amendment.
Details—See issue of Nov. 22.
Offering—The price to the public will be filed by amendment.
Underwriters—The bonds will be sold at competitive bidding, and the names of underwriters will be filed by amendment.

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.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.
Details—See issue of Oct. 4.
Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

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.

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.
In amendment filed Nov. 20 company announced that 20,180 shares would be offered to stockholders at $10.25 per share; unsubscribed shares may be sold at any time within year at $10.50. Additional 3,364 shares offered in exchange for all outstanding stock and assets of B. A. Proctor Co., Inc.
Underwriters—None named.

THE PANTASOTE CO. on Nov. 9 filed a registration statement for 100,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.
Details—See issue of Nov. 22.
Offering—The price to the public is $5.75 per share.
Underwriters—Van Alstyne, Noel & Co., heads the underwriting group.

PACIFIC TELEPHONE & TELEGRAPH CO. on Nov. 9 filed a registration statement for $75,000,000 40-year 2¾% debentures due Dec. 1, 1985.
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.

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.

SIOUX CITY GAS & ELECTRIC CO. on Nov. 9 filed a registration statement for $8,000,000 first mortgage and collateral trust bonds series due 1975; 38,000 shares of cumulative preferred stock, par $100, and 153,000 shares of common stock, par $12.50. The interest and dividend rate on preferred will be filed by amendment.
Details—See issue of Nov. 22.
Offering—The prices to the public will be filed by amendment. The securities will be offered for sale under the competitive bidding rule of the Securities and Exchange Commission. The offering of common stock includes 34,068 shares which are outstanding and owned by Iowa Public Service Co., controlled by Sioux City.
Underwriters—The names will be filed by amendment.

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.

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.

Registrations Revoked

The Securities and Exchange Commission has revoked the broker-dealer registrations of Kressly & Campbell, Seattle, Wash., and Paul W. Judd, Tacoma, Wash. for violations of the Securities Act and the Securities Exchange Act.

The Commission stated that it had found that the two firms, from February 1940 through June 1941, had sold shares of International Metals Development, Inc., which were not registered as required by the Securities Act.

Announce Officers of ABA Savings Division

Increased activity on projects to promote the merchandising of savings bank services and expanded work in the field of thrift education will be among 1946 objectives of the Savings Division of the American Bankers Association, according to Myron F. Converse, President of the Division, who is also President, of the Worcester Five Cents Savings Bank, of Worcester, Mass. President Converse on Nov. 9 announced committee appointments. New this year in the division organization is the Savings Text Committee.

The officers of the organization of the Savings Division for the next year are:

Myron F. Converse, President, of the Worcester Five Cents Savings Bank, Worcester, Mass., President; Fred F. Spellissy, Executive Vice-President, of the Market St. National Bank, of Philadelphia, Pa., Vice-President; J. R. Dunkerley, Deputy Manager, American Bankers Association, New York, Secretary.

The following are the members of the Executive Committee: Ex-Officio H. R. Templeton, Vice-President, of the Cleveland Trust Company, Cleveland, Ohio; Myron F. Converse, President, Worcester Five Cents Savings Bank, Worcester; Fred F. Spellissy, Executive Vice-President, of the Market St. National Bank, Philadelphia.

Term expiring 1946—Mervin B. France, First Vice-President, of the Society for Savings, Cleveland, Ohio; Mills B. Lane, Jr., First Vice-President, the Citizens and Southern National Bank, of Atlanta, Ga.; L. A. Tobie, President, of the Meriden Savings Bank, Meriden, Conn.

Term expiring 1947—George S. Eccles, President of the First Security Bank of Utah N. A., Ogden, Utah; Charles H. Stewart, President of the Portland Trust and Savings Bank, Portland, Ore.; J. Reed Morss, Vice-President of the Boston Five Cents Savings Bank, Boston, Mass.

Term expiring 1948—Rowland R. McElvare, Executive Vice-President, Bank for Savings, New York, N. Y.; A. W. Sands, President of the Western State Bank, St. Paul, Minn.; J. A. Terrill, Secretary and Treasurer of the New Hampshire Savings Bank, Concord, N. H.

Eisenhower Urges Military Merger

General Dwight D. Eisenhower, appearing before the Senate Military Affairs Committee on Nov. 16, expressed it as his conviction that unification of the armed services of the United States is essential to the security of the nation and preservation of world peace. The general declared that "the era of atomic weapons" makes such unification imperative. Not only is "unity of concept, indoctrination and training more necessary than ever," he told the Committee, according to Associated Press Washington advises; but "only through a single department can coordinated development of new weapons be assured." Congressional supporters of the proposed legislation to merge the armed forces into a single department the Associated Press reports, asserted on Nov. 11 that they believed they would have President Truman's active backing for the merger. As a senator, Mr. Truman was on record for consolidation of the armed forces. The President is faced with a definite cabinet split over the proposal, but legislators who have talked to him on the subject recently feel that he may make public his views before Christmas.

Low-Cost Housing Proposed in Senate

Senators Robert F. Wagner (D.-N.Y.), Robert A. Taft (R.-Ohio) and Allen J. Ellender (D.-La.) have combined to write a piece of legislation designed to make possible the purchase of modest priced homes with a down payment of as little as 5%, Washington Associated Press advices stated on Nov. 14. The goal of the measure was represented as attainment of "a decent home for every American family," permitting a family to acquire a home costing up to about $5,300 with the 5% down payment.

The method by which the legislation would accomplish this purpose would be by raising the amount of government loan insurance from 80 or 90% to 95% of the cost, the Associated Press pointed out, these advises added.

"The period for repayment of the loan could be increased from 20 or 25 years to 32 years. The maximum interest rate on insured loans would be reduced from 5% to 4%."

Other features of the measure, include Provision for $500,000,000 for five-year Federal loans to localities to get "urban redevelopment" projects started; a four-year program designed to provide about 500,000 additional units of low-rent public housing; low-interest loans "to enable farm families of very low income to obtain decent housing," and provision for sale of government-owned war housing to communities for low-rent homes.

Commerce Dept. Sees 60% Bldg. Gain in '46

New construction in the United States, public and private, will reach $7,300,000,000 in 1946 and additional expenditures on repair and maintenance will boost the total by at least another $5,000,000,000, according to revised estimates issued by the Construction Division, Department of Commerce.

The announcement issued on Nov. 2 continued:

According to William H. Shaw, chief of the Division's Construction Statistics Unit, construction in 1946 should be 60% better than in 1945, if present expectations are fulfilled.

"The real reason, however, for labelling 1946 a good year is that it will be a year of expansion," Mr. Shaw said. "By the end of 1946 we can, and should, be building at an annual rate of better than $9,000,000,000 with a goal of at least $12,000,000,000 by 1927 and, we hope, well on the way to sustained high employment."

Mr. Shaw said that this "rosy view" requires one qualification—that the anticipated goals will not be achieved unless manufacturers, dealers, builders, management and labor all work together to keep costs within reason.

"Buyers resistance and economic uncertainties might cause a loss of as much as half a billion dollars in 1946 construction volume," Mr. Shaw warned. "Our forecast assumes reasonable costs—close to present levels— and it assumes the internal cooperation of all segments of the industry as well as a minimum of material and labor bottlenecks. In short, it assumes that the construction industry will do its share of reconversion and do it well."

Mr. Shaw said that one "striking feature" of the 1946 estimate was that "almost three-fourths of the total, $5,200,000,000, is privately financed."

"Not only is this a complete reversal of the last few years, but you have to go all the way back to 1929 before it can be duplicated," Mr. Shaw said.

President Seeks New Funds for UNRRA

In a message to both Houses of Congress on Nov. 13, President Truman asked that a new appropriation of $1,350,000,000 be authorized to help continue the work of the United Nations Relief and Rehabilitation Administration in Europe and Asia, Associated Press Washington advices stated. The President stated that current UNRRA funds will be exhausted by the end of 1945 and that "the flow of supplies purchased with these funds cannot last beyond early spring."

The new authorization, if granted, would match an orginal authorization by Congress on March 28, 1944, of which $550,000,000 still remains to be appropriated, the House having approved the sum with action in the Senate pending.

Disagreement had already started in Congress on Nov. 12, according to Associated Press reports, over the proposal for new funds for UNRRA. Minority leaders have indicated their intention to support authorization of funds only which are deemed absolutely necessary. Both sides have evinced a readiness to scrutinize the legislation carefully for justification of the amounts and regulatory amendments for handling the funds.

President Truman in his message pointed out, according to the Associated Press, that the new money was needed to finance relief in China, Korea and Formosa in the Far East, and Italy, Austria, White Russia and the Ukraine, Poland, Czechoslovakia, Yugoslavia, Greece and Albania in Europe.

"China," Mr. Truman said, "presents the largest of all relief responsibilities which UNRRA now faces."

A "limited" program of aid is planned for the Soviet republics of White Russia and the Ukraine, he said. These areas, he added, constituted the principal battlefields in the struggle between Russia and Germany.

Savs. Bank Deposits In N. Y. Gain in Oct.

While gains in both savings accounts and deposits for the 131 savings banks of New York State continued during October, the rate of gain was at a lower rate than in October, 1944, it is announced by Robert M. Catharine, President of the Savings Banks Association of the State of New York. The net gain in accounts was 9,201 and in deposits $74,655,114 as compared with 23,768 and $87,050,301, respectively, in October a year ago.

"This was not unexpected," Mr. Catharine observed, "in view of job shifting and temporary unemployment. While this represents a reversal in the trend which has been in effect since the middle of 1942, it is too early to determine how permanent it will be. It is interesting to note in this regard that new savings in October exceeded by more than 20% those of October 1944. Withdrawals, on the other hand increased 63%, thus causing the decrease in the net gain."

Total deposits at the end of October were $8,077,509,203 and the number of accounts 6,648,776, exclusive of Christmas Clubs and other special purpose accounts. Savings bank deposits in New York crossed the $8 billion mark for the first time in September of this year.

Foreign Trade Bankers Advocate British Loan

Bankers Association for Foreign Trade Issue Statement of Policy Adopted at Recent Convention. Urges Congress to Provide Assistance to British as Being Vital to Transition and World Reconstruction.

The following statement of policy regarding financial aid to Great Britain, adopted by the Bankers Association for Foreign Trade, which met in Hershey, Pa., on Nov. 15-16, was made public on Nov. 26:

British-United States Financial and Trade Relationship

Prosecution of the war has caused the United Kingdom to impose many trade and exchange controls, notwithstanding the fact that British standards of living have been lowered, that foreign investments have been sacrificed and that blocked sterling debts have accumulated in many areas. Such measures, designed to conserve dollars and free exchange resources, have resulted in trade and financial discrimination against the United States and the formation of a sterling area block, highly prejudicial to the orderly development of American foreign trade.

Huge funds of free exchange will be required to eliminate the sterling area block and to unfreeze the blocked sterling owed to British Dominions and Colonies and various nations of the Western Hemisphere, Europe, Africa and Asia to permit these territories to make large imports for rehabilitation, reconstruction and restocking. Economic stability in the international field will be dangerously impaired and the return to normal private trade severely handicapped unless governmental restrictions, here and abroad, can be greatly modified and relaxed. A prerequisite to establishment of the International Monetary Fund and the stabilization of all foreign exchange rates is the prior attainment of a firm dollar-pound sterling relationship and the free convertibility of the pound sterling.

An outstanding objective of the United Nations—and, indeed, a determined and aggressive policy of the United States—is the establishment of world conditions under which business and finance, among all peoples, may be free of discrimination, with great reductions of trade barriers, of mutual and equal benefit. Implementation of such policies—to unleash the constructive forces of world economy—requires the modification and relaxation of British Imperial tariff and trade preferences and restrictions and the reduction of United States tariff rates to enlarge imports.

This Association, therefore, urges that Congress provide appropriate financial assistance to the United Kingdom, as being vital to transition and reconversion, at home and abroad, to accomplish the four-fold objective of:

(a) Maintaining a firm dollar-pound sterling relationship, with free convertibility of sterling;

(b) Dealing adequately with the trade strangulation caused by the huge blocked sterling debts;

(c) Permitting the United Kingdom, British Dominions and Colonies and other nations of the Western Hemisphere, Europe, Africa and Asia to purchase essential rehabilitation imports, thus enlarging employment and trade throughout the world, and

(d) Modifying and relaxing trade, financial and exchange controls and decreasing British Imperial preference discriminations and American tariff rates, so that there may be negotiated a great new series of reciprocal trade agreements under the new stronger authority granted this year by the United States Congress.

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Holland-Swiss Pact

From The Hague, Oct. 31 (ANETA), advices published in the New York "Journal of Commerce" said:

Holland and Switzerland signed a monetary agreement at Berne today which fixed the rate of exchange between the two currencies at 61.6 Netherlands cents for a Swiss franc.

The agreement concerns commercial payment and traffic between the two countries. The official rate will be 162.69 Swiss francs per 100 guilders. Mutual credit has been established amounting to 25,000,000 Swiss francs and 15,000,000 guilders. If the credit is exceeded the balance must be repaid in gold. The agreement will continue in force for three years.

In order to bridge the recovery period the Netherlands Government will take a commercial credit of 50,000,000 Swiss francs with Swiss banks.

Sonnett Asst. Att. General

The U. S. Senate on Oct. 18 confirmed the nomination of John F. Sonnett of New York to be an Assistant Attorney General.