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Loan a Bitter Pill For Great Britain

By PAUL EINZIG

London Observer Forecasts Early Adoption of Bretton Woods by British Parliament, Despite Opposition on Ground That It Restores, "Through the Back Door" the Gold Standard. Sees in It Political Capital for Conservatives and Nothing Less Than Political Suicide for Labor Party to Renounce Exchange Restrictions. Holds American Loan Will Simply Mean Popular Demand for More Rations and a Relaxation of Efforts to Increase Production.

Paul Einzig

LONDON, ENGLAND—Reports about the course of the Washington financial discussions continue to cause skepticism. Most people on this side were not inclined to take seriously the reports that the negotiations were on the verge of a breakdown; they were not even impressed by Lord Keynes taking a leaf out of Disraeli's book by making arrangements for his departure and for cancelling them. There is a widespread feeling here that

(Continued on page 2891)

Index of Regular Features on page 2919.

The Proposed Loan-Gift to England

By DR. WM. F. HAUHART

Formerly Dean, Southern Methodist University School of Business
Author "England's Decadent International Economy"

Dr. Hauhart Gives as Six Arguments Against a Loan Gift to Great Britain: (1) That We Should Preserve Our Resources and Efforts to Combating Inflation and Putting Our House in Order; (2) That a Loan-Gift Will Not Help Our Foreign Trade; (3) That Britain's Impaired Economic Condition Will Not Permit Repayment; (4) That Britain's International Economy Is Geared to Monopolies Such as Cartels and Empire Preference; (5) That From a Long Range Viewpoint Britain's Economy Is Decadent, and (6) That Britain Has Formerly and Still Is Following a Political and Commercial Policy of Imperialism. Holds England Will Never Again "Be Able to Stand on Its Own Feet."

Dr. Wm. F. Hauhart

I have serious doubts about the advisability of making direct loans to England at the present time. Other credit machinery has been set up in the International Monetary Fund, the International Bank for Reconstruction and Development and the Export-Import Bank. It is not clear why special loans should be made in addition.

We should be particularly wary because England wants to make her acceptance of the Bretton Woods proposals depend upon a special loan-gift of almost 4 billions of dollars on our part. She would then have access to the resources of the three mentioned institutions (if they are all established) and at the same time could use the billions of the loan-gift as she saw fit. If all of these facilities are necessary for England's well-being, this shows up in an important sense the

(Continued on page 2892)

The Problem of British Credits

By WINTHROP W. ALDRICH*

Chairman, Board of Directors, Chase National Bank, New York

After Pointing Out Britain's Economic Plight and the Urgency of Supplying Immediate Aid in Order to Maintain International Economic Stability, Mr. Aldrich Contends That Britain's External Financial Problem Must Be Solved and the Dollar-Pound Rate Stabilized Before Constructive Consideration Can Be Given to Removal of Trade Barriers and Currency Stabilization. Holds It Has Become a Dollar Problem and That Aid to Britain Now Will Not Be Used to Underwrite Socialistic Experiments, Since Britain Cannot Expect to Have Multilateral Trade Abroad and a Rigid Economy at Home. Holds That in Coming World Trade Conference We Must Make Concessions and Take World Leadership.

Problems of peace are infinitely more difficult than those of war. Alliances tend to fall apart. Nationalistic interests come to the fore. Idealistic aims forged in conflict give way to intolerance, mistrust and mutual suspicion. Such attitudes are the customary aftermath of war. They result from war weariness and are quite as psychopathic in character as the battle fatigue of combat troops. The United States, the least war-weary of nations, should

W. W. Aldrich

*An address by Mr. Aldrich before the International Session of the Fiftieth Annual Congress of American Industry, New York City, December 7, 1945.

(Continued on page 2890)

Business Prospects for 1946

By BRIG. GEN. LEONARD P. AYRES*

Vice-President, the Cleveland Trust Co.

General Ayres, Predicting a Decline in 1946 National Income From $156 Billions to About $120 Billions, and a Decline in Industrial Production of Around 20%, Holds that Wholesale Prices and Living Costs Will Not Rise More Than 10%. Says Stock Prices Should Not Be Expected to Go Up More Than 15% Above Present Level and That Government Obligations and Other Bonds Will Remain Steady. Looks for an Average Wage Rise of About 10%, but Says Wage Structure Is Distorted by Artificial and Excessive Increases for Factory Workers. Holds a Post-War Boom Will Continue for Some Time Because of Accumulated Savings and Large Money Supply Arising From Heavier Business Transactions.

Leonard P. Ayres

Business is now entering a primary post-war depression. We do not easily think of present conditions as constituting depression, because there are still many evidences of material prosperity. Nevertheless we are technically entering depression, because unemployment is increasing, production is declining, and national income is falling. At present con-

*An address by General Ayres before the Cleveland Chamber of Commerce, Cleveland, O., Dec. 11, 1945.

(Continued on page 2911)

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Congressional Reactions to UK Loan Vary

By HERBERT M. BRATTER

Result of Preliminary Survey by "Chronicle" Indicates That Proposed Credit to Great Britain Will Be Subjected to Critical Analysis and Mature Consideration by Congress. Opinions Currently in Hand Range From Unqualified Approval of the Program to Marked Skepticism as to the Wisdom of Granting the "Loan," Particularly in View of the Government's Already Vast Commitments for Financial Assistance to Foreign Nations via the Bretton Woods Undertaking, etc.

Herbert M. Bratter

WASHINGTON, Dec. 12—Although the text of the British-American loan agreement and other related documents (published in the second section of this issue of the "Chronicle") were made public last Thursday, Congress is still awaiting the Presidential message on this subject and no enabling legislation relative to the loan has yet been introduced. Nor is there so far any definite information as to which House and Senate committees will secure the handling of the legislation in the first instance.

Although the proposed $4.4 billion loan to Britain is primarily intended as economic support for that country, the agreement has an important bearing on international monetary and trade relations in the years ahead. Insofar as the Anglo-American agreement embodies the American Government's economic and political philosophy, it is a broadening and

(Continued on page 2910)

Tax Considerations In Security Transactions

By DONALD SMITH

Editor, Sinclair Murray & Co. Capital Changes Service.

Authority Points Out That the Taxability of Interest and Dividends Depends on Whether They Are Income or a Return of Capital. He Also Discusses the Effect of Holding Periods in the Case of Short Sales, When-Issued Sales, and Sales of When-Issued Contracts.

Federal income tax is often the principal consideration in security transactions. Most of the selling problems along this line fall into two main groups—sales to establish long-term gains and short-term losses, and sales to convert prospective interest or dividends into capital gains or return of capital.

Donald Smith

Questions of holding period with which security traders are not always familiar may include those arising in connection with reorganization securities, short sales, and when-issued transactions.

Questions of taxable interest or dividends as distinguished from capital gain or return of capital may arise in connection with interest paid in cash or securities during or upon completion of reorganization, or dividends which the seller of stocks receives and must pay over to the buyer.

Holding period of new securities received by exchange in reorganization depends on taxability of the exchange. The following general rules may be given for determining in many cases whether a reorganization will be taxable or nontaxable.

Railroad organizations are usually nontaxable if the existing company is recapitalized (as in the cases of Chicago & Northwestern, Erie, and Western Pacific, which have been ruled nontaxable). A nontaxable reorganization, as the term is commonly used, is one on which no gain or loss on exchange is recognized, except as to cash or equivalent. If a new company is the successor, the reorganization would usually be taxable, because it would not ordinarily meet the definition of a reorganization (Soo Line Railway transferred assets to Soo Line Railroad, Wabash Railway to Wabash Railroad. Exchanges of securities in these reorganizations have been ruled taxable).

In substantially all cases, an insolvent corporation (other than a railroad) reorganized under a plan and under court jurisdiction would be nontaxable, either under the provisions of sections 112(b) (10) and 112 (l) of the Internal Revenue code, or as a recapitalization. Even though an exchange may be nontaxable, there is frequently issued cash or equivalent (possibly other securities) which would be taxable as interest, or on which gain is recognized.

Taxation of Interest

Many bonds trade "flat" due to default, or because they are "income" bonds and the amount payable is uncertain until declared. If a bond is purchased "flat" that portion of the interest accrued prior to the purchase date, when paid, will be a return of capital, and only that portion of the interest accrued after the purchase date, when paid, would be taxable interest income. The dividing line is the date of purchase or acquisition. That is the important date to keep in mind. For example, "XYZ" 4½% bonds are purchased today, flat. Next April $45.00 is expected to be paid for interest accrued for the year 1945. When paid, interest from 1-4-45

(Continued on page 2912)

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Financial Problems in Future Foreign Trade

By ROBERT F. LOREE*
Vice President, Guaranty Trust Company of New York

Mr. Loree, in Explaining the Requisites of Free World Trade, Contends That Exports Cannot and Should Not Be Built Up by Continuous Foreign Loans. Shows Necessity of a Sound and Stable "Forward Exchange" Market, if Bankers Are to Adequately Finance Foreign Trade Transactions and Condemns the Continuation of Exchange Restrictions. Holds Bretton Woods Proposals Offer no Solution of Problem of Stable Exchange Rates Because of the "Devaluation" Clauses and Warns of Danger of Exhaustion of Our Gold Reserves Through Lending and Gift Operations. Stresses Need of Financing Imports as Well as Exports.

Foreign trade is made increasingly necessary not only by the continued specialization of labor but also through the advance of science which is ever widening the uses of familiar raw materials while seeking new ones.

Robert F. Loree

We specialize in manufacturing automobiles and the world comes here to buy them. Nickel in commercial deposits is found in Canada and in Finland, and the world goes to those countries to obtain it.

Foreign trade has not only eliminated famine, but has made possible the luxury of modern life. No nation contains within itself all the materials we now consider necessary, but each must find some of them through foreign trade. I do not need to tell you that foreign trade consists of both imports and exports, nor do I have to convince you that generally speaking one has to pay for what one gets. In international trade, as in domestic trade, we pay for what we get with either goods or services.

We are sometimes confused with respect to foreign trade because a particular country may be able

*An address by Mr. Loree before American Management Association's Finance Conference, Hotel New Yorker, New York City, Dec. 6, 1945.

(Continued on page 2894)

Says Low Interest Will Increase Bank Holdings of Gov't Bonds

J. Stewart Baker, Chairman of Bank of Manhattan Company, Tells Stockholders This Presents Inflation Danger. Holds Low Interest Not Essential to Business Expansion and That Commercial Banks' Profits Are Not High. Reports Bank's Earnings in 1945 Will Approximate $6,200,000 as Against $4,804,000 Previous Year. Quarterly Dividend to Be Increased to 30 Cents.

In his annual report at the 147th annual meeting of the stockholders of the Bank of the Manhattan Company on Dec. 4, J. Stewart Baker, Chairman of the Board of Directors, called attention to the fallacies and dangers of the policy of "our monetary authorities to use their powers arbitrarily in order to keep interest rates on United States Government obligations artificially low" and to "even create conditions under which they will be reduced still further."

J. Stewart Baker

"One of the major problems of the post-war period," Mr. Baker stated," will be the proper management of the tremendous Federal debt which the nation has inherited from the war. Since the market for United States Government securities has come to dominate the structure of interest rates generally, it is disturbing that there is a tendency in certain quarters to favor the arbitrary use by our monetary authorities of their powers, in order to keep interest rates on United States Government obligations artificially low or even to create conditions under which they will be reduced still further.

"Notwithstanding the fact that we have just emerged from a war which was the most costly and the most destructive of capital the world has ever known," Mr. Baker

(Continued on page 2889)

Rebuilding the Tax Structure

By HARRY E. HUMPHREYS, JR.*
Chairman, NAM Committee on Taxation
Chairman, Finance Committee, U. S. Rubber Company

Asserting That the War's End Finds Us With an "Antiquated, Jerry-Built Tax Structure," Mr. Humphreys Points Out That the Peacetime Level of Business Activity and Employment Will Depend Largely on the Tax Burden. Says Continuous Government Deficits Will Set Off an Inflationary Powder Magazine and Holds That With Higher Productivity Under Lower Taxes, Greater Government Revenue Can Be Obtained. Urges a Program of Tax Simplification With Repeal of Taxes on Incentives, the Elimination of "Specialties" and Double Taxation of Corporations and a Lowering of the Scale of Progression on Income Taxes.

During the last two years, it has been my privilege as Chairman of NAM's Taxation Committee to travel up, down and across the country to discuss taxes. Industry's concern with this vital subject transcends mere self interest. Taxes that are right encourage the putting of idle money to work. They help preserve basic American freedoms and opportunities. They stimulate production and help make jobs.

Harry E. Humphreys

The end of war found us with an antiquated, jerry-built tax structure. Under the artificial stimulus of a Government-supported economy, it brought in record amounts of revenue, but it offered major obstacles to progress in peace.

*An address by Mr. Humphreys before the Golden Anniversary Congress of American Industry of the National Association of Manufacturers, New York City, Dec. 6, 1945.

(Continued on page 2914)

Whether to Register

Inquiries Indicate That There Are Doubts and Fears in the Minds of NASD Members, Their Partners, Salesmen and Traders Regarding the Consequences of Non-Compliance With the Obnoxious Registration Order. Despite the Prospective Hardships That Might Result From Non-Compliance, It Is Urged That the Outrageous Invasion of Private Rights Must Be Stopped, and It Is Best to Stop It on the Threshold.

In connection with the effort of the National Association of Securities Dealers to implement its new by-law amendments providing for the registration of salesmen, traders, partners, etc., a number of inquiries have come to us.

One of these in substance was as follows: What would be the effect of resignation of a firm from the NASD that declined to register its personnel and as a protest against such registration, such firm having voted against the proposed by-law amendment?

Of course, such resignation could be accepted by the NASD and that would be an end of it. However, we are of the opinion that this is not what would happen.

We believe that the resignation would be rejected, and that the resigning member firm would find charges filed against them based upon their disobedience to the existing by-law for failure to register their personnel.

We believe that the NASD would rule since such resig-

(Continued on page 2920)

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Labor's Responsibility For Full Production

By VAN A. BITTNER*

Assistant to President, United Steel Workers of America

CIO Official, Asserting That Everyone Is Entitled to a Job, Maintains That Full Production Is a Consequence of Full Employment. Says His Organization Is Not Opposed to Technical Improvement and Does Not Follow a Policy of Limitation of Output. Sees Need of Greater Peace Than War Time Production for Full Employment and Holds That Purchasing Power of Consumer Must Be Maintained by Higher Wages. Advocates Private Enterprise With a "Decent Profit" for Business.

I am indeed happy and pleased to be here this morning to just say a few words as one American talking to other Americans about not only the responsibility of organized labor for full production, but really to try to impress you with the fact that we must work as Americans to bring this condition of sustained full production about.

Van A. Bittner

While this is your Golden Anniversary, I hope you will make it a golden opportunity to work to bring about full production, which in the end can only be brought about by full employment, and I am here this morning just to say a few words concerning the position of the Union on these matters. I may say I am not only here as a pinch-hitter for President Murray of the Congress of Industrial Organizations, but I didn't even have a bat with me when I came up to the plate, and I had to go out and hew out my own bat, so you will understand the conditions under which I am expressing these thoughts to you, and giving you as frankly as I can what we think is the responsibility of organized labor in bringing about full production.

Everyone Entitled to a Job

We believe that the very fundamental upon which full production is founded is built upon the premise of full employment. In other words, we believe that not only all of the machinery of our technological age must be used to increase production, but every human being that can work is entitled to an opportunity to a job. That is fundamental with the thinking of the Congress of Industrial Organizations.

Full pproduction means just what it says, full production. I may say that as far as the Congress of Industrial Organizations is concerned, first we are not against any technological improvements in industry in America, rather you can rest assured

(Continued on page 2913)

*An address by Mr. Bittner before the Golden Anniversary Congress of American Industry of the National Association of Manufacturers, New York City, Dec. 5, 1945.

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Ontario's Financial Regulation Under New Securities Act

By W. J. JEFFERS

Financial Editor, Toronto "Globe & Mail"

Basic Purpose of New Ontario Securities Act Is Held to Prevent Fraud Without Imposing Restraints Upon Legitimate Speculative Investment. New Act Prescribes Prospectuses Containing All Material Facts to Be Delivered to Security Purchasers. Generally Tightens Regulation of Brokers, Including Their Telephone Soliciting and Requires Registration of Investment Counsel. New Chairman Confident Most of SEC's Complaints Will Be Met by His Administration. Criticizing the Non-Discrimination Between Mining and Industrial Securities by Both the U. S. and Canada, He Hopes to Set Up a Specific Mining Code. Believes Dealers and Brokers Should Be Professionally Organized for Self-Discipline, in Lieu of Direct Bureaucratic Control, and Is Watching the U. S. Experience. Insists That Canada Cannot Automatically Accept U. S. Cease-and-Desist Orders, and Charges That SEC Wants "Reciprocity" to Be Only One-Way.

TORONTO, Dec. 12.—The new Ontario Securities Act, 1945, went into force on Dec. 1. The new Chairman of the Ontario Securities Commission, Hon. Charles P. McTague, has appointed additional officers to help him administer the act and two other commissioners will shortly be appointed. New and revised regulations to accord with the new Securities Act are before the Ontario Government and will be made known within a few days.

W. J. Jeffers

The problems of how to prevent fraud in the issuing and sale of securities have been puzzling the Ontario public for a quarter of a century. A blue sky law, based on recommendations of a commissioner who studied all the acts in the United States, was passed by the Drury Farmer Government 20 years ago, but never went into effect as that Government was defeated at the polls. Several years later a new law was passed and put into effect in 1931 with the present Premier of Ontario, Hon. George A. Drew, as Securities Commissioner. That law was such that it could be administered either as a blue sky act or as a fraud act, according to the policy of the Government at the time. Mr. Drew operated it as a fraud act and made various interesting innovations along those lines.

The advent of a new Government under Hon. Mitchell F. Hepburn resulted in appointment of a new Securities Commissioner, Mr. John Godfrey (later Mr. Justice Godfrey) and he administered it vigorously as a blue sky law. The next commissioner, Mr. Roy Whitehead, took the middle ground. All along there have been growing criticisms that various restrictive portions of the act discouraged risk capital going into new ventures. Prospectors, brokerage, securities and other associations especially claimed that the mining industry would eventually lose its position as an important element in expanding production and employment, if measures were not taken to open once again the doors to a free flow of capital into exploration and prospecting in likely areas and development wherever drilling and geophysical prospecting gave hope.

The Drew Administration succeeded to power in 1943. Shortly afterwards Premier Drew appointed the Urquhart Mining Commission which invited representation from citizens and all interested groups on the needs of

(Continued on page 2908)

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Price Control in Reconversion Period

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Senator Taft Criticises OPA Policy in Freezing Prices to Consumers and Holds It Is Disregarding the Principles of the Price Control Act Which Provided for Flexibility Based on Prices. Says That Making Industry Absorb Increased Costs Is Destructive of Reconversion and Reemployment, and Accuses OPA of Using Improper Propaganda Methods, While at Same Time Condemning Pressure Groups. Says Whole Attitude of the Price Administration Is Hypocritical, and Argues That a Continuation of Price Fixing Will End in Socialization. Claims Government by Supporting Wage Increases and Freezing Prices Is Pursuing Diametrically Opposed Policies and Points Out Higher Prices Are the Result and Not Cause of Inflation.

I believed in the principle of price control during time of war. I served myself in the Food Administration during the World War, and I urged the enactment of a price control law in the Spring of 1941. I helped draft and put through Congress the Price Control Act of 1942. I believe that such control was necessary to prevent a complete disruption of our economy and serious interference with the war effort. No price structure could survive the restraints which had to be placed on production of civilian goods plus a 50 billion dollar a year deficit. This deficit was so large that it had to be financed in large part through the banks, thereby creating a tremendous purchasing power out of thin air for civilian goods which did not exist.

Robert A. Taft

Undoubtedly, war economic conditions still exist to some extent. There is still a deficit, although I should hope that it might be financed from genuine savings without using inflationary methods. Production has not been resumed and there are numerous bottlenecks which will exist for some months. We had an experience after the last war which shows how the effect of war conditions may continue for a while, particularly as to commodities of which there is a great shortage. I believe that the continuation of price control at the present time is justifiable and I believe that after the first of July it will probably be necessary to continue it as to certain particularly scarce articles. I believe Congress should definitely limit the field, however, when it is renewed.

Any Government bureau is inclined to perpetuate itself. The OPA has released a few unimportant articles from price control such as sleigh bells in Hawaii, but it has made no important modifications as yet. Apparently, Mr. Bowles' view is that an article of any importance must return to normal conditions of demand and supply before price control is removed. In many fields such normal conditions may not be wholly restored for years. In others, supply can perhaps only be obtained by permit-

(Continued on page 2896)

*An address by Senator Taft before the Golden Anniversary Congress of American Industry of the National Manufacturers Association, New York City, Dec. 6, 1945.

A Policy for Domestic Unity

By HAROLD E. STASSEN*
Former Governor of Minnesota
U. S. Delegate, United Nations Conference, San Francisco

Prominent Republican Statesman Sees Pressing Need for the Same Unity in Solving Our Domestic Problems as Was Displayed in War. Lays Down as Fundamental Principle the Maintenance of an Expanding Competitive Economy With the Profit Incentive. Upholds the Right to Strike but Says It Should Be Used Rarely and Advocates Strong Unions With Discipline and Responsibilities. Holds Social Security Should Not Encourage Idleness and Calls Upon Labor to Respect Management's Rights. Says Government Projects Should Not Compete With, but Should Stimulate Private Enterprise, and That Government Powers Should Be Kept to a Minimum. Proposes a New 60-Day Economic Conference of All Elements and a Ten-Year Test of Our Private Enterprise System. Approves President's Proposed Labor Bill.

We meet on Dec. 7. We meet on the Fourth Anniversary of Pearl Harbor Day, a day which marks the tragic conclusion of over 20 years of a weak and unsuccessful foreign policy. It was a day that should ever cause a certain humbleness on our part that a nation so strong should find itself so weak and exposed and unprepared. It was a day, followed quickly by Hitler's declaration of war, that brought a very direct and bitter challenge to America.

Harold E. Stassen

We met that challenge. America went into action united as never before. Millions of Americans went forth in uniform in the Army and the Navy and Marines and the Coastguard to join our stalwart allies as one invincible fighting team. Unprecedented production of the weapons and materials for victory poured out from the American production machine through the joint efforts of capital, labor, agriculture, management and government.

The home front was strong and demonstrated this in countless ways, from the high morale and

*An address by Captain Stassen before the National Association of Manufacturers, New York City, Dec. 7, 1945.

(Continued on page 2898)

Pierre A. Kosterman Rejoins Staff of Conrad, Bruce & Co.

PORTLAND, OREG.—Pierre A. Kosterman has rejoined the staff of Conrad, Bruce & Co., 316 Southwest Sixth Avenue. In the past Mr. Kosterman was with the firm in charge of the trading department.

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(Special to THE FINANCIAL CHRONICLE)

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With Maynard H. Murch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Henry F. Jordan** has become associated with **Maynard H. Murch & Co.**, Union Commerce Building. Mr. Jordan, who has recently been with the U. S. Government, was formerly with Jackson & Curtis and Kidder, Peabody & Co.

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T. Colwell Thomas Is Associated With Bache

Bache & Co., 36 Wall Street, New York City, Members New York Stock Exchange, announces that T. Colwell Thomas, formerly a Lt. Commander in the U.S.N.R., has become associated with them. Mr. Thomas was previously with Foster & Adams.

Peter Oliver Is With Southeastern Securities

JACKSONVILLE, FLA.—Peter S. Oliver has become associated with Southeastern Securities Corp., 304 West Adams Street. He was formerly an officer of R. O. Holton & Co., Inc., of St. Augustine.

Joins Slayton & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Owen F. Hall**, who has recently been serving with the U. S. Coast Guard, has been added to the staff of Slayton & Company, Inc.

With Fewel & Company

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Daniel W. Hanson**, previously with J. A. Hogle & Co., is now connected with **Fewel & Co.**, 453 South Spring Street.

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Public Utility Securities

Sioux City Gas & Electric

Sioux City Gas & Electric Company on December 10 received bids for three security issues—$8,000,000 first and collateral 2¾s due 1975, 38,000 shares of 3.90% preferred stock, and 153,006 shares of common stock. The bonds were obtained by Halsey Stuart & Co., and are being retailed at 100⅝. The preferred stock issue went to First Boston, and the common stock to Bear, Stearns & Co., who made the best out of four bids at $27.78 (the retail price being set at 28⅞).

The set-up of the financing was unusually complicated. The preferred stock is first to be offered to the old preferred holders on a share-for-share basis, subject to allotment, up to Dec. 24, at 102. The company's old common stock (which has been selling recently around 53-4 over-the-counter) was split 2-for-1, increasing the amount to 237,876 shares of par value $12.50. Of this amount the 34,068 new shares owned by a subsidiary company, Iowa Public Service Co., were offered for sale (the proceeds to be used for capital improvements). At the same time rights were issued to the old stockholders to subscribe for new common on a 1-for-1 basis (or half a share of new stock for each whole share following the split-up) increasing the outstanding stock to three times the original amount, or 356,814 shares. The amount which would have been available for subscription by Iowa Public Service was, however, sold for the account of the parent company, making the immediate offering 51,102 shares. The remaining stock, 101,904 shares, was offered to public holders of the old common at the same price per share as the underwriters (making the successful bid) agreed to pay the company, or $27.78 a share. Subscription warrants to the new stock can be exercised by old stockholders up to 11 A. M. Dec. 24, after which the subscription books would close and the stock will remain in the hands of the underwriters for public offering.

This is a rather novel use of "rights." Usually the old stockholders have the privilege of buying at a level substantially under the prevailing price, but in the present case the concession appears to be only about 1⅛ points. Moreover, it seems a little unusual for the bankers to accept a two weeks' standby commitment on two-thirds of an offering, although the terms of the common stock purchase agreement seem to indicate that the banking group will be compensated by receiving the "spread" of about 1⅛ points on all stock subscribed as well as that on which they sell to the public. This compensation would, of course, tend to improve the rate of profit on the stock actually handled by the banking group (both currently and after Dec. 24).

Sioux City G. & E. serves Sioux City, Iowa, and its immediate vicinity and also sells electricity to its subsidiary, Iowa Public Service, which serves a large area in the western and northern part of the State. Since the parent company owns only 58% of Iowa P. S. the earnings of the two companies are not consolidated. Sioux City's interim earnings for the 12 months ended Aug. 31 were $1.49 per share, after plant amortization of 10c. On the basis of the new tax law, other items being unchanged, earnings would be $2.11 a share. Including the estimated equity in the undistributed earnings of Iowa Public Service, there would be about 23¢ a share additional equity. And since Iowa P. S. has not yet done its refunding of the 3¾% and 5% bonds, and there might also be some tax savings for the subsidiary, earnings might be "padded" somewhat further in making a 1946 estimate. Based on the $1.49 pro forma earnings as actually reported, however, the retail offering price works out at about 19.3 times earnings; and on the tax-adjusted basis about 13.7 times. Considering the fact that earnings from stock sold for cash were not included, as well as the additional equity earnings of the subsidiary, the offering price seems about in line with average ratios for other utility stocks at current market prices.

However, dividend yields are a somewhat more important factor in fixing retail offering prices than price-earnings ratios. The company indicated in the preliminary prospectus (page 6) that it

(Continued on page 2909)

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Great Britain Owes On World War I Debt

Under date of Dec. 6 Associated Press advices from Washington stated:

"Aside from any new loans, Britain still owes about $5,400,000,000 to the United States on its World War I debt. This figure was supplied by the Treasury today in reply to a reporter's question.

"The original loans, made both before and after the 1918 Armistice, totaled only $4,277,000,000. Accumulating interest has brought the debt to $6,400,000,000 despite the fact that Britain paid more than $2,000,000,000 before ceasing payments in 1933.

"In fact, interest is still accumulating and the debt rises every year. The new financial agreement announced today does not cancel the World War I debt."

Advocates 'Prudent Investor' Rule

P. C. Madeira, Jr.

Percy C. Madeira, Jr., President, Land Title Bank & Trust Co., Philadelphia, told the 17th annual mid-year conference of the New Jersey Bankers Association at Princeton University on Dec. 6 that adoption of of the Prudent Investor Rule would give trustees some opportunity to offset losses in principal suffered in depression periods with capital gains at a later date through the purchase of securities not now found on lists of legal investments for trustees in states not having this rule.

He pointed out that the rule is now in effect in more than 17 states and that "in none of the states where it has been tried has it ever been abolished, which is probably the best evidence that both beneficiaries and trustees are satisfied with its practical application."

"The rule is not as revolutionary as generally believed," Mr. Madeira said, "because a large percentage of trust accounts are now under instruments with broad powers."

Advocating broader powers for the investment trust funds, Mr. Madeira cited the fact that "during the depression it was learned that all bonds on approved legal lists were not necessarily proper investments for trust funds." Again, he remarked that during the depression period of the 1930's "most of the surcharges and litigation in estates in Philadelphia, at least, arose out of investments made by trust companies in mortgages, mortgage participations and real estate bonds, all of which were technically 'legal' at the time they were made."

Answering the claim that stocks are not proper investments for trustees because they are too speculative and risky and apt to fare badly in the event of a depression in the stock market, Mr. Madeira asserted that many common stocks are better investments than many bonds, "particularly stocks of companies with little or no debt or preferred stock or of such great nation- or world-wide industries as American Telephone and Telegraph Company or Standard Oil of New Jersey."

He remarked that the rule permits "investments to be kept in tune with economic and market conditions. Under changing economy statutory limitations cannot be revised when needed. A long period of low interest rates may

(Continued on page 2919)

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Cuban Dominican Sugar
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Erie RR.
Iowa Central RR.
Kelly Springfield Tire
Lackawanna RR. of N. J.
Manati Sugar Co.
Minneapolis and St. Louis Ry.
Mobile and Ohio RR.
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Real Estate Securities

Three Plans Before Court Provide for Payment of Trinity Buildings Bonds and U. S. Realty Debentures at Par and Interest

It is rather unusual that the holders of a real estate security in default of the payment of interest and principal find that a plan of reorganization provides for the full payment of principal plus accrued interest to the date of consummation of the plan, but such is the case in reference to the holders of U. S. Realty & Improvement Company Debentures which matured Jan. 1, 1944 and Trinity Buildings First Mortgage bonds declared due upon default of payment of interest.

It appeared for a time that bondholders would receive about 70% in cash plus preferred and common stock for the remaining unpaid principal and accrued interest. Such was the original plan submitted to the court by the Trustee in Bankruptcy. It involved the sale of U. S. Realty & Improvement Company to the Sheraton Corporation. Objections to such a plan filed by the SEC contended that bondholders were entitled to par and accrued interest and that they should not accept preferred and common stocks of an unpredictable future value with the result that the plan was amended to provide for full payment.

All together three separate plans have been presented, all providing for full payment. An article appearing in "The New York Times" last week would indicate that a decision would be made shortly as to which plan will be approved. The article is quoted as follows:

"Federal Judge John W. Clancy referred yesterday to the Securities and Exchange Commission for an advisory report on a third plan of reorganization for the United States Realty and Improvement Company and the Trinity Buildings Corporation, a subsidiary, and also on amendments to the trustee's and debtors' reorganization plans. The hearing was adjourned to Dec. 13.

"The third plan, sponsored by Jacob Friedus and associates contemplates the issuance of not more than 2,500,000 common shares of the reorganized company, to be underwritten by Bear, Stearns & Company and is contingent upon the obtaining of an institutional mortgage of $4,500,000 on corporate real estate.

"The amendment to the trustee's plan calls for an increase from 300,000 to 330,000 shares in the common stock of the reorganized company to go to United States Realty security holders. The amendment to the debtors' plan provides for sale at public auction of the Trinity Buildings, 111 and 115 Broadway, for not less than $3,000,000."

Should Jan. 1, 1946, be the consummation date each $1,000 bond would receive $1,150 cash. The current market is 106½-108.

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Warns Against Optimism on Latin-American Trade

Bruno Foa, Consultant to the Office of Inter-American Affairs, Urges Us to Chart Our Policy on Long-term Lines, to Overcome Potentially Severe Readjustments. Estimates the Latin American Total Gold and Foreign Assets at $4 Billion.

Bruno Foa, consultant to the Office of Inter-American Affairs and former economic specialist with the Board of Governors, Federal Reserve System, addressing a Round Table discussion on Latin America at the New School for Social Research, on Dec. 6 declared that while the Latin American outlook for our exports over the next few years is definitely good, especially for industrial and technical equipment, the "exaggerated hopes entertained in some quarters" should be discounted.

Dr. Bruno Foa

Making clear at the outset that the views presented in his talk "Foreign Exchange — Foreign Trade in Latin America" were his own and not those necessarily of any government agency, Mr. Foa urged that the future course of Latin American trade be charted with reference to the "long term facts of the situation" and not to the present "transitory boom" conditions. The economy of Latin America, he said, now about to enter the transition toward peacetime conditions, must undergo painful readjustments. But, he added, the Latin American countries are now in a far stronger position than they were in 1919. The technical monetary situation of most countries is very good with the total gold and foreign assets in the order of 4 billion. It is important however that those reserves are carefully husbanded and not dissipated in a buying

(Continued on page 2917)

Subsidies: A Fallacious Policy

By HON. JOHN W. FLANNAGAN, JR.*

U. S. Congressman from Virginia

Chairman, House Committee on Agriculture

Rep. Flannagan Denounces Farm Subsidies as Leading to Disaster and Undermining Our Whole Economic System. Says Agriculture As Well As Other Industries Should Be Permitted to Operate Under the Profit System and That Its Subsidizing Destroys Initiative and Free Competitive Enterprise. Urges Getting Rid of Subsidies by Creating More Purchasing Power.

We should, as soon as possible, get rid of farm subsidies and roll-backs on farm products. This thing of the Government stepping in and subsidizing one class in order for another class to get enough to eat, thus subsidizing both classes, is a fallacious policy that will, if not checked, undermine both classes and eventually our whole economic system.

J. W. Flannagan, Jr.

What the farmers want, and justice and fair dealings demand they have, is a fair price in the market place. The farmers, like everyone else engaged in business, want to look to the market place and not the Government for their pay.

And what the lower economic class in America wants is not a subsidized food bill but a pay envelope with enough money in it to purchase, at least, the necessities of life. This lower economic class wants to look to its pay envelope and not the Government for the money to live on.

Such a policy, as I have said, will lead to disaster.

The farmers, as well as the lower economic class, want to retain their freedom and independence.

*An address by Rep. Flannagan (D.-Va.) before the National Cooperative Milk Producers Association in Chicago, Dec. 4, 1945.

(Continued on page 2893)

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The Changed Capital Position of Business

By JULES I. BOGEN*

Editor, New York Journal of Commerce

Dr. Bogen Points Out the Dangers in Using Aggregate and Composite Financial Statistics as a Guide to Legislation, Wage Demands and the Assumption of Burdens or Obligations by Business. Urges That the Capital Position of American Corporations as Published by the SEC Be Interpreted With Care, and That Too Much Reliance Not Be Placed on Amounts, Unless Offsetting Obligations and Prospective Expenditures Be Considered. Points to Lessons After World War I as Showing That Under Inflationary and Expanding Trends, Available Working Capital Soon Becomes Exhausted and Corporate Financial Stress Results.

Composite financial statistics of corporations have become available only recently. Previously, apart from income tax data, only fragmentary statistics were made available by private financial services or bank letters. Now, the Securities and Exchange Commission, the Federal Reserve Board and the Department of Commerce vie with each other in publishing comprehensive compilations of corporate assets and liabilities, corporate earnings and corporate financial trends.

Dr. Jules I. Bogen

These statistics are not an unmixed blessing. Improperly interpreted or distorted, they may provide the basis for unsound tax legislation, exaggerated demands for wage increases and unwarranted estimates of the size of new burdens and obligations that business can undertake. And the public and Government officials are going to make unsound deductions from these statistics, unless the business men who know what is behind the figures will take the initiative in explaining what allowances, offsets and reservations must be made in using them.

What the Statistics Show

The fullest report on the working capital position of American corporations is that published by

*An address by Dr. Bogen before the American Management Association Conference, Hotel New Yorker, New York City, Dec. 7, 1945.

(Continued on page 2900)

Stabilization Office Issues Regulations on Wage-Price Policy

Sets Living Cost Rise at 33% and Lays Down Conditions for Its Use Both in Making Wage Increases and Fixing Prices in Accordance With President's Executive Orders. Provisions Made for Modifications and Appeals.

The Office of Stabilization Administrator John C. Collet on Dec. 6 issued comprehensive regulations for the guidance of the stabilization agencies in administering the national wage-price policy established in the Executive Orders of Aug. 18 and Oct. 30, 1945.

The regulations include the following provisions:

1. Pre-approval is granted by the Stabilization Administrator to wage or salary adjustments which are found by by the appropriate stabilization agency to fall within specified classes of cases. Applicants still must obtain approval from the stabilization agency. When this approval is obtained the employer may use these increases as a basis for seeking an increase in price ceilings or for increasing costs to the Government.

Judge J. C. Collet

The classes of pre-approved increases include: Increases under standards applied by the National War Labor Board which were in effect prior to Aug. 18, 1945; increases to compensate for rises in the cost of living; and increases to correct inequities in rates paid in different plants in the same industry or locality.

Provision is also made with respect to wage adjustments necessary to insure essential production where manpower "bottlenecks" arise. Pre-approval in bottleneck cases, however, is not granted until an industry is designated by the Stabilization Administrator. The regulations provide that the Administrator will not designate an industry except on the recommendation of an interested Government agency and unless he is satisfied that specific standards provided in the regulations have been met.

Proposed wage or salary adjustments involving only increased costs to the Government, and not increases in price ceilings, may be referred to the Stabilization Administrator, even though they are not approvable under the general provisions of the regulations, if in the agency's judgment the adjustment would be consistent with the stabilization program.

2. Wage or salary adjustments falling within specified classes listed in the regulations are automatically approved as increases which may be taken into account

(Continued on page 2901)

Pressure for Price Decontrols

By CHESTER BOWLES*

Administrator, Office of Price Administration

Mr. Bowles, Maintaining the Inflation Danger Is an Explosive Force That Will Create Chaotic Conditions, Asserts That Despite Pressure Groups, OPA Has No Intention of Yielding. Points to Real Estate and Stock Market Boom as Result of Absence of Price Controls, and Calls for Restrictions on Rents and Building Materials. In Address Before NAM He Denies That Price Controls Hold Back Production and Maintains That Without Control Consumers and Wage Earners Will Suffer, Since Prices Would Skyrocket and Bring About Inevitable Collapse and Ruin. Promises Removal of Controls as Soon as Conditions Warrant.

It is a great pleasure to take part in this opening banquet of the New Council of American Business. You are a young organization with a fresh point of view, and I notice that most of your members are young men — men with enthusiasm and ideals, men who are not ashamed to be called crusaders.

Chester Bowles

The country needs your crusading point of view. American business needs it. You have undertaken to reverse the pressure group slogan of a certain section of business—the slogan which says that whatever is good for business simply must be good for the country. As businessmen, you believe that only what is obviously good for the country as a whole can bring lasting benefit to business.

The old hackneyed pressure group slogan, that what is good for business must be good for the country, flatters some businessman into believing that he is the center around which the economic universe turns. You are out to urge the more sobering truth that business moves with the rest of the economy and that there cannot be any abiding business prosperity except when the entire nation is economically prosperous and sound.

*An address by Mr. Bowles at a Dinner Meeting of the New Council of American Business, Inc., in New York City, Dec. 5, 1945. Also address before the National Manufacturers Convention, New York City, Dec. 6, 1945.

Back in the late Twenties this country ran its economy into the ditch when it accepted the false notion that the pulse of the stock market ticker is a measure of the country's economic health. In the ensuing crash, not only did the country take a terrific beating, but Wall Street took a beating and business, great and small, took a beating. The business leaders who had championed the false notion of "new era" prosperity took a moral beating from which it required 10 years to recover.

I was also a businessman before I took my wartime assignment in Washington. It is as a former businessman and as a friend of business, that I feel an obligation to sound a note of warning. If we as a nation decide to follow the lead of the small minority of business pressure groups seeking purely selfish advantages, we shall sooner or later have a repetition of the 1929 disaster . . . and a repetition this time on a far larger and even more dangerous scale.

The possibility of such a crash, as I say, is not immediately around the corner and for that reason we still have time to stop, look and listen and to take action to straighten things out. But if

(Continued on page 2904)

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NOTE—From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 110 of a series.

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The Legion!

By MARK MERIT

Schenley Post #1190, American Legion, has just broken all previous membership records since its organization. We have just learned from the Post's Headquarters in the Empire State Building, that 21 new members were inducted at the Post's November meeting. Twenty of these new members are veterans of World War II. Schenley Post thus is entering its eighth year of service with a membership of 187 of our present and former employees. Eighty-six of them served in the first World War and 101 gave their services in World War II.

Of course, a great many of our boys have not as yet returned and we hope they, too, will be with us soon, in the jobs which are waiting for them. Likewise, we know, the Schenley American Legion Post will greet them with a similar welcome.

This experience, it is interesting to note, is being duplicated all over America—by other Posts. A fine thing, we think, for the American Legion to have a composite membership of seasoned citizens and these new younger men. There we have both maturity—and middle age—plus the hopefulness and enthusiasm of youth . . . a fine balance.

This country in all of its long history, has always tempered the aggressiveness of youth with the calm maturity of seasoned judgment and experience. And by the same token the fresh virile progressiveness of youth has kept our oldsters from becoming too complacent—complacency is apt to live in the past instead of the present.

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Chicago Brevities

The refinancing program of Wilson & Co., approved by stockholders last Sept. 17, is scheduled to be carried out this week. Public offering of a new issue of preferred, originally scheduled for October, was postponed due to the heavy volume of securities that was then being marketed and the belief of the management that the company might be able to obtain more favorable terms at a later date.

Since the 25,000 authorized shares of new cumulative preferred to be offered in exchange for the presently outstanding 274,085 shares of $6 preferred is insufficient to accommodate all of the preferred stockholders, the company plans to exchange up to 50,000 shares of $6 preferred for common stock in the probable ratio of 1 to 5½. The new preferred, it is believed, will carry a dividend rate of 4¼. Smith Barney & Co. and Glore, Forgan & Co., will underwrite the issue.

Fansteel Metallurgical Corporation is redeeming all of its outstanding 6,292 shares of preferred stock. Stockholders at a special meeting last week voted redemption of the preferred and at the same time authorized an increase in no par common stock from 260,000 to 750,000 shares.

Common stockholders will be offered rights to subscribe to additional shares on a basis of one-for-five, it was indicated. Following completion of the financing program, directors of the company are considering a two-for-one split of common stock, Robert J. Aitchinson, president, stated.

Proceeds from the sale of common not required for redemption of the preferred may be used for acquisition of plants and facilities now leased to Tantalum Defense Corporation, a subsidiary, or for construction of additional plant facilities, Mr. Aitchinson indicated. No allocation of funds for these purposes has been made to date, however.

Western Electric Company expects to begin operation of the first conveyor line at the former Studebaker war plant in Chicago next week. The plant will be the first of the three large government-owned war plants, engaged in airplane part production during the war in the Chicago area, to go into peacetime production. Leasing of the 800,000 square feet, air-conditioned plant will enable Western to expand its telephone equipment output above capacity levels at the main Hawthorne Works without delays incident to new plant construction.

The government-owned Buick plant has been sold to International Harvester Company for $13,700,000. It is the largest industrial plant to be sold by the Reconstruction Finance Corporation to date. Harvester will use the plant for the manufacture of Diesel engines, power units, industrial Diesel tractors, power lifts, milk coolers and refrigerators.

As still another step in its postwar expansion program, Harvester has planned a $4,000,000 modernization program at its Milwaukee works in order to gear its output of industrial power products to the high level of current demands.

Efforts of the RFC to sell or lease the $180,000,000 Dodge plant in Chicago have found no takers.

E. L. Cord, former automobile manufacturer, has acquired control of the Chicago Electric Manufacturing Company through purchase of the holdings of A. J. Petit, vice president, and E. S. Preston, president of the company. Approximately $100,000 will be invested in extension of present facilities, which are leased from the Clearing Industrial District, in accordance with plans for expansion previously laid out by the former owners.

The Elgin National Watch Company acquired a new plant in Lincoln, Neb., from Elastic Stop Nut Corporation, in order to expand its jeweled watch production. Capacity production is also scheduled for the two Elgin, Ill., plants, one of which was acquired during the war for anti-aircraft mechanical time fuse production.

Consolidated Biscuit Company will finance expansion of its production facilities through the sale of 80,750 shares of $1 par common stock. A management proposal for issuance of preferred stock to finance the expansion program was defeated by stockholders at a special meeting last August. Rights to purchase one additional share of common at $10 for each four shares held will be issued stockholders of record seven days following the effective date of registration of rights and the additional shares with the Securities and Exchange Commission.

Total cost of additions and improvements planned will approximate $750,000. The company has already made commitments for machinery which will approximately double capacity of its Boston plant and increase output of its Chicago plant by approximately 42% as to bakery goods and 300% as to candy. Details of building contracts for enlargement of the Chicago plant are at present being worked out. No building construction will be necessary in Boston, the company stated. The success with which the company's "Crackin' Good" line has been received has made expansion of plant facilities necessary, it was stated.

Chicago's famed hostelry, the Palmer House, will be taken over by the Hilton hotel chain, following consummation of the sale of the property by the Palmer estate to Conrad N. Hilton for a reported $21,000,000.

Marshall Field & Co. and Wieboldt Stores upped regular quarterly dividends 10 cents and 5 cents, respectively, last month, to 30 cents a share, and directors of Mandel Brothers, Inc., voted a 20% stock dividend to its shareholders. Fields in addition voted a year-end dividend of 30 cents a share against 20 cents last year.

Burnham & Co. to Admit

John Raiss, member of the New York Stock Exchange, and Arthur M. Nelson will become partners in Burnham & Company, 30 Pine Street, New York City, as of Jan. 1. Mr. Raiss has been active as an individual floor broker.

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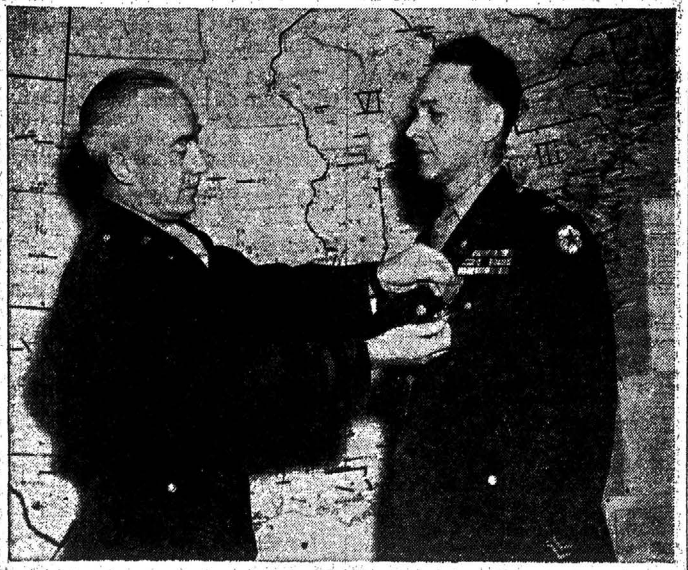
Col. Oliver J. Troster Receives Merit Award

WASHINGTON, D. C.—Colonel Oliver J. Troster, senior partner of Troster, Currie & Summers and former President of the New York Security Dealers Association, has been awarded the Legion of Merit for his services as Chief of Movements Branch, Headquarters Army



Service Forces. Presentation was made by Lt. Gen. LeRoy Lutes, Deputy Commanding General, Army Service Forces, with whom Col. Troster served in the Illinois National Guard prior to World War I. The Legion of Merit citation reads in part: "Under his direction, entire movement orders for service units, and the supply and transportation portions of movement orders for ground and air units were published, affecting the overseas shipment of more than four and one-half million persons. As Chairman of the Army Service Forces Shipment Procedures Committee and member of the War Department Shipping Procedures Committee, he had an important role in the development of policies and procedures affecting the shipment of supplies and equipment from the United States to overseas destinations, between overseas commands and returning to the United States. By his leadership and achievement of the highest degree of cooperation between many agencies, Col. Troster contributed substantially to the smooth and efficient fulfillment of the supply and movement requirements of the Army."

Col. Troster entered the securities business in New York City shortly after World War I. He has served as treasurer of the New York Board of Trade; governor of the National Association of Securities Dealers Inc.; commander of Alan F. Waite Post No. 229, American Legion; trustee, Peoples Savings Bank of Yonkers, and trustee of the New York Baptist City Society.

Col. Troster attended Bellflower Township High School, Illinois, received the Bachelor of Science degree, cum laude, from the University of Illinois in 1916, and then joined the 33rd Division. During his World War I service he was awarded the Silver Star, Mexican Border, Victory (4 stars) and German Occupation medals. Besides his new Legion of Merit medal in World War II, he has received the Bronze Star, Asiatic Theater, American Theater, Victory II, and Philippine Liberation.

Chicago Exch. Firms Elect New Officers

CHICAGO, ILL.—At the annual meeting of the Chicago Association of Stock Exchange firms and the meeting of the Board of Governors of the association, the following officers and Governors were elected:

Chairman: Reuben Thorson, Paine, Webber, Jackson & Curtis.

Vice-Chairman: Patrick F. Buckley, Harris, Upham & Co.

Treasurer: A. L. Godie, Cruttenden & Co.

Secretary and Assistant Treasurer: Whitney M. Stewart.

Governors (to serve three years): Harold Blumenthal, Swift, Henke & Co.; Henry Stefany, Bache & Co.; Reuben Thorson, Paine, Webber, Jackson & Curtis; Farwell Winston, Shearson, Hammill & Co.

Members of the Nominating Committee to serve one year: Byron G. Webster, Merrill Lynch, Pierce, Fenner & Beane; Harry A. Baum, Wayne Hummer & Co.; Carl J. Easterberg, Riter & Co.; William McKenna, Jas. H. Oliphant & Co.; J. C. Sturtevant, Hemphill, Noyes & Co.

New Chicago Firm to Open: Robinson & Co.

CHICAGO, ILL.—A new New York and Chicago Stock Exchange firm will be organized January 2 to be known as Robinson & Co. with George A. Robinson, Arthur C. Harrison and Karl H. Schewe as partners, it is announced. The new firm will have offices at 231 South LaSalle Street and will be members of the New York and Chicago Stock Exchanges and the Chicago Board of Trade.

Mr. Robinson is now the managing partner of Goodbody & Co. in Chicago and will retire from that firm on Dec. 31. He has been on La Salle Street for twenty-one years, first as a partner of Babcock, Rushton & Company, pioneer Chicago brokerage firm, before that company became a part of Goodbody & Co. in 1940. Prior to 1924, Mr. Robinson was in New York where he was with Goodbody & Co. and later with Haskins & Sells. He is a member of the Chicago Board of Trade.

Mr. Harrison is a member of the Chicago Board of Trade and formerly a floor broker on the Chicago Stock Exchange. He was also associated with Goodbody & Co., Chicago, and more recently with Mitchell, Hutchins & Co.

Mr. Schewe is a member of the New York Stock Exchange, the Chicago Stock Exchange and the Chicago Board of Trade. He began his career in the brokerage business with the firm of Merrill Lynch & Co. in 1928 and has been associated with Mitchell, Hutchins & Co. since 1941.

Formation of Robinson & Co. was previously reported in the "Financial Chronicle" of Nov. 29.

Leslie Schwinn Opens

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Leslie B. Schwinn has opened offices in the Union Commerce Building to engage in the securities business. He was formerly a partner in W. F. Kurtz & Co.

Thomas Gould Opens

(Special to The Financial Chronicle)

WEST LAFAYETTE, IND.—Thomas A. Gould is engaging in a securities business from offices at 125 Pierce Street.

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Dealer-Broker Investment Recommendations and Literature

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

Airline Industry—Study of earnings and outlook—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

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.

Estimated Corporate Earnings Under the New Tax Law—Comparative tabulation of figures—H. Hentz & Co., 60 Broad Street, New York 4, N. Y.

Ideas For Dealers—New publications containing brief reports on several companies in each issue—For dealers only, will be furnished on request, with or without dealer imprints—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Leased-Line Stocks Offering Interesting Tax Advantage—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y. in the current issue of their Railroad Quotations.

Low Priced Metal Shares—Study of a dividend payer selling for less than 50¢ per share—Ask for circular M—Thornton & Co., 60 Wall Street, New York 5, N. Y. Also available is an analysis of **Southwest Gas Producing Common Stock.**

New England Company — Analysis of company established in 1862 on which there are arrears on the 5% $100 par preferred stock of $67.50 and interesting recent earnings range per share after taxes—ask for analysis M. C. P.—Raymond & Co., 148 State Street, Boston 9, Mass.

Oil Industry Prospects—Study—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Philadelphia Transportation—Highlights of current situation—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Successful Investment Planning—Descriptive brochure — Security Adjustment Corporation, 16 Court Street, Brooklyn 2, 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.

Arden Farms—Late analysis—also memoranda on **United Light & Railways** and **Queensborough Gas & Electric Co.** 6% preferred—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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.**

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.**

A. De Pinna Company—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

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.

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

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

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

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

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, York Corrugating, American Insulator,** 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.

Monroe Auto Equipment Company—Report on the outlook—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Morgan Engineering Company—Detailed study of situation and outlook—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

New England Public Service Co.—Memorandum — Daniel F. Rice and Company, 14 Wall Street, New York 5, N. Y.

Northern Engineering Works—Circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Nunn Bush Shoe—New memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Pacific American Investors, Inc.—Study of leverage situation—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

Petroleum Heat & Power Co.—New review—L. D. Sherman & Co., 30 Pine Street, New York 5, N. Y.

Piper Aircraft Corporation — Summary and outlook for stock as attractive long range speculation —Sulzbacher, Granger & Co., 111 Broadway, New York 6, N. Y.

Pressed Steel Car — Study of new issue of cumulative convertible preferred stock which has an attractive conversion privilege into the common stock and appears to combine appreciation potential with a minimum of risk—Stern & Co., 120 Broadway, New York 5, N. Y.

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

Also memoranda on **Wellman Engineering and Textiles, Inc.**

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.**

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

United Light & Railways Company—Study of common stock—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

Wisconsin Brevities

The shareholders of Nekoosa-Edwards Paper Co. on Nov. 16 voted to change the authorized common stock from 65,000 shares (par $100) to 350,000 shares (par $25), to effect a 4-for-1 split of the shares. There are 63,000 shares outstanding. For the nine months ended Sept. 30, 1945 Nekoosa reports a net profit of $370,291 or $5.88 per share on sales of $8,618,538, compared with a net of $408,668 or $6.49 per share on sales of $8,263,289 for the nine months ended Sept. 30, 1944.

The Nunn-Bush Shoe Co., which has outstanding at the present time 10,000 shares of 5% cumulative preferred stock (par $100) and 175,266 shares of common stock (par $2.50), anticipates production for the current fiscal year at the same high levels attained during the war years. The company has been a consistent earner, the only unprofitable years in the last 17 being 1931 and 1932, when moderate losses were recorded. Per share earnings on the common stock for years ended Oct. 31 were: 1944, $1.13; 1943, $1.19; 1942, $1.07; 1941, $1.12, and 1940, $1.12.

Koehring Co. on Nov. 30 announced that it plans to change its authorized capital stock from 100,000 shares (no par) to 400,000 shares (par $5) through a four-for-one split of shares.

The Wisconsin Power & Light Co. has called for redemption on Dec. 17, 1945, at 110 and dividends, all of the outstanding shares of 6% and 7% preferred stock, except the shares to be exchanged by the company for the new 4½% preferred stock, pursuant to its exchange offer dated Oct. 25, 1945. Payment will be made at the office of the company, 122 West Washington Ave., Madison, Wis.

The Chicago, Milwaukee, St. Paul & Pacific RR. has been reorganized and pursuant to court order the new company took possession of the properties effective 12:01 A. M., Dec. 1, 1945. At the first meeting of the board of directors of the newly organized road, held Dec. 3, Leo T. Crowley was elected Chairman of the board and H. A. Scandrett was elected President. Beginning Dec. 4, exchange of securities provided for in the plan of reorganization, became effective.

To Establish U. S. Representation for Close Bros., Ltd.

Arthur H. Martens, Chairman of the old established London banking firm of Close Brothers, Ltd., will arrive in New York soon with a number of colleagues to make arrangements for establishing an organization in the United States to represent the Close business and financial interests. The new organization, it is announced, will represent in particular the United States and large British and Continental engineering, metal, import and export businesses with which Close Brothers are associated. It will be part of the function of the United States corporation to act as purchasing and selling agents for these European interests, especially in respect of capital machinery and equipment of all kinds.

The announcement also says:

"Noel Hume, who formerly represented Central Hanover Bank and Trust Company in London and who is now associated with Close Brothers, is a member of Mr. Martens' party. The group also includes technical and legal experts. In 1942 Mr. Martens flew to the United States to arrange for the leasing of White Pass and Yukon Railway Company, which the Close interests control, to the United States Government. This $11,000,000 railway operates hotels and river transport in addition to a railroad in Alaska and the Yukon. In recent years the Close banking interests have been identified with the financing of one of Britain's largest consolidations of gas supply companies, the $40,000,000 United Kingdom Gas Corporation."

Col. Sol P. Fink Returns To Position at Hirsch

Hirsch & Co., 25 Broad Street, New York City, members New York Stock Exchange, announce that Col. Sol P. Fink has been released from active duty with the armed forces. He has resumed his position as co-manager of the firm's branch office at 1182 Broadway, New York.

Louis De Groote has become associated with the firm in their foreign department.

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OUR American railroad system, for all its fine accomplishments, is woefully inadequate in one important respect.

The traveler cannot go from one of our coasts to the other by through sleeping car service. He must break his trip—at Chicago, St. Louis, Memphis, or New Orleans.

Even if he rides the crack trains, he must still change at these points—*often with a wait of several hours in between.*

He must put up with the inconvenience of packing and transferring his baggage, often going from one station to another, waiting around for connections, boarding another train.

He has at least two sleeping car reservations to worry about—when one should suffice.

He is put to far too much trouble—and far too much waste of time.

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Why should travelers have to put up with this? Why should there be a dividing line beyond which you cannot pass without changing trains?

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And why shouldn't they get it? Is it because of the physical problem that would be involved in transferring sleeping cars from one road to another? Is it because schedules would have to be readjusted to maintain convenient departure and arrival times?

Surely, such problems *can* be worked out—and *should* be worked out—in the interest of the traveling public.

Who Will Take Action?

The Chesapeake & Ohio and the Nickel Plate Road are not the only railroads that, in conjunction with others, could provide this service. But no railroad has yet provided it. And we of the Chesapeake & Ohio and the Nickel Plate are willing to make a start.

In fact, we are so convinced that action should be taken, *and taken without more delay,* that we go on record as follows:

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Chesapeake & Ohio, whose western passenger terminus is Cincinnati, stands ready now to join with any combination of other railroads to set up through sleeping car service from coast to coast on practical schedules and routes.

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Through sleeping car service is bound to come. Because it is so much in the interest of all railroad people and all railroad investors. We invite their support—and the support of all who travel—for this badly needed improvement in rail transportation.

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Nickel Plate Road
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Railroad Securities

Everyone is familiar with the old adage that, "Big things come in little packages." But it is doubtful if this brought much comfort last week to holders of New York, Chicago & St. Louis preferred stock when they learned that their directors had declared a dividend of $3.00 against accumulations. Considerably more liberal treatment had been expected. The last dividend had been the regular quarterly of $1.50 a share paid on July 1, 1931. In the intervening years (1932-1945, inclusive, with 1945 partly estimated) aggregate reported earnings on the stock will have amounted to roughly $160 a share of which the preferred stock holders are to receive somewhat less than 2%. During the same interval the parent company, Chesapeake & Ohio, will have paid out more than 78% of reported earnings in cash dividends, plus a dividend in preferred stock in 1937 and one in Pittston stock this year.

During the ten years 1936-1945 Nickel Plate has earned, or will have earned, the preferred dividend in full every year with the exception of 1938 when a deficit of less than $3.00 a share was reported. In fact, seven of the ten years earnings will have been equivalent to more than three times the annual dividend requirement, with the average for the period somewhat above $17.00 a share. During all of that period holders of the preferred stock have been content with the implied assurance that their time would come once the debt had been reduced to conservative levels. This aim was accomplished earlier this year and finances are very strong. Net working capital as of the end of 1945 will presumably be considerably in excess of $20,000,000.

It is considered doubtful if the meagre distribution authorized by the directors will in any measure tend to answer the litigation started last year by a preferred stock holder seeking a judgment directing individual directors, as a board, to resume dividends on the preferred stock. It is expected that this suit will come up in court early next year, the road having failed in its efforts to secure a summary judgment dismissing the complaint.

Even though the recent dividend can hardly be considered satisfactory in the light of the demonstrated consistent earning power of the stock, the strong finances, and the now conservative debt and fixed charges, it is at least moderately constructive in that it marks the first break in the long drought. It is at least tacit admission that the funded debt structure and finances have now been adequately strengthened. With this first break in the dam it is considered likely by most railroad analysts that if earning power remains adequate the prospect is bright for continued distributions.

It is generally conceded that an estimate of railroad earnings before fixed charges and Federal income taxes over the next few years around the 1941 level is unrealistically pessimistic. Granting that wages and other costs have mounted materially in the interim it is felt that gross will be higher than in 1941 and that at least in considerable measure the increase in costs will be offset by increased efficiency brought about by recent additions and betterments to property. On the basis of its 1941 results—adjusted for present fixed charges, a Federal income tax rate of 38%, and depreciation of way and structures as actually accrued in 1943 and 1944—Nickel Plate would be able to show earnings of over $26.00 a share on the preferred stock. On such a basis it is undoubtedly attractive at current levels. If Nickel Plate can not duplicate 1941 results post war it is doubtful if many, if any, of the major carriers can, in which event the entire rail market is ridiculously overpriced.

Along with the dividend it was announced that Nickel Plate, subject to I.C.C. approval, would buy Chesapeake & Ohio's holding of 78,145 shares of Wheeling & Lake Erie common at $70 a share, with a one-year's option to buy its 115,369 shares of 4% prior lien stock at 115 and 1,658 shares of 5½% preferred at 105. Acquisition of the Wheeling & Lake Erie stock would be in line with the tentative proposal to merge that property with the Nickel Plate. This would be a highly constructive development both from an earnings standpoint and from the point of view that it would simplify the eventual merger of the entire properties with Chesapeake & Ohio.

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Holland's Financial Position

By J. VAN GALEN

Financial Editor Algemeen Handelsblad, Amsterdam

Dutch Editor Describes the Financial and Monetary Effects of German Occupation and the Present Efforts of the Present Administration to Place the Country Back on a Sound Economic Footing. Tells of the Progress in Calling in Outstanding Currency, in Blocking Bank Accounts and in the Levying of a "Betterment Tax" to Absorb Individual War Time Profits. Looks to U. S. Holdings of Dutch Investments and a Capital Levy to Restore the Burden of the Deadweight National Debt.

At the end of the war in Europe the financial and monetary situation in the Netherlands was chaotic. During the last months of the occupation the reports of the Treasury ceased totally. The weekly returns of the Netherland Bank, however, have been regularly published, showing an uninterrupted increase of the note circulation:

Notes in Circulation (millions)

	Guilders	Dollars
Sept. 18, 1944	4,661.4	1,856
Jan. 2, 1945	5,094.4	2,037
May 7, 1945	5,517	2,228

From Sept., 1944 till May, 1945 the Treasury went on creating Treasury bills on a large scale; these bills were placed with the banks as usual. Meanwhile it was also necessary to finance underground the growing resistance, especially the railway strike of nearly 40,000 men, asking 5 million florins ($2 million) every month. In September the resistance asked 7 million florins ($2.8 million), in April, 1945 the amount involved was 15 million florins ($6 million). All this was paid by the National Emergency Fund (Nationaal Steunfonds), financed by the banks and other financial institutes. The Germans got hold of one of the leaders, Mr. Walrave van Hall (a son of the former President of the Amsterdam Stock Exchange) and shot him, but the organization was so perfect that the underground financing continued uninterruptedly.[1]

Up till now—the end of October—the Treasury cannot publish

[1] It would carry us too far to explain the organization of this resistance-financing. One fact is worth mentioning, however: It was dangerous to give receipts for the amounts received for this financing. The usual method was to give a bond of no value, e.g., a pre-war Russian bond or bonds of the Confederate States of America, the number of which was registered together with the advanced sum.

(Continued on page 2907)

Illinois Rail Terminal Issues Offered

Public offering was made Dec. 11 of bonds and common stock of Illinois Terminal RR. to bring about divestment of the company from Illinois Power Co., as ordered by the SEC.

The bond issue consists of $13,500,000 of 4% first mortgage bonds, due in 1970, offered at 101 by underwriters headed by Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane. The bonds are being sold for and on behalf of the Illinois Power Co., which will receive the entire proceeds.

The stock offering consisted of 500,000 shares ($5 par) common, at $10.90 per share, the underwriting principals being Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and G. H. Walker & Co.

This is the first time in several years that any shares of a railroad have been publicly offered. Proceeds will go to the new company to defray the purchase of the properties and for working capital.

The divestment procedure establishes a new company of the same name to acquire the railroad properties of the Illinois Terminal RR. The properties include the McKinley Bridge over the Mississippi River at St. Louis, approaches to a leased terminal in the city and about 479 miles of main line extending through central and southern Illinois, with the principal terminus in St. Louis.

Sinking fund provisions for the bonds include payments equal to 1½% a year of the principal, subject to reduction if bonds of $2,000,000 or more are redeemed otherwise.

Universal Camera Stock on Market at $5

Floyd D. Cerf Co. of Chicago and associates on Dec. 12 made a public offering of 298,500 shares of class A common stock (par 1¢) of the Universal Camera Corp. at $5 per share. The stock represents a portion of the holdings of certain officers and directors and follows the public offering of 200,000 shares on behalf of the corporation made on Nov. 14, the last day for public financing during the Victory Loan campaign, and which was oversubscribed at that time.

McLAUGHLIN, BAIRD & REUSS
Members New York Stock Exchange
BOND BROKERAGE SERVICE
Specializing in Railroad Securities
ONE WALL STREET NEW YORK 5
TEL. HANOVER 2-1355 TELETYPE NY 1-2155
Philadelphia Telephone — Lombard 9008

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Bates Mfg. Co. Common Offered to Public

A public offering of common stock of the Bates Manufacturing Co. was made Dec. 12 by an underwriting group headed by The First Boston Corp. and Coffin & Burr, Inc., at $25 a share. A total of 256,500 shares is being offered first to present stockholders at $22.75 per share, in accordance with Maine laws. Any unsubscribed portion will be made available to the public.

Upon completion of this offering and receipt of $4,600,000 in bank loans, a "Maine Mills Plan" will be made effective. Under this plan Bates will own, directly or through a wholly owned subsidiary, five textile mill plants: the Bates mill, the Androscoggin mill, the Hill mill, located in Lewiston, the Edwards mill in Augusta and the York mill in Saco. When the financing is completed capital will comprise $4,600,000 of bank loans and 391,500 common shares.

Rejoins Sills, Minton As Chairman of Board

CHICAGO, ILL.—Sills, Minton & Co., Inc., 209 South La Salle Street, members of the Chicago Stock Exchange, announce that William H. Sills has been released from active duty as Lieutenant (jg) with the U. S. Naval Reserve and is again associated with the firm as Chairman of the Board. David J. Harris will remain as President.

Allan Church Joins Bear, Stearns & Co.

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announces that Allan H. Church, Jr., is now associated with them in their Municipal Bond Department. Previously, he headed the firm of Allan H. Church, Jr. & Co. (now dissolved); and had been a partner in the municipal bond firms of Wallace & Co. and Bouton and Church & Co.

NSTA Notes

NSTA ANNUAL MEETING 1946

The Executive Council of the National Security Traders Association announced that the Annual Convention would be held in Seattle, Washington, in September, 1946, with the Bond Traders Club of Seattle as hosts. Details and definite dates will be announced later.

SECURITY TRADERS ASSOCIATION OF NEW YORK

At the annual meeting of The Security Traders Association of New York, Inc., Chester E. de Willers of C. E. de Willers & Co. was elected President. William A. Titus, Jr., of F. J. Young & Co. Inc., was elected First Vice President; Michael J. Heaney of Joseph McManus & Co., Second Vice President; Thomas G. Horsfield of Wm. J. Mericka & Co. Inc., Secretary; and Howard Phillips of George R. Cooley & Co., Treasurer.

John F. McLaughlin, McLaughlin, Baird & Reuss; Gustave J. Schlosser, Union Securities Corp.; and George V. Leone, Frank C. Masterson & Co., were chosen directors. Edward H. Ladd III, the First Boston Corp., and Andrew R. Steven, Jr., Bond & Goodwin, Inc. were elected trustees of the Gratuity Fund.

Harry L. Arnold, Paine, Webber, Jackson & Curtis; Abraham

C. E. de Willers

Wm. A. Titus, Jr.

Michael J. Heaney

T. G. Horsfield

Howard E. Phillips

Strauss, Strauss Bros.; and John F. Reilly, J. F. Reilly & Co., were named delegates, with Lee Sherman, L. D. Sherman & Co.; Theodore Plumridge, J. Arthur Warner & Co.; Henry R. Schmidt, Pulis, Dowling & Co.; Oliver Kimberly, J. K. Rice Jr. & Co.; and Joseph Kane, George D. B. Bonbright & Co., alternates.

Elected to the Nominating Committee were: Leslie Barbier, G. A. Saxton & Co., Inc.; Walter V. Kennedy, Coffin & Burr, Inc.; Frank E. Mulligan, E. H. Rollins & Sons, Inc.; and Alfred F. Tisch, Fitzgerald & Co.

Silver Price Worries

Inaction on Green Bill Leads Industrial Silver Users to Seek Arrangement Whereby Treasury Will Continue to Supply Them With Metal at Guaranteed Price.

WASHINGTON, December 12—Despite persistent rumors outside Washington that an increased OPA price for silver is in the offing as "payment" to mining State Senators for accepting the current Green Bill (described by the writer in the "Chronicle" of Nov 22), nothing can be uncovered to substantiate those reports. Industrial users of silver, however, have become increasingly nervous, lest with the existing Green Act's expiration they find themselves after this month with no assured supply of silver at 71 cents an ounce. As a stop gap they have been seeking an arrangement, whereby with Civilian Production Administration approval they may this month buy from the Treasury several months' industrial supplies of the metal.

To protect them against any subsequent decline in the price of foreign silver they have also sought a Treasury guaranty to repurchase any of their inventory so acquired. This would be a riskless arrangement for industrial silver users.

Although the bill to renew the Green Act has been several weeks before the Senate Banking and Currency Committee, that body has taken no action. Earlier, the delay was attributed to the Senate Silver Bloc's sensing herein an opportunity to get something more for silver. Latterly, the inaction is being attributed to Senator McCarran's absence on the West Coast, that strange phenomenon known as "Senatorial courtesy" dictating, at least in silver matters, that committee action await his return—although McCarran is not a member of the Banking Committee.

That industrial silver users have been very much concerned over the situation is evident from the visits they have latterly paid to Washington and the letters they have been sending to members of the Congress. However, as compared to other pressure groups, they seem to be inadequately organized and rather less alert to the necessities of the situation. Their campaign of 1942-43 was much more effective, since it threatened the Silver Bloc with public wrath, whereas their current dragging effort has been limited to lobbying.

R. W. Lauterwasser Has Formed Own Invest. Co.

SAN FRANCISCO, CALIF.—Russell William Lauterwasser has formed Lauterwasser & Co. with offices at 145 Sutter Street to engage in the investment business. In the past he was office manager for Tommasini & Co.

W. E. Hutton Changes

James M. Hutton, Jr., W. E. Hutton, Robert C. L. Timpson, and Sarah J. Hutton were admitted to W. E. Hutton & Co. as trustees under the will of James M. Hutton, limited partner, on Dec. 1. Estate of J. M. Hutton withdrew from partnership as of the same date.

NOTICE OF REDEMPTION

to the holders of

NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B, DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Refunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereof, together with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as aforesaid with all coupons payable July 1, 1946, and thereafter attached. Coupons due January 1, 1946, may be detached and presented for payment in the usual manner. Interest due January 1, 1946, on fully registered bonds will be payable only upon surrender of such bonds for redemption. Registered bonds, in cases where payment to anyone other than the registered owner is desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

By A. M. Gottschald,
Secretary

New York, N. Y., September 26, 1945

OFFER OF PREPAYMENT

Holders desiring to receive immediate payment of the full redemption price including interest to January 1, 1946, may do so upon presentation and surrender of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, with the January 1, 1946, and subsequent coupons attached.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Offering Circular.

$49,765,000

Chicago, Burlington & Quincy Railroad Company

First and Refunding Mortgage Series of 1970 2⅞% Bonds

Dated August 1, 1945 — Due August 1, 1970

The issuance and sale of these Bonds are subject to authorization by the Interstate Commerce Commission.

These Bonds, in the opinion of Counsel, will be legal investments for savings banks organized under the laws of California, Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Ohio and Vermont, and for savings banks organized under the general laws of Pennsylvania.

Price 100.80% and accrued interest

The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

BEAR, STEARNS & CO. — HALLGARTEN & CO. — OTIS & CO. (INCORPORATED) — PHELPS, FENN & CO.

L. F. ROTHSCHILD & CO. — SCHOELLKOPF, HUTTON & POMEROY, INC.

HORNBLOWER & WEEKS — DEMPSEY & COMPANY — HAYDEN, STONE & CO.

GRAHAM, PARSONS & CO. — GRANBERY, MARACHE & LORD — WEEDEN & CO INCORPORATED

December 13, 1945.

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112 Underwriters Offer National Dairy Debs.

Goldman, Sachs & Co. and Lehman Brothers headed 112 underwriters which offered on Dec. 11 $50,000,000 of 2¾% debentures of the National Dairy Products Corp. at 101¾ and interest. Proceeds are to redeem a like amount of 3¼% debentures due in 1960. The new debentures will be due in 1970.

Sinking fund requirements call for retirement of 1 to 2% of the debentures in each of the first five years, 2 to 4% in each of the next five years and 3 to 6% in each of the remaining years. They will be redeemable otherwise at prices starting at 104¼ for the year ending on Nov. 30, 1946. Sinking fund redemption prices begin at 102¼.

Following completion of the financing, capitalization of the corporation will consist of the new debentures and 6,244,247 shares of common stock.

The 3¼% debentures will be redeemed on and after Dec. 15 at the office of Goldman, Sachs & Co.

C. T. Lowndes & Co. Formed in Charleston

CHARLESTON, S. C.—C. T. Lowndes & Co. has been formed with offices at 24 Broad Street to engage in the securities business. Officers are Charles L. Mullally, President; Hase E. Rivers, Vice-President; Henry H. Lowndes 2nd, Vice-President, and E. H. Thomes, Secretary and Treasurer.

Stern, Lauer to Admit

Stern, Lauer & Co., 30 Pine Street, New York City, will admit Conrad H. Liebenfrost to partnership on Jan. 1. He had been associated with the firm for some time.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Victory loan bonds went to a sizable premium, particularly the 2½s, but the advance above the issue price was not as much as had been anticipated in some quarters. . . . The 2½s due Dec. 15, 1967/72 sold as high as 101, with the 2¼s due Dec. 15, 1959/62, registering a top of 100 20/32. . . . Both of these issues came down from their best levels, as the "quick profit group" sold their bonds. . . . The market for the new obligations was not as active as it has been after previous drives. . . . This may be due to the dealers being quite fully invested in these bonds and the aloofness of investors, who want to see the market settle before they take on more of these securities. . . .

It is also indicated that the monetary powers do not want the market on the new issues to advance too sharply. . . . It seems as though there will be further backing and filling in the market as investors adjust their portfolios to the new financing. . . . This will probably result in some minor price irregularity. . . .

VICTORY LOAN TREND

The final days of the Victory loan showed a continuation of the recent substantial demand for the bank eligible obligations which were again led by the 2½s due Sept. 15, 1967/72. . . . Despite the sharp advance which carried this issue to new alltime highs, it is still the highest yielding taxable security. . . .

Accordingly there appears to be a general belief that the longest bank eligible bond will move up to the 108½ level. . . .

The 2% group made a good showing with most of these bonds pushing into new high ground, sparked by the June and December 2s due 1952/54. . . . The 2½s due 1956/58, the 2½s due 1952/54, and the 2¼s due 1952/55, were in demand as they moved up to new tops. . . . The partially exempts, especially the longer maturities, went to new highs, despite some selling due to portfolio changes. . . . The scarcity of intermediate and long-term bank eligible issues is really being felt by the commercial banks and they have been forced to bid up prices in order to bring bonds into the market. . . . However, it is not believed that higher prices alone will be sufficient to cause a sizable increase in the floating supply of the unrestricted obligations. . . .

MARKET OPINION

It is the opinion in the financial district that institutional holders, after some liquidation for portfolio adjustments—which offerings will be readily absorbed, will not be large sellers of the bank eligible bonds, unless they are assured that they will be able to get further offerings of the longer-term restricted obligations. . . .

This condition seems to mean that the market for the intermediate and long-term bank eligibles will still show an advancing tendency, although some of these bonds have now reached levels where there is very little left in the way of price betterment. . . .

V-LOAN FAVORITES

The latest available official figures on purchases of the Victory loan bonds, those of Nov. 30, showed commitments in the 2½s due Dec. 15, 1967/72, amounted to $1,701,220,000, with those for the 2¼s due Dec. 15, 1959/62, aggregating $620,999,000. . . . Admittedly these figures are incomplete, but they may have some value in that they may be indicative of the trend of subscriptions to the drive issues. . . . It had been previously reported that the institutions that were allowed to buy the Victory loan obligations would confine their purchases largely to the 2½% issue. . . .

If this tendency, which has been shown in the early figures, should prove to be representative of the final results, it seems as though the 2¼% due Dec. 15, 1959/62 will be a small issue. . . . If this should be the case, it could have an important bearing marketwise on this obligation. . . .

NEW YORK CITY BANKS

New York City member banks for the period ended Dec. 5, 1945, reported their position in United States Government bonds at the highest levels since the Seventh War Loan. . . . Bond holdings of $9,229,000,000 are after the loss by these institutions of $188,000,000 of the partially exempt 2¾s last September, by redemption. . . . The bond position of these institutions has been on the increase since Oct. 3, with very substantial additions being made in the last three weeks. . . .

Although these banks will lose the 2½s due Dec. 15, 1945, by redemption this week, the amount is small and will probably be offset in the near future by purchases of bonds that will be sold by institutions for portfolio adjustments, now that the drive is over. . . .

Since the Government bond positions of the New York City member banks increased after the Seventh War loan, it is believed they will likewise do so after the Victory loan, which will mean new highs in their holdings of these securities. . . .

FUTURE POLICY?

The Federal Reserve Bulletin for November contains some very pertinent remarks on Wartime Monetary Expansion and Postwar Needs which should be given consideration by all followers of the money markets. . . . These observations are important since they reflect the thoughts and opinions of the "money managers," who will carry out our future financial policies. . . .

The following are excerpts from this article:

(1) Following the Victory loan, the Treasury will have a large cash balance, which will probably be sufficient to meet its deficit and a large part of the security redemptions during 1946. . . . The need for additional open market financing will depend primarily upon the amount of redemptions. . . . In any event there should be little or no further increase in the total public debt during 1946, although there may be important shifts in its distribution among different groups of holders. . . .

(2) Private demands for credit are not likely to require much net expansion of bank loans. . . .

(3) Although some corporations may find themselves in a position to maintain their present liquidity, it appears likely that on balance corporate holdings of Government securities will decline next year. . . .

(4) Some individual owners of Government securities will also be disposing of their holdings. . . . It is not certain, however, that redemptions will continue for any extended period substantially in excess of sales. . . .

(5) Investment institutions and Government trust accounts will be important factors in the market, especially in view of the small demand for new money by the Treasury. . . .

NO INCREASE IN BANK HOLDINGS

(6) It has been pointed out that the public debt will show little or no further increase in 1946. . . . It seems likely that various demands from customary investment sources should be sufficient to absorb Government securities in amounts equal to redemption and sales by others. . . . Consequently, bank holdings of Government securities would not need to increase during the year. . . .

(7) In 1946, the outflow of currency probably will be at a much reduced rate and may even cease. . . . To the extent that expansion continues, the Reserve Banks will be called upon to supply additional credit. . . . Should a return flow of currency develop, banks will have additional reserves which they could use as a basis for further credit expansion, unless the Reserve Banks reduce their holdings of Government securities. . . .

(8) In view of the existing sources of demand for Government securities and the reduced supply of new securities, prospects are for a continued strong market for these securities. . . . Under the circumstances demands are particularly strong for the intermediate and long-term issues bearing the higher yield. . . . Such of these issues as can be held by banks will be in demand by the banks, while non-bank investors may be expected to buy principally the issues that are not eligible for purchase by the banks. . . .

First Boston Group Offer S. D. Warren Pfd.

An investment banking group led by The First Boston Corp. on Dec 11 publicly offered 30,000 shares of $4.50 dividend preferred stock (no par) of S. D. Warren Co., paper manufacturer, at $101.50 a share. Proceeds from the offering and from a concurrent private sale of $2,500,000 of bonds will be used to redeem $4,000,000 of outstanding first closed mortgage 4% bonds due in 1959 and the balance will be added to general funds.

General funds of the company also will be increased by about $300,000 through the proposed replacement of $800,000 3% unsecured serial notes due in 1946 to 1949 with $1,120,000 of 2½% serial notes due in 1946 to 1952.

Ford Hardy Rejoins Merrill Lynch Firm

NEW ORLEANS, LA.—Major Ford T. Hardy has been released from the Army Air Forces after three years and four months in service and has resumed his duties as manager of the investment department of Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street.

Orloff and Pike Rejoin Troster, Currie

Troster, Currie & Summers, 74 Trinity Place, New York City, announce that Harry S. Orloff and Bertrand F. Pike have been released from the armed forces and have rejoined their trading department.

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

$56,929,000

Buffalo Niagara Electric Corporation

First Mortgage Bonds, 2¾% Series due 1975

Dated November 1, 1945 *Due November 1, 1975*

Interest payable May 1 and November 1 in New York City

Price 102.06% and Accrued Interest

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.

BLYTH & CO., INC. — DREXEL & CO. — THE FIRST BOSTON CORPORATION

GOLDMAN, SACHS & CO. — HARRIMAN RIPLEY & CO. Incorporated — KIDDER, PEABODY & CO.

MELLON SECURITIES CORPORATION — SCHOELLKOPF, HUTTON & POMEROY, INC.

SMITH, BARNEY & CO. — CLARK, DODGE & CO. — DOMINICK & DOMINICK

HEMPHILL, NOYES & CO. — W. E. HUTTON & CO. — W. C. LANGLEY & CO.

LEE HIGGINSON CORPORATION — MERRILL LYNCH, PIERCE, FENNER & BEANE

F. S. MOSELEY & CO. — PHELPS, FENN & CO. — R. W. PRESSPRICH & CO.

SPENCER TRASK & CO. — TUCKER, ANTHONY & CO. — WHITE, WELD & CO.

December 13, 1945.

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Says Low Interest Will Increase Bank Holdings of Gov't Bonds

(Continued from page 2875)

continued, "interest rates in this country, generally speaking, are now at the lowest levels in history. This in itself is sufficient reason for questioning whether they should be held rigidly at the current level, let alone forced still lower, especially in the light of the problems and conditions which will confront the nation in the years ahead.

"There is, however, a more important aspect of the problem than the amount of interest the Government pays on its debt and that is the distribution of the ownership of Government securities. The emphasis might more appropriately be on preventing an undue concentration of this debt in the commercial banking system, in order to avoid the inflationary effects which result from excessive expansion of bank credit.

"Great refunding operations by the Treasury will be necessary as various issues of Government obligations come due in the years ahead and in the conduct of these it will be no less essential than during the war period to adhere to sound fiscal policies. With the war now ended and the appeal to patriotism losing some of its hold as a motivating force in the sale of bonds, increasing reliance must be placed on strictly economic considerations in future financing operations by the Treasury.

"No rigid line of demarcation can be drawn between rates which will attract or fail to attract the funds of non-bank investors. But there is every reason to assume that at this juncture a further lowering of rates could only have the result of shifting the ownership of Government securities from individuals and institutional long-term investors to the only other major outlet for such securities, namely the commercial banking system.

"The argument has been made that present low interest rates should be maintained to keep Government expenses down and to aid those who find it profitable to borrow money, whether they be individuals or corporations, large or small. Some even seem to feel that interest rates should be reduced still further to curtail the earning capacity of the banks.

"While there appear to be many advocates for those who find it advantageous to operate on money borrowed from others, no national figure has risen to champion the cause of the investors, whether they are individuals, trust funds, corporations or endowment funds for religious, charitable or educational organizations. It is hard to understand why there should be more concern for the borrower than for the lender. It is the person of modest means who has suffered most from the lowering of interest rates, and many aged men and women, as well as young children, have found themselves in unfortunate circumstances because the return on the savings conscientiously provided for their care, has arbitrarily been reduced by their Government. The spendable income of the wealthy is controlled almost completely by our system of graduated income tax. As a matter of fact, some of the extra expense which the Government would incur by reason of a higher interest rate on its debt would be returned to it in larger receipts from income taxes. In this country, where so much splendid work is being carried on by endowed institutions, it must be self-evident to everyone that due to decreased income they have been prevented from rendering to the public many of the services of which they are capable.

"Some have asserted that low interest rates represent a powerful factor making for business recovery, but the role of low interest rates as a stimulant has been greatly over-emphasized, for we know that such rates are not an adequate substitute for sound economic policies generally. The Board of Governors of the Federal Reserve System expressed itself on this question in no uncertain terms when in its Annual Report for 1943 it said: 'In the past quarter century it has been demonstrated that policies regulating the quantity and cost of money can not by themselves produce economic stability, or even exert a powerful influence in that direction. The country has gone through boom conditions at times when monetary restraints were being exerted and interest rates were extremely high, and it has continued in depression at times when an active policy of monetary ease was in effect and money was both abundant and cheap.'

"As for the banks, their earnings are not high in relation to their deposits or to the volume of their business. Although in recent years the banks have followed very conservative dividend policies and have allowed the bulk of their increased earnings to remain in the business, their capital funds today are comparatively low in relation to deposit liabilities. Arbitrarily to curtail bank earnings at this point would, therefore, be particularly unfortunate, for it would hinder the ability of the banks to expand their capital either through the accumulation of earnings or the sale of new stock.

"It is often lost sight of that banks for the most part are owned by a great number of individuals holding small amounts of stock. They have invested their funds in bank shares in order to receive a return on their capital and they naturally look for a reasonable appreciation in the value of their investment over the years. If these are unobtainable they have no alternative but to turn to other investment opportunities where the rewards are greater, and the banking system would consequently be handicapped in acquiring additional capital to keep pace with our expanding economy. A strong banking system is indispensable if our national business life is to have a healthy and vigorous expansion under our free enterprise system."

Mr. Baker informed the stockholders that the 1945 net earnings of the bank would amount to about $6,200,000, which compares with $4,804,000 earned in the previous year. On the basis of the increased earnings, Mr. Baker stated that he would recommend an increase in the quarterly dividend from twenty-five to thirty cents. Since 1941, and without an increase in capital, the bank's surplus and undivided profits increased by $10,238,000, and deposits advanced from $759,000,000 to over $1,100,000,000.

Maj. Hibberd With Mercantile Commerce

ST. LOUIS, MO.—Major William W. Hibberd is now with the bond department of the Mercantile-Commerce Bank and Trust Company, Locust-Eight-St. Charles. Major Hibberd, who was recently released from active service with the Army Air Force, was formerly New York correspondent of the Bank.

Van Vechten Burger Returns to Pershing

Lt. Commander Van Vechten Burger, member New York Stock Exchange and a partner in the brokerage firm of Pershing & Co., 120 Broadway, New York City, has returned to the firm after an absence of over three years in the U. S. N. R.

Kean, Taylor Adds R. Starkie to Staff

Kean, Taylor & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Ralph A. Starkie is now associated with the firm in its bond department. Mr. Starkie was formerly associated with Weeden & Co., Inc.

R. W. Pressprich & Co. To Admit Three to Firm

R. W. Pressprich & Co., 68 William Street, New York City, members of the New York Stock Exchange, will admit Hugh H. van Zelm, John L. Cullen and John Herr to partnership on Jan. 1. Mr. Cullen has been with the firm in charge of the corporation bond department.

This advertisement is not, and is under no circumstances to be construed as, an offer of these Bonds for sale or as a solicitation of an offer to buy any of such Bonds. The offer is made only by the Offering Circular.

$13,500,000

Illinois Terminal Railroad Company

(To be assumed by successor corporation of same name)

Twenty-five Year First Mortgage 4% Bonds, Series A

Dated July 1, 1945 Due July 1, 1970

Interest payable January 1 and July 1 in each year

Price 101% and accrued interest

Copies of the Offering Circular may be obtained in any State only from such of the undersigned as are registered or licensed dealers or brokers in such State.

Kidder, Peabody & Co. Merrill Lynch, Pierce, Fenner & Beane

Blyth & Co., Inc. Central Republic Company (Incorporated) Eastman, Dillon & Co.

Lee Higginson Corporation Paine, Webber, Jackson & Curtis

E. H. Rollins & Sons Incorporated Shields & Company G. H. Walker & Co.

White, Weld & Co.

December 11, 1945.

This is not an Offering Circular. The offer of these Shares is made only by means of the Offering Circular, which should be read prior to any purchase of these Shares. The Offering Circular does not constitute an offer by any dealer or broker to sell these Shares in any State to any person to whom it is unlawful for such dealer or broker to make such offer in such State.

NEW ISSUE

500,000 Shares

Illinois Terminal Railroad Company

Common Stock

($5 Par Value)

Price $10.90 Per Share

Copies of the Offering Circular may be obtained in any State only from such dealers or brokers participating in this issue as may legally offer these Shares under the securities laws of such State.

Merrill Lynch, Pierce, Fenner & Beane Kidder, Peabody & Co.

G. H. Walker & Co.

Hornblower & Weeks W. C. Langley & Co. Lee Higginson Corporation

Paine, Webber, Jackson & Curtis Shields & Company

Central Republic Company (Incorporated) Coffin & Burr Incorporated Hallgarten & Co.

Laurence M. Marks & Co. McDonald & Company Newhard, Cook & Co.

Reinholdt & Gardner E. H. Rollins & Sons Incorporated The Wisconsin Co.

December 11, 1945

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The Problem of British Credits

(Continued from first page)

above all others, view with sympathetic understanding the struggles of other countries, invaded, devastated and impoverished, to regain their physical well-being.

In spite of doubts and warnings in some quarters, I believe that the United States is now willing to assume leadership in a devastated world. Our readiness to do so is a mark of our maturity and a recognition of the fact that we cannot, even if we would, withdraw into what was once called "splendid isolation". At last we realize that we can no longer confine our full participation in world events solely to participation in the waging of war. We are all close neighbors in a fast-shrinking world. As close neighbors we must of necessity share a common destiny. Our responsibility as a nation is so to shape our affairs and so to influence world developments that this destiny may be compatible with the existence of the freedoms for which we fought the war.

The fundamental principles guiding the foreign policy of the United States were set forth in twelve points by President Truman on the occasion of his recent Navy Day address. These principles are in harmony with the best traditions of our country and have, I am sure, the full support of the American people. The task now confronting us is to implement these twelve points. This will not be easy, as the application of fundamental principles to the realities of life is always much more difficult than their enunciation.

This morning I plan to call your attention to some of the problems involved in implementing the eighth and tenth points listed by the President. These are that all states accepted into the society of nations shall have access to the trade and raw materals of the world, and that full economic collaboration between all nations, great and small, is essential for the improvement of living conditions all over the world and for the establishment of freedom from fear and freedom from want. These principles in effect restate Article IV of the Atlantic Charter and Article VII of the Master Lend-Lease Agreement.

Access by all nations to the trade and raw materials of the world and close economic collaboration between nations are the basic prerequisites of a peaceful world. Economic reconstruction must be so guided that international trade may move freely and the activities of mankind be turned away from the perils of economic warfare and into the peaceful channels of commerce.

In the recently issued Eighth Report of the House Special Committee on Postwar Economic Policy and Planning,[1] the short- and long-run problems of economic reconstruction have been set forth in a very comprehensive fashion. The Committee emphasizes the point that solutions proposed for short-run problems must be integrated with long-run policies. The whole pattern of world recovery will depend upon the manner in which short-run problems are handled.

Britain's Plight

One of the most important of the short-run problems, and one which has a very direct bearing upon the future character of international trade, is the question of credits to England. This problem became one of immediate urgency upon the suspension of Lend-Lease. I was in London at the time and took occasion in an address before the American Chamber of Commerce to repeat my earlier proposals that the United States stand ready to grant England the financial assistance necessary to effect her transition from a war to a peace economy, to enable her to abandon exchange controls on current account and to join a multilateral system of trading.

England's present problems have resulted from her great contribution to final victory. It was the complete dedication to war of her financial and economic power which gave us the needed time in which to mobilize our own resources. Her gallant stand at the time of the fall of France gave us an indispensable base for our later operations.

The mobilization of British manpower and industry, on a scale unsurpassed elsewhere, and her military operations over the entire world brought about a rapid change and deterioration in England's external financial position. At the beginning of the war England held about £4 billion of foreign investments, £500 million of gold and £150 million in the form of dollar exchange. Her annual income from overseas investments totaled about £200 million, from shipping £100 million and from commissions, insurance, etc., £35 million. It was these invisible items in her balance of payments that financed Britain's imports, since only about 55% of her imports were paid for by exports.

Before the passage of our Lend-Lease Act (March 11, 1941) England was forced to pay cash for imports of food, raw materials and munitions from the United States. In consequence, her holdings of marketable investments, gold and dollars declined at a rapid rate. To acquire additional amounts of foreign exchange, she endeavored in this period to maintain her export trade, but this proved particularly difficult, owing to the bombing of the London docks, losses of merchant shipping and the dislocation of British life.

As is well known, England is very dependent upon imports of food. In the prewar period such imports were needed to cover about ⅔ of her consumption requirements. This situation represented a desirable international division of labor, in that England exported manufactured goods, in the production of which she had special skills, and imported foodstuffs which could be grown more cheaply abroad. In order to conserve shipping space England made strenuous efforts during the war to augment the amount of food grown at home. This was done by increasing the physical yield of the land and by increasing the proportion of crops (wheat, potatoes, vegetables, etc.) available for direct human consumption. Even though these efforts reduced by 50% England's dependence on foreign food imports, she was still dependent upon such imports to cover ⅓ of her consumption requirements. These imports, representing England's basic minimum requirements, are vital, for without them England cannot survive.

When Lend-Lease was enacted England was scraping the bottom of the barrel of her marketable foreign investments, her holdings of gold and dollars. Our help, together with the Mutual Aid generously supplied by Canada, ensured her a steady flow of food, raw materials and munitions. Although she still required dollars in order to meet cash payments not covered by Lend-Lease, the amount needed was small compared to previous requirements, and after our entrance into the war, it was more than covered by the dollar expenditures of the American armed forces in the British Empire.

Not receiving Lend-Lease or Mutual Aid from India or the Middle East, England was forced to pay cash for goods and services supplied, including military operations and installations. The cash received was used by the recipient nations first to reduce their indebtedness to England and then to build up their sterling claims to astronomical heights. These claims, known as "blocked balances", amount to about £3½ billion. They are termed "blocked balances" because, while freely transferable within the sterling area, they are blocked against other currencies. These blocked balances resemble the war debts of World War I in that they did not create means for their own repayment.

Lend-Lease and Mutual Aid plus the willingness of other nations to postpone the settlement of their claims permitted England to reduce drastically her production for export and to devote her resources to war production in the fullest possible measure. About 1,500,000 men and women were transferred from the export trades to the armed forces or war industries, and the volume of exports was cut to about 30% of that of 1938. British factories furnished 70% of all the supplies used by the 8,750,000 men and women in the armed forces of the British Commonwealth of Nations and the Empire. As British industry was producing under conditions of blackout, bombing and dispersal, this is indeed a remarkable achievement.

England's ability to devote her energies so exclusively to war was a natural result of Lend-Lease Aid. While this made possible an appropriate division of effort during the war, the termination of Lend-Lease, as Mr. Attlee said recently in the House of Commons, leaves England far worse off when the sources of assistance dry up than it leaves those who have been affording the assistance.[2]

Britain's Status as a Debtor

The net result of the war was to reduce England to the status of a debtor country. The full economic implications of this change have not, I believe, been fully realized here or abroad. England's foreign assets have been reduced from about £4 to less than £3 billion and her overseas liabilities, exclusive of Lend-Lease or Mutual Aid, have increased from about £500 million to £3½ billion, representing an adverse turnover of more than £4 billion. In addition, enemy action cut heavily into her merchant marine. Income from commissions and other service charges has been reduced.

The developments which have been described leave England with a much reduced income from the invisible items on her balance of payments: income from investments, shipping, commissions and service charges. At the very time that her power to purchase imports has been reduced, her requirements have increased. In addition to the ever-present need for food, she requires imports to repair the war damage, to replenish civilian inventories, and to expand, modernize and re-equip plants. In the absence of foreign credits, exports would have to increase very sharply to pay for the volume of imports required. In fact, just to bring in the 1938 volume of imports, it has been estimated that exports must rise in terms of volume about 50% above the 1938, or five times above the 1944, total.

It will take time for England to regain and build up her export markets. The pattern of world trade has changed. Continental countries will buy less. More must be sold to the United States and South America. Raw materials must be imported so that the factories of England may be able to make goods. The factories must be reconverted to production for peace. This will require a long period in a country whose production was so highly geared to war. During this transitional period, pending the time when her exports are large enough to pay for imports, England must have foreign credits. And this will be the very period when England will be under added pressure from her sterling creditors to turn their claims into dollars so that they, too, can buy goods in those markets in which they are available.

A Dollar Problem

Although England has arranged for credits with certain foreign nations, her import deficit in the postwar period will, in the main, be with the United States, and it is for this reason that the problem of British credits becomes a dollar problem. Recognition of this fact prompted me on various occasions, to urge that financial aid be extended by the United States to England in sufficient volume to finance her transition from a war to a peace economy and to stabilize the pound in terms of the dollar. I have urged that this be done for I am convinced that Britain's external financial problem must be solved and the dollar-pound rate must be stabilized before constructive consideration can be given to the removal of trade barriers and to the stabilization of other currencies. Britain's external financial problem is the most important of all the short-run problems of postwar economic reconstruction. It must be solved if trade and exchange barriers are to be removed and if the twelve point program set forth by President Truman in his Navy Day address is to be realized.

Although England was able to accumulate a certain volume of dollars after our entrance into the war, the amount is not sufficiently large to finance her transitional requirements. Until she is assured of financial assistance needed for such purposes, she will not be able to formulate long-range policies.

The aid which we extend can, in a sense, be viewed as retroactive Lend-Lease. Had our Lend-Lease Act been operative earlier, England would not have had to liquidate such a large volume of her marketable securities. In consequence, she would not now be confronted with a financial problem of such overwhelming urgency.

Our Own Interest to Grant Aid

Even apart from our moral responsibility, it is to our own interest to grant aid to England. Once assured of her ability to finance transitional import requirements, England will be able to give up exchange controls on current account, the dollar pool, the sterling area and quantitative import restrictions. In short, England will be able to join a system of multilateral trading. The aid we extend should be contingent upon the adoption of measures on her part to bring about full participation in such a system. Without our assistance England will have to draw in her belt still tighter. She will have to resort to bilateral trade practices, endeavor to build up trade within the sterling area and reduce trade with other nations.

Our decision in this matter will be a most critical one. Since the collapse of Japan there has been a growing tendency throughout the world towards the formation of economic blocs, import control schemes and bilateral trade practices. Unless this tendency is checked now, there will be little hope of re-establishing international trade on a relatively free basis. The extension of financial aid to England, playing as she does a central role in world trade, is essential in checking the tendency towards bilateralism and in giving a firm basis to multilateral trade.

Aid Not to Advance Socialism

It must be borne in mind that any British Government, right or left, must have financial assistance. This assistance is not being asked and it will not be granted to underwrite socialistic experiments. If England agrees to eliminate restrictive exchange and trade practices (and this would be a prerequisite to the aid granted) there will be less scope and need

[1] Pursuant to H.Res. 60

[2] The Times (London) August 25, 1945, p.4.

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for socialistic controls. England will find that she cannot join in a multilateral system abroad and have a rigidly controlled economy at home. The one is not compatible with the other. Already in her adherence to Article VII of the Master Lend-Lease Agreement, she has given her support to the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other trade barriers.

A conviction that England's external financial problem had to be solved and that the two key currencies, the dollar and the pound, had to be stabilized in terms of each other before other international economic questions could be dealt with, lay at the basis of my criticism of the Bretton Woods proposal for an International Monetary Fund. At the time that this proposal was being discussed, we who advocated the so-called key-currency or key-nation approach to the problem were criticized by the proponents of the Monetary Fund on the ground that our alternative proposal was undemocratic, unnecessary and undesirable. Recent developments have, I believe, given ample proof of the validity and basic necessity of the key-nation approach.

Coming International Trade Conference

When, more than a year ago, I urged that the United States extend financial aid to England, I proposed that this assistance follow the successful conclusion of an international trade conference between the United States and the members of the British Commonwealth of Nations.[3] I urged that this conference deal with such matters as tariff barriers, imperial preference, export subsidies, bulk purchasing and regional currency arrangements.

Present indications are that a world trade conference will meet within the next few months. The sequence I suggested will now have to be reversed and financial aid must be granted England before the conference can convene. The United States, England and the other members of the British Commonwealth of Nations must be prepared to throw their entire influence in such a conference towards the reduction of trade restrictions and barriers. Along with all other nations we must be prepared to make substantial concessions in order to give trade its initial impetus. Our joint willngness to do so would follow the solution of England's external financial problems.

Its great economic resources place a peculiar obligation upon the United States to play a role of constructive leadership in world economic affairs. Our primary goal must be that of promoting multilateral trade. For multilateral trade alone will make most effective use of the resources of the world, thereby making possible a maximum increase in living standards. The first step in the attainment of this goal is the extension of financial assistance to Britain. The second is a successful international trade conference at which the signatory members agree to an elimination of trade barriers, restrictions and preference. The United States must assume responsibility for the first and can exert great influence in achieving the second. Statesmanship of the highest order is needed to lay the economic basis of a prosperous and peaceful world. Immediate action is required. Time presses and delays will prove disastrous.

[3] Some Aspects of American Foreign Economic Policy, an address before the Executives' Club of Chicago, September 15, 1944.

Loan a Bitter Pill for Great Britain

(Continued from first page)

all this display of hard bargaining was mere shadow-boxing staged for the benefit of Congress and Parliament. After having given way on matters of major principle, the British delegation sought to impress Parliament and British opinion by a stern fight over relatively unimportant details.

Although many points are still uncertain, one thing is obvious: The British delegates have agreed to the ratification of the Bretton Woods Final Act. This is so definite that the Bill providing for its ratification has actually been prepared already. Although under British Constitution there is no need for Parliament to ratify an international treaty, the United States Government is understood to have insisted that it should be formally ratified by the passing of an Act, instead of merely approved by passing a resolution. Accordingly, a single-clause Bill, providing for the ratification of the Bretton Woods Agreement, will be introduced as soon as the loan agreement is concluded, and will be rushed through both houses of Parliament before the Christmas recess. The debates on this Bill will provide an opportunity for a discussion of the loan agreement.

The acceptance of Bretton Woods by the British Government and the method with the aid of which its adoption is intended to be secured, has caused strong resentment in London among the opponents of the plan. They hoped that the Government, in accordance with its repeatedly declared pledge, would come before the House uncommitted, and would allow itself to be guided in its decision by the wish of Parliament. Instead, Parliament will be confronted by an accomplished fact. Moreover, the measure will be introduced in a form that would preclude its adequate examination. While Congress discussed the details of the Bretton Woods plan for months, Parliament will be expected to pass it in a few days. This fact is causing resentment, because it is felt that the gold standard is being smuggled in through the back door instead of being brought in through the front door. The rushed ratification of the Bretton Woods plan will obviate the necessity for the passing of a formal Gold Standard Act, which would be otherwise necessary for a legal stabilization of sterling.

There is consequently some talk among opponents of the gold standard about a repetition in Britain of the notorious "Crime of 1873" through which Congress was made to adopt the gold standard in the United States without knowing what it was doing. It is not yet known what line the Government was going to take, but the chances are that Lord Keynes's line of argument that Bretton Woods is *not* the gold standard will be adopted by this Government as it was adopted by the Coalition Government. This will be all the easier since the provisions of the Final Act have been made so obscure and complicated that very few people can really see through them. Thanks to this obscurantist policy it was possible for Lord Keynes to say for British consumption that Bretton Woods means the "dethronement" of gold and for American consumption that it converted gold from a despot into a constitutional monarch.

"Those who say that the adoption of the Bretton Woods plan means a return to the gold standard are unusually silly. I say 'unusually' because one cannot expect much in matters of currency." These remarks were made by Lord Keynes in the House of Lords in June 1944. But they never appeared in the Official Report (Hansard) presumably because on second thought Lord Keynes realized that their tone was not altogether in keeping with the dignity of the august surroundings in which they were uttered. Nevertheless they characterize the vigour with which the Final Act is defended against the charge of aiming at a return to the gold standard. The debate in Parliament and in the Press is expected to be therefore thoroughly bitter. Both sides will fight with their gloves off.

The Conservative Party would be less than human if they did not endeavour to make political capital out of the general unpopularity of the gold standard in Britain. A country-wide campaign is expected, denouncing the Government for restoring the detested system "under false pretenses." Although very few people have the technical knowledge to be able to judge whether Bretton Woods is the gold standard or not, the mere mention of gold inspires distrust among the public and to dispel it the supporters of Bretton Woods would have to try to prove that it is *not* the gold standard, which is not an enviable task.

The Labour Government is fully aware of the unpopularity of the impending step. It is equally aware that the application of the Bretton Woods plan will mean unemployment sooner or later. If in spite of this they are prepared to accept it, it is for the sake of obtaining immediate relief through the American loan. The choice is, apparently, between unpopularity for returning to gold and unpopularity through lack of cigarettes and a further cut in food rations. There is a tendency to live for the immediate present. It is hoped among Labour politicians that by the time the evil effects of the gold standard begin to manifest themselves, ample opportunity will have been found for wriggling out of the uncomfortable commitments. This is the reason why the Government has decided to accept Bretton Woods. Otherwise the provision for the eventual removal of exchange restriction would in itself have been sufficient to rule out its acceptance by a Socialist Government. For, in the absence of water-tight exchange control, a statement such as that of Mr. Morrison on the Government's plan of nationalization, would result in a flight of capital running into hundreds of millions of pounds, and would easily exhaust the proceeds of the coming dollar loan.

For a Labour Government it is nothing less than political suicide to agree to a removal of drastic relaxation of exchange restrictions. A major crisis would inevitably sweep it out of office. With their experience of 1931 and the experience of the French Socialist Government in 1936-37 still fresh in their mind, the Socialist politicians are well aware of this. It is safe to assume, therefore, that if in spite of this they agree to Bretton Woods they are doing so presumably with the mental reservation that the first signs of a new major crisis would be claimed to be justification for going back on their decision. And no matter how solemn pledge will be given to observe the letter and spirit of Bretton Woods, the Government is certain to have the country's backing if maintenance or restoration of exchange control is presented as an alternative to a major crisis.

But apart altogether from the dangers and disadvantages of Bretton Woods, the loan itself is by no means universally popular. "We should not accept $3,750,000,000 even as an unconditional gift," so the argument runs. "It will lead to an all-round relaxation of productive effort on the part of the working classes. In the absence of a loan the Government could appeal to them to maintain and increase the output. As it is, there is certain to be an irresistible demand for a 35-hour week and for higher wages.

"Through its psychological effect the loan will encourage idleness and inefficiency; through its material effect it will disguise for a while the consequences of idleness and inefficiency. The knowledge that the Government has obtained a very large loan will stimulate demand for increased rations, and will frustrate any propaganda campaigns to keep down consumption and to keep up savings. The Government will not be able to resist demand for relaxation of the ban on unnecessary imports, and the policy of Sir Stafford Cripps to keep down home consumption in order to have a larger exportable surplus will encounter the utmost resistance. The necessity for modernization of industries will be obviated for a time." On the other hand, there are others who welcome the loan on the ground that it will finance the Socialist experiment, not in the sense of providing the funds required for nationalization but of covering the trade deficit due to the disorganization of production during its transition from private to public ownership. And of course a large number of people feel that after the privations of the last war and before the horrors of the next the public is entitled to "eat drink and be merry" for a time.

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The Proposed Loan-Gift to England

(Continued from first page)
weakness of her economic position not only for the time being, but for decades on end into the future, and it probably indicates that the artificial economic organization of the British Empire, which was built upon a passing phase of Nineteenth Century European history, shows definite signs of economic decadence. At any rate it seems fairly clear that no matter what help the United States and the empire units are willing to give to the United Kingdom, it will never again be able to stand on its own feet. If we of the United States wish to perpetuate it as imperium, we shall have to support it in a military way and get ready to continue loan-gifts or lend-lease into an indefinite future—and perhaps permanently. The British Dominions seem less willing than some of our citizens are to consider such a course for the future. Their collective strength in an economic and military way would not suffice to maintain the British Empire. And in any case they are considering their own interests in a more definite way than we of the United States seem to be doing.

Put Our Own House in Order

Mr. Jesse Jones made the suggestion that before granting billions of special loans to other nations, we should first put our own house in order. This is well taken and my discussion of the question at issue shall start with that thought. In other words, let us ask what our own interests are in this matter, for we surely do not wish to act on a sentimental basis only.

First, we in the United States are battling the threat of severe inflation. Any credits which would now be granted to a foreign country, either as gifts or loans, would constitute additional inflationary pressure. Economists in general have emphasized that an increase of purchasing power entitled to buy our goods would tend to inflate prices still further. It may be argued that if we first borrow these funds from our own people, we would reduce our own purchasing power accordingly and transfer this amount to the foreign country—in this case England. This is true only in a very limited sense. It would be altogether true only if we taxed our people additionally by the amount to be loaned to foreign countries and such a suggestion would under present conditions be vigorously rejected by the American people.

But in the temper of the times, the problem is being considered with the thought of granting the credit in an inflationary form. Lord John Maynard Keynes, a member of the English Committee now negotiating in the United States has been a staunch inflationist for a number of years. After the first World War he was a strong anti-inflationist. Together with the late distinguished Swedish economist Gustave Cassell, he cautioned Europe and particularly Germany, against the perils of inflation. But more recently he has been leading his own country along the easy road to inflation. He would approve if we followed suit along the same road. The United States would then be gradually drawn down to the same level with England.

Would Not Benefit Our Foreign Trade

Second, the advantages which are supposed to accrue to us in foreign trade, if a huge loan-gift is made to England, are highly questionable and probably nonexistent. It is trite to say that the foreign trade of the United States is a drop in the bucket when compared with our domestic exchange of goods. Moreover, in any discussion of foreign trade in the U. S. the exports are stressed as though they only mattered and needed to be considered above all else in our foreign trade problems. But the permanent gain from foreign trade is supposed to come to a nation in its imports. Economists of the standing of John Stuart Mill found it necessary to explain to their people over and over again that the real gain to a nation as a whole comes from its imports. If the sum total of goods and services which we receive from our foreign trade in the form of imports are not worth to us somewhat more than our exports, the nation as a whole has not profited by its foreign trade.

However, it is only natural for our exporters to think first of all of the importance of their exports and neglect to consider the effect of unpaid loans or gifts which have been made for the purpose of stimulating exports. We had this same problem at the end of the last war. Huge loans were made to promote exports. If the loans which were later repudiated had been made by the Government, it was the U. S. taxpayer who in the last analysis had to pay our exporters for the goods which they sent abroad. If the loans had been made by banks or other institutions and later were unpaid these institutions suffered and our economy in general lost the values which were involved in the goods that had been sent abroad.

As a result of the inability of foreign nations to pay us for our shipments of goods, this nation as a whole has had a net loss on its foreign trade for the past 25 or 30 years. In other words, the value of our exports has exceeded the value of our imports. This was pointed out specifically by the late George N. Peek who was at one time special adviser to President Roosevelt on foreign trade.

In concluding this point, I do not wish to be understood as being opposed to foreign trade and its expansion in a normal way. In that case foreign trade is merely an extension of the principle of specialization or division of labor across national boundaries. But the hothouse method of insisting that foreign trade is to be promoted at all costs, even though the loans made for such purposes are not paid, is not of advantage to our nation as a whole, since it tends to dissipate our capital resources.

No Repayment Can Be Expected

Third, an analysis of England's economic condition shows that she will be unable to pay any loans or credits which may be granted by the U. S. Repayment, if any, would have to be made in terms of an excess of exports over imports in which both visible and invisible items would be involved. England's normal foreign trade account may be presented as follows: on one side would be the item of "imports," to be offset on the other side as much as possible by visible "exports." England's imports of foodstuffs and raw materials are very important for her and these items increased enormously between the two wars. In 1913 this figure stood at £769 million. Then the average for the three years 1936-37-38 was £940 million. For one year, 1930, the figure of imports rose to £958 million. This indicated that pressure on the part of her people called for a higher standard of living, but her productivity lagged behind which is shown by the constantly falling figure for visible exports. In 1913 these exports were £635 million while the average for the years 1936-37-38 had gone down to £540 million.

So far we have been dealing only with the visible items in England's foreign trade account. In normal times the excess of visible imports over her visible exports was balanced by her income from her foreign investments and her shipping services which she rendered the world over in transporting passengers as well as freight. Perhaps a graphic illustration would help in understanding England's foreign trade position. Only the main items will be given but I shall add Commissions and short interest income to round out the picture.

British International Balance Sheet Items

Imports of Goods	Exports of Goods
	Earnings of Foreign Investments
	Earnings from Shipping Services
	Commissions and Short Interest Income

Since her exports of manufactured goods, coal, etc. were not sufficient to offset or pay for the large imports of foodstuffs and raw materials, which were needed, she balanced her account in normal times by her large income from foreign investments and shipping services. In the more prosperous years, she even achieved a surplus in her foreign trade account in that way, which could be used to replenish or increase her foreign investments.

But the two devastating wars she has gone through recently have destroyed the major part of her foreign investments and her priority in shipping services has been lost during recent decades by increased competition of other countries. Her capital investments in foreign countries were at their highest figure before the first world war when they amounted to $20 billion. At the end of that war they had gone down to $15 billion. They could not be built up again between the two wars and the second world war has to a great extent destroyed these investments. In connection with this loss of her own capital investments in foreign countries, England's repudiation of a $4 billion debt to the United States after the first world war, saved her from losing that amount from her foreign investments.

It seems reasonable therefore to conclude that England will be unable to repay any debts in the future which she may contract at the present time. To be sure her representatives speak of the rejuvenation that they see ahead for the English economic system. We do expect the applicants for credit to be very optimistic in their approach to this problem. But if we bear in mind that from 1913 to 1927 England's exports declined 21% while the export trade of the world as a whole grew 18%, the situation does not appear so rosy. Even the English Dominions had a 31% increase of exports during the same period.

Can British Increase Exports?

Various estimates have been made of the increase that England should have in her exports for the future in order to be in a fair economic position. It has been generally admitted that an increase of at least 50% will be necessary. Mr. Archibald Hurd in discussing the Eclipse of British Shipping in recent years says that after the war the exports of England must be higher by £350 million than before the war if the necessary imports are to be paid for. At $4 per Pound, this means an increase of $1,400,000,000. Mr. Hurd's article appeared in the English journal, "Nineteenth Century," for June 1944.

An American economist, Dr. Percy Bidwell in the March 1944 Supplement to the American Economic Review gives a higher estimate saying: "Even with imports severely restricted, the necessary increase in England's exports would be perhaps £750 million or $3 billion at the present rate of exchange. England will not be able to produce anywhere near such an amount of goods for export. Even if the English could manufacture them, which is altogether out of the question, where would they sell them when all the world seems to be striving for self-sufficiency?"

The English negotiators have suggested that if they agree to a loan, they wish to insert the condition that no interest shall be due whenever the English trade balance is out of joint. There seems to be implicit in this a recognition of what I have been trying to prove by a review of the English foreign trade balance since the first world war. The intimation seems to be that they will not be able to pay the principal at all and the payment of interest would have to be frequently foregone.

Britain Geared to Monopoly

Fourth, another reason why England's economic recovery, as envisaged by her leaders is very doubtful after the two recent devastating wars, stems from the fact that her whole economic set-up was based upon and geared to a monopolistic or near monopolistic system. Her commercial ascendancy during the Nineteenth Century was due to the fact that she was the only country, which on the basis of her coal supply and the application of steam to machinery, was able to produce manufactured goods on such a large scale and at such a low cost that she held in effect a monopolistic position in the world at large. This lasted until the European Continent and the later giant of the West, the United States, became her real competitors. The two devastating wars which followed brought out the real weakness which was inherent in the economic system of England.

Now that she has lost her former position of preeminence she would like to recreate a monopoly by operating under a system of cartels, empire preferences and other special arrangements. This is the main reason, it seems to me, why she does not wish to discuss the modification of her program of commercial policies before she gets a loan-gift from the United

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153,006 Shares

Sioux City Gas and Electric Company

Common Stock
(Par Value $12.50)

(Subject as to 101,904 shares to prior rights of present Common Stockholders to subscribe share for share at the price of $27.78 per share, prior to 11:00 o'clock A.M., E.S.T. December 24, 1945)

Price $28⅞ per Share

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

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Incorporated

December 12, 1945

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States. What she would like best of all is to have the U. S. join her in an attempted monopolization of the world's business, mostly in the form of cartels. That would serve as a magic carpet to lift her above the necessity of nationalizing and modernizing her entire production system so that she could really compete with other nations. Our stand in favor of multilateral trade will not allow us to consider such a joint monopolistic arrangement.

The London Economist, a conservative English journal, pointed out in 1944 that if England desires larger exports or anything but a very temporary basis, it must find ways to *produce a better article at a lower cost than any other nation.* The journal then adds that prewar output per worker in manufacturing industries on an index number basis was as follows:

United Kingdom: Output of 100 as a base per worker

Germany: Output of 101-107 as a base per worker

United States: Output of 229-238 as a base per worker

The London Economist then adds: "Germany gets low costs by paying low wages. America gets low costs in spite of high wages by a very heavy mechanization. England does neither, and has high costs."

The English are pictured by their own journal as seeking various means of promoting export markets, through:

1. Subsidies, direct and indirect
2. Cartel arrangements
3. Adjustments of the value of the British Pound.

Britain's Unfavorable Long Term Outlook

Fifth, I have dwelt upon England's prospective long term outlook, because if that is poor, more loan facilities or even gifts at the present time will not be of much help to her. As I understand it, loans or gifts would tend to awaken and revive the economic strength of a nation if its long term position or outlook were favorable, but if its economic system is decadent; if its production system is outmoded and obsolete; if the people lack youthful creative enthusiasm and have no desire to adapt themselves to a changing world; if the business leaders of a nation are jockeying for a monopolistic position rather than making efforts to rationalize their productive machinery and methods; then loans are only of temporary help in increasing imports for consumptive purposes.

If England's difficulties were only of a short term nature, abundant credits might be of considerable assistance to her. But her economic troubles are basic and most of the forecasters, with whose opinions I am familiar, do not look for much improvement as the years go by. At best England's economic system which was centered on its tight little island, lacked a heartland location and basis. It held up pretty well as long as she practically directed world trade and finance. For a time her homeland became to an extent a system of parks. Her exports of manufactured goods, plus her foreign investments and her shipping services brought to her shores all the foodstuffs and raw materials she needed, but this system was too tenuous to withstand the rigors of two world wars.

There would be no objection on the part of the American people to billions of loan-gifts to England if she could again, with our help, attain the position of world eminence which she held before the turn of the century. But to underwrite such a hope at the present time is at best a highly speculative venture.

Britain's Imperialism

Sixth, in considering this question, we should not only insist on having England make clear her proposed commercial policies, but we should also be informed on her colonial policies for the future:

For example, England at present is in Java, where she is using Indian mercenaries and American lend-lease equipment to make war on the native population who are demanding their freedom. A high class American journal states that England has no right in Java, which is true. It then adds that the purpose of the conflict is to fasten again the shackles of imperialism on the greater part of the South West Pacific. The U. S. has I believe requested that the American symbols be erased from the lend-lease weapons which are being used in killing Javanese. Would it not be more appropriate to suspend the financial negotiations with the English in the United States until this situation is cleared up? The Javanese, it is reported, are appealing to Russia. Was it not customary in former times for peoples, when they yearned for freedom to appeal to the United States of America?

Adams & McLucas New Vice Presidents of Nat'l Bank of Detroit

Edward Adams and John N. McLucas have been elected Vice-Presidents of the National Bank of Detroit and will take up their duties Jan. 1, 1946, it was announced on Dec. 10. Both have been assigned to the division servicing national business outside of metropolitan Detroit under the direction of Hal Y. Lemon, Vice-

Edward Adams **John N. McLucas**

President, which division is now being expanded to meet the constantly increasing volume of national and international banking business.

Major McLucas, who is the son of Walter S. McLucas, Chairman of the board, entered the U. S. A. A. F., North Atlantic Division Air Transport Command, as a Lieutenant and has just recently been released after serving 42 months. Prior to his military service, Mr. McLucas was Vice-President of the Commerce Trust Company, Kansas City, Mo., for ten years. Among the corporations of which he is director are: Kansas City Life Insurance Company, Kansas City Fire & Marine Insurance Company, North American Aviation, Inc., and Interstate Securities Company, Kansas City, Mo.

For three of his war years, Mr. Adams was stationed in Detroit, acting as liaison officer for Michigan for the Fiscal Director, Army Service Forces. In this position he organized, supervised and expedited the financing of Michigan war contracts and, later, contract termination financing. He also served in Washington and Chicago and was promoted to Lieutenant-Colonel. Prior to his war service, he was Vice-President and loaning officer of the Grace National Bank, New York. He is a past President of the Bank Credit Association of New York and of the New York chapter, Robert Morris Associates.

Subsidies: A Fallacious Policy

(Continued from page 2880)

All they ask is to lead their own lives, free from every possible governmental restraint, and the opportunity to make their own living in the traditional American way. They do not want the Government putting a subsidy curb-bit in their mouths. They want to retain their American complex of freedom and independence. If you want to change this independent-freedom-American complex into a paternalistic complex, the way, in my opinion, is to follow the subsidy highway. As for me, I want none of it. There is already in America a small class that seemingly thinks the Lord was joking when He said, "In the sweat of thy face shalt thou eat bread." This class, as I said, is now small, but if you want to see it increase I do not know of a better way of recruiting their ranks than by adopting a subsidy policy.

Undermine Free Government

When we resort to subsidies we are not only dodging the issue, we are undermining the basic principle of free government, namely, free enterprise. If we maintain our free enterprise system, the respective enterprises in America—and remember farming is the biggest enterprise in America—should be permitted to operate, not under the subsidy system, but under the profit system. American enterprises, including farming, should be self-sustaining from profits and not from subsidies.

If subsidies is the answer to our economic ills, then why should subsidies only apply to farmers? Because a certain class in America is unable to purchase sufficient clothing and other necessary goods and wares, we have not adopted the policy of forcing manufacturers and merchants to sell below the production cost and then go to the Government for the deficit. Yet, if the subsidy policy is sound, and we are logical in our thinking and consistent in our practice, this is just what we should do. Why make Government wards of the farmers by forcing them to sell below the cost of production and then look to the Government for the deficit, and have the merchant and manufacturer to operate under our free competitive profit system?

Subsidies Destroy Initiative

When we resort to subsidies we destroy initiative, we destroy incentive, we destroy competition, the things upon which free competitive American enterprise is built, in that those engaged in farming, in manufacturing, in producing, will, sooner or later, begin to ask themselves this question: "Well, what's the use of putting forth my best efforts, in burning up my mental and physical energy, striving to produce better and cheaper food, or better and cheaper goods, wares and merchandise, when I have a Government subsidy to fall back on to take care of any deficit my lack of effort brings about?" Take heed of my warning: If we do those things that will bring about such thinking, we are creating conditions that will, sooner or later, supplant our democratic system. Think it over, you milk producers, who, in spite of the fact that our purchasing power is at an all-time high, are today being financed through a Government subsidy of between 500 and 600 million dollars.

I cannot think that any red-blooded American who has given thought to the matter thinks that subsidies is the solution to our problem. If there is a class in America that, due to their economic status, is unable to purchase the necessities of life, the solution to the problem is to improve their economic status so they will have sufficient purchasing power to go into the open market and purchase the necessities of life. Our problem is to get rid of subsidies by creating a greater purchasing power. This, in my opinion, can only be accomplished by bringing about, as far as possible, full employment plus a decent wage scale. And, as to food, I should add that the consumers, especially those in the lower income class, would be greatly benefited by the inauguration of a marketing system that would reduce the spread between the farm and the table.

Thackara Rejoins Dept. Of Stein Bros. & Boyce

BALTIMORE, MD.—Stein Bros. & Boyce, 6 South Calvert Street, members of the New York Stock Exchange and other leading Exchanges, announce that Charles V. Thackara, Jr., who has been serving as a Lieutenant in the U. S. Naval Reserve, has been released from active duty and is again associated with the firm as manager of the municipal bond department.

De Cordova to Admit

Charles A. Grace will acquire the New York Stock Exchange membership of W. E. Hutton Miller and on Dec. 20 will become a partner in Cyril de Cordova & Bro., 25 Broad Street, New York City, members of the New York Stock Exchange.

This is under no circumstances to be construed as an offering of this Stock for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Stock. The offer is made only by means of the Prospectus.

NEW ISSUE December 12, 1945

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*Subject to prior rights of present Preferred Stockholders to exchange share for share, subject to allotment, prior to 11:00 o'clock A.M., E.S.T. December 24, 1945

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Bell-wether of New York City's banks is Bank of Manhattan, whose annual meeting traditionally falls in December, some three weeks before the close of the calendar year, and more than a month ahead of the annual meetings of the other banks. Its meeting and report to stockholders is always studied with special interest, since it provides a pre-view of banking results of the year and indicates what may be expected of other leading Wall Street banks. This year the meeting was held on December 4th, and represented the 147th annual meeting of the stockholders.

Net operating earnings, based on actual figures for the first nine months and estimated figures for the last three months, were reported at $6,200,000 compared with $4,804,000 in 1944; this is equivalent to $3.10 per share vs. $2.40 per share. Net profits on the sale of Government securities for eleven months amounted to 42c per share and on other securities, 9c per share, a total $0.51 per share. Net security profits for the full year in 1944 were equivalent to $0.95 per share.

It should be noted, however, that included in the net earnings of 1945 is an item of $800,000, representing a tax saving on account of a loss charged to a reserve previously set aside. Since this item is of a non-recurring nature it would seem conservative to exclude 40c per share from the $3.10 reported and to state the bank's rate of net operating earnings at $2.70 per share in 1945. Compared with the $2.40 of 1944, this earning rate is 12.5% higher.

If this higher rate of earning is assumed as typical for the banks, and is applied to last year's net operating earnings, an interesting tabulation of estimated earnings for 1945 can be developed, as follows:

	Net Oper. Earns. per Share 1944	Net Oper. Earns. per Share Est. 1945	Dividend Rate	Ask. Price 12-7-45
Bank of Manhattan	$2.40	$2.70	$1.00	36¼
Bank of New York	30.45	34.25	14.00	490
Bankers Trust	3.65	4.10	1.40	51⅝
Central Hanover	7.43	8.35	4.00	121¼
Chase National	2.54	2.85	1.40	46⅝
Chemical	3.82	4.30	1.80	53⅜
Continental	2.01	2.25	0.80	22⅞
Corn Exchange	3.96	4.45	2.40	63½
First National	103.71	116.65	80.00	2260
Guaranty Trust	20.35	22.90	12.00	377
Irving Trust	1.17	1.30	‡0.80	22⅛
*Manufacturers Trust	5.46	6.15	2.40	62¾
†National City	2.66	3.00	1.30	50
New York Trust	7.03	7.90	4.00	115
Public National	4.06	4.55	1.50	53½
§United States Trust	64.05	72.05	35.00	865

*1944 earnings adjusted to present capitalization.
†Includes City Bank Farmers Trust.
‡Includes 10c extra.
§New stock after 100% stock dividend.

It will be observed that estimated net operating earnings, exclusive of security profits and recoveries, cover current dividends by generous margins. The average coverage is 2.2 times, and ranges from 3.0 for Public to 1.5 for First National. However, Bank of Manhattan has announced a probable dividend increase from $1.00 to $1.20, in which case the estimated coverage ratio is reduced from 2.7 to 2.2, while Public will increase its dividend rate from $1.50 to $1.65, against which the estimated coverage is 2.75 instead of 3.0.

It is of interest to note that Manhattan's total net earnings from operations and security profits for 1945 are estimated by the bank at $3.61 per share. This is 3.6 times the present dividend rate of $1.00 and 3 times the rate of $1.20 which the Directors will undoutedly authorize. Certainly the banks cannot be accused of being over-generous to their stockholders even in view of the several increases which have been made during the past year. On the contrary, they have been and still are conservative, evidently with an eye on the still mounting deposits and the need for building up capital funds.

New York Clearing House deposits reached a new high of $27,623,888,000 for Dec. 5th; new highs were established, also, by New York City member banks in total loans of $6,611,000,000, total Governments of $16,149,000,000 and total loans and investments of $23,817,000,000.

In appraising the prospects for 1946 it is pertinent to quote from Standard & Poor's Survey of Banks, dated Nov. 30, 1945, as follows:—"Based on expectations of a high rate of business activity in 1946, the probable increase in credit operations of banks and the indicated high level of security holdings should result in record earnings."

Correction

In the December 6th issue of the "Chronicle" the column on "Insurance Stocks" contained a statistical inaccuracy in the presentation of the market performance of Fire Insurance Stocks. It was stated that, based on Standard & Poor's Index, the percent gain from the 1942 low to 11/28/45 was 125.3%. The **correct figure** is 53.7%, as follows:

Period—	Fire Ins. Stocks % Gain
1942 Low to Dec. 12, 1942	21.4%
Dec. 12, 1942, to Dec. 31, 1943	8.8
Total period	32.1%
Dec. 31, 1943, to Dec. 31, 1944	1.4
Total period	34.0%
Dec. 31, 1944, to Nov. 11, 1945	14.7
Total period	53.7%

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Financial Problems in Future Foreign Trade

(Continued from page 2875)

continuously to import more than it exports. This probably means that at some time in the past that country delivered more goods and services than it was paid for and it is now collecting through receiving more than it delivers. It could, of course, mean that they were buying on credit and building up an indebtedness which they never could repay.

Another confusing thing about foreign trade apparently is the question of which is more desirable—exports or imports. There was a time in the history of this country when exports were vital, we being a debtor nation.

At that time we needed an excess of exports to pay the interest and principal due on our foreign debt.

With the end of World War I, our position was changed. We had shipped out so much more in the way of goods and services during that war than we had received that we not only repaid our debts but the world owed us large sums. As a creditor nation then our position was reversed and we could afford to import more than we exported. Unfortunately we have never learned how to do this.

Exports Should Not be Built Up by Loans

The two most common reasons given against imports are—first, the necessity of maintaining certain industries for national defense, and, secondly, the question of unemployment.

Both reasons for prohibiting the full flow of imports are, I believe, false—but true or false, we cannot build up a permanent volume of exports on the basis of the extension of loans and eventually we must balance our trade—that is, the goods and services we import must equal the goods and services exported. Unless we can bring this about naturally we must suffer heavy losses as our debtors will be unable to pay, and while the individual exporter may perhaps gain he will have to share in the national loss as will every other citizen. In any program, therefore, which we set up to protect ourselves against loss in our foregin trade, we should constantly emphasize the necessity of imports. Foreign trade does not seem to me to be vastly different from domestic trade. This is especially true if we buy and sell in dollars. To be sure there are certain customs and health formalities and other regulations which have to be complied with, and to make as great a success as possible we may have to style, package, and pack to suit the foreign market in a way which differs from the domestic, but some of these problems may exist even in domestic trade where our sales cover the whole country.

Where we attempt to do our foreign business in the currency of the other fellow a new factor does present itself. Under the old gold standard even this did not present much of a problem. If a shipment was to be made at some future date—3 or 6 months after the order was received—it was easy enough to call one's banker, obtain the rate of exchange at which the foreign currency could be converted into dollars when that period had expired, and, if desired, get a firm commitment for the sale or purchase of the exchange, as the case might be.

This was possible because your banker was perfectly glad to take a position in what we call "forward exchange" because the margin of risk was slight and because the chances were that he could reverse his position before the contract fell in and the position would in reality cease to exist. The bank in dealing in futures was in no different position than either the manufacturer or the merchant who makes contracts for forward delvery in his own business. Today this condition has very considerably altered.

Exchange Restrictions

In the first place various exchange restrictions all over the world make it necessary for a bank to inquire as to whether the exchange being created is free or blocked; whether it can be used as desired or whether its use is restricted.

In addition he cannot be certain that while exchange restrictions may not presently exist they may not be imposed if for some reason the government of the country concerned decides that such control is necessary. As a result there are times when forward sales of foreign exchange can only be made as demand arises. Generally speaking in the exchange markets of the world forward dealings are impossible in most currencies and in those countries where it is possible the markets presently are very limited.

The market for Sterling seems to be broadening and presently the market for forwards here is better than the British controlled rates. Besides confining the risk between the narrow limits which were known as the "gold points," —in reality the cost of insurance, freight and interest involved in transporting gold between countries—the old gold standard had another very distinct advantage.

While circumstances beyond the control of any nation might force it off gold and might cause a depreciation in the value of its currency, generally speaking it was the desire of such a nation to return to the old gold value as soon as this could be accomplished. This was considered the only honest procedure and this general international recognition of its duty made the extension of private credit possible and often profitable.

Bretton Woods Not Solution

It is this phase of the Bretton Woods proposal as well as others, which makes the plan adopted there and slightly revised by Congress an unacceptable one so far as

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I am concerned. I do not believe that under it banks can afford freely to deal in forwards, for free dealing requires positions, and under the Bretton Woods Agreement, the principle of devaluation having been accepted, banks as well as everyone else in this country interested in foreign trade can only afford to be short of other currencies and never long. Some future threat of a dollar devaluation may reverse this situation so that other countries can only afford to be short of dollars.

So far as Bretton Woods dealing with the question of stabilization of exchange is concerned, it, of course, cannot be in any sense a final solution, as exchange stability in the last analysis depends upon proper internal adjustments which Bretton Woods does everything to avoid, and in reality it is only another loaning scheme with very limited resources at its command.

While the provisions for the bank under the Bretton Woods Agreement are less serious and may be sound, providing, of course, our whole program of foreign loans is sound, it does present one dangerous feature which I believe Congress failed properly to consider.

Defect of International Bank

As you know, it is provided that loans made or guaranteed by the bank can be spent anywhere regardless of where the money is raised.

While ordinarily I would be inclined to agree with this provision, the sums that we are dealing with are so large and are multiplied in so many places that if gold should be removed for loans raised in this country our gold supply could easily be exhausted between the foreign balances which are here and the foreign loans which we may make.

As examples, some of the commitments are to—

International Fund (Bretton Woods Plan)	$2,750MM
International Bank	3,175MM
Export-Import Bank	3,500MM
Lend-Lease Liquidation and Conversion	2,000MM

and under discussion are loans to the United Kingdom, Philippines, China, Russia and Latin American countries. There has also been authorized to UNRRA $1,350,000,000, of which $450,000,000 has been appreciated, and they are presently asking for approximately $1,300,000,000.

The foreign balances are estimated to be $16 billion dollars, (including $4 billion of earmarked gold).

These balances largely arose from three causes—(1) a flight of capital from Europe due either to socialistic and communistic tendencies in various countries which may have threatened the internal value of their currencies, or (2) arising out of the fear of the war which people could see coming before 1939, and (3) through excess foreign purchases made by ourselves or our Allies during the war and paid for in dollars.

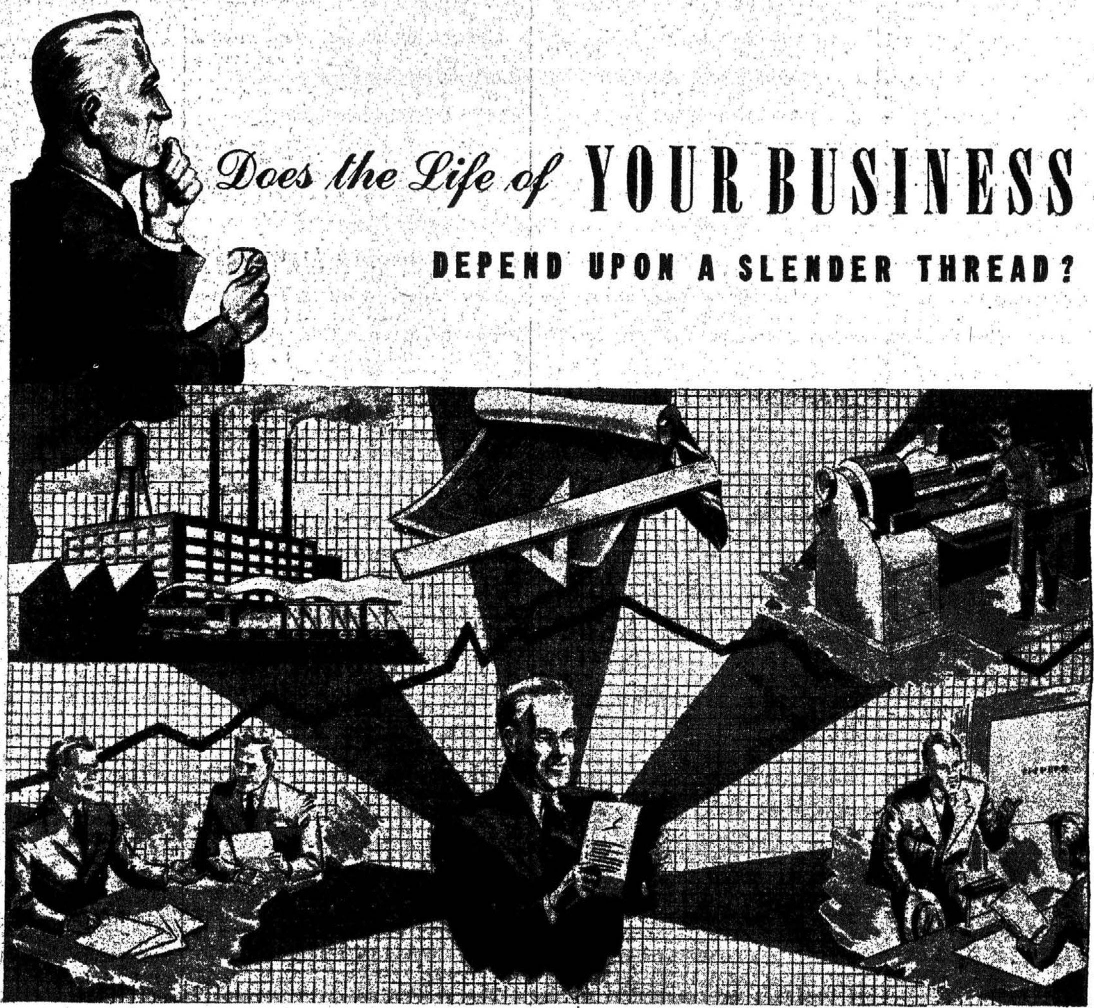
One of the amendments which you will recall that Congress made in the Bretton Woods proposals, or perhaps a limitation, was to the effect that our government would not disclose the individual holdings here although they might disclose totals. All the European and Far Eastern balances (and some of the Latin American balances although here of minor amounts) have been blocked. Originally this blocking was intended to protect the owner against possible confiscation by the invader. On our own entry into the war this blocking became an instrument of economic warfare and presently may have other implications. In any event, general licenses are now being issued, such as 92 and 93, which indicate a pattern that will permit the evasion of the Congressional amendment to the Bretton Woods plan by indirection.

Under these licenses, blocked funds of other than the neutral nations apparently have been or will be released only on certification as to nationality of the owner and of non-enemy interest by the government of the national concerned which, of course, would force the national to divulge to his government his name and his holdings or to forego the use of his funds. In disclosing his name and holdings he, of course, lays himself open to such regulations as his own government may have promulgated concerning them.

The Export-Import Bank

The Export-Import Bank is only another instrument for governmental loans to assist foreign countries to obtain here the goods they need, and exporters to be paid for what they sell abroad. So far as I know little, if any, financial assistance has been given on the import side, probably because it has not been necessary. Originally intended as an instrument to assist American exporters whose financial requirements could not be taken care of by their commercial banks either because they did not have capital sufficient to justify the extension of the credit involved, or because the terms of credit were longer than a prudent commercial bank should undertake, its present activity seems to be more and more the extension of credit to foreign countries. Its impact on commerce will last only so long as its funds can continue to be used to provide means of payment to the American exporter but the original amount is substantial now—$3,500,000,000—and must be viewed in the light of our total normal exports and of the other means of financing either already provided or under discussion.

While the credit standing of the foreign buyer, like the credit standing of the domestic buyer, is a primary requisite of doing foreign business safely. I again wish to reiterate that all the steps which a nation can take to avoid risk will finally evaporate unless we can learn to import sufficient to provide adequate means not only for paying for our exports but for the interest and principal due us on our advances.



The basis on which the whole structure of a flourishing business depends is often the brain power, personality and influence of a few key men. The untimely death of any one of these men may be followed by a long and costly process of readjustment, or even by termination of the business, unless proper safeguards have been provided *in advance.*

Does the continuing successful operation of any department of your business —financial, production, merchandising— depend upon the slender thread of a key man's life? What problems would you be facing today, if he had died last week?

Could you immediately find a competent successor — one in whom your bankers and customers would have full confidence, and for whom your employees would work efficiently? Would delay in finding the right man cripple your business? Are you prepared to pay the higher salary that it might cost to fill the vacancy?

Business Life Insurance cannot prevent the death of a key man in your organization. It can, however, compensate for the loss — and will, if you have it *when it is needed.*

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Price Control in Reconversion Period

(Continued from page 2877)

ting the price to rise. I do not think the OPA can be trusted with the decision as to what articles must still be controlled after July 1, 1946.

Criticizes OPA Methods

My criticism of the OPA administration is of the methods it has pursued. I believe it has entirely departed from the original purpose of the Price Control Act and is gradually setting up a complete control of profits instead of prices. The original Act contemplated that prices be fixed where they were at a particular date and that adjustments should then be made for such relevant factors as might be of general applicability, including general increases or decreases in cost of production, distribution and transportation and general increases or decreases in profits earned by sellers of the commodity or commodities during and subsequent to the year ending Oct. 1, 1941.

In other words, price control was to be based on the existing price structure. In my opinion, this was the general price structure of each commodity and not the average of whole classes of commodities which might be manufactured or distributed by a particular industry. In general, this price structure was a uniform price through the entire industry, returning perhaps large profits to some concerns and no profits at all to others. I don't see that the same percentage of mark-up over cost was to prevail and admit that profits of an industry as compared to 1941 (not 1936-1939) should be given some consideration. Basically, the purpose of the Act was to prevent an increase in prices except as it might be forced by an increase in cost. Wages were not fixed in the first Act and it was recognized that increases in wages would have to be reflected by increases in prices.

The OPA for three years has entirely disregarded the principles of the Price Control Act. It adopted, instead, the so-called freeze theory by which all prices to the ultimate consumer were frozen, regardless of other considerations. I do not think any such disregard was justified by the Stabilization Act of Oct. 2, 1942. It was really justified only on the ground of necessity, on the argument that you could not have a controlled inflation and if you wanted any control at all you had to disregard the Act and freeze prices. This argument is nonsense. What we have now is a controlled inflation. Price increases are being granted at various points, because otherwise production would cease.

The retail freeze theory has failed in every country where it has been tried. It has been more successful here than elsewhere, but if you would go out and shop in the stores of New York you would hardly believe that an OPA exists. It has succeeded in holding down the cost of living in so far as it relates to essential articles for city families, but it has not prevented a growing black market in many classes of goods. It has been accomplished by holding down the legitimate operators in each industry, in many cases to an unjust price, while eliminating many of the smaller companies and encouraging the development of thousands of fly-by-night concerns which feel no responsibility to law or get special prices from the OPA.

In order to maintain the fetish of a retail price freeze, the OPA has resorted to every possible device to make industry absorb increased costs. Its price fixing is based on the profits of the largest manufacturers so that many others are forced to sell at a loss. Special adjustments are then made for individual concerns. This means that each concern has a different price. This means that the OPA is fixing profits for each company and not fixing a general price level. The tighter the squeeze becomes, the closer the margin, the more we have profit control and not price control.

During the war I protested often against the OPA program, because I felt it was unjust and encouraged black market operations. However, concerns which suffered might then be regarded as casualties of the war. I voted for the continuation of the OPA, knowing the policies which they were carrying out.

Changed Conditions

Today we have an entirely different condition. The problem now is to get production and employment. If we can get production, prices will come down by themselves to the lowest point justified by increased costs. If we hold prices at a point where no one can make a profit, there will be no expansion of existing industry and no new industry in that field. We must adopt a policy which, while preventing the skyrocketing of prices, recognizes that some increase is necessary to bring about their ultimate production.

Unfortunately, President Truman has now endorsed the policy of the OPA of making industry absorb increased costs. He has advocated higher wages at the same time that he says:

"We must, above all else, hold the line on prices. Let us continue to hold the price line as we have held it since the Spring of 1943."

In my opinion, that policy would be destructive of reconversion and reemployment.

We have seen the effect of the policy already. Except for the black market breakdown in the case of various commodities from May, 1943, until May, 1945, straight-time hourly earnings rose 11% while the cost of living only rose 2½% as shown by the reports of the Bureau of Labor Statistics. In other words, on the average, industry was compelled to absorb more than a 9% increase in cost during these two years. Many industries were able to do this, particularly when they had a large volume of war business, but others were forced out of business or compelled to do business at a loss.

We saw this result in the case of the small packers. We saw it in the disappearance of many textile goods from the market. I have cited many other instances. The OPA admits that they are compelling many lines of commodities to be sold at a loss and that some industries are compelled by regulation to do business at cost. But the fetish of an absolutely frozen retail level has been maintained in the face of conditions which necessarily forced higher costs.

Recently I was very much surprised to hear that at OPA insistence the RFC has now provided a new subsidy on the price of coffee. It was found that we had to pay Brazil three cents a pound more for coffee; and, instead of passing that on to the consumer, which seems to be the only reasonable course—it would cost the average American family about three cents every two weeks—the OPA is proposing to absorb that by a new subsidy which will cost the American taxpayers during the fiscal year $24,000,000, because OPA is determined that on the books at least, on the record of prices, there shall be no increase in the retail price On what principle the taxpayer should pay it instead of the consumer I frankly do not understand and I was the more surprised because as I recall, within the last month, OPA had abandoned the subsidy on butter, which cost a very considerable amount of money.

Subsidies Unsound

This policy in the first place is unsound, as I have already pointed out with reference to the extension of it now proposed by the President. By requiring products to be made at a loss, it kills production which is the only ultimate method of reducing prices. Prices of finished products should be uniform and there should be a margin for the entire industry, based on some prewar margin. This is not a guarantee of profits, because on that margin the efficient concerns will make money and the inefficient concerns will not, just as before the war.

In the second place, the policy of the OPA has been completely unjust to many concerns, especially the smaller companies without representation in Washington. There has been a strong anti-business prejudice and every businessman is met by the assumption that he is trying to make more than he ought to make. Mr. Bowles in his statement on Oct. 23 before the Banking and Currency Committee denounced businessmen as greedy and as pressure groups.

In the third place, the whole attitude of the price administration is hypocritical. It pretends that it desires to make adjustments, but it does not intend to do so and seldom does. Applications for increases lie for months in the different sections of the OPA. They are granted by one section and refused by its superior. If one is finally granted it is probably half the increase justified by the evidence and often admitted to be fair by officials in the OPA itself. By that time costs have again increased. One Senator said that OPA has a defense in depth. Certainly, it has made it effective.

I do not mean to say that OPA rulings are always wrong or that the businessmen are always right, but I do say that the general policy of the OPA has been so tight as to squeeze many businesses, discourage production and reconversion and new projects and cause particular distress to the thousands of small industries which ought to be encouraged.

The executive order approved by the President on Oct. 30 is a snare and a delusion. It authorizes increases in wages, as if such increases had not been taking place ever since VJ-Day. It graciously permits an employer to grant an increase and then apply for an increase in prices which he can be sure he will not get. The Price Administrator cannot take the increase into account until after a test period of six months after the increase has been made. By the time the Price Administrator got around to granting an increase, if he ever did, there would be a full year of operation on increased wages and no increase in price.

Long before the increase is granted, I trust his office will be abolished.

Price Increases Follow Wage Increases

Again, I do not say that in any particular industry, like the automobile industry, wage increases can or cannot be absorbed. I do say that, taking the country as a whole, it is absolutely impossible to increase wages, without increasing prices, except by forcing men out of business, discouraging those who remain and decreasing production.

Price control will be impossible to administer for long when combined with the policy of removing all restrictions from wage increase and encouraging general wage increases, but that period may be just long enough to utterly discourage reconversion and bring about serious depression through increased unemployment.

The OPA is propagandizing wildly for a further renewal of its powers after the first of next July. It caused to be inserted with every allotment check that went out to the dependents of servicemen in October, a card headed, "Danger ahead, America," urging that "we must continue to hold the price line until supplies equal demand." Of course, on this principle, some control might be indefnitely continued. The other side of the card enjoins every housewife to watch the price line. Refuse to pay a penny over the ceiling price. Be sure you get full weight and the grade for which you are paying. The implication is clear that every retailer is probably a chiseler and trying to short-change the consumer.

Over 8,000,000 of these cards were sent to the families of servicemen, probably the most blatant piece of propaganda in which any Government bureau has engaged to perpetuate itself. And yet Mr. Bowles talks about pressure groups. I am beginning to get telegrams from CIO groups saying that prices must be controlled for a long time to come. I have no doubt that the inspiration of those telegrams is from the Office of Price Administration itself.

Price Fixing Ends in Socialization

It is easy to work up an unthinking support for a general control of prices among people who do not realize that price fixing can only end in the socialization of industry and dictation to the individual. So, also, it is easy to work up unthinking support for a Government prohibition of strikes. But people do not seem to realize that a general prohibition of strikes, or compulsory arbitration, means the fixing of wages by law and by force. If strikes are forbidden, except in certain temporary cases, as during the life of a collective bargaining agreement or pending a conference, the Government must assume the responsibility of fixing wage rates, first in one industry, and then in all.

In my opinion, a general policy of fixing wages and prices means the end of freedom of enterprise in any country. It subjects to Government control hundreds of millions of transactions every day in the year. It regiments every activity of businessman, housewife, employer and employee. It must be abandoned at the earliest possible moment. Now that peace has come, the Government should not assume to state any general policy of wage increase or decrease It should leave that to collective bargaining in each industry and it should adjust such prices as are to be controlled for a few months more to the increased costs which actually exist.

We are met and will be met by the argument that economic emergency at home is exactly like the emergency created by war. The argument is a fallacy. Controls are necessary in war. We must give up many of our freedoms. No such necessity exists in peacetime to surrender the freedom for which the war was fought. The maintenance of freedom is essential to the kind of prosperity and standard of living we wish to attain. Prices should be controlled by the prevention of monopolistic practices. If competition is maintained, they will adjust themselves to the place where they should be. In cases of great maladjustment or abuse, Government can occasionally step in, as perhaps in the maintenance of farm prices.

Conclusion—Depression, Then Inflation

In conclusion, the Government today is pursuing two diametrically opposed policies, one to support a general increase in salaries and wage rates and the other to keep retail prices frozen. This policy, in the immediate future, threatens reconversion and reemployment to such an extent that it may actually throw our economy into a tailspin. The Government itself is already predicting a total unemployment load of 8,000,000 which I believe to be wholly unnecessary if we can return to common sense in economic policy. If the policy is combined with general strikes which further check production, we may repeat our experience of 1920.

The Administration does not or will not recognize that higher prices are not inflation, but are the result of inflation. Inflation occurred in the tremendous increase of Government debt and the tremendous increase in currency circulation, in the increased costs of material and labor. Higher prices are the necessary and inevitable result. A policy of continued public spending combined with a policy of encouraging general increases in the whole wage rate level is bound sooner or later to bring about a further increase in the whole level of prices in this country to a point which will produce hardship on many, speculative profits for a few, a boom like 1929, then again a major depression such as that of 1932.

In placing his whole reliance on price control, Mr. Bowles is like King Canute bidding the tide to stand still. If the price control policy cannot be changed, I believe we would be better off to abolish it altogether.

Housing Leaders To Meet Dec. 17

As a part of the Government's drive to get the largest possible volume of home construction under way in 1946, housing leaders representing industry and labor will meet in Washington on Dec. 17 and 18. The two-day conference was called by Administrator John B. Blandford, Jr., of the National Housing Agency at the request of Director John W. Snyder of the Office of War Mobilization and Reconversion, as one of the steps in the OWMR's six-point program to expand production and combat inflation. Mr. Blandford said the conference would be devoted to consideration of practical steps which may be taken now to assure a maximum volume construction of housing at the right prices "during the critical year 1946"—with particular emphasis on meeting the needs of returning veterans and their families. The attendance will be kept to a small group so as to permit concentration on concrete problems. Those invited to attend include representatives of the National Association of Home Builders, the Construction Advisory Council, the CIO, the A. F. of L., the Producers Council, the Associated General Contractors of America, the National Association of Real Estate Boards, the American Bankers Association, the National Savings and Loan League, the Mortgage Bankers Association of America, and the United States Savings and Loan League.

Salt Lake Stock Exchange, Swamped, Has New Closing

SALT LAKE CITY, UTAH—The Salt Lake Stock Exchange will close on Saturdays, it is announced by I. D. Lowe, President of the Exchange, after brokers had been "swamped" by the Exchange's first "million-share day." The new closing will be in effect only until the rush is over.

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Our Reporter's Report

The investment banking fraternity was back doing business at the old stand this week after a hiatus of more than a month given over to the task of marketing the Treasury's $11,000,000,000 Victory Loan.

Although the public's purchases of "E" bonds, designed to absorb surplus savings and thus act as a brake on threatened inflation until production of goods catches up with supply, was a bit disappointing at closing time the overall goal was reached with something to spare.

With their patriotic duties finished from present indications, underwriters and dealers went to work with a will on the first phase of a sizable accumulation of corporate business.

It was indicated that new corporate undertakings, to be handled this week, would run around $300 millions, the bulk in the form of bonds and debentures, but with a liberal sprinkling of equities.

Four major issues, all but one of them reaching market through the medium of competitive bidding, contributed approximately 80% of the total scheduled for public offering.

Investors, particularly institutional buyers, evidently were in a receptive mood judging by the ease with which the first of the big offerings moved out, permitting syndicate managers to announce oversubscription within relatively short time.

Pacific Tel. & Tel.

The largest issue on schedule this week, Pacific Telephone & Telegraph Company's $75,000,000 of 4-year, 2% debentures, completed an undertaking which had been launched several weeks ago, in time to have gotten through before the Treasury bond drive.

In fact, since the original plans called for privately negotiated sale to a group of large insurance companies, the project would not have involved public offering. But the company ran afoul of the California Railroad Commission which ordered the issue sold in competitive bidding.

Bids were opened yesterday with two syndicates seeking the debentures and a spread of only 0.13 points separating the tenders of the competitors. The successful group paid the company 102.15 and priced the loan at 102.45 for reoffering, closing subscription books within a short time.

National Dairy Products

The large negotiated deal, involving $50,000,000 of 2¾% debentures of National Dairy Products Corp., with a maturity of 25-years, was marketed quickly.

This operation was speeded by sinking fund requirements set up under the indenture covering the issue, sufficient to retire a very substantial portion of the total well in advance of maturity.

Proceeds will be applied to redemption of an issue of outstanding 3¼% debentures slated to mature in 1960.

Buffalo Niagara Electric

Public offering of $56,929,000 of new first mortgage 2¾% bonds of 30-years maturity, of Buffalo Niagara Electric Corp., was expected to be made today by the syndicate which acquired the issue in competitive bidding on Tuesday.

The successful group paid the company a price of 101.6799, which topped for second bid of 101.2719 made for bonds with the same coupon, and has fixed a reoffering basis of 102.06 and interest, allowing a ⅛ discount to NASD members.

The issuer will use the proceeds, along with treasury funds, to retire certain obligations of its predecessor company and subsidiaries of the latter, at a total cash cost of about $60,338,115.

Big Rail Block Due

Investors soon will be given an opportunity of subscribing for a block of 130,968 shares of Virginian Railway common stock arising out of recent transactions by the Virginian Corp., in retirement of its preferred stock and the bulk of its common not owned by Eastern Gas & Fuel Associates.

Under the plan the corporation paid out to preferred and minority common holds 220,838 shares of the 944,000 shares of Virginian Ry. which it held, reducing its holdings of Virginian to about 58% of the total outstanding.

Eastern Gas & Fuel now owns about 95% of the balance of Virginian Corp. stock which remains outstanding.

Weingarten Partner Changes

Weingarten & Co., 441 Fifth Avenue, New York City, members of the New York Stock Exchange, will admit Sidney O. E. Dryfoos and Moses Ufland to partnership on Jan. 1. Richard M. Lederer, Jr. and Elvira R. Dryfoos will retire from limited partnership in the firm on Dec. 31.

SPEAKING OF *Freedom*

Here in America, the foundation of freedom is—*free markets!* Here, all the toil of our people flows through the marketplaces—in the form of goods and money. From the very birth of our freedom we have known that if *our people* are to remain free, their markets *must* remain free!

This was one of our strengths in the victorious struggle against nations where freedom of the marketplaces had died with every other freedom.

Of all our open and free marketplaces, none is more vital to our nation's welfare than this, the investors' marketplace, the New York Stock Exchange.

This free market serves the nation. Here, buyers and sellers, through their brokers, meet in open competition. Here, prices are arrived at in the time-honored tradition of the auction. Here, prices are determined by supply and demand—*in the market at the time orders are executed.* Here, prices are promptly made public—so all the world may know.

In *any* marketplace, the quest of gain involves some risk. Now, as always, *recklessness* magnifies the risk. Now, as always, recklessness, in any form, is an *abuse* of freedom! Now, as always, *facts* are the best hedge against recklessness! Now, as always, prudent buyers and sellers of securities *rely upon facts!*

Facts *are* available. Before *any* company lists its securities in this investors' marketplace, that company agrees to report, regularly, basic facts concerning its operations and financial condition. Such disclosure is the essence of this Exchange's policy.

In this investors' marketplace the possibility of human error is recognized. Elaborate precautions are taken to prevent it. And it is possible to say on behalf of this institution, its Members, Member Firms and their partners, that—*no other enterprise observes higher principles of business conduct.*

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A Policy for Domestic Unity

(Continued from page 2877)

steadiness of lonely homes to the war bond and Red Cross and war fund and scrap drives. Science joined industry in the development of many intricate weapons of war and culminated its efforts by unlocking the tiny atom and releasing unbelievable destructive power.

After many bitter months of fighting with a heavy and tragic cost to America and a much heavier cost to the rest of the world, victory came.

And then the unity began to evaporate. The United States of America abruptly and callously and completely cancelled lend-lease. The London conference ended in failure and disunity.

The Army and Navy shifted to verbal artillery and turned it on each other. Strikes—strikes by big unions against big companies, and by small unions against small companies, broke out from coast to coast. The labor-management conference met and failed to agree. Civil war broke out in China, in Iran, in Java, and in Indo-China. Rioting flared in Palestine. The Republicans and Democrats quarreled about Pearl Harbor. As we meet tonight hundreds of thousands of employees in the nation are idle through industrial strife while the people of America and of the world urgently need the products they could produce.

Domestic Policy

With this background, tonight, four years after Pearl Harbor, we turn our eyes to the future. We ask, "What shall our post-war domestic policies be?" In discussing domestic policies with you tonight, I, of course, fully recognize and have frequently emphasized the overshadowing effect of our world policy and of world conditions upon the welfare of the people of America. But that fact does not dim the importance of a direct analysis of domestic policy, for it is equally true that the health of the American economy will reflect throughout the world.

I also realize as we open this discussion that my views have been for many years quite different from many of the officially pronounced views of your organization. But I do not believe that there is any point in glossing over these differences. I firmly believe in a frank discussion and exposure of differences of views in a democracy to clarify issues and find the basis for agreement and unity. I suppose my views might be characterized by some as being more liberal or progressive or pro-labor than the official pronouncements of the National Association of Manufacturers. I do not believe that labels are important. They have such diverse meanings and are so vague in their concept. I would prefer to deal in the specific discussion of definite programs rather than in labels.

Wants More Domestic Unity

It is my view that there is a very great need for increased unity in America. Our common welfare demands increased unity of purpose and of action. Real dangers to our future high standards of living, to our future liberties, to our future welfare, would arise from any deepening feeling of class versus class, or any increasing schisms on either an economic or social basis.

To accomplish increased unity, it is necessary that we reach a fundamental basis for the unity. We need an agreement on objectives and on the basic steps to reach the objectives. Just as the wartime unity had the clear objectives of winning the war, and the major necessary steps were agreed upon, so we need agreement on the major objectives of peace and of the principal steps to reach that objective. This is not easy to find. To stimulate the search for answers, I present to you tonight a direct and open statement of my tentative views.

The over-all objective of the American system in the years ahead should be to furnish to all the men and women and children of America all of the necessities, and to an increasing degree the comforts of modern life; to do so on a basis that will contribute to their individual freedoms of thought and action, their strength of character, their happiness and their human dignity; and to contribute at the same time to the steady march of progress of all mankind in a world at peace.

First: An Expanding Competitive Economy

As the first principle toward the attainment of that objective, I propose that we in America, all of us, government, labor, agriculture, management, vigorously champion, implement and stimulate an expanding competitive American economic system of private capital, individual enterprise and free workmen. To specifically carry out this principle, as I see it, requires some readjustment in the thinking of all of us. It means definitely placing opportunity above security on our list of priorities. It means we must encourage and applaud the pioneer—the originator—the inventor—the adventurer—the risk-taker. We must not become a nation of security seekers, nor of selfish nationalists. We must be a nation of originality, of boldness and of imagination.

The question of whether there will be worthwhile continuing jobs for the 10 or 11 million men returning from service, really depends upon whether two or 300,000 of them have the courage and the spirit and the opportunity to start up new businesses, new stores, new ventures, which will in turn furnish jobs.

The most desirable way to furnish food, shelter and clothing to an individual is in response to purchases of his own choice as he uses the proceeds of his own productive work or useful service.

To implement this over-all objective, we must all of us, business and labor and government, look upon the making of profits with approval. Labor must take pride in the success of its company, in the making of profits. Profits are the ignition system that makes our economic machine operate producing supplies for the people and making jobs for the workers. Profits must not be condemned by either government or labor.

This does not mean that abuses in profits are to be condoned. There must be a vigorous opposition to excess profits from monopolies, from unfair practices, from suppression of wages. But I believe the workmen of America should and will to an increasing degree take pride in working for a company that furnishes large quantities of products for their fellow workmen throughout the country at a price that all can pay while itself maintaining good wages and good profits.

Support Strong Unions

Likewise, we must all of us, capital and management, government and labor alike, support strong unions. They are an essential part of the checks and balances of a strong economic system of private capitalism and of democratic government. This does not mean that we should condone abuses in unions. There should be an increasing safeguarding of the rights of the individual workman. There should be increasing democracy and financial accounting in some unions now autocratically run, with periodic choice of their officers by secret ballot. There should be increased discipline within the ranks of some unions. There must be an effective insistence upon respect for contracts. Government must provide judicial tribunals with the power of substantive decisions for the settlement of jurisdictional disputes.

The right to strike must be maintained. It is an essential part of the continuance of the entire American system. The loss by labor of the right to strike would also lead in time to the loss of the right of private capital. It would mean that government would take over and soon neither labor nor capital would be free. But the right to strike should be very rarely used. It should be like the right to shoot in self-defense. It should be recognized by both labor and management that all disputes must be settled sometime and that all are so much better off if settlement is made first while production continues.

To those who would vigorously oppose my position that strong unions are a vital part of the modern American system, I would say with deep conviction, that if you pull down the House of Labor, you will pull down the House of America. And on the other hand, to those who attack profits as an evil, I say with equal emphasis, if you will wipe out good profits you will wipe out good jobs and real freedom.

Limits of Social Security

We all must also recognize the reasonable requirements of security. Security should definitely occupy a secondary place, but it must nevertheless be fulfilled to a reasonable degree. There is nothing inconsistent between unemployment compensation and a free enterprise system. Unemployment compensation should be promptly extended in its coverage and in its adequacy both as to amount and as to duration. The same is true of old age and survivor's insurance. But government must carefully analyze the amount of unemployment compensation and justly administer the system so that it does not in practice actually encourage idleness when jobs are available.

The right of business to manage its affairs must be vigorously defended. Foremen and other supervisory personnel should be under the unquestioned, exclusive direction of management and not of labor.

There must also be an increasing amount of information to labor and to the general public of the financial facts of business. Times have changed. The splendid facilities for the dissemination of information very properly and happily make people want more information. The companies must adjust the conduct of their businesses to a greater amount of information to labor and to the public.

It does not add up to say in one breath that high productivity should be a major concern of labor and in the next breath say that it's none of labor's business what are the profits of its company.

Just as labor is entitled to be informed to an increasing degree about the activities of business, so the management is entitled to the right to inform its employees on any subject and the restrictive provision of the Wagner Act in this respect should be repealed.

The emphasis of the need of unity of all in economic groups must also have as its corollary the recognition of the basic human rights of all and fair treatment in all other respects.

I have said nothing about the old theory of the maturity of an economic system and the consequent necessity of changing the system. I am assuming that the awe-inspiring splitting of the atom by science and the opening up of this vast unknown area has ended the talk about the lack of frontiers.

We need better ways to quickly move capital and labor from place to place in the shifting economic scene. There is a continuing obligation on the worker to search for jobs, to move to jobs, to train for jobs, and then to produce on the jobs. The great strength of our system must be that it is dynamic, ever-changing, ever-adjusting, ever-adventuring, and not looking back, and not just yearning statically for the good old days.

Limits of Government Action

Government must be prepared to currently utilize to the maximum feasible degree the productive manpower of the country that is not absorbed by other economic activity. This use of the productive manpower should be on a basis consistent with our free economic system. In other words, extensive plans of wide scope and imagination of projects that will be useful to the people should be constantly available. Then these plans should be carried out by contracts, with the use of private capital and individual enterprise and not by government payrolls. The entire program should be looked upon as the use of the productive power of the country for the benefit of the people as a whole, and not as any made work, or artificial scattering around of purchasing power. Government projects must be of a nature that do not primarily compete with private enterprise but stimulate it and open up availabilities for further private investment.

Modernizing our cities with major increases in traffic arteries, clearing out blighted city areas and making them available for rebuilding and redeveloping by private capital, constructing a nationwide and hemispheric network of highways, increased air facilities, new hospital facilities, and expanded educational plants, are but a few of the potentialities of government activity of a useful nature for the people, which will not interfere with private enterprise, many of which could be self-supporting and self-liquidating.

Semi-stagnant pools of capital must be vigorously avoided or countered. A conservative portion of the vast resources of the insurance companies of the nation, with over three billion pouring in annually, must be used in an increasingly vigorous and stimulating manner. Commercial banks must be encouraged to temper the super caution that followed the banking disasters of 1932.

Private Capital Defended

The private capital aspect of our system should likewise be vigorously defended. Everyone recognizes that it requires a vast amount of capital to make our system reach its great effectiveness, with its large number of good jobs and its tremendous production. This capital being necessary, it must then be controlled by someone. Much better that there be a wide diversity of private owners than that the power of capital be added to the other powers of Government and be placed in the hands of those administering the Government. The concentration of power in any hands under any circumstances is a danger.

The diffusion of power in this country, while it does create problems, is also a great source of strength and of assurance of future liberty.

The multitude of decisions that can be freely made by private owners and private capital, fills in the economic system with a solid support. Government domination of all economic forces is like a hollow square filled with sand, compared in strength, resilience and usefulness to the solid cube of tempered steel formed by the diffusion of power of free enterprise.

The confidence of the people as a whole in the management of the huge wartime debt must be maintained at a high level. This can best be done by frankly telling the people as a whole that the soundest way to maintain the private enterprise system and have it be vigorous and furnish jobs, when it has a heavy indebtedness, is to broadly spread the tax burden. All must carry a share of the cost of the debt burden and of Government spending to insure a healthy economy, just as the help of all was necessary to win the war.

Government must meet new problems with a very minimum of use of its power, but it must meet them. There are more or less two distinct viewpoints—one that Government should step into each problem or abuse and take over; the other, that Government should keep hands off. It is my view that neither of these policies is right for a Government of free men and neither is the traditional policy of America. Government should step in promptly and quickly in abuses and problems, but its action should be to correct the abuse with the very minimum of exercise of its own powers, to provide necessary limits for the action of its citizens and to avoid detailed regulation of every business or of every citizen.

Government should not keep hands off, but should take those affirmative actions which will form a favorable framework and a friendly climate within which the free enterprise system can flourish. Capitalism need not be, and, in fact, must not be, narrow, or selfish, or cold-blooded. There is no basic reason why the alert, modern manager cannot see to it that the great company with thousands of employees, has policies and practices that are as human, as warm and as alert for the welfare of its men and women and for the human relationships, as does the owner-manager of the little shop with five workmen. The organization of a union should not mean that the responsibility for the welfare of the employees is taken over entirely by the union. The management of business and the leadership of unions should jointly share a heavy responsibility with Government for the good housing and the health and the happiness of the workmen. Management should never forget for a day that labor is not simply a union. Labor is not simply a commodity. Labor is people—men and women—fellow citizens.

A study should be made of the 100 companies in America that have had the most successful labor relations and production records in the last 10 years. The results of this study should be published throughout the country.

The Tax program, the Housing situation, the future of Agriculture all need specific application of these principles.

To those who are inclined to say that the system of private capital and individual enterprise and free workmen has already failed, has already shown such gross inadequacies that it must be changed, my response is that on the contrary, it has shown such great strength that it should be vigorously supported. It is not an historical accident that 6% of the world's population in our borders produced one-fourth of the world's goods. Furthermore, our system has not even yet had a full opportunity to demonstrate itself under modern conditions of peace. To those who would press ever for a further extension of actual Government operation of enterprise in a mixed economy and point to the trends in other parts of the world, I say directly that I do not believe in the nationalization of any industry or commerce or institution. I might add that there appear to be ample experiments of this type going on

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now in the world. The great need for the future of mankind, and the best prospect as I see it for the future of the people of America is for a vigorous demonstration of what freedom can do with individual enterprise, private capital and free workmen. To those who feel that one or more of these should be maintained without the other, I express my conviction that they all go together.

But perhaps the best response, to those who would turn progressively away from our basic system as we think of it, and who seek a "mixed economy," is to say, let us all agree upon a thorough 10-year test. Let us begin promptly to join together— Government, labor, business and agriculture—and to do everything possible to champion and encourage and develop the basic American system. At the end of 10 years of united vigorous support let us observe the result while we then make our decisions as to future policies. I am confident that if we do this it will result in a clear-cut demonstration of the superiority and high value of our system to the people of America and of the world.

It is not possible to generalize the viewpoint of the 11,000,000 returning servicemen. Neither can anyone be their spokesman. Their experiences in war have been as diverse as their background in peace. Their outlooks now are as 11,000,000 individuals and not as a bloc of 11,000,000 veterans. But I do believe that these men after spending three and four and five years in this bitter and tragic conflict, after observing the productive results of our American system in the cruel test of war, will almost unanimously support the position of giving vigorous, alert, complete, unwavering support for such a 10-year test of the basic American system of private capital and individual enterprise and free workmen.

Calls For A Post-War Economic Conference

As I see it, there is a pressing need now, not of more labor-management conferences, but of a real post-war economic conference, including the leadership of business and of labor and of agriculture, but not them alone. It should include some of our ablest economists and representation from the leadership of both of our political parties. Such a conference should directly come to grips with our current basic and difficult economic problems and work out specific bipartisan, united recommendations. It should fit together into a coordinated recommended program a number of items including the average amount of wage increases that ought now to be made, with an indication of the variation between different industries, and the amount of the increase of unemployment compensation, and of other security programs. These conferences should be carried on with a maximum of public information, so that the rank and file of these economic groups can make their views felt upon their leadership and will understand and support the results.

Such a conference should be promptly called. Its membership should be such that the people of the country as a whole, of all parties and of all walks of life, would have overwhelming confidence in its recommendations. During a 60-day period while this conference meets, labor should be requested to discontinue all present strikes, to renew the no-strike pledge and to set about producing the great multitude of products which we so urgently need. The understanding should be that the solutions arrived at after this conference is held will be retroactive to the beginning of any strikes now being conducted or to the end of the contracts that expired, as the case may be.

Strikes Caused by Unaccepted National Policy

The real cause of the wave of strikes in the country is the lack of an accepted national policy on these intricate and inter-related economic problems, wages, prices and production. Government in a democracy should not decree such a policy. But it should take a leadership in the formulation of the policy. This is particularly true when the scarcity of supply makes it necessary that there be temporary Government price control in place of competitive price control. To fail to exercise that leadership and foresight means that the policy is formed in a violent clash between economic forces resulting in great damage to the entire economic system to the ultimate decision of the policy by one industry and one union.

It is possible that the Administration has had a policy that it has not directly revealed of squeezing out the profits of business. If that is the attempt, it can only result in injury to the entire economic system and in extreme industrial strife. Profits in the American system must be squeezed by competition and the quicker production gets going so that competition can re-assert itself, the more healthy will be our economic status and the higher will be the living standards of our people. Stoppages of production not only cause delays in acquiring products that are urgently needed, but also result in the dissipation of our accumulated savings on frivolous purposes. They also build up class tensions and hatreds that are fundamentally dangerous to our way of life.

I know that some say that there were also many strikes after the last war. That is correct. And there was also a boom and a bust and a depression and millions of unemployed in the decades after the last war. We want to avoid that entire series of events of economic disorder.

As to the bipartisan nature of the conference which I urge the President to call, I know that some politicians in my party would say that that is a political mistake. They would say that it would place the Republican Party in a position of sharing in the responsibility for working out a very difficult problem and that it is smarter to leave the Administration struggle with the problem, watch the strikes flare up, permit dissensions to arise between Government and labor, and then use all these things in future elections.

That is not my idea of the way the American political and economic system should operate. Both parties must share in the responsibility of major decisions of Government of a kind that require the overwhelming support of the people of all walks of life to make them effective. The responsibility to be constructive rests with equal weight upon the minority party and the majority party under the American political system.

In any discussion of these questions the danger of inflation is always advanced and must be kept in mind. The economists are in some disagreement on the subject. It is my view that if we get large-scale production under way there is scant danger of harmful inflation in this country. Inflation comes from the scarcity of things to buy and not from high wages or good profits. So far as I recall, all of the harmful inflations in the world have occurred when there was a scarcity of products and never when a highly productive economic machine was busily and harmoniously engaged in producing goods.

The present situation needs a direct frontal approach to the real issues and causes of the present strikes. Fact-finding commissions in individual disputes with time in which to operate is good machinery. We have had this machinery complete with waiting periods, subpoena powers, and the duty to make specific recommendations, for seven years in Minnesota and it has worked exceptionally well. But it is not the answer to the present problem. And legislation of this kind should not be passed in the heat of a controversy which has not been caused by any failure to use machinery provided by Government.

As we look to the future, the basic factors are very favorable. Our country has been untouched by enemy action. Thank God! There is a tremendous pent-up demand for goods of all kinds. There is a splendid trained labor supply in good health. There is ample capital. There are over $115 billion of individual savings, and at least an equal amount of savings of business. We have the raw materials. This decade should be marked by the rising of new jobs, new products, new fortunes, new unions, new managers, new enterprises. It should be marked by productivity of men which exceeds all previous peacetime accomplishments anywhere in the world.

Only our own shortsightedness and disunity, or the inadequacy and error of government can possibly stand in the way of successful and happy years for our people and of a major contribution to the economic health and peace of the world.

Let us increase our unity and demonstrate, for the welfare of the people as a whole, in answer to the challenge of the years of peace, the constructive counterpart of the tremendous production with which we answered the challenge of these last four years of war.

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Mutual Funds

One Out of 37

Using the automobile industry as an example, **Keystone Co.** in this week's Keynotes calls attention to the casualty lists in every line of business.

The roll call of American-made automobiles and trucks placed on the market since the industry's birth numbers over 1,850. Less than 50 are still being made. Only one out of 37 has survived.

It is always difficult to pick the winners. "That is why," concludes Keynotes, "successful investors scrupulously adhere to three principles:

(1) Careful selection for the purpose of finding the most promising companies in each field;

(2) Diversification for the purpose of obtaining an investment in more than one industry, and

(3) Supervision, for the purpose of maintaining the quality of the investment."

1,000,000 Personal Planes in 1955

In a current memorandum on **Aviation Shares, Distributors Group,** quotes a report on the aviation industry which appeared in the Nov. 26 issue of Aviation News. In this report, Victor Perlo, chief of the WPB's industry research branch, draws a comparison between the personal plane today and the automobile in its early years.

Mr. Perlo points out that in 1902 there were 23,000 registered passenger autos in the United States, approximately the same as the number of registered airplanes in this country in 1941. By 1912 the number of registered autos had expanded to more than 900,000. He believes that under proper conditions the post-war expansion of airplane use will be equally rapid.

Fidelity Fund's Progress

A current memorandum on **Fidelity Fund** reports on the progress made by the Fund from Sept. 30, 1944, to Nov. 20, 1945. During this time net assets gained $5,541,552, or 125%. Shares outstanding and asset value per share increased 59% and 43%, respectively, during this period.

* * *

Another memorandum on this Fund identifies the four men who manage Fidelity Fund and gives a brief resume of their affiliations and experience.

Railroad Equipment Industry

Hugh W. Long & Co.'s latest memorandum on the Railroad Equipment Industry calls attention to the pertinent fact that the last four issues of "Railway Age," the railroad man's "bible" contained 17 news items on equipment purchases.

The 17 news items are listed and the memorandum concludes:

"To participate in the earning power that equipment companies will generate from this business, which is a mere sampling of what's to come, we recommend: The **Railroad Equipment Industry Series of New York Stocks, Inc.**"

Balanced Funds

A well-prepared folder is at hand from **Wellington Fund** which points to independent recognition of Balanced Funds as ideal investment media.

The folder contains an article reprinted from a recent Investment Company News published by the New York Stock Exchange firm of Arthur Weisenberger & Co.

The article entitled "Complete Management" states in part:

"When we say that there is an investment company security to fit almost every investor's need, we mean that. Today the market is perched at eight-year highs and many investors are rather uncomfortable about their sizable profits. They are dubious of the future trend and want to conserve their gains. So, we thought this a good time to tell them about 'balanced' fund shares. Demand for these complete management shares has zoomed all through 1945."

Seasonal Trend in Stock Prices

National Securities & Research Corp.'s current Investment Timing discusses the December-January seasonal trend in stock prices. Of all seasonal trends, it is most interesting, because it has performed more often than others. It has a fairly high average of recurrence.

A table is presented showing the December - January seasonal trend of the Dow-Jones Industrial Average from 1897 through 1944. The record shows that usually the low for the month of December is established before Christmas and that a rise until the middle of January thereafter ensues.

"While this seasonal trend has operated more often than not, it remains a market phenomenon and cannot be taken into account as a reliable guide to action in the stock market, either now or for the next few months."

Manhattan Bond Fund

The Annual Report for the fiscal year ended Oct. 31, 1945, has been received. Total net assets increased from $20,939,706 to $23,143,707 during this period.

Mutual Fund Literature

W. R. Bull Management Co.—Portfolio folder on **Republic Investors Fund.** . . . **Lord, Abbett**—Composite Summary folder on all Lord, Abbett sponsored funds. . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **National Securities & Research Corp.**—Current issue of National Notes; memorandum showing portfolio changes; Current Information folder on **National Securities Series** and **First Mutual Trust Fund;** revised folders on National's Bond Series and Income Series. . . . **Keystone Co.**—Revised edition of the Keystone Organization booklet; Current Data folder on the 10 **Keystone Custodian Funds.** . . . **Distributors Group**—Month-end price comparison card for November on **Group Securities;** current Railroad Equipment News; revised folder on **Aviation Shares.** . . . **Hugh W. Long & Co.**—Memorandum on **Metals Series of New York Stocks, Inc.** . . . **Hare's, Ltd.**—Latest issue of Current Considerations.

Dividends

Commonwealth Investment Co.—A dividend of 35¢ per share, payable Dec. 22, 1945, to stock of record Dec. 12.

Incorporated Investors—A regular dividend of 25¢ and an extra dividend of $3, for a total of $3.25, payable Dec. 22, 1945, to stock of record Dec. 11.

Selected American Shares, Inc.—A regular dividend of 18¢ per share and an extra dividend of 63¢ per share for a total of 81¢, payable Dec. 28, 1945, to stock of record Dec. 18.

Wellington Fund — A quarterly dividend of 12¢ per share and a year-end dividend of 78¢ per share for a total of 90¢, payable Dec. 27, 1945, to stockholders of record Dec. 14.

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The Changed Capital Position of Business

(Continued from page 2881)

the Securities and Exchange Commission each quarter. That report shows that on June 30, 1945, the last date available, all corporations in the United States except banks and insurance companies held 24 billions of cash, an increase of 13 billions since 1939. They hold 22 billions of United States Government securities, as compared with only 2 billions in 1939. Thus, cash and Government bonds held rose from 13 billions at the time of the outbreak of the war in Europe to 46 billions on June 30 of this year, a three and one-half fold increase.

The chief offset against this spectacular expansion of current assets was the rise in income tax liabilities. These increased 15 billions during the period. The net current assets of American business corporations rose from 34 billions to 48 billions, a 100% rise.

The picture will look even rosier at the end of the year. The Tax Adjustment Act of 1945 will add 2.5 billions to cash holdings through excess profits tax refunds. Tax liabilities will be slashed more than 2 billions by the final amortization of assets covered by certificates of necessity.

It is probably, therefore, that at the end of this month American business corporations will hold almost 30 billions of Government securities and more than 20 billions of cash, or over 50 billions of liquid resources, four times the size of such holdings in 1939.

These unprecedented cash holdings could give rise to an unwarranted readiness to undertake new ventures. They may readily foster carelessness on management's part with regard to costs and prices. Above all, as has already been said, they may lead to exaggerated notions in Washington and in labor circles as to the financial strength of business and its ability to absorb higher wages, increased social security taxes, annual wage guarantees, etc. Mr. Wallace only this week spoke of a higher break-even point as a good thing under present-day conditions.

Financial Requirements

Every business man, every person who conducts his personal finances with reasonable care, knows that cash holdings mean little unless prospective expenditures are first set off against them. Many an individual who feels rich today because he has more cash on hand than ever before will find himself deeply in debt again several years hence after he has purchased his postwar automobile and his postwar home, a washing machine and radio, and the other gadgets he needs to attain minimum postwar standard of living. Similarly, when many of our corporations have made the expenditures which they regard as unavoidable during the next few years, the impregnable working capital position pictured in the SEC statistics may hardly be recognizable.

Billions of dollars will be required to finance the reconversion of American business from war to peace, and only part of this money can come out of tax credits. Not only must new machinery and equipment be acquired and plants rehabilitated, but inventories of peacetime goods must be built up.

Furthermore, there is general agreement that the production of civilian goods and services is going to be far higher than it was before the war. To achieve an increase in output of 50% or more above the 1939 level, which will be needed if current high projections of national income and employment are to be realized, billions of dollars will have to be spent for additional plant, equipment and working capital. Very deep inroads into the present large cash and Government security holdings will be made to finance such expansion.

Any rise in the commodity price level that will occur will add to the need for capital. Following World War I, many a corporation thought its cash and Government security holdings were adequate for all possible requirements. But some of them were financially embarrassed only two years later, because the spurt in commodity prices in 1919 and 1920 tied up their funds in inventories and accounts receivable, and the break in prices in 1921 froze these assets. Business has a vital interest in avoiding price inflation, therefore, since a higher price level soaks in cash resources into the purchase of equipment and goods at high prices, while the subsequent deflation of prices wipes out a large part of the added investment thus made.

Every prudent individual will set off against his cash and Government bond holdings the cash outlays he plans for the next few years, and be guided accordingly. A business similarly should project its increased fixed and working capital requirements over the next five or ten years, make suitable provision for additional contingencies, and then interpret the present very strong net current assets position in the light of these prospective outlays. And, equally important, the public and Government should be urged to consider aggregate financial requirements of American corporations to provide the high level of production and employment expected of it, instead of looking at the cash and other liquid resources as something that can be paid out or frittered away with impunity.

Husbanded carefully and invested productively, these cash resources will enable industry to expand capacity and working capital resources to meet larger demands without incurring burdensome debts or expanding capital structures unduly. The corporate overcapitalization that has accompanied periods of great prosperity in the past, and helped to breed an aftermath of deflation and failures, could thus be avoided to a large extent this time.

Stockton Broome Co. Opens in Atlanta

ATLANTA, GA.—Stockton Broome & Co. has been formed with offices in the First National Building to conduct an investment business. Officers are Stockton Broome, Jr., President; Andrew J. Milstead, Vice-President; Edgar Carlton Parrott, Treasurer; and Philippa Delph Penland, Secretary and Assistant Treasurer. Mr. Broome was formerly with Starkweather & Co. as manager of their Atlanta office.

Eaton & Co. Is Formed In Portland, Maine

PORTLAND, MAINE—Eaton & Co., Inc. is being formed with offices at 57 Exchange Street to engage in an investment business. Officers are Charles F. Eaton, Jr., President; S. Whitney Bradley, Vice-President; Hollis R. Johnson, Treasurer; and Arnold S. Potter, Secretary. All were formerly executives of Eaton & Howard, Inc.

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Stabilization Office Issues Regulations on Wage-Price Policy

(Continued from page 2881)

in determining price or rent ceilings or increased costs to the Government.

The specified classes include any wage or salary increase which was:

Lawfully made or approved by the appropriate wage or salary stabilization agency before Aug. 18, 1945.

Made in accordance with the terms and conditions of a wage or salary schedule lawfully in effect before Aug. 18, 1945.

Made in accordance with requirements of War Labor Board or Salary Stabilization Unit regulations regarding the institution of new piece rates or new job rates in line with existing piece or job rates.

Made in accordance with existing orders of the War Labor Board regarding increases up to 55 cents an hour to correct substandards of living.

3. Standards are provided to guide the Office of Price Administration in dealing with applications for price relief, under the provision of Executive Order 9651 that unapproved wage or salary adjustments shall be taken into consideration in determining price or rent ceilings after the expiration of a reasonable test period—generally six months.

The regulations require submission of an operating or financial statement to the Price Administrator, reflecting the effect of the wage increase on costs or showing the employer's profit position, for the test period.

4. An unapproved wage or salary increase may be considered as a part of labor costs in determining whether a reduction in price or rent ceilings is justifiable if the OPA had not announced that the reduction was under consideration at the time the wage or salary increase was made.

5. The regulations make clear that the approval of wage or salary adjustments does not warrant consequent increase in price or rent ceilings, or an increase of any particular amount, unless the increase is required under applicable maximum price or rent regulations or the appropriate statutory or administrative standards governing changes in price or rent ceilings.

6. The regulations provide that wage or salary stabilization agencies shall not consider or act upon a proposed wage or salary increase which appears to be conditioned in whole or in part both upon the approval for price consideration and upon the granting of an increase in price or rent ceilings.

This provision, however, does not bar consideration of an increase which is contingent only on approval by the wage or salary stabilization agency or of an increase which will not be put into effect until the Office of Price Administration has made definite determination as to whether price relief is required.

7. In acting upon wage rate increases to compensate for the rise in the cost of living, the wage or salary stabilization agency will use 33% as the percentage increase in the cost of living between January 1941 and September 1945.

The 33% figure will be applied where the percentage increase in average straight time hourly earnings in the appropriate unit of employees since January 1941 has not equaled the percentage increase in the cost of living between those dates.

The Stabilization Administrator has been advised by the Department of Labor that this figure most accurately reflects the increase in the cost of living between those dates.

8. The regulations repeat the point, recently emphasized by the Stabilization Administrator, that a wage or salary increase in the building and construction industry is not lawful unless approved, before the increase has been made.

Similarly, proposed wage or salary adjustments subject to the stabilization regulations of the Secretary of Agriculture require approval, before the increases have been made, unless the adjustments are permissible under those regulations.

The new regulations clarify many other questions of detail arising in the administration of the wage-price policy. Administrative regulations also will be issued by the stabilization agencies, which include the Wage Stabilization Division of the War Labor Board, the Commissioner of Internal Revenue (Salary Stabilization Unit), the Secretary of Agriculture and the Price Administrator.

The text of the regulations follows:

Title 32—National Defense Chapter XVIII

Office of Stabilization Administrator; Office of War Mobilization and Reconversion; Part 4001-1—Stabilization of Wages and Prices. Supplementary Wage and Salary Regulations.

Pursuant to the authority vested in me by the Stabilization Act of 1942, as amended, and by Executive Order 9250 of Oct. 3, 1942 (7 F. R. 7871), Executive Order 9328 of April 8, 1943 (8 F. R. 4681), Executive Order 9599 of Aug. 18, 1945 (10 F. R. 10155), Executive Order 9620 of Sept. 20, 1945 (10 F. R. 12033), the directive of Oct. 12, 1945, issued by the Director of War Mobilization and Reconversion (10 F. R. 12812), and by Executive Order 9651 of Oct. 30, 1945 (10 F. R. 13487), the following regulations are hereby promulgated:

Subpart A General Provisions

Section 101. **Purpose.** The purpose of these regulations is to carry out the policies established in Executive Orders 9599 (Aug. 18, 1945) and 9651 (Oct. 30, 1945) with respect to increases in wages and salaries and their relationship to price and rent ceilings and costs to the United States. These regulations supersede all previous regulations, directives or rulings of the Economic Stabilization Director or the Stabilization Administrator to the extent that they are inconsistent with them.*

Section 102. **"Approved" and "unapproved" wage and salary increases.** As used in these regulations, an "approved" wage or salary increase means an increase which has been approved **both** by the appropriate wage or salary stabilization agency (listed in Section 107) **and** by the Stabilization Administrator or in his behalf in accordance with the provisions of Section 302 of these regulations. An "unapproved" wage or salary increase means any other wage or salary increase.

Section 103. **What wage and salary increases are lawful.** (a) Subject to the exceptions stated in the succeeding paragraphs of this section, the payment of any wage or salary increase on or after Aug. 18, 1945, is lawful under the wage stabilization laws. The fact that such a wage or salary increase is "unapproved" does not mean that it is unlawful under those laws or that it is disapproved by the Government. The consequences of approval or lack of approval of a wage or salary increase paid on or after Aug. 18, 1945, have to do only with the extent, if any, to which the increase may be used in determining price or rent ceilings or in increasing costs to the United States.

(b) Pending provision to the contrary by the National War Labor Board, or any successor agency, a wage or salary increase subject to the Board's General Order 41 (relating to the building construction industry) or General Order 42 (relating to certain wage adjustments in the basic steel industry) is not lawful unless, before the increase is made, it has been approved as required by the applicable order.

(c) Pending provision to the contrary by the Secretary of Agriculture, a wage or salary increase subject to the wage or salary stabilization regulations of the Secretary of Agriculture is not lawful unless, before the increase is made, it has been approved as required by those regulations or unless the increase is permissible under the terms of those regulations.

Section 104. **What wage or salary increases are or may be approved.** The classes of wage or salary increases which are or may be approved are set forth in subpart C of these regulations.

Section 105. **Effect of "unapproved" wage and salary increases.** An unapproved wage or salary increase shall not be taken into consideration in determining price or rent ceilings or in increasing costs to the United States except to the limited extent authorized in Subpart B of these regulations.

Section 106. **Effect of "approved" wage and salary increases.** An approved wage or salary increase may be taken into consideration in determining price or rent ceilings or in increasing costs to the United States in accordance with the provisions of Subpart D of these regulations.

Section 107. **List of designated wage or salary stabilization agencies.** (a) The following, for the purpose of these regulations, are designated wage and salary stabilization agencies:

(1) The National War Labor Board, or any successor agency, with respect to wages and salaries as to which the Board exercised jurisdiction on Aug. 17, 1945.

(2) The Commissioner of Internal Revenue, with respect to salaries as to which the Commissioner exercised jurisdiction on Aug. 17, 1945.

(3) The Stabilization Administrator, with respect to wages and salaries as to which the National War Labor Board was precluded from exercising authority by the Lea Amendment to the National War Agencies Appropriation Act of 1946. (Such cases will be transmitted to the Stabilization Administrator by the Secretary of Agriculture.)

(4) The Secretary of Agriculture, with respect to wages and salaries as to which the Secretary exercised jurisdiction on Aug. 17, 1945.

(b) The provisions of these regulations are also applicable, to the extent provided by Executive Order 9299 and Section 4 of the Stabilization Act of 1942, as amended, to wages and salaries of employees who are subject to the provisions of the Railway Labor Act.

Section 108. **Application to suspended price or rent ceilings.** For the purposes of these regulations the terms "price or rent ceilings" shall include price or rent ceilings which have been suspended by the Price Administrator.

Section 109. **Wage increases required by certain statutes.** Nothing in these regulations shall be construed to apply to any wage or salary increase required by the provisions of the Fair Labor Standards Act, the Walsh-Healey Act, or the Davis-Bacon Act.

Subpart B Unapproved Wage or Salary Increases

Section 201. **Right to seek approval after making increase.** The making of a wage or salary increase without obtaining prior approval shall not be deemed to be a waiver of the right to apply for approval thereafter. Approval shall be given or withheld on the same basis as if the employer had applied for it before putting the wage or salary increase into effect.

Section 202. **Extent of waiver by institution of unapproved increase.** Except as provided in Sections 203 to 207, the making on or after Aug. 18, 1945, of an unapproved wage or salary increase shall be deemed to be a waiver, unless and until the increase is approved, of:

(a) Any right which the employer might have to use such increase in whole or in part as a basis for seeking or obtaining an increase in price or rent ceilings;

(b) Any right which the employer might have to use such increase in whole, or in part as a basis for resisting an otherwise justifiable reduction in price or rent ceilings which, at the time the increase was made, had been announced by the Office of Price Administration as under consideration;

(c) Any right which the employer might have, in the case of products or services being furnished under contract with a federal procurement agency, to use such increase in whole or in part as a basis for increasing costs to the United States;

(d) Any right which the employer, if a public utility or common carrier, might have to use such increase in whole or in part as a basis for seeking or obtaining an increase in rates: **Provided** That the provisions of this paragraph shall in no event be held to impair the right of any public utility or common carrier to seek an increase in rates based in whole or in part upon an unapproved wage or salary increase after the expiration of the Stabilization Act of 1942, as amended.

Section 203. **When an unapproved wage or salary increase may not be taken into consideration in determining price or rent ceilings.** (a) The Price Administrator shall not take into consideration any unapproved wage or salary increase in determining price or rent ceilings except in cases in which the conditions of Section 205 have been satisfied. Notwithstanding this provision, however, the Price Administrator may take an unapproved wage or salary increase into consideration in determining whether a reduction in price or rent ceilings is justifiable, if the reduction had not been announced as under consideration at the time when the wage or salary increase was made.

(Continued on page 2902)

*As hereafter used in these regulations, the term "Stabilization Administrator" includes also the Economic Stabilization Director in the case of actions taken before Sept. 20, 1945.

This announcement is neither an offer to sell nor a solicitation of an offer to buy securities. The offering is made only by the Prospectus.

NEW ISSUE

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Securities Salesman's Corner

By JOHN DUTTON

The other day, a new salesman came into his office and breezily inquired if there was "anything hot on the griddle today." What he meant was, were there any "fast moving" situations about which his firm had received some special information? In every alert security dealer's office today there are a number of special situations, that for one reason or another, are ready for a move. And many of them do move. This salesman had made quite a success out of selling low priced promotional stocks, or special market situations, work-outs, etc., to his customers during the past six months. He was taking quick profits, and churning his accounts just about as often as his firm would allow.

To this salesman, selling securities consists of getting a customer into a stock today and taking him out as soon as possible, providing he has a profit. But there is one thing he doesn't know—and that is WHAT HAPPENS IN A BEAR MARKET.

Now it may be all too soon to start talking about deflation, depressions, and bear markets. But one thing is certain. If there is anything that the securities business does not need it is an influx of "get rich quick," half educated, salesmen who are long on talk and short on brains; and who believe that the securities business is a short-cut road to financial success. We had enough of that in the twenties. We need men in this business who have the broader view, who are willing to learn what makes our economic system tick, who can analyze a situation and know why a stock or a bond is a timely investment, and WHY IT FITS INTO AN INVESTOR'S PORTFOLIO. We need men in this business who can LEAD THEIR CUSTOMERS to a better understanding of the principles of investment. We need more caution today—not more talk, glib promises and hot air. What many people don't know who are coming into this market again after a lapse of 16 years, is that IT'S WHAT YOU END UP WITH AT THE END OF A BULL MARKET THAT COUNTS—NOT THE PROFITS YOU MAKE WHILE YOU ARE ON THE WAY UP.

There is the fellow who will say "OK, go ahead and do it the hard way—try and educate the mob—work your fool head off. I'll do it the easy way—I'll sell them what they like when they like it." His philosophy is: get the easy money now while it's there—when the buggy ride is over get out of the business. What if you have no customers left; you'll have the cash. We always have had a certain percentage of this type of person who muscles into the securities business every time there is a period of inflation. They are opportunists—they go from business to business wherever the dollar is the easiest to make AT THE MOMENT.

This sort of thinking will have no effect upon the greater percentage of men we now have in the securities business. The retailing of securities during the past 12 years has taken all of the fortitude, common sense, thinking, and work, that any man could have put into his job. A few years of inflation will not throw these men off their balance. They are in this business, year in, and year out. They are in the securities business because they like it—it's in their blood. They are not in it for an "easy dollar." They know that good years are years when they must make hay while the sun shines (in order to make up for those that were lean). But they also know that they don't have to sell promotional stocks with little or no tangible values behind them. They want their customers to end up with something more than a box full of pretty paper when this spree is over. They expect to be in this business TO STAY. Let's keep the other kind out of it.

Abraham & Co. to Admit Lerner & Goldfluss

Abraham & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Samuel S. Lerner and Leon Goldfluss to partnership in the firm as of Jan. 1. Mr. Lerner was formerly a partner in A. L. Stamm & Co.

To Form J. Schonfeld Co.

Effective January 2nd, J. Schonfeld & Co., members of the New York Stock Exchange, will be formed with offices at 60 Beaver Street. Partners will be Jacob Schonfeld, the Exchange member, Alvin Schonfeld, general partners, and Anna M. Schonfeld, limited partner. Jacob Schonfeld has been active as an individual floor broker.

A. DePinna Company
$0.60 Convertible Preferred Stock
Class A Stock
Circular on request
HERRICK, WADDELL & CO., INC.
55 LIBERTY STREET, NEW YORK 5, N. Y.

American Fruit Growers Inc., Com.
Arden Farms Co., Pfd. & Com.
Fullerton Oil Co., Com.
Wagenseller & Durst, Inc.
Members Los Angeles Stock Exchange
626 SO. SPRING ST. TRINITY 5761
LOS ANGELES 14
Teletype: LA 68
Market Quotations and Information on all California Securities

Stabilization Office Issues Regulations on Wage-Price Policy

(Continued from page 2901)

(b) No seller or landlord may take any unapproved wage or salary increase into consideration in determining his price or rent ceilings except in accordance with regulations or orders of the Price Administrator issued pursuant to Section 205 (a) (3).

Section 204. **Method of excluding unapproved increases from costs.** Whenever there is presented as a basis for an increase in price or rent ceilings an operating or financial statement which reflects, in whole or in part, the results of operations during a period in which an unapproved wage or salary increase was paid but which does not satisfy the requirements of Section 205, the Price Administrator shall:

(a) As a general rule, deduct from the costs as shown in the statement the amount of the increase in payroll resulting from the unapproved increase, except to the extent that the employer affirmatively shows that the increase in labor costs attributable to the unapproved increase was less than the increase in payroll; but

(b) Accept, if otherwise proper, the costs as shown in the statement without correction on account of the unapproved increase, to the extent that the increase served only to maintain average hourly earnings after discontinuance of an established overtime schedule, and, therefore, presumptively did not increase costs.

Section 205. **When an unapproved wage or salary increase shall be taken into consideration in determining price ceilings.** (a) The Price Administrator shall take an unapproved wage or salary increase into consideration in determining whether an increase in price or rent ceilings is then required under the provisions of any applicable maximum price or rent regulation or under the applicable statutory or administrative standards governing a change in price or rent ceilings if, but only if, the employer submits an operating or financial statement satisfying the requirements of this section.

(1) Such an operating or financial statement shall be prepared in such manner and form as the Price Administrator may by regulation or order require and shall reflect the effect of the increase on costs, or show the employer's profit position, for a representative period beginning on or after the date on which the increase was made and ending not less than six months after that date. For the purposes of this section and of Executive Order 9651, a wage or salary increase will be deemed to have been made on the date when it was first reflected in current payrolls after having been announced as effective.

(2) The Price Administrator may, before taking into consideration any unapproved wage or salary increase in determining price or rent ceilings, require preparation or submission of an operating or financial statement covering a longer period than that specified in subparagraph (1) if he finds that, because of exceptional circumstances, such a statement is necessary in order to secure an adequate basis for judging whether the increase can be absorbed.

(3) In no case may any greater weight be given an unapproved wage or salary increase in determining price or rent ceilings than is justified by an operating or financial statement submitted in accordance with the provisions of subparagraphs (1) or (2) of this section.

(4) In no case may the Price Administrator take into consideration in determining price or rent ceilings any retroactive part of an unapproved wage or salary increase—that is, any part of a wage or salary increase paid on account of work done prior to the date when the increase was made, as defined in subparagraph (1).

(5) The Price Administrator shall issue appropriate regulations or amendments to existing regulations or orders, consistent with the requirements of this section, applicable to cases in which sellers or landlords determine their own price or rent ceilings without application to the Office of Price Administration.

(b) Nothing in this section nor in Executive Order 9651 shall be construed to direct any increase in price or rent ceilings, or an increase in any particular amount, unless such increase is required under the provisions of an applicable maximum price or rent regulation or under the applicable statutory or administrative standards governing changes in price or rent ceilings. Thus, neither this section nor Executive Order 9651 shall be construed to require the adjustment of any employer's price or rent ceilings on an individual-seller or individual-rental unit basis unless adjustment on this basis is authorized by the provisions of an applicable regulation or order. Nor shall the results of operations as disclosed in the operating or financial statement provided for in this section be taken as determinative of the need for an increase in price or rent ceilings, or the amount of any needed increase, if other grounds exist which, under the standards generally applied in cases not involving unapproved wage or salary increases, would warrant different action.

Section 206. **Use of unapproved increase as basis for seeking increase in utility rates.** An employer, if a public utility or common carrier, shall not use any unapproved wage or salary increase as a basis, in whole or in part, for an application for an increase in rates, except on the basis of an operating or financial statement reflecting the effect of the increase on costs, or showing the employer's profit position, for a representative period beginning on or after the date on which the increase was made and ending not less than six months after that date. The employer shall specifically indicate, in any notice to the Price Administrator of an application for a rate increase, whether the application is based in whole or in part on an unapproved wage increase. If, in the judgment of the Price Administrator, an operating statement covering a longer period is necessary, because of exceptional circumstances, in order to secure an adequate basis for judging whether the increase can be absorbed, he is authorized in behalf of the Stabilization Administrator to make appropriate representations to the rate regulatory agency.

Section 207. **Use of unapproved increase as basis for increasing costs to the United States.** (a) No unapproved wage or salary increase shall be used as a basis for increasing costs to the United States. No federal procurement agency shall agree to terminate any contract for the purpose of negotiating a new contract which will take account of the cost of an unapproved wage or salary increase. So far as practicable, no federal procurement agency shall take any unapproved wage or salary increase into account in negotiating a fixed price contract.

(b) In determining whether an unapproved wage or salary increase would increase costs to the United States, federal procurement agencies shall be guided by the provisions of Section 204 governing the exclusion of costs of unapproved increases from price or rent ceilings.

(c) Nothing in this section shall require exclusion of an unapproved wage or salary increase as an item of cost in any renegotiation proceeding under the Renegotiation Act of 1943, as amended.

Subpart C. Approval of Wage or Salary Increases

Section 301. **Wage or salary increases which are approved without further application to wage or salary stabilization agencies.** Any wage or salary increase (including the institution of a new wage or salary rate) of a kind described in this section shall be deemed to be approved for the purposes of these regulations and may be taken into consideration in determining price or rent ceilings or in increasing costs to the United States in accordance with the provisions of Subpart D of these regulations:

(a) Any wage or salary increase lawfully made without specific approval or approved by the appropriate wage or salary stabilization agency before Aug. 18, 1945.

(b) Any individual or other wage or salary increase made in accordance with the terms and conditions of a wage or salary schedule or plan (including a bonus plan) which was lawfully in effect before Aug. 18, 1945.

(c) Any wage or salary increase made in accordance with the requirements of General Orders Nos. 6 or 38 of the National War Labor Board or Sections 1002.13-14 of Treasury Decision 5295.

(d) Any wage or salary increase satisfying the requirements of General Order No. 30 of the National War Labor Board (relating to increases up to 55 cents an hour).

Section 302. **Wage or salary increases approvable only on application to wage or salary stabilization agency.** (a) A wage or salary increase which does not fall into one of the classes listed in Section 301 may be approved only on application to, and decision by, the appropriate wage or salary stabilization agency. Such an increase shall be approved only if the appropriate wage or salary stabilization agency finds that it falls within one or more of the classes of cases described in Sections 303 to 306 and only to the extent to which it is found approvable under the terms of those sections. Upon the determination by the appropriate wage or salary stabilization agency that a wage or salary increase is approvable under the terms of the applicable section, the increase shall be deemed to be approved also by the Stabilization Administrator.

(b) The Stabilization Administrator may modify or add to the classes of cases described in this part of these regulations. As a general rule, he will consider the need for such modification or addition only upon recommendation of one or more of the designated wage or salary stabilization agencies. The Stabilization Administrator will broaden the standards for approvable increases only if he finds that such action is consistent with the overriding policy of Executive Orders 9599 and 9651 to continue the stabilization of the economy.

Section 303. **Increases falling within standards in effect prior to Aug. 18, 1945.** The appropriate wage or salary stabilization agency may approve any wage or salary increase which it finds falls within one of the standards in effect on Aug. 17, 1945, (except the standards relating to "rare and unusual" cases) under which applications for wage or salary increases were approved.

Section 304. **"Cost of Living" increases.** The appropriate wage

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or salary stabilization agency may approve a wage or salary increase which it finds, on the facts of the particular case, is necessary to correct a maladjustment which would interfere with the effective transition to a peacetime economy and is further necessary to make the percentage increase in average straight-time hourly earnings in the appropriate unit since Jan. 1, 1941 equal the percentage increase in the cost of living between January 1941 and September 1945. For the purposes of this section this percentage increase in the cost of living shall be deemed to be 33%. The National War Labor Board and the Commissioner of Internal Revenue will issue appropriate regulations or orders describing to the fullest practicable extent the standards to be applied in passing upon applications for approval under this section.

Section 305. **Increases to correct interplant inequities.** The appropriate wage or salary stabilization agency may approve a wage or salary increase which it finds on the facts of the particular case, giving due consideration to normal competitive relationships, is necessary to correct an inequity in wage rates or salaries among plants in the same industry or locality which would interfere with the effective transition to a peacetime economy. The National War Labor Board and the Commissioner of Internal Revenue will issue appropriate regulations or orders describing to the fullest practicable extent the standards to be applied in passing upon applications for approval under this section.

Section 306. **Increases necessary to insure full production in a "bottleneck" industry.** (a) The Stabilization Administrator may, by order issued under this section authorize approval of any wage or salary increases found necessary to insure full production in an industry which is essential to reconversion and in which existing wage or salary rates are inadequate to the recruitment of needed manpower.

(b) The Stabilization Administrator will take action under this section only upon recommendation of an interested Government agency and only if he finds, on the facts of the particular case, that the action would be consistent with the purpose of the stabilization laws. In no case will he take such action unless he finds, **first** that adequate production in the industry in question is of critical importance to the reconversion program and to adequate production in other essential industries; **second**, that present and anticipated production is seriously short of the needed amount; **third**, that inability to recruit manpower is a controlling factor in preventing the needed production; and, **fourth**, that the circumstances justify an inquiry to determine whether an increase in wage rates is necessary to make possible, and would be effective in making possible, the recruitment of needed manpower.

Section 307. **Special provision for cases involving costs to the United States.** The appropriate wage or salary stabilization agency may refer to the Stabilization Administrator any wage or salary increase which is not approvable under the provisions of sections 301 to 306 if the increase involves only increased costs to the United States and if, in the agency's opinion, approval of the increase would be consistent with the policy of the stabilization laws and of Executive Orders 9599 and 9651.

Section 308. **Agreements for conditional wage or salary increases.** No wage or salary stabilization agency shall consider or act upon an application for approval of any wage or salary increase which appears to be conditioned in whole or in part upon the granting of an increase in price or rent ceilings. This provision, however, shall not be a bar to consideration of an increase which is conditioned upon approval by the appropriate wage or salary stabilization agency nor of an increase which is not to be put into effect until a determination has been made by the Office of Price Administration as to whether an increase in price ceilings is required.

Subpart D Effect of Approved Wage or Salary Increases

Section 401. **Effect of approved increases in determining price or rent ceilings.** (a) In determining price or rent ceilings, the Price Administrator shall take into consideration, on the same basis as other factors affecting costs, any wage or salary increase which is approved under the provisions of these regulations. In so doing, however, the Price Administrator shall exclude from consideration any retroactive part of any such increase—that is, any part paid on account of work done prior to the date when the increase was made, as defined in Section 205 (a) (1).

(b) Nothing in these regulations shall be construed as directing any increase in price or rent ceilings which is not required under the provisions of an applicable maximum price or rent regulation or under the applicable statutory or administrative standards governing changes in price or rent ceilings.

Section 402. **Prohibition against adjustment of price or rent ceilings before approved increase has been put into effect or agreed to.** The Price Administrator shall not, in the absence of specific approval by the Stabilization Administrator, authorize any increase in price or rent ceilings or make any commitment to authorize any such increase on the basis of any increase in wages or salaries unless such wage or salary increase has been put into effect or a firm agreement exists to put it into effect.

Section 403. **Price increases to be limited to employers who have instituted wage or salary increases.** To the fullest practicable extent the Price Administrator shall provide that no employer shall be eligible for the benefits of any increase in price or rent ceilings based upon a wage or salary increase except to the extent to which he himself has put into effect such wage or salary increase.

Section 404. **Use of estimates as to effect of approved wage or salary increases on price or rent ceilings.** If in the judgment of the Price Administrator the effect of an approved wage or salary increase on costs cannot be estimated within a reasonable margin of error, he shall not authorize any price increase based thereon until he can obtain cost information based on experience during a representative period subsequent to the wage or salary increase. In other cases the Price Administrator may estimate the effect of an approved wage or salary increase on costs without requiring data showing the operating effect of the wage or salary increase. In such cases he may thereafter review and revise the action in the light of actual experience during a representative period subsequent to the increase.

Section 405. **How the Price Administrator will estimate the effect of approved wage or salary increases.** In estimating the effect on costs attributable to an approved wage or salary increase the Price Administrator shall give due consideration to: (a) other factors resulting in reductions in labor costs; (b) seasonal, non-recurring, temporary or other nonrepresentative factors; (c) any finding made by an appropriate Federal agency with respect to the effect of the wage or salary increase on costs; and (d) any other relevant evidence of the effect of the wage or salary increase on costs.

Section 406. **Effect of approved increases in determining costs to the United States.** In the case of products or services being furnished under contract with a federal procurement agency, such agency may take into consideration, on the same basis as other factors affecting costs, any wage or salary increase which is approved under the provisions of these regulations. Nothing in these regulations, however, shall be construed as authorizing or requiring any increase in costs to the United States which is not required by the applicable procurement contract.

Section 407. **Increased costs to the United States to be limited to employers who have instituted wage or salary increases.** To the fullest practicable extent federal procurement agencies shall provide that no employer shall be eligible for the benefits of any increase in payments by the United States based upon an approved wage or salary increase except to the extent to which he himself has put into effect such wage or salary increase.

JOHN C. COLLET,
Stabilization Administrator.
Dec. 5, 1945.

N. R. Schenck Dead

Nicholas R. Schenck, an officer of William Pollock & Co. and former partner in the New York Stock Exchange firm of Jenks, Gwynne & Co., died at the Midwood Hospital. Starting his career as a messenger boy, he became a clerk and later office manager for Muir & Co., holding his post until compelled to resign because of ill health. Upon recovery, he joined Jenks, Gwynne & Co., serving first as temporary auditor and then as assistant office manager; he was elected to membership in 1928. Since leaving the firm six years ago he had been associated with the Bendix Aviation Corporation, marine division. He had been with Pollock & Co. for the past year.

Col. R. P. Kuhn Is Back at First Boston

Colonel R. Parker Kuhn, Vice-President and director of The First Boston Corporation, 100

Col. R. Parker Kuhn

Broadway, New York City, has rejoined that organization in New York. Colonel Kuhn served as Chief, Finance Branch Army Exchange Service from Jan. 1, 1943.

Prescott Co. to Admit Towell and Jones

CLEVELAND, OHIO—Prescott & Co., Guardian Building, members of the New York and Cleveland Stock Exchanges, will admit Bernard A. Towell and Thomas Hoyt Jones, Jr. to partnership in the firm on Jan. 1. Mr. Jones has been with the firm for some time and in the past conducted his own investment business in Cleveland.

Hayden, Stone & Co. Will Admit Edwin Hodder Jan. 1

Hayden, Stone & Co., members of the New York Stock Exchange will admit Edwin J. Hodder to partnership on Jan. 1. Mr. Hodder will make his headquarters at the firm's Boston office, 85 Water Street.

Kobbe, Gearhart & Co. To Underwrite Two Unregistered Issues

Kobbe, Gearhart & Co., Inc., are about to place on the market two security issues which are exempted from regular registration with the SEC, but which must be listed with the SEC in accordance with Regulation A of the Securities Act of 1933 as amended May 22, 1945.

The first of the issues is for Kut Kwick Tool Corp., incorporated in Delaware, and consists of 60,000 shares of 6% cumulative convertible preferred stock (par $5). The stock is to be offered on or about Dec. 18 in units of one share of preferred and two shares of common (par value 1c) at a price of $5 per unit. The preferred stock will be convertible into 2½ shares of common stock.

The other issue is for the Wilcox-Gay Corp. and will consist of $300,000 convertible 5% debentures, due in 20 years. The offering, which will be at par, is expected the last week of this month. The debentures will be convertible into 200 shares of common stock. Wilcox-Gay Corp., a Michigan corporation, manufactures radios, recordios and records.

Three Again With Bendix, Luitweiler

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members New York Stock Exchange, announce that Willem Van Marle, Captain, Royal Netherlands Army, and Woodley B. Gosling, United States Navy, have resumed their status as general partners of the firm. Eric Goldsmith, United States Army, has again become associated with Bendix, Luitweiler & Co. and has been appointed Manager of their branch office at 730 Fifth Ave.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

NEW ISSUES

Hammermill Paper Company

$5,000,000

Twenty Year 3% Sinking Fund Debentures

Due December 1, 1965

Price 102½%

Plus accrued interest from December 1, 1945

15,000 Shares

4¼% Cumulative Preferred Stock

Par Value $100 per Share

Price $103 per Share

The Prospectus may be obtained from the undersigned

A. G. Becker & Co.
Incorporated

December 12, 1945

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Pressure for Price Decontrols

(Continued from page 2881)

our action is to be really effective we have to think and talk frankly and we have to be ready to face some unpleasant facts.

Inflation Danger

During the war we had to deal with the danger of inflation as an impersonal economic phenomenon. The Government was taking half of our production for war and the resulting scarcity of goods in relation to available purchasing power was creating a terrific pressure on prices.

There was a grave question in many minds whether the inflationary situation, created not by anybody's will but as a result of the war emergency, could be controlled. Never before in our history had we successfully prevented wartime inflation. But this time we pitched in together and did it. Notwithstanding that the war expenditures in this conflict were 10 times the scale of World War I, we demonstrated that as a nation we possessed the means and the know-how to keep under lock and key the greatest inflationary pressures that this country has ever seen.

What is the situation today? The inflationary forces have not subsided and they are unlikely to subside for many months to come. We know we can continue to control those forces. The only question is, have we the courage and above all the will to do so.

But here is our greatest danger — the will to control inflation seems to have disappeared from some business groups. During the war, when the physical survival of the nation was at stake, all business groups, and in fact all economic groups in the nation, loyally supported price control. Today, however, we find some business leaders who are demanding the crippling or elimination of price or rent control. They seem to feel that since the actual fighting has ceased there is no more need of restraint and self-discipline. Although most businessmen are sincerely convinced of the need for continued controls until danger to the whole economy is over, there is a powerful minority that seems determined to make a killing on uncontrolled rising prices and rents. And they have rationalized their position by telling everybody that what seems good for them simply must be good for the country.

I am confident that is not what most businessmen think. Hundreds of businessmen have urged us privately to stand firm. They have told us that they are with us, and that we must not be misled by the voice of the minority. But the American people can only believe what they hear. And they hear only from the vocal minority.

The Propaganda for Increased Prices

It is this vocal minority which has spread the propaganda that the way to solve the reconversion problem is to increase prices and increase profits. Profits, they tell us, are the mainspring of our economy . . . therefore, profits can never be too high for the economy's good—even in the face of inflationary pressures which threaten to overwhelm us.

Again and again they have told us "take the lid off prices—or we can't produce." In the housing field, where prices are already dangerously high, they have called for the elimination of price controls on building materials and they oppose any proposal to hold the price of finished houses within the reach of the two million married veterans who are coming back from the war with no place to lay their heads.

Others are letting it be whispered that they are holding their goods for a while — that price controls will go soon and that prices will be higher. A crop of identical rumors recently broke out in a few department stores that went like this . . . "better buy now, lady," the clerk said, "prices are going up."

These people are betting on inflation. Their dangerous activities have given rise to a flood of contracts with escalator clauses and with prices and deliveries stipulated on a when-as-and-if basis. Their activities have also given rise to a crop of predictions in the tip-sheets and even in the business press that inflation will be here soon. Their activities also unquestionably play a part in explaining the spurting stock market in Wall Street where some stocks have even reached 1929 highs.

Some of these people are counting on the prospect that OPA will yield under this kind of pressure. I can clear up that point right now, OPA has no intention of yielding.

Real Estate and Stock Market Inflation

Since the hold-the-line order was issued in April, 1943, the level of prices has been held under control except in two major areas . . . finished houses and the stock market. Only in these two cases may it be said that inflation is under way. In every other field, the American people — working with their government— have done a job which the skeptics said couldn't be done.

I am confident that as a result of the courageous legislation recently introduced by Representative Wright Patman, ceilings may soon be established on the price of completed houses so that in this field also, the American people can prevent the blind forces of inflation from turning the American dream home into a nightmare.

But the danger is far from past. It is hard to believe that responsible leaders of business would knowingly light a fuse to the explosive economic mixture around us. Most of those who oppose continued price controls undoubtedly are sincerely persuaded that the danger of inflation is now definitely past and that the time has come to return to the conditions of a free market.

It is all too clear, however, that this is not true. Commodities all across the board—with rare exceptions — are pressing hard against OPA price ceilings. In a few cases, where we have counted on supply and demand factors being more or less in balance, we experimented with the suspension of ceilings. The response of prices in most instances was terrific.

The plain fact of the matter is that the inflationary danger today cannot be appraised solely by rational calculations of supply and demand—great though the purely economic pressures may be. What we are up against is a far more dangerous menace—the apparent will for inflation on the part of some minor but powerful groups.

Combating "Explosive Forces"

Most of them do not, of course, appreciate fully the explosive forces with which they are toying. They feel, very likely in full sincerity, that the inflation that would result from their action would be relatively minor—even healthy. But that's the same old "didn't know it was loaded" theory with which disasters have been explained in the past.

Let's make no mistake about it. Unless we can win the fight against what might properly be called this "pressure group urge to inflation"—and we have to win it in the next few weeks, in the next few months—we shall condemn America—all America, consumers, agriculture, labor, and business—to a brief period of false boom followed by a shattering smash-up that will shake our economy to its foundations.

Statisticians may dispute as to the exact length of the boom—whether it will last into 1947 or end in 1946. People argued that way in the twenties as to the length of the bull market. But everybody knows that if we go through an inflationary boom, we shall suffer a deflationary crash whose consequence nobody can foretell.

We still have time to think and contemplate the possibilities. Price levels under OPA controls are still holding steady. Wholesale prices are still less than 2% above the levels of two and one-half years ago. Only in the uncontrolled real estate and stock market areas is inflation actually under way.

Let us stop then and consider what a broad inflationary advance would mean for the various economic groups in the economy. What would it mean to the veteran? To labor? To the farmer? To the small and independent businessmen? And even to big business?

Nobody escaped the consequences of the crash of 1920 or the crash of 1929. That is why today, while reckless groups are optimistically talking up inflation, our farmers, our workers, and the great majority of our businessmen are swept by a sense of foreboding.

You don't see the veterans welcoming the Wall Street talk of inflation. You don't see labor or the consumers asking for the lifting of price and rent controls. You don't see the farmers cheering the bull market, and you don't see the great majority of businessmen doing any cheering either.

I think the people of this country are entitled to have their present fears set at rest. I think they are entitled to have the specter of willful inflation banished from our midst once and for all. The way to do it, it seems to me, is for the country to agree firmly courageously, and beyond question or doubt upon its determination to see the job through. Then and only then will the speculative inflationeers and those sincere but misguided advocates of a free market under present inflationary conditions, be kept from selling price control short.

We need, I believe, to do three things—first, as I testified to the House Banking and Currency Committee this morning, we need to establish controls over the prices of completed houses to put an end to the all-too-obvious inflation already under way in this field.

Second, we need to maintain firm price controls on all commodities. and ceilings on all rentals until the danger of inflation in each commodity field and each rental area is over. In determining the time at which controls should be removed, there are no magic dates. It depends entirely upon the speed with which supply comes into balance with demand.

Third, we should remove controls as promptly as possible, in one commodity field and rental area after another as soon as it is safe to do so.

A firm decision to control prices and rents is an indispensable preliminary to any satisfactory transition from war to peace. Without it we can kiss goodbye the brave new post-war world of security and prosperity, full employment and opportunity which we promised to build once the Nazi threat to our civilization was removed.

I would be the last to claim that price control in and by itself would be sufficient to call that brave new world into existence. That world must be built by the hard work and cooperative thinking and planning of all groups in the community—business, labor, agriculture, and government.

Puts National Interest Ahead

There has been a lot of talk of cooperation. Some of it has sounded hollow because it has come from people intent on advancing their own private interests, regardless of the general welfare. Cooperation under such conditions becomes an empty farce. The only time cooperation between groups becomes fruitful is when each group makes an honest effort to put the national interest ahead of its particular private interests.

That is why I like your businessman's platform. It not only urges all business to take the stand that what is good for the country is good for business, but it is an invitation to labor and to other groups to approach their problems from the same point of view.

To be sure, each group is not expected to neglect its own special state in the total national picture. We don't expect business to put forward a program which leaves out business enterprise and business profits, and we don't expect labor to put forward a program which leaves out the protection of good wages and steady jobs. But the particular planks which the various groups put forward for themselves, must fit into an honest program calculated to advance the welfare of all groups.

That is exactly the kind of program you have put forward. You are back of the Full Employment Bill. You are back of the Bill to set a 65 cents an hour floor under wages. You are for liberalized unemployment compensation. You oppose the weakening of collective bargaining. You are for a permanent FEPC, so that no man —whatever his race, color or creed—is denied the benefits of American opportunity.

You are for a program to protect the farmer — to protect his prices and protect his income. You support the broadening and deepening of the Social Security Program to cover every one in the entire working population, and to raise benefits to a level of decency. You are for a medical care and health insurance program to bring the blessings of medical science into every home.

You are for the development of our natural resources, the application of the TVA idea to the Missouri River, to the Columbia River, and to the other river valleys. You are for all these good things and many others—last but not least of which is world cooperation and world trade.

This is a program in the national interest. This is a program for all the people. This is a program behind which men of good will everywhere may rally.

Your program shows us the way at home. But more than that it shows us the way to international peace as well.

Insecurity at Home

In recent months the eyes of the world have been focussed with a new anxiety of international problems, seeking to find an escape from war in the atomic age. Thinking men recognize that if mankind is to escape destruction, the nations of the world must build a new international society, a society built not upon greed and selfishness and irresponsible power, but one in which there is freedom and abundance and security for all. But thinking men recognize that we cannot have these things abroad if we do not have them at home. We cannot have security, freedom, opportunity and abundance abroad while we have insecurity, fear and economic disorder at home. We cannot have peace with other nations while we wage undisguised economic war at home.

The hopes of the world rest on us to provide leadership in the present crisis. Ours are unparalleled resources and productive power. Ours is the tradition of freedom—freedom not for the few but for all. If free men here in America should fail, where can free men anywhere succeed?

The world is looking to us to build a society in which there are jobs and opportunity for all who seek them, a society whose abundance is not denied to anyone whatever his race, color, creed or economic status. It is only a society dedicated internally to the principle of live and help live that can take the lead in establishing the same principle of live and help live in international affairs.

Gentlemen, ours is a great and urgent responsibility. Time is running short. At home and abroad the forces of misunderstanding, of ignorant greed, of fear and conflict are mounting swiftly. These forces must be checked and reversed before it is too late.

The nation needs men of unselfishness, and of vision. The nation needs crusaders.

That is why I salute your organization. More power to all of you.

Addresses NAM Convention

On December 6, the day following the above address, Mr. Bowles spoke before the Convention of the National Association of Manufacturers in New York City. In this address Mr. Bowles said:

Here in this meeting of the NAM I am face to face with a group whose leaders have gone on record during the last 18 months in vigorous opposition to what we have done and to what we are now doing.

Only the leaders of the National Retail Dry Goods Association and the leaders of the Association of Real Estate Boards have equalled the vigor with which the National Association of Manufacturers heads are opposing the stabilization control programs through which inflation thus far has been kept in check.

I must point out that this opposition to effective price control is a departure from the original NAM stand when war-time price controls were first proposed.

In 1941, when price and rent control legislation was under discussion, the stand of the NAM was clear cut. Mr. Noel Sargent, who was then your secretary, testified before a Congressional Committee that firm controls on prices were an absolute essential to meet the inflationary circumstances created by war. In many respects his recommendations went beyond the actual program which your Government has put into effect.

I am told that Mr. Sargent's testimony was a major factor in securing the passage of the original Price Control Act.

But more recently your position has changed. To some degree in 1943, and increasingly in 1944 and 1945, you have swung into sharp opposition to effective price control.

Obviously, today we are in disagreement. Obviously, we cannot both be right. One of us must be wrong.

Let me emphasize my own feeling of deep humility with which I approach the problems which confront us. I have been wrong on occasion in the past and like most human beings I shall probably be wrong on occasion in the future. I do not want to appear dogmatic or, above all, I do not want to create the impression that I think I have all the answers.

In that spirit I should like to analyze the stand of your Association on this question of price and rent control. At the outset I believe it is a proper question to ask what would have happened if the Nation had followed the

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advice of the NAM leaders in 1944 and 1945.

Before Congress 18 months ago and again last spring NAM officials advocated amendments to the Act which in my opinion would have made effective price control absolutely impossible.

The Cost of Inflation

But for the sake of clarifying the point, let's accept the view of those who claimed that these changes would have increased prices only 10% each year. Even though we accept this viewpoint, the result would have been a $30 billion increase in the cost of fighting the war—a sum only $2 billion less than the cost of the entire World War I. At the same time Mr. and Mrs. Longsuffering American consumer would have found $36 billion added to their cost of living. In other words, even relying on the most optimistic estimates put forward by the proponents of the NAM sponsored amendments, the Nation has already saved 66 billion dollars by not taking your leaders' advice.

But those figures are, in my opinion, only a portion of what your official proposal would have actually cost our Nation.

Those of us who have been entrusted with the task of wartime price control have long recognized the fact that controlled inflation is an idle dream. One man's price may be the cost of a thousand other firms.

There is no organization big enough or smart enough or efficient enough to handle the vast deluge of price adjustments which would result from any such concept. There could be only one result and that is higher and still higher prices, each feeding on itself with the beginning of an inflationary spiral which would soon be out of control.

As I analyze the NAM's position on price control, it seems clear that the opposition of your leaders stems from a conviction that these controls tend to hold down production. Certainly there was no indication of this during the war years. This is perfectly clear from the record.

Both industrial and farm production during the years of effective price control have risen to record levels. They have gone far beyond even our most ardent hopes. American management and American labor in their all-out war effort have hurried the day of victory and have amazed our enemies as well as our allies.

Inflationay Pressures at Record Levels

Today it is generally recognized that inflationary pressures are at record levels. Liquid assets are at an all-time high. Savings have increased from pre-war levels by 145 billions of dollars. Currency in circulation is almost five times as great as before the war.

The stock market has been booming merrily upward. As in 1929 taxi drivers, barbers, and elevator boys are providing inside information on just what selections are apt to rise the fastest. The dope sheets coming from Wall Street anticipate higher and still higher prices. The real estate market is starting to skyrocket.

What, under such circumstances, would happen to prices if the Nation now accepted the advice which Mr. Robert R. Wason, Chairman of the NAM Reconversion Council, and Mr. John Airey, Chairman of the NAM War Controls Termination Committee, offered to Congress on Nov. 7? This NAM recommendation called for the elimination of all price controls by the 15th day of February. What, for instance, would happen to food prices?

Those of you who are in the candy business know that cocoanut, which OPA decontrolled some 30 days ago, has quadrupled in price. Many grades of furs, from which price controls were removed during the fall months, have more than doubled. Your wife will tell you that some grades of oranges, lemons, and grapefruit moved up 50 to 100% in the first few days following the action of OPA in removing the price restrictions.

If this occurred on food products which seemed to be in adequate supply, what would happen to meat, vegetables, milk, cereals, and all the other dozens of food products which are in more scarce supply?

If the Nation accepted the advice of your leaders to drop price control, 60 days from now, what would happen to clothing prices? Right now the apparel situation is tighter than it has been since the beginning of the war.

Our veterans in search of their first outfit of "civvies" are forced to walk from store to store and even then often fail to secure the clothing to fit their needs. All authorities agree that this shortage is likely to continue for a great many months to come.

If we accepted your official recommendation of the early removal of all price control, what would the public be asked to pay for automobiles, refrigerators, washing machines and vacuum cleaners? Some say that competition would take care of all that. I can only say that this expectance is not in line with the facts.

The original requests of OPA by reconverting manufacturers were for price increases ranging from 25% to 55%. On October 26 and 27 orders were taken for 300,000 Ford cars, one-third of the entire 1941 production — with no questions asked on prices or trade-ins.

If the Nation accepted the official NAM recommendation, what would happen to the price of building materials? During the period of the first World War, the cost of lumber, soil pipe, brick, and other essential building materials tripled. Today the housing shortage is infinitely greater. Under the best of circumstances I am told that only 500,000 homes can be built in 1946.

This will be meagre relief to the 3,401,000 families, a major portion of them young married veterans, who will be forced to live with relatives, or otherwise double up during the coming year. If we removed price controls, is there any limit to the heights to which building materials would move in 1946? Certainly not, judging from what occurred 25 years ago.

If we accepted the official advice of the NAM what would happen to rents? We could not remove price controls without removing rent controls. We know that in the period of the last war 90% of the entire increase in rents occurred not during the war itself but after the armistice. In view of the critical housing shortage, could we expect any greater restraint on the part of our landlords today?

Finally, if we accepted the advice of your leaders what would happen to wages? Today most of you gentlemen feel that the demands of the labor groups are excessive. If controls were ripped off, as you propose, if rents were allowed to shoot upward, if food and apparel prices were allowed to boom, labor would very properly intensify its demands for higher and still higher pay checks.

Race Between Prices and Wages

History has proven that in a race between prices and wages, prices invariably go up faster. Under such circumstances, however, our workers would have but one defense, and that would be to get what they could as fast as they could get it in the hope of keeping their incomes within speaking distance of the rising cost of living.

Organized labor could at least make an effort to keep its earnings in line with increasing living costs. But how about the millions of workers, farmers, and people living on fixed incomes who have no strong unions to protect them? What would happen to them as prices and rents shot upwards?

Finally, how about the businessmen if the Nation accepted the official advice of the NAM? Prices that skyrocket invariably collapse. How would our business men, particularly our small businessmen, fare as inventories were thrown on the market for any price they would bring and as the inevitable drop in purchasing power dried up their sales?

We had 106,000 bankruptcies following the collapse after the inflationary rise in 1919 and 1920. If we ripped off our inflation controls today, could we expect anything less in 1947?

Your leaders say they fear inflation as much as I do. They agree with me that **production, production,** and **still more production** is the only final cure for the inflationary danger.

But it is their claim that price control interferes with production, and that if price controls were removed the whole situation would take care of itself. The record has proven them emphatically wrong in the past. The record indicates that their claim is equally wrong today.

Last week the President's report stated reconversion has been achieved at record speed. Manufacturers of automobiles, washing machines, electric refrigerators, and other reconversion products, reporting to the Civilian Production Administration estimated their volume of sales by June, 1946 at from 75% to 300% above 1939 levels—**all under OPA price controls.**

Retail sales today, again under the very price controls which your leaders claim make all-out production impossible, are breaking every record.

Admittedly, price control has never been painless. Admittedly, it can never be painless. Obviously, there have been some delays, some fumbling, some outright mistakes. Every day we are moving to correct these mistakes and to eliminate hardship to the fullest extent of our ability.

Business is restless. Business has had its fill of wartime regimentation and red tape. Very properly, business is anxious to get back to a free economy with Government interference reduced to a minimum.

Believe me, there is no one in America as anxious to get rid of price controls as I. I cordially dislike the job I have. I would like nothing better than to drop it tomorrow.

Price control should and must be removed as rapidly as supply conditions permit. Barring continued labor-management difficulties, the production estimates for 1946 indicate that in industry after industry during the next 12 months, we will find supply and demand coming into balance. As that occurs, I assure you that your Government will move promptly to eliminate the last vestige of price restrictions in those industries. But to remove them before competitive conditions are again established is to invite inflationary chaos.

Gentlemen, the recommendation of your leaders for the removal of price control in 60 days is reckless in the extreme. Just how high prices would go I do not know. But at the best, it is a risky, reckless gambling policy which in all likelihood would produce a national disaster.

The everyday people of America are looking forward eagerly to good jobs, **steady** jobs at higher wages—to a high sustained level of farm income—to good profits for our businessmen—to the development of a land of peace and abundance where every man may raise his family in an atmosphere of economic security and with steadily increasing standard of living.

Today the entire country, with very few exceptions, believes that our capitalistic free enterprise system continues to be our best hope of achieving this future. But we must face the fact that this deep seated confidence and belief in our free enterprise system is largely confined to America. In practically every European country capitalism has ceased to be even a source of controversy. In country after country we find the

(Continued on page 2906)

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NEW ISSUE

December 12, 1945

256,500 Shares*

Bates Manufacturing Company

Common Stock

$10 Par Value

*These shares are being first offered by the Company to existing stockholders for subscription at the price of $22.75 per share and the unsubscribed shares will be purchased and are being offered by the several Underwriters.

Public offering price $25 per share

Copies of the Prospectus may be obtained from such of the several Underwriters, including the undersigned, as are registered dealers in securities in this State.

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Stone & Webster and Blodget (Incorporated) — Union Securities Corporation

Baker, Weeks & Harden — Central Republic Company (Incorporated)

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Hornblower & Weeks — R. W. Pressprich & Co.

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Canadian Securities

By BRUCE WILLIAMS

Nothing deters the average investor in Canadian securities from the belief that one day, rather sooner than later, the Canadian dollar will return to parity with the U. S. dollar. The growing strength of the Canadian economy supports this view and official statements to the contrary are blithely ignored. Whenever the prospects for the implementation of the Bretton Woods currency plan appear bright there is a fresh wave of buying of Canadian internal securities.

The long term investment buying of Dominion of Canada internal bonds with their relatively attractive return, does not constitute in itself a weak technical factor. On the other hand the speculative purchasers of these securities, whose interest is based principally on the expectation of a 10% rise in the value of the Canadian dollar, are likely to prove an unsettling influence if at any time there is a change in the popular sentiment.

In the event of any reversal of the current one-way trend the situation would be aggravated by the narrowness of the Canadian "free" exchange market. Many recent buyers might be impressed by the ease in which large amounts are readily supplied. This is the case only when the rate is at the official selling point. Then purchases can be made directly at the official rate or as official dollars are fed into the free market.

When, however, the rate breaks away from this level, entirely new conditions are encountered. If there is still some demand for Canadian internal securities there will be support forthcoming at various levels and the fluctuations will be restricted. What happens when this support is absent and in its place there is a disposition to liquidate Canadian internals?

The natural demand in the free market, should there be for any reason a halt or a reversal in the movement of capital towards Canada, is then practically limited to comparatively small remittance business and the tourist traffic requirements. Securities that have been registered with the Foreign Exchange Control Board can be sold in the Canadian internal market, but apart from interest and dividends, which can be sold at the official rate, the resultant exchange has to be sold in the narrow free market. Unregistered securities held outside the Dominion cannot take advantage of the market in Canada.

There exists, no doubt, some degree of wishful thinking that, should any pronounced weakness develop in the "free" currency market, the Foreign Exchange Control Board might intervene to control the extent of any movement. Actually there is no obligation whatsoever on the part of the Canadian authorities to take any action of this kind.

As far as Canada is concerned the obligation is in the form of Canadian dollars (apart from the privilege of conversion of interest and dividends at the official rate) and conversely a purchaser of Canadian internal securities automatically acquires a foreign exchange position in Canadian dollars, which can be liquidated if necessary only in the narrow "free" market in this country. This is not to suggest that the current trend in favor of the purchase of Canadian internals is likely to be reversed in the near future, but in view of the one-way nature of the movement over a long period it is opportune to examine the situation from an opposing angle.

Turning to the market for the past week the high-grade section, was again extremely buoyant and Nationals and high grade Provincials registered all-time highs. Saskatchewans continued strong and fairly active, and the new Albertas scored fresh gains.

The greatest interest, however, was again concentrated in the internal section. There was increased demand for Dominion internal bonds based not only on "parity" rumors, but also on anticipation of a possible reduction in Canadian interest rates. C.P.R. Common met with strong demand on belated recognition of the merits of this situation.

With regard to future prospects there is little likelihood of an early interruption of the present strong trend; demand still continues far in excess of supply especially in the case of high-grade externals.

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R. I. C. Picard Sec'y of Royal Bank

R. I. C. Picard has been appointed secretary of The Royal Bank of Canada, according to announcement by the bank. He has recently returned from service in the Air Force, from which he was retired with the rank of squadron leader. For ten years prior to entering the Army, Mr. Picard was connected with various departments of the bank.

Oscar Haave Opens

CHICAGO, ILL.—Oscar C. Haave has opened offices at 4941 West Barry Avenues to engage in a securities business.

Canadian Securities

In matters relating to Canadian Government, Municipal and Corporation investments, the facilities of our organization in New York, Canada and London, England, are available.

Bond offerings furnished upon request.

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CANADIAN SECURITIES

Government • Provincial • Municipal • Corporate

Sioux City Gas & El. Securities Offered

Undewriting syndicates which on Dec. 10 received the award of three separate issues of securities of the Sioux City Gas & Electric Co. in competitive bidding, reoffered them Dec. 12 to the public.

The securities consist of $8,000,000 of 2¾% first mortgage and collateral trust bonds, 2¾% series, due in 1975, 153,006 shares of common stock (par $12.50) and 38,000 shares of 3.90% cumulative preferred stock ($100 par). Offering of both stock issues in subject to prior rights of stockholders to subscribe for or exchange stock.

The bonds are offered at 100.625 by a syndicate headed by Halsey, Stuart & Co., Inc. Proceeds will be used to redeem $9,000,000 first mortgage 4% bonds due in 1966 at 103½. The bonds, maturing in 1975, will be redeemable at 103.63 to par. A sinking fund is to retire at least $2,300,000 before maturity.

The preferred stock is offered at $102 per share by underwriters headed by The First Boston Corp. Proceeds will be applied to redemption of the first mortgage 4s of 1966 and also, at $110 a share, old preferred stock not exchanged for new shares.

The common stock is offered at $28.875 a share by underwriters headed by Bear, Stearns & Co. Of the 153,006 shares in the underwriting, 118,938 represent a new offering and 34,069 represent holdings of a subsidiary, the Iowa Public Service Co., being disposed of to pay for capital improvements.

Holders of the $25 par common stock of record Dec. 10 may subscribe to the new $12.50 par value common, share for share, at $27.78 each. This privilege will expire on Dec. 24.

Goodbody & Co. to Admit Three Partners

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, will admit William H. Swartz to general partnership and Winifred C. McKeever and Grace B. Miller to limited partnership in the firm effective Jan. 1. James A. Hetherington II, member of the Exchange, and a limited partner in the firm will become a general partner on the same date.

Brunner Mfg. Common Offered at $7.75

Public offering of 100,000 shares of Brunner Manufacturing Co. common stock (par $1) was made Dec. 12 at $7.75 per share, by Mohawk Valley Investing Co., Inc., Utica, N. Y., George R. Cooley & Co., Inc., and Cohu & Torrey.

The offering comprises 15,004 shares representing the balance of the company's authorized but unissued common stock and 84,996 shares to be sold for the account of stockholders. Proceeds accruing to the company will be used for working capital.

Brunner Manufacturing Co., Inc. makes commercial refrigeration condensing units and air compressors at its plant in Utica, N. Y.

Sumner Whitney to Be Piper Jaffray Partner

MINNEAPOLIS, MINN.—Piper, Jaffray & Hopwood, 115 South Seventh Street, members of the New York Stock Exchange and other leading Exchanges, will admit Sumner E. Whitney to partnership in the firm on Jan. 1. Mr. Whitney has been associated with the firm for some time.

Pressure for Price Decontrols: Bowles

(Continued from page 2905)

left wingers advocating communism while the right wingers advocate various forms of a socialistic State.

I have great faith in our ability to make our free enterprise system work here in America. But would this system, in spite of its great achievements, and its deep-seated roots in the traditions and thinking of our country, survive the bitter disillusionment which would surely develop if the inflationary forces are allowed to take hold? Frankly, gentlemen, I am very skeptical.

Let's make no mistake about it. The everyday people in this country are wholeheartedly behind this program of inflation control. Our farmers are behind it. Our workers are behind it. The consuming public is behind it. And tens of thousands of businessmen, large and small, many of them members of the NAM, are also behind it.

The urge to strip off price controls now (or, let us say on February 15), and to let the devil take the hindmost, comes with relatively few exceptions from business and business association leaders. As I have pointed out, the leaders of the NAM have been among the most outspoken.

The dizzy inflation which could so readily develop in the absence of OPA controls on prices and rents would, I repeat, **not be accepted lying down by the great masses of our people.** It is for this reason that I firmly believe that the stand which your leaders have taken represents a most dangerous threat to the future health and success of our entire free enterprise system.

Gentlemen, I might have come to you today and made a pleasant easy speech about the inflationary dangers and our efforts to combat them. But such a speech would have failed dismally to meet the basic issue.

These are critical times and I believe we are all entitled to frank statements and blunt opinions. Your leaders are on record in favor of a course of action which I believe to be utterly foolhardy and dangerous. I would have failed to meet my public responsibilities if I did not state to you my own sharp disagreement with them.

Let me emphasize that I accept the great sincerity and patriotism with which Mr. Mosher, and other leaders of your organization have stated their views. I hope you will accept with equal readiness the sincerity with which I have tried to state the facts as I see them.

Let me take this occasion to ask your organization to reexamine its position. You supported price control in 1941. If you will but look at the facts of the present inflationary situation, it seems to me you must support price control now.

In spite of whatever disagreement there may be between some of us, let us never forget that we are all working wholeheartedly and humbly for the same goal—a country of peace, abundance, and prosperity — for all of our people of all races, of all groups—whoever they may be, wherever they may live.

Capt. Glenn Milburn Rejoins Small-Milburn

WICHITA, KANS. — Captain Glenn L. Milburn, who has been on military leave of absence from the Small-Milburn Company, Wheeler-Kelly-Hagny Building, for the past 37 months, has been relieved from active duty with the Army and has resumed his position as Vice-President of the company.

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Holland's Financial Position

(Continued from page 2886)

an account, but it is known that the total floating debt of the Treasury on Aug. 30, 1945, was 7,126.5 million florins ($2,850 million) against 5,975.8 million florins ($2,390 million) on May 7, 1945. The Treasury in adopting this policy of selling Treasury bills had two aims: to clear the balance sheet of the Netherlands Bank and to diminish the money-abundance as preparation for the money-Purification.

A New Currency

A second step was the cancelling as legal tender of the notes of 100 florins on July 9. It was impossible to purify the total money-circulation as new printed money was lacking. The Netherlands Government in London had prepared a new circulation, but part of this was already used in the Southern provinces, freed in the autumn of 1944, and this new money in small denominations (10 to 25 florins) was mixed with the old paper money in the Northern provinces after the liberation. So after May 7 a total new circulation had been printed; only the 100 florin notes could be blocked. The amount outstanding was 1,750 million florins ($700 million), of which about 1,343 million florins ($537 million) was delivered and blocked. This blocked deposit could only be used for payment of taxes. By these measures the money circulation had already diminished by 1.9 billion florins ($760 million) as indicated below:

Total Money in Circulation
(billions of guilders)

	May, 1945	Aug. 30, 1945
Banknotes	5.5	2.6
Currency—notes, coins	0.5	0.5
Deposits (Postal Accounts)	1	1.3
Dep. with banks	24.1	24.8
Total	†11.1	‡9.2

[2] Estimated. †$4.4 billion. ‡$3.68 billion.

On Sept. 26 all money in circulation except the coins ceased to be legal tender. It would carry us too far to describe the money-purification. This is a technical achievement; apart from some nuisances, the procedure was finished without a hitch.

The total money in circulation at the moment is about 750 million florins ($300 million) of bank notes, and coins, estimated at 60-90 million florins.

The amount of account money is unknown. Part of the blocked deposits were freed with a maximum of 10,000 florins ($4,000) per person. Account money cannot be transferred into cash. Before the war the deposits in banks were estimated at 1 billion florins ($400 million); the exact figures of only the five large banks were known: 674 million florins ($262 million) in April, 1940, and 2,450 million florins ($612 million) in July, 1945.

Since July there has been a steady flow of money to the banks. The public followed the hint of the Minister of Finance to deposit as much money as possible with the banks in order to facilitate the money purge. This new bank-money was matched by the Treasury by selling Treasury bills to the banks, thus enabling the latter to give a small interest on deposits.

By this policy the Treasury has gathered a deposit of 2.3 billion florins ($920 million) with the bank. On May 7 the Treasury had no deposit but had 788 million florins ($315 million) Treasury bills discounted to the bank.

The Dutch Debts

Including the floating debt of corporations and other public authorities, the floating debt on Aug. 30, 1945, was 9½ billion florins ($3.8 billion). The total national debt on this date was:

	Billions of Guilders	Dollars
Floating debt	9.5	3.80
Consolidated debt	5.8	2.32
"Foreign bills" of the Netherlands Bank (Jerry paper guartd. by the Netherlds. Govt.)	4.4	1.76
Inscribed Reconstr. indebtedness	3	1.20
[3]Foreign loans	0.6	0.24
	23.3	9.32

[3] Represents $100 million 1½% ChaseNat'l Bank loan; cash, $40 million 2½% Bank of Canada loan; 500 Belgian francs Banque Nat. de Belgique loan; 50 million Swiss francs loan from Swiss banks; 125 million Swed. kroner Riksbank loan; £12½ million 1% Exchequer loan; 200 million Fr. frs. 2% French Treasury loan. Negotiations are pending with Argentina for a loan of 400 million pesos; with Denmark for 30 million kr.; with Spain for 60 million pes.; with Switzerland for 50 million Swiss frs. A new loan of $50 million of the Import-Export Bank has recently been arranged.

The "Foreign Bills" in the above statement need some explanation. They consist of German Treasury bills, bills of the Golddiskomtbank and other German paper, being the investment of the large sums in marks which remained due to us from Germany. The State has guaranteed this investment of the Netherlands Bank; it is the cover for the note circulation. It is clear that it is necessary to eliminate this doubtful item of the assets of the bank. Perhaps for this reason the Treasury has formed a deposit of 2.4 billion florins as a counter-balance. In every case this deposit is an asset of the Treasury against the national debt.

In order to diminish the National deadweight-debt, the Minister of Finance plans a betterment tax with high tariffs. The E.P.T. in England wiped out the excess money-income during the war. In the same way the betterment tax must wipe out all increase of money-wealth during the Occupation. A betterment tax of 60%, even higher, may yield 5 billion florins ($2 billion). Next comes a general capital-levy of—as is guessed—10%, yielding 2½ billion florins ($1 billion). These measures, along with the 2.3 billion florins now in the Treasury's account, may serve to diminish the present national debt of 23.3 billion florins to 12½ billions ($5 billion). Before the war the debt was 3½ billion florins ($1.4 billion).

The interest rate on the consolidated debt is 2 ½to 4%; the total burden of the national debt, consisting of 5.3 billion florins consolidated debt at an average interest of 3½% and 7.2 billion florins floating debt at a rate of 2%, will require 329.5 million florins ($132 million) a year without redemption charges. Before the war the normal income of the Treasury out of taxes was 600 million florins ($240 million).

The Dutch National Income

To answer the question if this burden might be too high, it is necessary to know what will be the national income in the future. Before the war it was 5½ billion florins ($2.2 billion). The Bureau of Statistics estimated the national income on May 1, 1945 at 7 billion florins ($2.8 billion), but this is in "inflated" guilders. At the moment the real national output may be not more than half of this amount. But we may hope and expect that this will soon recover.

There is still another question of great significance for the burden of the deadweight national debt: What will be the price level in the coming years? The Government has devalued the guilder against the dollar and sterling at about 40%. The price level in May, 1945 was about 25% above the pre-war level. Since then it has advanced to about 40% above same. As in the U. S. A., England or Switzerland, the price index is about 150% of that of 1939, we may expect that an adaptation will occur in the long run and the ultimate price level can rise to the double of pre-war. Then the burden of the national debt may be bearable.

It is clear that much depends on the recovery and the tempo of it. The circumstances do not seem unfavorable; during the war our foreign investments in the N.E.I. and Europe were lost, but those in U. S. A. remained intact. Our balances in U. S. A. dollars are $1,619 million, our holding of American bonds and shares are estimated at more than $1 billion. We have a fund in these items for financing our national reconstruction. We are a people of traders and shippers. Before the war our air transport and our share in international air transport was considerable. Our ports of Rotterdam and Amsterdam are the largest of continental Europe and the gateways for Central and East-Europe. We may take part in a growing world traffic if the large powers follow a liberal policy. Then the foundation may be laid for a sound recovery. The fact that—as rumors have it — American interests are buying on the exchanges of Frankfurt and Stuttgart many Dutch shares, such as Algemeene Kunstzyde Unie, may indicate also that on the American side there is confidence in the restoration of our welfare.

Netherlands Bank
(In millions of guilders)

	May 7	Oct. 29
Assets—		
Treasury bills discounted	.788	---
Foreign bills	4.488	4.509
Loans	.132	.136
Debt in curr. acct. of the Treasury	.14	---
Gold	.932	*.713
Investments	.86	.76
Diverse items	.24	.47
Total	6.464	5.481
Liabilities—		
Capital	.20	.20
Surplus	.88	*.297
Pension fund	.15	.15
Notes (old)	5.519	†.563
Notes (new)	---	.748
Private deposits	.572	.294
Priv. dep. (blocked)	---	.834
Govt. deposits	---	2.455
Government depos. (special acct.)	.105	.105
Diverse items	.145	1.50
Total	6.464	5.481

*On July 2 gold in the bank was revalued, and gold lost during the war was eliminated from the balance sheet. The surplus-value arising from the gold revaluation at f.2970 per k.g. fine instead of f.2009 was booked under surplus. †Underlivered old notes.

Mary Lee Candies Stock Offered

Herrick, Waddell & Co., Inc., on Dec. 12 offered to the public 79,228 shares of common stock ($1 par) of Mary Lee Candies, Inc., of Detroit, at $7.87½ per share. The stock represents the holdings of certain stockholders.

Mary Lee Candies, Inc., operates a candy manufacturing plant in Detroit, selling its products through a chain of 34 company-owned retail stores in Michigan, Ohio, Indiana and West Virginia.

Hammermill Paper Co. Bonds and Pfd. Offered

Public offering was made Dec. 12 of two new issues of Hammermill Paper Co. securities: $5,000,000 20-year 3% sinking fund debentures due 1965, at 102½ and interest, and 15,000 shares of 4¼% cumulative preferred (par $100) at 103. Proceeds are to be used for the expansion of plant facilities. The underwriting group is headed by A. G. Becker & Co., Inc.

Halsey Stuart Group Offering Bonds of Pacific Tel. & Tel.

Halsey, Stuart & Co., Inc., headed a group of 140 underwriters which made a public offering Dec. 11 of $75,000,000 40-year 2¾% debentures of the Pacific Telephone & Telegraph Co. at 102.45 and interest. The group bought the issue Dec. 10 with a bid of 102.15, representing an interest cost of approximately 2.66%. A bid of 102.04999 was made by Morgan Stanley & Co. in behalf of other underwriters.

Proceeds of the debentures will be used in part to pay off a loan of $58,400,000 obtained from the American Telephone & Telegraph Co. to facilitate retirement of the Pacific company's series B and C 3¼% refunding bonds and to repay about $7,100,000 of notes held by the company's pension fund.

American Telephone & Telegraph Co. owns more than 89% of the Pacific company's outstanding common stock and 78% of the preferred. Southern California Telephone Co. and Bell Telephone Co. of Nevada are subsidiaries wholly owned by the Pacific company.

Winston & Thomas, NYSE Firm, to Form

MEMPHIS, TENN.—Philip B. Winston and J. Nick Thomas, Jr. will form Winston & Thomas with offices in the Sterick Building, effective January 1st. The new firm will be members of the New York Stock Exchange, the membership being held by Mr. Winston, who will acquire the membership of William T. Hyde. Mr. Thomas was a partner in Thomas, Brushe & Co.

Vilas & Hickey to Admit

Thomas J. Hickey, Jr. will become a partner in Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of such stock. The offer is made only by the Prospectus.

NEW ISSUE December 11, 1945

30,000 Shares

S. D. Warren Company

$4.50 Cumulative Preferred Stock

(No Par Value)

Price $101.50 per share

Copies of the Prospectus may be obtained from such of the undersigned as are registered dealers in securities in this State.

The First Boston Corporation

Eastman, Dillon & Co. Goldman, Sachs & Co. F. S. Moseley & Co.

Central Republic Company (Incorporated) W. E. Hutton & Co.

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Ontario's Financial Regulation Under New Securities Act

(Continued from page 2876)

various industries, including mining, and their suggestions as to how securities legislation could be reformed to permit a readier flow of venture money and at the same time be operated to reduce to a minimum all efforts which did not give the public a run for its money. Eventually the Commission, after holding meetings in various sections of Ontario, made its recommendations which have been incorporated in the new securities act.

The New Commission Chairman

It was recognized that a matter of first importance in administration is the administrator. The new appointee, Hon. Mr. McTague, former Justice of the Supreme Court of Ontario, has a high reputation as a Judge. That led to his being loaned to the Federal Government at Ottawa early in the war to act as Chairman of the War Contracts Depreciation Board and later as Chairman of the National War Labor Board, which had one of the most important jobs during the war as an arbiter of labor-industrial problems.

In appointing him, Premier Drew declared that his Government "is determined to do everything within its power to prevent fraud and to ensure proper trading practices in the sale of securities." He did feel that the new act is the best one yet drafted and he believes that under a man with the great experience and discerning judgment of Hon. Mr. McTague, it will provide effective prevention against fraud "without imposing restraints upon legitimate speculative investment so essential for the development of our vast resources."

As Hon. Mr. McTague has had seven weeks at his desk as Chairman of the Securities Commission, this writer asked him his opinion of the new law which he is to administer and what plans he had already formed for administering it. He asked that question because the attainments and past records of the new commissioner suggest that one of the chief reasons why he has been appointed is that, over and above his judicial fitness in administering the law, he can exercise statesmanship in suggesting wherein the law needs amendment and where other provisions could be added to improve it. It might be added that Mr. McTague is anxious for the Government to appoint soon the two other commissioners provided for in the act and suggested by the Norman Urquhart Mining Commission. These were suggested on the ground that requirements are not only for a well-versed commissioner in the law, but that the experience of men who have had a practical and long acquaintance with mining development in all its phases and in the securities business should be an essential factor in decisions.

The commissioners will supervise the securities business of Ontario under the Securities Act, 1945, and the Prospecting Syndicate Agreements Act, 1945. They will also have the help of the Attorney-General, Hon. Leslie E. Blackwell, to tie together the provisions of the statute with those of the Criminal Code. A matter of interest to Americans may be the fact that there is divided jurisdiction in Canada upon the subject of fraud. As far as criminal fraud is concerned, the Attorney-General and the new commissioners must depend for their ability to prosecute, on the provisions of the Criminal Code of Canada. The Attorney-General has been critical of that Code as it applies to security frauds, because it only reaches representations as to present fact. At a conference of Canadian commissioners on uniformity of legislation this year he attended the Criminal Law Branch and strongly urged that the Code should be amended to include representations as to the future, in proper cases. That question is now being actively investigated.

New Provisions for Company Prospectuses

Under the old Securities Act, there was no requirement to deliver a prospectus containing material facts to a purchaser of a security. Certain facts were required by the prospectus filed under the Companies' Information Act but that was filed with the Provincial Secretary and a copy sent to the Securities' Commission office. Under the new act a prospectus is required and it must set forth all material facts. The Attorney-General, in conversation with the writer, said that this prospectus should enable a potential buyer of securites to note any sales representations that are inconsistent with facts in the prospectus and it would also give a very useful basis for prosecuting offenders. In his opinion the new act "goes as far as we can go in declaring the ordinary law pertaining to the sale of securities but refrains from enacting biased and unconstitutional provisions that cannot be enforced."

Regulation of Brokers

Up until Dec. 1st, when the new act came into force, the Commission had no authority to deal with registered brokers except for infringement of either the Code or the previous Securities Act. Mr. Blackwell believes that the Commission will be able to deal more effectively with many brokers under what he thinks is improved legislation. He declared again that complaints that any person in Ontario had made fraudulent misrepresentations had always been promptly investigated and that prosecutions followed when a case was made out. Departmental records showed less than half a dozen complaints coming from either individuals or law enforcement agencies in the United States charging that there had been fraud or offenses against the Ontario Act.

The Administration of the New Act

In answer to my question regarding policy, Hon. C. P. McTague declared that the first task will be "to clean up our own backyard first." His study already has indicated that a tightening up of administration under the new act will be essential. He declared as well that he believed most of the real complaints from the United States would be indirectly met if the methods of trading and financing and marketing of stocks in Ontario are kept in a healthy condition.

Already he sees ways to improve the law. When I saw him he had just returned from attending the convention of Securities Commissioners at Chicago. As a result of observations there and of his experience on the job, he believes that Ontario should not have a combined mining and industrial securities code. They refer to different kinds of venture in his opinion and an attempt to administer them under the same provisions could only result in confusion and unfairness. Such an example in the new act of unfairness to industrial securities is a provision requiring a broker intending to effect a trade in a security, to indicate in any literature he issues whenever he proposes to act in such trade as a principal. He pointed out that it is the custom of investment dealers to send out lists of quotations of established industrial securities every week. In such cases ownership is changing from hour to hour and from day to day, including the dealers' own ownership of some of the securities mentioned. In other words, they might indicate an interest in a security and their own stock be sold before a client received the list. Ownership by the principal was only an incident in such trading and the requirement was unnecessary.

The Non-Differentiation Between Mining and Industrial Issues

As a result of his visit to Chiago and a study of the flow of cases across his desk, he believes that this failure to discriminate between mining and industrial securities is continent-wide. "For example," he said, "I have found that in the United States 95% of the security commissioners and certainly all of the Securities Exchange personnel as far as I have been able to judge by talking to them, set industrial standards for judging mining issues. Such standards do not apply at all. It is essential to recognize in dealing with risk capital for mining that the terms have to be easier and that the rewards must be commensurate with the risks."

It is plain, therefore, that the new commissioner will want to set up a specific code for mining. I find in a talk with the Attorney-General that Hon. Mr. Blackwell also agrees with this. Hon. Mr. McTague believes that if this is done in Ontario the results will justify the example being followed elsewhere. He believes that everywhere people would see that entirely different types of problems are set by industrial and mining securities. He believes that those who take an opposite view are adopting a completely false position. The assets and the prospects of a mining company and an industrial company differ widely. The mining company has wasting assets when it has made a mine. The problem of depletion does not affect the industrial company though it does have depreciation. The assets of a mine and a manufacturing plant could not be set up for comparison. The laws affecting securities of these groups should therefore, he thinks, not be treated in the same code.

Self-Disciplining of Dealers and Brokers

The new commissioner also believes that the investment dealers and brokers should organize to discipline themselves much as doctors, lawyers, dentists, engineers and other professional men have done. In these cases they had organized and had been given power to set up a code of ethics and to enforce it on members. Commissioner McTague believes this will be effective as well in the securities business under the supervision of the Ontario Securities Commission. He is taking a great interest in the experience in the United States under the Maloney Act which deals with the over-the-counter market. He thinks that in Canada also, dealers in over-the-counter securities should be empowered to set themselves up as an organization to develop a code of ethics and to discipline recalcitrants.

In Mr. McTague's opinion an operation along these lines will produce better results than one by direct bureaucratic control from Government. The bureaucratic body could be very helpful in providing sanctions such as the taking away of licenses and the refusal of registration at the instance of such an association. He will consult with leaders in various fields shortly with the object of enlisting brokers, dealers and others in this effort to work out their own problems.

The Toronto Stock Exchange, of course, has its own code of ethics and applies its own discipline under the law. Members will therefore be excluded from the new organization unless they do an Over-the-Counter business. Insofar as a Stock Exchange member does Over-the-Counter business, it is part of the McTague plan that such members should be part of the organization.

The commissioner is not satisfied that the auditing of brokers and dealers and mining companies is as efficient as it should be. He is moving to strengthen his department in that respect.

U. S. Cease-and-Desist Orders

The new commissioner had his attention drawn by the writer to the "cease-and-desist" orders issued in the United States by various States Securities Commissioners against Toronto brokers or dealers or companies not registered south of the line. Some time ago the Attorney-General said that he did not consider these orders evidence of unsuitability of those named to be licensed as brokers or salesmen here. The Attorney-General said that his department would be glad to receive copies of the evidence that led to such orders as it would help him, and the new commissioner when appointed, to decide whether or not those named should be allowed to stay in the business.

"I entirely agree," said the new commissioner. "It would not be proper for us to accept 'cease-and-desist' orders as ground upon which registration could be granted or cancelled. The evidence on which such an order is issued might, however, be very important."

Reciprocity With the U. S.

"What is your position with regard to the requests for reciprocity between Canada and the United States in this matter of control of security issuers and traders?"

"T[illegible] requests for reciprocity from [illegible] SEC and States Commissions have to be considered from the standpoint that they are not giving much reciprocity themselves," was the reply. "In fact, they are not giving any reciprocity with regard to qualifications of issue. Suppose the British Columbia Securities Commissioner, after investigating qualifications of a certain mining venture, issues the right to sell certain securities to the public. Here in Ontario we would qualify immediately and automatically in such a case upon application, if the terms of qualification were the same.

"If there is to be reciprocity in such matters, why should not New York accept the qualification that is made in British Columbia just as we do. Actually they set up their own standards, pay no attention to ours and apply their own cumbersome process. They simply wipe us out of consideration and in my humble opinion make the mistake of applying the same tests to a mining issue that they would to an industrial issue. There is no reciprocity. The only reciprocity they talk about is in the enforcement of their own laws."

Greater effectiveness of the Ontario Securities Commission under the new act may be seen in new appointments made since Commissioner McTague took charge. He is placing greatest stress on getting men who are used to weighing evidence and making decisions on the merits of cases presented to them. For example, Col. T. P. O'Connor, who has just been appointed Senior Solicitor and head of the Investigation Department, enlisted in 1940 with the Canadian Army and was associated with the Canadian Claims Commission of which he eventually became the head. While he was associated with it, that Commission disposed of 30,000 claims. Another lawyer, W. M. Wismer, will be his assistant. He is a naval veteran. The new registrar, Lieut.-Col. E. H. Anundson, has been on leave from the Commission during the war, and has been Deputy Director of Military Training since 1943. E. H. Clark is Executive Assistant to the Chairman, and since 1934 has been very active in the Investigation Department as Chief Auditor. He will be getting competent assistance to expand his activities.

As most of the complaints published in the United States have referred to long distance telephoning, by stock salesmen in Toronto, it will be interesting to Americans to read that the new law prohibits telephoning "from within Ontario to any residents within or outside Ontario for the purpose of trading in any security with any member of the public." The words "outside of" are new and make a world of difference. Exceptions are made for telephoning to a close personal friend, a business associate or a customer with whom the telephoner has been in the habit of trading in securities which are not exempt from registration. When a person has requested in writing information respecting any security, telephoning is permitted with reference to that security alone. Telephoning is also allowed in the case of securities which are exempt from registration. The writer asked the new commissioner about his attitude towards long distance telephoning to sell stocks and he said that the regulations embodying these provisions will be strictly enforced.

Old registrations were not

United States of Brazil

(Estados Unidos do Brazil)

To the Holders of Dollar Bonds of the United States of Brazil, its States (other than the State of Ceara) and Municipalities, issued prior to January 1, 1944:

NOTICE IS HEREBY GIVEN that the Offer to Holders of Dollar Bonds heretofore made by the United States of Brazil as of January 1, 1944, will expire at the close of business on December 31, 1945, and that the period within which the holders of the above bonds may elect to accept either Plan A or Plan B set forth in the said Offer ***will not be extended*** beyond that date. As provided in the Offer, any bond as to which such election shall not have been duly made at or before the close of business on December 31, 1945, will thereafter be treated as if it had in fact been presented in acceptance of Plan A immediately prior to the expiration of the Offer. However, in individual cases, where it is established to the satisfaction of the Minister of Finance, upon application made through the appropriate Fiscal Agent, that failure so to elect was for reasons independent of the will of the holder, such relief may be afforded by the Minister of Finance as the Minister may decide.

For the United States of Brazil:

MARIO DA CAMARA,
Delegate of the Brazilian Treasury in New York

New York, December 11, 1945.

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thrown overboard with the proclamation of the new act. Any industrial issues that have been already qualified under the old act prior to December 1st are exempted from registration or qualification or filing under the new act. In industrial issues banking syndicates as a rule complete distribution within three months. Nine out of ten industrial concerns are Dominion companies and comply with the Dominion Companies' Act prospectus requirements which go very close to asking full disclosure. The exemption from requalification, therefore, means that within several months all new industrial issues will require qualification as the others will be out of the way.

Due to option rights being granted, mining issues require a longer period for distribution. They are exempted on the understanding that requalifications will be required if the deal is still in process of development on June 1, 1946, or if a deal is altered in any way. In this way it is hoped to get over the transition period from the old act to the new act without upsetting the market.

Registration of Investment Counsel, Brokers and Salesmen

Investment Counsel have to register under the new act. This is new. Registration of brokers and salesmen carries forward automatically into the new act, but they have to renew on or before March 31, 1946. All of them will be required to have surety bonds.

Though a list of regulations under the new act are not yet available, the writer has secured copies of the forms which have to be filled and filed with the Ontario Securities Commission. These "statement forms" are very important in view of the fact that the chief reliance of the Commission in preventing fraud is its policy to weed out "the bad actors" from those who are granted registration.

Registration Forms

Form I, "the broker's application," asks the usual questions with regard to the individual applying or the members of a partnership if it applies or the directors and officers of a company which proposes to trade in securities. In each case the country of birth, the nationality and a list of the places where the applicant has resided during the previous year are asked. In each case a short business record for five years back is required from each individual, partner, officer and director according to the nature of the application. Each has to declare if he has been registered before or if he has applied before and also whether he has been licensed to trade in securities in any other province or state.

American securities' commissioners may be interested in question 7 which asks if the broker has been refused a license or registration, or had his license or registration suspended or cancelled in any province or state, or if he has been refused membership in or been suspended from any stock exchange.

Question 10 asks if the applicant has been indicted or convicted under any law of any country, or state or province of such country, regarding the sale of securities or for fraud or theft in connection with these securities or if one had been named in any injunction in connection with proceedings taken on account of fraud arising out of any trading in any security.

They are also asked for particulars if they have been indicted or convicted under any other law of any country or state or province. They are asked further if there are any proceedings now pending which may lead to such indictment, convictions or injunctions. They are also asked to name the employees or officials who will sell securities to the public.

Each applicant must provide three names as reference concerning his business reputation and one of these must be a bank manager. He must give the name of his bank and state whether or not he has credit there.

In the instructions forwarded with this form, the penalty for false statement in any application is stated at "not more than $2,000 or to imprisonment for a term not exceeding one year or both." Brokers are informed that every registration and renewal will lapse on March 31st each year and renewal has to be applied for ten days earlier.

Every partnership or company registered as a broker, must publish the names of every person, having an interest either directly or indirectly to the extent of not less than 10% in the capital, on all letterheads, circulars and other stationery which contain any offer or solicitation to trade in securities. None is allowed to advertise the fact of registration or the approval of the Commission. No unregistered salesman can be employed.

In the salesman's application similar information is asked and the questions probing into the past record are quite intimate. The salesman, as well, has to state the maximum commission or profit which he will receive from the sale of securities. The instructions issued to salesmen forbid him trading in any security on behalf of any broker other than his employer. His registration is suspended automatically if he leaves the employ of one broker until another registered broker reports in writing that he has been reemployed. His registration has to be renewed yearly as well.

The Investment Counsel's application also has to give the same information as that required from brokers and salesmen. In addition he is asked for particulars of the experience which makes the applicant believe he is competent to advise as to the value of securities and the advisability of buying or selling securities or to make analyses or reports concerning securities. He also must provide references to state whether he has been indicted or convicted anywhere and whether proceedings are pending anywhere that might lead to indictment, conviction or injunction.

This addition to the scope of the act is regarded here as very important. Some who had been refused licenses as brokers and salesmen started up business as Investment Counsel. These now will have a rough road to travel before they can get the right to continue in business.

Registration of Companies

The statement filed with the Commission with regard to a mining or industrial company requires the usual information with regard to the name of the company, its date of incorporation, its address, its officers, its auditor, its registrar, and its capitalization. It is required also that a statement especially be made with regard to the nature and amount of any other security issued, or planned to be issued which, if issued, will as to security rank ahead of or pari passu with the issue described. The number of shares or other securities held in escrow and the name of the trustee and a summary of the provisions of the escrow agreement must be stated.

Also a statement must be made of the shares and other securities sold for cash to the date of the filing. This would include the number of shares sold, separately listed as to price, the total cash received and the commissions paid. The number of shares issued or to be issued or cash paid or to be paid to any promoter must be stated along with the promoter's name and address and the consideration for the payment. Full particulars of properties and locations showing whether owned, leased or held under option or intended to be acquired, must be given along with all material facts relating to leases or options.

Particulars with regard to all vendors must be given and material facts connected with them. Particulars of securities covered by options outstanding or proposed are also required in detail. Particulars of the underwriting agreements are asked and details of expense, development work, any proposed acquisition and the estimated costs "which the company proposes to pay for with the proceeds of the current sale of its securities and its other resources and the net amount which the company estimates will be received from such proceeds."

If any provision is made to hold the proceeds of sales of securities in trust until a stated minimum is available, that also must be shown. A company must give particulars of any debt, encumbrance, or liability owing or intended to be assumed. A three-years' business record of each director and officer is also asked and the interest of these in any property acquired or sought by the company. The accredited remuneration of each must also be set forth. The last statement required is that of the names and addresses of persons who by reason of beneficial ownership of securities or any agreement in writing, are in a position to elect a majority of directors.

The "Statement Form" required by the Commission from a natural gas or oil company follows pretty well the lines of that required for a mining or industrial company. There are in addition, requests that such a company will report any guarantee given that any well or wells will be completed to the depth at which oil or gas should be found according to the geologist's report. Information is also asked regarding marketing and storage facilities for the oil or gas expected and the distance to the nearest railroad loading station and the nearest pipeline which can be used to transport the oil or gas. The former experience of the directors and officers in the business of drilling in gas or oil, and the results of their operations are also asked.

Goldman, Sachs & Co. To Admit Levy, Creely

Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Gustave L. Levy and Walter J. Creely to partnership in the firm on Jan. 1. Mr. Creely will make his headquarters in St. Louis where he is in charge of the firm's office in the Boatmen's Bank Building.

Public Utility Securities

(Continued from page 2878)

would probably pay dividends at the rate of $1.30 per annum on the new stock. At the offering price of 28⅞, the yield would therefore be around the 4.50% level. This compares with an approximate rate of 4.70% for Florida Power common when it was offered on Oct. 24 and a rate of about 4.60% for Central Arizona Light & Power at the time of its offering on Nov. 8. Since these offerings the utility market has enjoyed a further moderate advance.

Sioux City and its subsidiary serve typical "rich" midwestern farming territory, specializing in cattle and meat packing, corn, dairy products, etc. Growth in this section has been steady rather than spectacular. Sioux City's common stock, now being split 2-for-1 for the second time in 13 years, has had a rather irregular earnings and dividend record, largely due perhaps to capital leverage. A dividend restriction has been imposed, permitting only half of net income to be paid out if the ratio of common stock to total capital is less than 20% and three-quarters if the ratio is between 20 and 25%. However, based on the pro forma balance sheet of Aug. 31, the common stock ratio appears to be around 33.7%, which is more than sufficient to avoid restrictions.

John J. Hess to Form Own Invest. Business

PORTLAND, ORE.—John J. Hess is engaging in the securities business from offices in the American Bank Building. Mr. Hess was formerly a partner in Hess & Butchart and has recently been on war duty.

Andre Smolianinoff Has Rejoined Eastman, Dillon

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that Lieut. Andre V. Smolianinoff, USNR, has returned to active service with the firm. Lieut. Smolianinoff has been in the Navy for the last three and one-half years and prior to that was associated for five years with the sales department of Eastman, Dillon & Co.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

New Issue

79,228 Shares

Mary Lee Candies, Inc.

Common Stock

Par Value $1 per Share

Price $7.87½ per Share

Copies of the Prospectus may be obtained from the undersigned.

HERRICK, WADDELL & CO., INC.

December 12, 1945.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

298,500 Shares

Universal Camera Corporation

(A Delaware Corporation)

Class A Common Stock

(Par Value 1c Per Share)

Price $5 Per Share

Copies of the Prospectus may be obtained from the undersigned

FLOYD D. CERF COMPANY

120 South LaSalle Street, Chicago

December 12, 1945

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Congressional Reactions to UK Loan Vary

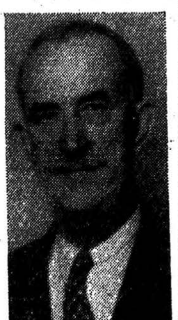
(Continued from page 2874)
extension of the principles to which the Bretton Woods Fund and Bank agreements gave recognition. For this reason the "Chronicle" believes it of interest to its readers to obtain the first impressions which the Anglo-American agreement of last week produced in the House Banking and Currency Committee,—the committee which first handled the BW legislation in the Congress earlier this year. Although several committees are said to covet the distinction of handling the British loan legislation, it is said that the odds favor the House Banking and Currency Committee because the Administration would rather have that committee handle it, than to have its members on the outside, sniping at the plan.

Partly because of the time element and because some of the committee members for one or another reason did not wish to comment at this time, the following survey does not embrace the full committee. No attempt was made to place the members on record as to how they might vote on the UK loan.

From the comments made to the "Chronicle," it is apparent that members of Congress see a close relationship between the arrangement with the British and the BW program. Past statements made to this magazine by members of the House banking committee reveal, moreover, that Congressmen have been more than a little annoyed that the hand this country extended to others in the BW agreements has not been more readily grasped by those we thereby sought to help. There has developed an awareness that, with BW "in the bag" anyway, foreign countries have devoted their thoughts to larger and more direct access to American credit and, according to some Congressmen, other nations have been using this country's desire to see BW launched as a bargaining counter to obtain other concessions from us. In fact, Representative Kunkel, as quoted below, is frank to say that he expects Britain will continue such tactics after it gets the $4.4 billions laid out in the agreement signed on Dec. 6 in Washington. Since Mr. Kunkel made this prediction after visiting England last Spring, and states that it has already been justified by Britain's actions during the loan negotiations, his further prediction as to what Britain will do after it gets the loan has special interest.

Folger's For It

Representative John H. Folger is for the British loan and settlement completely and unequivocally. "I feel this way about it," commented the North Carolina Congressman. "We've got it to do, just as we've got to help other countries devastated by the fighting, or whose economies have been shot to pieces. For our own self-protection we've got to do it, for we must do business with the world. This is apart from our moral duty to help countries which have endured losses this country has not had to endure.


Hon. John H. Folger

"We cannot just sit back in a cloak of isolation, whether it be military, political or economic. We've got to get away from that. This plan is as much for our own self-protection as it is for Britain's welfare. What we do abroad has a reflex action on ourselves."

Kunkel See Both Pros and Cons

Indicating the expectation that the loan project will come before the House Banking and Currency Committee, Representative John C. Kunkel of Pennsylvania, who last Spring talked with British leaders in London on the then-pending BW program and later returned to Washington to vote for that program, commented to the "Chronicle" as follows:


Rep. John C. Kunkel

"There is at least a fair chance that this bill will be referred to the Banking and Currency Committee. If so, the members of that committee, including myself, will be called upon to make final recommendation to the House after careful study. For that reason, I certainly do not wish to make any definite or conclusive statement at this time. I certainly do not want to prejudge any issue.

"I have given the proposal a good deal of thought. The United States will do certain very specific things at once. It will establish credit of some $4 billion for the United Kingdom; it will make a final settlement of all lend-lease obligations; this including a large sum due on balance from the United Kingdom to the United States. On the other hand, the United Kingdom in general agrees to nothing specific, but only agrees to carry on negotiations relative to trade and certain other subjects at some future time. The United Kingdom does agree to ratify Bretton Woods, but this is really in pursuance of an undertaking previously made at Bretton Woods. The United Kingdom agrees to abolish the so-called 'dollar pool,' but the ending of the dollar pool is required by the terms of the Bretton Woods Agreement; therefore the United Kingdom is using one consideration twice, if it should argue that it agrees to ratify Bretton Woods, and also to end the dollar pool restrictions.

"Since the approval of Bretton Woods has been used as a trading weapon by the United Kingdom during the recent negotiations, as I predicted would be the case after my trip to England last April there is certainly a strong possibility that the United Kingdom would use the advantages of indefiniteness accruing to it under the present agreement as a trading weapon to secure future concession when the negotiations contracted for take place.

"Personally, I believe there is a great deal of mutual advantage available to both parties in an agreement opening up trade and export markets, but the advantages gained by the United States apparently are only permission to try to open these markets through future negotiations. There is little tangible except what was previously included in Bretton Woods.

"Furthermore, the reaction in both Great Britain and the United States has been unfavorable. I have been particularly worried by the British reaction as portrayed by many of the leading British newspapers. While a mutually satisfactory agreement is highly desirable, a mutually unsatisfactory agreement can do a great deal of damage. Indeed it can create a new war debt problem."

Monroney Approves

Oklahoma's Representative on the Banking and Currency Committee, A. S. Monroney, states: "I have not had the chance yet to study this agreement with care and therefore cannot comment now on its content in detail; but I am inclined to favor a loan to Britain to help them get started on a secure basis. To do that will ultimately help us.

"I feel that this agreement has been very carefully negotiated. All American rights that can be protected in the agreement, are protected.

"In making a loan, whether it be a loan by a banker or a loan by a Government, it has to be tailored to the situation. The terms have to be proper and the borrower has to be given a chance to pay back. If you impose terms of too rapid amortization, either the loan does no good for the borrower, or you do not get your money back. That's the reason for the five-year breathing spell in this case."

"Dovetails with BW,"—Patman

Representative Wright Patman of Texas is among those members of Congress who informed the "Chronicle" that they have not had a chance to study the program yet in detail and therefore are unready to make specific comments on the proposed loan. "However," said Mr. Patman to your reporter, "it is obvious that this loan and Lend-Lease settlement dovetails with the BW Fund and Bank and with the general efforts which this country has been making in the international field. This British arrangement is part of a broad, coordinated effort to give the world peace and security, and in that sense deserves the sympathetic consideration of Congress."


Wright Patman

Spence Sees Loan and BW As One Package

Representative Brent Spence of Kentucky, Chairman of the Banking and Currency Committee and an American delegate to the Bretton Woods Conference, commented to this reporter as follows: "The principal objectives of the British loan and of the BW program are the same. The one program complements the other. Both are in the interest of multilateral and non-discriminatory practices in international trade, and I cannot conceive how the UK Government could ratify the loan agreement, without ratifying BW. I hope that if both loan and BW come into effect the discriminatory international trade practices which have so long prevailed will be done away with. They have been a great source of international ill-will and lack of confidence, which could have had no little effect in producing wars."


Rep. Brent Spence

Asked whether, in the light of an expected Presidential message on the UK agreement, Congress would be likely to address itself to the appropriate legislation at once, Mr. Spence said he could see no reason why Congress could not take up the matter at once, but expressed doubt that consideration could be completed this year.

Wolcott Also Stresses Tie With BW

Representative Jesse Wolcott of Michigan, like Mr. Spence a member of the American delegation to the BW conference of 1944 and a pilot of the BW enabling legislation, while refraining at this time from detailed comment on the British-American financial agreement, referred to our recent interview with him, published in the "Chronicle" of Nov. 22, p. 2452. In that interview Mr. Wolcott, who this year made a tour of European and Near Eastern countries as a member of the House Special Committee on Postwar Economic Policy and Planning, exhibited disappointment that foreign countries were not showing any signs of taking advantage of the credit facilities this country had offered them through the International Monetary Fund and the World Bank for Reconstruction and Development but instead have been postponing action on the BW program, while trying to arrange direct credits from this country. In part, Mr. Wolcott at that time stated: ". . . If the United Kingdom insists upon nullifying the intent and purpose of BW by insisting upon trade on a bilateral basis, then we can write off any benefits to us from BW. . . . Before we give any consideration to the granting of a substantial credit to Britain directly out of the Federal Treasury, that country should make very clear its position in the respects just mentioned." Whether Mr. Wolcott now considers Britain's just-announced undertaking to discuss multilateral trade in an international conference sufficient assurance on these points he does not say.


Jesse P. Wolcott

Corrects Mistakes of Last "Postwar," Woodhouse Says

Representative Chase Going Woodhouse of Connecticut, whose interest in international relations led her to visit Europe last Summer, is confident that the arrangement with the UK will correct some of the worst mistakes and avoid some of the disasters which she attributes to this country's policies after the last war. In expressing her views to the "Chronicle," Mrs. Woodhouse stated:


Hon. C. Woodhouse

"Expanding employment and production throughout the world with the nations trading one with the other to their mutual advantage would be the greatest possible insurance for peace. The Anglo-American trade and financial agreement, as the first and a long step in this direction, is the most important action in the international sphere since San Francisco. The United States and Great Britain now stand committed to multilateral trade, free from discriminations, multiple currencies and all the other weapons of economic warfare so well developed in the 30's.

"Trade restrictions were not the choice of Britain but were forced upon her by the Fordney-McCumber Act and the war which drained her foreign assets. Without the loan Great Britain could not have broken the sterling bloc, could not have accepted the Bretton Woods Agreements. The world might well have been divided into three economic blocs, the dollar, the pound, and the rouble.

"The loan will enable Great Britain to buy food, raw materials, and other things from us, all needed if she is to restore her export industries and again become one of our best customers.

"The settlement of Lend-Lease and other war claims gives assurance to the world that the disturbances of international balances, a real factor in the collapse of 1929, which our debt payment policy of World War I caused, will not be repeated.

"The plan for the International Conference On Trade and Employment to be called by the United Nations not later than the Summer of 1946 indicates a real determination to take the practical steps necessary if we are to have peace."

What Price "Bretton Woods," Smith Asks

Representative Frederick C. Smith of Ohio is another Congressman who stresses the connection between the loan to Britain and BW. Asked for his view of the UK financial pact, Dr. Smith said: "The Keynes-Morgenthau international monetary and financial scheme finalized at BW was rammed down Congress' throat on the ostensible ground that it was needed to form one of the main pillars of the peace structure, though, so far as I know, ours is the only Government that has acted as though it might believe this.


Frederick C. Smith

"With the United States first accepting this scheme we have been maneuvered into a strange position where Lord Keynes and his UNO crowd, but not without the help of the Administration, hold a whip hand over Congress. They are exploiting to the limit this abnormal situation into which they have placed Congress as a bargaining weapon to force us to underwrite their economies, not temporarily but permanently, and socialist economies at that.

"How many more billions is it expected our taxpaying public will furnish to keep this 'one world' business going? After writing off $25 billions of net lend-lease, we are now asked to lend Britain another $4.4 billions. It can be presumed that other countries will not long lag in using the British arrangement as a pattern, and there's no way of knowing what the total cost will be."

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Outland Sees Loan to Our Advantage

"I haven't studied the British-American financial agreement in detail, because it has not yet reached our committee," said Mr. George E. Outland of California, "but I am in full support of the general principles, not for altruistic reasons, but because I feel that they are in our own best interest. Together with the BW program that announced here and in London last week will provide a very firm foundation for international trade, especially between this country and the UK. No doubt there will be those in Congress who will take a different view, but in the end I am confident the project will be approved."

Sees Loan Financing Communism

Repr. Jessie Sumner of Ill. sees the loan as financing communism in Britain, saying:

Hon. Jessie Sumner

"If the proposed loan to England were a good loan, private interests could and would finance it. The money will be used to liberate British revenues so that they may be used to take over private business. How far can the British Government go into communism without falling into a complete communistic state? If they want to find out by experience, that is their own business, but it is not up to the American people to finance the experiment.

"We started subsidizing communism in Russia with the gold buying program. Today, through Lend-Lease, UNRRA, etc., we are subsidizing communism all over the world. Maybe this loan will not break the camel's back. But we already have more than enough inflation caused by depreciated currency resulting from deficit financing.

"Most Congressmen are 'liberals.' They will vote to give away most anything and everything except their seats in Congress. More gifts to foreign governments mean more gifts to constituents. Every day now you hear it said increasingly, 'Since we can afford to give to foreigners, we can afford to give more to our own people here at home'."

A. Scharps Now With Wertheim & Company

Wertheim & Co., 120 Broadway, New York City, members New York Stock Exchange, announces that Andrew Scharps, formerly assistant vice president of Manufacturers Trust Company, has become associated with them.

Capt. Robt. Weil With Ira Haupt Co.

Ira Haupt & Co., 111 Broadway, New York City, members New York Stock Exchange, announce that Captain Robert L. Weil, AUS, has been released from active duty and is now associated with them.

Robert L. Stivers With William R. Staats Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Robert L. Stivers has become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. In the past he was an officer of George R. Miller & Co., in Pasadena.

Business Prospects for 1946

(Continued from first page)

ditions are not at all alarming. After every great war there is a period of depression which usually coincides in timing with the transition from a war economy to a peacetime economy. This one will last until our national income stops falling and begins to increase once more.

That change will in all probability take place in 1946, and perhaps as early as the middle of the year. There are two possible contingencies which may retard its advent. One is the possibility that reconversion and industrial production may be handicapped for some months to come, as they are now, by the combined restraints resulting from labor strikes and from price controls. No manufacturer can produce goods while his own plants or those of his suppliers are closed down by strikes. No manufacturer will produce to capacity while price ceilings prevent him from selling his goods at a profit.

Another possible contingency which may operate to postpone the date when our national income will stop declining and turn upwards once more is that the wage increases for which the unions are now striking may prove to be too numerous and too large to be accommodated within the rest of the wage structure of the nation. That happened in 1937. Wages in the durable goods manufacturing industries advanced by nearly 13% over those of the previous year, and the wholesale prices of durable goods also advanced by nearly 13%. As a result the general public restricted their purchases of such goods, and we had the severe depression of 1938.

Something like that could happen again. During the war the wages of the producers of goods have greatly increased, but those of most other classes, and especially those of the white collar workers, have increased far less. Our present wage pattern is already seriously distorted, and the increases resulting from the present strikes in the highly unionized industries will distort it still further. The higher wages for factory workers will result in higher costs of production, and these will in turn result in higher prices. If the rest of the population does not earn enough to be willing to pay those higher prices, the demand for the goods will be curtailed.

The Coming Boom

These difficult readjustments will work themselves out in time, and probably for the most part in 1946. Then we shall have a boom. We have in this country great accumulated shortages of almost everything except money. During the past four years people have been doing without things that they wanted, and a very large part of the population has been thinking and planning about specific purchases to be made after the war. Meanwhile debts have been paid down, and savings have accumulated in cash, in bank accounts, and in bonds. There has never before existed in peacetime anywhere such a combination of conditions making for a business boom of great intensity and probably of considerable duration.

In our most prosperous prewar year of 1929 we had in this country about 60 billion dollars of actual and potential purchasing power. Now we have about four times as much. When reconversion has been completed, and production and trade are again functioning in a normal manner, we shall be producing a very large volume of goods and services. All the purchasing power needed to buy these goods and services will be created automatically by the processes of producing them and distributing them.

In normal times when a million new automobiles are manufactured and sold the purchasing power necessary to buy them is simultaneously created and distributed. But these are not normal times. Now we have huge accumulated savings of purchasing power resulting from the Government expenditures during the war years, and these savings will be present as potential additions to the demand side of the supply and demand equation.

Prices

Of course we do not yet know what most people will do with their wartime savings, and except for the question of timing, and the amounts of expenditures to be made from them, the matter is not one which we can foresee in detail. The point is that we cannot reasonably expect that all these funds will be permanently held as savings, and will not be spent. All of us know people who have long been planning to buy goods and articles which have not been available during the war years, and we can be confident that they will carry out their plans when they can.

It does make a difference whether in the aggregate they will try to spend 10 or 50 or 100 billions of their war savings in 1946, but that is a matter of degree. The important fact is that there will be more purchasing power coming into the market than there will be goods available for purchase. Moreover it is important to remember that these wartime additions of saved purchasing power will be with us permanently. Even after the present owners have made some or all of the purchases on which they have been planning, the new money will still be in existence, and will be surplus money with respect to the available supply of goods.

In addition to the great demands for goods that will come from our own people there will be additional pressing demands from abroad. Most of the countries of the world will shortly be in the market for American goods. We are almost the only remaining source of manufactured goods, and many of the countries that need them are well supplied with money with which to buy them. After the last war we brought about inflation in this country by shipping out huge exports when we were still short of goods ourselves. We ought not to make that serious mistake again, but it seems not at all sure that we shall not repeat it.

All these conditions taken in combination mean that the upward pressures on prices will be numerous, powerful, and long-lasting. The only real hope for the avoidance of a generally higher series of price levels lies in the prospect that full production of most sorts of manufactured goods may be promptly attained. If we could have so much production that the present sellers' markets could be transformed into buyers' markets, the upward pressures on prices would be reduced. Unfortunately this prospect does not appear to be very bright because the desire for goods is keen and widely dispersed, while the available purchasing power is disproportionately large in amount.

Price Precautions

Rising prices tend to accelerate business activity, but they also generate special business problems. Probably the most generally valuable precaution in preparation for such a period is to put the factory, the store, the railroad, or the bank into as good physical condition as possible so that it could if necessary pass through a period of several years without needing more than a minimum of maintenance expenditures. If premises are occupied under leases, the extensions should be effected as soon as possible. Alterations planned for 1947 or 1948 should be made instead in 1946.

Two business policies that were recommended here a year ago should be repeated now. Cash in the treasury is the most valuable asset that a company can have as it goes through the transition from a wartime economy to a civilian economy. At the close of the last war many companies that had been experiencing unusual prosperity during the war years voted exceptionally generous dividends at the end of 1918 or early in 1919. In almost every case these large disbursements proved to be mistakes. Costs of reconversion were heavy. Marketing conditions had changed. Company managements found that they needed the flexibility of policy that comes from having ample working capital. Perhaps the most important policy for 1946 is to conserve cash and securities insofar as regulations will permit.

There is another business policy to which the managements of especially prosperous companies should give careful thought. It involves a vigorous reduction of the extravagances and inefficiencies that have developed in most companies that have been paying excess profits taxes. Probably those taxes have fostered more inefficiency in the managements of American business than any other factor that has ever influenced them. Since the taxes have absorbed nearly all the extra profits it has been possible to charge almost any moderate expenditure as an expense of operations, and so make it an item that has cost the company very little. As we move back again into an era of real competition, those practices ought to be eliminated.

We are already on notice that wages are rising, and they are doing it ahead of prices. This means that the only way to keep profits from shrinking will be to hold down the cost of production relative to wages and prices. That means in turn that every effort should be made to increase the production per capita of the workers. Better organization, labor saving devices, improved equipment, and better personnel relations will all be more important during the post-war years than they have been during the war years.

Business men often seek effective hedges against the economic effects of rising prices. Experience has repeatedly demonstrated that in general there are no good hedges. Bonds are not effective because they have fixed yields. Stocks would be effective if there were any sure way to know when they ought to be sold, but there is none. Investments in durable commodities have proved profitable to users of the commodities, but in general not to others. Investment in city real estate has usually not proved profitable unless the real estate was occupied by the owner. Investment in rural real estate is good for farmers, and usually for farmers only.

Security Prices

Secretary of the Treasury Vinson made it clear in a recent address at Indianapolis that Government fiscal policy is directed at maintaining present low interest rates. This means that in the financial field we are safe in assuming that the levels of interest rates will remain in 1946 under the tight control of Government agencies. In view of the complete success with which interest rates have been controlled during the past ten years we may be confident that they can be controlled during 1946. As a result we are safe in assuming that there will

(Continued on page 2912)

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Business Prospects for 1946

(Continued from page 2911)

be no important changes next year in the market prices of Federal bonds.

We cannot be nearly as confident about the probable movements of stock prices as we can be about those of Government securities. Stock prices, when measured as multiples of their dividends, are higher now than they have ever been previously except in the last months of the great bull market of 1929. They may move a good deal higher as normal civilian production gets well under way, but it will be the part of prudence to keep constantly in mind the fact that they are already very high.

Interest rates are now lower, and corporate bond prices higher, than they have ever been previously in our business history. No one can guarantee that bond prices will not move to still higher levels, but even so if the management of a company is contemplating the refunding of an old bond issue, or the flotation of a new one, it will probably prove wiser to go through with the new financing at an early opportunity rather than to wait for still more favorable conditions which may not develop. Similarly if a company can do its new financing by an issue of new shares it would probably better do it promptly.

Construction

There are four industries in this country which account for more than three-fourths of our productive efforts. They are food, construction, clothing, and automobiles. Among these four food absorbs the largest amount of consumer income, with construction a close second, and automobiles and clothing taking much less of it while still being of great importance. We have huge accumulated shortages of construction in this country. During the depression years all sorts of construction except public works went forward in volumes that were far below normal. Then during the war years only the most necessary projects of construction were permitted to be undertaken.

Most important among the different types of construction is the building of homes for individual families. Four-lane highways, airports, dams, and skyscrapers are much more spectacular, but in an economic sense the building of humble single homes is far more important. Our need for new houses is so great that the accumulated shortage of them could probably keep a brisk building boom going for the next ten years. Perhaps as many as 12,500,000 new homes will be needed in that time, and it may be that the value of new construction of all sorts needed in the next ten years will be between 50 and 100 billion dollars.

Probably the beginning of a real building boom will get under way promptly, and the boom will probably last for a long time. Nevertheless it is likely to start off slowly for the handicaps are serious. The greatest difficulty is that building costs are very high, and going higher. Most small houses already cost much more to build than the prospective buyers are planning to spend for them. At present there is almost no lumber available, and the shortage is likely to continue for many months or for several years. There is as yet no adequate supply of building hardware, or of lighting fixtures, and plumbing supplies. There are not nearly enough building artisans, and the trades are exceptionally short of apprentices. Building methods that have been imposed by the trades are largely antiquated, and the same is true of most building codes and ordinances.

Added to all these handicaps are the low rent ceilings imposed by the OPA. These have seemed necessary during the war years, but they have a real bearing on the volume of employment in the great building industry in the post-war period. Most new homes are constructed by speculative builders who will not risk their funds in putting up a new house unless the prospective rent is high enough to carry the property. As long as rents are continued under OPA ceilings the volume of new building will be considerable, but not large. When the ceilings are removed the volume may be very large.

Wage Increases

When the Government took the first Census of Manufacturing nearly a century ago in 1849 the average factory employee worked 69 hours a week, and was paid $4.74 for his efforts. He now works in peacetime about half as many hours, and gets close to ten times as much weekly pay. Because of the numerous present strikes for still higher wages it is worth while to ask how the wage increases of the past century came into being, and what was their source. The answers are not hard to find. They are hidden in the figures of the past Censuses of Manufacturing which used to be taken each ten years, then each five years, and then on alternate years, but not during the war years.

Past wage advances came from increases in the production per worker. The increases were made possible by progressive improvements in the machines and tools used by the workers. In 1849 the factory investment per factory worker amounted to $557. When we get a new Census of Manufacturing it will probably show that the present capital investment per worker is as much as $7,000.

There is just one way to continue to pay increasing wages to industrial workers, and that is to make it possible for them to keep on increasing their per capita production. The way to do that is to keep on increasing the investment per worker so that he can keep on using better and better tools. That can be done only if the Government does not tax away the savings of the investors, and does not prevent them from earning fair returns.

Probably the present attempts of the Administration and the strikers to get wage increases which will be absorbed by the managements, and so not operate to raise prices, will prove to be ineffective. The whole record of the Census figures indicates that the share of the customer's dollar that the factory worker can get is a nearly constant 40%. Professor Willford I. King of New York University, discussing this relationship, wrote recently that the factory worker's share of the customer's dollar remains almost constant year after year, decade after decade, in good times and bad, in Republican and Democratic Administrations, under Old Deal and the New, and whether labor is unorganized or welded into powerful unions.

It seems wholly likely that when the present contests between managements and labor over wages have been settled, and production has been resumed on a reasonably normal basis, it will be found that the century-old rule still holds good. The workers will be receiving higher wages, but these wages will still constitute about 40% of the value added by the processes of manufacturing. The prices of manufactured goods will increase by amounts sufficiently great to restore the old percentage relationship. There have been 20 Censuses of Manufacturing, and the averages computed from all 20 sets of volumes show that the earnings of the factory wage workers have been just a little less than 41% of the value added to the raw materials by the processes of manufacturing.

In 1946 we shall have much unemployment, much new employment, and more widespread discussions of wages than in any previous year in our history. Out of the experiences of 1946 there will come many disillusionments about the possibility of making wage increases without affecting costs of production, costs of goods produced, or profits from production.

Prospects for 1946

Even in times like these business men expect commentators to make forecasts during the closing weeks of each year. In conformity with that tradition the writer of the "Business Bulletin" ventures to make the following comments based on his personal opinions concerning possible developments next year:

It now seems probable that national income payments, which have been about 156 billion dollars in 1945, will be about 120 billions in 1946, and will not differ from that amount by more than 12½%.

The volume of industrial production, as measured by the Federal Reserve index, has averaged about 202 in 1945. Probably it will average about 135 in 1946, and will not differ from that amount by more than 10%.

Wholesale prices, as measured by the index of the Federal Bureau of Labor Statistics, are rising and their level now is about 107. It seems probable that their average in 1946 will be not more than 10% above the present level.

The cost of living, as measured by the Federal Bureau of Labor Statistics, is rising and probably the average in 1946 will be not more than 10% above the present level.

Production of bituminous coal in 1945 has amounted to about 567 million tons. It will probably be lower in 1946 but by less than 20%.

Loadings of railroad freight have amounted to about 42 million cars in 1945. It seems probable that they will be more than 37 millions but not as much as 42 millions in 1946.

The yield of long-term, fully taxable, Federal bonds, as measured by the Federal Reserve index, is now about 2.37%. Its average in 1946 will probably not vary from that level by more than two-tenths of 1% (20 basis points).

Stock prices, as measured by the Standard and Poor's inclusive index of 402 issues, will probably have an average level in 1946 not more than 15% different from the present level.

In 1945 the value of department store sales, as measured by the Federal Reserve index, has been approximately 205. It will probably be as much as 220 in 1946, and it is not likely to differ from that level by more than 10%.

It seems probable that hourly, straight-time wage rates of factory workers, as reported by the Department of Labor, will advance in 1946, but that the average for the year will be less than 10% higher than the present rates.

Again Suspends Trading

Trading on the New York Curb Exchange and the Chicago Board of Trade in the $1 par value common stock of Interstate Home Equipment Co. was suspended for the third time for a ten-day period by the Securities and Exchange Commission. The suspension was effective at the opening of the trading session on Dec. 10. It was ordered by the Commission as "in the public interest," pending completion of an audit which the company is now conducting.

Tax Considerations In Security Transactions

(Continued from page 2874)

to 11-27-45 would represent a return of capital, and only interest accrued from 11-27-45 to Dec. 31, 1945, would be taxable interest income.

On Dec. 17, $43.06 is expected to be paid on Frisco consolidated 4½s, representing interest for the period 3-1-34 to 2-28-35. This amount would represent a return of capital to those who purchased their bonds after 3-1-35, and taxable interest income to those who purchased before 3-1-34. If purchased between those dates, the $43.06 would have to be allocated, part to return of capital and part to taxable interest income. The Chicago, Milwaukee, St. Paul & Pacific reorganization was consummated Dec. 1, and the gold 5s, 1975, illustrating another point. The gold 5s of 1975 have a claim for $195.00 odd for the period 2-1-35 to 12-31-43. (The effective date of the plan is Jan. 1, 1944.)

This $195.00 claim for interest is to be settled by the issuance of general mortgage B bonds and preferred stock. The plan was consummated on Dec. 1, and the market value of the B bonds and preferred stock on Dec. 1, say $148.00, is taxable interest income to holders who purchased prior to 2-1-35, and return of capital to purchasers after 12-31-1943, with purchasers in between those dates allocating the $148.00 pro rata over the entire period and then further allocating this amount to the period before and after the purchase date. The gold 5s paid $225.00 interest on June 1, 1945, for the same period 2-1-35 to 12-31-43.

The new general mortgage A & B 4½% bonds of the St. Paul trading when-issued "flat" carry all interest accumulations from Jan. 1, 1944. Under the plan, $45.00 will be paid to the old bondholders, representing interest on the new. When-issued buyers would be entitled to this interest on settlement date. It would be taxable interest to the old holder, to extent accrued during his ownership, a reduction of proceeds on his sale, and a return of capital to the buyer.

In all of these cases, if the old bondholder would be charged with taxable interest income, he might sell his bonds before the payment date, or before the date of consummation under a plan of reorganization. He could repurchase after the payment date or, if a plan of reorganization is involved, purchase the new securities when-issued. If he sells old bonds or repurchases old bonds after the date of consummation, he would be considered as selling or buying the new securities. This is so because, upon consummation of a plan, the old securities are in effect converted into the new securities called for by the plan. Thereafter the old securities are merely an evidence of the new securities for which they are to be exchanged.

If the consummation date of a plan is not imminent and the same securities are repurchased within 30 days, any loss on the sale would be disallowed and added to the cost of the repurchased securities. Holding period of the repurchased securities would include the holding period of the old, for capital gains and losses, but the bonds would have a new date of acquisition for taxable interest purposes.

Dividends

Dividends do not accrue, and are not treated in the same way as interest. A dividend is an amount paid by a corporation to its shareholders out of earnings and profits. Its shareholders are determined as of a certain date—the record date. Whoever owns the stock on the record date would be the one taxed with the receipt of the dividend. Ex-dividend dates established by the exchanges mean nothing in so far as who is taxed. The record date owner would be taxed, even though he must pay the dividend over to a purchaser who bought with due bill attached. The buyer, who bought with a due bill is not the record-date owner, has no claim on the paying corporation for the dividend, and is not taxed with receipt of the dividend. The seller is taxed with the receipt of the dividend, and when he pays it over to the buyer it reduces proceeds of sale to the seller and cost to the buyer.

Short Sales

One hundred shares are purchased at 80 and within four months the tsock is selling at 100. A holder wants to sell but wants a long-term gain. He sells 100 shares short at 100, waits two months and then delivers his long stock. His actual long-term gain is $2,000, taxed 50% on 50%, or $500, and he takes home $1,500. After selling short, if he finds his stock is then selling at 120, he could buy 100 at 120, deliver it against his short sale, and take a short-term loss of $2,000. He then sells his long stock at 120 and has an actual long-term gain of $4,000, or a net long-term gain of $2,000 offset by his short-term loss of $2,000. No tax liability, and all $2,000 profit taken home.

When-Issued Trading

When-issued purchases and sales are not completed until settlement date. When-issued sales are actually made on settlement date. All matched when-issued purchases and sales, therefore, result in a short-term gain or loss on settlement date. Securities, sold when-issued, which were acquired by a nontaxable exchange, will be short-term or long-term depending upon the date of acquisition of the old securities for which the new securities sold when-issued were received in exchange. Securities sold when-issued which were acquired by a taxable exchange will be short-term because settlement date is usually within 1 or 2 months of the effective date of the exchange.

In the past year or so a method has been developed of selling when-issued profits which created a number of tax problems.

In January, 1945, 100 shares of Rock Island bought when-issued at 18. After 6 months, in August, 1945, the 100 shares of Rock Island are sold when-issued at 30. The trader is faced with a potential short-term profit of $1,200 on settlement date in 1946 if consummated then. Presuming that he is in the 65% normal and surtax bracket; his tax would be $780 on $1,200 and he takes home $420. What would have happened in August if, instead of selling when-issued at 30, he had sold his buy contract? There is a difference between selling when-issued and selling the actual when-issued contract itself; one transaction (selling when-issued) is a transaction subject to close at a future date, the other (selling the actual contract itself) is a closed transaction, no liability for any future performance. In August, if he had sold his buy contract which had a potential value of $1,200 at 70%, or for $840, his gain would have been long-term (bought January, sold August), his total tax being $210, and he takes home $630 immediately, not caring if the plan is consummated or not.

In October the market was 38 and he decided to sell both when-issued contracts at 70% of his potential profit of $1,200, or for $840. If he sold both contracts for a net sum, individual prices for each

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contract not being specified (and generally they are not) and market values not being ascertainable for the individual when-issued purchase and sales contracts, his position would be as follows: He has constructively received for his profitable contract the difference between 18 (the price called for by his when-issued buy) and the then market value of 38 or a long-term gain of $2,000. For his sell contract (the one in which he has a loss) he has constructively paid (to the buyer to assume his liability) the difference between the $2,000 and the actual amount received of $840, or $1,160. This $1,160 represents a short-term loss on the sell contract.

Actual long-term gain $2,000, 50% into a/c equals $1,000 on when-issued buy; short-term loss $1,160 on when-issued sale; net short-term loss of $160. **No tax liability and he takes home all $840.**

These are three examples with a potential profit of $1,200 being settled for $840 immediate cash and one takes home $420, $630 or possibly all $840, depending upon how the trades were handled.

One more illustration. Suppose the buyer bought the 100 shares when-issued in January, 1945 at 18, and now wants to take his profit. Market value now is 40. Potential profit of $2,200 sold at 70%, or for $1,540, would result in a long-term gain taxed 50% on 50% for a tax of $385 and $1,155 taken home. If he sells when-issued at 40 and the market rises to 45 and then both contracts are sold, following the same method of computation as before, his tax would only be $95 and he would take home $1,445. However, if the market declines to 35 and then he sells both contracts, both are valuable and he will have a gain in both. One will be long-term and the other short-term. His total tax would be $525 and he takes home only $1,015. These latter three illustrations of the same profit of $2,200 being settled for $1,540 results in his taking home $1,115, or depending upon market fluctuations, $1,015 or $1,545. These computations are based on: (1) separate prices not made for each contract and (2) separate quotations for each contract not obtainable. Even if such quotations are obtainable for individual contracts the principles of long-term and short-term gains or losses would be the same, but the computation would be different. However, the "take home" cash and tax difference would not be too material to the problem of selling when-issued and timing sale of when-issued contracts.

In all these illustrations, instead of paying taxes at normal and surtax rates, say 65%, on income or net short-term gains, it would pay holders to pay 25% on net long-term capital gains, provided the net result is favorable after taking care of commissions and transfer taxes on the extra round trip. In most cases the difference between 25% and 65% would be ample. To pay income taxes on interest or other distributions which are actually a return of capital, and failure to adjust the cost, could give rise to a situation on a subsequent sale in a later year of having a revenue agent say "Look here, you show a $500 capital gain on the sale of these ten bonds, whereas in 1945 you received $225 per $1,000 bond which was a return of capital. You should have adjusted your cost and now show a capital gain of $2,750." "Oh," you say, "I paid taxes on that interest in 1945." "Sorry," says the agent, "capital gain this year is $2,750, and you will have to file a claim for refund for 1945." But maybe the statute of limitations will have expired.

Summary

Here are a few rules to remember:

1. Sell bonds of reorganizing company or other bonds traded "flat" before substantial payment of interest arrears, where such interest accrued during ownership of bonds, and repurchase after payment date to reinstate the investment.

2. Sell bonds and repurchase before consummation of reorganization where interest in default, accrued during ownership, is to be paid in cash or securities.

3. Sell preferred stock before record date for substantial dividend arrears. Repurchase after record date regardless of whether stock is selling ex-dividend.

4. Rather than sell for a short-term gain, sell short and deliver after six months from purchase, or buy to cover the short sale and then sell long stock.

Labor's Responsibility for Full Production

(Continued from page 2876)

that the officers and members of the Unions affiliated with the Congress of Industrial Organizations will not only accept these technological improvements but they will cooperate with industry and management in every way to bring them about more and more as the days and the weeks and the years come and go.

Will Not Limit Output

Further, you can rest assured that the Unions affiliated with the Congress of Industrial Organizations will not place any obstacles in the way of full production. We believe that every man should perform a good day's work for a good day's wages, so there are no rules and there will be no attempt to enforce any rules on the part of the Congress of Industrial Organizations that will in any way limit the output per day or per week or per month or per year in any industry of which we are a part.

To us, full production, which again I say means in the end full employment, is the most important question we have before us, and I know just as well as you do that if we put the same effort into licking the problem of unemployment that we put into winning the war, we can lick unemployment in the United States of America easier than we licked Hitler and the forces of reaction in the other countries.

So, may I say, in the very beginning, it is our thought that the Unions as well as Management should decide now that we are going to put that genius that we love to talk about into play in bringing about full production and full employment in the United States of America.

You know, the very tenet of our Christian civilization, especially as it applies to our social and economic life—and I think we ought to have some Christian and some spiritual conception in industry—the very precept of our Christian economy is based upon the fact that man must earn his bread in the sweat of his face. That doesn't mean that he earns his bread by sweating in his face because he can't get a job. The only real way that a man can live in accordance with our Christian precept, and I accept it, is that he must earn his bread in the sweat of his face, and in order to carry that out, he must have the opportunity to earn his bread in the sweat of his face which means an opportunity to work.

There is no greater tragedy in life, and I am sure you will agree with me on this fundamental fact, than a breadwinner with a family out of work and impossible for him to get a job. That, my friends, is what we have to lick here in America.

Must Sustain Purchasing Power

I don't know of any other way that we are going to not only continue wartime production in this country but increase it because it will be necessary in the years to come to increase production in America, than to sustain the purchasing power of the consumers. There is no doubt, I think, in the minds of those who are gathered here, there is no doubt in the minds of the membership of the Congress of Industrial Organizations, that we can very easily if necessary produce as large a volume as we did during the war, but, where are you going to sell that production? That is the question that faces America, and, as the Honorable Secretary of Commerce has well said, while we will have some foreign trade, it may be expanded to some degree, but nevertheless we here in America must depend upon our domestic markets and sustain the purchasing power of the people of the United States of America, and in order that that purchasing power may be sustained, the consumers in America must have the money to purchase what industry can manufacture and mine and what agriculture can raise in our country.

So, believing in that fundamental—and I am sure you are not surprised—the CIO stands one hundred per cent for increasing the purchasing power of the vast body of American people by increasing wages so that the amount of money that can be used for purchasing the goods you manufacture will not only be sustained as to the amount during the war but will tend to increase. If production is to be increased, the amount of money available for purchase of goods must be increased steadily, at least to a reasonable degree. So that is part of the program of the Congress of Industrial Organizations.

Wants Private Enterprise

Let me just say this word in conclusion. I am sure it is not necessary for me to tell you what is happening in Europe. You know just as well as I do. The United States of America is the only large industrial country in the world that has kept its system of private enterprise.

I like to call it private enterprise rather than free enterprise because we had the greatest degree of free enterprise up until about 1932, and again you will agree with me it was pretty free; nobody in business was making any money, and labor was on the dole. We don't want that sort of free enterprise in America.

We want private enterprise, and there is no man in industry living that believes more in private enterprise as we know it in America than I do, there is no organization in America that believes in our American way of private enterprise more than the Congress of Industrial Organizations. We not only have a stake so far as our wages and standards of living are concerned in this matter, but the Congress of Industrial Organizations has a stake with you, maybe even greater than your stake, in preserving our American system of private enterprise.

So I say to you in conclusion, let us make up our minds, labor and management, businessmen of all types and industry, that we are going to put forth the same valiant effort in licking unemployment in America that we put forth in licking our enemies abroad.

Unemployment is the worst enemy we have in America, and if it is allowed to reach the place it had in our economic life back a few years ago, nobody can say what may happen to our American enterprise as we know it.

So let us join together, and I assure you you will have the cooperation of the officers and members of the Congress of Industrial Organizations in licking unemployment, bringing full production, maintaining our American way of life in industry and our competitive enterprise.

We want you to make a decent profit, and we want a decent wage that we may live as we should, so all of us together, living just that way, can lick this problem, bring full production and full employment to America, the greatest country there is or ever will be.

Directors Chosen for War Assets Corp.

Announcement was made on Nov. 15 of the selection of the members of the Board of Directors of the War Assets Corporation. Upon completion of organization of War Assets Corporation, it will assume the duties and functions of the RFC Office of Surplus Property and will handle the disposal of surplus government-owned consumer goods, and capital and producers' goods, including industrial plants and aircraft.

Members of the Board of War Assets Corporation are Sam H. Husbands, Chairman; George F. Buskie, Vice-Chairman; Harvey J. Gunderson, Arthur J. Fushman, Merritt C. Penticoff, and David H. O'Brien.

Mr. Husbands, who in addition to his other duties heads the new Board, and Mr. Gunderson, who had a major responsibility in the Government's wartime stockpiling program, are members of the Board of Directors of the Reconstruction Finance Corporation. Mr. Buskie has served as Executive Director of RFC's Office of Surplus Property. Mr. Fushman, who has been named President of War Assets Corporation, is Manager of the Detroit RFC Regional Office, which has charge of the disposal operations of RFC Office of Surplus Property in the Michigan industrial area.

Mr. Penticoff and Mr. O'Brien are Assistant Administrators of the Surplus Property Administration. Mr. Penticoff was recently loaned by Surplus Property Administration to serve as temporary Director of the Office of Surplus Property, Consumer Goods Division, RFC. Edgar A. Stansfield, Assistant General Counsel of RFC, has been elected General Counsel of War Assets Corporation and Minot C. Mulligan, Assistant Secretary, RFC, will serve as Secretary.

Valuation by Australia On Reverse Lend-Lease

Australia has put an $835,004,000 valuation on reverse Lend-Lease supplies it furnished the United States, the War Department said on Nov. 20, it is learned from Associated Press advices from Washington, which added:

The Army added that the Australian figures covered supplies, services and facilities furnished United States troops through June 30 of this year.

Lend-Lease exports to Australia from the United States for the same period were valued at $1,154,000,000, the Foreign Economic Administration said.

Among the supplies furnished the United States: 257,000,000 pounds of meat, 165,000 tires and tubes annually for three years, 7,899,000 pairs of socks and 1,750,000 pairs of shoes.

The Army declared Australia's aid was of inestimable help in saving cargo space and man hours.

"In effect, for the United States, it was as if raw materials, industry workers, farms and produce and the willing co-operation were moved 10,000 miles from the States in one big jump," the report stated.

It is also stated that of the total Australian reverse lend-lease, $662,067,668 went to the Army, of which $174,646,039 was for services and $487,421,629 for supplies.

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

700,000 Shares

Alleghany Corporation

Common Stock

Par Value $1 Per Share

Price $5.75 per Share

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of such States.

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December 13, 1945

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Rebuilding the Tax Structure

(Continued from page 2875)

Congress demonstrated real fiscal statesmanship in the 1945 Tax Act which adjusted wartime burdens but, admittedly, the relief granted was limited. Much more revision of the Tax Code is necessary to secure a basically sound peacetime structure, yet we must admit that the prospect of working against a background of falling instead of rising taxes is new and stimulating.

Inflationary Powder Magazine

During 16 years of deficit financing, we have charged an inflationary powder magazine. A spark can set it off.

Let me acquaint you briefly with some figures which have just been made public by the Treasury Department. In the last five years, Federal spending accounted for $323 billion or nearly 40% of the gross income of the American people. The deficit for the national Government for the war years amounted to $190 billion. More than one-third of this, or about $70 billion, was financed through the sale of Government bonds to banks by the inflationary process of creating bank deposits and currency.

Our dollars already are buying less and less; they could become almost worthless if we do not adopt responsible methods of Government finance.

Spending and Taxes

The size of our peacetime budget and our tax bill depends in a large degree on these questions: How large must the armed forces be? How much will we need to take care of veterans properly? What will be the Congressional policy concerning agriculture and social welfare?

These questions must be answered before anything like an accurate forecast of peacetime expenditures and taxes can be made.

Despite the uncertainties, this much is clear: the level of business activity and employment will have much to do with the tax burden. Full employment is the surest road to lower tax rates and paradoxically, to higher tax revenue.

Plans and Practicalities

We must plan and work now for a better tax program, or run the risk of losing our economic freedom and other freedoms we have long enjoyed. I dislike to think what would happen if some of our professional business antagonists would have their way about taxing private industry.

My quarrel with them is based on my belief that they know so many things that simply aren't true. They entirely disregard that vast body of experience which proves they are wrong. On this point, one illustration appeals to me.

When men were beginning to speculate about physics, it was believed that different weights would fall at speeds in proportion to their weight; a two-pound weight would fall just twice as fast as a one-pound weight. That was accepted as logical for centuries.

Galileo Found Out

Then one day, Galileo stood atop the leaning tower of Piza with a two-pound weight in one hand, and a one-pound weight in the other. He dropped them both at the same instant and watched them both strike the ground simultaneously. That was the beginning of real knowledge of the laws of motion and gravitation.

Today we need a Galileo of economics to drop a few weights in the right places; to examine and compare the experience of the ages with the panaceas which critics of private enterprise are dishing out to us.

These false theorists would keep paralyzing tax burdens on industry and enterprise, just when industry and enterprise ought to expand.

Production Helped Win War

The greatest industrial development in this country took place at a time when businesses could retain and reinvest their whole earnings and investors could personally realize adequate profits on their investments. Was this harmful? The high standard of American living offers a blunt denial. Further, the privately created industrial machine of this nation became the arsenal of democracy to do the production job which, as much as any other factor, helped win the war.

The American people must understand how bad taxes can slow down or even stop our progress toward the goal of a better America.

We must show them how the jobs they need and the production of things they want are affected by ill-conceived legislation. Then they will see the need for correcting bad taxes.

Taxes Most per Capita

Congress should enact a system of taxation that preserves the right to risk and win without penalizing initiative and income.

This year the Federal Government will spend 67 billions of dollars, much for war purposes. We will pay in about $36 billion to taxes. The difference is a big deficit, to be sure, but the $36 billion of taxes is more in volume and more per capita than any nation under the sun is paying, or ever has paid.

Higher Productivity Possible

I do not have to tell you the Federal Government cannot even come close to raising $67 billion by taxation out of present national income.

The Federal budget will exceed anything of its kind known before the war. It will require some rigorous pruning to get it in the neighborhood of $20 billion. If we are going to be able to balance this budget and pay the State and local tax bill of another $10 billion, we must maintain a high level of national income.

I suggest that we look past the horizon of $130 billion of national income for 1946 and 1947 which has been used by the Treasury as a basis for estimating future revenue. I am confident that productivity can be encouraged beyond that figure.

Program for Budget Balance

The Federal budget can be balanced, possibly in the next fiscal year beginning July 15, 1946, and certainly in the following year, if these steps are taken:

1—Establish a tax atmosphere which encourages peak production and maximum employment. Congress acted promptly to stimulate reconversion; we hope it will act with similar wisdom and vigor regarding ultimate peacetime conditions.

2—Drastically curtail Federal spending. Particularly, limit the appropriation bills which will be put before Congress early next year to absolutely essential items.

3—Establish the peacetime policy of setting tax rates on both business and individuals below the point of discouragement. This would stimulate the flow of job-creating capital and at the same time benefit the Treasury.

4—Fortify a sane fiscal policy by eliminating other Government restrictions which discourage production and jobs.

Restated simply, our objectives are: economy in Government, sane taxation and a balanced budget.

Blocked Investment

Enterprise is not an ever-flowing spring. Enterprise needs the replenishment of new capital from those who have the ability to save and the courage to risk their savings.

We know, for example, that it takes an average investment of almost $6,000 to support one job in manufacturing.

Yet a simple example shows how even the lower rates of the new tax law discourage the flow of venture capital. Suppose a mythical Mr. Jones had $10,000 to invest in a new corporation—about enough to make a couple of jobs. Further, assume he has a $50,000 income—he would require it to be able to save the $10,000.

Even if Jones could count on a 15% return before taxes, at 1946 rates on the corporation earnings and the dividends he might receive he would net a little over 2½% on his investment, which probably wouldn't induce him to take the risk involved.

You can't stop with the discouragement of one Mr. Jones. A lot of other Mr. Joneses are involved, and it is the vitality of enterprise that suffers, and those who need the productivity and the jobs which savings should create.

Crystal Ball Gazing

I don't want to give the impression that the future is irrevocably dark. On the contrary, businessmen refuse to be defeatists.

Within the past month I asked a small representative group of businessmen to guess what corporation rates might be for three given years in the future. The answers probably were influenced by wishful thinking, but here is the consensus compared with the 1946 rate of 38%:

1948	34%
1951	29%
1955	27%

Next Tax Bill

Congress is committed to begin work on a tax bill early next year. It may be impossible at that time to draft the ultimate postwar tax code, but industry is hopeful that this may be substantially achieved by:

1—Establishing the outlines of a permanent peacetime tax structure which may be used to produce more revenue or less revenue by changes in rates rather than by tinkering with the structure itself.

2—Eliminate such tax "specialties" as the tax on intercompany dividends and the penalty tax on consolidate returns.

3—Establish a practical, fair method of eliminating the double taxation of dividends.

4—After next year, replace the existing carry-back, carry-forward provisions with a six year carry-forward for net business losses.

5—Modify the severe progression in the income tax schedules which seems to be designed more for social reform than for revenue collection. Taxes should not take more than 50% of any individual's income.

6—Simplify both form and language of the tax laws so that the average intelligent taxpayer can understand them.

Withholding Tax

The withholding tax should be continued because it makes tax collection efficent and economical. However, employes tend to overlook the taxes withheld from their earnings and lose their tax consciousness in their concentration on take home pay.

Every citizen in a democracy should be fully aware of what his Government is costing him, and industry has a job of education to do in this respect.

Double Taxes Unjust

When tax hearings begin again, Congress will be urged to remove one of the most flagrant injustices in the entire tax code—the double taxation of dividends.

The effect of the double tax is almost confiscatory; even under the reduced 1946 rates it can take as much as 91% of earnings received from a corporation.

There are a number of ways of relieving this situation. Perhaps the best method is to have the corporation pay a tax on its net income as at present, but allow the individual an appropriate reduction in his own tax on account of the tax paid on his dividends by the corporation.

Creative Group Penalized

Individual tax reductions in important brackets are being reduced in slim proportion to the burdens added during the war period.

In the prewar period, 1936-1939, a married man paid the Federal Government 6% of a $15,000 income. During the war he paid 31% and under reduced 1946 rates he will still pay out 27%—or four and one-half times the prewar amount.

If his income was $50,000, he paid 55% during the war, and next year would still pay almost 50% compared with 18% before the war.

This is a discrimination against the creative group which sparks America. They are the leaders in the professions, business and agriculture. They are our dreamers and producers. They write our best music, our best books, our best plays. They are the progressive leaders in our communities.

It's a good thing to encourage this creative group to work hard, for they build not only for themselves but for the nation as a whole. They set our standards of better life so that even the modest man in the United States enjoys a better living than those who enjoy the best of other countries.

Public Supports Lower Rates

Although it is generally admitted that the high rates on the middle and upper brackets are out of line, and that rate reduction would bring only a modest curtailment in tax revenue, we have all heard the contention that public opinion would oppose a healthy and proper readjustment.

Dr. Gallup demonstrated this was not true in a recent poll. The public thought the $50,000-a-year man should pay $12,500, only half of what he actually does. The average man is a lot more reasonable about these taxes than his Congressman. It looks as if he feels the big income earners could properly pay lots less taxes.

Taxes Take 30%

No people can continue to be great and free if Government throttles individual enterprise and creative spirit is not encouraged.

Studies of past experience indicate that in peacetime the danger point is reached when taxes are 25% of national income.

We are beyond the safety line right now. The combined total of Federal, state and local taxes is taking almost 30% of national income. This alone makes prompt tax readjustment essential.

Low Rates and Balanced Budget

A substantial reduction of tax rates after World War I contributed greatly to business expansion. The excess profits tax was repealed, corporate taxes were reduced considerably and the individual surtax rate was brought down to a maximum of 25%. The Federal budget was soon balanced and a surplus accumulated which enabled the Government within ten years to cut the Federal debt by ten billion dollars.

In the United States there is a greater capacity for production today than there was at the close of the last war. And there is a parallel opportunity for the Federal Government to collect a much bigger revenue than ever before in peacetime even at low rates.

Einstein Baffled

Tax simplification should go hand in hand with rate adjustments. Businessmen complain that our system has grown so complex they can no longer be sure of making out an acceptable tax return, with or without expert assistance.

Even Professor Einstein had difficulty. The learned mathematician was caught glancing at an income tax guide recently. Asked if he would like one, he cried:

"Good Heavens, No! It's terrible enough to have to figure out the tax without having to read a whole book about it."

Making out tax returns will continue to be a fourth dimensional task for most of us until our tax law and regulations are simplified in a very substantial degree.

Repay Debt in 55 Years

Victory over the Axis left us with a debt that would have seemed incredible only a few years ago. When it reaches 300 billion dollars, the public debt of the nation will amount to twice the assessed valuation of all the real property in the country. This will represent a per capita debt of $2,100 or in terms of the 36,000,000 people who pay income taxes, $8,300 per taxpayer.

Nations, like individuals, usually do not pay off debts unless they plan to do so. If we plan to package the six billions of interest charges with another three billions, representing 1% of the debt total, and set aside this nine billion dollars for debt service each year, we can wipe out Federal indebtedness in about 55 years.

To achieve a national income high enough to support the Government without straining the economy, we must get into full production, create jobs for millions, and increase output of goods and services.

We can be the architects of our own future by building a peacetime tax structure adapted to our peacetime needs.

Our nation cannot win the peace until our internal situation is equal to the task; until the American people resurrect the impelling spirit of being part of a great movement that is going somewhere.

National integrity and the driving force of individuals creating for themselves and for those who surround them will make the future solvent.

Without these, the cost of preserving democracy will destroy it.

Otis & Co. Offering Alleghany Corp. Stock

Otis & Co. made an offering Dec. 12, after the close of the New York Stock Exchange, of 700,000 shares of common stock of Alleghany Corporation at $5.75 per share less a concession of 37½ cents per share to selected dealers. The offering does not represent any financing by Alleghany as the shares are being purchased from three stockholders.

Alleghany, of which Robert R. Young is Chairman of the Board, and Allan P. Kirby, President, owns 7.92% of the outstanding common stock of the Chesapeake and Ohio Railway Co. It also has substantial interests in the Pittston Company and Missouri and Pacific Railroad Co., and owns a diversified list of miscellaneous railroad investments.

Walter V. Bradley Has Rejoined B. W. Pizzini

B. W. Pizzini & Co., Inc., 25 Broad Street, New York City, announces that Walter V. Bradley has returned to their organization following his release from active duty with the United States Army.

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Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Lowell G. Simonds** has joined the staff of **A. E. Weltner & Co.**, 21 West Tenth Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Ansley L. Oltman** has become affiliated with **Buckley Brothers**, 530 West Sixth Street. He was formerly with Halbert, Hargrove & Co. and Tucker & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Frank J. Koch** is with **Carter H. Corbrey & Co.**, 650 South Spring Street. He was previously with Quincy Cass Associates.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**William R. Bleecker** is now connected with **Cruttenden & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Malcolm C. Robinson, Jr.** has become associated with **Dewar & Co.**, First National Building, San Diego. In the past he was with Redfield & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**William P. Bower** has joined the staff of **Nelson Douglass & Co.**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**William S. Cook** has become affiliated with **Gross, Van Court & Co.**, 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Sheppard W. King, Jr.** and **Edwin H. May** have become associated with **Hope & Co.**, 639 South Spring Street. Mr. King was formerly with E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Earl A. Wigg** has been added to the staff of **E. F. Hutton & Co.**, 623 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Ben H. Eiler**, previously with Page, Hubbard & Asche, is now with **Lester & Co.**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Lewis W. Walker** is with **Livingstone & Co.**, 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**William E. Lawson** has become connected with **Revel Miller & Co.**, 650 South Spring Street. He was formerly with Reagan & Co. and Leo G. McLaughlin Securities Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Al Fisher** is now affiliated with **Sattler & Co.** He was with Pacific Company of California in the past.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Leo F. Flower, Edwin P. Melrose** and **Charles T. Minor** are with **Slayton & Co.**

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**John F. Hostetler** has become associated with **Turner, Poindexter & Co.**, 629 South Spring Street. He was formerly with Blyth & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**John N. Cornish** has been added to the staff of **Dean Witter & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**John H. Bond** and **Richard W. Janeway** are affiliated with **Edgerton, Wykoff & Co.**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

MERIDEN, CONN. — **John F. Ellis** is now connected with **William H. Rybeck & Company**, 16 West Main Street.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — **Frances R. Schuster** has been added to the staff of **The Crummer Company** of Orlando, Fla.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — **James A. McLean, Jr.** is with **Bond & Goodwin, Inc.**, 120 Exchange Street.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — **Philip H. Nelson** has become associated with **W. H. Bell & Co.**, 49 Federal Street, Boston, Mass. He was previously with the National Bank of Commerce.

(Special to THE FINANCIAL CHRONICLE)

RACINE, WIS.—**Frank G. Quirk** is with **Merrill Lynch, Pierce, Fenner & Beane.** In the past he was with Harris, Upham & Co. in Milwaukee.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Eben T. Bradbury** and **Kenton L. Tanler** have joined the staff of **Slayton & Co., Inc.**, 111 North Fourth Street.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Frank X. Keaney** has rejoined the staff of **Stifel, Nicolaus & Co., Inc.**, 314 North Broadway, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**Arthur J. Harff, Merle S. Olson, Reuben A. Skoglund,** and **Charles B. Weber** are with **Feromack Securities Corporation**, Guardian Building.

(Special to THE FINANCIAL CHRONICLE)

SALINAS, CALIF.—**Richard J. Nash** is now associated with **Herman, Hampton & Co.**, Salinas National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—**Glen E. Gilpin and Ord Preston, Jr.** are with Buckley Brothers, 625 Broadway.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—**James D. Kent** has become affiliated with **Walston, Hoffman & Goodwin**, 625 Broadway. He was formerly with First California Company, Bankamerica Company, and Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**S. D. Mitchell** has become associated with **First California Company**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**William L. Fairbanks** and **W. Henry Metcalf** have become associated with **Hannaford & Talbot**, 519 California Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Bruce Goecker** has been added to the staff of **Kaiser & Co.**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Alonzo W. Anderson** is with **Mitchum, Tully & Co.**, 405 Montgomery Street. In the past he was with Schwabacher & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Aaron Senderman** has become affiliated with **Schwabacher & Co.**, 600 Market Street. In the past he was with Frank Knowlton & Co.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

Market now on verge of important move. Failure to advance sharply may point way to sharp break. Stops should be watched closely.

From the action of the market during the past few days it begins to look as if it had worked itself into a position where it will either explode upwards with everybody stepping on each other's heels to get aboard, or it will sputter and fall back with a dull thud.

* * *

Evidences of this occurrence are plentiful. One day stocks retreat from what looks like a minor obstacle. Next day they act worse and show small signs of imminent collapse. Then just as it looks like the break is here, they whip around and go up again. The same action that presaged what looked like a break, is then reversed; they start acting like the stratosphere was the immediate goal.

* * *

Obviously such behavior is a reflection of nervousness plus a wide public following. Based on years of market experience I have learned to distrust a wide public participation. It is so unpredictable that to attempt to guess its next move is almost impossible. The only thing one can be sure of is that it will act on emotions of which fear is the most dynamic.

* * *

Right now the fear principle is something called inflation. But inflation is like Mark Twain said of the weather. "Everybody talks about it but nobody does anything about it." Paraphrasing it marketwise, everybody talks about inflation but few know what it is. The most common refuge from inflation is to put cash into things. Real estate and equities which represent anticipated earnings are the most popular mediums. As more and more people get into them the higher these things go.

* * *

But inflation isn't something that happens with the wave of a hand, or for that matter is unmade by a similar wave. It's a set of conditions that gain momentum gradually, pulling everybody in. The process may be slow or it may be speeded up by law makers who frequently have axes to grind. But whether it is slow or fast the end hurts as much. The market being a sensitive barometer of the economic weather frequently indicates the climatic changes. But the changes which are ordinarily slow assume explosive characteristics once the public is in. A two point market fluctuation can increase to ten points or more with a large public interested in it.

* * *

There seems to be a lot of belief that the high margins will protect holders of stocks against losses. I doubt it. High margins, low margins or no margins at all never prevented reactions. The false security engendered by "almost outright" holdings merely increase the losses. Big margins do not take the place of protection which stops carry. I feel that anybody who buys stocks should place a limit on possible losses. Any other way is breeding trouble.

* * *

Last week I felt that more strength was indicated, so I advised the purchase of additional stocks. These were American Foreign Power 2d. Pfd. 35-36, stop 34; American Steel Founders 40-41, stop 39; Flintkote 36-37, stop 35 and New York Central 31-32, stop 35. All of them came into the list before the week was over and at this writing are already in the black anywhere from a fraction to 3 points. But despite the enlargement of the list my skepticism of the market hasn't changed.

* * *

In addition the new stocks mentioned above you also hold Lockheed at 32½ (now 41) and Western Union at 52 (now about 54). Lockheed stop is now 36, Western Union remains 50.

* * *

By this time next week the market should be stronger and stocks should be about 3 points higher. Failure to achieve that will not be a constructive indication.

* * *

J. W. D., Chicago: Recommendation of any stock in this column is not based on any potential liquidating level. It is based on technical performance. Liquidating or breakup points are meaningless. It is the actual profits which count. It seems to me that 30 points profit in an 18 dollar stock in less that a year should not be allowed to dwindle. A switch from American Superpower into United Corp. might work out profitably, but with the market presenting dangerous potentials I think it would be wiser to just convert the paper into cash. Sorry I can't reply by mail. Pressure of other duties prevent it.

* * *

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.]

Business Man's Bookshelf

Guaranteed Annual Wage, The—Waldo E. Fisher, Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—leaflet.

Industry in Latin America—George Wythe—analysis of industrial development of Latin America—Columbia University Press, New York City—cloth—$4.00.

Selected List of Annual "Statistical" or "Review" Issues of Business Periodicals—Donald T. Clark, Harvard University, and Subject Index by Margaret Goldsby, American Bankers Association, New York City—paper—10c.

Trends in Collective Bargaining, A Summary of Recent Experience—S. T. Williamson and Herbert Harris—The Twentieth Century Fund, 330 West 42nd Street, New York City—cloth—$2.00.

War Stricken Holland on the Mend—Evolution of the economic, financial and currency position in Holland during the German occupation and since the liberation—Rotterdamsche Bankvereeniging, Amsterdam, Holland—paper.

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co.

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New York Curb Exchange (Associate)
Chicago Board of Trade

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928

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San Francisco — Santa Barbara
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NEW YORK 5, N. Y.

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Chicago Board of Trade
New Orleans Cotton Exchange
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Anglo-Norwegian Monetary Agreement

Treaty Follows Line of Similar Bilateral Agreements Within the Sterling Bloc. Fixes Rate of Exchange of Norwegian Kroner at 20 to One Pound Sterling.

The "Chronicle" has received the British White Paper (Cmd. 6697) giving the text of the Monetary Agreement between Great Britain and the Royal Norwegian Government which was signed in London, Nov. 8, 1945. The text of the treaty is as follows:

Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Norwegian Government.

London, 8th November, 1945.

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

Article 1.

(i) The rate of exchange between the Norwegian krone and the £ sterling shall be Norwegian kroner 20 = £1.

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

(iii) In all territories where they have jurisdiction the contracting Governments shall enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and Norges Bank, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

Article 2.

(i) The Bank of England (acting as agents of the Government of the United Kingdom) shall sell to Norges Bank (acting as agents of the Royal Norwegian Government), against Norwegian kroner to be credited at the official rate to the Bank of England's No. 1 Account with Norges Bank, sterling as may be required for payments which residents of Norway, under the exchange regulations in force in Norway, are permitted to make to residents of the sterling areas.

(ii) Norges Bank (acting as agents of the Royal Norwegian Government) shall sell to the Bank of England (acting as agents of the Government of the United Kingdom), against sterling to be credited at the official rate to Norges Bank No. 1 Account with the Bank of England, Norwegian kroner as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of Norway.

Article 3.

(i) The Bank of England shall have the right at any time to sell to Norges Bank, against all or part of the sterling balances held by that Bank, either Norwegian kroner at the official rate or gold to be set aside at the Bank of England in London.

(ii) Norges Bank shall have the right at any time to sell to the Bank of England, against all or part of the Norwegian kroner balances held by that Bank, either sterling at the official rate or gold to be set aside at Norges Bank in Oslo.

(iii) Gold set aside in Oslo in accordance with the provisions of this Article shall be at the Bank of England's free disposal and may be exported.

(iv) Gold set aside in London in accordance with the provisions of this Article shall be at Norges Bank's free disposal and may be exported.

Article 4.

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of Norway for making—

(a) transfers to other residents of Norway;

(b) payments to residents of the sterling area; or

(c) transfers to residents of countries outside Norway and the sterling area to the extent to which these may be authorized by the United Kingdom Government under the arrangements contemplated in Article 7 (iii) hereof.

(ii) The Royal Norwegian Government shall not restrict the availability of Norwegian kroner at the disposal of residents of the sterling area for making—

(a) transfers to other residents of the sterling area;

(b) payments to residents of Norway; or

(c) transfers to residents of countries outside the sterling area and Norway to the extent to which these may be authorized by the Royal Norwegian Government under the arrangements contemplated in Article 7 (iii) hereof.

Article 5.

The contracting Governments shall cooperate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers which do not serve direct and useful economic or commercial purposes.

Article 6.

Any sterling held by Norges Bank shall be held and invested only as may be agreed by the Bank of England, and any Norwegian kroner held by the Bank of England shall be held and invested only as may be agreed by Norges Bank.

Article 7.

(i) If, during the currency of this Agreement, either of the contracting Governments adheres to a general international monetary agreement, the terms of the present Agreement shall be reviewed with a view to making any amendments that may be required.

(ii) While the present Agreement continues in force the contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and Norges Bank, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement and will collaborate closely on exchange control matters affecting the sterling area and Norway.

(iii) As opportunity offers the contracting Governments shall seek, with the consent of the other interested parties—

(a) to make Norwegian kroner at the disposal of residents of the sterling area and sterling at the disposal of residents of Norway available for making payments of a current nature to residents of countries outside the sterling area and Norway; and

(b) to enable residents of countries outside the sterling area and Norway to use sterling at their disposal to make payments of a current nature to residents of Norway and to use Norwegian kroner at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

Article 8.

For the purposes of the present Agreement—

(i) The expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom.

(ii) Transactions between the Bank of England and Norges Bank are to be considered as transactions between the sterling area and Norway.

(iii) Transactions entered into by the Government of any territory within the sterling area or by the Royal Norwegian Government are to be considered as transactions entered into by a resident of the sterling area or Norway respectively.

Article 9.

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the date of signature. At any time thereafter either contracting Government may give written notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate five years after the date of its coming into force unless the two contracting Governments agree otherwise.

In faith whereof the undersigned plenipotentiaries, being duly authorized thereto by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in London in duplicate this 8th day of November, 1945.

For the Government of the United Kingdom of Great Britain and Northern Ireland:
(L. S.) ERNEST BEVIN.
For the Royal Norwegian Government:
(L. S.) ERIK COLBAN.

ABA Executive Council To Meet in April

The annual spring meetings of the Executive Council of the American Bankers Association, which were interrupted last year, will be resumed in 1946 with a meeting April 14-16 at the French Lick Springs Hotel at French Lick, Ind., it is announced by Frank C. Rathje, President of the Association. Mr. Rathje is President of the Chicago City Bank and Trust Company, Chicago, Ill.

The A.B.A. Executive Council meets regularly twice a year—in April and again during the general convention in the fall, but last year the spring meeting had to be omitted because of the critical transportation and hotel situations, and the prohibition by the Office of Defense Transportation of meetings of more than 50 people. The meeting next April will mark a resumption of the Council's regular spring meetings. The Executive Council is the governing body of the Association second only to the general convention. It consists of the officers of the Association the President and Vice-President of each of its six divisions and sections the Chairmen of its various commissions, and representatives elected by A.B.A. member banks in the various states, plus 12 members at large appointed by the President. The meeting will bring together the members of the Council and the leaders of the Association's working committees, commissions, and councils, and officers of its divisions.

Congress Prepares to Act on President's Strike Curbing Plan—Labor's Opposition

President Truman's proposal for legislation to establish Federal fact-finding boards and a thirty-day "cooling off" period in major labor disputes met with instant response in Congress, where Chairman Mary Norton (D.-N. J.) of the House Labor Committee introduced a bill to carry out the recommendations, the Associated Press reported from Washington, Dec. 5, and the Senate was reported to be equally eager to consider implementing legislation.

House hearings on the bill were begun on Dec. 10 with a statement by John W. Lewis, President of the United Mine Workers of America, in opposition to the plan. In part, Mr. Lewis had the following to say. We quote from the Associated Press:

He [Mr. Lewis] referred to the President's proposal as an "evil, vile-smelling mess . . . full of dozens of loopholes that would make it unworkable," and said it was designed only to "appease and protect a few millionaires, who find themselves frightened by the growing strength of labor."

Then turning to the General Motors strike, he declared:

"The world knows and Congress ought to know it would be settled in ten days if the Government would give to General Motors a price for cars where they can make and sell them for a fair profit.

"They are making more money now not making cars than if they were producing them full blast, because of the present tax laws.

"And the poor blundering leaders of the UAW picked this time of all times to shut down General Motors, when it would make more money not operating than producing."

Although business leaders have been for the most part non-committal on the President's suggestion for fact-finding bodies of investigation until more is known of the type of legislation which would be passed to implement such a move, the President of the United States Chamber of Commerce, Eric Johnston, did not hesitate to say, according to the "Journal of Commerce" on Dec. 4, that he heartily endorsed the principle of impartial fact-finding; he added, however, that he would have to reserve judgment on any "specific proposals until I learn what form and scope legislation might assume."

Labor leaders came out vigorously with denunciation of the President's recommendations. In a radio broadcast from Pittsburgh on Dec. 4, Philip Murray, President of the Congress of Industrial Organizations and the United Steelworkers, accused the Truman Administration, according to special advices to the New York "Times," of yielding "in abject cowardice" to industry's refusal "to engage in collective bargaining," and with laying the groundwork of a legislative design "to weaken and ultimately destroy labor union organizations." The "Times" advices added that he further charged that the Administration had completely ignored human rights while at the same time it had "appeased" industry "with ever greater opportunities for increased profits at the expense of the American people." Mr. Murray asserted that the labor policies thus far of the Truman Administration had shown a sharp departure from those under the Roosevelt Administration.

Accusing the Government of laxness in setting up a policy which would defend the rights of labor, Mr. Murray finished his address, saying, according to the "Times":

"To date the Federal Administration has completely ignored the grave human problems which stand unsolved. The Federal Administration, instead, is embarked upon a policy of continued appeasement of American industry in the face of its contemptuous attitude toward the American people and the Government itself.

"The CIO is opposed to the basic policies thus pursued by the Administration. It is within this framework that the proposed legislation of President Truman must be viewed and its real intent understood.

"The design of the specific legislation proposal is to weaken and ultimately destroy labor union organizations. It can be but the first step for ever more savage legislative repression.

"For this reason, the CIO shall mobilize its entire membership and the American people to defeat this specific measure and all similar attempts directed against labor.

"The American people have not participated with all of their energies and resources in the recent ferocious struggle against fascism in order to have democracy weakened and threatened through proposals leading to industrial serfdom.

"The CIO is firmly of the belief that in pursuing its policy to achieve a higher standard of living for American wage earners it is serving the interest of the nation to assure the fulfillment of our national aspirations so eloquently expressed by President Roosevelt in his historic economic bill of rights.

"We seek for all, jobs, security, full employment and peace. To this objective we dedicate the CIO and its membership."

Ira Mosher, President of the National Association of Manufacturers, is reported by the "Journal of Commerce" to have stated regarding Mr. Truman's proposals:

"While management must study the proposal before making specific comment, it applauds the President's recognition of the function and responsibility of the Congress for attempts to find sound solutions to labor strife through fact - finding as well as other needed changes in the law. It must be assumed, too, that since management presented specific views regarding fact-finding machinery to the recent Labor-Management Conference, it will have ample opportunity to present its recommendations again to the Congress.

"During the famous automobile sit-down strike in 1937, the NAM board of directors recommended fact-finding legislation.

"In regard to fact-finding boards to deal with current strikes, two agencies of the Federal Government — the War Mobilization Office and Secretary Wallace's Commerce Department—have already prejudged industry's ability to pay a 30 per cent wage increase.

"This is not an atmosphere in which you could expect a board to exercise free and independent judgment.

"Furthermore, such a board would certainly be handicapped by operating under an executive appointment when the President has felt it necessary to ask Congress to give him authority to appoint such a board to settle major disputes."

An official statement by the United Mine Workers, released on Dec. 4, according to Associated Press Washington advices, severely criticized President Truman's proposal, and called it "an attempt on the part of the Administration to serve the big interests in a manner indirectly to what the people refused to do directly."

American Federation of Labor President, William Green, came to President Truman's support in disagreeing with Philip Murray's

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conclusion that the design of laws proposed by the President is "ultimately to destroy" labor unions. Mr. Green stated, the Associated Press reported from Washington on Dec. 5, that while the President's latest proposal for ending strikes was "not acceptable or satisfactory" to the A. F. of L., he thought Mr. Truman sincere in offering it. The A. F. of L. President said that his principal opposition was to the thirty-day "cooling off" period suggested by the President, which Mr. Green said he believed would cause "much delay" and result in "unrest."

President Truman's recommendations to Congress were reported in the "Chronicle" on Dec. 6, p. 2793.

Following is the text of Rep. Norton's bill which was introduced in the House for her by Rep. Ramspeck (D.-Ga.), as she was too ill to be present. The measure was referred to her committee:

AN ACT

To provide for the appointment of fact-finding boards to investigate labor disputes seriously affecting the national public interest, and for other purposes.

That this act may be cited as the "Labor Fact-Finding Boards Act."

Certification of Disputes

Sec. 2. Whenever the Secretary of Labor finds—

(1) That there is a labor dispute in which the agencies of the Government charged with the functions of mediation and conciliation have been unable to bring the parties to agreement and have been unable to induce the parties voluntarily to submit the controversy to arbitration, and

(2) That a stoppage of work seriously affecting the national public interest and affecting interstate or foreign commerce, or the national defense, or commerce within the District of Columbia or any territory or possession of the United States, has resulted or threatens to result from such dispute, the Secretary shall certify such findings to the President.

Any such certification of the Secretary shall be published in the Federal Register and shall designate the employer or employers involved in such dispute, the groups or units of employes involved in such dispute, and the representative or representatives of such employes. The employers, employes, and representatives so designated shall, for the purposes of this act, be regarded as the parties to the dispute.

Whenever a question arises concerning the representation of such employes, the Secretary of Labor may request the National Labor Relations Board to certify to him the names of the representatives of such employes; and such board shall determine the names of such representatives in the manner provided in Section 9 of the National Labor Relations Act and shall certify such names to the Secretary.

Fact-Finding Boards

Sec. 3. (A) At any time within five days after the date of such certification by the Secretary of Labor, the President, in his discretion, may appoint a board to investigate such labor dispute and to make a report containing its findings of fact and recommendations with respect to such dispute.

Such board shall be composed of three or more persons, none of whom has any pecuniary or other private interest in the employers or employes who are parties to the dispute. The board shall proceed expeditiously to make a thorough investigation of all facts which it deems relevant to the dispute. The board shall give the parties to the dispute a full and fair hearing, which shall include an opportunity to present evidence in support of their claims and an opportunity to present their case in person, by counsel, or by their representatives.

Within twenty days after the date of its appointment, the board shall submit to the President a report containing its finding of fact and such recommendations concerning the dispute as the board deems appropriate. The time for submitting the report of the board may be extended by agreement of the parties, or their representatives, with the approval of the President. Any agreement extending such time shall be published in the Federal Register.

(B) The provisions of Section II of the National Labor Relations Act (relating to the investigatory powers of the National Labor Relations Board) shall be applicable with respect to any board appointed under this section, and its members and agents, and with respect to the exercise of their functions, in the same manner that such provisions are applicable with respect to the National Labor Relations Board and the powers vested in it by Sections 9 and 10 of the National Labor Relations Act.

Sec. 4 (A) During the period of five days following the date in which the Secretary of Labor makes a certification to the President under Section 2 with respect to a labor dispute, and, if a board is appointed under Section 3 to make an investigation concerning such dispute, during the period beginning when such board is appointed and ending five days after the date on which it submits its report—

(1) The parties to such dispute shall continue or resume work and operations under the terms and conditions of employment which were in effect immediately prior to the beginning of such dispute, except that such terms and conditions may be changed by agreement between the parties, and

(2) It shall be unlawful for any person to coerce, instigate, induce, conspire with, or encourage any person to interfere with or prevent such work or operations by lock-out, strike, or otherwise, or to aid any such lock-out or strike or other means of interfering with or preventing such work or operations by giving direction or guidance, or by providing funds for the conduct or direction thereof or for the payment of strike or other benefits to those participating therein.

(B) Nothing in this act shall be construed to require an individual employe to render labor or service without his consent, nor shall anything in this act be construed to make the quitting of his labor or service by an individual employe an illegal act; nor shall any court issue any process to compel the performance by an individual employe of such labor or service, without his consent.

Exemption

Sec. 5. Nothing in this act shall be applicable with respect to any labor dispute subject to the provisions of the Railway Labor Act, as amended.

Appropriations

Sec. 6. Such appropriations as may be necessary for carrying out the provisions of this act are hereby authorized.

Chase Bank Resumes In China Cities

Resumption of banking operations at Hong Kong, Shanghai and Tientsin is announced by The Chase Bank, affiliate of the Chase National Bank of New York. Remittances to Hong Kong already are being made and the bank expects to be able to handle them for Shanghai and Tientsin in the immediate future. The Chase branches were reopened in the same buildings occupied prior to the war. Officers who previously had served in these branches left New York in October to prepare for reopening.

Warns Against Optimism on Latin American Trade

(Continued from page 2880)

spree of foreign consumption articles. Moreover, there has been almost everywhere a good deal of price inflation which at a later stage may have to be corrected through some degree of exchange depreciation.

Declaring that steps must be taken to raise our normal demand for Latin American imports, including that for finished articles, Mr. Foa said that the purchasing projects at present planned or operated by large U. S. export interests are important and welcome but that they should not lead to barter or to "compensated" trade. It is essential, he pointed out, that "we continue to extend a reasonable degree of assistance to the economy of the other American republics so as to mitigate the impact of the transition to peace conditions and to persuade our Latin American friends that the good neighbor policy is an economic no less than a political reality. The growth and consolidation of political democracy throughout the hemisphere is also essential to permit economic development along healthy lines and to raise standards of living and long range, effective demand," he concluded.

New Basis Allowed for Seeking Price Rise

Without specifying a requirement that the Office of Price Administration grant requests for higher price ceilings because of his findings, Stabilization Administrator John C. Collet released a statement that any pay increase raising wages up to 33% above January 1941 levels may be used as a basis for seeking higher prices. The announcement stated that the stabilization agency, which in most cases, according to the Associated Press in its Washington report of Dec. 5, would be the War Labor Board, may approve pay rises to the extent of 33% above January, 1941, and the emloyer "may use these increases as a basis for seeking an increase in price ceilings or for increasing costs (of his product) to the Government."

From the Associated Press we also quote: Mr. Collet said the Labor Department had advised him that a wage increase of 33% most accurately reflects the increase in the cost of living since January, 1941. Average straight time hourly earnings in all manufacturing industries, however, have risen 40.5% since them, according to Labor Department figures.

Observers noted that General Motors, in countering the CIO United Auto Workers union demand for a general 30% increase had offered to raise the rates on all jobs by 30% over 1941 in all cases where such increases were not already in effect. C. E. Wilson, company President, estimated that this would bring at least a 10% increase.

Price increases are to be limited "to the fullest practicable extent" to cover only wage increases which the employer already has put into effect.

The regulations provide that stabilization agencies shall not consider a proposed wage or salary increase which appears to be conditioned on obtaining higher prices, Mr. Collet said.

New Developments Discussed

By ROGER W. BABSON

Economist Currently Cites New Products for Builders and Manufacturers, and Textiles Treated With a Water-Resistant Wax Emulsion. Looks for Further Improvement in Packaging and Shipment of Frozen Foods and Improved Transportation and Communications, Particularly the Helicopter. Sees New Fields for Veterans.

I am in New York calling on some of my optimistic friends who are hopeful of very good times just ahead of us. In addition to the usual arguments as to the tremendous backlog of orders, the billions of cash awaiting an opportunity to buy merchandise and the possibilities of atomic energy, they throw at me various other things upon which they have been working. Some of them—by no means all—I submit below:

Roger W. Babson

New Ideas for Builders and Manufacturers

Builders may soon be discussing the merits of new "lumber". This will be made from pulp and perhaps from a mixture of excelsior and portland cement. Also, a new cement is being developed for use in concrete flooring which will be as strong but much lighter in weight. It should reduce the amount of steel in buildings. There also is a possibility of concrete which will bend but not break.

Textiles will soon be treated with a wax emulsion which, when added to rinse water, makes clothing water-resistant. Also there is a new process which makes cotton fabrics proof against rot, fungus and mildew without changing their appearance. A new asphalt or oil treatment of sole leather, adaptable to cemented shoes, may greatly increase wear.

Good News for Housewives

The packaging of frozen foods, which have become a "must" for many housewives, is due for a speeding up. Fishing vessels and slaughter houses will be equipped for the immediae processing and freezing of fish, meats and poultry. A new can, the sides of which are fiberboard and the ends tinplate, may revolutionize the frozen food industry.

Cargo and express will be dropped by a parachute shaped like half a baseball cover. So we may expect to have shipments delivered in an improved condition. An appliance manufacturer tells of an electric washing machine which, in addition to washing clothes, has attachments by which dishes may be washed, potatoes peeled, ice cream frozen and even butter churned!

Improved Transportation and Communications

A bus company operating here through my community has applied for a helicopter franchise. Helicopters will have air-cooled motors, counterrotating blades and three road wheels. A PV-3 helicopter, with a long fuselage with a motor on each end, is now being tested by the Coast Guard and Navy. It carries twelve passengers. Regular planes are now being made to travel over 500 miles an hour at an altitude of 100 miles.

Printing is about to enter into a new field. One of the most recent uses for the process of printing is to print electrical circuits on heavy paper with lines of metallic conductive ink, as a substitute for wires in low-priced radio sets. Television, too, will soon become a part of daily living. One New York department store has announced that it is ready to install three television studios in its store.

Further Developments

Britain has developed and used a method by which airfields are cleared of fog through the burning of many gasoline jets. The process is known as "Fido" which means "Fog Investigation Dispersal Operation". Germany has hit upon a process for extracting ethyl alcohol from wood waste. Furthermore, we hope to preserve aquatic life through the use of a new method of disposing of paper-pulp-mill waste which will make these substances harmless.

Shortly after the first of next year I will make a much more complete summary of new developments which have gone forward during 1945. Returning veterans and others interested in getting into new fields of endeavor should watch for this review.

Offer of Brazilian Debt Readjustment

Brazilian Treasury Delegate Mario da Camara announced on Dec. 7 that he is notifying holders of outstanding dollar bonds of the United States of Brazil that the offer of debt readjustment will expire on Dec. 31, and that there will be no extension of the offer beyond that date. Under the readjustment plan, holders of the bonds may elect to accept either Plan A or Plan B. As provided in the offer, any bond to which such election has not been made by Dec. 31, 1945 will be treated as if it had in fact been presented in acceptance of Plan A.

Commenting on the alternative offers, Delegate da Camara issued the following statement on Dec. 7:

"It has come to my attention that various holders of Brazilian bonds are under the impression that, if they refrain from taking affirmative action to accept Plan B under the Brazilian Debt Adjustment Offer, their Bonds will automatically become qualified under Plan A at the termination of the Option Period on Dec. 31.

"This is only partially true; for the reason that, although after that date only Plan A will be applicable to their bonds, they will not receive any interest thereon or any benefit of any sinking fund until such bonds have actually been presented to the appropriate Special Agents for stamping in accordance with the provisions of the Offer.

"Thus, sooner or later they must take some action with respect to their bonds, whether under Plan A or Plan B; and they will still have opportunity of electing between the two plans if they act on or before Dec. 31. After Dec. 31, it will be too late to elect Plan B. All holders of Brazilian bonds who have not yet affirmatively elected either of the plans should review again the relative merits thereof before it is too late, and, in any event, should act promptly in making their election, so as to avoid unnecessary delays in receiving the benefits of the plan elected.

"The notice issued today by order of the Minister of Finance indicates that Dec. 31, 1945 will be the definite termination date for the Option Period, except for those persons who are able to prove to the satisfaction of the Minister of Finance that, by reason of circumstances beyond their control, they have been unable to present their bonds in New York before Dec. 31."

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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. 15

STATE STREET INVESTMENT CORP. on Nov. 26 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 by issuer.

Details—See issue of Nov. 29.

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.

O'SULLIVAN RUBBER CORP. on Nov. 26 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.

Details—See issue of Nov. 29.

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.

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.

SUNDAY, DEC. 16

WOODALL INDUSTRIES, INC. on Nov. 27 registered 100,000 shares of 5% cumulative convertible preferred shares, par $25.

Details—See issue of Nov. 29.

Offering—The price to the public will be filed by amendment.

Underwriters—Paul H. Davis & Co. is named principal underwriter.

MONDAY, DEC. 17

THE CONSOLIDATED, INCORPORATED, English name of La Consolidada, S. A., a Mexican corporation, on Nov. 28 filed a registration statement for 166,667 American preferred shares and 614,667 American common shares. The underlying shares consist of 166,667 shares of 6% cumulative preferred, par 75 pesos, and 614,667 shares of common, par 25 pesos.

Details—See issue of Dec. 6.

Offering—Company is offering 166,667 Mexican preferred shares at 75 pesos per share to the holders of Mexican common stock on a pro rata basis. American preferred shares will be issued against any Mexican preferred shares not subscribed for and will be purchased by the underwriters for offering in the United States at a price to be filed by amendment. The preferred shares are convertible to and including Dec. 31, 1950, unless previously redeemed, into American common stock on a share for share basis.

Underwriters—Shields & Co. head the underwriting group.

SUBURBAN PROPANE GAS CORP. on Nov. 28 filed a registration statement for $4,500,000 12-year 4¼% sinking fund debentures, due Dec. 1, 1957, and 493,155 shares of common stock (par $1).

Details—See issue of Dec. 6.

Offering—The prices to the public will be filed by amendment.

Underwriters — Eastman, Dillon & Co. heads the underwriting group.

SEATTLE GAS CO. on Nov. 28 filed a registration statement for $4,800,000 first mortgage bonds due Jan. 1, 1976. The interest rate will be filed by amendment.

Details—See issue of Dec. 6.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of the underwriters filed by amendment.

TUESDAY, DEC. 18

GULF PUBLIC SERVICE CO., INC., on Nov. 28 filed a registration statement for 312,500 shares of common stock ($4 par). The shares are issued and are being sold by certain stockholders.

Details—See issue of Dec. 6.

Offering—The price to the public will be filed by amendment.

Underwriters—To be named by amendment.

INDIANA STEEL PRODUCTS CO. on Oct. 29 filed a registration statement for $1,000,000 12-year 5% sinking fund debentures with warrants to purchase common stock, and 40,000 shares of common (par $1), reserved for exercise of common stock purchase warrants.

Details—See issue of Dec. 6.

Offering—The company is offering to the holders of its outstanding shares of 6% convertible preferred stock, which have been called for redemption on Dec. 29, 1945, the opportunity to exchange the preferred at the redemption price of $22 per share, for debentures, with warrants, at par, with cash adjustments for accrued dividend on preferred and accrued interest on the debentures. The underwriters are initially offering $340,000 of debentures, with warrants, for cash sale to the public at a price to be filed by amendment but not less than 102½.

Underwriters—Brailsford & Co., Chicago, and Kalman & Co., Inc., St. Paul.

GENERAL SHAREHOLDING CORP. on Nov. 29 filed a registration statement for $2,650,000 3% debentures, due Dec. 1, 1960.

Details—See issue of Dec. 6.

Offering—The price to the public will be filed by amendment.

Underwriters — Union Securities Corp. heads the underwriting group.

WEDNESDAY, DEC. 19

PARKS AIRCRAFT SALES & SERVICE, INC., on Nov. 30 filed a registration statement for 457,020 shares of common stock, par $1.

Details—See issue of Dec. 6.

Offering—The stock will be offered first to stockholders (except Parks Air College, Inc.), on a basis of three shares for each one then owned, and to the stockholders of Parks Air College, Inc., on the basis of 1.75 shares for each share of Parks Air College then owned. The offering price is $3.27 a share.

Underwriters — No underwriting — The stock is being offered solely by the company.

SATURDAY, DEC. 22

ELECTRONIC CORP. OF AMERICA on Dec. 3 filed registration statement for 70,000 shares 55 cent cumulative convertible preferred and 100,000 shares common stock $1 par.

Details—See issue of Dec. 6.

Offering—Preferred stock $10, common stock $5.

Underwriters—First Colony Corp., Simons, Linburn & Co., Childs, Jeffries & Thorndike, Coburn & Middlebrook, Grubbs, Scott & Co., Hirsch & Co. and Irving J. Rice & Co.

GOLDBLATT BROS., INC., has filed a registration statement for 25,000 (maximum) memberships in the savings and profit sharing plan of the company.

Address—Chicago, Ill.

Business—Operates a chain of department stores.

Underwriting—No underwriter.

Offering — Participating employees to contribute 5% of their salaries for each year, but $250 is maximum any one member may contribute for one year. Aggregate contributions to be made during the thirty months period following effective date of registration statement estimated not to exceed $1,000,000.

Proceeds—Members' contributions to be used to purchase U. S. savings bonds.

Registration Statement No. 2-6034. Form A-2 (12-3-1945).

SUNDAY, DEC. 23

MAREMONT AUTOMOTIVE PRODUCTS, INC. on Dec. 4 filed a registration statement for $1,000,000 4% sinking fund debentures, due Dec. 1, 1960. Price to public to be offered by amendment.

Details—See issue of Dec. 6.

Offering—Price to public to be offered by amendment.

Underwriters—Kebbon, McCormick & Co., Chicago.

McCRORY STORES CORP. has filed a registration statement for 60,000 shares of cumulative convertible preferred stock, par $100, and 150,000 shares of common stock, par $1. In addition 150,000 shares of common were registered which are reserved for conversion of the preferred stock. The dividend rate on the preferred will be filed by amendment

Address—1107 Broadway, New York, N. Y.

Business—Operates 200 retail stores in 23 States and the District of Columbia.

Offering—The 60,000 shares of preferred will be initially offered to holders of its common stock of record Dec. 27. Holders of a certain number of common shares (including United Stores Corporation) have agreed to waive their rights to subscribe and the shares of new preferred to which they would otherwise be entitled to subscribe will be sold to the underwriters, except for a small number of shares to the remaining common stockholders so as to make possible the ratio which will be filed by amendment. The underwriters have agreed to purchase any shares of new preferred which are not subscribed for by common stockholders. The underwriters also will purchase at $22 per share any of the 150,000 shares of common which are not purchased by the holders of 5% cumulative preferred stock pursuant to the common stock purchase warrants attached to such shares of stock, except the shares of common reserved for issuance upon exercise of fractional warrants which will remain valid until December 1, 1946. According to the registration statement the company on Dec. 14, 1945, will redeem all of its $2,625,000 3¼% sinking fund debentures, and will call for redemption all its 5% cumulative preferred.

The offering price of the new preferred will be filed by amendment.

Proceeds—The net proceeds to be received from the sale of 60,000 shares of new preferred and the 150,000 shares of common covered by common stock purchase warrants attached to the 5% cumulative preferred stock will be used, to the extent necessary, to redeem the outstanding 60,000 shares of 5% cumulative preferred at $107.50 per share which, exclusive of accrued dividends, will require $6,450,000. The balance of proceeds will be added to the corporation's general funds.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., head the underwriting group.

Registration Statement No. 2-6036. Form S-2 (12-4-45).

MONDAY, DEC. 24

NEW YORK DOCK CO. has filed a registration statement for $12,000,000 first mortgage 3½% bonds due Dec. 15, 1970.

Address—44 Whitehall Street, New York, N. Y.

Business—Falls into three principal divisions, the rental and operation of steamship piers and wharves, the renting of industrial building space and the furnishing of warehousing services.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be used with general funds of the company, for the retirement on February 1, 1946, of all of its first mortgage 4% gold bonds due Aug. 1, 1951, in the principal amount of $10,000,000, excluding $981,000 reacquired, together with premium and interest thereon of $700,000, and for the payment of a bank loan of $1,525,000.

Underwriters—The underwriting group will be headed by Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Registration Statement No. 2-6037. Form S-1. (12-5-45).

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 125,000 shares of common stock (par $1).

Details—See issue of Nov. 8.

Offering—Offering price to public, $16 per share.

Underwriters—R. H. Johnson & Co. heads the underwriting group.

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 Funice 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.

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.

Details—See issue of Nov. 22.

Issue Awarded—Bonds awarded Dec. 11 to Morgan Stanley & Co. on bid of 101.6799 for a 2¾% coupon rate.

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.

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.

CENTRAL POWER & LIGHT CO. on Nov. 23 filed a registration statement for 100,000 shares of preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Nov. 29.

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.

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.

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.

FANSTEEL METALLURGICAL CORP. on Nov. 20 filed a registration statement for common stock, without par value, the number of shares to be filed by amendment.

Details—See issue of Nov. 29.

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.

Underwriters—Hallgarten & Co., is the principal underwriter.

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.

Offering—Stockholders have until 3 p. m., EST, Dec. 21, to subscribe to 42,180 additional common in ratio of 1 new for each 4 shares held at $10.25 per share. Of shares registered additional 50,000 are under option to management and key personnel at average price of $7.50 per share and 3,364 shares are to be issued in exchange for stock of B. A. Proctor Co., Inc.

Underwriters—None named.

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.

Bids Invited—Company will receive bids for the purchase from it of the bonds at 90 Broad St., N. Y. City up to 11 a. m., EST, Dec. 17 the interest rate to be specified in the bid.

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.

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.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.

Details—See issue of Nov. 29.

Offering—The price to the public is $10 per share.

Underwriters—None. The securities are being offered by the corporation.

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.

PRESSED STEEL CAR CO., INC., on Nov. 19 filed a registration statement for 85,955 shares of 4½% cumulative convertible preferred stock, series A, par $50.

Details—See issue of Nov. 29.

Offering—The company is offering to holders of its common stock of record Dec. 7 the right to subscribe to the 85,955 shares of 4½% preferred at the rate of one share of preferred for each 11 shares of common held. Subscription rights are exercisable on or before Dec. 21, 1945, at $50 per share.

Underwriters—Kuhn, Loeb & Co. heads the underwriting group.

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.

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.

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 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.

Details—See issue of Nov. 29.

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.

Underwriter — George F. Breen, New York, is named underwriter.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 113,468 shares of class A stock (no par).

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 F. Burnside & Co., New York

WASHINGTON GAS LIGHT CO. on Nov. 14 filed a registration statement for 40,000

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INDEX

Illinois Securities Section on pages 2882 and 2883; Wisconsin on page 2884.

Nov. Steel Output Up

Steel production in November was above the 6,000,000-ton level for the first time since July, as the industry recovered from the adverse effects of the coal strike which crippled production in October, the American Iron and Steel Institute announced on Dec. 10.

A total of 6,246,759 tons of ingots and steel for castings was produced during the month, compared with a revised total of 5,597,782 tons in October and 7,278,719 tons in November, 1944.

Steel operations during November averaged 79.5% of capacity, compared with 69.0% of capacity in October and a 94.3% rate of operations in November 1944.

An average of 1,456,121 tons of steel was produced per week during November, as against a revised figure of 1,263,608 tons per week in October and 1,696,671 tons in November of last year.

For the first eleven months of 1945, steel ingot production aggregated 73,706,031 net tons compared with 82,275,405 in the corresponding period last year, or 8,569,374 tons less.

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. Exchange rights expire Dec. 15. Unexchanged through underwriters at $104 per share.

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.

WELCH GRAPE JUICE CO. on Nov. 23 filed a registration statement for 20,392.8 shares of second preferred stock, par $100.

Details—See issue of Nov. 29.

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.

Underwriters—None mentioned.

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—Company will offer warrants to shareholders of record Dec. 10 for the purchase of 108,489 shares at $20 a share. They will be permitted to buy one share for each four shares held. Warrants expire Dec. 18. An additional 25,436 shares will be offered through options to employees and others at $16.50 a share. These options expire on Dec. 1, 1947.

An additional 6,359 shares will be offered to employees and officers at $20 through subscription warrants on basis of one for four. Subscription warrants issued when options are exercised will be transferable and will expire on the 18th day following their issue.

Underwriters—It is not contemplated that the issue will be underwritten.

WILSON & CO., INC., on Sept. 10 filed a registration statement for 250,000 shares of cumulative preferred stock and an unspecified number of common shares.

Holders of $6 preferred stock have until Dec. 17 rights to exchange up to 250,000 shares for a like number of new $4.25 shares of preferred stock and to exchange [illegible] common stock on the basis of 5½ common shares for each share of $6 preferred.

Underwriters—Smith Barney & Co. will underwrite for public sale any unsubscribed new preferred stock.

Spinney Warns Against Expecting Govt. Benefits

Predicting that Canadians will continue to expect more and more in the way of Government assistance, George W. Spinney, President of the Bank of Montreal, warned on Dec. 3 that "the Government can distribute no benefits that individuals, through their labor, do not provide." Addressing stockholders at the bank's 128th annual meeting, Mr. Spinney conceded that there was a place for social security measures in the Canadian economy, provided they are soundly conceived and wisely administered. "However," he added, "we deceive ourselves and others if we accept and promulgate the idea that security can emanate effortlessly from Government, acting in the role of benevolent and bountiful provider."

B. C. Gardner, General Manager, reported to stockholders on what was probably the most active year in the history of the bank. He revealed that the Bank of Montreal, because of the importance of trade in the post-war economy, had undertaken an extensive survey of foreign banking arrangements with a view to facilitating the trading operations of its customers.

In a review of the broad situation facing Canadians at the start of the post-war period, Mr. Spinney said many problems remained to be solved, but added that few countries could step from the realm of planning to performance under such favorable conditions as Canada enjoyed. One problem facing Canadians, he said, is the task of maintaining wartime controls where necessary during the transition period, while at the same time keeping a close watch to see that such controls do not remain so long as to hinder a complete reconversion to a peacetime economy. Necessity for maintenance of some control, he said, lay in the fact that inflationary pressures now are, if anything, more intense and more fraught with potential danger than at any time during the war. The need for continuance of checks against inflation, he pointed out, remains as a challenge to the good sense of Canadians and "the manner in which we meet that challenge will determine whether we tackle the tasks of reconstruction against a background of stable monetary conditions or in the turbulent atmosphere of inflationary boom and subsequent collapse." At the same time, he said, Canadians should not lose sight of the fact that just as an expanded productive activity is the basis of material welfare, so is it also the ultimate safeguard against inflation.

Mr. Gardner told shareholders that the pattern of general business activity in Canada was, to an increasing degree, becoming influenced by the processes and problems of reconversion. Indices of production and employment had been declining since midyear, but indications were that the contraction in economic activity had been "of a very moderate nature." "While further contraction of economic activity must be expected before the reconversion process is complete," he said, "the immediate outlook has its reassuring aspects. Retail trade continues at very high levels. Accumulated demands for consumers' durable goods and for housing are potent influences tending to cushion the shocks of the adjustment period. It is noteworthy also that, according to Government data, there had been a considerable transfer of workers from wartime to civilian occupations well before the end of the war itself."

In the "very important field" of export trade he found the outlook "complicated." He said it is apparent that for some time to come much of Canada's export trade would have to be financed by credit arrangements between the Dominion Government and the governments of other countries; and "this emphasizes the urgency of reestablishing conditions in which the processes of trade may be restored to a real and mutually advantageous exchange of goods between Canada and other nations."

Urges "Prudent Investor" Rule

(Continued from page 2879)

be ahead and more discretion should be allowed."

"Without question," Madeira declared, "the life tenant benefits by the use of the Prudent Investor Rule because the income received from common stocks will obviously be greater than that which can be obtained from nearly any class of security on the legal list, excepting mortgages, the latter now being almost impossible to obtain. Our bank is operating a common trust fund for estates where it has discretionary powers and which at the moment has a heavy investment in government bonds. Despite that, the yield to a beneficiary is almost 4%, and the fund shows a very substantial appreciation in principal. No such result is possible with an estate limited to legal investments.

"Over a period of time it is likely that remaindermen are also helped by the Prudent Investor Rule, because, inevitably, some legal securities suffer a loss in every cycle of depression, and any loss in principal to an estate can never be made up if the trustee is confined to fixed income investments. Unless purchased at or near the top of an inflationary period, good common stocks tend to increase in value over the years, and consequently, this capital gain in these securities will offset losses in other investments, and tend to protect the remaindermen. It is interesting to note that even after 115 years of the rule in Massachusetts, there seems to be no definite opposition to it on the part of the remaindermen.

"Any good trustee today likes to give a real service to his beneficiaries and to do something more than fill up his estate with 2½% government bonds, the yield on other 'legals' being so little more that it is hardly worth while to make the distinction."

Non-Farm Mortgage Financing Up in Nine Mos.

Exceeding totals for the same period last year by some 16%, the nation's non-farm mortgage financing for the first nine months of 1945 reached nearly $4,000,000,000, according to a statement from the Federal Home Loan Bank Administration on Nov. 17. The figures are based on reports of non-farm mortgages of $20,000 or less recorded in all parts of the country. Indications are that for all of 1945 the mortgage lending total will pass the post-depression peak for any year's lending activity, established in 1941, the report said.. It is further stated:

Recordings last September amounted to $464,157,000, representing a seasonal decline of 5% from August but 11.5% above the totals for September, 1944. Miscellaneous lenders showed the greatest August-to-September drop, almost 9%, while mutual savings banks virtually maintained their level. Loans recorded by life insurance companies and by "individuals" declined about 7% and savings and loan associations' totals were off 5% from August.

All 12 Federal Home Loan Bank districts reported declined from August to September, except New York, Pittsburgh, Des Moines and Winston-Salem (N. C.) regions. The sharpest recession, 16%, came in the Los Angeles bank district. However, all Federal Home Loan Bank regions reported rises over September 1944 figures.

Following are the number and amount of mortgages recorded during the first three quarters of 1945, by type of lender:

	No.	Amount (000's Omitted)	%
Savings and loan associations	408,761	$1,403,161	35
Insurance cos.	33,697	177,030	4
Banks & trust cos.	208,837	755,368	19
Mutual savs. bks.	35,216	144,697	4
Individuals	366,712	1,022,144	26
Misc. lending institutions	120,567	477,293	12
	1,173,790	$3,979,693	100

Sarles, Gilbertson With Otis & Co. Staff

Otis & Co. (Incorporated) announce that Kenneth D. Sarles has become associated with the firm in its New York office, 120 Broadway. Mr. Sarles was formerly associated with Kean, Taylor & Co., and Stranahan, Harris & Co.

George B. Gilbertson, Lieutenant Commander, U.S.N.R., having been released from active duty, has rejoined the Otis & Co. organization and will be located in New York.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 62½c. per share on its new $25.00 Par Value Common Stock, payable December 31, 1945 to Stockholders of Record at the close of business December 15, 1945. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business December 15, 1945 until January 2, 1946.

ROBERT B. BROWN, Treasurer.

ARKANSAS WESTERN GAS COMPANY
Dividend Notice
Common Stock

The Board of Directors of Arkansas Western Gas Company has declared a dividend of twenty cents (20c.) per share on the common stock, payable December 15, 1945 to stockholders of record at the close of business on December 1, 1945. Checks will be mailed from the First National Bank of Chicago on or about December 15, 1945.

L. L. BAXTER, President

CORN BELT ROUTE

CHICAGO GREAT WESTERN RAILWAY COMPANY
Preferred Stock Dividend

A dividend of 62½c a share has been declared on the 5% Preferred Stock of this Corporation, payable on December 28, 1945, to stockholders of record at the close of business December 18, 1945. Checks will be mailed.

B. F. PARSONS,
Secretary

Chicago, Illinois, December 4, 1945

EATON & HOWARD
BALANCED FUND

The Trustees have declared a dividend of 20 cents a share payable December 24, 1945 to shareholders of record at the close of business December 8, 1945. The dividend previously declared from capital gains is also payable on December 24, 1945

Dec. 13, 1945 24 Federal Street, Boston

EATON & HOWARD
STOCK FUND

The Trustees have declared a dividend of 14 cents a share payable December 24, 1945 to shareholders of record at the close of business December 8, 1945. The dividend previously declared from capital gains is also payable on December 24, 1945.

Dec. 13, 1945 24 Federal Street, Boston

DIVIDEND NOTICES

THE ELECTRIC STORAGE BATTERY COMPANY

181st Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a final dividend for the year 1945 of fifty cents ($.50) per share on the Common Stock, payable December 31, 1945, to stockholders of record at the close of business on December 17, 1945. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, December 7, 1945

THE GARLOCK PACKING COMPANY

December 11, 1945

COMMON DIVIDEND No. 278

At a meeting of the Board of Directors, held this day, a quarterly dividend of 50¢ per share was declared on the common stock of the Company, payable December 28, 1945, to stockholders of record at the close of business December 18, 1945.

R. M. WAPLES, *Secretary*

GUARANTY TRUST COMPANY OF NEW YORK

New York, December 5, 1945.

The Board of Directors has declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending December 31, 1945, payable on January 2, 1946, to stockholders of record at the close of business December 12, 1945.

MATTHEW T. MURRAY, JR., Secretary.

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

December 7, 1945

THE Board of Directors on December 6, 1945 declared a regular quarterly dividend of 37½c and an extra dividend of 12½c per share on the outstanding Common Stock of the Company, payable December 31, 1945 to stockholders of record at the close of business December 11, 1945. Checks will be mailed.

CHARLES C. MOSKOWITZ
Treasurer.

OFFICE OF
LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on December 7, 1945, declared a quarterly dividend of thirty-seven and one-half cents (37½c.) per share on the Class A Common Stock of the Company for the quarter ending November 30, 1945, payable by check December 26, 1945, to stockholders of record as of the close of business December 17, 1945.

At the same meeting a dividend of twenty-five cents (25c.) per share was declared on the Class B Common Stock of the Company, for the quarter ending November 30, 1945, payable by check December 26, 1945, to stockholders of record as of the close of business December 17, 1945.

G. W. KNOUREK, Treasurer.

New York & Honduras Rosario Mining Company
120 Broadway, New York, N. Y.

December 12th, 1945.

DIVIDEND NO. 373

The Board of Directors of this Company, at a meeting held this day, declared a dividend of One Dollar and Fifty Cents ($1.50) per share on the outstanding capital stock, payable on January 3rd, 1946, to stockholders of record at the close of business on December 24th, 1945. This distribution represents the final dividend in respect of earnings for the year 1945.

WILLIAM C. LANGLEY, Treasurer.

ONE COAT COVERS NU-ENAMEL NO BRUSH MARKS

NU-ENAMEL CORPORATION
Notice of Dividends
COMMON STOCK

The Board of Directors of this Corporation has declared an EXTRA DIVIDEND of 10 cents a share on the common stock, in addition to the REGULAR QUARTERLY DIVIDEND of 10 cents a share. Both will be paid January 4, 1946, to the stockholders of record at the close of business December 20, 1945.

Checks will be mailed.

O. M. NORBY,
Secretary-Treasurer.

UNITED FRUIT COMPANY

DIVIDEND NO. 186

A dividend of one dollar per share on the capital stock of this Company has been declared payable January 15, 1946 to stockholders of record at the close of business December 20, 1945.

LIONEL W. UDELL, Treasurer.

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Whether to Register

(Continued from page 2875)

nation was tendered after the by-law became effective, the failure to comply with such by-law by refusing to register the applicable personnel constituted a violation of the rules of the association and that, therefore, the resigning member was not in good standing, and his resignation would not be accepted.

We have been asked what, in our opinion, would be the effect of the refusal of any person to whom this by-law amendment applied, to register thereunder.

Our opinion is that under the phraseology of the by-law itself, the NASD would be compelled to rule, and would in fact rule, that the member firm which continues to employ such non-registrant was in violation of the by-law, was prohibited from so employing the non-registrant, and was subject to the filing of charges against him. Such charges would ordinarily result either in a fine, or suspension of the member, and certainly in the requirement that he dismiss all non-registrants unless he had already done so previously.

Some of our questioners have asked, "shall I register?"

Because of the entire history of the NASD, its conduct in the passage of the instant by-law, and the leverage of arrogated power exercised by it, we have said **no.**

We are aware that as to the employees of member firms, this is no simple matter.

We know that consequences flowing from the failure to register may entail considerable hardships, that it may involve loss of time, loss of some compensation, and in many instances, loss of a job, yet we continue to say no, to those who seek our advice.

This regimentation of employees who have not been consulted, continues to be one of the most outrageous invasions of private rights that has yet come to our attention.

Somewhere along the line it must be stopped, and to us it seems that the threshold is the place at which to do it.

Champions of freedom were not wanting in our pioneering days.

Then there existed no such ambitious plans as we have today, for freedom of the world. Since the present scope of our planning is greater, so must also be our espousal of the cause of freedom.

Too many of our rights are going by default. This must be halted or it will return to plague us.

Those in the securities field, like sheep, are being led into stockades and gradually shorn of their liberties.

Since we regard the amendment of the NASD dealing with registration one of the most startling instances of such shearing, our advice to those who are affected, because they were not consulted in the first instance, is that they display the courage of true lovers of freedom and refuse to register.

It would seem to us desirable that the entire issue be placed before the Courts. Once and for all the industry should know where it stands and to what degree, if at all, the Courts will permit regimentation and the placing of restraints upon employment.

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